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Business Report

(The 25th Fiscal Year)
From 01 January 2023 to 31 March 2023

To: The Financial Services Commission

Korea Exchange

13 March 2024

Type of corporation for submission: Listed company

Occurrence of exemption reason: Not applicable

Company name: LX Semyon Co., Ltd.

Representative director: Son Bo-Ik

Address of the headquarters: 222 Techno 2-ro, Yuseong-gu, Daejeon, Korea

(Tel) 02-6924-3114

(Webpage) <http://www.lxsemicon.com>

Person responsible for this report: (Position) CFO (Name) Lee Hyuk-Joo

(Tel) 02-6924-3114

【Confirmation by Representative Director】

Confirmation and Signature of Representative Director

Letter of Confirmation

As the representative director and the director in charge of reporting duties of the company, after careful scrutiny and verification of the contents of this disclosure document, the Company confirms that there are no omissions or false statements in important disclosures or representations, and that there are no contents that could lead to significant misunderstandings by users of the information provided in this disclosure document.

The Company also hereby confirm that the Company has established and manages its internal accounting management system based on Article 8 of the Act on External Auditors of Share Companies.
(Limited to the companies subject to external audit based on Article 8 of the same Act)

13 March 2024

LX Semicon Co., Ltd.

Representative Director Son Bo-Ik (Signature)

Director of Reporting Kim Hun (Signature)

I. Company Overview

1. Company Overview

A. Outline of consolidated subsidiaries

(1) Consolidated subsidiaries (Summary)

(Unit: Companies)

Category	Number of consolidated companies				Number of major subsidiaries
	1 January	Increase	Decrease	31 December	
Listed	-	-	-	-	-
Unlisted	3	-	-	3	-
Total	3	-	-	3	-

※ Refer to Detailed Table -1 Consolidated Subsidiaries (Detailed).

(2) Changes in consolidated companies

Category	Subsidiary	Reason
Newly consolidated	-	-
	-	-
Excluded	-	-
	-	-

B. Legal and commercial name of the Company

The Company's name is LX Semicon Co., Ltd.

C. Date of establishment

The Company was established on 11 November 1999.

D. Address, telephone number and website of the headquarters

Address: (H.Q) 222 Techno 2-ro, Yuseong-gu, Daejeon, Korea

Tel: 02-6924-3114

Webpage: <https://www.lxsemicon.com>

E. Whether the Company is an SME

Whether the Company is an SME	Not applicable
Whether the Company is a venture company	Not applicable
Whether the Company is a mid-sized enterprise	Not applicable

F. Major areas of businesses

As a fabless company specializing in semiconductor design and sales, the Company is engaged in design, manufacturing, and sales of system semiconductor as its main business and consists of a single System IC business division. The Company is diversifying its business portfolio by pursuing ventures in MCU, power semiconductors, and heat sink plate businesses as new growth drivers.

For the details of the Company's major business activities, refer to II. Business Activities.

G. Credit rating

In the past three years, the Company has not requested credit ratings to domestic or overseas credit rating agencies which offer ratings and private rating agency's interest rates not as in the credit inquiry business.

Share listing (or registration and designation) and special listing of the Company

Share listing (or registered/designated)	Date of share listing (or registration/designation)	Special listing type
Listed on the stock market	03 November 2022	Not applicable

*) Transferred from the KOSDAQ market (listed in June 2010) to the KOSPI market.

2. Company History

A. The headquarters location and changes of the address

11 November 1999: 4F, Jeil Bank Building, 1299 Dunsan-dong, Seo gu, Daejeon, Korea

15 December 2000: 5F, Semyung Hoekwan Building, 1299 Dunsan-dong, Seo gu, Dae jeon, Korea

04 October 2005: 104-13 Munji-dong, Yuseong-gu, Daejeon, Korea

31 January 2011 222 Techno 2-ro, Yuseong-gu, Daejeon, Korea

B. Major changes to the management

Date of change	Type of the general meeting of shareholders	Appointment		Expiration or dismissal
		Newly appointed	Reappointed	
17 Mar. 2017	Ordinary general meeting of shareholders	Representative director Son Bo-Ik, Non-executive director Min Byeong-Hun, External director Yoon Il-Goo	-	Representative director Han Dae-Keun, Non-executive director Son Bo-Ik, External director Lee Sang-Guk
16 Mar. 2018	Ordinary general meeting of shareholders	Internal director Choi Sung-Kwan, Non-executive director Jeong Hyeon-Ok, External director Shin Yeong-Soo	-	Internal director Bae Dong-Su, Non-executive director Min Byeong-Hun, External director Moon Geon-Woo
15 Mar. 2019	Ordinary general meeting of shareholders	Non-executive director Jeong Yeon-Chae, External director Wi Kyung-Woo	-	Non-executive director Jeong Hyeon-Ok, External director Lee Nam-Joo
26 Mar. 2020	Ordinary general meeting of shareholders	-	Representative director Son Bo-Ik, External director Yoon Il-Goo	-
18. Mar. 2021	Ordinary general meeting of shareholders	Non-executive director Roh Jin-Seo	Internal director Choi Sung-Kwan, External director Shin Yeong-Soo	Non-executive director Jeong Yeon-Chae
22 Mar. 2022	Ordinary general meeting of shareholders	-	External director Wi Kyung-Woo	-
23. Mar. 2023	Ordinary general meeting of shareholders	Internal director Kim Hun, External director Jung Seong-Wook	Representative director Son Bo-Ik	External director Yoon Il-Goo

*) Refer to VIII. Executives and Employees for more details on change in management.

C. Changes of the largest shareholder

According to the spin-off of LG, which was the previous largest shareholder, the largest shareholder was changed from LG Corp. to LX Holdings Co., Ltd., and the changes in the largest shareholder, etc. are described in 2. Shareholding of the largest shareholder of VII. Shareholders.

D. Change of company name

Date of change	Before change	Before change	After change
25 June 2021	Silicon Works Co., Ltd.	LX Semicon Co., Ltd.	Change of governance and improving image as a semiconductor company

*1) The date of change is the date of approval of the general meeting of shareholders for the change of Articles of Incorporation reflecting the change of company name.

*2) The effective date of the changed name is 1 July 2021.

E. Major history of LX Semicon and its connected subsidiaries

(1) LX Semicon

Date	Major contents
October 2016	Awarded the prize of sales tower 500 won billion (Daejeon City)
March 2017	Change of representative director (Han Dae-Keun → Son Bo-Ik)
October 2017	Awarded the prize of sales tower 600 billion won (Daejeon City)
May 2018	Acquired part of the System IC business from LG Electronics Co., Ltd. (All of assets and personnel related to the business of T-Con chip for OLED TV)
June 2018	Awarded the 10th Korea KOSDAQ (KOSDAQ Association) (Best Job Creation Company Award)
October 2019	Awarded the prize of sales tower 700 billion won (Daejeon City)
May 2021	Changed the largest shareholder (LG Corp. → LX Holdings Co., Ltd.)
June 2021	Changed the name Silicon Works Co., Ltd. → LX Semicon Co., Ltd.
August 2022	Selected as the best company for job creation in 2022 (Ministry of Employment and Labor)
November 2022	Transferred listing on the KOSPI market (KOSDAQ → KOSPI)
December 2022	Awarded the One Billion Dollar Export Tower on the Trade Day (Ministry of Trade, Industry and Energy)
December 2022	Acquired a Certificate as an excellent family-friendly company (Ministry of Gender Equality and Family)
January 2023	Certified as Excellent Export/Import Safety Management Company (AEO) (Korea Customs Service)

(2) LX Semicon U.S.A., Inc

Date	Major contents
October 2012	Establishment of legal entity (Paid in capital USD 500,000)
July 2021	Changed the company name (SILICON WORKS, INC. → LX Semicon U.S.A., Inc)

(3) LX Semicon China Co., Ltd.

Date	Major contents
March 2017	Establishment of legal entity (Paid in capital CNY 4,085,400)
May 2018	Capital increase with consideration (CNY 4,085,400 → CNY 13,012,920)
December 2021	Changed the company name (Silicon Works China Co., Ltd. → LX Semicon China Co., Ltd.)

(4) LX Semicon China Co., Ltd.

Date	Major contents
September 2021	Establishment of legal entity (Paid in capital JPY 30,000,000)
February 2022	Paid-in capital increase (JPY 30,000,000 → JPY 60,000,000)
May 2022	Paid-in capital increase (JPY 60,000,000 → JPY 120,000,000)
August 2022	Business relocation (address change)

3. Changes in Capital

The Company has not changed its capital for the last five years.

Changes in capital

(Unit: won, shares)

Types	Category	31 December 2023	31 December 2022	31 December 2021
Common shares	Total issued shares	16,264,300	16,264,300	16,264,300
	Par value	500	500	500
	Capital	8,132,150,000	8,132,150,000	8,132,150,000
Preferred shares	Total issued shares	-	-	-
	Par value	-	-	-
	Capital	-	-	-
Others	Total issued shares	-	-	-
	Par value	-	-	-
	Capital	-	-	-
Total	Capital	8,132,150,000	8,132,150,000	8,132,150,000

4. Total Number of Shares

The total issued and outstanding shares are 16,264,300 common shares as of the reporting date.

Status of the total number of shares

(As of 31 December 2022)

(Unit: shares)

Category	Type of shares			Remarks
	Common shares	Preferred shares	Total	
I. Total number of shares to be issued	-	-	50,000,000	-
II. Total number of shares issued so far	16,264,300	-	16,264,300	-
III. Total number of shares decreased so far	-	-	-	-
	1. Capital decrease	-	-	-
	2. Profit burning	-	-	-
	3. Redemption of redeemable shares	-	-	-
	4. Others	-	-	-
IV. Total issued shares (II-III)	16,264,300	-	16,264,300	-
V. Treasury shares	-	-	-	-
VI. Outstanding shares (IV-V)	16,264,300	-	16,264,300	-

*) According to the Company's articles of incorporation, the total number of shares that can be issued is 50,000,000, of which the limit for issuing preferred shares is 7,000,000.

5. Articles of Incorporation

A. History of changes to the articles of incorporation

Changed date	Name of shareholders' meeting	Major changes	Reason for change
15 Mar. 2019	The 20th ordinary general meeting of shareholders	Establishing electronic registration basis provisions, changing business handling details of transfer agent and adding notification contents	Preparing the basis for electronic registration and clarifying the contents of the provisions
18. Mar. 2021	The 22nd ordinary general meeting of shareholders	Revising of matters for the separate election of Audit Committee members and changing the wording to enable resolution through delegation of committees within the BOD	Revising items regarding separate election for audit officer and flexibility of regulations related to the committee
25 Jun. 2021	The 1st extraordinary general meeting of shareholders	Revising articles due to change of the company name, clarifying business purposes and changing website in notification method according to name change	Revising articles due to change of the company name
23. Mar. 2023	The 24th ordinary general meeting of shareholders	According to the amendment of the Commercial Act, the articles of incorporation explicitly stipulate the relaxation of the resolution requirements for the appointment of Audit Committee members following the introduction of the electronic voting system	In order to apply relaxed criteria when appointing Audit Committee members

B. Status of business purpose

(1) Status

The business purposes specified in the articles of incorporation are as follows as of the reporting date.

Category	Business purpose	Engagement status
1	Design, manufacture, design services, sales, maintenance, and related value-added services for semiconductors, semiconductor manufacturing equipment, and application parts	Engaged
2	Design, manufacturing, design services, sales, maintenance, and related additional services for electronic, electrical, display, and mechanical equipment-related materials, parts, modules, and accessories.	Engaged
3	Distribution such as wholesale and retail	Engaged
4	Trade business	Engaged
5	Real estate sales and leasing	Engaged
6	All businesses and investments incidental to the above items	Engaged

(2) Changes in business purpose

[Details]

Category	Date of change	Business purpose	
		Before change	After change
Amended	25 Jun. 2021	1. Design and manufacturing of semiconductor	1. Design, manufacturing, design services, sales, maintenance and related additional services for semiconductors, semiconductor manufacturing equipment, and application parts.
Amended	25 Jun. 2021	2. Design services of semiconductor and LCD	2. Design, manufacturing, design services, sales, maintenance, and related additional services for electronic, electrical, display, and mechanical equipment-related materials, parts, modules, and accessories.
Deleted	25 Jun. 2021	3. Design and manufacturing of LCD	-
Amended	25 Jun. 2021	6. Real estate leasing business	5. Real estate sales and leasing
Amended	25 Jun. 2021	7. All businesses incidental to the above items	6. All businesses and investments incidental to the above items

[Reason for change]

① Reason, purpose and necessity for the change

The Company has detailed and clarified the business purposes in the articles of incorporation, such as semiconductors, design services, and manufacturing, in order to concretize the objectives of the current business and proactively prepare for the entry into new business areas in the future.

② Proponent of the business purpose change

The change to the business purpose was carried out following a proposal from the fourth Board of Directors meeting in 2021 (11 May 2021).

③ Impact of the business purpose change on the company's main business, etc.

Business purpose 1. Design, manufacturing, design services, sales, maintenance and related additional services for semiconductors, semiconductor manufacturing equipment, and application parts.

As a system semiconductor company that mainly engages in the design, manufacture, and sales of key components that drive display panels, this change aims to enhance the business purpose of existing operations and proactively respond to potential new business opportunities.

Business purpose 2. Design, manufacturing, design services, sales, maintenance, and related additional services for electronic, electrical, display, and mechanical equipment-related materials, parts, modules, and accessories.

With the changing market trends from LCD to OLED and the transformation of the display industry, this change aims to proactively respond to these shifts.

Business purpose 5. Real estate sales and leasing

By adding real estate sales as a business purpose, the company intends to proactively prepare for future main business expansions.

Business purpose 6. All businesses and investments incidental to the above items

By adding investment as a business purpose, this change aims to proactively prepare for future main business expansions.

II. Business Activities

1. Business Overview

The Company, as a fabless company, is engaged in design, manufacture and sales of core parts that drive display panels, and consists of a single display business division.

The Company is experiencing growth primarily through products such as Driver-ICs, Timing Controllers (T-Con), and Power Management Integrated Circuits (PMIC), and is driving business diversification by pursuing new growth engines such as MCUs, power semiconductors, and heat dissipation substrates.

Our main products are Driver-ICs and T-Con that drive display panels, with the Driver-ICs accounting for 92.0% of the current fiscal year's revenue (89.5% in the previous fiscal year). Exports account for 99.4% of the current fiscal year's revenue (98.6% in the previous fiscal year).

The Company designs semiconductors to meet the requests of client companies regarding the type and specifications of products. The designed semiconductors are produced through outsourcing to foundries and specialized assembly/packaging companies that have sufficient production capabilities and technical skills, and then delivered to client companies.

2. Major Products and Services

[As of 31 December 2023]

(Unit: million won)

Business sector	Product	Product details	Major product	2023		2022		2021	
				Sales	Ratio(%)	Sales	Ratio(%)	Sales	Ratio(%)
Semi-conductor	System IC	Panel driver IC and others	Driver - IC	17,485	91.96	18,977	89.54	16,683	87.86
			Driver - IC, etc.	1,529	8.04	2,216	10.46	2,305	12.14
Total				19,014	100.00	21,193	100.00	18,988	100.00

3. Raw Materials and Facilities

A. Major raw materials

[As of 31 December 2023]

(Unit: million won)

Raw material	Purchased amount	Major supplier
Wafer, etc.	9,211	TSMC, SK hynix system ic(Wuxi), LG Innotek Co., Ltd., etc.
Processing cost, etc.	2,939	LB Semicon Co., Ltd., LB Lusem Co., Ltd., etc.

As the Company is a fabless company placing orders and commissioning semiconductor manufacturing processes and the cost for the purchase of wafers is a very important element for the management performance and it is considered to be confidential. Hence, the Company will not provide the unit cost and trends of wafer prices.

B. Manufacturing capacity and facilities

As a fabless company with no production facilities, the Company utilizes external process for the manufacturing stages after the semiconductor design. Accordingly, it has no separate manufacturing facilities and the details are not provided.

C. Commissioned manufacturing

The Company utilizes external process companies for the manufacturing stages following semiconductor design. The outsourcing processes are mainly divided into foundry (wafer consignment production) and OSAT (testing & packaging). The external process companies the Company uses have long-standing business relationships with us, and has selected companies that can stably manufacture high-quality products for outsourced operations.

4. Sales and Orders

A. Sales performance

[As of 31 December 2023]

(Unit: million won)

Business sector	Sales type	Product	2023	2022	2021
Semi-conductor	Products and others	System IC			
		Exports	18,909	20,901	18,816
		Domestic	105	292	172
	Total	Total	19,014	21,193	18,988

B. Sales channels, methods, strategies, and major customers

(1) Sales and mass production support organizations

As of 31 December 2023, the departments of the Company are composed of TI divisions (TV/IT/Display) and MS divisions (Mobile Solution), and TI and MS sales divisions under the TI department and MS department are in charge of domestic and overseas sales.

(2) Sales channels

The Company manufactures and sells products based on client orders, both domestically and internationally. From the development stage, the Company designs products according to the specifications and characteristics requested by the clients. These products are then produced by the main outsourcing companies and delivered to the clients.

Category	Sales channels
Domestic sales Overseas	Order → LX Semicon (outsourced production → shipment → delivery)

*) Domestic sales are sales within Korea

(3) Sales strategy

The Company believes that by developing new products and technologies, along with providing differentiated customer support, it can maintain a market-leading position and strengthen its customer base and expand into new customer segments. Additionally, by offering optimal solutions that are customized to the needs of its clients, the Company anticipates being able to maintain its market position.

(4) Main source of sales

The Company has two clients whose revenue from a single external customer account for more than 10% of the Company's total revenue. The revenues for the current and previous fiscal years from these clients are respectively 1,065.7 billion won (1,202.6 billion won in previous period) and 525.1 billion won (452.0 billion won in previous period).

C. Order status

The display driver chips produced by the Company vary depending on the size and characteristics of the display panels. Due to the nature of the main panel companies' purchasing policies, orders for the necessary quantities are typically placed on a regular cycle of about 10 weeks, rather than through long-term contracts, and additional orders are frequently placed as needed.

5. Risk Management and Derivatives

The Group is exposed to credit risk, liquidity risk and market risk with regard to financial instruments. Information on the aforesaid risk to which the Group is exposed is disclosed in the notes with the goal, policy, risk evaluation and management procedure, and capital management of the Group. Additional quantitative information is also disclosed throughout these financial statements.

A. Credit risk management

Credit risk refers to risk where the Group may have financial losses as customers or transactional counterpart fails to fulfill contractual obligations for financial instruments, and it may mainly break out from account receivables for customers and investment assets. The Company is trading with customers with the certain level or higher of credit rating in an effort to reduce financial losses due to default, while reviewing the credit ratings of customers with exposure to credit risk periodically. Credit risk may break out even from transactions with financial institutions as well, and the Company is in principle trading only with the banks of higher credit ranking in an effort to reduce this risk. The Company ensures that new transactions are carried out for deposits with the higher likelihood of credit risk such as trust deposits only after approval by the executive in charge. The exposure to credit risk of the Group at the end of the current period includes cash and cash equivalents, short-term financial instruments, trade receivables, and other receivables, totaling up to 526.1 billion won.

B. Management of liquidity risk

Maintaining and managing adequate liquidity is a very important matter for the Company. The Company currently maintains non-debt management and has an adequate cash level. In addition, we are making every effort to maintain and manage appropriate liquidity through periodic forecasting of funds balance,

estimating the required cash level, and managing income and expenses.

In addition to this, to mitigate liquidity risk, the Company always maintains smooth communication with financial markets to ensure early liquidity. It is also actively exploring options such as securing additional borrowing limits from financial institutions to bolster its liquidity.

C. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices.

(1) Exchange rate risk management

The Group is exposed to the exchange rate risk related to the sales profits and costs indicated in won, which is the functioning currency. The major presentation currency for these transactions is USD.

The book values of the cash assets and liabilities presented in major currencies other than the functioning currency at the end of the current and previous period are as follows:

(Unit: million won)

Category	31 December 2023	31 December 2022
	USD	USD
Assets in foreign currency	1,083.6	1,598.2
Liabilities in foreign currency	319.1	783.8

The effect of the changes in foreign exchange rate for Korean won (before income tax) as of 31 December 2023 and 2022 on the losses and gains are as follows:

(Unit: million won)

Category	31 December 2023	31 December 2022
	(If 5% changed)	(If 5% changed)
USD	±38.2	±40.7

(2) Interest rate risk

The Group is not recognizing the fixed interest rate financial instruments as the financial instruments for which the profits or losses should be recognized in the current fiscal year. Therefore, the revenues and operating cash flows of the Group are actually independent of variations in the market interest rate.

D. Capital risk management

The capital management of the Group is for maintaining the existence of the Company as a going concern, minimizing the capital cost for funding, maximizing the profits of the shareholders, and maintaining an appropriate equity structure. The Group is managing its capital based on the liability ratio. The Group manages the capital based on the ratio of liability, which is calculated by dividing the total liability in the statement of financial position with capital. The Group maintains a proper liability ratio at 23.4% as of 31 December 2023 and 2022.

E. Transaction of Derivatives

As of the reporting date, there is no relevant information.

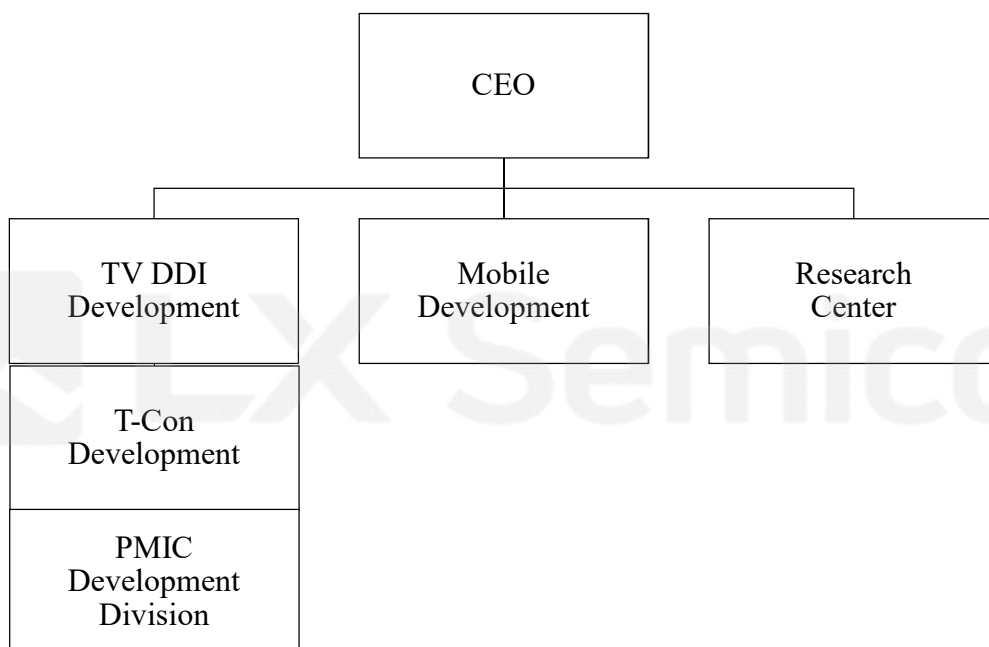
6. Major Contracts and Research

A. Major contracts in management

As of the reporting date, there is no relevant information.

B. Research and development

(1) Research and development organization



(2) Research and development expenses

(Unit: million won)

Category		2023	2022	2021
Total R&D expenses		2,198	2,108	1,714
(Government subsidies)		-	-	(0.4)
Total R&D expenses after deducting government subsidies		2,198	2,108	1,714
Accounting	Selling and administrative expenses	2,198	2,108	1,714
	Manufacturing cost	-	-	-
	Development expenses (intangible assets)	-	-	-

R&D expenses/sales ratio [R&D expenses ÷ current sales × 100]	11.6	9.9%	9.0%
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*) The percentage of sales was calculated based on the total amount of R&D expenses before deducting government subsidies.

(3) Performances in research and development

The Company is specializing in display components and has secured a variety of product technologies over the entire area of displays from components for IT products such as laptop computers, monitors and tablet PC's to other components for TV and mobile devices during the recent years.

The Company's main products are Driver-IC (D-IC), Timing Controller (T-CON), and Power Management Integrated Circuit (PMIC), and it is achieving sales growth through product lineup expansion including Mobile-oriented P-OLED Display Driver ICs (DDI) and Touch Controllers. In addition, the Company is developing system semiconductors for appliances and automotive applications by extending its technological capabilities to various application areas beyond displays.

7. Other Matters

A. Status of intellectual property rights possession

As of 31 December 2023, the Group holds 1,111 domestic patents and 1,785 foreign patents related to its ongoing business operations. The details of the key patents are as follows:

Type	Acquisition date	Details	Basis law	Required manpower /Duration	Commercialization Status
Patent right	02 May 2022	Patent for simultaneous driving of display and touch, with exclusive usage rights held until 04 June 2035	Patent Act	5 / 6 years 9 months	Commercialization stage
	21 Sep. 2021	Patent for image encoding and decoding algorithms, with exclusive usage rights held until June 2037	Patent Act	2 / 4 years 3 months	Planned for commercialization
	01 Sep. 2014	Patent for restoration of display intra-interface signals, with exclusive usage rights held until November 2031	Patent Act	2 / 2 years 9 months	Commercialization stage
	21 Feb. 2014	Patent for driving organic light-emitting diode displays, with exclusive usage rights held until December 2031	Patent Act	4 / 2 years 1 months	Commercialization stage
	13 Nov. 2013	Patent for in-cell touch displays, with exclusive usage rights held until December 2032	Patent Act	2 / 11 months	Commercialization stage
	23 May 2011	Patent for monitoring display drivers, with exclusive usage rights held until March 2029	Patent Act	2 / 2 years 2 months	Commercialization stage
	01 Oct. 2010	Patent for transmission of display intra-interface signals, with exclusive usage rights held until October 2028	Patent Act	2 / 2 years	Commercialization stage

The Group, in addition to the key patents mentioned, holds numerous other patents, many of which pertain to TV, mobile, and IT displays. These patents are likely to be used in the company's main business products or potentially utilized as core functionalities in the future. Additionally, related patents such as MCUs for automotive and appliances could serve a protective role in business as the Group expands into new ventures outside of displays. Development of a video codec patent is underway, with potential monetization through standard patent evaluation in the future.

B. System IC

(1) Characteristics of the industry

As System IC, which performs information processing functions such as calculation and control, forms a market specialized for each use, such as home appliances, mobile, communication, and automobiles, it is a multi-species customized market, which consists of thousands of different products, so design and production are mostly divided. In addition, due to the complex chip structure, it requires excellent design manpower and technical skills.

The main product, Display Driver IC (DDI), is a key component used in display panels, and the Company is affected by the display industry's business.

Currently, the trend of the display industry is shifting from LCD panels to OLED panels. Since OLED requires a higher level of technology than LCD and the input of more parts, the DDI market is expected to grow further once the display panel transition is implemented.

Starting with products applied to displays in the IT field, the Company is currently growing continuously by expanding the portfolio of various products related to TV, IT, and mobile.

(2) Market scale and growth

For the DDI market, which is one of the Company's main products, sustained growth is anticipated after 2023 due to the creation of new demand driven by mid- to long-term changes in panel form factors.

[DDI market size]

(Unit: USD billion)	2021	2022	2023(E)	2024(E)	2025(E)	2026(E)	2027(E)
DDI	11.9	10.3	8.7	8.8	9.1	9.2	9.5

In the display industry, which is the upstream industry for the Company, medium to large panels (TV/IT/automotive) are experiencing qualitative growth and an increase in scale due to the expansion of premium products such as high-resolution (8K) LCDs and OLEDs, alongside aggressive investments by Chinese panel manufacturers. Additionally, small panels (smartphones/smartwatches) have seen accelerated entry by Chinese manufacturers into the P-OLED market following the launch of Apple's first P-OLED phone in 2017, suggesting that growth centered on P-OLED products is expected to continue. Thus, due to the rapid growth of Chinese panel manufacturers and trends in generational shifts of panels, the display industry is anticipated to continue its growth.

[Annual panel sales]

(Unit : M units)	2021	2022	2023(E)	2024(E)	2025(E)	2026(E)	2027(E)
TV	277.6	261.9	240.3	243.0	246.6	250.2	250.8
Monitor	173.9	159.3	144.8	146.3	151.2	151.6	153.1
Notebook	291.6	217.2	188.9	193.7	215.4	213.8	216.6
Tablet	279.5	256.4	260.4	255.8	258.7	259.2	260.3
Auto	187.8	193.1	199.8	208.5	218.2	227.6	234.0
Large Panel Total	1,210.3	1,087.7	1,034.2	1,047.2	1,090.0	1,102.3	1,114.8
Smartphone	1,721.6	1,382.9	1,241.4	1,281.9	1,304.2	1,327.9	1,350.7
Smartwatch	196.4	214.1	221.6	231.5	247.5	264.5	278.9
VR / AR	11.4	12.8	15.1	21.3	29.3	38.4	49.5
Small Panel Total	1,929.5	1,609.8	1,478.1	1,534.8	1,580.9	1,630.8	1,679.1

① Medium and large sized (TV/ IT/automobile) display IC

The display IC market for LCD TVs is growing due to the increase in the number of IC required per panel as the proportion of UHD panels increases. The penetration rate of UHD TVs in 2021 is about 61% on a global average, and is expected to reach about 66% in 2023.

Additionally, the market for OLED TV Display ICs is currently small as LG Display and Samsung Display are the only manufacturers mass-producing OLED TV panels. However, Chinese panel manufacturers are making aggressive capital investments, which is expected to lead to sustained growth in the future. Unlike LCD products, driving technology and panel compensation technology are key for OLED TV Display ICs, and companies with competitive advantages in these areas are expected to lead the market.

In the IT products sector, some premium brands are enhancing their value by increasing resolution and incorporating touch panels among other new features.

② Small (smart phone/smart watch) display IC

The smartphone market has entered a mature phase. The smartphone panel market size showed growth with approximately 1.7 billion units in 2021, but it was around 1.4 billion units in 2022, and it is expected to remain at this level until 2027. The growth in the smartphone market in developed countries is expected to be lower compared to emerging markets, which are driving the overall growth of the smartphone market.

Major global set manufacturers are actively pursuing evolution strategies in form factors to create new demand, which is expected to continually increase the share of smartphones equipped with P-OLED panels. Currently, the P-OLED market is led by domestic panel manufacturers due to the technological gap with Chinese panel manufacturers, but as Chinese companies expand their capacity, their market share in the P-OLED panel market is expected to gradually increase.

The smartwatch market saw significant growth in 2020 and is expected to continue to grow at a high rate annually. The market size is expected to keep increasing through services linked with various devices, including IoT, in the future.

(3) Characteristics of economic fluctuations and competitive elements

The core competitive element in the display component market is the market entry at the initial stage with the development of display, as well as the strengthening technological competitiveness based on original technologies. It is to create a barrier to entry through differentiation through technological competitiveness by securing a meaningful share in a new market where new technologies are applied.

The display industry is a field that requires both technology and capital-intensive characteristics and economies of scale, and has the characteristic that the barrier to entry increases as the degree of technical completion increases. In the past, the supply capacity has improved through fierce competition among panel makers, and in line with the increase in demand, the overall display industry has recorded a high growth rate. However, in recent years, due to the high maturity of the market and limited demand, it has entered a low-growth phase. Due to its high sensitivity to economic fluctuations, replacement demand does not increase significantly.

In response to the market trend shifting from LCD to OLED, the Company is striving to proactively adapt to the transition in the display industry by developing relevant technologies, aiming to respond ahead of competitors.

(4) Market share

According to the market research firm Omdia as of 2023, the Company ranks 43rd among global semiconductor companies and is in the top 3 for Display Driver IC manufacturers. As the ability to compete with new technologies is increasingly becoming a crucial criterion for competitive advantage, rather than just the scale of revenue, the Company is successfully entering the premium market, including OLED/P-OLED, through close cooperation with panel and set customers. Besides displays, the Company is also continuously expanding into new areas such as appliances, automotive, and batteries.

(5) Strength of the Company

The Company not only provide the core components of Display System Semiconductor as a total solution, but also localize the products that have been highly dependent on imports, contributing to stable parts procurement and price competitiveness of domestic downstream companies. The Company are also actively supporting customer's market by providing customized premium products through continuous technology development. The win-win strategy based on trust with forward looking companies plays a major role in the competitiveness.

Through these efforts, the Company has secured technological response power to comply with market change in more prompt and flexible ways than other companies from new product development to delivery. Accordingly, the Company is realizing customer diversification through securing domestic and overseas customers based on the unique designing technological power.

C. Contents and prospects of new business

The Company fostering various automotive products, such as semiconductors for automotive infotainment displays and next-generation power semiconductors, and is developing heat dissipation substrates that support high strength and high heat dissipation performance for use in electric vehicles.

The heat dissipation substrate is a core material that has a great influence on the operational lifespan and

stability of the power semiconductor. It refers to a substrate with high thermal conductivity to diffuse the heat of the power device to the outside, and has a form of bonding Cu (copper) to an insulating ceramic (alumina, silicon nitride, aluminum nitride) substrate. The market for heat dissipation substrates is expected to see significant growth alongside the eco-friendly electric vehicle and renewable energy markets, with an anticipated CAGR of 26% from 2023 to 2029.

MCUs are securing demand primarily in the domestic appliance market, with the goal of expanding into the external sales market and building a business foundation. In the automotive market, the demand for automotive semiconductors, including power semiconductors, is expected to continuously increase due to the growth of electric and autonomous vehicles. Consequently, the Company is developing a variety of automotive products, including semiconductors for automotive infotainment displays and next-generation power semiconductors.

The Company plans to build business momentum for sustainable growth through investment and cultivation of new businesses, along with the acquisition of differentiated technologies.



III. Finances

1. Summarized financial information

A. Summarized consolidated financial information

The consolidated financial statements for the 2023 fiscal year were prepared in accordance with the Korean International Financial Reporting Standards (K-IFRS) and were reviewed by an external auditor. The consolidated financial statements for the years ended 31 December 2022 and 2021 presented for comparison were prepared in accordance with the K-IFRS.

(Unit: million won)

Category	2023	2022	2021
	31 December 2023	31 December 2022	31 December 2021
[Current assets]	902,886	1,009,649	1,031,063
•Quick assets	566,995	527,093	829,946
•Inventories	335,891	482,556	201,117
[Non-current assets]	302,179	279,969	141,468
•Tangible assets	125,940	122,180	57,942
•Intangible assets	73,937	63,799	50,216
•Other non-current assets	102,302	93,990	33,310
Total assets	1,205,065	1,289,618	1,172,531
[Current liabilities]	207,337	324,402	363,583
[Non-current liabilities]	20,964	14,856	8,616
Total liabilities	228,301	339,258	372,199
[Capital]	8,132	8,132	8,132
[Capital surplus]	76,343	76,343	76,343
[Other capital items]	(1,073)	(782)	15
[Retained earnings]	893,362	866,667	715,842
[Non-controlling interest]	-	-	-
Total equities	976,764	950,360	800,332
	(01.01.2023 ~ 31.12.2023)	(01.01.2022 ~ 31.12.2022)	(01.01.2021 ~ 31.12.2021)
Sales	1,901,445	2,119,345	1,898,846
Operating profit	129,036	310,624	369,622
Net income	101,204	233,693	296,424
Owners of the controlling company	101,204	233,693	296,424
Non-controlling interest	-	-	-
Net earnings per share (won)	6,222	14,368	18,225
Net diluted earnings per share (won)	6,222	14,368	18,225
Number of companies included in the consolidation	3	3	3

B. Summarized financial information

The financial statements for the 2023 fiscal year were prepared in accordance with the Korean International Financial Reporting Standards (K-IFRS) and were reviewed by an external auditor. The financial statements for the years ended 31 December 2022 and 2021 presented for comparison were prepared in accordance with the K-IFRS.

(Unit: million won)

Category	2023	2022	2021
	31 December 2023	31 December 2022	31 December 2021
[Current assets]	897,568	1,006,089	1,028,631
•Quick assets	561,677	523,533	827,514
•Inventories	335,891	482,556	201,117
[Non-current assets]	298,121	276,313	140,903
•Tangible assets	122,829	117,624	55,552
•Intangible assets	73,795	63,621	50,060
•Other non-current assets	101,497	95,068	35,291
Total assets	1,195,688	1,282,402	1,169,534
[Current liabilities]	208,177	324,485	363,973
[Non-current liabilities]	19,894	13,107	8,491
Total liabilities	228,071	337,592	372,464
[Capital]	8,132	8,132	8,132
[Capital surplus]	76,343	76,343	76,343
[Other capital items]	(381)	(381)	(381)
[Retained earnings]	883,523	860,716	712,976
Total equities	967,617	944,810	797,070
Evaluation method for investment shares in subsidiaries, associates, joint ventures	Cost method	Cost method	Cost method
	(01 January 2023 ~ 31 December 2023)	(01 January 2022 ~ 31 December 2022)	(01 January 2021 ~ 31 December 2021)
Sales	1,901,445	2,119,345	1,898,846
Operating profit	126,624	309,046	368,630
Net income	97,316	230,608	294,898
Net earnings per share (won)	5,983	14,179	18,132
Net diluted earnings per share (won)	5,983	14,179	18,132

2. Consolidated Financial Statements

2-1. Balance sheet for consolidated financial statement

Balance sheet for consolidated financial statement

As of 31 December 2023

As of 31 December 2022

As of 31 December 2021

(Unit: won)

	2023	2022	2021
Assets			
Current assets	902,885,508,054	1,009,649,198,828	1,031,063,337,504
Cash and cash equivalents	184,417,149,183	188,365,134,297	135,613,700,789
Short-term financial instruments	120,514,272,143	130,501,257,585	470,000,000,000
Trade receivables	204,968,516,437	143,347,796,852	175,265,047,069
Other payables	3,418,658,323	30,339,286,252	20,459,407,455
Other current assets	53,675,872,497	34,539,288,607	28,607,668,627
Inventories	335,891,039,471	482,556,435,235	201,117,513,564
Non-current assets	302,179,436,683	279,969,343,305	141,467,644,416
Long-term other receivables	12,768,553,040	15,729,501,307	12,361,412,928
Investments in associates and joint ventures	47,935,017,586	39,730,521,788	11,668,130,191
Tangible assets	104,427,738,469	105,170,569,415	50,262,602,385
Licensed assets	21,512,251,346	17,009,677,694	7,679,130,585
Intangible assets	73,937,288,123	63,798,898,823	50,215,624,104
Other non-current assets	8,994,436,051	10,161,318,572	879,900,722
Defined benefit assets	9,689,545,632	18,301,443,497	0
Deferred tax assets	22,914,606,436	10,067,412,209	8,400,843,501
Total assets	1,205,064,944,737	1,289,618,542,133	1,172,530,981,920
Liabilities			
Current liabilities	207,337,013,241	324,401,670,974	363,583,458,447
Trade payables	97,600,609,220	196,211,140,403	213,463,276,070
Other payables	44,464,287,526	68,951,899,343	59,424,740,446
Other current liabilities	32,386,322,421	10,732,740,461	12,793,771,468
Lease liabilities	7,643,405,206	8,158,860,041	3,576,706,160
Current tax liabilities	25,242,388,868	40,347,030,726	74,324,964,303

Non-current liabilities	20,964,194,264	14,856,222,405	8,614,815,226
Other non-current payables	1,825,320,000	2,001,160,000	20,000,000
Other non-current liabilities	5,657,823,936	5,127,321,699	4,046,218,481
Lease liabilities	13,481,050,328	7,727,740,706	3,927,949,636
Defined benefit obligations	0	0	620,647,109
Total liabilities	228,301,207,505	339,257,893,379	372,198,273,673
Equity			
Equity attributable to owners of the Parent	976,763,737,232	950,360,648,754	800,332,708,247
Capital	8,132,150,000	8,132,150,000	8,132,150,000
Capital surplus	76,343,170,500	76,343,170,500	76,343,170,500
Other capital items	(1,072,918,655)	(781,710,611)	15,303,715
Retained earnings	893,361,335,387	866,667,038,865	715,842,084,032
Non-controlling interest	0	0	0
Total equities	976,763,737,232	950,360,648,754	800,332,708,247
Total equities and liabilities	1,205,064,944,737	1,289,618,542,133	1,172,530,981,920

2-2. Consolidated profit and loss statement

Consolidated profit and loss statement

From 01 January to 2023 to 31 December 2023

From 01 January to 2022 to 31 December 2022

From 01 January to 2021 to 31 December 2021

(Unit: won)

	2023	2022	2021
Sales	1,901,444,975,029	2,119,345,363,613	1,898,845,716,028
COGS	1,367,468,136,980	1,443,672,300,059	1,240,353,258,754
Gross profit	533,976,838,049	675,673,063,554	658,492,457,274
Selling and administrative expenses	404,941,181,710	365,049,100,804	288,870,505,140
Operating profit	129,035,656,339	310,623,962,750	369,621,952,134
Finance income	12,985,625,309	11,958,230,104	4,111,403,212
Finance costs	24,997,658,777	12,873,979,866	2,998,580,902
Other non-operating income	31,252,845,566	44,572,977,627	20,909,117,134
Other non-operating expenses	24,993,326,366	52,214,122,387	11,710,952,976
Equity method gains and losses	3,003,366,960	1,903,503,922	743,409,996
Income before income taxes	126,286,509,031	303,970,572,150	380,676,348,598
Income tax expenses	25,082,976,025	70,278,031,741	84,252,328,037
Net income	101,203,533,006	233,692,540,409	296,424,020,561

Attribution of net income (loss)			
Owners of the controlling company	101,203,533,006	233,692,540,409	296,424,020,561
Non-controlling interest	0	0	0
Earnings per share			
Basic earnings per share (Unit: won)	6,222.0	14,368.0	18,225.0
Diluted earnings per share (Unit: won)	6,222.0	14,368.0	18,225.0

2-3. Consolidated Comprehensive Income Statement

Consolidated Comprehensive Income Statement

From 01 January to 2023 to 31 December 2023

From 01 January to 2022 to 31 December 2022

From 01 January to 2021 to 31 December 2021

(Unit: won)

	2023	2022	2021
Net income (loss)	101,203,533,006	233,692,540,409	296,424,020,561
Other comprehensive income	(1,611,094,528)	4,162,620,098	(6,419,011,607)
Items not be reclassified to current profit or loss:			
Remeasurements of defined benefit plans	(1,319,886,484)	4,959,634,424	(6,889,039,478)
Gain on valuation of investment stock by the equity method	170,933,827	0	0
Items that may be reclassified to current profit or loss:			
Gain (loss) on overseas business translation	(79,002,933)	(185,852,001)	470,027,871
Gain on valuation of investment stock by the equity method	(383,138,938)	(611,162,325)	0
Total comprehensive income	99,592,438,478	237,855,160,507	290,005,008,954
Attribution of total comprehensive income			
Owners of the controlling company	99,592,438,478	237,855,160,507	290,005,008,954
Non-controlling interest	0	0	0

2-4. Consolidated Statement for Changes in Capital

Consolidated Statement for Changes in Capital

From 01 January to 2023 to 31 December 2023

From 01 January to 2022 to 31 December 2022

From 01 January to 2021 to 31 December 2021

(Unit: won)

		Equity						
		Equity attributable to owners of the Parent					Non-controlling interest	Total
		Capital	Capital surplus	Other capital items	Retained earnings	Total equity attributable to owners of the Parent		
01 January 2021		8,132,150,000	76,343,170,500	(454,724,156)	448,263,907,949	532,284,504,293	0	532,284,504,293
Total comprehensive income	Net income	0	0	0	296,424,020,561	296,424,020,561	0	296,424,020,561
	Remeasurement related to defined benefit plan	0	0	0	(6,889,039,478)	(6,889,039,478)	0	(6,889,039,478)
	Gain (loss) on overseas business translation	0	0	470,027,871	0	470,027,871	0	470,027,871
	Gain on valuation of investment stock by the equity method	0	0	0	0	0	0	0
Transactions with shareholders recognized directly in equity	Annual dividends	0	0	0	(21,956,805,000)	(21,956,805,000)	0	(21,956,805,000)
31 December 2021		8,132,150,000	76,343,170,500	15,303,715	715,842,084,032	800,332,708,247	0	800,332,708,247
01 January 2022		8,132,150,000	76,343,170,500	15,303,715	715,842,084,032	800,332,708,247	0	800,332,708,247
Total comprehensive income	Net income	0	0	0	233,692,540,409	233,692,540,409	0	233,692,540,409
	Remeasurement related to defined benefit plan	0	0	0	4,959,634,424	4,959,634,424	0	4,959,634,424
	Gain (loss) on overseas business translation	0	0	(185,852,001)	0	(185,852,001)	0	(185,852,001)
	Gain on valuation of investment stock by the equity method	0	0	(611,162,325)	0	(611,162,325)	0	(611,162,325)
Transactions with shareholders recognized directly in equity	Annual dividends	0	0	0	(87,827,220,000)	(87,827,220,000)	0	(87,827,220,000)
31 December 2022		8,132,150,000	76,343,170,500	(781,710,611)	866,667,038,865	950,360,648,754	0	950,360,648,754
01 January 2023		8,132,150,000	76,343,170,500	(781,710,611)	866,667,038,865	950,360,648,754	0	950,360,648,754
Total comprehensive income	Net income				101,203,533,006	101,203,533,006	0	101,203,533,006
	Remeasurement loss on defined benefit plan				(1,319,886,484)	(1,319,886,484)	0	(1,319,886,484)
	Gain (loss) on overseas business translation			(79,002,933)		(79,002,933)	0	(79,002,933)
	Gain on valuation of investment stock by the equity method			(212,205,111)		(212,205,111)	0	(212,205,111)
Transactions with shareholders recognized directly in equity	Annual dividends				(73,189,350,000)	(73,189,350,000)	0	(73,189,350,000)
31 December 2023		8,132,150,000	76,343,170,500	(1,072,918,655)	893,361,335,387	976,763,737,232	0	976,763,737,232

2-5. Consolidated Cash Flow Statement

Consolidated Cash Flow Statement

From 01 January to 2023 to 31 December 2023

From 01 January to 2022 to 31 December 2022

From 01 January to 2021 to 31 December 2021

(Unit: won)

	2023	2022	2021
Operating cash flows	102,405,033,951	(81,731,299,021)	421,502,665,587
Cash flows from operating activities	143,157,710,311	14,917,644,305	441,930,890,928
Net income	101,203,533,006	233,692,540,409	296,424,020,561
Adjustments	113,958,211,112	153,434,770,945	125,440,233,092
Change to equities/liabilities on sales operations	(72,004,033,807)	(372,209,667,049)	20,066,637,275
Interest received	12,328,108,858	11,280,425,657	3,092,416,977
Interest paid	(448,344,323)	(430,595,529)	(174,344,490)
Income taxes paid	(52,632,440,895)	(107,498,773,454)	(23,346,297,828)
Cash flows from investing activities	(26,244,846,040)	230,799,913,907	(361,251,241,958)
Receipt of dividends	273,716,051	0	0
Increase in short term financial instruments	(170,014,946,386)	(210,529,243,362)	(550,000,000,000)
Decrease in short term financial instruments	180,000,000,000	550,000,000,000	230,899,104,829
Increase in other receivables	(365,301,081)	(7,914,973,390)	(3,171,707,813)
Decrease in other receivables	2,697,261,698	3,058,190,745	2,350,106,212
Decrease in other liabilities	0	(20,000,000)	0
Acquisition of property, plant and equipment	(32,926,692,756)	(59,871,816,458)	(31,025,024,629)
Disposal of property, plant and equipment	19,521,232,600	937,220,000	1,401,138,014
Acquisition of intangible assets	(19,743,067,166)	(19,489,413,628)	(4,999,488,735)
Disposal of intangible assets	1,000	1,400,000,000	0
Disposition of financial assets measured at FVTPL	0	0	130,403,164
Acquisition of investments in associates	(5,687,050,000)	(26,770,050,000)	(6,835,773,000)
Cash flow from financing activities	(81,590,138,998)	(94,554,985,039)	(25,277,580,616)
Payment of dividends	(73,189,350,000)	(87,827,220,000)	(21,956,805,000)
Repayment of lease liabilities	(8,400,788,998)	(6,727,765,039)	(3,320,775,616)
Net increase in cash and cash equivalents	(5,429,951,087)	54,513,629,847	34,973,843,013
Cash and cash equivalents as of 1 January	188,365,134,297	135,613,700,789	100,567,267,243
Effects of exchange rate changes on cash and cash equivalents	1,481,965,973	(1,762,196,339)	72,590,533
Cash and cash equivalents as of 31 December	184,417,149,183	188,365,134,297	135,613,700,789

3. Notes on Consolidated Financial Statements

From 01 January 2023 to 31 December 2023

From 01 January 2022 to 31 December 2022

LX Semicon Co., Ltd. and its subsidiaries

1. General matters

The general matters of LX Semicon Co., Ltd. (hereinafter referred to as the “Parent”) and its subsidiaries (hereinafter referred to as the “Group” together with the Parent and its subsidiaries) are as follows:

1.1 Company overview

(1) Summary of the Parent

LX Semicon Co., Ltd. was established on 11 November 1999 for the purpose of designing and manufacturing FPD (flat panel display) semiconductor IC. The Company is located in 222 Techno 2-ro, Daedeok-gu, Daejeon, Republic of Korea. The Parent has been certified by the Korea Institute for Advancement of Technology as a corporate subsidiary research facility in accordance with Article 16 of the Technology Development Promotion Act and Clause 1 of Article 15 of the Enforcement Decree of the same Act on 19 October 2001. The Company has also been designated as a high-tech company in accordance with Clause 1 of Article 9 of the Special Law on the Cultivation of the Special Research and Development Daedeok-gu and more on 23 October 2011.

After listing its shares on the KOSDAQ market on 8 June 2010, the Parent changed its name from Silicon Works Co., Ltd. to LX Semicon Co., Ltd. on 1 July 2021, and was delisted from the KOSDAQ market and transferred to the KOSPI on 3 November 2022. The amount of paid-in capital of the Parent as of 31 December 2023 and 2022 is 8,132,150,000 won (16,264,300 issued shares and 50,000,000 authorized shares).

The shareholders of the controlling company as of 31 December 2023 and 2022 are as follows:

(Unit: shares)			
Name of shareholders	No. of shares held	Ratio	Remarks
LX Holdings Co., Ltd.	5,380,524	33.08%	Largest shareholder
Others	10,883,776	66.92%	-
Total	16,264,300	100%	

(2) Overview of subsidiaries as of 31 December 2023 and 2022

Company name	Location	Major business activity	Month of account closing	Controlling interest rate at the end of the current period	Controlling interest rate at the end of the previous period
LX Semicon U.S.A., Inc	USA	Semiconductor manufacturing and designing	December	100%	100%
LX Semicon China Co., Ltd.	China	Semiconductor manufacturing and designing	December	100%	100%
LX Semicon China Co., Ltd.	Japan	Semiconductor manufacturing and designing	December	100%	100%

There are no companies newly included or excluded from consolidation as of 31 December 2023 and 2022.

(3) Summarized financial information of subsidiaries

The summarized financial position statements of the consolidated subsidiaries as of 31 December 2023 and 2022 and the summarized comprehensive income statements for each accounting period are as follows:

(Unit: won)						
Company name	31 December 2023			2023		
	Assets	Liabilities	Equity	Sales	Net Income	Total comprehensive income
LX Semicon U.S.A., Inc	1,286,722,226	59,671,085	1,227,051,141	3,811,013,197	284,443,018	297,170,374
LX Semicon China Co., Ltd.	8,074,699,003	1,518,912,715	6,555,786,288	16,589,835,863	1,210,462,882	1,170,445,088
LX Semicon China Co., Ltd.	3,032,447,494	1,682,426,850	1,350,020,644	5,215,548,785	349,122,222	297,409,727

(Unit: won)						
Company name	31 December 2022			2022		
	Assets	Liabilities	Equity	Sales	Net Income	Total comprehensive income
LX Semicon U.S.A., Inc	1,088,167,006	158,286,239	929,880,767	3,314,965,217	191,941,082	236,146,844
LX Semicon China Co., Ltd.	7,181,245,127	1,795,903,927	5,385,341,200	13,311,512,612	1,033,439,624	861,731,441
LX Semicon China Co., Ltd.	2,846,949,810	1,794,338,893	1,052,610,917	2,312,770,196	(43,983,185)	(102,332,765)

2. Standards for preparing financial statements

The consolidated financial statements of the Parent and its subsidiaries (hereinafter referred to as the “Group”) have been prepared in accordance with the Korean International Financial Reporting Standards (K-IFRS). The International Accounting Standards applied by Korea refer to the standards and interpretations published by the International Accounting Standards Board (“IASB”) applied by the Republic of Korea.

The consolidated financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and financial liabilities (including derivatives), certain types of property, plant and equipment and investment properties measured at fair value
- Assets held for sale measured at fair value less costs to sell
- Defined benefit plans and plan assets measured at fair value

The K-IFRS allow the use of material accounting estimates in the preparation of financial statements. It requires management's judgment in applying accounting policies. Parts that require more complex and high-level judgments or that require important assumptions and estimates are explained in Note 4.

3. Significant accounting policies

The following are significant accounting policies applied in the preparation of the consolidated financial statements. These policies apply continuously for the accounting period indicated, unless otherwise stated.

3.1 Changes in accounting policies and disclosures

3.1.1 Enacted and amended standards and interpretations applied by the Group

The Group has newly applied the following enacted and amended standards and interpretations from the accounting period beginning on 1 January 2023.

(1) K-IFRS 1001 Presentation of Financial Statements - Disclosure of Accounting Policies

The Company has defined significant accounting policy information (significant accounting policy information refers to the level at which, when considered together with other information included in the financial statements, it influences the decisions of key users of the financial statements) and disclosed it. There is no significant impact of the above amendments on the consolidated financial statements.

(1) K-IFRS 1001 Presentation of Financial Statements - Disclosure of Profit or Loss on Financial Liabilities at Fair Value with Adjustments for Exercise Price Conditions

When all or part of a financial instrument subject to the condition that the exercise price is adjusted according to the fluctuation of the issuer's share price is classified as a financial liability, the book value

of the financial liability and related gains and losses are required to be disclosed. There is no significant impact of the above amendments on the consolidated financial statements.

(2) K-IFRS 1008 Changes and Errors in Accounting Policies and Accounting Estimates - Definition of Accounting Estimates

The Company has defined an accounting estimate and clarified how to distinguish it from a change in accounting policy.

There is no significant impact of the above amendments on the consolidated financial statements.

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

In addition to the requirements for exceptions to initial recognition for transactions in which assets or liabilities are recognized for the first time, a requirement for transactions that do not generate temporary differences to be added and temporary differences to be deducted at the time of the transaction has been added. There is no significant impact of the above amendments on the consolidated financial statements.

(4) K-IFRS 1117 Enactment of Insurance Contracts

K-IFRS 1117 Insurance contracts replaces K-IFRS 1104 Insurance contracts. All cash flows from insurance contracts are estimated and insurance liabilities are measured using a discount rate that reflects assumptions and risks at the time of reporting. Revenue is recognized on an accrual basis by reflecting services (insurance protection) provided to policyholders for each fiscal year. In addition, investment elements (cancellation/maturity refunds) paid to policyholders regardless of insurance events are excluded from insurance revenue, and insurance gains and losses and investment gains and losses are displayed separately so that information users can identify the source of profit and loss. There is no significant impact of the above amendments on the consolidated financial statements.

(5) K-IFRS 1012 Income Tax – International Tax Reform – Pillar Two Model Rules

The amended standards temporarily alleviate the accounting treatment of deferred income tax resulting from the enactment of laws reflecting the Pillar Two Model Rules, which reform international taxation of multinational corporations, and require disclosures concerning the current income tax effects related to this. The Group has applied the exception rules for the recognition and disclosure of deferred income taxes related to the Pillar Two Rules, and as the relevant law is scheduled to take effect from 1 January 2024, there are no current income tax expenses related to Pillar Two for the Group. The impact of Pillar Two income taxes is explained in Note 31.

3.1.2 Amendment and interpretations not adopted by the Group

The amendment and interpretations that have been enacted or announced but have not been adopted because the effective date has not arrived are as follows:

(1) Amendment to K-IRFS 1001 Presentation of Financial Statements - Classification of Liabilities into Current/Non-current, and Non-current Liabilities with Agreements

Liabilities are classified as current or non-current based on the substantial rights existing at the end of the reporting period, and the possibility of deferring the settlement of the liabilities or the management's expectations are not considered. Additionally, the settlement of liabilities may include the transfer of equity instruments, but liabilities settled by equity instruments as part of a compound financial instrument are excluded if the option to settle meets the definition of equity and is recognized separately from the liability. Furthermore, commitments that the company must comply with after the end of the reporting period do not affect the classification of the liabilities at the end of the reporting period. If a liability that needs to be settled within 12 months after the reporting period is classified as non-current at the end of the reporting period, information about the risk of settling the liability within the subsequent 12 months must be disclosed. These amendments apply to fiscal years starting on or after 1 January 2024, and early adoption is permitted. The Group is currently reviewing the impact of these amendments on the consolidated financial statements.

(6) Amendment to K-IRFS 1007 Statement of Cash Flows and K-IRFS 1107 Financial Instruments: Disclosure - Disclosure of Information on Supplier Finance Arrangements

When applying supplier finance arrangements, entities must disclose information about such arrangements to enable financial statement users to assess their impact on the entity's liabilities, cash flows, and liquidity risk management. These amendments apply to fiscal years starting on or after 1 January 2024, and early adoption is permitted. The Group is currently reviewing the impact of these amendments on the consolidated financial statements.

(7) Amendment to K-IRFS 1116 Lease - Lease liabilities in a Sale and Leaseback

When measuring lease liability in a sale and leaseback subsequently, lease payments or lease modifications are calculated without recognizing the profit or loss related to the right of use held by the seller-lessee. These amendments apply to fiscal years starting on or after 1 January 2024, and early adoption is permitted. The Group is currently assessing the impact of these amendment on its financial statements.

(8) Amendment of K-IRFS 1001 Presentation of Financial Statements – Disclosure of Virtual Assets

The amendment stipulates additional disclosure requirements for holding virtual assets, holding virtual assets on behalf of customers, and issuing virtual assets. These amendments apply to fiscal years starting on or after 1 January 2024, and early adoption is permitted. There is no significant impact of the above amendments on the consolidated financial statements.

3.2 Consolidated

The Group prepares its consolidated financial statements in accordance with K-IFRS 1110, "Consolidated Financial Statements."

(1) Subsidiaries

A subsidiary is any company that is controlled by the Parent. The Group considers it has control over an invested company if it is exposed to or has rights to variable returns from its involvement with the invested company, and has the ability to affect those returns through its power over the company. Subsidiaries are included in the consolidated financial statements from the date that control commences and are excluded from the consolidated financial statements when control is lost.

The Group's business combinations are accounted for using the acquisition method. The consideration transferred is measured at the fair value on the acquisition date, and the identifiable assets acquired, liabilities and contingent liabilities are initially measured at their fair values at the acquisition date. The Group measures non-controlling interests that provide proportionate shares of the net assets upon liquidation either at proportionate shares of the acquiree's net assets or at fair value for each business combination. Other non-controlling interests are measured at fair value unless another standard requires differently. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred.

Goodwill is recognized as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. If the sum is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in profit or loss.

Intra-group balances, transactions, income, expenses, and unrealized gains and losses resulting from transactions between group companies are eliminated. Subsidiary accounting policies are changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling interests that do not result in a loss of control are directly recognized in equity as transactions with the owners in their capacity as owners. The difference between the fair value of the consideration paid or received and the adjustment amount of the non-controlling interests is attributed to the owners of the Parent.

When the Group loses control of a subsidiary, the remaining interest in the subsidiary is re-measured at its fair value at the date when control is lost. The resulting difference is recognized in profit or loss.

(2) Associates

An associate is an entity over which the Group has significant influence, and investments in associates are initially recognized at acquisition cost, subsequently applying the equity method. Unrealized gains arising from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If the Group's share of losses equals or exceeds its interest in the associate

(including any long-term investments that form part of the net investment), the application of the equity method is discontinued. However, further losses are recognized as a liability and loss to the extent that the Group has a legal or constructive obligation or has made payments on behalf of the associate, even after its share reduces to zero. Additionally, if there are objective indicators of impairment for investments in associates, the difference between the recoverable amount and the book value of the associate investment is recognized as an impairment loss. The Group ensures that the same accounting policies as those of the Group are applied to similar transactions and events when using the financial statements of the associate for applying the equity method, adjusting the associate's financial statements where necessary.

(3) Joint arrangements

Joint arrangements, where two or more parties have joint control, are classified as either joint operations or joint ventures. Participants in a joint operation have rights to the assets and obligations for the liabilities of the operation and recognize their share of the assets, liabilities, revenues, and expenses of the joint operation. Participants in a joint venture have rights to the net assets of the venture and apply the equity method.

3.3 Foreign currency translation

(1) Functional and presentation currency

The Group measures items included in the financial statements of individual entities within the Group using the currency ("functional currency") of the primary economic environment in which each entity operates. The functional currency of the parent company is the South Korean Won, and the financial statements are presented in South Korean Won.

(2) Foreign currency transactions and translation at the end of the reporting period

Foreign currency transactions are recognized in the functional currency at the exchange rate at the date of the transaction or, in the case of remeasured items, at the rate at the valuation date. Exchange differences arising from the settlement of foreign currency transactions or the translation of monetary foreign currency assets and liabilities are recognized as current profit or loss. However, gains and losses on monetary items that relate to the effective portion of a qualifying cash flow hedge or net investment hedge or that are part of a net investment in a foreign operation of the reporting entity are recognized as other comprehensive income.

Foreign exchange differences arising from non-monetary financial assets and liabilities are regarded as part of fair value gains and losses, and foreign exchange differences arising from equity instruments measured at FVTPL are recognized as current profit or loss, and exchange differences on equity instruments measured at FVTOCI are recognized as part of other comprehensive income.

(3) Translation to presentation currency

The financial statements of all entities within the Group that have a functional currency different from the Group's presentation currency are translated using the following method:

- Assets and liabilities are translated at the exchange rate at the end of the reporting period;
- Income and expenses are translated at the average exchange rate for the period;
- Equity is translated at historical exchange rates;
- Exchange differences arising from translation are recognized in other comprehensive income.

The goodwill and fair value adjustments to the book values of assets and liabilities arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are translated at the exchange rate at the end of the reporting period.

3.4 Financial assets

(1) Classification

The Group classifies its financial assets into the following measurement categories:

- Financial assets measured at FVTPL
- Financial assets measured at FVTOCI
- Financial assets measured at amortized cost

Financial assets are classified based on the business model for managing financial assets and the contractual cash flow characteristics of financial assets.

Gains or losses on financial assets measured at fair value are recognized as profit or loss or other comprehensive income. Investments in debt instruments are recognized in profit or loss or other comprehensive income based on the business model for holding the assets. The Group reclassifies debt instruments only when it changes its business model for managing its financial assets.

Investments in equity instruments that are not held for trading may have an irrevocable choice, at initial recognition, to present subsequent changes in fair value in other comprehensive income. The changes in the fair value of investments in undesignated equity instruments are recognized as profit or loss.

(2) Measurement

The Group initially measures financial assets measured at fair value, and for financial assets not measured at FVTPL, the transaction costs directly attributable to the acquisition of the financial asset are added to the fair value. Transaction costs for financial assets measured at FVTPL are expensed in profit or loss.

When determining whether a compound contract, including embedded derivatives, has cash flows that

are solely principal and interest, the entire compound contract is considered.

① Debt instruments

The subsequent measurement of financial assets is based on the contractual cash flow characteristics of the financial assets and the business model that manages the financial assets. The Group classifies debt instruments into the following three categories:

(A) Amortized cost

Under a business model where financial assets are held to collect contractual cash flows, and where the contractual cash flows consist solely of principal, the assets are measured at amortized cost. Profit or loss on financial assets measured at amortized cost, which are not designated as hedging instruments, are recognized in profit or loss when the financial assets are derecognized or impaired. Interest income recognized on financial assets measured at amortized cost according to the effective interest rate method is included in financial income.

(B) Financial assets measured at FVTOCI

Under a business model where financial assets are held both to collect contractual cash flows and to sell the financial assets, and where the contractual cash flows consist solely of principal, the financial assets are measured at FVTOCI. Except for impairment losses (reversals), interest income, and foreign exchange gains or losses, the fair value gains or losses on financial assets measured at FVTOCI are recognized in other comprehensive income. Upon derecognition of financial assets, the accumulated balance of other comprehensive income is reclassified from equity to profit or loss. Interest income recognized on financial assets measured at FVTOCI according to the effective interest rate method is included in financial income. Foreign exchange gains are presented as other income, while impairment losses are presented as other expenses.

(C) Financial assets measured at FVTPL

Debt instruments not measured at amortized cost or FVTOCI are measured at FVTPL. Gains or losses on debt instruments measured at FVTPL, where hedge accounting is not applied, are recognized in profit or loss for the period and presented as other non-operating income or other non-operating expenses on the income statement.

② Equity instruments

The Group subsequently measures its investments in all equity instruments measured at fair value. Amounts recognized in other comprehensive income for equity instruments for long-term or strategic investments that elect to present changes in fair value in other comprehensive income are not reclassified to profit or loss when the equity instruments are derecognized. Dividend income from these equity instruments is recognized as profit or loss as 'financial income' when the Group's right to receive the dividend is established.

The changes in the fair value of financial assets measured at FVTPL are presented as other non-operating income or other non-operating expenses in the income statement. Impairment losses (reversals) for equity instruments measured at FVTOCI are not recognized separately.

(3) Impairment

The Group evaluates expected credit losses on debt instruments that are measured at amortized cost or at FVTOCI based on future prospect information. The impairment method is determined by whether there is a significant increase in credit risk. However, for trade receivables and lease receivables, the Group applies the expedient method of recognizing expected credit losses over the entire period from the initial recognition of the receivables.

(4) Recognition and derecognition

Regular purchases or sales of financial assets are recognized or derecognized on the trading day. A financial asset is derecognized when the contractual right to the cash flows expires or when the financial asset is transferred and substantially all of the risks and rewards of ownership have been transferred.

Even if the Group transfers the financial assets, if the Group retains most of the risks and rewards of ownership of the transferred financial assets due to the right of recourse in the event of default by the debtor, it continues to recognize the entire transferred asset without derecognition, but recognizes the consideration received as a financial liability.

(5) Offset of financial instruments

For financial assets and liabilities, only if it currently has a legally enforceable right of offset for the recognized assets and liabilities and intend to either settle on a net basis or to realize the assets and settle the liabilities at the same time, the Group offsets financial assets and financial liabilities and presents them in net amounts in the consolidated statement of financial position. A legally enforceable right of offset shall not depend on future events and shall be enforceable in the normal course of business, in the event of default and in the event of insolvency or bankruptcy.

3.5 Trade receivables

Trade receivables are initially recognized at the undiscounted amount of consideration when recognized at fair value, unless they contain significant financing components. Subsequently, trade receivables are measured at amortized cost using the effective interest method, net of allowance for losses.

3.6 Inventories

Inventories are reported at the lower of cost and net realizable value, with the cost of inventories determined using the specific identification method or the weighted average method.

3.7 Tangible assets

Tangible assets are presented at the historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure directly attributable to the acquisition of the asset.

Assets, other than land, are amortized using the straight-line method over their estimated useful lives, less residual value from cost.

Category	Estimated useful lives
Buildings and structures	20~ 40 years
Machinery and equipment	5 years
Office equipment	4 years
Other tangible assets	2~5 years

The depreciation methods, residual values and useful lives of property, plant and equipment are reviewed at the end of each fiscal year and adjusted, if necessary, for changes in estimates.

3.8 Government subsidies

Government subsidies are recognized at fair value when there is reasonable assurance that the grant will be received and the conditions attached to the grant will be complied with. Subsidies related to assets are presented as a deduction when calculating the book value of assets, and subsidies related to income are deferred and presented as a deduction from expenses related to the purpose of granting government subsidies.

3.9 Intangible assets

Goodwill is recognized as the amount by which the total fair value of the consideration transferred and the fair value at the acquisition date of any previously held equity interest in the acquiree exceed the identifiable net assets acquired. Goodwill is presented at cost less any accumulated impairment losses, and impairment losses on goodwill are not reversed.

Intangible assets, excluding goodwill, are initially recognized at historical cost and are subsequently presented at cost less accumulated depreciation and any accumulated impairment losses.

Internally generated intangible assets represent the sum of expenditures incurred after the point at which the asset recognition criteria, including technical feasibility and future economic benefits, are met. Contractual customer relationships acquired through business combinations are recognized at their fair value at the date of acquisition. Membership rights, which have no foreseeable limit to their period of use, are not depreciated due to their indefinite useful life. Other intangible assets with finite useful lives are depreciated over their estimated useful lives using the straight-line method.

Category	Estimated useful lives
Industrial property rights	10 years
Software	5 years
Other intangible assets	5 years

3.10 Impairment of non-financial assets

Goodwill and intangible assets with indefinite useful lives are tested annually for impairment when there are indications of impairment for assets subject to amortization. Impairment losses are recognized for the book value in excess of recoverable amount (value in use or fair value after deducting costs of disposal, whichever is higher), and impairment losses on non-financial assets other than goodwill are reviewed for possible reversal at the end of each reporting period.

3.11 Trade and other payables

Trade and other payables represent the Group's liabilities for goods and services received before the end of the reporting period that have not yet been paid. Trade payables and other liabilities are classified as current liabilities unless their payment is due more than 12 months after the reporting period. These liabilities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

3.12 Financial liabilities

(1) Classification and measurement

The Group's financial liabilities at FVTPL are financial instruments held for trading. Financial liabilities incurred primarily for the purpose of repurchasing in the short term are classified as trading financial liabilities. Derivatives not designated as hedge accounting instruments or embedded derivatives separated from financial instruments are also classified as trading financial liabilities.

All non-derivative financial liabilities, other than financial liabilities at FVTPL, financial guarantee contracts, and financial liabilities arising when transfers of financial assets do not qualify for derecognition, are classified as financial liabilities measured at amortized cost and presented as trade payables, other payables on the consolidated statement of financial position.

Borrowings are initially recognized at the amount of proceeds received, which is the fair value minus transaction costs, and subsequently measured at amortized cost. The difference between the amount received (net of transaction costs) and the repayment amount is recognized in the income statement over the period of the borrowing using the effective interest rate method. Fees paid to obtain a borrowing facility are recognized as part of the transaction cost of the borrowings to the extent that it is probable that some or all of the facility will be drawn down. In such cases, the fees are deferred until the draw-down occurs. Fees that are not considered likely to result in a draw-down of the facility are recognized as prepaid assets for the liquidity services provided and are amortized over the period of the borrowing facility.

If there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period, the borrowings are classified as a current liability.

(2) Derecognition

Financial liabilities are derecognized from the consolidated statement of financial position when contractual obligations are discharged, canceled or expired, or when the terms of an existing financial liability change materially. The difference between the book value of financial liabilities extinguished or transferred to a third party and the consideration paid (including non-cash assets transferred or liabilities assumed) is recognized as profit or loss.

3.13 Financial guarantee contracts

The financial guarantee contracts provided by the Group are initially recognized at fair value. Subsequently, they are measured at the higher of the following amounts:

- (1) The loss allowance calculated in accordance with the impairment requirements for financial instruments.
- (2) The initial recognition amount minus any cumulative gain recognized in accordance with K-IRFS 1115.

The fair value of financial guarantee contracts is estimated based on the market price of similar financial instruments, by comparing interest rates of borrowed funds with and without the provision of the financial guarantee, or by calculating the present value of the expected future payments due to the financial guarantee.

3.14 Provisions

Liabilities for warranty provisions and similar obligations are recognized when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to settle the obligation, and the increase in the provision due to the passage of time is recognized as interest expense.

3.15 Current income tax and deferred income tax

Tax expenses consist of current income tax and deferred income tax. Taxes related to items directly recognized in other comprehensive income or equity are recognized directly in those items, and all other taxes are recognized in the current profit or loss.

Current income tax expense is measured based on the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates the Company's tax policies applied in tax filings, considering the potential interpretations of applicable tax laws and the likelihood that uncertain tax treatments will be accepted by the tax authorities. The Group reflects the impact of uncertainty by using the method that better predicts the resolution of uncertainty, whether it is the most likely amount or the expected value.

Deferred income tax is recognized for the expected income tax effects when recovering or settling the book values of assets and liabilities, arising from temporary differences between the book values and tax bases of assets and liabilities. However, deferred tax assets and liabilities arising from the initial recognition of assets and liabilities in transactions other than business combinations are not recognized if the transaction does not affect accounting profit or taxable income.

Deferred tax assets are recognized when it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates, and joint ventures, except where the Group can control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. In addition, deferred tax assets from deductible temporary differences associated with these investments are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are offset if, and only if, the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority. Current tax assets and liabilities are offset if there is a legally enforceable right to set off and the intention is either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.16 Employee benefits

(1) Retirement benefits

The Group's pension scheme is categorized as a defined benefit plan.

A defined contribution plan is a pension scheme where the Group pays fixed contributions into a separate entity and recognizes such contributions as an expense when the employee services are rendered.

A defined benefit plan encompasses all pension plans excluding defined contribution plans. Typically, in a defined benefit plan, the amount of pension benefits to be paid upon an employee's retirement is determined based on factors such as age, years of service, or salary level. The liability recorded on the balance sheet related to defined benefit plans represents the present value of the defined benefit obligation, reduced by the fair value of any plan assets held externally. The defined benefit obligation is annually calculated by an independent actuarial using the projected unit credit method, and its present value is determined by discounting the expected future cash outflows using interest rates of high-quality corporate bonds that have maturities approximating the payments' timing. Meanwhile, remeasurement components related to net defined benefit liabilities are recognized in other comprehensive income.

In the event of a plan amendment, curtailment or settlement, past service cost or any gain or loss on settlement is recognized as profit or loss.

(2) Other long-term employee benefits

Some companies within the Group provide long-term employee benefits to employees who have served for extended periods. The right to receive these benefits is granted exclusively to long-serving employees. The measurement of other long-term employee benefits is similar to that of defined benefit plans, and the cost of employment, net interest on the other long-term employee benefit liability, and re-measurement components are recognized in profit or loss for the period. Additionally, these liabilities are evaluated annually by an independent and qualified actuarial professional.

3.17 Revenue recognition

The Group is engaged in the business of designing and manufacturing semiconductors that drive display panels, and sells these to customers. Revenue is recognized according to K-IFRS 1115 Revenue from Contracts with Customers. Revenue is recognized when control of the goods or services transfers to the customer, which is when the Group expects to be entitled to consideration in exchange for those goods or services.

Generally, the point at which control of the goods is transferred is determined to be when the goods have been shipped to a specified location, the risks and rewards of ownership have transferred to the customer, and there is objective evidence that the customer has accepted the goods or the conditions for acceptance have been satisfied.

(1) Returns

Returns are accounted for by recognizing the total expected amount of refunds as a contract liability and adjusting the revenue accordingly. When a customer exercises their right to return a product, the right to recover the product from the customer is recognized as a contract asset, and the cost of sales is adjusted by the same amount. The right to recover the product is measured by deducting the cost of recovering the product from its historical book value.

(2) Significant financial components

In general, the period between transferring goods or services and paying the price is less than one year, and in such cases, a practical expedient method is used that does not adjust the promised price to reflect the influence of significant financial factors.

3.18 Lease

(1) Lessor

If the Group is a lessor, lease income from operating leases is recognized on a straight-line basis over the lease term. The Company adds the direct cost of establishing a lease to the book value of the underlying asset and recognizes it as an expense over the lease term on the same basis as the rental income. Each leased assets are presented on the basis of its characteristics in the consolidated statement of financial position.

(2) Lessee

The Group leases various properties and vehicles. Lease agreements are typically for a fixed period, but may include options to extend as described below.

Agreements can include both lease and non-lease components. The Group has allocated the contract consideration to the lease and non-lease components based on their relative standalone prices.

Lease terms are negotiated individually and include various terms and conditions. Although there are no other restrictions imposed by the lease agreements, the leased asset cannot be provided as collateral for borrowings.

In the non-cancellable period within the enforceable period of the contract, the Group calculates the lease term including the covered period when it is reasonably certain that the lessee will exercise the option of extension and the covered period when it is reasonably certain that the lessee will not exercise the option of termination. If the lessee and the lessor each have the right to terminate without the consent of the other party, the Group calculates the enforceable period in consideration of the economic disadvantages to be incurred when the contract is terminated.

Assets and liabilities arising from leases are initially measured at present value. Lease liabilities include the net present value of the following lease payments:

- Fixed lease payments, reduced by any lease incentives received (including any substantive fixed lease payments);
- Variable lease payments that change based on an index or rate, initially measured using the index or rate as of the commencement date;
- Amounts expected to be payable by the Group (lessee) under a residual value guarantee;
- The exercise price of a purchase option if it is reasonably certain that the Group (lessee) will exercise this option;
- Payments to terminate the lease, if the lease term reflects the exercise of an option to terminate by the Group (lessee).

When a lessee is reasonably certain to exercise an option to extend the lease, the lease payments to be made under the extension are also included in the measurement of the lease liability.

Lease payments are discounted using the lease's internal rate of interest if it can be easily determined. If the internal rate cannot be readily calculated, the lessee uses the incremental borrowing rate, which is the interest rate the lessee would have to pay to borrow funds over a similar term, and with a similar security, under comparable economic conditions, to obtain an asset of a similar value to the right-of-use asset.

To calculate the incremental borrowing rate, the Group considers the following factors:

- If possible, the Group starts with the most recent third-party interest rate available to an individual lessee and adjusts for changes in the financial position of the lessee after obtaining third-party financing.
- The Group reflects adjustments specific to the lease such as the country, currency, collateral, and guarantees involved.

When an individual lessee can easily observe the interest rate for a term loan with a similar repayment schedule to the lease (using recent financial or market data), the Group uses this observed rate as a starting point for calculating the incremental borrowing rate.

Additionally, the Group faces exposure to the potential future increases in variable lease payments that depend on indices or rates until the index or rate becomes effective. When adjustments to lease payments based on indices or rates take effect, the lease liability is re-measured and the right-of-use asset is adjusted accordingly.

Lease payments are apportioned between the reduction of the lease liability and the finance cost. The finance cost is recognized in profit or loss over the lease period, calculated to produce a constant periodic rate of interest on the remaining balance of the lease liability.

A right-of-use assets are measured at cost consisting of:

- Initial measurement of the lease liability
- Paid on or before the commencement date of the lease less any lease incentives received;
- Direct cost of opening the lease borne by the lessee;
- Estimate of restoration cost.

Right-of-use assets are depreciated from the commencement date of the lease to the end of the useful life of the right-of-use assets and the end of the lease term. If it is reasonably certain that the Group will exercise the purchase option, the right -of-use assets are depreciated over the useful life of the underlying asset.

Short-term leases of facilities and vehicles and lease payments related to leases of small assets are recognized as profit or loss on a straight-line basis. Short-term leases are leases with a lease term of 12 months or less without purchase options, and small-value leased assets consist of IT equipment and small-value office furniture.

(3) Extension and termination options

The Group includes extension and termination options in many of its lease contracts across the entire entity. These provisions are utilized for operational flexibility in terms of contract management. Most of the extension and termination options held are exercisable at the discretion of the Group rather than the lease provider.

3.19 Operating segment

Operating segment information is disclosed on the basis of internal reporting to the chief operating decision maker (Note 5). The Chief Operating Decision Maker (CODM) is responsible for allocating resources to and evaluating the performance of the operating segments. The Group considers the board of directors as the CODM, as they are responsible for making strategic decisions.

3.20 Approval of financial statements

The financial statements of the Group have been approved by the board of directors on 25 January 2024, and the final approval is expected at the general meeting of shareholders.

4. Significant accounting estimates and assumptions

The preparation of financial statements requires assumptions and estimates about the future, and management's judgment is required to apply the Group's accounting policies. Estimations and assumptions are continuously evaluated and are made taking into account historical experience and reasonably foreseeable future events in the present circumstances. Since the results of accounting estimates are seldom identical to the actual results, there is a significant risk of causing material adjustments.

Estimates and assumptions that could impact the adjustments of asset and liability book values in the next fiscal year, including management's judgments and significant risks are as follows: Additional information on significant judgments and assumptions for some items is included in separate notes.

(1) Valuation of inventories

Inventories are valued at the lower of cost and net realizable value. The net realizable value is determined based on estimates of expected selling prices and estimated costs of sale, including costs directly related to making the sale. Additionally, the net realizable value of obsolete inventory is also estimated. These estimates are based on current market conditions and past experience. (Note 12)

(2) Provisions

As of the end of the reporting period, a provision for liabilities related to warranty repairs and similar obligations has been recorded. This provision is determined based on estimates grounded in historical experience and other relevant factors that may affect the expected costs associated with such liabilities. (Note 18)

(3) Impairment of goodwill

To assess whether goodwill has been impaired, the recoverable amount of the cash-generating unit (CGU) to which the goodwill has been allocated is determined based on the calculation of its value in use. (Note 15)

(4) Net defined benefit obligations

The present value of the net defined benefit liabilities is affected by a number of factors that are determined actuarially, in particular changes in the discount rate. (Note 30)

5. Operating segments

The Group segments its reporting based on the nature of goods and services that generate operating revenues and the characteristics of the assets used to provide these services. These segments are defined to align with the level at which information is provided to the Chief Executive Officer for decision-making purposes. As a result, it has been identified as a single reporting segment.

(1) Sales from a single external customer that account for more than 10% of the Group's total revenues are as follows:

(Unit: won)		
Category	2023	2022
Major customer A	1,065,738,873,483	1,202,606,473,946
Major customer B	525,127,317,682	451,992,145,340

(2) The details of sales and non-current assets by region as of 31 December 2023 and 2022 are as follows:

(Unit: won)				
Region	Sales		Non-current assets(*)	
	2023	2022	31 December 2023	31 December 2022
Korea	274,342,602,061	381,815,520,403	244,558,429,536	220,975,465,376
China	919,807,508,314	1,044,119,264,088	1,731,281,471	2,782,795,128
Asia/Oceania	700,083,956,231	543,630,795,511	1,490,323,574	1,908,953,223
America	7,091,378,295	149,652,467,681	32,260,943	42,453,993
Others	119,530,128	127,315,930	-	-
Total	1,901,444,975,029	2,119,345,363,613	247,812,295,524	225,709,667,720

(*) It is the total amount of investment assets of associates and joint ventures, tangible assets, intangible assets and right-of-use assets.

6. Financial instruments

(1) Financial instruments and their fair values

The details of financial instruments and their fair values as of 31 December 2023 and 2022 are as follows:

(Unit: won)				
Category	31 December 2023		31 December 2022	
	Book value	Fair value(*3)	Book value	Fair value(*3)
Financial assets:				
Items at FVTOCI				
Trade receivables	185,663,383,226	185,663,383,226	36,817,123,476	36,817,123,476
Items measured at amortized cost				
Cash and cash equivalents	184,417,149,183	184,417,149,183	188,365,134,297	188,365,134,297
Short-term financial instruments	120,514,272,143	120,514,272,143	130,501,257,585	130,501,257,585
Trade receivables	19,305,133,211	19,305,133,211	106,530,673,376	106,530,673,376
Other receivables(*1)	16,187,211,363	16,187,211,363	43,849,965,617	43,849,965,617
Sub-total	340,423,765,900		469,247,030,875	
Lease receivables	-	-	2,218,821,942	2,218,821,942
Total	526,087,149,126		508,282,976,293	
Financial liabilities:				
Items measured at amortized cost				
Trade payables	97,600,609,220	97,600,609,220	196,211,140,403	196,211,140,403
Other payables(*2)	28,568,539,489	28,568,539,489	44,672,049,559	44,672,049,559
Sub-total	126,169,148,709		240,883,189,962	
Lease liabilities	21,124,455,534	(*4)	15,886,600,747	(*4)

Total	147,293,604,243	256,769,790,709
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(*1) Lease receivables are excluded.

(*2) Employee-related debts that are not included in financial liabilities are excluded.

(*3) Since the book value is a reasonable approximation of the fair value, the fair value hierarchy and measurement method have been excluded in the disclosure.

(*4) Lease liabilities have been excluded from the fair value disclosures according to K-IFRS 1107 Financial Instruments: Disclosures.

(2) Net profit and loss by financial instrument category

The details of financial incomes and financing costs recognized in the net income as of 31 December 2023 and 2022 are as follows:

(Unit: won)				
Category	Interest income (interest expense)		Other income (*)	
	2023	2022	2023	2022
Financial assets measured at FVTOCI	-	-	(22,728,349,613)	(3,313,057,808)
Financial assets measured at amortized cost	11,344,283,095	11,842,606,319	3,348,120,334	(1,980,447,225)
Lease receivables	18,612,222	65,884,805		-
Financial liabilities measured at amortized cost	-	-	(2,120,398,173)	(15,537,727,956)
Lease liabilities	(448,344,323)	(430,595,529)	-	-
Total	10,914,550,994	11,477,895,595	(21,500,627,452)	(20,831,232,989)

(*) Other profit or loss consists of financial assets measured at FVTOCI, financial assets measured at amortized cost and financial liabilities measured at amortized cost, loss on disposal of trade receivables, foreign currency translation gain or loss, and foreign currency exchange gain or loss.

(3) Transfer of financial assets

The Group transferred account receivables according to the account receivable factoring contract with the Export-Import Bank, etc. In this transaction, if the relevant trade receivables are not recovered at maturity, the Group is not obligated to pay the unrecovered amount of trade receivables to banks.

There is no book value of trade receivables accounted for as collateralized borrowing as the Group transferred all or part of the transferred financial assets through factoring of accounts receivable as of 31 December 2023 and 2022.

7. Management of financial risk

The Group is exposed to various financial risks such as market risk, credit risk, and liquidity risk due to its multiple activities, and its overarching risk management policy focuses on minimizing the potentially adverse effects on its financial performance. The Group uses derivatives to manage specific risks.

Risk management is conducted by the Group's finance department following policies approved by management. This department works closely with the operational units of the Group to identify, evaluate, and hedge financial risks. Management reviews and approves documented policies regarding overall risk management, including strategies for managing exchange rate risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and investments that exceed liquidity needs.

7.1 Credit risk

Credit risk refers to research risk where clients or the other party on the contract can inflict a financial loss on the Group by failure to fulfill contractual obligations regarding financial instruments. It mainly arises from trade receivables and investment assets to customers.

(1) Risk management

The Group operates a consistent corporate-wide credit policy to manage credit risk. For corporate clients, when external credit ratings are available, these ratings are utilized. In cases where external ratings are not available, credit ratings are assessed internally based on the client's financial condition and past experiences. Credit limits for each customer are set based on internal and external credit ratings, as determined by management, who also regularly reviews compliance with these customer-specific limits.

There is a significant concentration of credit risk with major customers within the Group.

However, all debt instruments held by the Group are considered low credit risk. The Group actively monitors the credit ratings of these debt instruments to assess any decline in credit risk, ensuring that proactive measures are in place to manage potential vulnerabilities.

(2) Credit enhancement

For some trade receivables, the Company is provided with credit enhancements such as guarantees or letters of credit that can be demanded in case the counterparty defaults on the contract.

(3) Impairment of financial assets

The Group has the following financial assets to which the expected credit loss model is applied.

- Trade receivables for the provision of goods and services
- Other financial assets measured at amortized cost.
- Debt instruments measured at FVTOCI

Cash equivalents are also subject to the impairment provisions, but the identified expected credit loss is

insignificant.

(A) Trade receivables

The Group applies the simplified method of recognizing the expected credit loss as a loss allowance for the entire period for trade receivables. To measure expected credit losses, trade receivables are classified based on credit risk characteristics and delinquency dates.

The trade receivables are net amount after loss allowance is deducted, and as indicated in the statement of financial position, details of trade receivables and related loss allowances based on the total amount before loss allowance as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	31 December 2023	31 December 2022
Total book value of account receivables	204,968,516,437	143,347,796,852
Loss allowance	-	-
Net book value of trade receivables	204,968,516,437	143,347,796,852

As of 31 December 2023 and 2022, the age of trade receivables and the amount impaired by each year are as follows:

(Unit: won)						
Category	31 December 2023			31 December 2022		
	Total amount of receivables	Impaired amount	Book value	Total amount of receivables	Impaired amount	Book value
Within the due date	199,850,894,120	-	199,850,894,120	143,583,211,020	-	143,583,211,020
Maturity ~ within 3 months	4,829,918,031	-	4,829,918,031	(235,414,168)	-	(235,414,168)
3 ~ 6 months	287,704,286	-	287,704,286	-	-	-
Total	204,968,516,437	-	204,968,516,437	143,347,796,852	-	143,347,796,852

There are no changes in allowance for bad debts for trade receivables as of 31 December 2023 and 2022.

(B) Other financial assets measured at amortized cost

Other financial assets measured at amortized cost include employee loans, other receivables, etc. There are no changes in loss allowances for other financial assets measured at amortized cost, which are all considered to have low credit risk. Therefore, the loss allowance is recognized based on the 12-month expected credit losses.

(C) Debt instruments measured at FVTOCI

These debt instruments for these FVTOCI are discountable trade receivables for which a simplified approach is applied. This approach recognizes the lifetime expected credit losses as a loss allowance. The loss allowance for these FVTOCI debt instruments is recognized in profit or loss, reducing the amount that would have been recognized in other comprehensive income as a fair value loss. There are no changes in the loss allowance for these FVTOCI debt instruments during the reporting period.

(4) Exposure to credit risk

The book value of financial assets represents the maximum exposure to credit risk. The maximum exposure to credit risk of the Group as of 31 December 2023 and 2022 is as follows:

(Unit: won)		
Category	31 December 2023	31 December 2022
Cash and cash equivalents	184,417,149,183	188,365,134,297
Short-term financial instruments	120,514,272,143	130,501,257,585
Trade receivables (*1)	204,968,516,437	143,347,796,852
Other receivables(*2)	16,187,211,363	46,068,787,559
Total	526,087,149,126	508,282,976,293

(*1) Includes trade receivables classified as financial assets measured at FVTOCI.

(*2) Includes lease receivables.

7.2 Liquidity risk

Liquidity risk refers to the risk that the Group will have difficulty in meeting its obligations related to financial liabilities that are settled through the delivery of cash or other financial assets. The Group's liquidity management method is to generate abnormally excessive losses even in difficult financial situations, or to maintain sufficient liquidity to repay debts at maturity without risk of damaging the Group's reputation.

The Group manages liquidity risk by maintaining sufficient cash and cash equivalents and short-term financial instruments.

The contractual maturity of financial liabilities as of 31 December 2023 and 2022 is as follows: The amount does not include the effect of trade agreements.

① 31 December 2023

(Unit: won)				
Category	Book value	Contractual cash flow	Less than 1 year	1 ~ 5 years
Trade payables	97,600,609,220	97,600,609,220	97,600,609,220	-
Other payables(*)	28,568,539,489	28,568,539,489	26,743,219,489	1,825,320,000
Total	126,169,148,709	126,169,148,709	124,343,828,709	1,825,320,000

(*) Employee-related liabilities not included in financial liabilities are excluded, and the contractual maturity of lease liabilities is indicated in Note 16.

② 31 December 2022

(Unit: won)				
Category	Book value	Contractual cash flow	Less than 1 year	1 ~ 5 years
Trade payables	196,211,140,403	196,211,140,403	196,211,140,403	-
Other payables(*)	44,672,049,559	44,672,049,559	42,670,889,559	2,001,160,000
Total	240,883,189,962	240,883,189,962	238,882,029,962	2,001,160,000

(*) Employee-related liabilities not included in financial liabilities are excluded, and the contractual maturity of lease liabilities is indicated in Note 16.

7.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices.

(1) Exchange rate risk management

The Group is exposed to foreign exchange risk on transactions and balances denominated in currencies other than its functional currency. The major presentation currency for these transactions is USD.

① Exposure to foreign exchange risk

The book values of monetary assets and liabilities denominated in foreign currencies other than the functional currency as of as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	31 December 2023	31 December 2022
Assets in foreign currency:		
Cash and cash equivalents	4,385,021,019	60,654,903,501
Trade receivables	103,830,408,652	98,704,983,637
Receivables	141,642,860	458,338,309
Total	108,357,072,531	159,818,225,447
Liabilities in foreign currency:		
Trade payables	27,800,620,954	73,874,367,352
Payables	4,108,947,008	4,508,630,034
Total	31,909,567,962	78,382,997,386

The exchange rates applied to the conversion of monetary assets and liabilities denominated in foreign currencies are as follows:

(Unit: won)		
Category	31 December 2023	31 December 2022
USD	1,289.40	1,267.30

② Sensitivity analysis

If the exchange rate of the Korean won against USD, which is the major foreign currency that constitutes the financial assets and liabilities of the Group as of 31 December 2023 and 2022, had risen, the capital and profits and losses of the Group would have increased or decreased. The analysis assumes a degree of variance that the Group considers to be reasonably possible at the end of the period. It has been also assumed that other variables such as interest rate do not fluctuate during the sensitivity analysis. The effect of the changes in USD rate for Korean won (before income tax) as of 31 December 2023 and 2022 on the losses and gains are as follows:

(Unit: won)				
Category	2023		2022	
	5% increase	5% decrease	5% increase	5% decrease
USD	3,822,375,228	(3,822,375,228)	4,071,761,403	(4,071,761,403)

(2) Interest rate risk

Most of the Group's interest-bearing assets are fixed at a fixed interest rate. Therefore, the revenues and operating cash flows of the Group are actually independent of variations in the market interest rate.

7.4 Capital management

The capital management of the Group is for maintaining the existence as a going concern, minimizing the capital cost for funding, maximizing the profits of the shareholders, and maintaining an appropriate equity structure. The Group is managing its capital based on the liability ratio. The Group manages the capital based on the ratio of liability, which is calculated by dividing the total liability in the statement of financial position with capital. The debt-to-equity ratio of the Group as of 31 December 2023 and 2022 is as follows:

(Unit: won)		
Category	31 December 2023	31 December 2022
Total liabilities	228,301,207,505	339,257,893,379
Total equities	976,763,737,232	950,360,648,754
Debt-to-equity ratio	23.37%	35.70%

8. Cash and cash equivalents

The details of cash and cash equivalents as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	31 December 2023	31 December 2022
Demand deposit	7,617,149,183	79,065,134,297
Term deposit, etc.(*)	176,800,000,000	109,300,000,000
Total	184,417,149,183	188,365,134,297

(*) This is a financial instrument whose maturity is within 3 months from the acquisition date, has very high liquidity, is easy to convert to a fixed amount, and has a slight risk of value fluctuation.

9. Short-term financial instruments

The details of short-term financial instruments as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	31 December 2023	31 December 2022
Term deposit	120,514,272,143	130,501,257,585

10. Trade and other receivables

(1) The trade and other receivables as of 31 December 2023 and 2022 are as follows:

(Unit: won)				
Category	31 December 2023		31 December 2022	
	Current	Non-current	Current	Non-current
Trade receivables	204,968,516,437	-	143,347,796,852	-
Receivables	473,025,343	-	24,817,795,084	-
Accrued income	1,406,382,701	-	2,371,598,882	-
Loans	1,539,250,279	4,156,782,820	1,790,574,626	6,091,320,171
Deposits	-	8,611,770,220	-	8,778,676,854
Lease receivables	-	-	1,359,317,660	859,504,282
Total	208,387,174,760	12,768,553,040	173,687,083,104	15,729,501,307

(2) The changes in lease receivables as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
1 January	2,218,821,942	3,548,057,137
Interest income	18,612,222	65,884,805
Retrieving	(2,237,434,164)	(1,395,120,000)
31 December	-	2,218,821,942

(3) The maturity analysis of lease receivables as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	31 December 2023	31 December 2022
Less than 1 year	-	1,395,120,000
1 to 2 years	-	866,324,509
Total undiscounted lease	-	2,261,444,509
Unrealized financial income	-	(42,622,567)
Net lease investment	-	2,218,821,942

11. Other assets

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

(Unit: won)				
Category	31 December 2023		31 December 2022	
	Current	Non-current	Current	Non-current
Advanced payments	9,341,418,673	7,432,141,290	8,270,140,223	9,367,236,340
Prepaid expenses, etc.	44,334,453,824	1,562,294,761	26,269,148,384	794,082,232
Total	53,675,872,497	8,994,436,051	34,539,288,607	10,161,318,572

12. Inventories

(1) The details of inventories as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	31 December 2023	31 December 2022
Products	102,920,500,226	184,831,476,664
Work in process	307,978,195,302	335,608,127,172
Inventory return allowance	131,692,031	165,108,909
Inventory valuation allowance	(75,160,516,138)	(38,095,660,661)
Products	21,168,050	47,383,151
Total	335,891,039,471	482,556,435,235

(2) The gain (loss) on valuation on valuation of inventories as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Cost of goods sold		
Establishment (return) of inventory valuation allowance	37,064,855,477	27,731,671,511

(3) The cost of inventory recognized as an expense and included in the cost of goods sold amounts to 1,330,785 million won for the current period, compared to 1,409,797 million won in 2022.

13. Investment of associates and joint ventures

(1) The changes in the investments in associates and joint ventures as of 31 December 2023 and 2022 are as follows:

(Unit: won)							
Company name	Location	Major business activity	Month of account closing	31 December 2023		31 December 2022	
				Ratio(%)	Book value	Ratio(%)	Book value
Advance Power Device Technologies Co. ltd	Korea	R&D and design of semiconductor devices	March	49.00	4,633,299,873	49.00	4,403,026,225
FJ Composite Materials Co., LTD	Japan	Development, manufacturing, and sales of composite materials	May	28.70	9,349,396,602	29.98	7,296,459,614
Telechips(*)	Korea	Manufacture of electronic integrated circuit	December	10.26	31,172,893,079	10.93	28,031,035,949
LX Ventures New Technology Business Investment Association No. 1	Korea	Investment in ventures	December	23.33	2,779,428,032	-	-
Total					47,935,017,586		39,730,521,788

(*) Although the share of Telechips Inc. is less than 20%, it is exerting significant influence through the contractual right to appoint directors.

(2) The changes in the investments in associates and joint ventures as of 31 December 2023 and 2022 are as follows:

① 2023

(Unit: won)						
Company name	1 January	Acquisition	Dividends received	Equity method gains and losses	Gain on valuation of investment stock by the equity method	31 December 2023
Advance Power Device Technologies Co. Ltd	4,403,026,225	-	-	230,273,648	-	4,633,299,873
FJ Composite Materials Co., LTD	7,296,459,614	2,887,050,000	(76,766,051)	(341,956,470)	(415,390,491)	9,349,396,602
Telechips Inc.	28,031,035,949	-	(196,950,000)	3,135,621,750	203,185,380	31,172,893,079
LX Ventures New Technology Business Investment Association No. 1	-	2,800,000,000	-	(20,571,968)	-	2,779,428,032
Total	39,730,521,788	5,687,050,000	(273,716,051)	3,003,366,960	(212,205,111)	47,935,017,586

② 2022

(Unit: won)					
Company name	1 January	Acquisition	Equity method gains and losses	Gain on valuation of investment stock by the equity method	31 December 2022
Advance Power Device Technologies Co. Ltd	4,229,627,079	-	173,399,146	-	4,403,026,225
FJ Composite Materials Co., LTD	7,438,503,112	-	508,680,596	(650,724,094)	7,296,459,614
Telechips Inc.	-	26,770,050,000	1,221,424,180	39,561,769	28,031,035,949
Total	11,668,130,191	26,770,050,000	1,903,503,922	(61,162,325)	39,730,521,788

(3) The financial status of investment assets in associates and joint ventures as of 31 December 2023 and 2022 are as follows:

① 31 December 2023

(Unit: won)							
Company name	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Total capital
Advance Power Device Technologies Co. Ltd.	9,249,698,987	466,682,574	9,716,381,561	130,403,831	130,263,702	260,667,533	9,455,714,028
FJ Composite Materials Co., LTD	9,566,767,969	12,414,634,560	21,981,402,529	923,313,809	2,128,222,727	3,051,536,536	18,929,865,993
Telechips Inc.	131,543,105,078	206,994,822,571	338,537,927,649	71,781,056,213	50,354,417,634	122,135,473,847	216,402,453,802
LX Ventures New Technology Business Investment Association No. 1	11,981,451,956	-	11,981,451,956	69,617,532	-	69,617,532	11,911,834,424

② 31 December 2022

(Unit: won)							
Company name	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Total capital
Advance Power Device Technologies Co. Ltd.	8,759,269,885	590,710,921	9,349,980,806	160,338,027	203,874,972	364,212,999	8,985,767,807
FJ Composite Materials Co., LTD	4,167,835,425	10,751,432,004	14,919,267,429	748,082,143	4,315,770,906	5,063,853,049	9,855,414,380
Telechips Inc.	143,745,356,847	175,909,051,084	319,654,407,931	91,677,311,993	56,313,910,558	147,991,222,551	171,663,185,380

(4) The profit and loss in the investments in associates as of 31 December 2023 and 2022 are as follows:

① 2023

(Unit: won)					
Company name	Sales	Operating income	Income tax expenses	Net income	Total comprehensive income
Advance Power Device Technologies Co. Ltd.	2,092,139,047	190,194,452	21,190,345	469,946,221	469,946,221
FJ Composite Materials Co., LTD	5,289,514,961	(2,815,012,821)	139,686,000	(1,705,974,390)	(2,683,419,734)
Telechips Inc.	190,595,124,313	15,793,364,071	(1,331,198,421)	27,840,124,696	29,337,364,459
LX Ventures New Technology Business Investment Association No. 1	-	(88,165,576)	-	(88,165,576)	(88,165,576)

② 2022

(Unit: won)					
Company name	Sales	Operating income	Income tax expenses	Net income	Total comprehensive income
Advanced Power Device Technology Co. Ltd.	2,550,251,212	231,841,018	7,622,521	353,147,042	353,147,042
FJ Composite Materials Co., LTD	3,851,938,353	749,681,367	235,533,654	2,201,109,947	1,509,393,060
Telechips Inc. (*)	38,993,560,861	4,055,055,218	5,758,297,013	44,597,536,980	44,259,773,138

(*) Sales, net profit or loss, and comprehensive income are amounts after incorporation into associates.

(5) The adjustments of the financial information amount of investment in associates and joint ventures to the book value of equity in associates and joint ventures as of 31 December 2023 and 2022 are as follows:

① 31 December 2023

(Unit: won)						
Company name	Net asset as of 31 December (A)	Group's share (B)	Net asset equity (A*B)	(+)Goodwill	(±)Others	Book value as of 31 December
Advance Power Device Technologies Co. Ltd.	9,455,714,028	49.00%	4,633,299,873	-	-	4,633,299,873
FJ Composite Materials Co., LTD	18,929,865,993	28.70%	5,433,187,943	3,408,912,729	507,295,930	9,349,396,602
Telechips Inc.	216,402,453,802	10.26%	22,210,090,327	7,006,232,223	1,956,570,529	31,172,893,079
LX Ventures New Technology Business Investment Association No. 1	11,911,834,424	23.33%	2,779,428,032	-	-	2,779,428,032

② 31 December 2022

(Unit: won)						
Company name	Net asset as of 31 December (A)	Group's share (B)	Net asset equity (A*B)	(+)Goodwill	(±)Others	Book value as of 31 December
Advance Power Device Technologies Co. Ltd.	8,985,767,807	49.00%	4,403,026,225	-	-	4,403,026,225
FJ Composite Materials Co., LTD	9,855,414,380	29.98%	2,954,513,947	3,718,653,849	623,291,818	7,296,459,614
Telechips Inc.	171,663,185,380	10.93%	18,769,586,919	7,357,926,160	1,903,522,870	28,031,035,949

(6) The fair value of shares held in marketable associates is as follows:

① 31 December 2023

Company name	No. of shares held (Unit: shares)	Market price per share (Unit: won)	Market value (Unit: won)
Telechips Inc.	1,515,000	33,300	50,449,500,000

② 31 December 2022

Company name	No. of shares held (Unit: shares)	Market price per share (Unit: won)	Market value (Unit: won)
Telechips Inc.	1,515,000	11,050	16,740,750,000

14. Tangible assets

(1) The details of tangible assets as of 31 December 2023 and 2022 are as follows:

① 31 December 2023

(Unit: won)								
Category	Land	Buildings	Structures	Machinery and equipment	Office equipment	Other tangible assets(*)	Construction in-progress	Total
Acquisition cost	34,966,570,226	24,579,991,111	464,190,636	54,585,016,199	25,303,668,525	10,267,995,782	9,319,836,507	159,487,268,986
Accumulated amortization	-	(3,628,493,645)	(29,980,448)	(26,712,684,148)	(17,547,972,191)	(6,802,403,450)	-	(54,721,533,882)
Accumulated impairment loss	-	(29,562,901)	-	-	-	-	(154,587,941)	(184,150,842)
Government subsidies	-	-	(77,278,600)	(31,678)	(1,535,515)	(75,000,000)	-	(153,845,793)
Book value	34,966,570,226	20,921,934,565	356,931,588	27,872,300,373	7,754,160,819	3,390,592,332	9,165,248,566	104,427,738,469

(*) Other tangible assets include facility equipment, and leasehold improvements.

② 31 December 2022

(Unit: won)								
Category	Land	Buildings	Structures	Machinery and equipment	Office equipment	Other tangible assets(*)	Construction in-progress	Total
Acquisition cost	35,051,121,092	21,054,366,791	188,300,000	63,813,635,814	23,946,416,194	9,631,076,240	9,712,038,822	163,396,954,953
Accumulated amortization	-	(3,047,630,728)	(21,183,768)	(34,314,804,334)	(15,015,349,732)	(5,446,671,430)	-	(57,845,639,992)
Accumulated impairment loss	-	-	-	(239,798,395)	-	-	-	(239,798,395)
Government subsidies	-	-	-	(38,922)	(5,908,229)	(135,000,000)	-	(140,947,151)
Book value	35,051,121,092	18,006,736,063	167,116,232	29,258,994,163	8,925,158,233	4,049,404,810	9,712,038,822	105,170,569,415

(*) Other tangible assets include facility equipment, and leasehold improvements.

(2) The changes in the book value of tangible assets as of 31 December 2023 and 2022 are as follows:

① 2023

(Unit: won)								
Category	Land	Buildings	Structures	Machinery and equipment	Office equipment	Other tangible assets (*)	Construction in-progress	Total
Book value as of 1 January	35,051,121,092	18,006,736,063	167,116,232	29,258,994,163	8,925,158,233	4,049,404,810	9,712,038,822	105,170,569,415
Acquisition cost during the period	-	3,507,964,029	(77,928,000)	3,830,675,499	2,430,912,010	646,346,182	14,658,476,606	24,996,446,326
Disposal cost during the period	(84,550,866)	(45,909,682)	-	(14,095,325,117)	(103,273)	-	(26,500,000)	(14,252,388,938)
Substitution of assets under construction	-	229,551,300	275,890,636	14,518,736,985	-	-	(15,024,178,921)	-
Depreciation	-	(746,844,244)	(8,147,280)	(7,299,249,528)	(3,599,461,688)	(1,299,112,092)	-	(12,952,814,832)
Other adjustments(*)	-	(29,562,901)	-	1,658,468,371	(2,344,463)	(6,046,568)	(154,587,941)	1,465,926,498
Book value as of 31 December	34,966,570,226	20,921,934,565	356,931,588	27,872,300,373	7,754,160,819	3,390,592,332	9,165,248,566	104,427,738,469

(*) The adjustments include impairment losses on tangible assets.

② 2022

(Unit: won)								
Category	Land	Buildings	Structures	Machinery and equipment	Office equipment	Other tangible assets (*)	Construction in-progress	Total
Book value as of 1 January	6,419,595,262	3,329,132,834	171,823,736	31,939,915,510	4,743,746,277	1,997,441,949	1,660,946,817	50,262,602,385
Acquisition cost during the period	318,549,000	-	-	4,614,517,669	7,039,673,872	1,840,448,312	57,088,920,718	70,902,109,571
Disposal cost during the period	-	-	-	(6,001)	(845,796)	-	-	(851,797)
Substitution of assets under construction	28,312,976,830	15,011,042,450	-	4,135,309,433	-	1,578,500,000	(49,037,828,713)	-
Depreciation	-	(333,439,221)	(4,707,504)	(11,416,025,856)	(2,847,316,912)	(1,358,383,186)	-	(15,959,872,679)
Other increase/decrease	-	-	-	(14,716,592)	(10,099,208)	(8,602,265)	-	(33,418,065)
Book value as of 31 December	35,051,121,092	18,006,736,063	167,116,232	29,258,994,163	8,925,158,233	4,049,404,810	9,712,038,822	105,170,569,415

(3) The amounts for each account item that include depreciation expense are as follows:

(Unit: won)		
Category	2023	2022
COGS	299,969,134	6,320,157,512
Selling and administrative expenses(*)	12,652,845,698	9,639,715,167
Total	12,952,814,832	15,959,872,679

(*) Depreciation costs of 8,250 million won (5,101 million won in 2022) included in current research and development expenses are included.

15. Intangible assets

(1) The details of intangible assets as of 31 December 2023 and 2022 are as follows:

① 31 December 2023

(Unit: won)							
Category	Goodwill	Industrial property rights	Software	Membership	Other intangible assets(*)	Intangible assets under construction	Total
Acquisition cost	27,913,122,677	10,186,296,724	27,941,164,417	4,354,074,600	35,114,460,000	20,800,551,933	126,309,670,351
Accumulated amortization	-	(2,933,678,680)	(14,069,558,583)	-	(35,100,886,340)	-	(52,104,123,603)
Accumulated impairment loss	-	-	-	(243,581,400)	-	-	(243,581,400)
Government subsidies	-	(18,631,214)	-	-	-	(6,046,011)	(24,677,225)
Book value	27,913,122,677	7,233,986,830	13,871,605,834	4,110,493,200	13,573,660	20,794,505,922	73,937,288,123

(*) Other intangible assets consist of intangible assets related to customer relationships arising from business succession, technological capabilities, etc.

② 31 December 2022

(Unit: won)							
Category	Goodwill	Industrial property rights	Software	Membership	Other intangible assets (*)	Intangible assets under construction	Total
Acquisition cost	27,913,122,677	6,080,962,005	23,765,964,649	4,354,074,600	35,114,460,000	11,689,695,760	108,918,279,691
Accumulated amortization	-	(2,148,048,751)	(9,624,562,340)	-	(33,075,765,007)	-	(44,848,376,098)
Accumulated impairment loss	-	-	-	(243,581,400)	-	-	(243,581,400)
Government subsidies	-	(19,481,639)	-	-	-	(7,941,731)	(27,423,370)
Book value	27,913,122,677	3,913,431,615	14,141,402,309	4,110,493,200	2,038,694,993	11,681,754,029	63,798,898,823

(*) Other intangible assets consist of intangible assets related to customer relationships arising from business succession, technological capabilities, etc.

(2) The changes in the book value of intangible assets as of 31 December 2023 and 2022 are as follows:

① 2023

(Unit: won)							
Category	Goodwill	Industrial property rights	Software	Membership	Other intangible assets	Intangible assets under construction	Total
Book value as of 1 January	27,913,122,677	3,913,431,615	14,141,402,309	4,110,493,200	2,038,694,993	11,681,754,029	63,798,898,823
Acquisition cost during the period	-	30,085,964	1,281,745,210	-	-	16,240,696,054	17,552,527,228
Disposal cost during the term	-	(715,626)	-	-	-	(141,448,799)	(142,164,425)
Substitution of assets under construction	-	4,081,004,170	2,904,997,018	-	-	(6,986,001,188)	-
Amortization of intangible assets	-	(789,819,293)	(4,457,091,825)	-	(2,025,121,333)	-	(7,272,032,451)
Other increase/decrease	-	-	553,122	-	-	(494,174)	58,948
Book value as of 31 December	27,913,122,677	7,233,986,830	13,871,605,834	4,110,493,200	13,573,660	20,794,505,922	73,937,288,123

② 2022

(Unit: won)							
Category	Goodwill	Industrial property rights	Software	Membership	Other intangible assets	Intangible assets in-progress	Total
Book value as of 1 January	27,913,122,677	2,766,717,113	5,706,259,589	4,269,483,200	6,036,068,328	3,523,973,197	50,215,624,104
Acquisition cost during the period	-	-	813,252,067	1,260,810,000	22,000,000	20,425,039,997	22,521,102,064
Disposal cost during the term	-	(18,475,464)	-	(1,419,800,000)	-	(123,754,087)	(1,562,029,551)
Substitution of assets under construction	-	1,677,516,678	10,465,988,400	-	-	(12,143,505,078)	-
Amortization of intangible assets	-	(512,326,712)	(2,838,611,184)	-	(4,019,373,335)	-	(7,370,311,231)
Other increase/decrease	-	-	(5,486,563)	-	-	-	(5,486,563)
Book value as of 31 December	27,913,122,677	3,913,431,615	14,141,402,309	4,110,493,200	2,038,694,993	11,681,754,029	63,798,898,823

(3) The amounts for each account item that include intangible depreciation expense are as follows:

(Unit: won)		
Category	2023	2022
COGS	2,043,939,078	4,024,293,282
Selling and administrative expenses(*)	5,228,093,373	3,346,017,949
Total	7,272,032,451	7,370,311,231

(*) Amortization costs of 1,706 million won (638 million won in 2022) included in current research and development expenses are included.

(4) Intangible assets with indefinite useful life

The Group classifies goodwill and membership among intangible assets as intangible assets with indefinite useful lives and is not amortized, and reviews impairment annually along with intangible assets under construction, which are intangible assets that have not yet been used. There is no impairment recognized for goodwill, intangible assets construction in-progress, and memberships as of 31 December 2023 and 2022.

16. Lease

(1) The book value of right-of-use assets as of 31 December 2023 and 2022 are as follows:

① 31 December 2023

(Unit: won)

Category	Buildings	Vehicles	Total
Acquisition	29,544,653,370	1,443,025,313	30,987,678,683
Accumulated depreciations	(8,767,397,893)	(708,029,444)	(9,475,427,337)
Book value	20,777,255,477	734,995,869	21,512,251,346

② 31 December 2022

(Unit: won)

Category	Buildings	Vehicles	Total
Acquisition amount	30,434,824,136	1,536,666,177	31,971,490,313
Accumulated depreciations	(14,237,660,846)	(724,151,773)	(14,961,812,619)
Book value	16,197,163,290	812,514,404	17,009,677,694

(2) The changes in book value of right-of-use assets as of 31 December 2023 and 2022 are as follows:

① 2023

(Unit: won)

Category	Buildings	Vehicles	Total
Amount as of 1 January	16,197,163,290	812,514,404	17,009,677,694
Acquisition	13,477,773,869	634,601,647	14,112,375,516
Decrease (Termination of contract)	(244,150,646)	(147,511,726)	(391,662,372)
Depreciation	(8,595,524,278)	(563,136,991)	(9,158,661,269)
Other increase or decrease	(58,006,758)	(1,471,465)	(59,478,223)
Amount as of 31 December	20,777,255,477	734,995,869	21,512,251,346

② 2022

(Unit: won)

Category	Buildings	Vehicles	Total
Amount as of 1 January	6,734,272,180	944,858,405	7,679,130,585
Acquisition	16,367,885,528	470,366,656	16,838,252,184
Decrease (Termination of contract)	(61,998,902)	(83,626,361)	(145,625,263)
Depreciation	(6,733,950,680)	(520,113,380)	(7,254,064,060)
Other increase or decrease	(109,044,836)	1,029,084	(108,015,752)
Amount as of 31 December	16,197,163,290	812,514,404	17,009,677,694

(3) The amounts recognized in profit or loss as of 31 December 2023 and 2022 are as follows:

(Unit: won)

Category	2023	2022
Depreciation on licensed assets	9,158,661,270	7,254,064,060
Interest expense on lease liabilities	448,344,323	430,595,529
Expenses related to short-term leases and small assets lease	1,317,140,197	1,900,593,554

(4) The Group's total cash outflows due to leases as of 31 December 2023 and 2022 are 10,166 million won and 9,059 million won, respectively.

(5) The undiscounted maturity amount of lease liabilities as of 31 December 2023 and 2022 is as follows:

(Unit: won)

Category	31 December 2023	31 December 2022
Less than 1 year	8,365,415,264	8,546,023,350
1 to 5 years	14,633,944,121	8,164,056,206
5 to 10 years	232,977,900	120,236,710
Sub-total	23,232,337,285	16,830,316,266

17. Trade and other payables

The details of trade and other payables as of 31 December 2023 and 2022 are as follows:

(Unit: won)

Category	31 December 2023		31 December 2022	
	Current	Non-current	Non-current	Non-current
Trade payables	97,600,609,220	-	196,211,140,403	-
Payables	32,483,691,098	-	59,103,275,904	-
Accrued expenses	11,980,596,428	-	9,848,623,439	-
Deposits	-	1,825,320,000	-	2,001,160,000
Total	142,064,896,746	1,825,320,000	265,163,039,746	2,001,160,000

18. Other liabilities

(1) The details of other liabilities as of 31 December 2023 and 2022 are as follows:

(Unit: won)				
Category	31 December 2023		31 December 2022	
	Current	Non-current	Current	Non-current
Advances customers	12,215,676,394	-	5,395,555,618	-
Withholdings	4,693,642,065	-	4,199,152,896	-
Provisions	15,477,003,962	2,498,715,452	1,138,031,947	2,502,515,452
Long-term employee salary liabilities	-	3,159,108,484	-	2,624,806,247
Total	32,386,322,421	5,657,823,936	10,732,740,461	5,127,321,699

(2) The changes in the provisions as of 31 December 2023 and 2022 are as follows:

① 2023

(Unit: won)				
Category	1 January	Establishment (reversal)	Paid	31 December
Provision for sales warrant	912,979,618	19,047,603,840	(4,674,502,754)	15,286,080,704
Provision for return	225,052,329	(34,129,071)	-	190,923,258
Provisions for restoration	2,502,515,452	-	(3,800,000)	2,498,715,452
Total	3,640,547,399	19,013,474,769	(4,678,302,754)	17,975,719,414

② 2022

(Unit: won)				
Category	1 January	Establishment (reversal)	Paid	31 December
Provision for sales warrant	1,578,936,322	(311,410,787)	(354,545,917)	912,979,618
Provision for return	557,847,533	(332,795,204)	-	225,052,329
Provisions for restoration	1,031,415,452	1,471,100,000	-	2,502,515,452
Total	3,168,199,307	826,894,009	(354,545,917)	3,640,547,399

The Group recognizes warranty expense in the provision for product warranties as expected to be borne by the Group related to sales guarantee for the products and recognizes the corresponding transferred amount in selling and administrative expenses. On the other hand, the Group recognizes the amount corresponding to the portion of revenue to be canceled at the time of product return as allowance liability for return and deduction to sales in accordance with the K-IFRS 1115.

19. Capital and capital surplus

(1) The details of capital as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	31 December 2023	31 December 2022
Number of authorized shares	50,000,000	50,000,000
Amount per share	500	500
Number of shares issued	16,264,300	16,264,300
Capital	8,132,150,000	8,132,150,000

(2) The details of capital surplus as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	31 December 2023	31 December 2022
Paid-in capital in excess of par value	66,560,617,129	66,560,617,129
Other capital surplus	9,782,553,371	9,782,553,371
Total	76,343,170,500	76,343,170,500

20. Other capital items

The details of other capital items as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	31 December 2023	31 December 2022
Gain (loss) on overseas business translation	131,256,512	210,259,445
Gain on valuation of investment stock by the equity method	(823,367,436)	(611,162,325)
Gains or losses on valuation of financial assets measured at FVTOCI	(380,807,731)	(380,807,731)
Total	(1,072,918,655)	(781,710,611)

21. Retained earnings

(1) The details of current retained earnings as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	31 December 2023	31 December 2022
Statutory reserves	4,066,075,000	4,066,075,000
Unappropriated retained earnings	889,295,260,387	862,600,963,865
Total	893,361,335,387	866,667,038,865

(2) The changes in the unappropriated retained earnings as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Amount as of 1 January	862,600,963,865	711,776,009,032
Payment of dividends	(73,189,350,000)	(87,827,220,000)
Net income	101,203,533,006	233,692,540,409
Remeasurements of defined benefit plans	(1,319,886,484)	4,959,634,424
Amount as of 31 December	889,295,260,387	862,600,963,865

22. Dividends

The details of dividends as of 31 December 2023 and 2022 are as follows:

(Unit: shares, won)		
Category	2023 (*1)	2022
No. of shares to be distributed	16,264,300	16,264,300
Face value per share	500 won	500 won
Par dividend	360%	900%
Dividend per share	1,800 won	4,500 won
Dividends	29,275,740,000 won	73,189,350,000 won
Dividend payout ratio (dividend amount/net profit)	29%	31%
Share price(*2)	88,325 won	78,680 won
Dividend yield (dividend per share/share price)	2.04%	5.72%

(*1) It will be presented as an agenda for the general shareholders' meeting expected on 21 March 2024.

(*2) The reference price related to the above dividend is calculated based on the arithmetic average of the final prices formed in the stock exchange market during the past week, starting from two trading days before the record date for closing the shareholders' register for the purpose of convening the general meeting of shareholders.

23. Earnings per share

(1) Basic earnings per share

① The calculation of basic earnings per share as of 31 December 2023 and 2022 are as follows:

(Unit: won, shares)		
Category	2023	2022
Earnings per ordinary share	101,203,533,006 won	233,692,540,409 won
Weighted average No. of common shares outstanding	16,264,300 shares	16,264,300 shares
Basic earnings per share	6,222 won	14,368 won

① Calculation of weighted average No. of common shares outstanding as of 31 December 2023 and 2022

Number of shares issued (1)	Number of treasury shares (2)	No. of outstanding ordinary shares (1-2)	Weight	Weighted average number of common shares outstanding
16,264,300 shares	-	16,264,300 shares	365 days/365 days	16,264,300 shares

② Calculation of weighted average No. of common shares outstanding for the previous period

Number of shares issued (1)	Number of treasury shares (2)	No. of outstanding ordinary shares (1-2)	Weight	Weighted average number of common shares outstanding
16,264,300 shares	-	16,264,300 shares	365 days/365 days	16,264,300 shares

(2) Diluted earnings per share

The Group does not have any dilutive securities as of 31 December 2023 and 2022. Therefore, the diluted earnings per share is the same as the basic earnings per share.

24. Finance income and costs

(1) The details of financial income as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Interest income	11,362,895,317	11,908,491,124
Gain from foreign exchange rate (financial)	23,519	195
Gain on foreign exchange (financial)	1,622,706,473	49,738,785
Total	12,985,625,309	11,958,230,104

(2) The details of financial expenses as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Interest expenses	448,344,323	430,595,529
Loss from foreign exchange rate (financial)	-	8,079
Loss on foreign exchange (financial)	1,283,532	1,625,174,727
Loss on disposal of trade receivables	24,548,030,922	10,818,201,531
Total	24,997,658,777	12,873,979,866

25. Other non-operating income and expenses

(1) The details of other non-operating income as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Profit on foreign exchange (non-financial)	25,143,172,788	40,251,489,821
Profit on foreign currency conversion (non-financial)	681,183,726	3,309,084,399
Gain on disposal of tangible assets	5,398,986,133	938,784,374
Gain on intangible assets	1,000	-
Miscellaneous profits	29,501,919	73,619,033
Total	31,252,845,566	44,572,977,627

(2) The details of other non-operating expenses as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Loss on foreign exchange (non-financial)	22,719,034,054	47,993,023,382
Loss on foreign currency conversion (non-financial)	1,679,365,450	3,959,780,511
Loss on disposal of tangible assets	108,694,679	590,294
Impairment loss on tangible assets	184,150,842	-
Loss on disposal of intangible assets	142,164,425	162,029,551
Donations	72,611,580	85,856,381
Miscellaneous losses	87,305,336	12,842,268
Total	24,993,326,366	52,214,122,387

26. Revenue from contracts with customers and their contract assets and contract liabilities

(1) The amounts recognized as revenue by the Group are as follows:

(Unit: won)		
Category	2023	2022
Revenue from contracts with customers	1,901,348,975,029	2,118,566,363,613
Other income from various sources: Rental income, etc.	96,000,000	779,000,000
Total	1,901,444,975,029	2,119,345,363,613

(2) The details of revenue generated from contracts with customers as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Key geographic markets:		
Domestic	274,246,602,061	381,036,520,403
China	919,807,508,314	1,044,391,022,127
Vietnam	437,478,806,718	276,016,749,709
Taiwan	217,709,080,229	222,353,097,356
Japan	32,185,267,417	36,796,221,867
Others	19,921,710,290	157,972,752,151
Total	1,901,348,975,029	2,118,566,363,613
Main service lines:		
Products	1,898,132,752,974	2,096,004,814,994
Services	2,539,935,755	20,832,938,355
Other sales	652,330,130	1,617,390,012
Merchandise sales	23,956,170	111,220,252
Total	1,901,348,975,029	2,118,566,363,613
When revenue is recognized:		
Implementation to one point	1,901,348,975,029	2,118,566,363,613
Implementation over time	-	-
Total	1,901,348,975,029	2,118,566,363,613

(3) Assets and liabilities related to contracts with customers

The assets and liabilities recognized by the Group in relation to its contracts with customers are as follows:

(Unit: won)		
Category(*)	31 December 2023	31 December 2022
Contract performance costs	7,199,630,740	2,326,763,094
Contract liabilities	12,215,669,884	5,369,555,618

(*) Contract performance costs are classified as prepaid expenses in other assets, and contract liabilities are classified in the advance payment account in other liabilities.

(4) Revenue recognized for contract liabilities

The amount of revenue recognized in the current period related to contract liabilities carried forward from the previous period is as follows:

(Unit: won)		
Category	2023	2022
Products	4,115,585,618	1,498,230,328
Services	716,940,000	5,636,063,982
Total	4,832,525,618	7,134,294,310

27. Operating profit

The main items and amounts included in operating profit calculation as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Sales	1,901,444,975,029	2,119,345,363,613
Products	1,898,132,752,974	2,096,004,814,994
Others	3,312,222,055	23,340,548,619
COGS	1,367,468,136,980	1,443,672,300,059
Cost of goods sold	1,364,710,389,124	1,428,973,942,830
Others	2,757,747,856	14,698,357,229
Selling and administrative expenses	404,941,181,710	365,049,100,804
Salary and bonuses	73,596,666,031	67,943,564,869
Retirement benefits	4,511,002,699	4,454,321,994
Employee benefits	17,387,327,364	16,281,795,590
Travel	3,242,347,067	2,064,275,529
Paid rent	2,936,967,600	2,937,833,112
Service fees	34,790,238,244	33,521,858,662
Depreciation	13,560,863,740	11,792,222,477

Amortization of intangible assets	3,521,816,516	2,708,283,818
Establishment of provision for sales guarantee (reversal)	19,047,603,840	(311,410,787)
Ordinary R&D expenses	219,774,976,871	210,778,523,351
Others	12,571,371,738	12,877,832,189
Operating profit	129,035,656,339	310,623,962,750

28. Selling and administrative expenses

The selling and management expenses as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Salaries	47,847,990,062	41,198,636,254
Bonuses	25,748,675,969	26,744,928,615
Retirement benefits	4,511,002,699	4,454,321,994
Employee benefits	17,387,327,364	16,281,795,590
Travel	3,242,347,067	2,064,275,529
Communication	828,416,162	791,660,223
Consumables	956,896,505	3,246,290,600
Taxes and dues	1,208,311,461	1,273,869,592
Paid rent	2,936,967,600	2,937,833,112
Service fees	34,790,238,244	33,521,858,662
Depreciation	13,560,863,740	11,792,222,477
Repairs	244,713,766	200,248,608
Insurance	3,459,011,730	1,284,794,559
Entertainment	1,343,786,583	1,549,424,433
Advertisement	581,699,204	144,880,984
Meeting	-	2,578,269
Printing	24,263,269	23,333,463
Transportation	918,402,407	1,137,344,982
Samples	905,695,563	1,103,786,114
Training	945,041,406	1,369,237,017
Vehicle maintenance	476,264,695	474,377,513
Gas, water, oil	678,868,987	276,005,832
Establishment of provision for sales guarantee (reversal)	19,047,603,840	(311,410,787)
Ordinary R&D expenses	219,774,976,871	210,778,523,351
Amortization of intangible assets	3,521,816,516	2,708,283,818
Total	404,941,181,710	365,049,100,804

29. Disclosure by nature of expenses

The expenses classified by nature as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Changes in inventories	146,665,395,764	(281,438,921,671)
Employee cost	198,593,377,182	190,370,913,334
Depreciation and amortization of intangible assets	29,383,508,840	30,584,247,970
Outsourcing process	1,212,462,026,214	1,691,270,770,332
Process cost	2,579,467,486	16,211,634,279
R&D	99,056,843,643	107,966,554,678
Paid rent	2,936,967,600	2,937,833,112
Service fees	40,891,412,484	40,229,906,746
Transportation	5,731,098,202	7,109,768,325
Travel	5,304,352,012	3,658,788,153
Establishment of provision for sales guarantee (reversal)	19,047,603,840	(311,410,787)
Samples	905,695,563	1,103,786,114
Others	8,851,569,860	(972,469,722)
Total	1,772,409,318,690	1,808,721,400,863

(*) It is the sum of the cost of sales and sales and administrative expenses in the income statement.

30. Net defined benefit obligations

The Group pays retirement benefits to employees in a lump sum, which are determined according to the wage level and number of years of service upon retirement, and this is classified as a defined benefit plan. Such retirement benefit can be withdrawn before the resignation of the employee as interim settlement when the legal requirements apply, and the number of years of service for calculating severance pay after the interim settlement is newly calculated from the time of settlement.

(1) The details of defined benefit obligations as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	31 December 2023	31 December 2022
Present value of defined benefit obligation	77,449,337,342	68,723,266,014
Fair value of plan assets	(87,138,882,974)	(87,024,709,511)
Defined benefit obligations (assets)	(9,689,545,632)	(18,301,443,497)

(2) The major estimates used for the actuarial evaluation as of 31 December 2023 and 2022 are as follows:

Category	31 December 2023	31 December 2022
Future wage Increase rate	4.50%	4.95%
Discount rate	4.41%	5.28%

The discount rate is calculated based on the Group's credit rating and corporate bond yield similar to the expected payment period of the defined benefit obligation as of 31 December 2023 and 2022, the future wage increase rate is calculated in consideration of the Group's empirical promotion index and wage increase rate reflecting inflation and wage agreements.

(3) The changes in the present value of defined benefit obligations as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Defined benefit obligation as of 1 January	68,723,266,014	66,233,664,676
Current service cost	10,886,120,460	10,609,433,582
Interest cost	3,469,933,790	1,811,298,547
Remeasurement (before tax):		
Demographic assumptions	57,342,999	16,910,107
Financial assumption	2,428,173,605	(12,591,176,183)
Experience adjustment, etc.	(640,831,156)	5,545,037,255
Transfers between associates	127,639,280	958,453,780
Retirement benefit payment	(7,602,307,650)	(3,860,355,750)
Defined benefit obligation at the end	77,449,337,342	68,723,266,014

(4) The changes in fair value of plan assets as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Plan assets as of 1 January	87,024,709,511	65,613,017,567
Payments of plan assets	3,000,000,000	24,000,000,000
Interest income	4,435,970,182	1,793,584,253
Plan assets remeasurement (before tax)	128,318,108	(486,175,492)
Payment of severance payment form plan assets	(7,347,532,111)	(3,859,975,120)
Others	(102,582,716)	(35,741,697)
Ending balance of plan assets	87,138,882,974	87,024,709,511

The reasonable estimate of employer contributions expected to be paid in 2024 with regard to defined benefit plans is 12,003 million won.

(5) Expenses recognized in the current profit or loss regarding the defined benefit plans as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Current service cost	10,886,120,460	10,609,433,582
Net interest cost	(966,036,392)	17,714,294
Others	102,582,716	35,741,697
Total	10,022,666,784	10,662,889,573

(6) The details of plan assets as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	31 December 2023	31 December 2022
Short-term financial product, etc.	87,138,882,974	87,024,709,511

(7) Sensitivity analysis

With all other assumptions remaining for the year ended 31 December 2022, if meaningful actuarial assumptions change in reasonable and possible range, the effects to definite benefit liabilities are as follows:

(Unit: won)		
Category	Increase	Decrease
Discount rate (1% change)	(6,004,420,786)	6,927,642,532
Expected wage growth rate (1% change)	6,864,329,827	(6,064,957,873)

The sensitivity analysis does not take into account the variance of all cash flows expected to arise from the plan, but provides an approximation of the sensitivity to the assumptions used.

As of 31 December 2023 and 2022, the weighted average durations of defined benefit obligations were 8.9 years and 8.2 years, respectively.

(8) The remeasurement factors for defined benefit plan recognized in other comprehensive income as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Cumulative remeasurement factor as of the beginning of year	6,822,851,982	11,782,486,406
Current change amount	1,716,367,340	(6,543,053,329)
Income tax effect on changes	(396,480,856)	1,583,418,905
Cumulative remeasurement factor as of the ending of year	8,142,738,466	6,822,851,982

31. Income tax expenses

(1) The details of income tax expenses as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Current tax	37,616,983,918	74,666,024,991
Adjustments recognized in the current period for income taxes related to previous periods	(83,294,522)	(1,138,005,637)
Deferred tax relating to the temporary differences	(12,847,194,227)	(1,666,568,708)
Deferred tax relating to items recognized not as current profit or loss	396,480,856	(1,583,418,905)
Income tax expenses	25,082,976,025	70,278,031,741

(2) The deferred taxes related to items not recognized in profit or loss as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Deferred tax:		
Actuarial gains and losses	396,480,856	(1,583,418,905)
Income tax expense (income) reflected directly in equity	396,480,856	(1,583,418,905)

(3) The relationship between income tax expense and accounting profit as of 31 December 2023 and 2022 is as follows:

(Unit: won)		
Category	2023	2022
Net income before tax	126,286,509,031	303,970,572,150
Applicable tax rate	22.28%	24.09%
Tax burden according to the applicable tax rate	28,136,844,126	73,229,907,341
Adjustments		
Non-taxable income	(30,883,184)	(19,861,695)
Non-deductible expenses	243,011,185	371,719,830
Tax credits	(3,962,427,263)	(6,336,885,483)
Adjustments recognized in the current period in relation to the tax expense of previous periods	(83,294,522)	(1,138,005,637)
Changes in unrecognized deferred tax	5,472,527	125,836,642
Others (effect of change in tax rate, etc.)	774,253,156	4,045,320,743
Income tax expenses	25,082,976,025	70,278,031,741
Average effective tax rates	19.86%	23.12%

(4) The changes in deferred tax assets and liabilities as of 31 December 2023 and 2022 are as follows:

① 2023

(Unit: won)				
Category	Amount as of 1 January	Reflecting net income	Reflecting other comprehensive income	Amount as of 31 December
Accrued income	(547,681,094)	222,969,044	-	(324,712,050)
Net defined benefit obligations	(3,869,991,509)	1,269,313,821	396,480,856	(2,204,196,832)
Impairment loss on intangible assets	56,267,303	-	-	56,267,303
Loss valuation of inventories	8,761,957,455	8,569,700,914	-	17,331,658,369
Exceeded amortization limit	1,866,253,683	(1,120,455,988)	-	745,797,695
Impairment loss on tangible assets	55,393,429	(19,683,615)	-	35,709,814
Accrued expenses	2,258,084,389	384,104,073	-	2,642,188,462
Prepaid expenses	18,747,748	(11,609,739)	-	7,138,009
Provisions	840,966,449	3,311,424,735	-	4,152,391,184
Financial assets measured at FVTOCI	115,500,000	-	-	115,500,000
Long-term employee salary liabilities	606,330,243	123,423,817	-	729,754,060
Others	(94,415,887)	(278,473,691)	-	(372,889,578)
Total	10,067,412,209	12,450,713,371	396,480,856	22,914,606,436

② 2022

(Unit: won)				
Category	Amount as of 1 January	Reflecting net income	Reflecting other comprehensive income	Amount as of 31 December
Accrued income	(421,444,426)	(126,236,668)	-	(547,681,094)
Net defined benefit obligations	-	(2,286,572,604)	(1,583,418,905)	(3,869,991,509)
Impairment loss on intangible assets	58,946,699	(2,679,396)	-	56,267,303
Loss valuation of inventories	2,419,091,577	6,342,865,878	-	8,761,957,455
Exceeded amortization limit	1,326,680,617	539,573,066	-	1,866,253,683
Impairment loss on tangible assets	58,031,212	(2,637,783)	-	55,393,429
Accrued expenses	3,256,483,522	(998,399,133)	-	2,258,084,389
Prepaid expenses	35,047,840	(16,300,092)	-	18,747,748
Provisions	766,704,232	74,262,217	-	840,966,449
Financial assets measured at FVTOCI	121,000,000	(5,500,000)	-	115,500,000
Long-term employee salary liabilities	729,582,333	(123,252,090)	-	606,330,243
Others	50,719,895	(145,135,782)	-	(94,415,887)
Total	8,400,843,501	3,249,987,613	(1,583,418,905)	10,067,412,209

(5) The temporary differences between items not recognized as deferred tax assets as of 31 December 2023 and 2022 is as follows:

(Unit: won)		
Category	31 December 2023	31 December 2022
Investments in subsidiaries	-	162,875,083
	(5,182,558,073)	(3,580,407,967)
Transfer price (subsidiaries)	807,301,385	807,301,385
Investments in associates	172,827,017	6,973,775
	(5,859,367,332)	(6,974,315,681)

(6) The timing for the recovery of deferred tax assets and the settlement of deferred tax liabilities is as follows:

(Unit: won)		
Category	31 December 2023	31 December 2022
Deferred tax assets		
Deferred tax assets that are expected to be recovered after 12 months	18,889,575,294	16,316,582,698
Deferred tax assets that are expected to be recovered within 12 months	25,215,560,775	12,851,556,821
Deferred tax assets before offsetting	44,105,136,069	29,168,139,519
Deferred tax liabilities		
Deferred tax liabilities that are expected to be recovered after 12 months	(20,833,658,613)	(18,513,197,738)
Deferred tax liabilities that are expected to be recovered within 12 months	(356,871,020)	(587,529,572)
Deferred tax liabilities before offsetting	(21,190,529,633)	(19,100,727,310)
Total deferred income tax assets (liabilities)	22,914,606,436	10,067,412,209

(7) Impact of Pillar Two income tax

The impact of Pillar Two income tax, as mandated by the legislation, requires the Group to pay additional taxes on the difference between the effective tax rate of each subsidiary in its respective jurisdiction under the GloBE (Global Anti-Base Erosion) rules and the minimum standard rate of 15%.

Excluding LX Semicon U.S.A., Inc., which operates in the United States, and LX Semicon Japan Co., Ltd., which operates in Japan, all other entities within the Group have effective tax rates exceeding 15%.

According to Paragraph 86 of K-IFRS 012, the calculated average effective tax rates for LX Semicon U.S.A., Inc. and LX Semicon Japan Co., Ltd. for the year 2023 are as follows:

(Unit: won)		
Category	LX Semicon U.S.A., Inc	LX Semicon Japan Co., Ltd.
Income tax as of 31 December 2023	30,452,604	42,960,057
Net income before tax	314,895,622	392,082,279
Average effective tax rates	9.67%	10.96%

The Group is currently evaluating the impact of the implementation of Pillar Two tax regulations on its financial statements. As of the end of the reporting period on 31 December 2023, the average effective tax rates based on the accounting profits have been calculated as 9.67% for the United States and 10.96% for Japan. LX Semicon U.S.A., Inc. and LX Semicon Japan Co., Ltd., which operate in the US and Japan respectively, are exempt from the Pillar Two income tax impact due to meeting the exemption criterion of having annual revenues less than €10 million, and not subject to Pillar Two income tax.

The Group finds the application of Pillar Two regulations complex and is working with tax professionals to reasonably estimate its impact.



32. Statement of cash flow

(1) The details of reconciliation of income and expenses during business activities as of 31 December 2023 and 2022 are as follows:

Category	(Unit: won)	
	2023	2022
Income tax expenses	25,082,976,025	70,278,031,741
Depreciation	22,111,476,389	23,213,936,739
Establishment (reversal) of inventory valuation allowance	37,064,855,477	27,731,671,511
Establishment (reversal) of provisions for returns	33,416,878	202,634,052
Loss on disposal of inventories	12,255,967,546	16,041,776,701
Establishment (reversal) of provisions for returns	(34,129,071)	(332,795,204)
Gain on disposal of tangible assets	(5,398,986,133)	(938,784,374)
Gain on intangible assets	(1,000)	-
Loss on disposal of tangible assets	108,694,679	590,294
Loss on disposal of intangible assets	142,164,425	162,029,551
Impairment loss on tangible assets	184,150,842	-
Amortization of intangible assets	7,272,032,451	7,370,311,231
Retirement benefits	10,022,666,784	10,662,889,573
Gain on foreign currency translation	(2,303,890,199)	(3,358,823,184)
Loss on foreign currency translation	1,680,648,982	5,584,955,238
Interest income	(11,362,895,317)	(11,908,488,994)
Interest expenses	448,344,323	430,595,529
Establishment of provision for sales guarantee (reversal)	19,047,603,840	(311,410,787)
Long-term employee benefits	601,702,237	(309,296,782)
Equity method gains and losses	(3,003,366,960)	(1,903,503,922)
Loss on disposal of trade receivables	-	10,818,201,531
Others	4,778,914	250,501
Total	113,958,211,112	153,434,770,945

(2) The changes in assets and liabilities during sales as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Trade receivables	(63,313,541,766)	17,134,560,916
Other payables	126,740,341	(9,017,766,524)
Other current assets	6,372,572,633	(15,238,229,938)
Other non-current assets	(34,629,758)	-
Inventories	97,311,155,863	(325,415,003,935)
Trade payables	(98,171,449,762)	(14,186,356,161)
Other current liabilities	2,652,946,910	(1,405,540,345)
Other payables	(14,315,979,787)	(4,289,099,407)
Non-current other payables	-	2,001,160,000
Long-term employee salary liabilities	(67,400,000)	(80,700,000)
Net defined benefit obligations	(3,127,136,259)	(23,041,926,850)
Lease receivables	562,687,778	1,329,235,195
Total	(72,004,033,807)	(372,209,667,049)

(3) The Group has prepared the cash flows based on operating activities on the cash flow statement using the indirect method. The significant transactions that do not involve cash inflows and outflows as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Substitution of construction in progress	15,024,178,921	49,037,828,713
Substitution of intangible assets in progress	6,986,001,188	12,143,505,078
Increase of licensed assets due to restoration obligation	-	1,471,100,000
Increase (Decrease) of accrued expenses relating to acquisition of tangible assets	(7,930,246,430)	11,030,293,113
Increase (Decrease) of accrued expenses relating to acquisition of intangible assets	(2,190,539,938)	3,031,688,436
Recognition of lease liabilities and licensed assets under the lease agreement	14,112,375,516	15,367,152,184
Liquidity substitution for lease liabilities	7,966,900,952	5,449,922,739
Liquidity substitution for lease receivables	570,314,176	1,359,317,660
Liquidity substitution for loans	1,304,964,586	1,608,015,296

(4) Cash flow from financing activities

The changes in liabilities arising from financial activities as of 31 December 2023 and 2022 are as follows:

① 2023

(Unit: won)				
Category	1 January	Cash flow from financial activities	Non-cash transaction	31 December 2023
Dividends payable	-	(73,189,350,000)	73,189,350,000	-
Lease liabilities	15,886,600,747	(8,400,788,998)	13,638,643,785	21,124,455,534

② 2022

(Unit: won)				
Category	1 January	Cash flow from financial activities	Non-cash transaction	31 December 2022
Dividends payable	-	(87,827,220,000)	87,827,220,000	-
Lease liabilities	7,504,655,796	(6,727,765,039)	15,109,709,990	15,886,600,747

33. Restricted financial instruments

The financial instruments restricted for use as of 31 December 2023 and 2022 are as follows:

(Unit: won)			
Items	Category	31 December 2023	31 December 2022
Long-term other receivables	Checking deposit	2,000,000	2,000,000

34. Related parties

(1) The details of related parties as of 31 December 2023 and 2022 are as follows:

Type of special relationship	31 December 2023	31 December 2022
Associates and joint ventures	Advanced Power Device Technology Co., Ltd.	Advanced Power Device Technology Co., Ltd.
	FJ Composite Materials Co., Ltd.	FJ Composite Materials Co., Ltd.
	Telechips Inc.	Telechips Inc. (*2)
	LX Ventures New Technology Business Investment Association No. 1 (*1)	-
Companies exercising significant influence on the Group (*3)	LX Holdings Co., Ltd.	LX Holdings Co., Ltd.
Others	LX Holdings Co., Ltd. and joint ventures	LX Holdings Co., Ltd. and joint ventures
	Large corporate group affiliates (*3)	Large corporate group affiliates (*3)

(*1) Acquired a 23.33% ratio in LX Ventures New Technology Business Investment Association No. 1 as of 31 December 2023 and 2022.

(*2) Acquired a 10.93% ratio in Telechips Inc. as of the end of the previous period.

(*3) As LX Holdings Co., Ltd. was separated from LG Corporate Group based on the Monopoly Regulation and Fair Trade

Act on 21 June 2022, the Group was excluded from LG affiliates, which was large corporate groups, and affiliates of LX Holdings Co., Ltd. are equivalent to affiliates of large corporate groups. Additionally, LX Holdings Co., Ltd. and its subsidiaries were designated as a large business group on 25 April 2023.

(2) The details of specially related parties with the Group as of 31 December 2023 and 2022 are as follows:

(Unit: won)				
Special relationship	Name	Details	2023	2022
Associates and joint ventures	FJ Composite Materials Co., Ltd.	Sales expenses	1,425,723,504	1,585,356,445
Companies exercising significant influence on the Group	LX Holdings Co., Ltd.	Sales expenses	3,803,666,000	212,401,000
Other large corporate group affiliates(*)	LX Hausys Co., Ltd.	Sales expenses	215,500,000	1,379,533,243
		Acquisition of tangible and intangible assets	-	1,170,054,257
	LX Pantos Co., Ltd.	Sales expenses	4,879,477,279	5,435,452,295
	LX MDI Co., Ltd.	Sales expenses	1,515,159,391	-
	LX International Co., Ltd.	Sales expenses	30,978,300	-
	LX INTERNATIONAL JAPAN LTD.	Sales expenses	75,926,145	4,647,333
	LG CNS Co., Ltd.	Sales expenses	-	2,982,071,802
		Acquisition of tangible and intangible assets	-	1,328,911,400
	D&O Co., Ltd.	Sales expenses	-	1,530,391,236
		Acquisition of tangible and intangible assets	-	413,700,000
	S&I Corp.	Sales expenses	-	721,786,300
	LG Management Development Institute	Sales expenses	-	468,762,000
	LG Display (China) Co., Ltd.	Sales	-	11,845,896,102
	LG Display (Guangzhou) Co., Ltd.	Sales	-	277,535,172,867
	LG Display Vietnam Haiphong Co. Ltd.	Sales	-	129,005,911,232
	LG Display Yantai	Sales	-	21,360,454,279
	LG Display High-Tech (China) Co., Ltd.	Sales	-	18,556,438
	LG Display (Nanjing) Co., Ltd.	Sales	-	41,702,811,192
	LG Display Co., Ltd.	Sales	-	241,683,107,009
	LG Electronics Indonesia	Sales	-	2,110,470,138
	LG Electronics USA Inc.	Sales	-	1,063,817,806
	LG. Electronics Co., Ltd.	Sales	-	6,509,289,131
		Sales expenses	-	3,324,593,936
		Acquisition of tangible and intangible assets	-	95,350,000
	LG Innotek Co., Ltd.	Sales	-	700,000,000
		Sales expenses	-	24,494,558,720
	LG U Plus Co., Ltd.	Sales expenses	-	108,397,044
Biztech Partners Co., Ltd.	Sales expenses	-	164,996,000	
Hi-Teleservice Co., Ltd.	Sales expenses	-	302,273	
LG Chem Co., Ltd.	Acquisition of tangible and intangible assets	-	(746,875)	

(*) The previous period includes transactions conducted before the Group was excluded from being a part of the large-scale LG business group.

(3) The receivables and payables of related parties as of 31 December 2023 and 2022 are as follows:

① 31 December 2023

(Unit: won)			
Category	Name	31 December 2023	
		Trade receivables, etc.	Trade payables, etc.
Associates and joint ventures	FJ Composite Materials Co., Ltd.	-	1,368,990,000
Companies exercising significant influence on the Group	LX Holdings Co., Ltd.	434,734,000	-
Other corporations belonging to the large conglomerate group	LX Hausys Co., Ltd.	-	7,700,000
	LX Pantos Co., Ltd.	-	825,695,817
	LX MDI Co., Ltd.	-	23,329,662

② 31 December 2022

(Unit: won)			
Category	Name	31 December 2022	
		Trade receivables, etc.	Trade payables, etc.
Associates and joint ventures	FJ Composite Materials Co., Ltd.	-	26,178,448
Other corporations belonging to the large conglomerate group	LX Pantos Co., Ltd.	-	942,232,840

(4) The details on major fund transactions with the related parties as of 31 December 2023 and 2022 are as follows:

(Unit: won)						
Category	Name	2023			2022	
		Dividends received	Dividends paid	Cash contribution, etc.	Dividends paid	Cash contribution
Companies exercising significant influence on the Group	LX Holdings Co., Ltd.	-	24,212,358,000	-	29,054,829,600	-
Associates and joint ventures	FJ Composite Materials Co., Ltd.	76,766,051	-	2,887,050,000	-	-
	Telechips Inc.	196,950,000	-	-	-	26,770,050,000
	LX Ventures New Technology Business Investment Association No. 1	-	-	2,800,000,000	-	-
Total		273,716,051	24,212,358,000	5,687,050,000	29,054,829,600	26,770,050,000

(5) The details of the compensation for major management as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Short-term salaries	8,261,424,780	8,133,620,830
Retirement benefits	1,511,980,330	1,508,694,740
Total	9,773,405,110	9,642,315,570

The Group's key management includes directors who have significant authority and responsibility for planning, operating and controlling the company's activities.

(6) The Group has no security and guarantee detail providing to or provided by special interest parties as of 31 December 2023 and 2022.



35. Commitments and contingencies

(1) The Group is receiving payment and payment guarantee of 390 million won from Seoul Guarantee Insurance as of 31 December 2023 and 2022.

(2) The Group has a credit limit contract with some financial institutions such as Shinhan Bank, and the Group's credit limit details as of 31 December 2023 and 2022 are as follows:

(Unit: won, USD)			
Category	Financial institutions	Korean won	Foreign currency
Purchase foreign exchange	Shinhan Bank	-	16,000,000
Purchase foreign exchange	NH Bank	-	15,000,000
Purchase foreign exchange	Mizuho Bank	-	60,000,000
Borrowing limit	K-Eximbank	200,000,000,000	-
Borrowing limit	MUFG Bank	150,000,000,000	-
Borrowing limit	Hana Bank	100,000,000,000	-
Borrowing limit	Suhyup Bank	50,000,000,000	-

(3) The Group has an export receivable transfer transaction agreement with the financial institutions in relation to the collection of trade receivables as follows: The limit details of the Group for the current period are as follows:

(Unit: won, USD)			
Category	Financial institutions	Korean won	Foreign currency
Factoring	K-Eximbank	-	380,000,000
Factoring	BNP Paribas	-	130,000,000
Factoring	MUFG Bank	100,000,000,000	220,000,000
Factoring	ING Bank	-	95,000,000

(4) The Group has no details of providing collateral for financial assets as of 31 December 2023 and 2022.

(5) The Group has no ongoing litigation or disputes as of 31 December 2023 and 2022.

(6) The details of the committed capital entered into by the Group as of 31 December 2023 and 2022 are as follows: The remaining amount is scheduled to be paid upon request for performance by other members of the investment consortium in the future. However, at the current time, the exact timing of these contributions cannot be predicted.

			(Unit: won)
Category	Committed capital	Contributed capital	Scheduled for additional contribution
LX Ventures New Technology Business Investment Association No. 1	7,000,000,000	2,800,000,000	4,200,000,000



4. Financial Statements

4-1 Statement of Financial Position

Statement of Financial Position

As of 31 December 2023

As of 31 December 2022

As of 31 December 2021

(Unit: won)

	2023	2022	2021
Assets			
Current assets	897,567,662,023	1,006,088,865,246	1,028,631,447,764
Cash and cash equivalents	180,939,531,955	186,352,407,000	133,729,223,245
Short-term financial instruments	120,000,000,000	130,000,000,000	470,000,000,000
Trade receivables	204,968,516,437	143,347,796,852	175,265,047,069
Other payables	3,417,921,540	30,218,862,758	20,456,050,261
Other current assets	52,350,652,620	33,613,363,401	28,063,613,625
Inventories	335,891,039,471	482,556,435,235	201,117,513,564
Non-current assets	298,120,505,199	276,313,175,716	140,902,576,244
Long-term other receivables	12,032,846,069	15,013,066,616	12,156,860,570
Investments in subsidiaries	3,532,122,045	3,532,122,045	2,633,748,045
Investments in associates and joint ventures	43,702,873,000	38,015,823,000	11,245,773,000
Tangible assets	103,185,474,956	103,418,994,751	48,275,114,268
Licensed assets	19,643,121,217	14,204,693,929	7,276,251,793
Intangible assets	73,794,815,777	63,621,254,908	50,060,179,549
Other non-current assets	8,960,441,666	10,161,318,572	879,900,722
Defined benefit assets	9,689,545,632	18,301,443,497	0
Deferred tax assets	23,579,264,837	10,044,458,398	8,374,748,297
Total assets	1,195,688,167,222	1,282,402,040,962	1,169,534,024,008
Liabilities			
Current liabilities	208,177,134,196	324,485,362,868	363,972,864,359
Trade payables	97,600,609,220	196,211,140,403	213,463,276,070
Other payables	46,298,822,570	70,217,680,214	60,211,350,802
Other current liabilities	32,374,334,511	10,742,259,927	12,781,810,552
Lease liabilities	6,773,233,986	7,057,098,646	3,294,661,488
Current tax liabilities	25,130,133,909	40,257,183,678	74,221,765,447
Non-current liabilities	19,893,642,382	13,106,438,967	8,490,973,912
Other non-current payables	1,825,320,000	2,001,160,000	20,000,000
Other non-current liabilities	5,657,823,936	5,127,321,699	4,046,218,481
Lease liabilities	12,410,498,446	5,977,957,268	3,804,108,322
Defined benefit obligations	0	0	620,647,109

Total liabilities	228,070,776,578	337,591,801,835	372,463,838,271
Equity			
Capital	8,132,150,000	8,132,150,000	8,132,150,000
Capital surplus	76,343,170,500	76,343,170,500	76,343,170,500
Other capital items	(380,807,731)	(380,807,731)	(380,807,731)
Retained earnings	883,522,877,875	860,715,726,358	712,975,672,968
Total equities	967,617,390,644	944,810,239,127	797,070,185,737
Total equities and liabilities	1,195,688,167,222	1,282,402,040,962	1,169,534,024,008

4-2 Income Statement

Income Statement

From 01 January to 2023 to 31 December 2023

From 01 January to 2022 to 31 December 2022

From 01 January to 2021 to 31 December 2021

(Unit: won)

	2023	2022	2021
Sales	1,901,444,975,029	2,119,345,363,613	1,898,845,716,028
COGS	1,367,468,136,980	1,443,672,300,059	1,240,353,258,754
Gross profit	533,976,838,049	675,673,063,554	658,492,457,274
Selling and administrative expenses	407,352,593,878	366,627,487,034	289,862,890,738
Operating profit	126,624,244,171	309,045,576,520	368,629,566,536
Finance income	13,195,615,567	11,897,452,840	4,097,621,498
Finance costs	24,903,693,589	12,817,270,650	2,981,480,733
Other non-operating income	31,224,842,820	44,541,161,224	20,842,473,054
Other non-operating expenses	24,979,043,303	52,212,833,773	11,708,026,546
Income before income taxes	121,161,965,666	300,454,086,161	378,880,153,809
Income tax expenses	23,845,577,665	69,846,447,195	83,982,533,663
Net income	97,316,388,001	230,607,638,966	294,897,620,146
Earnings per share			
Basic earnings per share (Unit: won)	5,983	14,179.0	18,132.0
Diluted earnings per share (Unit: won)	5,983	14,179.0	18,132.0

4-3 Comprehensive Income Statement

Comprehensive Income Statement

From 01 January to 2023 to 31 December 2023

From 01 January to 2022 to 31 December 2022

From 01 January to 2021 to 31 December 2021

(Unit: won)

	2023	2022	2021
Net income	97,316,388,001	230,607,638,966	294,897,620,146
Other comprehensive income	(1,319,886,484)	4,959,634,424	(6,889,039,478)
Items not be reclassified to current profit or loss:	(1,319,886,484)	4,959,634,424	(6,889,039,478)
Remeasurements of defined benefit plans	(1,319,886,484)	4,959,634,424	(6,889,039,478)
Total comprehensive income	95,996,501,517	235,567,273,390	288,008,580,668

4-4 Statements of Changes in Equity

Statements of Changes in Equity

From 01 January to 2023 to 31 December 2023

From 01 January to 2022 to 31 December 2022

From 01 January to 2021 to 31 December 2021

(Unit: won)

		Equity				
		Capital	Capital surplus	Other capital items	Retained earnings	Total
01 January 2021		8,132,150,000	76,343,170,500	(380,807,731)	446,923,897,300	531,018,410,069
Total comprehensive income	Net income	0	0	0	294,897,620,146	294,897,620,146
	Remeasurement elements of defined benefit plans	0	0	0	(6,889,039,478)	(6,889,039,478)
Transactions with shareholders recognized directly in equity	Annual dividends	0	0	0	(21,956,805,000)	(21,956,805,000)
31 December 2021		8,132,150,000	76,343,170,500	(380,807,731)	712,975,672,968	797,070,185,737
01 January 2022		8,132,150,000	76,343,170,500	(380,807,731)	712,975,672,968	797,070,185,737
Total comprehensive income	Net income	0	0	0	230,607,638,966	230,607,638,966
	Remeasurement elements of defined benefit plans	0	0	0	4,959,634,424	4,959,634,424
Transactions with shareholders recognized directly in equity	Annual dividends	0	0	0	(87,827,220,000)	(87,827,220,000)
31 December 2022		8,132,150,000	76,343,170,500	(380,807,731)	860,715,726,358	944,810,239,127
01 January 2023		8,132,150,000	76,343,170,500	(380,807,731)	860,715,726,358	944,810,239,127
Total comprehensive income	Net income	0	0	0	97,316,388,001	97,316,388,001
	Remeasurement elements of defined benefit plans	0	0	0	(1,319,886,484)	(1,319,886,484)
Transactions with shareholders recognized directly in equity	Annual dividends	0	0	0	(73,189,350,000)	(73,189,350,000)
31 December 2023		8,132,150,000	76,343,170,500	(380,807,731)	883,522,877,875	967,617,390,644

4-5 Statement of cash flows

Statement of cash flows

From 01 January to 2023 to 31 December 2023

From 01 January to 2022 to 31 December 2022

From 01 January to 2021 to 31 December 2021

(Unit: won)

	2023	2022	2021
Operating cash flows	99,369,307,881	(83,590,345,859)	419,948,901,604
Cash flows from operating activities	139,561,586,755	12,584,036,672	440,186,821,975
Net income	97,316,388,001	230,607,638,966	294,897,620,146
Adjustments	113,465,782,387	153,265,712,593	125,115,494,680
Change to equities/liabilities on sales operations	(71,220,583,633)	(371,289,314,887)	20,173,707,149
Interest received	12,264,428,461	11,268,042,773	3,072,129,306
Interest paid	(345,754,318)	(378,267,334)	(168,295,320)
Income taxes paid	(52,110,953,017)	(107,064,157,970)	(23,141,754,357)
Cash flows from investing activities	(25,958,077,448)	231,627,388,222	(361,260,997,478)
Receipt of dividends	273,716,051		
Increase in short term financial instruments	(170,000,000,000)	(210,000,000,000)	(550,000,000,000)
Decrease in short term financial instruments	180,000,000,000	550,000,000,000	230,000,000,000
Increase in other receivables	(330,000,000)	(7,380,904,739)	(3,121,793,184)
Decrease in other receivables	2,695,677,698	3,058,190,745	2,350,106,212
Decrease in other liabilities	0	(20,000,000)	0
Acquisition of property, plant and equipment	(32,694,391,247)	(59,302,383,368)	(29,868,477,949)
Disposal of property, plant and equipment	19,522,816,600	937,220,000	1,401,138,014
Acquisition of intangible assets	(19,738,847,550)	(19,396,310,416)	(4,999,488,735)
Disposal of intangible assets	1,000	1,400,000,000	0
Disposition of financial assets measured at FVTPL	0	0	130,403,164
Acquisition of investments in associates	(5,687,050,000)	(26,770,050,000)	(6,835,773,000)
Acquisition of investments in subsidiaries	0	(898,374,000)	(317,112,000)
Cash flow from financing activities	(80,436,902,144)	(93,793,056,823)	(25,008,028,943)
Payment of dividends	(73,189,350,000)	(87,827,220,000)	(21,956,805,000)
Repayment of lease liabilities	(7,247,552,144)	(5,965,836,823)	(3,051,223,943)
Net increase in cash and cash equivalents	(7,025,671,711)	54,243,985,540	33,679,875,183
Cash and cash equivalents as of 1 January	186,352,407,000	133,729,223,245	100,049,526,121
Effects of exchange rate changes on cash and cash equivalents	1,612,796,666	(1,620,801,785)	(178,059)
Cash and cash equivalents as of 31 December	180,939,531,955	186,352,407,000	133,729,223,245

5. Notes on Financial Statements

From 01 January 2023 to 31 December 2023

From 01 January 2022 to 31 December 2022

LX Semicon Co., Ltd.

1. Company Overview

LX Semicon Co., Ltd. (hereinafter referred to as the “Company”) was established on 11 November 1999 for the purpose of designing and manufacturing FPD (flat panel display) semiconductor IC. The Company is located in 222 Techno 2-ro, Daedeok-gu, Daejeon, Republic of Korea. The Company was certified by the Korea Institute for Advancement of Technology as a corporate subsidiary research facility in accordance with Article 16 of the Technology Development Promotion Act and Clause 1 of Article 15 of the Enforcement Decree of the same Act on 19 October 2001. The Company has also been designated as a high-tech company in accordance with Clause 1 of Article 9 of the Special Law on the Cultivation of the Special Research and Development Daedeok-gu and more on 23 October 2011.

After listing its shares on the KOSDAQ market on 8 June 2010, the Company changed its name from Silicon Works Co., Ltd. to LX Semicon Co., Ltd. on 1 July 2021, and was delisted from the KOSDAQ market and transferred to the KOSPI on 3 November 2022. The amount of paid-in capital of the Company as of 31 December 2023 and 2022 is KRW 8,132,150,000 (16,264,300 issued shares and 50,000,000 authorized shares).

The shareholders of the Company as of 31 December 2023 and 2022 are as follows:

(Unit: shares)			
Name of shareholders	No. of shares held	Ratio	Remarks
LX Holdings Co., Ltd.	5,380,524	33.08%	Largest shareholder
Others	10,883,776	66.92%	-
Total	16,264,300	100%	

2. Standards for preparing financial statements

The financial statements of the Company and its subsidiaries (hereinafter referred to as the “Company”) have been prepared in accordance with the Korean International Financial Reporting Standards (K-IFRS). The International Accounting Standards applied by Korea refer to the standards and interpretations published by the International Accounting Standards Board (“IASB”) applied by the Republic of Korea.

The financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and financial liabilities (including derivatives), certain types of property, plant and equipment and investment properties measured at fair value
- Assets held for sale measured at fair value less costs to sell
- Defined benefit plans and plan assets measured at fair value

The K-IFRS allow the use of material accounting estimates in the preparation of financial statements. It requires management's judgment in applying accounting policies. Parts that require more complex and high-level judgments or that require important assumptions and estimates are explained in Note 4.

3. Significant accounting policies

The following are significant accounting policies applied in the preparation of the financial statements. These policies apply continuously for the accounting period indicated, unless otherwise stated.

3.1 Changes in accounting policies and disclosures

3.1.1 Enacted and amended standards and interpretations applied by the Company

The Company has newly applied the following enacted and amended standards and interpretations from the accounting period beginning on 1 January 2023.

(1) K-IFRS 1001 Presentation of Financial Statements - Disclosure of Accounting Policies

The Company has defined significant accounting policy information (significant accounting policy information refers to the level at which, when considered together with other information included in the financial statements, it influences the decisions of key users of the financial statements) and disclosed it. There is no significant impact of the above amendments on the financial statements.

(2) K-IFRS 1001 Presentation of Financial Statements - Disclosure of Profit or Loss on Financial Liabilities at Fair Value with Adjustments for Exercise Price Conditions

When all or part of a financial instrument subject to the condition that the exercise price is adjusted according to the fluctuation of the issuer's share price is classified as a financial liability, the book value of the financial liability and related gains and losses are required to be disclosed. There is no significant impact of the above amendments on the financial statements.

(3) K-IFRS 1008 Changes and Errors in Accounting Policies and Accounting Estimates - Definition of Accounting Estimates

The Company has defined an accounting estimate and clarified how to distinguish it from a change in accounting policy.

There is no significant impact of the above amendments on the financial statements.

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

In addition to the requirements for exceptions to initial recognition for transactions in which assets or liabilities are recognized for the first time, a requirement for transactions that do not generate temporary

differences to be added and temporary differences to be deducted at the time of the transaction has been added. There is no significant impact of the above amendments on the financial statements.

(5) K-IFRS 1117 Enactment of Insurance Contracts

K-IFRS 1117 Insurance contracts replaces K-IFRS 1104 Insurance contracts. All cash flows from insurance contracts are estimated and insurance liabilities are measured using a discount rate that reflects assumptions and risks at the time of reporting. Revenue is recognized on an accrual basis by reflecting services (insurance protection) provided to policyholders for each fiscal year. In addition, investment elements (cancellation/maturity refunds) paid to policyholders regardless of insurance events are excluded from insurance revenue, and insurance gains and losses and investment gains and losses are displayed separately so that information users can identify the source of profit and loss. There is no significant impact of the above amendments on the financial statements.

(6) K-IFRS 1012 Income Tax – International Tax Reform – Pillar Two Model Rules

The amended standards temporarily alleviate the accounting treatment of deferred income tax resulting from the enactment of laws reflecting the Pillar Two Model Rules, which reform international taxation of multinational corporations, and require disclosures concerning the current income tax effects related to this. The Company has applied the exception rules for the recognition and disclosure of deferred income taxes related to the Pillar Two Rules, and as the relevant law is scheduled to take effect from 1 January 2024, there are no current income tax expenses related to Pillar Two for the Company. The impact of Pillar Two income taxes is explained in Note 30.

3.1.2 Amendment and interpretations not adopted by the Company

The amendment and interpretations that have been enacted or announced but have not been adopted because the effective date has not arrived are as follows:

(1) Amendment to K-IRFS 1001 Presentation of Financial Statements - Classification of Liabilities into Current/Non-current, and Non-current Liabilities with Agreements

Liabilities are classified as current or non-current based on the substantial rights existing at the end of the reporting period, and the possibility of deferring the settlement of the liabilities or the management's expectations are not considered. Additionally, the settlement of liabilities may include the transfer of equity instruments, but liabilities settled by equity instruments as part of a compound financial instrument are excluded if the option to settle meets the definition of equity and is recognized separately from the liability. Furthermore, commitments that the company must comply with after the end of the reporting period do not affect the classification of the liabilities at the end of the reporting period. If a liability that needs to be settled within 12 months after the reporting period is classified as non-current at the end of the reporting period, information about the risk of settling the liability within the subsequent 12 months must be disclosed. These amendments apply to fiscal years starting on or after 1 January 2024, and early adoption is permitted. The Company is reviewing the impact of this revision on the financial statements.

(2) Amendment to K-IRFS 1007 Statement of Cash Flows and K-IRFS 1107 Financial Instruments:
Disclosure - Disclosure of Information on Supplier Finance Arrangements

When applying supplier finance arrangements, entities must disclose information about such arrangements to enable financial statement users to assess their impact on the entity's liabilities, cash flows, and liquidity risk management. These amendments apply to fiscal years starting on or after 1 January 2024, and early adoption is permitted. The Company is reviewing the impact of this revision on the financial statements.

(3) Amendment to K-IRFS 1116 Lease - Lease liabilities in a Sale and Leaseback

When measuring lease liability in a sale and leaseback subsequently, lease payments or lease modifications are calculated without recognizing the profit or loss related to the right of use held by the seller-lessee. These amendments apply to fiscal years starting on or after 1 January 2024, and early adoption is permitted. The Company is reviewing the impact of this revision on the financial statements.

(4) Amendment of K-IRFS 1001 Presentation of Financial Statements – Disclosure of Virtual Assets

The amendment stipulates additional disclosure requirements for holding virtual assets, holding virtual assets on behalf of customers, and issuing virtual assets. These amendments apply to fiscal years starting on or after 1 January 2024, and early adoption is permitted. There is no significant impact of the above amendments on the financial statements.

3.2 Subsidiaries joint ventures and associates

The Company's financial statements are separate financial statements in accordance with K-IFRS 1027 Separate Financial Statements. Investments in subsidiaries, joint ventures and associates are measured at cost on a direct equity basis. However, at the date of conversion to K-IFRS, the book value in accordance with past accounting standards at the time of conversion was used as deemed cost. In addition, dividends received from subsidiaries, joint ventures and associates are recognized as profit or loss when the dividend right is established.

3.3 Foreign currency translation

(9) Functional and presentation currency

The Company measures items included in its financial statements by applying the currency (“functional currency”) in the main economic environment in which each of its operations is conducted. The functional currency of the Company is Korean won and the financial statements are presented in Korean won.

(1) Foreign currency transactions and translation at the end of the reporting period

Foreign currency transactions are recognized in the functional currency at the exchange rate at the date

of the transaction or, in the case of remeasured items, at the rate at the valuation date. Exchange differences arising from the settlement of foreign currency transactions or the translation of monetary foreign currency assets and liabilities are recognized as current profit or loss. However, gains and losses on monetary items that relate to the effective portion of a qualifying cash flow hedge or net investment hedge or that are part of a net investment in a foreign operation of the reporting entity are recognized as other comprehensive income.

Foreign exchange differences arising from non-monetary financial assets and liabilities are regarded as part of fair value gains and losses, and foreign exchange differences arising from equity instruments measured at FVTPL are recognized as current profit or loss, and exchange differences on equity instruments measured at FVTOCI are recognized as part of other comprehensive income.

3.4 Financial assets

(1) Category

The Company classifies its financial assets into the following measurement categories:

- Financial assets measured at FVTPL
- Financial assets measured at FVTOCI
- Financial assets measured at amortized cost

Financial assets are classified based on the business model for managing financial assets and the contractual cash flow characteristics of financial assets.

Gains or losses on financial assets measured at fair value are recognized as profit or loss or other comprehensive income. Investments in debt instruments are recognized in profit or loss or other comprehensive income based on the business model for holding the assets. The Company reclassifies debt instruments only when it changes its business model for managing its financial assets.

Investments in equity instruments that are not held for trading may have an irrevocable choice, at initial recognition, to present subsequent changes in fair value in other comprehensive income. The changes in the fair value of investments in undesignated equity instruments are recognized as profit or loss.

(2) Measurement

The Company initially measures financial assets measured at fair value, and for financial assets not measured at FVTPL, the transaction costs directly attributable to the acquisition of the financial asset are added to the fair value. Transaction costs for financial assets measured at FVTPL are expensed in profit or loss.

When determining whether a compound contract, including embedded derivatives, has cash flows that are solely principal and interest, the entire compound contract is considered.

① Debt instruments

The subsequent measurement of financial assets is based on the contractual cash flow characteristics of the financial assets and the business model that manages the financial assets. The Company classifies debt instruments into the following three categories:

(A) Amortized cost

Under a business model where financial assets are held to collect contractual cash flows, and where the contractual cash flows consist solely of principal, the assets are measured at amortized cost. Profit or loss on financial assets measured at amortized cost, which are not designated as hedging instruments, are recognized in profit or loss when the financial assets are derecognized or impaired. Interest income recognized on financial assets measured at amortized cost according to the effective interest rate method is included in financial income.

(B) Financial assets measured at FVTOCI

Under a business model where financial assets are held both to collect contractual cash flows and to sell the financial assets, and where the contractual cash flows consist solely of principal, the financial assets are measured at FVTOCI. Except for impairment losses (reversals), interest income, and foreign exchange gains or losses, the fair value gains or losses on financial assets measured at FVTOCI are recognized in other comprehensive income. Upon derecognition of financial assets, the accumulated balance of other comprehensive income is reclassified from equity to profit or loss. Interest income recognized on financial assets measured at amortized cost according to the effective interest rate method is included in financial income. Foreign exchange gains are presented as other income, while impairment losses are presented as other expenses.

(C) Financial assets measured at FVTPL

Debt instruments not measured at amortized cost or FVTOCI are measured at FVTPL. Gains or losses on debt instruments measured at FVTPL, where hedge accounting is not applied, are recognized in profit or loss for the period and presented as other non-operating income or other non-operating expenses on the income statement.

② Equity instruments

The Company subsequently measures its investments in all equity instruments measured at fair value. Amounts recognized in other comprehensive income for equity instruments for long-term or strategic investments that elect to present changes in fair value in other comprehensive income are not reclassified to profit or loss when the equity instruments are derecognised. Dividend income from these equity instruments is recognized as profit or loss as 'financial income' when the Company's right to receive the dividend is established.

The changes in the fair value of financial assets measured at FVTPL are presented as other non-operating income or other non-operating expenses in the income statement. Impairment losses (reversals) for equity instruments measured at FVTOCI are not recognized separately.

(3) Impairment

The Company evaluates expected credit losses on debt instruments that are measured at amortized cost or at FVTOCI based on future prospect information. The impairment method is determined by whether there is a significant increase in credit risk. However, for trade receivables and lease receivables, the Company applies the expedient method of recognizing expected credit losses over the entire period from the initial recognition of the receivables.

(4) Recognition and derecognition

Regular purchases or sales of financial assets are recognized or derecognized on the trading day. A financial asset is derecognized when the contractual right to the cash flows expires or when the financial asset is transferred and substantially all of the risks and rewards of ownership have been transferred.

Even if the Company transfers the financial assets, if the Company retains most of the risks and rewards of ownership of the transferred financial assets due to the right of recourse in the event of default by the debtor, it continues to recognize the entire transferred asset without derecognition, but recognizes the consideration received as a financial liability.

(5) Offset of financial instruments

For financial assets and liabilities, only if it currently has a legally enforceable right of offset for the recognized assets and liabilities and intend to either settle on a net basis or to realize the assets and settle the liabilities at the same time, the Company offsets financial assets and financial liabilities and presents them in net amounts in the statement of financial position. A legally enforceable right of offset shall not depend on future events and shall be enforceable in the normal course of business, in the event of default and in the event of insolvency or bankruptcy.

3.5 Trade receivables

Trade receivables are initially recognized at the undiscounted amount of consideration when recognized at fair value, unless they contain significant financing components. Subsequently, trade receivables are measured at amortized cost using the effective interest method, net of allowance for losses.

3.6 Inventories

Inventories are reported at the lower of cost and net realizable value, with the cost of inventories determined using the specific identification method or the weighted average method.

3.7 Tangible assets

Tangible assets are presented at the historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure directly attributable to the acquisition of the asset.

Assets, other than land, are amortized using the straight-line method over their estimated useful lives, less residual value from cost.

Category	Estimated useful lives
Buildings and structures	20~ 40 years
Machinery and equipment	5 years
Office equipment	4 years
Other tangible assets	2~5 years

The depreciation methods, residual values and useful lives of property, plant and equipment are reviewed at the end of each fiscal year and adjusted, if necessary, for changes in estimates.

3.8 Government subsidies

Government subsidies are recognized at fair value when there is reasonable assurance that the grant will be received and the conditions attached to the grant will be complied with. Subsidies related to assets are presented as a deduction when calculating the book value of assets, and subsidies related to income are deferred and presented as a deduction from expenses related to the purpose of granting government subsidies.

3.9 Intangible assets

Goodwill is recognized as the amount by which the total fair value of the consideration transferred and the fair value at the acquisition date of any previously held equity interest in the acquiree exceed the identifiable net assets acquired. Goodwill is presented at cost less any accumulated impairment losses, and impairment losses on goodwill are not reversed.

Intangible assets, excluding goodwill, are initially recognized at historical cost and are subsequently presented at cost less accumulated depreciation and any accumulated impairment.

Internally generated intangible assets represent the sum of expenditures incurred after the point at which the asset recognition criteria, including technical feasibility and future economic benefits, are met. Contractual customer relationships acquired through business combinations are recognized at their fair value at the date of acquisition. Membership rights, which have no foreseeable limit to their period of use, are not depreciated due to their indefinite useful life. The following intangible assets with definite useful lives are amortized using the straight-line method over their estimated useful lives.

Category	Estimated useful lives
Industrial property rights	10 years
Software	5 years
Other intangible assets	5 years

3.10 Impairment of non-financial assets

Goodwill and intangible assets with indefinite useful lives are tested annually for impairment when there are indications of impairment for assets subject to amortization. Impairment losses are recognized for the book value in excess of recoverable amount (value in use or fair value after deducting costs of disposal, whichever is higher), and impairment losses on non-financial assets other than goodwill are reviewed for possible reversal at the end of each reporting period.

3.11 Trade and other payables

Trade and other payables represent the Company's liabilities for goods and services received before the end of the reporting period that have not yet been paid. Trade payables and other liabilities are classified as current liabilities unless their payment is due more than 12 months after the reporting period. These liabilities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

3.12 Financial liabilities

(1) Classification and measurement

The Company's financial liabilities at FVTPL are financial instruments held for trading. Financial liabilities incurred primarily for the purpose of repurchasing in the short term are classified as trading financial liabilities. Derivatives not designated as hedge accounting instruments or embedded derivatives separated from financial instruments are also classified as trading financial liabilities.

All non-derivative financial liabilities, other than financial liabilities at FVTPL, financial guarantee contracts, and financial liabilities arising when transfers of financial assets do not qualify for derecognition, are classified as financial liabilities measured at amortized cost and presented as trade payables, other payables on the statement of financial position.

Borrowings are initially recognized at the amount of proceeds received, which is the fair value minus transaction costs, and subsequently measured at amortized cost. The difference between the amount received (net of transaction costs) and the repayment amount is recognized in the income statement over the period of the borrowing using the effective interest rate method. Fees paid to obtain a borrowing facility are recognized as part of the transaction cost of the borrowings to the extent that it is probable that some or all of the facility will be drawn down. In such cases, the fees are deferred until the draw-down occurs. Fees that are not considered likely to result in a draw-down of the facility are recognized as prepaid assets for the liquidity services provided and are amortized over the period of the borrowing facility.

If there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period, the borrowings are classified as a current liability.

(2) Derecognition

Financial liabilities are derecognized from the statement of financial position when contractual obligations are discharged, canceled or expired, or when the terms of an existing financial liability change materially. The difference between the book value of financial liabilities extinguished or transferred to a third party and the consideration paid (including non-cash assets transferred or liabilities assumed) is recognized as profit or loss.

3.13 Financial guarantee contracts

The financial guarantee contracts provided by the Company are initially recognized at fair value. Subsequently, they are measured at the higher of the following amounts:

- (1) The loss allowance calculated in accordance with the impairment requirements for financial instruments.
- (2) The initial recognition amount minus any cumulative gain recognized in accordance with K-IRFS 1115.

The fair value of financial guarantee contracts is estimated based on the market price of similar financial instruments, by comparing interest rates of borrowed funds with and without the provision of the financial guarantee, or by calculating the present value of the expected future payments due to the financial guarantee.

3.14 Provisions

Liabilities for warranty provisions and similar obligations are recognized when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to settle the obligation, and the increase in the provision due to the passage of time is recognized as interest expense.

3.15 Current income tax and deferred income tax

Tax expenses consist of current income tax and deferred income tax. Taxes related to items directly recognized in other comprehensive income or equity are recognized directly in those items, and all other taxes are recognized in the current profit or loss.

Current income tax expense is measured based on the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates the Company's tax policies applied in tax filings in situations where applicable tax laws may be subject to interpretation, and considers whether tax authorities are likely to accept uncertain income tax treatment. The Company reflects the impact of uncertainty by using the method that better predicts the resolution of uncertainty, whether it is the most likely amount or the expected value.

Deferred income tax is recognized for the expected income tax effects when recovering or settling the book values of assets and liabilities, arising from temporary differences between the book values and tax bases of assets and liabilities. However, deferred tax assets and liabilities arising from the initial recognition of assets and liabilities in transactions other than business combinations are not recognized if the transaction does not affect accounting profit or taxable income.

Deferred tax assets are recognized when it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates, and joint ventures, except where the Group can control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. In addition, deferred tax assets from deductible temporary differences associated with these investments are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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. Current tax assets and liabilities are offset if there is a legally enforceable right to set off and the intention is either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.16 Employee benefits

(1) Retirement benefits

The Company's pension scheme is categorized as a defined benefit plan.

A defined contribution plan is a pension scheme where the Company pays fixed contributions into a separate entity and recognizes such contributions as an expense when the employee services are rendered.

A defined benefit plan encompasses all pension plans excluding defined contribution plans. Typically, in a defined benefit plan, the amount of pension benefits to be paid upon an employee's retirement is determined based on factors such as age, years of service, or salary level. The liability recorded on the balance sheet related to defined benefit plans represents the present value of the defined benefit obligation, reduced by the fair value of any plan assets held externally. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method, and the present value of the defined benefit obligation is calculated by discounting expected future cash outflows with the interest rate of high-quality corporate bonds with similar maturity dates. Meanwhile, remeasurement components related to net defined benefit liabilities are recognized in other comprehensive income.

In the event of a plan amendment, curtailment or settlement, past service cost or any gain or loss on settlement is recognized as profit or loss.

(2) Other long-term employee benefits

Some companies within the Company provide long-term employee benefits to employees who have served for extended periods. The right to receive these benefits is granted exclusively to long-serving employees. The measurement of other long-term employee benefits is similar to that of defined benefit plans, and the cost of employment, net interest on the other long-term employee benefit liability, and remeasurement components are recognized in profit or loss for the period. Additionally, these liabilities are evaluated annually by an independent and qualified actuarial professional.

3.17 Revenue recognition

The Company is engaged in the business of designing and manufacturing semiconductors that drive display panels, and sells these to customers. Revenue is recognized according to K-IFRS 1115 Revenue from Contracts with Customers. Revenue is recognized when control of the goods or services transfers to the customer, which is when the Company expects to be entitled to consideration in exchange for those goods or services.

Generally, the point at which control of the goods is transferred is determined to be when the goods have been shipped to a specified location, the risks and rewards of ownership have transferred to the customer, and there is objective evidence that the customer has accepted the goods or the conditions for acceptance have been satisfied.

(1) Returns

Returns are accounted for by recognizing the total expected amount of refunds as a contract liability and adjusting the revenue accordingly. When a customer exercises their right to return a product, the right to recover the product from the customer is recognized as a contract asset, and the cost of sales is adjusted by the same amount. The right to recover the product is measured by deducting the cost of recovering the product from its historical book value.

(2) Significant financial components

In general, the period between transferring goods or services and paying the price is less than one year, and in such cases, a practical expedient method is used that does not adjust the promised price to reflect the influence of significant financial factors.

3.18 Lease

(1) Lessor

If the Company is a lessor, lease income from operating leases is recognized on a straight-line basis over the lease term. The Company adds the direct cost of establishing a lease to the book value of the underlying asset and recognizes it as an expense over the lease term on the same basis as the rental income. Each leased assets are presented on the basis of its characteristics in the statement of financial position.

(2) Lessee

The Company leases various properties and vehicles. Lease agreements are typically for a fixed period, but may include options to extend as described below.

Agreements can include both lease and non-lease components. The Company has allocated the contract consideration to the lease and non-lease components based on their relative standalone prices.

Lease terms are negotiated individually and include various terms and conditions. Although there are no other restrictions imposed by the lease agreements, the leased asset cannot be provided as collateral for borrowings.

In the non-cancellable period within the enforceable period of the contract, the Company calculates the lease term including the covered period when it is reasonably certain that the lessee will exercise the option of extension and the covered period when it is reasonably certain that the lessee will not exercise the option of termination. If the lessee and the lessor each have the right to terminate without the consent of the other party, the Company calculates the enforceable period in consideration of the economic disadvantages to be incurred when the contract is terminated.

Assets and liabilities arising from leases are initially measured at present value. Lease liabilities include the net present value of the following lease payments:

- Fixed lease payments, reduced by any lease incentives received (including any substantive fixed lease payments);
- Variable lease payments that change based on an index or rate, initially measured using the index or rate as of the commencement date;
- Amounts expected to be payable by the Company (lessee) under a residual value guarantee;
- The exercise price of a purchase option if it is reasonably certain that the Company (lessee) will exercise this option;
- Payments to terminate the lease, if the lease term reflects the exercise of an option to terminate by the Company (lessee).

When a lessee is reasonably certain to exercise an option to extend the lease, the lease payments to be made under the extension are also included in the measurement of the lease liability.

Lease payments are discounted using the lease's internal rate of interest if it can be easily determined. If the internal rate cannot be readily calculated, the lessee uses the incremental borrowing rate, which is the interest rate the lessee would have to pay to borrow funds over a similar term, and with a similar security, under comparable economic conditions, to obtain an asset of a similar value to the right-of-use asset.

To calculate the incremental borrowing rate, the Company considers the following factors:

- If possible, the Group starts with the most recent third-party interest rate available to an individual lessee and adjusts for changes in the financial position of the lessee after obtaining third-party financing.
- The Company reflects adjustments specific to the lease such as the country, currency, collateral, and guarantees involved.

When an individual lessee can easily observe the interest rate for a term loan with a similar repayment schedule to the lease (using recent financial or market data), the Company uses this observed rate as a starting point for calculating the incremental borrowing rate.

For variable lease payments that depend on an index or rate, the Company is exposed to the risk of potential future increases in variable lease payments that are not included in the lease liability until the index or rate is in effect. When adjustments to lease payments based on indices or rates take effect, the lease liability is re-measured and the right-of-use asset is adjusted accordingly.

Lease payments are apportioned between the reduction of the lease liability and the finance cost. The finance cost is recognized in profit or loss over the lease period, calculated to produce a constant periodic rate of interest on the remaining balance of the lease liability.

A right-of-use assets are measured at cost consisting of:

- Initial measurement of the lease liability
- Paid on or before the commencement date of the lease less any lease incentives received;
- Direct cost of opening the lease borne by the lessee;
- Estimate of restoration cost.

Right-of-use assets are depreciated from the commencement date of the lease to the end of the useful life of the right-of-use assets and the end of the lease term. If it is reasonably certain that the Company will exercise the purchase option, the right -of-use assets are depreciated over the useful life of the underlying asset.

Short-term leases of facilities and vehicles and lease payments related to leases of small assets are recognized as profit or loss on a straight-line basis. Short-term leases are leases with a lease term of 12 months or less without purchase options, and small-value leased assets consist of IT equipment and small-value office furniture.

(3) Extension and termination options

The Company includes extension and termination options in many of its lease contracts across the entire entity. These provisions are utilized for operational flexibility in terms of contract management. Most of the extension and termination options held are exercisable at the discretion of the Company rather than the lease provider.

3.19 Approval of financial statements

The financial statements of the Company have been approved by the board of directors on 25 January 2024, and the final approval is expected at the general meeting of shareholders.

4. Significant accounting estimates and assumptions

The preparation of financial statements requires assumptions and estimates about the future, and management's judgment is required to apply the Company's accounting policies. Estimations and assumptions are continuously evaluated and are made taking into account historical experience and reasonably foreseeable future events in the present circumstances. Since the results of accounting estimates are seldom identical to the actual results, there is a significant risk of causing material adjustments.

Estimates and assumptions that could impact the adjustments of asset and liability book values in the next fiscal year, including management's judgments and significant risks are as follows: Additional information on significant judgments and assumptions for some items is included in separate notes.

(1) Valuation of inventories

Inventories are valued at the lower of cost and net realizable value. The net realizable value is determined based on estimates of expected selling prices and estimated costs of sale, including costs directly related to making the sale. Additionally, the net realizable value of obsolete inventory is also estimated. These estimates are based on current market conditions and past experience. (Note 11)

(2) Provisions

As of the end of the reporting period, a provision for liabilities related to warranty repairs and similar obligations has been recorded. This provision is determined based on estimates grounded in historical experience and other relevant factors that may affect the expected costs associated with such liabilities. (Note 17)

(3) Impairment of goodwill

To assess whether goodwill has been impaired, the recoverable amount of the cash-generating unit (CGU) to which the goodwill has been allocated is determined based on the calculation of its value in use. (Note 14)

(4) Net defined benefit obligations

The present value of the net defined benefit liabilities is affected by a number of factors that are determined actuarially, in particular changes in the discount rate. (Note 29)

5. Financial instruments

(1) Financial instruments and their fair values

The details of financial instruments and their fair values as of 31 December 2023 and 2022 are as follows:

(Unit: won)				
Category	31 December 2023		31 December 2022	
	Book value	Fair value(*3)	Book value	Fair value(*3)
Financial assets:				
Items at FVTOCI				
Trade receivables	185,663,383,226	185,663,383,226	36,817,123,476	36,817,123,476
Items measured at amortized cost				
Cash and cash equivalents	180,939,531,955	180,939,531,955	186,352,407,000	186,352,407,000
Short-term financial instruments	120,000,000,000	120,000,000,000	130,000,000,000	130,000,000,000
Trade receivables	19,305,133,211	19,305,133,211	106,530,673,376	106,530,673,376
Other receivables(*1)	15,450,767,609	15,450,767,609	43,013,107,432	43,013,107,432
Sub-total	335,695,432,775		465,896,187,808	
Lease receivables	-	-	2,218,821,942	2,218,821,942
Total	521,358,816,001		504,932,133,226	
Financial liabilities:				
Items measured at amortized cost				
Trade payables	97,600,609,220	97,600,609,220	196,211,140,403	196,211,140,403
Other payables(*2)	30,945,625,670	30,945,625,670	46,324,196,774	46,324,196,774
Sub-total	128,546,234,890		242,535,337,177	

Lease liabilities	19,183,732,432	(*4)	13,035,055,914	(*4)
Total	147,729,967,322		255,570,393,091	

(*1) Lease receivables are excluded.

(*2) Employee-related debts that are not included in financial liabilities are excluded.

(*3) Since the book value is a reasonable approximation of the fair value, the fair value hierarchy and measurement method have been excluded in the disclosure.

(*4) Lease liabilities have been excluded from the fair value disclosures according to K-IFRS 1107 Financial Instruments: Disclosures.

(2) Net profit and loss by financial instrument category

The details of financial incomes and financing costs recognized in the net income as of 31 December 2023 and 2022 are as follows:

(Unit: won)				
Category	Interest income (interest expense)		Other income (*)	
	2023	2022	2023	2022
Financial assets measured at FVTOCI	-	-	(22,728,349,613)	4,310,559,951
Financial assets measured at amortized cost	11,280,582,279	11,831,568,035	3,339,920,234	(9,585,456,517)
Lease receivables	18,612,222	65,884,805	-	-
Financial liabilities measured at amortized cost	-	-	(2,120,398,173)	(15,537,727,956)
Lease liabilities	(345,754,318)	(378,267,334)	-	-
Total	10,953,440,183	11,519,185,506	(21,508,827,552)	(20,812,624,522)

(*) Other profit or loss consists of financial assets measured at FVTOCI, financial assets measured at amortized cost and financial liabilities measured at amortized cost, loss on disposal of trade receivables, foreign currency translation gain or loss, and foreign currency exchange gain or loss.

(3) Transfer of financial assets

The Company transferred account receivables according to the account receivable factoring contract with the Export-Import Bank, etc. In this transaction, if the relevant trade receivables are not recovered at maturity, the Company is not obligated to pay the unrecovered amount of trade receivables to banks.

There is no book value of trade receivables accounted for as collateralized borrowing as the Company transferred all or part of the transferred financial assets through factoring of accounts receivable as of 31 December 2023 and 2022.

6. Management of financial risk

The Company is exposed to various financial risks such as market risk, credit risk, and liquidity risk due to its multiple activities, and its overarching risk management policy focuses on minimizing the potentially adverse effects on its financial performance. The Company uses derivatives to manage specific risks.

Risk management is conducted by the Company's finance department following policies approved by management. This department works closely with the operational units of the Company to identify, evaluate, and hedge financial risks. Management reviews and approves documented policies regarding overall risk management, including strategies for managing exchange rate risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and investments that exceed liquidity needs.

6.1 Credit risk

Credit risk refers to the risk that the Company will suffer financial loss as a result of a customer or counterparty not fulfilling its contractual obligations for a financial instrument. It mainly arises from trade receivables and investment assets to customers.

(1) Risk management

The Company operates a consistent corporate-wide credit policy to manage credit risk. For corporate clients, when external credit ratings are available, these ratings are utilized. In cases where external ratings are not available, credit ratings are assessed internally based on the client's financial condition and past experiences. Credit limits for each customer are set based on internal and external credit ratings, as determined by management, who also regularly reviews compliance with these customer-specific limits.

There is a significant concentration of credit risk with major customers within the Company.

However, all debt instruments held by the Company are considered low credit risk. The Company actively monitors the credit ratings of these debt instruments to assess any decline in credit risk, ensuring that proactive measures are in place to manage potential vulnerabilities.

(2) Credit enhancement

For some trade receivables, the Company is provided with credit enhancements such as guarantees or letters of credit that can be demanded in case the counterparty defaults on the contract.

(3) Impairment of financial assets

The Company has the following financial assets to which the expected credit loss model is applied.

- Trade receivables for the provision of goods and services
- Other financial assets measured at amortized cost.
- Debt instruments measured at FVTOCI

Cash equivalents are also subject to the impairment provisions, but the identified expected credit loss is insignificant.

(A) Trade receivables

The Company applies the simplified method of recognizing the expected credit loss as a loss allowance for the entire period for trade receivables. To measure expected credit losses, trade receivables are classified based on credit risk characteristics and delinquency dates.

The trade receivables are net amount after loss allowance is deducted, and as indicated in the statement of financial position, details of trade receivables and related loss allowances based on the total amount before loss allowance as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	31 December 2023	31 December 2022
Total book value of account receivables	204,968,516,437	143,347,796,852
Loss allowance	-	-
Net book value of trade receivables	204,968,516,437	143,347,796,852

As of 31 December 2023 and 2022, the age of trade receivables and the amount impaired by each year are as follows:

(Unit: won)						
Category	31 December 2023			31 December 2022		
	Total amount of receivables	Impaired amount	Book value	Total amount of receivables	Impaired amount	Book value
Within the due date	199,850,894,120	-	199,850,894,120	143,583,211,020	-	143,583,211,020
Maturity ~ within 3 months	4,829,918,031	-	4,829,918,031	(235,414,168)	-	(235,414,168)
3 ~ 6 months	287,704,286	-	287,704,286	-	-	-
Total	204,968,516,437	-	204,968,516,437	143,347,796,852	-	143,347,796,852

There was no change in allowance for bad debts for trade receivables as of 31 December 2023 and 2022.

(B) Other financial assets measured at amortized cost

Other financial assets measured at amortized cost include employee loans, other receivables, etc. There are no changes in loss allowances for other financial assets measured at amortized cost, which are all considered to have low credit risk. Therefore, the loss allowance is recognized based on the 12-month expected credit losses.

(C) Debt instruments measured at FVTOCI

These debt instruments for these FVTOCI are discountable trade receivables for which a simplified approach is applied. This approach recognizes the lifetime expected credit losses as a loss allowance. The loss allowance for these FVTOCI debt instruments is recognized in profit or loss, reducing the amount that would have been recognized in other comprehensive income as a fair value loss. There are no changes in the loss allowance for these FVTOCI debt instruments during the reporting period.

(4) Exposure to credit risk

The book value of financial assets represents the maximum exposure to credit risk. The maximum exposure to credit risk of the Company as of 31 December 2023 and 2022 is as follows:

(Unit: won)		
Category	31 December 2023	31 December 2022
Cash and cash equivalents	180,939,531,955	186,352,407,000
Short-term financial instruments	120,000,000,000	130,000,000,000
Trade receivables (*1)	204,968,516,437	143,347,796,852
Other receivables(*2)	15,450,767,609	45,231,929,374
Total	521,358,816,001	504,932,133,226

(*1) Includes trade receivables classified as financial assets measured at FVTOCI.

(*2) Includes lease receivables.

6.2 Liquidity risk

Liquidity risk refers to the risk that the Company will have difficulty in meeting its obligations related to financial liabilities that are settled through the delivery of cash or other financial assets. The Company's liquidity management method is to generate abnormally excessive losses even in difficult financial situations, or to maintain sufficient liquidity to repay debts at maturity without risk of damaging the Company's reputation.

The Company manages liquidity risk by maintaining sufficient cash and cash equivalents and short-term financial instruments.

The contractual maturity of financial liabilities as of 31 December 2023 and 2022 is as follows: The amount does not include the effect of trade agreements.

① 31 December 2023

(Unit: won)				
Category	Book value	Contractual cash flow	Less than 1 year	1 ~ 5 years
Trade payables	97,600,609,220	97,600,609,220	97,600,609,220	-
Other payables(*)	30,945,625,670	30,945,625,670	29,120,305,670	1,825,320,000
Total	128,546,234,890	128,546,234,890	126,720,914,890	1,825,320,000

(*) Employee-related liabilities not included in financial liabilities are excluded, and the contractual maturity of lease liabilities is indicated in Note 15.

② 31 December 2022

(Unit: won)				
Category	Book value	Contractual cash flow	Less than 1 year	1 ~ 5 years
Trade payables	196,211,140,403	196,211,140,403	196,211,140,403	-
Other payables(*)	46,324,196,774	46,324,196,774	44,323,036,774	2,001,160,000
Total	242,535,337,177	242,535,337,177	240,534,177,177	2,001,160,000

(*) Employee-related liabilities not included in financial liabilities are excluded, and the contractual maturity of lease liabilities is indicated in Note 15.

6.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices.

(1) Exchange rate risk management

The Company is exposed to foreign exchange risk on transactions and balances denominated in currencies other than its functional currency. The major presentation currency for these transactions is USD.

① Exposure to foreign exchange risk

The book values of monetary assets and liabilities denominated in foreign currencies other than the functional currency as of as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	31 December 2023	31 December 2022
Assets in foreign currency:		
Cash and cash equivalents	3,870,662,689	60,125,195,302
Trade receivables	103,830,408,652	98,704,983,637
Receivables	141,642,860	458,338,309
Total	107,842,714,201	159,288,517,248
Liabilities in foreign currency:		
Trade payables	27,800,620,954	73,874,367,352
Payables	4,082,853,188	4,866,678,985
Total	31,883,474,142	78,741,046,337

The exchange rates applied to the conversion of monetary assets and liabilities denominated in foreign currencies are as follows:

(Unit: won)		
Category	31 December 2023	31 December 2022
USD	1,289.40	1,267.30

② Sensitivity analysis

If the exchange rate of the Korean won against USD, which is the major foreign currency that constitutes the financial assets and liabilities of the Company as of 31 December 2023 and 2022, had risen, the capital and profits and losses of the Company would have increased or decreased. The analysis assumes a degree of variance that the Company considers to be reasonably possible at the end of the period. It has been also assumed that other variables such as interest rate do not fluctuate during the sensitivity analysis. The effect of the changes in USD rate for Korean won (before income tax) as of 31 December 2023 and 2022 on the losses and gains are as follows:

(Unit: won)				
Category	2023		2022	
	5% increase	5% decrease	5% increase	5% decrease
USD	3,797,962,003	(3,797,962,003)	4,027,373,546	(4,027,373,546)

(2) Interest rate risk

Most of the Company's interest-bearing assets are fixed at a fixed interest rate. Therefore, the profit and operating cash flows of the Company are actually independent from variations in the market interest rates.

6.4 Capital management

The capital management of the Company is for maintaining the existence as a going concern, minimizing the capital cost for funding, maximizing the profits of the shareholders, and maintaining an appropriate equity structure. The Company manages the capital based on the ratio of liability, which is calculated by dividing the total liability in the statement of financial position with capital. The debt-to-equity ratio of the Company as of 31 December 2023 and 2022 is as follows:

(Unit: won)		
Category	31 December 2023	31 December 2022
Total liabilities	228,070,776,578	337,591,801,835
Total equities	967,617,390,644	944,810,239,127
Debt-to-equity ratio	23.57%	35.73%

7. Cash and cash equivalents

The details of cash and cash equivalents as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	31 December 2023	31 December 2022
Demand deposit	4,139,531,955	77,052,407,000
Term deposit, etc.(*)	176,800,000,000	109,300,000,000
Total	180,939,531,955	186,352,407,000

(*) This is a financial instrument whose maturity is within 3 months from the acquisition date, has very high liquidity, is easy to convert to a fixed amount, and has a slight risk of value fluctuation.

8. Short-term financial instruments

The details of short-term financial instruments as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	31 December 2023	31 December 2022
Term deposit	120,000,000,000	130,000,000,000

9. Trade and other receivables

(1) The trade and other receivables as of 31 December 2023 and 2022 are as follows:

(Unit: won)				
Category	31 December 2023		31 December 2022	
	Current	Non-current	Current	Non-current
Trade receivables	204,968,516,437	-	143,347,796,852	-
Receivables	472,991,393	-	24,698,056,644	-
Accrued income	1,405,679,868	-	2,370,913,828	-
Loans	1,539,250,279	4,156,782,820	1,790,574,626	6,091,320,171
Deposits	-	7,876,063,249	-	8,062,242,163
Lease receivables	-	-	1,359,317,660	859,504,282
Total	208,386,437,977	12,032,846,069	173,566,659,610	15,013,066,616

(2) The changes in lease receivables as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
1 January	2,218,821,942	3,548,057,137
Interest income	18,612,222	65,884,805
Retrieving	(2,237,434,164)	(1,395,120,000)
31 December	-	2,218,821,942

(3) The maturity analysis of lease receivables as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	31 December 2023	31 December 2022
Less than 1 year	-	1,395,120,000
1 to 2 years	-	866,324,509
Total undiscounted lease	-	2,261,444,509
Unrealized financial income	-	(42,622,567)
Net lease investment	-	2,218,821,942

10. Other assets

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

(Unit: won)				
Category	31 December 2023		31 December 2022	
	Current	Non-current	Current	Non-current
Advanced payments	9,339,467,647	7,432,141,290	8,234,130,310	9,367,236,340
Prepaid expenses, etc.	43,011,184,973	1,528,300,376	25,379,233,091	794,082,232
Total	52,350,652,620	8,960,441,666	33,613,363,401	10,161,318,572

11. Inventories

(1) The details of inventories as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	31 December 2023	31 December 2022
Products	102,920,500,226	184,831,476,664
Work in process	307,978,195,302	335,608,127,172
Provisions for returns	131,692,031	165,108,909
Inventory valuation allowance	(75,160,516,138)	(38,095,660,661)
Products	21,168,050	47,383,151
Total	335,891,039,471	482,556,435,235

(2) The gain (loss) on valuation on valuation of inventories as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Cost of goods sold		
Establishment (reversal) of inventory valuation allowance	37,064,855,477	27,731,671,511

(3) The cost of inventory recognized as an expense and included in the cost of goods sold amounts to 1,330,785 million won for the current period, compared to 1,409,797 million won in 2022.

12. Investment of subsidiaries, associates and joint ventures

(1) The investments of associates and joint ventures as of 31 December 2023 and 2022 are as follows:

(Unit: won)							
Company name	Location	Major business activity	Month of account closing	31 December 2023		31 December 2022	
				Ratio(%)	Book value	Ratio(%)	Book value
LX Semicon U.S.A., Inc	USA	Semiconductor manufacturing and designing	December	100.00	137,322,045	100.00	137,322,045
LX Semicon China Co., Ltd.	China	Semiconductor manufacturing and designing	December	100.00	2,179,314,000	100.00	2,179,314,000
LX Semicon Japan Co., Ltd.	Japan	Semiconductor manufacturing and designing	December	100.00	1,215,486,000	100.00	1,215,486,000
Total					3,532,122,045		3,532,122,045

(2) The changes in the investments in associates and joint ventures as of 31 December 2023 and 2022 are as follows:

(Unit: won)							
Company name	Location	Major business activity	Month of account closing	31 December 2023		31 December 2022	
				Ratio(%)	Book value	Ratio(%)	Book value
Advance Power Device Technologies Co. Ltd	Korea	R&D and design of semiconductor devices	March	49.00	4,410,000,000	49.00	4,410,000,000
FJ Composite Materials Co., Ltd.	Japan	Development, manufacturing, and sales of composite materials	May	28.70	9,722,823,000	29.98	6,835,773,000
Telechips(*)	Korea	Manufacture of electronic integrated circuit	December	10.26	26,770,050,000	10.93	26,770,050,000
LX Ventures New Technology Business Investment Association No. 1	Korea	Investment association	December	23.33	2,800,000,000	-	-
Total					43,702,873,000		38,015,823,000

(*) Although the share of Telechips Inc. is less than 20%, it is exerting significant influence through the contractual right to appoint directors.

(3) The changes in the investments in subsidiaries, associates and joint ventures as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
1 January	41,547,945,045	13,879,521,045
Acquisition	5,687,050,000	27,668,424,000
31 December	47,234,995,045	41,547,945,045

13. Tangible assets

(1) The details of tangible assets as of 31 December 2023 and 2022 are as follows:

① 31 December 2023

(Unit: won)								
Category	Land	Buildings	Structures	Machinery and equipment	Office equipment	Other tangible assets(*)	Construction in-progress	Total
Acquisition cost	34,966,570,226	24,579,991,111	464,190,636	51,712,498,038	24,762,783,843	9,785,535,434	9,319,836,507	155,591,405,795
Accumulated amortization	-	(3,628,493,645)	(29,980,448)	(24,634,447,413)	(17,223,451,338)	(6,551,561,360)	-	(52,067,934,204)
Accumulated impairment loss	-	(29,562,901)	-	-	-	-	(154,587,941)	(184,150,842)
Government subsidies	-	-	(77,278,600)	(31,678)	(1,535,515)	(75,000,000)	-	(153,845,793)
Book value	34,966,570,226	20,921,934,565	356,931,588	27,078,018,947	7,537,796,990	3,158,974,074	9,165,248,566	103,185,474,956

(*) Other tangible assets include facility equipment, and leasehold improvements.

② 31 December 2022

(Unit: won)								
Category	Land	Buildings	Structures	Machinery and equipment	Office equipment	Other tangible assets(*)	Construction in-progress	Total
Acquisition cost	35,051,121,092	21,054,366,791	188,300,000	61,050,553,746	23,457,707,032	9,139,189,252	9,712,038,822	159,653,276,735
Accumulated amortization	-	(3,047,630,728)	(21,183,768)	(32,672,980,212)	(14,779,553,194)	(5,332,188,536)	-	(55,853,536,438)
Accumulated impairment loss	-	-	-	(239,798,395)	-	-	-	(239,798,395)
Government subsidies	-	-	-	(38,922)	(5,908,229)	(135,000,000)	-	(140,947,151)
Book value	35,051,121,092	18,006,736,063	167,116,232	28,137,736,217	8,672,245,609	3,672,000,716	9,712,038,822	103,418,994,751

(*) Other tangible assets include facility equipment, and leasehold improvements.

(2) The changes in the book value of tangible assets as of 31 December 2023 and 2022 are as follows:

① 2023

(Unit: won)								
Category	Land	Buildings	Structures	Machinery and equipment	Office equipment	Other tangible assets (*)	Construction in-progress	Total
Book value as of 1 January	35,051,121,092	18,006,736,063	167,116,232	28,137,736,217	8,672,245,609	3,672,000,716	9,712,038,822	103,418,994,751
Acquisition cost during the period	-	3,507,964,029	(77,928,000)	3,709,886,030	2,346,333,910	646,346,182	14,658,476,606	24,791,078,757
Disposal cost during the period	(84,550,866)	(45,909,682)	-	(14,095,325,117)	(519,866)	-	(26,500,000)	(14,252,805,531)
Substitution of assets under construction	-	229,551,300	275,890,636	14,518,736,985	-	-	(15,024,178,921)	-
Depreciation	-	(746,844,244)	(8,147,280)	(6,849,149,332)	(3,480,262,663)	(1,159,372,824)	-	(12,243,776,343)
Other adjustments(*)	-	(29,562,901)	-	1,656,134,164	-	-	(154,587,941)	1,471,983,322
Book value as of 31 December	34,966,570,226	20,921,934,565	356,931,588	27,078,018,947	7,537,796,990	3,158,974,074	9,165,248,566	103,185,474,956

(*) The adjustments include impairment losses on tangible assets.

② 2022

(Unit: won)								
Category	Land	Buildings	Structures	Machinery and equipment	Office equipment	Other tangible assets	Construction in-progress	Total
Book value as of 1 January	6,419,595,262	3,329,132,834	171,823,736	30,260,260,572	4,534,396,107	1,898,958,940	1,660,946,817	48,275,114,268
Acquisition cost during the period	318,549,000	-	-	4,579,373,898	6,888,758,608	1,457,074,257	57,088,920,718	70,332,676,481
Disposal cost during the period	-	-	-	(6,001)	(266,944)	-	-	(272,945)
Substitution of assets under construction	28,312,976,830	15,011,042,450	-	4,135,309,433	-	1,578,500,000	(49,037,828,713)	-
Depreciation	-	(333,439,221)	(4,707,504)	(10,837,201,685)	(2,750,642,162)	(1,262,532,481)	-	(15,188,523,053)
Other increase/decrease	-	-	-	-	-	-	-	-
Book value as of 31 December	35,051,121,092	18,006,736,063	167,116,232	28,137,736,217	8,672,245,609	3,672,000,716	9,712,038,822	103,418,994,751

(10) The amounts for each account item that include depreciation expense are as follows:

(Unit: won)		
Category	2023	2022
COGS	299,969,134	6,320,157,512
Selling and administrative expenses(*)	11,943,807,209	8,868,365,541
Total	12,243,776,343	15,188,523,053

(*) Depreciation costs of 8,250 million won (5,101 million won in 2022) included in current research and development expenses are included.

14. Intangible assets

(1) The details of intangible assets as of 31 December 2023 and 2022 are as follows:

① 31 December 2023

(Unit: won)							
Category	Goodwill	Industrial property rights	Software	Membership	Other intangible assets(*)	Intangible assets under construction	Total
Acquisition cost	27,913,122,677	10,186,296,724	27,613,608,146	4,354,074,600	35,114,460,000	20,774,112,167	125,955,674,314
Accumulated amortization	-	(2,933,678,680)	(13,858,034,892)	-	(35,100,886,340)	-	(51,892,599,912)
Accumulated impairment loss	-	-	-	(243,581,400)	-	-	(243,581,400)
Government subsidies	-	(18,631,214)	-	-	-	(6,046,011)	(24,677,225)
Book value	27,913,122,677	7,233,986,830	13,755,573,254	4,110,493,200	13,573,660	20,768,066,156	73,794,815,777

(*) Other intangible assets consist of intangible assets related to customer relationships arising from business succession, technological capabilities, etc.

② 31 December 2022

(Unit: won)							
Category	Goodwill	Industrial property rights	Software	Membership	Other intangible assets (*)	Intangible assets under construction	Total
Acquisition cost	27,913,122,677	6,080,962,005	23,441,477,534	4,354,074,600	35,114,460,000	11,689,695,760	108,593,792,576
Accumulated amortization	-	(2,148,048,751)	(9,477,719,140)	-	(33,075,765,007)	-	(44,701,532,898)
Accumulated impairment loss	-	-	-	(243,581,400)	-	-	(243,581,400)
Government subsidies	-	(19,481,639)	-	-	-	(7,941,731)	(27,423,370)
Book value	27,913,122,677	3,913,431,615	13,963,758,394	4,110,493,200	2,038,694,993	11,681,754,029	63,621,254,908

(*) Other intangible assets consist of intangible assets related to customer relationships arising from business succession, technological capabilities, etc.

(2) The changes in the book value of intangible assets as of 31 December 2023 and 2022 are as follows:

① 2023

(Unit: won)							
Category	Goodwill	Industrial property rights	Software	Membership	Other intangible assets	Intangible assets under construction	Total
Book value as of 1 January	27,913,122,677	3,913,431,615	13,963,758,394	4,110,493,200	2,038,694,993	11,681,754,029	63,621,254,908
Acquisition cost during the period	-	30,085,964	1,277,525,594	-	-	16,213,762,114	17,521,373,672
Disposal cost during the term	-	(715,626)	-	-	-	(141,448,799)	(142,164,425)
Substitution of assets under construction	-	4,081,004,170	2,904,997,018	-	-	(6,986,001,188)	-
Amortization of intangible assets	-	(789,819,293)	(4,390,707,752)	-	(2,025,121,333)	-	(7,205,648,378)
Book value as of 31 December	27,913,122,677	7,233,986,830	13,755,573,254	4,110,493,200	13,573,660	20,768,066,156	73,794,815,777

② 2022

(Unit: won)							
Category	Goodwill	Industrial property rights	Software	Membership	Other intangible assets	Intangible assets under construction	Total
Book value as of 1 January	27,913,122,677	2,766,717,113	5,550,815,034	4,269,483,200	6,036,068,328	3,523,973,197	50,060,179,549
Acquisition cost during the period	-	-	720,148,855	1,260,810,000	22,000,000	20,425,039,997	22,427,998,852
Disposal cost during the term	-	(18,475,464)	-	(1,419,800,000)	-	(123,754,087)	(1,562,029,551)
Substitution of assets under construction	-	1,677,516,678	10,465,988,400	-	-	(12,143,505,078)	-
Amortization of intangible assets	-	(512,326,712)	(2,773,193,895)	-	(4,019,373,335)	-	(7,304,893,942)
Book value as of 31 December	27,913,122,677	3,913,431,615	13,963,758,394	4,110,493,200	2,038,694,993	11,681,754,029	63,621,254,908

(3) The amounts for each account item that include intangible depreciation expense are as follows:

(Unit: won)		
Category	2023	2022
COGS	2,043,939,078	4,024,293,282
Selling and administrative expenses(*)	5,161,709,300	3,280,600,660
Total	7,205,648,378	7,304,893,942

(*) Amortization costs of 1,706 million won (638 million won in 2022) included in current research and development expenses are included.

(4) Intangible assets with indefinite useful life

The Company classifies goodwill and membership among intangible assets as intangible assets with indefinite useful lives and is not amortized, and reviews impairment annually along with intangible assets construction in-progress, which are intangible assets that have not yet been used. There was no impairment recognized for goodwill, intangible assets construction in-progress, and memberships as of 31 December 2023 and 2022.

15. Lease

(1) The book value of right-of-use assets as of 31 December 2023 and 2022 are as follows:

① 31 December 2023

(Unit: won)

Category	Buildings	Vehicles	Total
Acquisition	26,612,065,194	1,321,959,491	27,934,024,685
Accumulated depreciations	(7,622,051,397)	(668,852,071)	(8,290,903,468)
Book value	18,990,013,797	653,107,420	19,643,121,217

② 31 December 2022

(Unit: won)

Category	Buildings	Vehicles	Total
Acquisition	26,965,463,834	1,442,206,464	28,407,670,298
Accumulated depreciations	(13,548,663,885)	(654,312,484)	(14,202,976,369)
Book value	13,416,799,949	787,893,980	14,204,693,929

(2) The changes in book value of right-of-use assets as of 31 December 2023 and 2022 are as follows:

① 2023

(Unit: won)

Category	Buildings	Vehicles	Total
Amount as of 1 January	13,416,799,949	787,893,980	14,204,693,929
Acquisition	13,222,636,036	520,688,005	13,743,324,041
Decrease (Termination of contract)	(179,009,801)	(147,511,726)	(326,521,527)
Depreciation	(7,470,412,387)	(507,962,839)	(7,978,375,226)
Amount as of 31 December	18,990,013,797	653,107,420	19,643,121,217

② 2022

(Unit: won)

Category	Buildings	Vehicles	Total
Amount as of 1 January	6,408,911,867	867,339,926	7,276,251,793
Acquisition	13,001,888,031	460,407,664	13,462,295,695
Decrease (Termination of contract)	(4,405,511)	(83,626,361)	(88,031,872)
Depreciation	(5,989,594,438)	(456,227,249)	(6,445,821,687)
Amount as of 31 December	13,416,799,949	787,893,980	14,204,693,929

(3) The amounts recognized in profit or loss as of 31 December 2023 and 2022 are as follows:

(Unit: won)

Category	2023	2022
Depreciation on licensed assets	7,978,375,226	6,445,821,687
Interest expense on lease liabilities	345,754,318	378,267,334
Expenses related to short-term leases and small assets lease	202,022,677	510,241,048

(4) The Company's total cash outflows due to leases as of 31 December 2023 and 2022 are 7,795 million won and 6,854 million won, respectively.

(5) The undiscounted maturity amount of lease liabilities as of 31 December 2023 and 2022 is as follows:

(Unit: won)

Category	31 December 2023	31 December 2022
Less than 1 year	7,454,625,972	7,369,438,947
1 to 5 years	13,314,870,272	6,025,921,444
5 to 10 years	232,977,900	120,236,710
Sub-total	21,002,474,144	13,515,597,101

16. Trade and other payables

The details of trade and other payables as of 31 December 2023 and 2022 are as follows:

(Unit: won)

Category	31 December 2023		31 December 2022	
	Current	Non-current	Current	Non-current
Trade payables	97,600,609,220	-	196,211,140,403	-
Payables	34,860,777,279	-	60,755,423,119	-
Accrued expenses	11,438,045,291	-	9,462,257,095	-
Deposits	-	1,825,320,000	-	2,001,160,000
Total	143,899,431,790	1,825,320,000	266,428,820,617	2,001,160,000

17. Other liabilities

(1) The details of other liabilities as of 31 December 2023 and 2022 are as follows:

(Unit: won)				
Category	31 December 2023		31 December 2022	
	Current	Non-current	Current	Non-current
Advances customers	12,215,669,884	-	5,395,555,618	-
Withholdings	4,681,660,665	-	4,208,672,362	-
Provisions	15,477,003,962	2,498,715,452	1,138,031,947	2,502,515,452
Long-term employee salary liabilities	-	3,159,108,484	-	2,624,806,247
Total	32,374,334,511	5,657,823,936	10,742,259,927	5,127,321,699

(2) The changes in the provisions as of 31 December 2023 and 2022 are as follows:

① 2023

(Unit: won)				
Category	1 January	Establishment (reversal)	Paid	31 December 2023
Provision for sales warrant	912,979,618	19,047,603,840	(4,674,502,754)	15,286,080,704
Provision for return	225,052,329	(34,129,071)	-	190,923,258
Provisions for restoration	2,502,515,452	-	(3,800,000)	2,498,715,452
Total	3,640,547,399	19,013,474,769	(4,678,302,754)	17,975,719,414

② 2022

(Unit: won)				
Category	1 January	Establishment (reversal)	Paid	31 December 2022
Provision for sales warrant	1,578,936,322	(311,410,787)	(354,545,917)	912,979,618
Provision for return	557,847,533	(332,795,204)	-	225,052,329
Provisions for restoration	1,031,415,452	1,471,100,000	-	2,502,515,452
Total	3,168,199,307	826,894,009	(354,545,917)	3,640,547,399

(3) The Company counted guarantee expenses to be borne for product sales guarantee as provision for sales guarantee and recognized its equivalent transfer as the selling and administrative expenses. On the other hand, the Company recognizes the amount corresponding to the portion of revenue to be canceled at the time of product return as allowance liability for return and deduction to sales in accordance with the K-IFRS 1115.

18. Capital and capital surplus

(1) The details of capital as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	31 December 2023	31 December 2022
Number of authorized shares	50,000,000	50,000,000
Amount per share	500	500
Number of shares issued	16,264,300	16,264,300
Capital	8,132,150,000	8,132,150,000

(2) The details of capital surplus as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	31 December 2023	31 December 2022
Paid-in capital in excess of par value	66,560,617,129	66,560,617,129
Other capital surplus	9,782,553,371	9,782,553,371
Total	76,343,170,500	76,343,170,500

19. Other capital items

The details of other capital items as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	31 December 2023	31 December 2022
Gains or losses on valuation of financial assets measured at FVTOCI	(380,807,731)	(380,807,731)

20. Retained earnings

(1) The details of current retained earnings as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	31 December 2023	31 December 2022
Statutory reserves	4,066,075,000	4,066,075,000
Unappropriated retained earnings	879,456,802,875	856,649,651,358
Total	883,522,877,875	860,715,726,358

(2) The changes in the unappropriated retained earnings as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Amount as of 1 January	856,649,651,358	708,909,597,968
Payment of dividends	(73,189,350,000)	(87,827,220,000)
Net income	97,316,388,001	230,607,638,966
Remeasurements of defined benefit plans	(1,319,886,484)	4,959,634,424
Amount as of 31 December	879,456,802,875	856,649,651,358

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

(Unit: won)			
Category	2023		2022
	Scheduled date of disposition: 21 March 2024	Confirmed date of disposition: 23 March 2023	
I. Unappropriated retained earnings		879,456,802,875	856,649,651,358
Unappropriated retained earnings carried over from the previous period	783,460,301,358		621,082,377,968
Net income	97,316,388,001		230,607,638,966
Remeasurements of defined benefit plans	(1,319,886,484)		4,959,634,424
II. Appropriation of retained earnings		(29,275,740,000)	(73,189,350,000)
Dividends paid	(29,275,740,000)		(73,189,350,000)
III. Unappropriated retained earnings carried forward (I-II)		850,181,062,875	783,460,301,358

21. Dividends

The details of dividends as of 31 December 2023 and 2022 are as follows:

(Unit: shares, won)		
Category	2023 (*1)	2022
No. of shares to be distributed	16,264,300	16,264,300
Face value per share	500 won	500 won
Par dividend	360%	900%
Dividend per share	1,800 won	4,500 won
Dividends	29,275,740,000 won	73,189,350,000 won
Dividend payout ratio (dividend amount/net profit)	30%	32%
Share price(*2)	KRW 88,325	KRW 78,680
Dividend yield (dividend per share/share price)	2.04%	5.72%

(*1) It will be presented as an agenda for the general shareholders' meeting expected on 21 March 2024.

(*2) The reference price related to the above dividend is calculated based on the arithmetic average of the final prices formed in the stock exchange market during the past week, starting from two trading days before the record date for closing the shareholders' register for the purpose of convening the general meeting of shareholders.

22. Earnings per share

(1) Basic earnings per share

① The calculation of basic earnings per share in the current and previous period are as follows:

(Unit: won, shares)		
Category	2023	2022
Earnings per ordinary share	KRW 97,316,388,001	KRW 230,607,638,966
Weighted average No. of common shares outstanding	16,264,300	16,264,300
Basic earnings per share	5,983 won	14,179 won

② Calculation of weighted average No. of common shares outstanding as of 31 December 2023 and 2022

Number of shares issued (1)	Number of treasury shares (2)	No. of outstanding ordinary shares (1-2)	Weight	Weighted average number of common shares outstanding
16,264,300 shares	-	16,264,300 shares	365 days/365 days	16,264,300 shares

③ Calculation of weighted average No. of common shares outstanding for the previous period

Number of shares issued (1)	Number of treasury shares (2)	No. of outstanding ordinary shares (1-2)	Weight	Weighted average number of common shares outstanding
16,264,300 shares	-	16,264,300 shares	365 days/365 days	16,264,300 shares

(2) Diluted earnings per share

The Company does not have any dilutive securities as of 31 December 2023 and 2022. Therefore, the diluted earnings per share is the same as the basic earnings per share.

23. Finance income and costs

(1) The details of financial income as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Interest income	11,299,194,501	11,897,452,840
Dividend income	273,716,051	-
Gain on foreign exchange (financial)	1,622,705,015	-
Total	13,195,615,567	11,897,452,840

(2) The details of financial expenses as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Interest expenses	345,754,318	378,267,334
Loss on foreign exchange (financial)	9,908,349	1,620,801,785
Loss on disposal of trade receivables	24,548,030,922	10,818,201,531
Total	24,903,693,589	12,817,270,650

24. Other non-operating income and expenses

(1) The details of other non-operating income as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Profit on foreign exchange (non-financial)	25,143,172,788	40,251,489,821
Profit on foreign currency conversion (non-financial)	681,183,726	3,309,084,399
Gain on disposal of tangible assets	5,397,096,596	938,249,894
Gain on intangible assets	1,000	-
Miscellaneous profits	3,388,710	42,337,110
Total	31,224,842,820	44,541,161,224

(2) The details of other non-operating expenses as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Loss on foreign exchange (non-financial)	22,718,584,360	47,993,023,382
Loss on foreign currency conversion (non-financial)	1,679,365,450	3,959,780,511
Loss on disposal of tangible assets	108,095,675	11,442
Impairment loss on tangible assets	184,150,842	-
Loss on disposal of intangible assets	142,164,425	162,029,551
Donations	72,611,580	85,856,381
Miscellaneous losses	74,070,971	12,132,506
Total	24,979,043,303	52,212,833,773

25. Revenue from contracts with customers and their contract assets and contract liabilities

(1) The amounts recognized as revenue by the Company are as follows:

(Unit: won)		
Category	2023	2022
Revenue from contracts with customers	1,901,348,975,029	2,118,566,363,613
Other income from various sources: Rental income, etc.	96,000,000	779,000,000
Total	1,901,444,975,029	2,119,345,363,613

(2) The details of revenue generated from contracts with customers as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Key geographic markets:		
Domestic	274,246,602,061	381,036,520,403
China	919,807,508,314	1,044,391,022,127
Vietnam	437,478,806,718	276,016,749,709
Taiwan	217,709,080,229	222,353,097,356
Japan	32,185,267,417	36,796,221,867
Others	19,921,710,290	157,972,752,151
Total	1,901,348,975,029	2,118,566,363,613
Main service lines:		
Products	1,898,132,752,974	2,096,004,814,994
Services	2,539,935,755	20,832,938,355
Other sales	652,330,130	1,617,390,012
Merchandise sales	23,956,170	111,220,252
Total	1,901,348,975,029	2,118,566,363,613
When revenue is recognized:		
Implementation to one point	1,901,348,975,029	2,118,566,363,613
Implementation over time	-	-
Total	1,901,348,975,029	2,118,566,363,613

(3) Assets and liabilities related to contracts with customers

The assets and liabilities recognized by the Company in relation to its contracts with customers are as follows:

(Unit: won)		
Category(*)	31 December 2023	31 December 2022
Contract performance costs	7,199,630,740	2,326,763,094
Contract liabilities	12,215,669,884	5,369,555,618

(*) Contract performance costs are classified as prepaid expenses in other assets, and contract liabilities are classified in the advance payment account in other liabilities.

(4) Revenue recognized for contract liabilities

The amount of revenue recognized in the current period related to contract liabilities carried forward from the previous period is as follows:

(Unit: won)		
Category	2023	2022
Products	4,115,585,618	1,498,230,328
Services	716,940,000	5,636,063,982
Total	4,832,525,618	7,134,294,310

26. Operating profit

The main items and amounts included in operating profit calculation as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Sales	1,901,444,975,029	2,119,345,363,613
Products	1,898,132,752,974	2,096,004,814,994
Others	3,312,222,055	23,340,548,619
COGS	1,367,468,136,980	1,443,672,300,059
Cost of goods sold	1,364,710,389,124	1,428,973,942,830
Others	2,757,747,856	14,698,357,229
Selling and administrative expenses	407,352,593,878	366,627,487,034
Salary and bonuses	63,035,530,520	59,402,444,248
Retirement benefits	4,499,798,287	4,354,156,832
Employee benefits	14,443,861,739	13,957,101,447
Travel	2,055,499,779	1,569,517,853
Paid rent	1,540,240,710	1,545,734,595
Service fees	59,594,528,114	51,680,599,854
Depreciation	11,671,538,920	10,212,630,478
Amortization of intangible assets	3,455,432,443	2,642,866,529
Establishment of provision for sales guarantee (reversal)	19,047,603,840	(311,410,787)
Ordinary R&D expenses	216,772,541,562	209,823,950,943
Others	11,236,017,964	11,749,895,042
Operating profit	126,624,244,171	309,045,576,520

27. Selling and administrative expenses

The selling and management expenses as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Salaries	38,320,353,381	33,672,158,403
Bonuses	24,715,177,139	25,730,285,845
Retirement benefits	4,499,798,287	4,354,156,832
Employee benefits	14,443,861,739	13,957,101,447
Travel	2,055,499,779	1,569,517,853
Communication	765,361,181	731,486,452
Consumables	898,237,018	3,012,353,410
Taxes and dues	1,060,151,016	1,147,136,306
Paid rent	1,540,240,710	1,545,734,595
Service fees	59,594,528,114	51,680,599,854
Depreciation	11,671,538,920	10,212,630,478
Repairs	201,604,132	195,471,591
Insurance	3,082,216,438	1,002,559,141
Entertainment	995,035,684	1,365,051,207
Advertisement	575,223,300	142,000,000
Meeting	-	1,682,168
Printing	23,136,255	21,563,506
Transportation	913,690,310	1,135,190,207
Samples	905,695,563	1,102,964,662
Training	925,689,258	1,354,350,098
Vehicle maintenance	242,550,221	280,503,596
Gas, water, oil	647,427,588	257,582,698
Establishment of provision for sales guarantee (reversal)	19,047,603,840	(311,410,787)
Ordinary R&D expenses	216,772,541,562	209,823,950,943
Amortization of intangible assets	3,455,432,443	2,642,866,529
Total	407,352,593,878	366,627,487,034

28. Disclosure by nature of expenses

The expenses classified by nature as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Changes in inventories	146,665,395,764	(281,438,921,671)
Employee cost	183,253,054,835	179,404,933,408
Depreciation and amortization of intangible assets	27,427,799,947	28,939,238,682
Outsourcing process	1,212,462,026,214	1,691,270,770,332
Process cost	2,579,467,486	16,211,634,279
R&D	97,939,420,848	107,011,982,270
Paid rent	1,540,240,710	1,545,734,595
Service fees	65,695,702,354	58,388,647,938
Transportation	5,726,386,105	7,107,613,550
Travel	4,075,363,628	3,164,030,477
Establishment of provision for sales guarantee (reversal)	19,047,603,840	(311,410,787)
Samples	905,695,563	1,102,964,662
Others	7,502,573,564	(2,097,430,642)
Total	1,774,820,730,858	1,810,299,787,093

(*) It is the sum of the cost of sales and sales and administrative expenses in the income statement.

29. Net defined benefit obligations

The Company pays retirement benefits to employees in a lump sum, which are determined according to the wage level and number of years of service upon retirement, and this is classified as a defined benefit plan. Such retirement benefit can be withdrawn before the resignation of the employee as interim settlement when the legal requirements apply, and the number of years of service for calculating severance pay after the interim settlement is newly calculated from the time of settlement.

(1) The details of defined benefit obligations as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	31 December 2023	31 December 2022
Present value of defined benefit obligation	77,449,337,342	68,723,266,014
Fair value of plan assets	(87,138,882,974)	(87,024,709,511)
Defined benefit obligations (assets)	(9,689,545,632)	(18,301,443,497)

(2) The major estimates used for the actuarial evaluation as of 31 December 2023 and 2022 are as follows:

Category	31 December 2023	31 December 2022
Future wage Increase rate	4.50%	4.95%
Discount rate	4.41%	5.28%

The discount rate is calculated based on the Company's credit rating and corporate bond yield similar to the expected payment period of the defined benefit obligation as of 31 December 2023 and 2022, the future wage increase rate is calculated in consideration of the Company's empirical promotion index and wage increase rate reflecting inflation and wage agreements.

(3) The changes in the present value of defined benefit obligations as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Defined benefit obligation as of 1 January	68,723,266,014	66,233,664,676
Current service cost	10,886,120,460	10,609,433,582
Interest cost	3,469,933,790	1,811,298,547
Remeasurement (before tax):		
Demographic assumptions	57,342,999	16,910,107
Financial assumption	2,428,173,605	(12,591,176,183)
Experience adjustment, etc.	(640,831,156)	5,545,037,255
Transfers between associates	127,639,280	958,453,780
Retirement benefit payment	(7,602,307,650)	(3,860,355,750)
Defined benefit obligation at the end	77,449,337,342	68,723,266,014

(4) The changes in fair value of plan assets as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Plan assets as of 1 January	87,024,709,511	65,613,017,567
Payments of plan assets	3,000,000,000	24,000,000,000
Interest income	4,435,970,182	1,793,584,253
Plan assets remeasurement (before tax)	128,318,108	(486,175,492)
Payment of severance payment form plan assets	(7,347,532,111)	(3,859,975,120)
Others	(102,582,716)	(35,741,697)
Ending balance of plan assets	87,138,882,974	87,024,709,511

The reasonable estimate of employer contributions expected to be paid in 2024 with regard to defined benefit plans is 12,003 million won.

(5) Expenses recognized in the current profit or loss regarding the defined benefit plans as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Current service cost	10,886,120,460	10,609,433,582
Net interest cost	(966,036,392)	17,714,294
Others	102,582,716	35,741,697
Total	10,022,666,784	10,662,889,573

(6) The details of plan assets as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	31 December 2023	31 December 2022
Short-term financial product, etc.	87,138,882,974	87,024,709,511

(7) Sensitivity analysis

With all other assumptions remaining as of 31 December 2023 and 2022, if meaningful actuarial assumptions change in reasonable and possible range, the effects to definite benefit liabilities are as follows:

(Unit: won)		
Category	Increase	Decrease
Discount rate (1% change)	(6,004,420,786)	6,927,642,532
Expected wage growth rate (1% change)	6,864,329,827	(6,064,957,873)

The sensitivity analysis does not take into account the variance of all cash flows expected to arise from the plan, but provides an approximation of the sensitivity to the assumptions used.

As of 31 December 2023 and 2022, the weighted average durations of defined benefit obligations were 8.9 years and 8.2 years, respectively.

(8) The remeasurement factors for defined benefit plan recognized in other comprehensive income as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Cumulative remeasurement factor as of the beginning of year	6,822,851,982	11,782,486,406
Current change amount	1,716,367,340	(6,543,053,329)
Income tax effect on changes	(396,480,856)	1,583,418,905
Cumulative remeasurement factor as of the ending of year	8,142,738,466	6,822,851,982

30. Income tax expenses

(1) The details of income tax expenses as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Current tax	37,067,197,770	74,237,581,838
Adjustments recognized in the current period for income taxes related to previous periods	(83,294,522)	(1,138,005,637)
Deferred tax relating to the temporary differences	(13,534,806,439)	(1,669,710,101)
Deferred tax relating to items recognized not as current profit or loss	396,480,856	(1,583,418,905)
Income tax expenses	23,845,577,665	69,846,447,195

(2) The deferred taxes related to items not recognized in profit or loss as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Deferred tax:		
Actuarial gains and losses	396,480,856	(1,583,418,905)
Income tax expense (income) reflected directly in equity	396,480,856	(1,583,418,905)

(3) The relationship between income tax expense and accounting profit as of 31 December 2023 and 2022 is as follows:

(Unit: won)		
Category	2023	2022
Net income before tax	121,161,965,668	300,454,086,161
Applicable tax rate	22.72%	24.05%
Tax burden according to the applicable tax rate	27,526,414,069	72,262,873,694
Adjustments		
Non-taxable income	(30,883,184)	(19,861,695)
Non-deductible expenses	243,011,185	371,719,830
Tax credits	(3,962,427,263)	(6,336,885,483)
Adjustments recognized in the current period in relation to the tax expense of previous periods	(83,294,522)	(1,138,005,637)
Changes in unrecognized deferred tax	5,472,527	125,836,642
Others (effect of change in tax rate, etc.)	147,284,853	4,580,769,844
Income tax expenses	23,845,577,665	69,846,447,195
Average effective tax rates	19.68%	23.25%

(4) The changes in deferred tax assets and liabilities as of 31 December 2023 and 2022 are as follows:

① 2023

(Unit: won)				
Category	Amount as of 1 January	Reflecting net income	Reflecting other comprehensive income	Amount as of 31 December
Accrued income	(547,681,094)	222,969,044	-	(324,712,050)
Net defined benefit obligations	(3,869,991,509)	1,269,313,821	396,480,856	(2,204,196,832)
Impairment loss on intangible assets	56,267,303	-	-	56,267,303
Loss valuation of inventories	8,761,957,455	8,569,700,914	-	17,331,658,369
Exceeded amortization limit	1,866,253,683	(1,120,455,988)	-	745,797,695
Impairment loss on tangible assets	55,393,429	(19,683,615)	-	35,709,814
Accrued expenses	2,258,084,389	384,104,073	-	2,642,188,462
Prepaid expenses	18,747,748	(11,609,739)	-	7,138,009
Provisions	840,966,449	3,311,424,735	-	4,152,391,184
Financial assets measured at FVTOCI	115,500,000	-	-	115,500,000
Long-term employee salary liabilities	606,330,243	123,423,817	-	729,754,060
Others	(117,369,698)	409,138,521	-	291,768,823
Total	10,044,458,398	13,138,325,583	396,480,856	23,579,264,837

② 2022

(Unit: won)				
Category	Amount as of 1 January	Reflecting net income	Reflecting other comprehensive income	Amount as of 31 December
Accrued income	(421,444,426)	(126,236,668)	-	(547,681,094)
Net defined benefit obligations	-	(2,286,572,604)	(1,583,418,905)	(3,869,991,509)
Impairment loss on intangible assets	58,946,699	(2,679,396)	-	56,267,303
Loss valuation of inventories	2,419,091,577	6,342,865,878	-	8,761,957,455
Exceeded amortization limit	1,326,680,617	539,573,066	-	1,866,253,683
Impairment loss on tangible assets	58,031,212	(2,637,783)	-	55,393,429
Accrued expenses	3,256,483,522	(998,399,133)	-	2,258,084,389
Prepaid expenses	35,047,840	(16,300,092)	-	18,747,748
Provisions	766,704,232	74,262,217	-	840,966,449
Financial assets measured at FVTOCI	121,000,000	(5,500,000)	-	115,500,000
Long-term employee salary liabilities	729,582,333	(123,252,090)	-	606,330,243
Others	24,624,691	(141,994,389)	-	(117,369,698)
Total	8,374,748,297	3,253,129,006	(1,583,418,905)	10,044,458,398

(5) The temporary differences between items not recognized as deferred tax assets as of 31 December 2023 and 2022 is as follows:

(Unit: won)		
Category	31 December 2023	31 December 2022
Investments in subsidiaries	418,177,955	418,177,955
Transfer price (subsidiaries)	807,301,385	807,301,385
Investments in associates	457,587,790	457,587,790
	(5,686,540,315)	(5,710,230,908)

As of 31 December 2023, the Company judges that it is unlikely that temporary differences related to investment assets and transfer prices (subsidiaries) will disappear in the foreseeable future.

(6) The timing for the recovery of deferred tax assets and the settlement of deferred tax liabilities is as follows:

(Unit: won)		
Category	31 December 2023	31 December 2022
Deferred tax assets		
Deferred tax assets that are expected to be recovered after 12 months	18,889,575,294	16,316,582,698
Deferred tax assets that are expected to be recovered within 12 months	25,191,947,039	12,826,894,690
Deferred tax assets before offsetting	44,081,522,333	29,143,477,388
Deferred tax liabilities		
Deferred tax liabilities that are expected to be recovered after 12 months	(20,147,124,587)	(18,513,197,738)
Deferred tax liabilities that are expected to be recovered within 12 months	(355,132,909)	(585,821,252)
Deferred tax liabilities before offsetting	(20,502,257,496)	(19,099,018,990)
Total deferred income tax assets (liabilities)	23,579,264,837	10,044,458,398

(7) Impact of Pillar Two income tax

The impact of Pillar Two income tax, as mandated by the legislation, requires the Company to pay additional taxes on the difference between the effective tax rate of each subsidiary in its respective jurisdiction under the GloBE (Global Anti-Base Erosion) rules and the minimum standard rate of 15%.

Excluding LX Semicon U.S.A., Inc., which operates in the United States, and LX Semicon Japan Co., Ltd., which operates in Japan, all other entities within the Group have effective tax rates exceeding 15%.

According to Paragraph 86 of K-IFRS 012, the calculated average effective tax rates for LX Semicon U.S.A., Inc. and LX Semicon Japan Co., Ltd. for the year 2023 are as follows:

(Unit: won)		
Category	LX Semicon U.S.A., Inc	LX Semicon Japan Co., Ltd.
Income tax as of 31 December 2023	30,452,604	42,960,057
Net income before tax	314,895,622	392,082,279
Average effective tax rates	9.7%	11.0%

The Company is currently evaluating the impact of the implementation of Pillar Two tax regulations on its financial statements. As of the end of the reporting period on 31 December 2023, the average effective tax rates based on the accounting profits have been calculated as 9.7% for the United States and 11.0% for Japan. LX Semicon U.S.A., Inc. and LX Semicon Japan Co., Ltd., which operate in the US and Japan respectively, are exempt from the Pillar Two income tax impact due to meeting the exemption criterion of having annual revenues less than €10 million, and not subject to Pillar Two income tax.

The Company finds the application of Pillar Two regulations complex and is working with tax professionals to reasonably estimate its impact.



31. Statement of cash flows

(1) The details of reconciliation of income and expenses during business activities as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Income tax expenses	23,845,577,665	69,846,447,195
Depreciation	20,222,151,569	21,634,344,740
Establishment (reversal) of inventory valuation allowance	37,064,855,477	27,731,671,511
Establishment (reversal) of provisions for returns	33,416,878	202,634,052
Loss on disposal of inventories	12,255,967,546	16,041,776,701
Establishment (reversal) of provisions for returns	(34,129,071)	(332,795,204)
Gain on disposal of tangible assets	(5,397,096,596)	(938,249,894)
Gain on intangible assets	(1,000)	-
Loss on disposal of tangible assets	108,095,675	11,442
Loss on disposal of intangible assets	142,164,425	162,029,551
Impairment loss on tangible assets	184,150,842	-
Amortization of intangible assets	7,205,648,378	7,304,893,942
Retirement benefits	10,022,666,784	10,662,889,573
Gain on foreign currency translation	(2,303,888,741)	(3,309,084,399)
Loss on foreign currency translation	1,689,273,799	5,580,582,296
Dividend income	(273,716,051)	-
Interest income	(11,299,194,501)	(11,897,450,710)
Interest expenses	345,754,318	378,267,334
Establishment of provision for sales guarantee (reversal)	19,047,603,840	(311,410,787)
Long-term employee benefits	601,702,237	(309,296,782)
Loss on disposal of trade receivables	-	10,818,201,531
Others	4,778,914	250,501
Total	113,465,782,387	153,265,712,593

(2) The changes in assets and liabilities during sales as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Trade receivables	(63,285,175,524)	17,172,190,608
Other payables	211,188,121	(9,020,666,143)
Other current assets	6,473,642,665	(14,833,358,772)
Inventories	97,311,155,863	(325,415,003,935)
Trade payables	(98,171,449,762)	(14,186,356,161)
Other current liabilities	2,614,799,815	(1,395,344,634)
Other payables	(13,742,896,330)	(3,818,544,195)
Non-current other payables	-	2,001,160,000
Long-term employee salary liabilities	(67,400,000)	(80,700,000)
Net defined benefit obligations	(3,127,136,259)	(23,041,926,850)
Lease receivables	562,687,778	1,329,235,195
Total	(71,220,583,633)	(371,289,314,887)

(3) The Company has prepared the cash flows based on operating activities on the cash flow statement using the indirect method. The significant transactions that do not involve cash inflows and outflows as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Substitution of construction in progress	15,024,178,921	49,037,828,713
Substitution of intangible assets in progress	6,986,001,188	12,143,505,078
Increase of licensed assets due to restoration obligation	-	1,471,100,000
Increase (Decrease) of accrued expenses relating to acquisition of tangible assets	(7,903,312,490)	11,030,293,113
Increase (Decrease) of accrued expenses relating to acquisition of intangible assets	(2,217,473,878)	3,031,688,436
Recognition of lease liabilities and licensed assets under the lease agreement	13,743,324,041	11,991,195,695
Liquidity substitution for lease liabilities	6,963,687,484	3,762,437,158
Liquidity substitution for lease receivables	570,314,176	1,359,317,660
Liquidity substitution for loans	1,304,964,586	1,608,015,296

(4) Cash flow from financing activities

The changes in liabilities arising from financial activities as of 31 December 2023 and 2022 are as follows:

① 2023

(Unit: won)				
Category	1 January	Cash flow from financial activities	Non-cash transaction	31 December 2023
Dividends payable	-	(73,189,350,000)	73,189,350,000	-
Lease liabilities	13,035,055,914	(7,247,552,144)	13,396,228,662	19,183,732,432

② 2022

(Unit: won)				
Category	1 January	Cash flow from financial activities	Non-cash transaction	31 December 2022
Dividends payable	-	(87,827,220,000)	87,827,220,000	-
Lease liabilities	7,098,769,810	(5,965,836,823)	11,902,122,927	13,035,055,914

32. Restricted financial instruments

The financial instruments restricted for use as of 31 December 2023 and 2022 are as follows:

(Unit: won)			
Items	Category	31 December 2023	31 December 2022
Long-term other receivables	Checking deposit	2,000,000	2,000,000

33. Related parties

(1) The details of related parties as of 31 December 2023 and 2022 are as follows:

Type of special relationship	31 December 2023	31 December 2022
Subsidiaries	LX Semicon U.S.A., Inc	LX Semicon U.S.A., Inc
	LX Semicon China Co., Ltd.	LX Semicon China Co., Ltd.
	LX Semicon Japan Co., Ltd.	LX Semicon Japan Co., Ltd.
Associates and joint ventures	Advanced Power Device Technology Co., Ltd.	Advanced Power Device Technology Co., Ltd.
	FJ Composite Materials Co., Ltd.	FJ Composite Materials Co., Ltd.
	Telechips Inc.	Telechips Inc.(*2)
	LX Ventures New Technology Business Investment Association No. 1(*1)	-
Companies exercising significant influence on the Company(*3)	LX Holdings Co., Ltd.	LX Holdings Co., Ltd.
Others	LX Holdings Co., Ltd. and joint ventures	LX Holdings Co., Ltd. and joint ventures
	Large corporate group affiliates(*3)	Large corporate group affiliates(*3)

(*1) Acquired a 23.33% ratio in LX Ventures New Technology Business Investment Association No. 1 as of 31 December 2023 and 2022.

(*2) Acquired a 10.93% ratio in Telechips Inc. as of the end of the previous period.

(*3) As LX Holdings Co., Ltd. was separated from LG Corporate Group based on the Monopoly Regulation and Fair Trade Act on 21 June 2022, the Company was excluded from LG affiliates, which was large corporate groups, and affiliates of LX Holdings Co., Ltd. are equivalent to affiliates of large corporate groups. Additionally, LX Holdings Co., Ltd. and its subsidiaries were designated as a large business group on 25 April 2023.

(2) The details of specially related parties with the Group as of 31 December 2023 and 2022 are as follows:

(Unit: won)				
Category	Name	Details	2023	2022
Subsidiaries	LX Semicon U.S.A., Inc	Sales expenses	3,826,073,479	3,333,477,157
	LX Semicon China Co., Ltd.	Sales expenses	17,566,735,216	14,046,789,842
	LX Semicon Japan Co., Ltd.	Sales expenses	5,183,049,474	2,271,240,230
Associates and joint ventures	FJ Composite Materials Co., Ltd.	Sales expenses	1,425,723,504	1,585,356,445
		Dividend revenue	76,766,051	-
	Telechips Inc.	Dividend revenue	196,950,000	-
Companies exercising significant influence on the Company	LX Holdings Co., Ltd.	Sales expenses	3,803,666,000	212,401,000
Other large corporate group affiliates(*)	LX Hausys Co., Ltd.	Sales expenses	215,500,000	1,379,533,243
		Acquisition of tangible and intangible assets	-	1,170,054,257
	LX Pantos Co., Ltd.	Sales expenses	4,879,477,279	5,435,452,295
	LX MDI Co., Ltd.	Sales expenses	1,515,159,391	-
	LX International Co., Ltd.	Sales expenses	30,978,300	-
	LX INTERNATIONAL JAPAN LTD.	Sales expenses	43,352,264	4,647,333
	LG CNS Co., Ltd.	Sales expenses	-	2,982,071,802
		Acquisition of tangible	-	1,328,911,400

		and intangible assets		
	D&O Co., Ltd.	Sales expenses	-	1,530,391,236
		Acquisition of tangible and intangible assets	-	413,700,000
	S&I Corp.	Sales expenses	-	721,786,300
	LG Management Development Institute	Sales expenses	-	468,762,000
	LG Display (China) Co., Ltd.	Sales	-	11,845,896,102
	LG Display (Guangzhou) Co., Ltd.	Sales	-	277,535,172,867
	LG Display Vietnam Haiphong Co. Ltd.	Sales	-	129,005,911,232
	LG Display Yantai	Sales	-	21,360,454,279
	LG Display High-Tech (China) Co., Ltd.	Sales	-	18,556,438
	LG Display (Nanjing) Co., Ltd.	Sales	-	41,702,811,192
	LG Display Co., Ltd.	Sales	-	241,683,107,009
	LG Electronics Indonesia	Sales	-	2,110,470,138
	LG Electronics USA Inc.	Sales	-	1,063,817,806
		Sales	-	6,509,289,131
	LG. Electronics Co., Ltd.	Sales expenses	-	3,324,593,936
		Acquisition of tangible and intangible assets	-	95,350,000
	LG Innotek Co., Ltd.	Sales	-	700,000,000
		Sales expenses	-	24,494,558,720
	LG U Plus Co., Ltd.	Sales expenses	-	108,397,044
	Biztech Partners Co., Ltd.	Sales expenses	-	164,996,000
	Hi-Teleservice Co., Ltd.	Sales expenses	-	302,273
	LG Chem Co., Ltd.	Acquisition of tangible and intangible assets	-	(746,875)

(*) The previous period includes transactions conducted before the Company was excluded from being a part of the large-scale LG business group.

(3) The receivables and payables of related parties as of 31 December 2023 and 2022 are as follows:

① 31 December 2023

(Unit: won)			
Category	Name	31 December 2023	
		Trade receivables, etc.	Trade payables, etc.
Subsidiaries	LX Semicon U.S.A., Inc	-	367,326,322
	LX Semicon China Co., Ltd.	-	2,001,759,235
	LX Semicon Japan Co., Ltd.	-	659,756,055
Associates and joint ventures	FJ Composite Materials Co., Ltd..	-	1,368,990,000
Companies exercising significant influence on the Company	LX Holdings Co., Ltd.	434,734,000	-
Other corporations belonging to the large conglomerate group	LX Hausys Co., Ltd.	-	7,700,000
	LX Pantos Co., Ltd.	-	825,695,817
	LX MDI Co., Ltd.	-	23,329,662

② 31 December 2022

(Unit: won)			
Category	Name	31 December 2022	
		Trade receivables, etc.	Trade payables, etc.
Subsidiaries	LX Semicon U.S.A., Inc	-	358,048,951
	LX Semicon China Co., Ltd.	-	1,458,676,311
	LX Semicon Japan Co., Ltd.	-	264,003,933
Associates and joint ventures	FJ Composite Materials Co., Ltd.	-	26,178,448
Other corporations belonging to the large conglomerate group	LX Pantos Co., Ltd.	-	942,232,840

(4) The details on major fund transactions with the related parties as of 31 December 2023 and 2022 are as follows:

(Unit: won)							
Category	Name	2023			2022		
		Dividends received	Dividends paid	Cash contribution, etc.	Dividends received	Dividends paid	Cash contribution
Companies exercising significant influence on the Company	LX Holdings Co., Ltd.	-	24,212,358,000	-	-	29,054,829,600	-
Subsidiaries	LX Semicon Japan Co., Ltd.	-	-	-	-	-	898,374,000
Associates and joint ventures	FJ Composite Materials Co., Ltd.	76,766,051	-	2,887,050,000	-	-	-
	Telechips Inc.	196,950,000	-	-	-	-	26,770,050,000
	LX Ventures New Technology Business Investment Association No. 1	-	-	2,800,000,000	-	-	-
Total		273,716,051	24,212,358,000	5,687,050,000	-	29,054,829,600	27,668,424,000

(5) The details of the compensation for major management as of 31 December 2023 and 2022 are as follows:

(Unit: won)		
Category	2023	2022
Short-term salaries	8,261,424,780	8,133,620,830
Retirement benefits	1,511,980,330	1,508,694,740
Total	9,773,405,110	9,642,315,570

The Company's key management includes directors who have significant authority and responsibility for planning, operating and controlling the company's activities.

(6) The Company has no security and guarantee detail providing to or provided by special interest parties at the end of the current and previous period.

34. Commitments and contingencies

(1) The Company is receiving payment and payment guarantee of 390 million won from Seoul Guarantee Insurance as of 31 December 2023 and 2022.

(2) The Company has a credit limit contract with some financial institutions such as Shinhan Bank, and the Company's credit limit details as of 31 December 2023 and 2022 are as follows:

(Unit: won, USD)			
Category	Financial institutions	Korean won	Foreign currency
Purchase foreign exchange	Shinhan Bank	-	16,000,000
Purchase foreign exchange	NH Bank	-	15,000,000
Purchase foreign exchange	Mizuho Bank	-	60,000,000
Borrowing limit	K-Eximbank	200,000,000,000	-
Borrowing limit	MUFG Bank	150,000,000,000	-
Borrowing limit	Hana Bank	100,000,000,000	-
Borrowing limit	Suhyup Bank	50,000,000,000	-

(3) The Company has an export receivable transfer transaction agreement with the financial institutions in relation to the collection of trade receivables as follows: The limit details of the Company for the current period are as follows:

(Unit: won, USD)			
Category	Financial institutions	Korean won	Foreign currency
Factoring	K-Eximbank	-	380,000,000
Factoring	BNP Paribas	-	130,000,000
Factoring	MUFG Bank	100,000,000,000	220,000,000
Factoring	ING Bank	-	95,000,000

(4) The Company has no details of providing collateral for financial assets as of 31 December 2023 and 2022.

(5) The Company has no ongoing litigation or disputes as of 31 December 2023 and 2022.

(6) The details of the committed capital entered into by the Company as of 31 December 2023 and 2022 are as follows: The remaining amount is scheduled to be paid upon request for performance by other members of the investment consortium in the future. However, at the current time, the exact timing of these contributions cannot be predicted.

(Unit: won)			
Category	Committed capital	Contributed capital	Scheduled for additional contribution
LX Ventures New Technology Business Investment Association No. 1	7,000,000,000	2,800,000,000	4,200,000,000

6. Dividends

A. Dividends

The Company, pursuant to its Articles of Incorporation, is distributing dividends by the decisions of the board of directors and resolutions of general meeting of shareholders. In order to enhance shareholder value and expand shareholder return, the Company plans to maintain an appropriate level of dividend policy in the future by using the free cash flow that comprehensively considers investment, cash flow, financial structure, and dividend stability. Moreover, Article 55 and 57 of the Company's Articles of Incorporation provides profit dividend and the prescription of extinction for rights of dividend payment claim.

Article 55 of the Articles of Incorporation [Profit Distribution]

- ① The dividend of profits may be carried out with money or other properties than money.
- ② If the dividend of profit is carried out with shares, the Company may use other types of stocks upon a resolution of the general meeting of shareholders when it issues a number of shares.
- ③ Dividends under Paragraph 1 shall be paid to shareholders listed in the shareholder register or registered pledgees as of the end of each settlement period.

Article 57 [Extinctive Prescription of Claims for the Payment of Dividend]

- ① Dividend rights shall be extinguished, if the rights are not exercised for 5 consecutive years.
- ② The dividends resulting from the completion of the extinctive prescription under Paragraph 1 shall belong to the Company.

B. Dividends over the recent three fiscal years

(1) Major dividends indexes

Category	Type of shares	2023	2022	Year before previous period
		2023	2022	2021
Face value per share (Won)		500	500	500
(Consolidated) Current net profit (Million won)		101,204	233,693	296,424
(Individual) Current net profit (Million won)		97,316	230,608	294,898
(Consolidated) earnings per share (Won)		6,222	14,368	18,225
Total dividends in cash (Million won)		29,276	73,189	87,827
Total amount of dividends (Million won)		-	-	-
(Consolidated) Cash dividend (%)		28.9	31.3	29.6
Cash dividend rate (%)	Common shares	2.04	5.7	3.4
	Preferred shares	-	-	-
Share dividend rate (%)	Common shares	-	-	-
	Preferred shares	-	-	-
Dividend in cash per share (Won)	Common shares	1,800	4,500	5,400
	Preferred shares	-	-	-
Share allocation per share (shares)	Common shares	-	-	-
	Preferred shares	-	-	-

*1) (Consolidated) current net income is attributable to the parent's interest in the consolidated net income, and (consolidated) earnings per share is the basic earnings per share of common share for the controlling company interest in the consolidated net income.

*2)(Consolidated) cash dividend payout ratio is the percentage of the total cash dividend amount to the parent interest in consolidated net income.

(2) Past dividend history

(Unit: times, %)

No. of consecutive dividends		Average dividend yield	
Quarterly (intermediate) dividends	Settlement dividend	Last 3 years	Last 5 years
-	13	3.9	3.2

*) The number of consecutive dividends from the 12th to the 24th fiscal year is a total of 13 times.

7. Financing by Issuance of Securities

7-1. Performance of financing by issuance of securities

[Issuance of equity securities, etc.]

A. Status of issuance and reduction of equity securities

There are no issuances of equity securities during the reporting period.

(1) Status of capital increase (decrease)

(As of 31 December 2023) (Unit: won, shares)

Issuance of shares Date of share issue (decrease)	Issue (decrease) type	Details of issued (decreased) shares				
		Types	Qty.	Par value per share	Issued (decreased) price per share	Remarks
-	-	-	-	-	-	-

B. Debt securities that may convert to equity securities

There are no issuances of debt securities during the reporting period.

(1) Issuance performance of debt securities

[Issuance of debt securities, etc.]

(As of 31 December 2023)

(Unit: won)

Issuer	Type of securities	Method of issue	Date of issue	Total (electronic registration)	Interest rate	Rating (rating institution)	Maturity	Repayment	Undertaking company
-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-

(2) Outstanding balance of corporate paper

(As of 31 December 2023)

(Unit: won)

Remaining to maturity		10 days or less	10 – 30 days	30-90 days	90-180 days	180 days - 1 year	1-2 years	2-3 years	More than 3 years	Total
Outstandi ng Balance	Public offering	-	-	-	-	-	-	-	-	-
	Private offering	-	-	-	-	-	-	-	-	-
	Total	-	-	-	-	-	-	-	-	-

(3) Outstanding balance of short-term bonds

(As of 31 December 2023)

(Unit: won)

Remaining to maturity		10 days or less	10 – 30 days	30-90 days	90-180 days	180 days - 1 year	Total	Limit of issue	Remaining limit
Outstandin g balance	Public offering	-	-	-	-	-	-	-	-
	Private offering	-	-	-	-	-	-	-	-
	Total	-	-	-	-	-	-	-	-

(4) Outstanding balance of corporate bonds

(As of 31 December 2023)

(Unit: won)

Remaining to maturity		1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	Over 10 years	Total
Outstanding balance	Public offering	-	-	-	-	-	-	-	-
	Private offering	-	-	-	-	-	-	-	-
	Total	-	-	-	-	-	-	-	-

(5) Outstanding balance of hybrid securities

(As of 31 December 2023)

(Unit: won)

Remaining to maturity		1 year or less	1-5 years	5-10 years	10-15 years	15-20 years	20-30 years	Over 30 years	Total
Outstanding balance	Public offering	-	-	-	-	-	-	-	-
	Private offering	-	-	-	-	-	-	-	-
	Total	-	-	-	-	-	-	-	-

(6) Outstanding balance of conditional capital securities

(As of 31 December 2023)

(Unit: won)

Remaining to maturity		1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	10-20 years	20-30 years	Over 30 year	Total
Outstanding balance	Public offering	-	-	-	-	-	-	-	-	-	-
	Private offering	-	-	-	-	-	-	-	-	-	-
	Total	-	-	-	-	-	-	-	-	-	-

7-2. Performance in the use of funds raised through the issuance of securities

As there are no instances of raising funds through the issuance of securities during the reporting period, there are no relevant matters to disclose.

8. Other Financial Matters

A. Cautions such as reparation of financial statements

(1) If the (consolidated) financial statements are reprepared, the reasons for the reparation, the contents and the impact on the (consolidated) financial statements

As of the reporting date, there is no relevant information.

(2) Merger, division, asset transfer, business transfer

As of the reporting date, there is no relevant information.

B. Establishment of allowance for bad debts

(1) Provision for allowance for allowance for bad debts by account title

[As of 31 December 2023]

(Unit: million won, %)

Category	Account title	Amount of receivables	Allowance for bad debts	Allowance setting rate
2023	Trade receivables	204,969	-	0.0
	Other payables	3,419	-	0.0
	Non-current other receivables	12,769	-	0.0
	Total	221,157	-	0.0
2022	Trade receivables	143,348	-	0.0
	Other payables	30,339	-	0.0
	Non-current other receivables	15,730	-	0.0
	Total	189,417	-	0.0
31 December 2021	Trade receivables	175,265	-	0.0
	Other payables	20,460	-	0.0
	Non-current other receivables	12,361	-	0.0
	Total	208,086	-	0.0

*) The consolidated subsidiaries of the Company have no record of establishing allowance for bad debts.

(2) Changes in allowance for bad debts

The changes in the allowance for bad debts from trade receivables in the year are as follows:

[As of 31 December 2023]

(Unit: million won)

Category	2023	2022	2021
1. Total allowance for bad debts as of 1 January	-	-	-
2. Net recognition as bad debts(①+②±③)	-	-	-
① Amount processed as bad debts (receivables written off)	-	-	-
② Recollected receivables	-	-	-
③ Other increases/decreases	-	-	-
3. Amount in reflection of allowance for bad debts	-	-	-
4. Total allowance for bad debts as of 31 December	-	-	-

*) The consolidated subsidiaries of the Company have no change of establishing allowance for bad debts.

(3) Policy on establishing the allowance for bad debts over the trade receivables

The assumed bad debt amounts are set to allowances for bad debts in parallel use of the individual analysis method and age analysis for the balances of trade receivables.

- Establish 100% of allowance for bad debts to receivables with the age of a year or longer as a result of analysis on the age of receivables.
- The experience ratio of bad debts is calculated and established on the basis of the accrued bad debts in reality on the average balance of receivables in the past 3 years.

(4) Outstanding amount of trade receivables by their elapsed duration as of 31 December 2023 and 2022

[As of 31 December 2023]

(Unit: million won)

Category	Elapsed period		Total
	Within 6 months	Over 6 months	
Trade receivables	204,969	-	204,969
Total	204,969	-	204,969
Ratio (%)	100.00	-	100.00

C. Inventory status

(1) Status on inventory asset per business division

[As of 31 December 2023]

(Unit: million won)

Business sector	Items	2023	2022	2021	Remarks
System IC	Products	102,921	184,831	68,414	-
	Products	21	47	-	-
	Work in process	232,949	297,678	132,704	-
Total		335,891	482,556	201,118	-
Portion of inventory over gross assets (%) [Total inventories ÷ Total assets as of 31 December × 100]		27.9	37.4	17.2	-
Inventory turnover ratio (Collection) [Cost of goods sold ÷ {(Beginning inventory + Ending inventory) ÷ 2}]		3.3	4.2	7.4	-

*) As the Company's business is composed solely of the System IC segment, inventories are not listed by business division.

(2) Due diligence results on inventories

① Date of due diligence

Due diligence on inventories is carried out twice a year on the basis at the end of June and December.

② Method of due diligence

Examination with samples is carried out for some items with less importance although total quantity shall be examined in principle.

The external auditor shall be present in the due diligence of inventory, take samples and check out the existence of inventories.

③ Status of long term stagnant inventory, etc.

Loss due to obsolescence evaluation of inventories is determined, and the evaluation details of inventories as of 31 December 2023 are as follows:

[As of 31 December 2023]

(Unit: million won)

Items	Acquisition cost	Holding amount	Valuation allowance	Balance as of 31 December
Inventories	411,052	411,052	(75,161)	335,891

D. Status of Order contracts

As of the reporting date, there are no contracts with contract revenue amounts exceeding 5% of the sales amount stated in the financial statements in 2022; hence, there are no applicable matters.

E. Details of fair value assessment

The book value and fair values of financial assets and financial liabilities including the hierarchy system of fair values are as follow.

(Unit: won)

Category	31 December 2023	
	Book value	Fair value(*3)
Financial assets:		
Items at FVTOCI		
Trade receivables	185,663,383,226	185,663,383,226
Items measured at amortized cost		
Cash and cash equivalents	184,417,149,183	184,417,149,183
Short-term financial instruments	120,514,272,143	120,514,272,143
Trade receivables	19,305,133,211	19,305,133,211
Other receivables(*1)	16,187,211,363	16,187,211,363
Sub-total	340,423,765,900	
Lease receivables	-	-
Total	526,087,149,126	
Financial liabilities:		
Items measured at amortized cost		
Trade payables	97,600,609,220	97,600,609,220
Other payables(*2)	28,568,539,489	28,568,539,489
Sub-total	126,169,148,709	
Lease liabilities	21,124,455,534	(*4)
Total	147,293,604,243	

(*1) Lease receivables are excluded.

(*2) Employee-related debts that are not included in financial liabilities are excluded.

(*3) Since the book value is a reasonable approximation of the fair value, the fair value hierarchy and measurement method have been excluded in the disclosure.

(*4) Lease liabilities have been excluded from the fair value disclosures according to K-IFRS 1107 Financial Instruments: Disclosures.

IV. Directors Management Diagnoses and Analytic Opinions

A. Cautions on forecasts

This material contains "predictive information" about the future.

Any activities, events or phenomena that the Company anticipates and predicts in the future in this business report reflect the Company's views on the events and financial performance at the time of preparing the year's official document. The forecasts are based on a variety of assumptions related to the future business environment, and these assumptions may eventually prove to be inaccurate. These assumptions also include risks, uncertainties, and other factors that can cause significant differences between the estimates and actual results described in the forecasts. Among the factors that can cause this significant difference, factors related to the Company's internal management and external environment and other related factors are included.

The Company are not obligated to disclose corrective reports that amend the information provided to reflect the risks or uncertainties that occur after the time of writing this predictive information. As a result, the Company cannot provide assurance that the Company's expected results or findings in the business report will be realized or that the expected impact the Company anticipates will happen. Please note that the forecasts contained in this report are based on the time of writing this report and that the Company does not intend to revise these risk factors or forecasts.

B. Overview

The board of directors of LX Semicon Co., Ltd. reports opinions on the management diagnosis of directors regarding accounting and business for the 25th fiscal year from 1 January 2023 to 31 December 2023. In order to understand the overall management of the Company, the books and related documents were read, and the financial statements and accompanying statements were carefully reviewed. The Company has received enough reports on documents that are deemed necessary for management diagnosis, and reviewed the management details by using appropriate methods such as reading documents related to important tasks and closely reviewing the contents.

The Company faced a challenging business environment in 2023 due to the global economic recession and inflation causing a delay in market demand recovery, intensified competition among IC manufacturers, and downturns of major customers. As a result, sales decreased by about 10% compared to the previous period, achieving 1.9014 trillion won. This year, the Company will focus on R&D, the main business, to launch competitive products, and expand the overseas market share through active sales activities to grow into a global company beyond the domestic market.

C. Financial status and operating results

(1) Financial status - Summary of statement of financial position (consolidated)

(Unit: million won, %)

Category	2023	2022	Change	Rate of change(%)
Assets	1,205,065	1,289,619	(84,554)	(6.6)
[Current assets]	902,886	1,009,649	(106,763)	(10.6)
[Non-current assets]	302,179	279,969	22,210	7.9
Liabilities	228,301	339,258	(110,957)	(32.7)
[Current liabilities]	207,337	324,402	(117,065)	(36.1)
[Non-current liabilities]	20,964	14,856	6,108	41.1
Equity	976,764	950,361	26,403	2.8
[Capital]	8,132	8,132	-	-
[Capital surplus]	76,343	76,343	-	-
[Other capital items]	(1,073)	(782)	(291)	(37.2)
[Retained earnings]	893,362	866,667	26,695	3.1
Debt-to-equity ratio	23.4	35.7	(12.3%p)	-

[Assets]

As of 31 December 2023, the Company's total assets decreased by 84.6 billion won compared to the previous period, totaling 1.2051 trillion won due to a decrease in inventory and other current assets. Of this, current assets account for 75.1% of total assets, while non-current assets make up 24.9%.

[Liabilities]

As of 31 December 2023, the Company's total liabilities decreased by 111 billion won compared to the previous period, amounting to 228.3 billion won. Current liabilities, mainly consisting of accounts payable and accrued expenses, totaled 207.3 billion won, representing 90.8% of total liabilities. Non-current liabilities amounted to 21 billion won, making up 9.2% of total liabilities.

[Equity]

As of 31 December 2023, the Company's total equity increased by 26.4 billion won from the previous period, totaling 976.8 billion won. This increase is primarily due to a rise in retained earnings from a net profit of 101.2 billion won for the year, offset by a decrease in retained earnings due to dividend payments of 29.3 billion won.

(2) Operating performance - Summary income statement (consolidated)

(Unit: million won, %)

Category	2023	2022	Change	Rate of change(%)
Sales	1,901,445	2,119,345	(217,900)	(10.3)
COGS	1,367,468	1,443,672	(76,204)	(5.3)
Gross profit	533,977	675,673	(141,696)	(21.0)
- SG&A expenses	404,941	365,049	39,892	10.9
Operating profit	129,036	310,624	(181,588)	(58.5)
Net profit excluding income tax expense	126,287	303,971	(177,684)	(58.5)
Income tax expenses	25,083	70,278	(45,195)	(64.3)
Net income	101,204	233,693	(132,489)	(56.7)
Gross margin	28.1	31.9	(3.8%p)	-
Operating margin	6.8	14.7	(7.9%p)	-
Ordinary development expenses to sales	11.6	10.0	1.6%p	-
Valid tax rates	19.9	23.1	(3.2%p)	-

In 2023, sales decreased by 2,179 billion won compared to the previous period, totaling 1.9014 trillion won. The main factors for this decrease include a global economic slowdown and inflation leading to delayed market demand recovery, intensified competition among IC companies, and poor performance of major customers.

Gross profit from sales reached 534 billion won, a decrease of 141.7 billion won compared to the previous period. Selling, general, and administrative expenses increased by 39.9 billion won due to increased costs associated with business expansion and research and development. Operating profit recorded a decrease of 181.6 billion won compared to the previous period, amounting to 129 billion won.

(3) Business performance by business sector

(Unit: million won, %)

Category	Business sector	2023	2022	Change	Rate of change(%)
Sales	System IC	1,901,445	2,119,345	(217,900)	(10.3)
Operating profit	System IC	129,036	310,624	(181,588)	(58.5)

[System IC Division]

In 2023, the sales of the System IC division decreased by 10.3% compared to the previous period, totaling 1.9014 trillion won, and operating profit was 129 billion won, a decrease of 58.5% from the previous period.

Throughout 2023, a challenging business environment characterized by global economic recession, inflation causing delayed market demand recovery, intensified competition among IC companies, and poor performance of key customers led to a downturn in both sales and operating profit.

The Company has been striving to expand its market share by strengthening its product lineup, pushing for expansion of products in the Chinese market, and advancing proactive R&D. As a result, selling, general, and administrative expenses, including labor costs and research and development expenses,

increased by approximately 10.9% compared to the previous period, and operating profit decreased by approximately 58.5%.

(4) Key consideration

The Company's sales and purchases are based on USD-based unit price calculation and settlement, so fluctuations in the won-dollar exchange rate are a major factor affecting the business performance. As wafer price varies greatly depending on the market supply and demand environment, it is necessary to carefully monitor the price fluctuations of wafers.

(5) New business

The Company fostering various automotive products, such as semiconductors for automotive infotainment displays and next-generation power semiconductors, and is developing heat dissipation substrates that support high strength and high heat dissipation performance for use in electric vehicles. The Company plans to build business momentum for sustainable growth through investment and cultivation of new businesses, along with the acquisition of differentiated technologies.

For the details of the new business, refer to II. Business Activities - 7. Other References - C. Contents and prospects of new business.

D. Liquidity and resource provision and expenditures, etc.

(1) Liquidity index

(Unit: million won, %)

Category	The 25th (current) year	2022	Change	Rate of change(%)
I. Current assets	902,886	1,009,649	(106,763)	(10.6)
Cash and cash equivalents	184,417	188,365	(3,948)	(2.1)
Deposit to financial institution	120,514	130,501	(9,987)	(7.7)
Trade receivables	204,969	143,348	61,621	43.0
Inventories	335,891	482,556	(146,665)	(30.4)
II. Current liabilities	207,337	324,402	(117,065)	(36.1)
Trade payables	97,601	196,211	(98,610)	(50.3)
Current ratio	435.5	311.2	124.3	39.9

Liquidity risk due to rapid economic fluctuations is not expected to be significant as the Company maintains a stable financial position through non-debt management and adequate liquidity reserve.

As of 31 December 2023, it holds cash and cash equivalents, deposits at financial institutions of 304.9 billion won, and trade receivables of 205 billion won, and it is believed to have adequate liquidity in preparation for the company's capital needs. The Company is preparing for uncertainties such as changes in the financial environment that may affect liquidity in the future. Since the current ratio is maintained at a high level of 435.5%, it is judged that it can flexibly respond to uncertain financial environments such as rapid changes in the financial environment that may affect liquidity in the future.

(2) Fund raising, etc.

As of the submission date of the report, the Company has no borrowing management, not borrowing from financial institutions based on good cash flow. Therefore, it is expected that exposure will be low to the risk of fluctuations, such as interest rates, that may arise from external asset provisions.

(3) Funds expenditure

In 2023, the Company invested 2.9 billion won in FJ Composite Materials Co., LTD for new business ventures, and 2.8 billion won in LX Ventures New Technology Business Investment Association No. 1 for promising future fields and related subsidiary business investments.

E. Off-balance sheet transactions

For information on the Company's off-balance sheet transactions, refer to Commitments and contingencies in III. Finances - 3. Notes on Consolidated Financial Statements, and 5. Notes on Financial Statements.

F. Other matters necessary for investment decision making

(1) Material accounting policies and estimates

The Company's financial statements are prepared by applying K-IRFS. For the details of the important accounting policies and estimates, refer to III. Finances.

(2) Environment and employees, etc.

For environmental sanctions or administrative measures, refer to XI. Other Matters for the Protection of Investors - 3. Sanctions, etc.

There are no significant employee-related changes, such as major key personnel movements.

(3) Regulation of the statutes

For main regulations related to the Company's business, refer to XI. Other Matters for the Protection of Investors - 3. Sanctions, etc.

(4) Derivatives and risk management policies

For derivatives and risk management policies of the Company, refer to II. Business Activities - 5. Risk Management and Derivatives and III. Finances - 3. Notes on Consolidated Financial Statements and 5. Notes on Financial Statements.

V. Audit Opinion, etc.

1. Matters concerning external audit

A. Name and audit opinion of auditor

Fiscal year	Auditor	Opinion	Special remarks	Key audit matters
2023	Samil PWC Accountings	Appropriate	Not applicable	Evaluation of inventories
2022	Anjin Accounting Corp.	Appropriate	Not applicable	Evaluation of inventories
2021	Anjin Accounting Corp.	Appropriate	Not applicable	Evaluation of inventories

B. Audit service contract status (Unit: million won, hour(s))

Fiscal year	Auditor	Contents	Audit contract details		Actual performance details	
			Remuneration	Hours	Remuneration	Hours
2023	Samil PWC Accountings	Audit of separate and consolidated financial statements of the quarterly and semi-annual Audit of the internal accounting management system	280	3,200	280	3,046
2022	Anjin Accounting Corp.	Audit of separate and consolidated financial statements of the quarterly and semi-annual Audit of the internal accounting management system	460	3,948	460	3,497
2021	Anjin Accounting Corp.	Audit of separate and consolidated financial statements of the quarterly and semi-annual Audit of the internal accounting management system	420	3,818	420	3,575

C. Non-audit service contracts with auditor (Unit: million won)

Fiscal year	Contract date	Services	Period	Remuneration	Remarks
2023	Aug. 2023	Tax advisory service	Aug. 2023 ~ Dec. 2023	25	-
	Aug. 2023	Transfer pricing review	Aug. 2023 ~ Oct. 2023	10	-
	Aug. 2023	Tax advisory service	Aug. 2023 ~ Mar. 2024	12	-
	Dec. 2022	Tax advisory service	Dec. 2022 ~ Mar. 2023	5	Samil PWC Accountings (Contracts before signing the audit contract)
	Jul. 2022	Tax advisory service	Jul. 2022 ~ Mar. 2023	13	Samil PWC Accountings (Contracts before signing the audit contract)
2022	Mar. 2022	Implementation of agreed procedures for verification of financial information written in the application for independent management accreditation	One week from the date of contract	0	- Financial information target period: 2021 - Service compensation is included in the 2020 contract price.
2021	Dec. 2021	Implementation of agreed procedures for verification of financial information written in the application for independent management accreditation	One week from the date of contract	3	- Financial information target period: 2019~2020

D. Results of the internal audit organization's discussion with the accounting auditor on matters that may have a significant influence on the judgment of stakeholders in the financial statements

4. The results of the internal audit organization's discussion with the accounting auditor on matters that may have a significant influence on the judgment of stakeholders in the financial statements are recorded in accordance with the table below:

Category	Date	Attendees	Method	Details of major discussion
1	27 January 2021	Company: 3 members of the Audit Committee Auditor: executive director	Taiwan	Report on the end-of-year audit results, and operation evaluation results internal accounting management system
2	31 May 2022	Company: 3 members of the Audit Committee Auditor: Executive director	Written	Annual audit plan report, key audit items
3	31 Dec. 2022	Company: 3 members of the audit committee Auditor: executive director	Written	Report on year-end audit plan, report on key audit matters
4	26 January 2023	Company: 3 members of the Audit Committee Auditor: executive director	Face to face	Report on the end-of-year audit results, and operation evaluation results internal accounting management system
5	26 July 2023	Company: 3 members of the Audit Committee Auditor: executive director	Face to face	Report on annual audit plan and progress
6	20 December 2023	Company: 3 members of the Audit Committee Auditor: executive director	Written	Significant findings from audits and reviews Report on key audit progress
7	25 January 2024	Company: 3 members of the Audit Committee Auditor: executive director	Face to face	Significant findings from the audit, Report on final audit progress
8	11 March 2024	Company: 3 members of the Audit Committee Auditor: executive director	Written	Report on final audit completion, and follow-up events

E. Auditors opinion on subsidiaries

There is no subsidiary which has received any audit opinion other than appropriate from auditor during the current period.

F. Change of Auditors

As the designated audit period expired in 2020-2022, the Audit Committee appointed Samil PWC Accountings as the 25th fiscal year auditor.

G. Details of discrepancies and major discussions from the adjustment meeting on opinion discrepancies of the financial statements in the current and previous period

As of the reporting date, there are no issues regarding errors or corrections in the previous financial statements due to disagreements between auditors in the current and previous period, so this is not applicable.

2. Internal Accounting Management System

A. Internal accounting management system

Based on the Audit Committee's evaluation of the internal monitoring system on 25 January 2024, the Company confirmed the opinion that the internal control is operating effectively, so the description is omitted.

B. Status of operation of internal accounting management system

(1) If the internal accounting manager has identified issues or suggested improvements to the internal control system, the details and subsequent measures are as follows:

As of the reporting date, there is no relevant information.

(2) If the auditor has expressed an opinion on the internal control system during the reporting period, that opinion, and if significant vulnerabilities were identified, the details and improvement measures are as follows:

As of the reporting date, there is no relevant information.

[Report by the internal accounting manager]

Fiscal year	Reporting date	Details	Remarks
2023	25 January 2024	The Company's internal accounting control system as of 31 December 2023 is thought to be effectively designed and operated in terms of importance, considering the standard regulations on the internal accounting control system.	-
2022	26 January 2023	The Company's internal accounting control system as of 31 December 2023 and 2022 is thought to be effectively designed and operated in terms of importance, considering the standard regulations on the internal accounting control system.	-
2021	27 January 2022	The Company's internal accounting control system as of 31 December 2021 is thought to be effectively designed and operated in terms of importance, considering the standard regulations on the internal accounting control system.	-

[Overall opinions represented in the audit report by auditor]

Fiscal year	Auditor	Details	Points to note
2023	Samil PWC Accountings	The Company's internal accounting control system as of 31 December 2023 is thought to be effectively designed and operated in terms of importance, considering the standard regulations on the internal accounting control system.	Not applicable
2022	Anjin Accounting Corp.	The Company's internal accounting control system as of 31 December 2022 is thought to be effectively designed and operated in terms of importance, considering the standard regulations on the internal accounting control system.	Not applicable
2021	Anjin Accounting Corp.	The Company's internal accounting control system as of 31 December 2021 is thought to be effectively designed and operated in terms of importance, considering the standard regulations on the internal accounting control system.	Not applicable

C. Evaluation of internal control structure

As of the reporting date, there have been no evaluations of the internal control structure other than the internal accounting management system by the auditor during the reporting period, thus there are no applicable matters.



VI. Company's Organizations such as the Board of Directors

1. Board of Directors

A. Overview of the structure of board of directors

As of the reporting date, the board of directors comprises of 2 full time directors, 1 uncategorized non-executive director and 3 external directors. executive director and 3 independent directors. Our representative director Shon Bo-Ik also takes charge of the chairman of the board of directors and he was elected as chairman in accordance with Article 5 of the Board of Directors Regulations. With regard to the history and roles of each director, please refer to VIII. Executives and Employees - 1. Executives and Employees.

The Audit Committee, Finance Committee, and ESG Committee have been established and are in operation in the board of directors.

Name of committee	Configuration	Name of director	Purpose and authority
Audit Committee	3 external directors	Wi Kyung-Woo (chairperson), Jung Seong-Wook, Shin Yeong-Soo	- Purpose To perform the internal monitoring function for the management and to enhance the transparency of accounting information - Authority Supervision authority, including investigation of the company's business and property status, and request for business reports to the management
Finance Committee	2 internal directors	Son Bo-Ik (chairperson), Kim Hun	- Purpose To improve management efficiency through prompt decision-making on matters entrusted by the board of directors, matters requiring prior review for discussion by the board of directors, and other daily financial matters - Authority Deliberation and resolution of matters entrusted to the Finance Committee by the Board of Directors and other daily management matters
ESG Committee	1 internal directors 3 external directors	Son Bo-Ik, Wi Kyung-Woo (chairperson), Jung Seong-Wook, Shin Yeong-Soo	- Purpose To realize sustainable growth by realizing ESG management for the environment, society, and governance and strengthening the company's internal control on internal transactions - Authority Deliberation, resolution and supervision of overall internal transactions, including ESG management and transactions between affiliates

*) External director, Jung Seong-Wook has been appointed as a member of the ESG Committee at the 4th board of directors meeting in 2023.

[External directors and their changes]

(Unit: person(s))

No. of directors	No. of external directors	Changes in external directors		
		Appointment	Dismissal	Early retirement
6	3	1	-	-

*) Jung Seong-Wook, an external director and a member of the Audit Committee, has been appointed at the 24th general meeting of shareholders in 2023 and has a term of three years.

B. Major resolutions

No.	Date held	Agenda	Passed or not	Name of director							
				Son Bo-Ik	Choi Sung-Kwan	Kim Hun	Yoon Il-Go	Jung Seong-ook	Shin Yeong-Soo	Wi Kwang-Woo	Roh Jin-Seo
				(attendance rate: 83%)	(attendance rate: 100%)	(attendance rate: 100%)	(attendance rate: 100%)	(attendance rate: 100%)	(attendance rate: 100%)	(attendance rate: 100%)	(attendance rate: 100%)
Agreed or not											
1	26 January 2023	Report 1. Report in the business performance and annual performance for the 4Q, 2022 2. Report on the operation status of the internal accounting management system 3. Report on the operational status of the compliance control system	Reported matters	-	-	Before appointed (Appointed in Mar. 2023)	-	Before appointed (Appointed in Mar. 2023)	-	-	-
				-	-		-		-	-	
				-	-		-		-	-	
		Approved 1. Approval of the 24th financial statements and business report 2. Approval of occupational safety and health plans	Approved	Agreed	Agreed		Agreed		Agreed	Agreed	Agreed
2	22 Feb. 2023	Report 1. Report on the evaluation result of the operation status of the internal accounting management system	Reported matters	-	-	Agreed	-	Agreed	-	-	-
		Approved 1. Approval of convocation and purpose of the 24th ordinary general meeting of shareholders 2. Approval of financial institution credit limit agreement	Approved	Agreed	Agreed		Agreed		Agreed	Agreed	Agreed
		Approved 1. Approval of convocation and purpose of the 24th ordinary general meeting of shareholders 2. Approval of financial institution credit limit agreement	Approved	Agreed	Agreed		Agreed		Agreed	Agreed	Agreed
3	23 Mar. 2023	Report 1. Report on the results of the Finance Committee meeting	Reported matters	-	-	Agreed	-	Agreed	-	-	-
		Approved 1. Appointment of the chairman of the board of directors 2. Appointment of representative director 3. Approval of revisions to executive officer personnel management regulations 4. Approval of payment of performance incentives for executive officers 5. Approval of execution of remuneration for directors	Approved	Agreed	Agreed		Agreed		Agreed	Agreed	Agreed
				Agreed	Agreed		Agreed		Agreed	Agreed	
				Agreed	Agreed		Agreed		Agreed	Agreed	
				Agreed	Agreed		Agreed		Agreed	Agreed	
4	20 Apr. 2023	Report 1. Report on business performance in the 1Q, 2023 2. Report on disciplinary action results for executive officers	Reported matters	-	-	Agreed	-	Agreed	-	-	-
		Approved 1. Approval of the election of the ESG Committee	Approved	Agreed	Agreed		Agreed		Agreed	Agreed	
5	26 July 2023	Report 1. Report on business performance in the 2Q, 2023 2. Report on the results of the ESG Committee meeting	Reported matters	-	-	after resigning (Resigned in Mar. 2023)	-	Expiration of term (Retired in March 2023)	-	-	-
		Approved 1. Approval of self-dealing with affiliates, etc. (*) 2. Appointment of compliance officers 3. Approval of investment for internalization of etching process in accordance with heat dissipation substrate business	Approved	Agreed	Agreed		Agreed		Agreed	Agreed	
				Agreed	Agreed		Agreed		Agreed	Agreed	
6	08 Nov. 2023	Report 1. Report on the results of the ESG Committee meeting 2. Report on the results of the Finance Committee meeting 3. Change in investment to internalize etching process for radiator only 4. Report on business performance in the 3Q, 2023 5. Report on termination of advisory contract	Reported matters	-	-	Agreed	-	Agreed	-	-	-
				-	-		-		-	-	
				-	-		-		-	-	
				-	-		-		-	-	
				-	-		-		-	-	
		Approved 1. Approval of the 2024 business plan 2. Approval of self-dealing with major shareholders, etc. (**) 3. Approval of the renewal of the LX trademark usage contract (**) 4. Approval of revision of Finance Committee operating regulations 5. Approval of executive officer personnel	Approved	Not attended	Agreed	Agreed	Agreed	Agreed			
				Not attended	Agreed	Agreed	Agreed	-			
				Not attended	Agreed	Agreed	Agreed	Agreed			

- *1) Son Bo-Ik has been re-appointed at the 24th ordinary general meeting of Shareholders and has a term of three years.
*2) Kim Hun has been appointed at the 24th ordinary general meeting of shareholders and has a term of three years.
*3) Jung Seong-Wook, an external director and a member of the Audit Committee, has been appointed at the 24th general meeting of shareholders in 2023 and has a term of three years.
*4) Jeong Yeon-Chae, an executive director resigned on 23 March 2023.
*5) Yoon Il-Goo, an external director resigned on 23 March 2023.

(*) Approval No. 1: Restriction on voting rights of director Roh Jin-Seo

(**) Approval No. 2, 3: Restriction on voting rights of director Roh Jin-Seo

C. Committee within the BOD

(1) Composition of committee within the BOD

Name of committee	Configuration	Name of director	Purpose and authority
Finance Committee	2 internal directors	Son Bo-Ik (chairperson), Kim Hun	- Purpose To Improve management efficiency through prompt decision-making on matters entrusted by the board of directors, matters requiring prior review for discussion by the board of directors, and other daily financial matters - Authority Deliberation and resolution of matters entrusted to the Finance Committee by the Board of Directors and other daily management matters
ESG Committee	1 internal directors 3 external directors	Son Bo-Ik, Wi Kyung-Woo (chairperson), Jung Seong-Wook, Shin Yeong-Soo	- Purpose To realize sustainable growth by realizing ESG management for the environment, society, and governance and strengthening the company's internal control on internal transactions - Authority Deliberation, resolution and supervision of overall internal transactions, including ESG management and transactions between affiliates

*1) Refer to VI-2. Audit System for the Audit Committee.

*2) External director, Jung Seong-Wook has been appointed as a member of the ESG Committee at the 4th board of directors meeting in 2023.

(2) Activities of the Committee within the BOD

[Finance Committee]

No.	Date held	Agenda	Passed or not	Name of director			
				Son Bo-Ik	Choi Sung-Kwan	Kim Hun	
				(attendance rate: 100%)	(attendance rate: 100%)	(attendance rate: 100%)	
				Agreed or not			
1	13 Jan. 2023	Approved	1. Establishment of Siheung business site	Approved	Agreed	Agreed	-
2	13. Mar. 2023	Approved	1. Abolition of Ilsan business site	Approved	Agreed	Agreed	-
3	19 Oct. 2023	Approved	1. Establishment of a business site	Approved	Agreed	-	Agreed
4	07 Dec. 2023	Approved	1. Abolition of a business site	Approved	Agreed	-	Agreed

[ESG Committee]

No.	Date held	Agenda	Passed or not	Name of director				
				Son Bo-Ik	Wi Kwang-Woo	Jung Seong-ook	Shin Yeong-Soo	
				(attendance rate: 67%)	(attendance rate: 100%)	(attendance rate: 100%)	(attendance rate: 100%)	
				Agreed or not				
1	07 Jun. 2023	Report	1. Report on the publication of sustainability management report 2. Report on the evaluation result of the ESG materiality 3. Report on carbon neutral roadmap	Reported matters	-	-	-	-
					-	-	-	-
					-	-	-	-
2	24 Jul. 2023	Approved	1. Approval of self-dealing with affiliates, etc.	Approved	Agreed	Agreed	Agreed	Agreed
3	03 Nov. 2023	Report	1. Report on ESG management progress and plan 2. Report on internal transaction performance in 2023	Reported matters	-	-	-	-
					-	-	-	-
		Approved	1. Approval of limit on total amount of transactions with related parties 2. Approval of self-dealing with major shareholders, etc. 3. Approval of the renewal of the LX trademark usage contract	Approved	Not attended	Agreed	Agreed	Agreed
Not attended	Agreed				Agreed	Agreed		
					Not attended	Agreed	Agreed	Agreed

D. Independence of directors

The directors are elected at the shareholders' meeting, and the candidates for the directors to be elected at the shareholders' meeting are appointed by the board of directors meeting and submitted to the general meeting shareholders as an agenda. If there is a shareholder's proposal pursuant to the relevant laws and regulations related to the election of directors, the Board of Directors shall submit it to the general meeting of shareholders within the legal scope.

As the total assets as of the end of the current fiscal year are less than 2 trillion won, the Company has no obligation to establish a recommendation committee for independent directors. In order to secure fairness and obligation to establish a recommendation committee for independent directors.

The six directors elected in accordance with these procedures as of 31 December 2023 are as follows:

Job title	Name	Background of appointment	Recommended by	Field of activity (business in charge)	Transactions with the Company Transactions	Relationship with the largest or major shareholders	Term of office	Consecutive term or not (No. of consecutive terms)
Internal director	Son Bo-Ik	He served as the head of the SIC Center at LG Electronics, as the leading authority in the field of system semiconductors. Based on his abundant experience and competence, he has been appointed as the CEO of LX Semicon from 2017 and has excellent capabilities in the overall operation of the Company, such as continuing the Company's growth. Therefore, he has been appointed as the internal director.	BOD	CEO, board chairman, member of ESG	Not applicable	Registered executive of a subsidiary (LX Semicon)	3 yrs.	Reappointed (2)
Internal director	Kim Hun	He has performed overall financial and business management at LG Co., Ltd. and LX International Co., Ltd. for a long time, and is expected to be appointed as the company's CFO in 2022 and be able to contribute to the company's development in the major decision-making process based on his diverse experience in overall management. Appointed as internal director.	BOD	CFO, internal accounting manager		Registered executive of a subsidiary (LX Semicon)	3 yrs.	-
Other non-executive director	Roh Jin-Seo	He has been appointed as other non-executive director since he has long-standing management and planning experience at LG and LG Electronics, and based on sufficient experience and knowledge in related fields and experience in justice management, he is expected to contribute to development of the Company through his stable performance of his work.	BOD	Business for overall management		Registered executive of the largest shareholder (LX Holdings)	3 yrs.	-
External director	Wi Kwang-Woo	He is currently a professor at the department of business administration at Sookmyung Women's University, and is expected to contribute to the Company's development by providing advice on overall management and a lot of experience from the perspective of a financial expert.	BOD	Business for overall management, Chairman of the Audit Committee, Chairman of ESG committee		Not applicable	3 years	Reappointed (1)
External director	Shin Yeong-Soo	He is a PhD in electronic engineering at Seoul National Uni., and is currently serving as a professor in the department of electronic engineering at KAIST. He has been appointed as an outside director because he was judged to be able to contribute to the Company's business development based on his knowledge and experience in the semiconductor business field.	BOD	Business for overall management, Audit Committee member, ESG member		Not applicable	3 years	Reappointed (1)
External director	Jung Seong-ook	He is currently working in the Department of Electrical and Electronic Engineering at Yonsei University. He has been appointed as an outside director with his practical experience working as an engineer at leading global semiconductor companies and outstanding expertise in the overall semiconductor industry, he is expected to be able to appropriately perform his role as an outside director, including strengthening the expertise of the company's decision-making and advising on the company's business.	BOD	Business for overall management, audit committee member, ESG member		Not applicable	3 years	-

- *1) Son Bo-Ik has been re-appointed at the 24th ordinary general meeting of Shareholders and has a term of three years.
- *2) Kim Hun has been appointed at the 24th ordinary general meeting of shareholders and has a term of three years.
- *3) Jung Seong-Wook has been appointed at the 24th ordinary general meeting of shareholders and has a term of three years.

■ Authorities of the board of directors

1) The board of directors decides important corporate issues pursuant to Chapter 5 of the articles of incorporation.

2) The board of directors shall review and decide the following issues pursuant to Article 393-2 of the Commercial Act:

- Proposal of issues requiring the approval of the general meeting of shareholders
- Appointment and dismissal of the CEO
- Establishment of the committee and the appointment and dismissal of its members
- Matters determined by the articles of incorporation

E. Professionalism of external directors

(1) Job performance support organizations for external directors

- CFO legal team
- Main tasks: Support for the operation of the board of directors and the performance of duties of external directors
- Team staff: 6

Department	No. of staff	Position (service years)	Work period	Major activities
Legal affairs team	6	4 senior managers, 2 junior managers (Average 1.1 years)	Average 1.1 years	Pre-explanation of the board agenda for external directors Perform tasks such as support for requests necessary for the performance of external director duties, and establishment of external director workshops and seminar training schedules

*) The number of years of service is calculated based on the number of years of service at the Company.

(2) Training for external directors

[Status of education implementation for independent directors]

Date	Organizer	Participating external directors	Reason for absence	Details
17 Apr. 2019	LG Management Development Institute Co., Ltd.	Wi Kwang-Woo	Education for new external directors	Activities of the board of directors and major items related to company management
10 May 2019	Financial, IR and business management team	Wi Kwang-Woo	Education for new external directors	Major items related to company management
22 Aug. 2019	Financial, IR and lead product planning team	Wi Kyung-Woo, Yoon Il-Goo, Shin Yeong-Soo	-	Company's main product presentation

[Status of workshop implementation of external directors]

Date	Organizer	Participating independent directors	Reason for absence	Details
27 Jan. 2021	Finance, Accounting management and Integrity management team	Wi Kyung-Woo, Yoon Il-Goo, Shin Yeong-Soo	-	Report on internal audit department business performance and plan; External audit progress and key audit items
26 Feb. 2021	Finance, Accounting management and Integrity management team	Wi Kyung-Woo, Yoon Il-Goo, Shin Yeong-Soo	-	Evaluation results of the operation status of the internal accounting management system, evaluation result of the internal accounting management system, and audit report from the Audit Committee
11 May 2021	Finance, Accounting management and Management improvement team	Wi Kyung-Woo, Yoon Il-Goo, Shin Yeong-Soo	-	Operation schedule of the internal accounting management system, evaluation plan of the internal accounting management system, and support of the Audit Committee in 2021
22 Oct. 2021	Finance, Accounting management and Management improvement team	Wi Kyung-Woo, Yoon Il-Goo, Shin Yeong-Soo	-	Report on internal accounting management system design evaluation results and internal audit department performance
22 Oct. 2021	Samil PWC Accountings (external training)	Wi Kyung-Woo, Yoon Il-Goo, Shin Yeong-Soo	-	Review of major issues on internal accounting management system operation status and internal accounting management system certification trend
27 Jan. 2022	Finance/IR, Accounting management and Management improvement team	Wi Kyung-Woo, Yoon Il-Goo, Shin Yeong-Soo	-	Report on internal audit department business performance and plan; External audit progress and key audit items
18 Feb. 2022	Finance/IR, Accounting management and Management improvement team	Wi Kyung-Woo, Yoon Il-Goo, Shin Yeong-Soo	-	Evaluation results of the operation status of the internal accounting management system, evaluation result of the internal accounting management system, and audit report from the audit committee
17 Aug. 2022	Finance/IR, Accounting management and Management improvement team	Wi Kyung-Woo, Yoon Il-Goo, Shin Yeong-Soo	-	Inspection plan of the internal accounting control system operation status, operation plan of 2022 internal accounting management system, performance report of internal audit department, and result report of evaluation on internal accounting management system design
06 Dec. 2022	Samil PWC Accountings (external training)	Wi Kyung-Woo, Yoon Il-Goo, Shin Yeong-Soo	-	Roles of the Audit Committee for fraud prevention, compliance control, and the responsibilities of external directors
06 Jan. 2023	Legal team, and Financial accounting team	Wi Kyung-Woo, Yoon Il-Goo, Shin Yeong-Soo	-	Appointment of new external auditor
26 Jan. 2023	Legal team, management diagnosis/improvement team, financial accounting team, and internal accounting management part	Wi Kyung-Woo, Yoon Il-Goo, Shin Yeong-Soo	-	Report on internal audit department work performance and plan, report on external auditor's audit progress and key audit items, report on internal accounting management system operation status
22 Feb. 2023	Legal team, management diagnosis/improvement team	Wi Kyung-Woo, Yoon Il-Goo, Shin Yeong-Soo	-	Evaluation results of the operation status of the internal accounting management system, evaluation result of the internal accounting management system, and audit report from the Audit Committee
26 Jul. 2023	Legal team, Management diagnosis/improvement team, and Internal accounting management part	Wi Kyung-Woo, Yoon Il-Goo, Shin Yeong-Soo	-	Internal accounting management system operation status inspection plan, internal audit department report on performance for the first half of 2023 and plans for the second half of the year

2. Audit System

A. Audit Committee

(1) Status of Audit Committee members

Name	External director Y/N	Career Information	Accounting and financial experts		
			Yes or No	Type of expert	Related career
Wi Kwang-Woo	Yes	BA in Economics, SNU MA Business Administration, UCLA PhD Business Administration, UCLA Prof. of Business Administration, Sookmyung Women's University (1997~present) President of the Korean Financial Association (2021~present) External director of Mirae Asset Life Insurance (2020~Present)	Yes	Accounting and finance degree holders	BA in Economics, SNU MA in Business Administration, UCLA PhD Business Administration, UCLA (Current) Prof. of Business Administration, Sookmyung Women's University (1997~present) President of the Korean Financial Association (2021~present) External director of Mirae Asset Life Insurance (2020~Present)
Shin Yeong-Soo	Yes	BA in Electronic Engineering, SNU MA in Electronic Engineering, SNU PhD in Electronic Engineering, SNU Research Staff Member, IBM T. J. Watson Research Center, Yorktown Heights, NY, USA (2001~2004) Advisory Prof. of LG Electronics Future Technology Forum (2011~2014), Prof. of KAIST Electrical and Electronic Engineering (2004~Present) KAIST ICT chair Professor (2021~present) IEEE Fellow (2017~present)	-	-	-
Jung Seong-wook	Yes	BA in Depar. of Electronic Engineering, Yonsei Uni. MA in Depar. of Electronic Engineering, Yonsei Uni. PhD in Engineering, Univ. of Illinois at Urbana Champaign Senior researcher, Semiconductor Division, Samsung Electronics Co., Ltd. (1989-2001) T-RAM Inc., San Jose, Principal Engineer(2001-2003) Qualcomm Inc., San Diego, Principal Engineer/Manager(2003~2006) Prof. of College of Engineering, Yonsei Uni. (2006~present) Director, Korea Institute of Electrical and Electronics Engineers (2016~2018) Dean of College of Engineering, Yonsei Uni. (2016~2018) Chairman of establishment for the Dept. of System Semiconductor Engineering, Yonsei Uni.(2019~2021) Dean of Dept. of System Semiconductor Engineering, Yonsei Uni. (2021~2022) Dean of Director of Engineering Research Institute, Yonsei Uni. (2021~2022)	-	-	-

*) Jung Seong-Wook, an external director and a member of the Audit Committee, has been appointed on 23 March 2023 and has a term of three years.

(2) Independence of the members of the Audit Committee

The three members of the Audit Committee (three persons) are all external directors who do not have any reasons for disqualification in accordance with the Commercial Act. They are maintaining their independence and the appointment of the members has been made after a thoroughly review by the board of directors and the final approval by the general meeting of shareholders.

The Company is complying with the procedures set forth in the Commercial Act and other relevant laws. Also, the organization, authority, and the scope of works are clearly stated in the relevant rules in order to carry out the auditory works.

Main contents of election criteria	Whether selection criteria are satisfied	Related laws
Consisting of three directors	Satisfied (3 people)	Article 415-2 (2) of the Commercial Act
Two thirds or more of independent directors as members	Satisfied (all are independent directors)	
One or more members as an accounting or financial expert	Satisfied (Wi Kyung-Woo)	Article 542-11 (2) of the Commercial Act
Independent director as the representative of the Audit Committee	Satisfied	
Other disqualification requirements(related parties with the largest shareholder)	Satisfied (not applicable)	Article 542-11 (3) of the Commercial Act

Audit Committee	Background of appointment	Recommended by	Deal with the Company	Relationship with the largest or major shareholders
Wi Kwang-Woo	Appointed as an expert in finance and accounting, judged as the right person	Board of directors	Not applicable	Not applicable
Shin Yeong-Soo	Appointed as a semiconductor expert, judged as the right person	Board of directors	Not applicable	Not applicable
Jung Seong-ook	Appointed as a semiconductor expert, judged as the right person	Board of directors	Not applicable	Not applicable

(3) Activities of the Audit Committee

No.	Date held	Agenda	Approved Y/N	External director				Remarks
				Wi Kwang-Woo (attendance rate: 100%)	Yoon Il-Go (attendance rate: 100%)	Shin Yeong-Soo (attendance rate: 100%)	Jung Seong-ook (attendance rate: 100%)	
1	06 Jan. 2023	Approved	1. Approval of establishing Audit Committee guidelines	Approved	Agreed	Agreed	Agreed	-
2	26 January 2023	Report	1. Report in the business performance and annual performance for the 4Q, 2022 2. Report on the operation status of the internal accounting management system 3. Report of the 24th financial statements and business report 4. Report on the progress of the audit by an outside auditor	Reported matters	-	-	-	Before appointed (Appointed in Mar. 2023)
		Approved	1. Appointment of external auditors	Approved	Agreed	Agreed	Agreed	
3	22 Feb. 2023	Approved	1. Approval of the evaluation report by the Audit Committee on the operation status of the internal accounting management system	Approved	Agreed	Agreed	Agreed	-
			2. Approval of the Audit Committee's evaluation opinion on the operation status of the internal monitoring system		Agreed	Agreed	Agreed	
			3. Approval of the audit report by the Audit Committee for financial statements and business reports		Agreed	Agreed	Agreed	
4	20 Apr. 2023	Report	1. Report on business performance in the 1Q, 2023	Reported matters	-	Expiration of term (Retired in March 2023)	-	-
		Approved	1. Confirmation of external auditor audit activities in 2022	Approved	Agreed	Agreed	Agreed	-

5	26 Jul. 2023	Report	1. Report on business performance in the 2Q, 2023	Reported matters	-	-	-	-
			2. Report on external auditor's annual audit plan and progress		-	-	-	-
		Approved	1. Approval of entering into a non-audit service contract with an external auditor	Approved	Agreed	Agreed	Agreed	-
6	08 Nov. 2023	Report	1. Report on business performance in the 3Q, 2023	Reported matters	-	-	-	-

(4) Training implementation for the Audit Committee

Date	Organizer	Participating Audit Committee	Reason for absence	Details
26.11.2020	Samil PWC Accountings	Wi Kyung-Woo, Yoon Il-Goo, Shin Yeong-Soo	-	The role and responsibility of the Audit Committee due to the contents of changes and responses to the advancement of the internal accounting management system and the expansion of the internal accounting management system.
22.10.2021	Samil PWC Accountings	Wi Kyung-Woo, Yoon Il-Goo, Shin Yeong-Soo	-	Review of major issues on internal accounting management system operation status and internal accounting management system certification trend
06 Dec. 2022	Samil PWC Accountings	Wi Kyung-Woo, Yoon Il-Goo, Shin Yeong-Soo	-	Roles of the Audit Committee for fraud prevention, compliance control, and the responsibilities of external directors
08 Nov. 2023	Samil PWC Accountings	Wi Kyung-Woo, Yoon Il-Goo, Shin Yeong-Soo	-	Support for evaluation of internal accounting management system, support for exercise of audit authority

(5) Status of support organizations for the Audit Committee

Dept. (team) name	No. of employees (persons)	Position (service years)	Major activities
Legal affairs team	6	4 senior manager, 2 junior managers (average 1.1 years)	Support for the operation and job performance of the Audit Committee and establishment of the Audit Committee workshops and seminar training schedules
Management diagnosis/improvement team	2	2 senior managers (average 4.3 years)	Support for internal accounting audit

*) The number of years of service is calculated based on the number of years of service at the Company.

B. Compliance officers

(1) Personal information and major experience of compliance officers

Name	Date of Birth	Major career	Date of appointment
Yang Hee-Hyang	Sep. 1981	- BA in Laws, Korea Uni. - Lawyer (Korea) - Lawyer at Roadmap Law Firm - Legal Team, Saemaoul Geumgo Federation - Legal Team, LX Semicon Co., Ltd.	26 Jul. 2023

*) The compliance officer Yang Hee-Hyang, is a lawyer, and has met the compliance control standards and requirements of a Compliance Officer pursuant to Clause 5 of Article 542-13 of the Commercial Act.

(2) Major activities and results of the compliance officer

As a result of evaluating the effectiveness of the compliance control standards and checking compliance with them, the compliance control standards have been created and adhered to in accordance with all laws and regulations and control standards for compliance.

Checking on	Details	Check results
Always	Ensure that matters specified by the Commercial Act are stipulated in the compliance control standards	Details compliance control standards - Appropriately established in accordance with the requirements of the Commercial Act and standard compliance control criteria.
	Ensure that compliance control systems, procedures, instruments, training and compliance support matters are effectively established	Evaluation and management system of legal risks - Formalizing legal risks and preparing detailed check items by type in progress
		Independent business performance system of compliance support officer - Compliance officers are appointed by the board of directors, and their tenure is guaranteed.
		Sanctions system for violations - Relevant contents are appropriately reflected in the employment rules and disciplinary regulations.
Ensure that the categorization of risky actions, compliance check, matters relating to the compliance officer are effectively implemented	Compliance check and reporting system - Preparing to carry out the regular annual compliance check and prepare and operate a process to report to the board of directors.	

(3) Status of support organizations for the compliance officer

Dept. (team) name	No. of employees (persons)	Position (service years)	Major activities
Legal affairs team	6	4 senior manager, 2 junior managers (average 1.1 years)	Important matters related to the operation of the compliance control criteria

3. General Meeting of Shareholders, etc.

A. Voting system

(As of 31 December 2023)

Type of voting system	Concentrated voting system	Written voting system	Electronic voting system
Introduction	Exclusion	Not introduced	Introduced
Implementation	-	-	Ordinary general meeting of shareholders in 2020 The first extraordinary general meeting of shareholders in 2021 Ordinary general meeting of shareholders in 2022 Ordinary general meeting of

*1) The Company implements a voting system by proxy, and the methods of delegation include direct issuance of a written power of attorney, post or fax, posting on the Internet website, etc., and sending it by e-mail.

*2) In accordance with Article 382-2 of the Commercial Act, shareholders who own 3% of the total number of issued stocks may request that the directors be appointed by the intensive voting method. The Company does not stipulate matters concerning the written voting system in the articles of incorporation, and the electronic voting system can be implemented by the resolution of the board of directors. It was approved for the implementation of the electronic voting system by the resolution of the first board of directors, which was held on 27 January 2021.

B. Exercise of the right of the minority shareholders

There is no applicable information during the reporting period.

C. Competition over management right

There is no applicable information during the reporting period.

D. Status of Voting Rights

(As of 31 December 2023)

(Unit: shares)

Category	Type of shares	Number of shares	Remarks
Total number of shares issued (A)	Common shares	16,264,300	-
	Preferred shares	-	-
Number of shares without voting rights (B)	Common shares	-	-
	Preferred shares	-	-
Number of shares with restricted voting rights based on the Articles of Association laws (C) Number of shares (C)	Common shares	-	-
	Preferred shares	-	-
Number of shares with restricted voting rights based on other laws (D)	Common shares	-	-
	Preferred shares	-	-
Number of shares with resurrected voting rights (E)	Common shares	-	-
	Preferred shares	-	-
Number of shares with voting rights (F = A - B - C - D + E)	Common shares	16,264,300	-
	Preferred shares	-	-

E. Operations for shares

Category	Details
Preemptive rights based on the Articles of Association	Shareholders have the rights to receive new shares in proportion to the number of shares held by themselves. Despite Clause 1, the Company may distribute new shares in the event of the following, When the Company issues new shares via the general capital increase by public offering based on their solution of the board of directors according to Article 165 6 of the 「Act on Capital Market and Financial Investment」 When the Company issues new shares via stock option according to Article 542-3 of the 「Commercial Act」 Primary distribution to the members of the Employee Stock Ownership Association within 20% of the total number of shares issued When necessary to achieve the management goals such as the introduction of new technology and improvement of the financial structure according to Article 418 of the Commercial Act In the case of collecting new shares or having the acquirers take over the shares to be listed in the security market or KOSDAQ; When the Company issues new shares for foreigners investment based on the reasons of management according to the Foreigners Investment Promotion Act When issuing new shares according to the issuance of depository receipts(DR) within 50% of the total number of shares issued The handling of odd lots generated from the allocation of shares and new shares based on the abandonment or loss of preemptive rights shall be Decided based on the resolution of the board of directors. Pursuant to Section 2, in the event one other than a shareholder assigns a new stock, he/she shall notify the shareholder at least two weeks prior to the date of payment the provisions prescribed in Sections 1,2 and 2(2), 3 and 4 of Article 416 of the Commercial Act.
Settlement date	31 December
Ordinary general meeting of shareholders	Within three months after the closing of each fiscal year
Period closing the shareholders list	1 January ~ 7 January, every year (the closing date of the shareholders list: 31 December, every year)
Type of shares	One share, 5 share, 10 share, 50 share, 100 share, 500 share, 1000 share, and 10,000 share certificates(8 types)
Transfer agent	The Korea Securities Depository / Busan International Finance Center (BIFC), 40, Munhyeon Geumyung Road, Nam gu, Busan, Korea / (Tel) +82 51 519 1500
Public notices	Notices of the Company shall be carried on the website at https://www.lxsemicon.com . When network glitches or other unavoidable factors prevent the posting at its Website, the Company makes notices at the Maeil Economic Daily published in Seoul.

F. Summary of minutes of shareholders meeting

Date	Agenda	Resolution
2023 Ordinary general meeting of shareholders (23 March 2023)	1. Approval of the 2023 consolidated financial statements and financial statements 2. Approval of amendment to the articles of incorporation 3. Appointment of directors 3-1: Appointment of internal director Son Bo-Ik 3-2: Appointment of internal director Kim Hun 3-3: Appointment of external director Jung Seong-Wook 4. Appointment of a member of the Audit Committee - External director, Jung Seong-Wook 5. Approval of limit of remuneration for directors	Approved Approved Approved Approved Approved Approved
2022 Extraordinary general meeting of shareholders (23 September 2022)	1. Approval of KOSDAQ conditional delisting and KOSPI transfer	Approved
2021 Ordinary general meeting of shareholders (22 March 2022)	1. Approval of the 2021 consolidated financial statements and financial statements 2. Appointment of a director - External director, Wi Kyung-Woo 3. Appointment of members of the Audit Committee - External director, Wi Kyung-Woo 4. Approval of limit of remuneration for directors 5. Approval of revision of executive severance pay payment regulations	Approved Approved Approved Approved Approved
The first extraordinary general meeting of shareholders in 2021 (25 June 2021)	1. Approval of amendment to the articles of incorporation	Approved
2022 Ordinary general meeting of shareholders (18 March 2022)	1. Approval of the 2020 consolidated financial statements and financial statements 2. Approval of amendment to the articles of incorporation 3. Appointment of directors 3-1: Appointment of internal director, Choi Sung-Kwan 3-2: Appointment of other non-executive director, Noh Jin-Seo 4. Appointment of a member of the Audit Committee (external director Shin Young-Soo) 5. Approval of limit of remuneration for directors	Approved Approved Approved Approved Approved Approved

VII. Shareholders

A. Shareholding of the Largest Shareholder and its Special Interest Parties

(As of 31 December 2023)

(Unit: Shares, %)

Name	Relationship	Type of shares	Number of shares owned and the stake				Remarks
			At the beginning		At the end		
			Number of shares	Ratio	Number of shares	Ratio	
LX Holdings Co., Ltd.	Largest shareholder	Common shares	5,380,524	33.08	5,380,524	33.08	-
Son Bo-Ik	Executive of an affiliate	Common shares	2,600	0.02	2,600	0.02	-
Choi Sung-Kwan	Executive of an affiliate	Common shares	1,600	0.01	1,600	0.01	-
Total		Common shares	5,384,724	33.11	5,384,724	33.11	-
		-	-	-	-	-	-

B. Major career and overview of the largest shareholder

Matters related to the largest shareholder as of the reporting date are as follows:

(1) Basic information of the largest shareholder

Name	Number of investors	Representative director (Representative member)		Business executive (Business executive member)		Largest shareholder (The largest investor)	
		Name	Ratio(%)	Name	Ratio(%)	Name	Ratio(%)
LX Holdings Co., Ltd.	60,998	Koo Bon-Joon	20.37	-	-	Koo Bon-Joon	20.37
		Roh Jin-Seo	-	-	-	-	-

*1) The number of investors is as of 31 December 2023, the date of the recent closing of the shareholder register.

*2) The ratio is based on Common shares as of 31 December 2023.

[Changes of representative directors, business executives, and largest shareholder of corporations or organizations]

Date of change	Representative director (Representative member)		Business executive (Business executive member)		Largest shareholder (The largest investor)	
	Name	Ratio(%)	Name	Ratio(%)	Name	Ratio(%)
03 May 2021	Koo Bon-Joon	7.72	-	-	Koo Kwang-Mo	15.95
03 May 2021	Song Chi-Ho	-	-	-	-	-
14 December 2021	Koo Bon-Joon	40.04	-	-	Koo Bon-Joon	40.04
27 December 2021	Koo Bon-Joon	20.37	-	-	Koo Bon-Joon	20.37
29 March 2022	Roh Jin-Seo	-	-	-	-	-

*1) CEOs Koo Bon-Joon and Song Chi-Ho have been newly appointed by the board of directors on 3 May 2021.

*2) The largest shareholder has been changed from CEO Koo Kwang-Mo of LG Corp. to CEO Koo Bon-Joon of LX Holdings Co., Ltd. due to over-the-counter trading on 14 December 2021.

*3) CEO Koo Bon-Joon, CEO of LX Holdings Co., Ltd., gave a stock donation, resulting in a decrease in the ratio on 27 December 2021.

*4) CEO Song Chi-Ho has resigned, and new CEO Roh Jin-Seo has been appointed on 29 March 2022.

*5) The ratio is based on common shares.

(2) Financial status of the largest shareholder

The financial status of LX Holdings Co., Ltd., the largest shareholder, as of 31 December 2023 is as follows:

(Unit: million won)

Category	
Name of corporation or organization	LX Holdings Co., Ltd.
Total assets	1,698,527
Total liabilities	35,679
Total equities	1,662,848
Sales	37,913
Operating profit	73,176
Net income	78,842

Note 1) Based on consolidated financial statements at 31 December 2023.

Note 2) For the financial status as of 31 December 2023, refer to the business report of LX Holdings Co., Ltd. to be disclosed within March 2024.

(3) Major contents that may affect the stability of the Company's business including business status

LX Holdings Co., Ltd., the largest shareholder of the Company, was established through a spin-off from LG Corp. with the date of the spin-off on 1 May 2021. LX Holdings Co., Ltd. is a holding company that controls all business contents through stock ownership of LX International Co., Ltd., LX Hausys Co., Ltd., LX Semicon Co., Ltd., LX MMA Co., Ltd., LX MDI Co., Ltd., and LX Ventures Co., Ltd. Major income sources of LX Holdings Co., Ltd. consist of dividend income, trademark use income etc.

C. The details for changes to the largest shareholder

(As of 31 December 2023)

(Unit: Shares, %)

Date of change	Name of the largest shareholder	Number of shares owned	Ratio	Reason for change	Remarks
03 May 2021	LX Holdings Co., Ltd.	5,384,724	33.11	Stock succession due to spin-off of LG Corp.	-

*1) The largest shareholder changed from LG Corp. to LX Holdings Co., Ltd. according to the spin-off of LG Corp., which was the previous largest shareholder (registered on 3 May 2021).

*2) The number of shares and ownership ratio above are the sum of the shares owned by the largest shareholder and specially related persons at the time of the change of the largest shareholder.

D. Distribution of Shares

(1) Status of shares held

(As of 31 December 2023)

(Unit: shares)

Category	Name of shareholders	Number of shares owned	Ratio(%)	Remarks
5% or higher shareholders	LX Holdings Co., Ltd.	5,380,524	33.08	-
	National Pension Service	1,193,795	7.34	-
Employee stock ownership association		3,474	0.02	-

(2) Status of minority shareholders

(As of 31 December 2023)

(Unit: shares)

Category	Shareholders			Shares hold			Remarks
	Minority shareholders	Total shareholders	Ratio(%)	Minority shares	Total number of shares issued	Ratio(%)	
Minority shareholders	50,760	50,764	99.99	9,143,536	16,264,300	56.22	-

*1) Shareholders having shares under 1/100 of the total shares issued.

(3) Share Price and Share Trading

The share price and trading volume of common share of the Company over the past six months are as follows:

(Unit: won, shares)

Types		2023					
		July	August	September	October	November	December
Share price	Max.	123,700	102,300	91,800	84,500	93,300	89,700
	Min.	98,000	87,300	81,300	71,600	72,300	83,300
	Average	114,657	92,759	85,637	78,811	86,314	86,084
Volume of transaction	Maximum (days)	530,422	167,261	144,544	478,030	759,575	199,819
	Minimum (days)	77,610	44,993	40,147	31,453	57,077	48,223
	Monthly total	4,013,042	1,877,544	1,542,365	1,560,137	3,294,002	1,842,483

※ The maximum and minimum share prices as well as the amount of trade are based on the closing price and the amount of daily transaction of the day.

VIII. Executives and Employees

1. Status of Executives and Employees

A. Status of executives

(As of 31 December 2023)

(Unit: shares)

Name	Gender	DOB	Position	Registered executive Y/N	Regular Y/N	Responsibilities	Major career	No. of shares owned		Relationship with the largest shareholder	Service period	Term of office Expiration date
								Shares with voting rights	Shares without voting rights			
Son Bo-ik	Male	09.1961	Representative director	Internal director	Regular	CEO, board chairman, member of ESG	MA in MT CTO SIC Center Director, LG Electronics Co., Ltd.	2,600	-	Registered executive of a subsidiary (LX Semicon)	01.12.2016 ~present	22 Mar. 2026
Kim Hun	Male	May 1969	Managing director	Internal director	Regular	CFO, internal accounting manager	(BA) Business Administration, Korea Uni. Indonesia Business Management manager, LX International Co., Ltd.	-	-	Registered executive of a subsidiary (LX Semicon)	15.11.2022 ~present	22 Mar. 2026
Roh Jin-Seo	Male	09.1968	Director	Other non-executive director	Non-regular	Business for overall management	MA in MT Strategy division, LG Electronics Co., Ltd.	-	-	Registered executive of the largest shareholder (LX Holdings)	18.03.2021 ~present	17.03.2024
Wi Kwang-Woo	Male	July 1962	Director	External director	Non-regular	Business for overall management Chairman of the Audit Committee, Chairman of ESG committee	PhD. Business Administration, UCLA Prof. of Business Administration, Sookmyung Women's Uni.	-	-	Not applicable	15.03.2019 ~present	22.03.2025
Shin Yeong-Soo	Male	08.1967	Director	External director	Non-regular	Business for overall management Audit Committee member, ESG member	Ph.D. Department of Electronic Engineering, Seoul National University Prof. of KAIST Electrical and Electronic Engineering	-	-	Not applicable	16.03.2018 ~present	17.03.2024
Jung Seong-ook	Male	1965.06	Director	External director	Non-regular	Business for overall management Audit Committee member, ESG member	PhD in Dept. Electronic Engineering, Illinois Univ. (Urbana Champaign) Prof. of Dept. Electrical and Electronic Engineering, Yonsei Uni.	-	-	Not applicable	23.03.2023 ~present	22 Mar. 2026
Koo Bon-Joon	Male	December 1951	CEO	Unregistered director	Regular	Business for overall management	MA in Business Administrative, Uni. of Chicago Vice chairman of LG Corp.	-	-	Registered executive of the largest shareholder (LX Holdings)	11.05.2021 ~present	-
Lee Yun-Tae	Male	July 1960	Representative director	Unregistered director	Regular	General management	Phd in Dept. of Electrical Engineering, KAIST CEO, Samsung Electro-Mechanics Co., Ltd.	-	-	Unregistered executive of a subsidiary (LX Semicon)	08.11.2023 ~present	-
Go Dae-Hyeop	Male	Sep. 1955	Executive director	Unregistered director	Regular	R&D	(MA) Electronic Engineering, SNU Manager of DTV SoC Development, SIC Center, LG Electronics	-	-	Unregistered executive of a subsidiary (LX Semicon)	31.07.2017 ~present	-
Na Joon_ho	Male	Sep. 1968	Executive director	Unregistered director	Regular	Product planning and research and development	Inha University, Department of Electronic Engineering (MA) Memory Research Center, LG Semiconductor	18,693	-	Unregistered executive of a subsidiary (LX Semicon)	19.01.2001 ~present	-
Choi Young-cheol	Male	July 1970	Executive director	Unregistered director	Regular	Product planning and research and development	Cornell Univ. (PhD) Electrical and Computer Engineering Panjit Americas CTO	-	-	Unregistered executive of a subsidiary (LX Semicon)	01.01.2023 ~present	-
Na Young-Sun	Male	May 1971	Managing director	Unregistered director	Regular	Product planning and research and development	(PhD) Electrical and Computer Engineering, Hanyang Uni. SIC Center DIC Business Team, LG Electronics Co., Ltd.	-	-	Unregistered executive of a subsidiary (LX Semicon)	01.07.2015 ~present	-
Park Byeong-Hoo	Male	May 1965	Managing director	Unregistered director	Regular	Management advice	(BS) Department of Materials Science and Engineering, Korea Uni. Vice president of production technology at LG Display Co., Ltd.	550	-	Unregistered executive of a subsidiary (LX Semicon)	01.04.2021 ~present	-
Woo Young-Jin	Male	February 1977	Managing director	Unregistered director	Regular	R&D	PhD in Electrical and Electronics Engineering, KAIST Research assistant professor, KAIST	-	-	Unregistered executive of a subsidiary (LX Semicon)	10.02.2011 ~present	-
Cho Jang-Ho	Male	1969.04	Managing director	Unregistered director	Regular	Product planning manager	MA in Dept. of Electrical Engineering, KAIST	-	-	Unregistered executive of a subsidiary (LX Semicon)	01.02.2024	-

			director				System LSI Strategic Marketing Dept. , Samsung Electronics Co., Ltd.			Semicon)	~present	
Han Young-Soo	Male	Sep. 1971	Managing director	Unregistered director	Regular	Product planning and research and development	PhD in Dept. of Electrical Engineering, KAIST Managing Director, Planning Team, LG Co., Ltd.	-	-	Unregistered executive of a subsidiary (LX Semicon)	01.01.2021 ~present	-
Kim Eon Young	Male	May 1968	Director	Unregistered director	Regular	Quality management	(BS) Electronic Engineering, Kumoh National Institute Technology Display Team, LG Semiconductor	6	-	Unregistered executive of a subsidiary (LX Semicon)	15.11.1999 ~present	-
Park Jeong-Hyeon	Male	January 1972	Director	Unregistered director	Regular	R&D	MA in Dept. of Semiconductor Engineering, KNU Production technology manager at LX Semicon Co., Ltd.	-	-	Non-regular Executives of affiliates (LX Semicon)	19.03.2018 ~present	-
Sagong Yeongjae	Male	January 1969	Director	Unregistered director	Regular	SCM manager MA in MBA, Aalto Univ.	SOC production and operation team, SIC center, LG Electronics Co., Ltd.	-	-	Unregistered executive of a subsidiary (LX Semicon)	20.02.2018 ~present	-
Lee Min-Ho	Male	February 1973	Director	Unregistered director	Regular	Product planning and research and development	MA in Dept. of Electronic Engineering, Hanyang Uni. LSI team in SIC Center, LG Electronics Co., Ltd.	-	-	Unregistered executive of a subsidiary (LX Semicon)	17.04.2017 ~present	-
Lee, Ji-Won	Female	November 1976	Director	Unregistered director	Regular	R&D	(Ph.D.) Dept. of Electronic Engineering , Sogang Uni. SoC development division, in SIC Center, LG Electronics Co., Ltd.	200	-	Unregistered executive of a subsidiary (LX Semicon)	12.08.2019 ~present	-
Jang Jae-Ryang	Male	January 1964	Director	Unregistered director	Regular	Management advice	MA in Techno Management Major, KAIST SIC center, LG Electronics Co., Ltd.	-	-	Unregistered executive of a subsidiary (LX Semicon)	15.02.2016 ~present	-
Jeon Hyeon-Gyu	Male	February 1971	Director	Unregistered director	Regular	Affiliated with the research institute	PhD in Electrical and Electronics Engineering, KAIST Electronics and Telecommunications Research Institute	19,600	-	Unregistered executive of a subsidiary (LX Semicon)	01.09.2003 ~present	-
Jeong Yong-Ik	Male	February 1975	Director	Unregistered director	Regular	R&D	(MA) Dept. Electronic Engineering, Korea Uni. Display Solution Division, Magna Chip Semiconductor LLC	-	-	Unregistered executive of a subsidiary (LX Semicon)	01.06.2006 ~present	-
Hwang Gyung-Ha	Male	June 1971	Director	Unregistered director	Regular	Business Management Manager	BA in Business Administration, Sogang Uni. Transfer pricing team, LG Electronics Co., Ltd.	-	-	Unregistered executive of a subsidiary (LX Semicon)	02.03.2017 ~present	-
Kim Hyun-Ho	Male	September 1976	Director	Unregistered director	Regular	R&D	(MA) electrical and electronic engineering, SNU SIC center, LG Electronics Co., Ltd.	-	-	Unregistered executive of a subsidiary (LX Semicon)	01.07.2015 ~present	-

*1) The number of shares owned includes allocations of shares under the employee stock ownership plan to unregistered executives (NA Joon-Ho, Jeon Hyeon-Gyu).

*2) Kim Hun, an internal director, concurrently serves as a director of Advanced Power Device Technology Co., Ltd.

*3) Jeon Hyeon-Gyu, a director concurrently serves as a director of Advanced Power Device Technology Co., Ltd.

*4) Wi Kyung-Woo, an external director, concurrently serves as an outside director of Mirae Asset Life Insurance Co., Ltd.

*5) Choi Sung-Kwan, a manager resigned on 23 March 2023.

*6) Lee Jae-Deok, an executive director, resigned on 23 March 2023.

*7) At the ordinary general meeting of shareholders scheduled to be held on 21 March 2024, the appointment of President Lee Yoon-Tae as a new executive director will be discussed.

*8) Choi Young-Cheol, an executive director, resigned on 31 December 2023.

[Current status of executives holding concurrent positions]

Name	Job title	Status of additional positions	Regular or not
Roh Jin-Seo	Other non-executive director	CEO, LX Holdings Co., Ltd.	Regular
		Other non-executive director, LX Hausys Co., Ltd.	Non-regular
		Other non-executive director, LX MMA Co., Ltd.	Non-regular
		Other non-executive director, LX MDI Co., Ltd.	Non-regular
		Other non-executive director, LX Ventures Co., Ltd.	Non-regular
		Other non-executive director, LX Glass Co., Ltd.	Non-regular

*1) He is registered as a non-executive director of LX Ventures Co., Ltd. in July 2023.

Korea Glass Industry Co., Ltd. changed its name to LX Glass Co., Ltd. as of 1 October.

B. Status of candidates for appointment and dismissal of registered executives

Category	Name	Gender	DOB	External director Applicable to external director candidates	Major career	Expected date of appointment/dismi ssal	Relationship with the largest shareholder
Newly appointed	Lee Yun- Tae	Male	Jul. 1960	Internal director	President, LX Semicon Current CEO and President, Samsung Electro- Mechanics Co., Ltd. Previous Vice President, LCD Development Dept. Samsung Display Co., Ltd. Previous Executive Director, Development Dept., System LSI Division, Samsung Electronics	21 March 2024	Unregistered director executive of a subsidiary (LX Semicon)
Reappoint ed	Roh Jin-Seo	Male	Sep. 1968	Other non- executive director	Current CEO and President, LX Holdings Co., Ltd. Previous CSO Vice President, LX Holdings Co., Ltd. Previous CSO Vice President, LG Electronics Co., Ltd.	21 March 2024	Registered executive of the largest shareholder (LX Holdings)
Newly appointed	Han Sang- Beom	Male	June 1955	External director	Previous CEO and Vice Chairman, LG Display Previous 6th President of Korea Display Industry Association Previous CEO and Vice Chairman, LG Display	21 March 2024	Not applicable
Newly appointed	Kim Nam- Soo	Male	October 1965	External director	Current Prof. of Dept. Electrical and Computer Engineering, SNU Previous Director of New Media and Communication Joint Research Institute, SNU Previous Director of Ultra-Realistic Sound Technology Research Center, SNU	21 March 2024	Not applicable

C. Status of employees, etc.

(As of 31 December 2023)

(Unit: million won)

Employees										Non-affiliated worker			Remarks
Business sector	Gender	Number of employees					Average service years	Total annual salary	Average salary per person	Male	Femal e	Total	
		Employees without defined term		Term based employees		Total							
		Total	(Short term employees)	Total	(Short term employees)								
Total	Male	1,217	0	33	14	1,250	5.26	122,837	98				-
Total	Female	276	0	17	11	293	3.82	19,753	67	130	72	202	-
Total		1,493	0	50	25	1,543	4.98	142,590	92				-

*) Non-affiliated workers include dispatched and contracted workers.

[Status of remuneration for non-registered executives]

(As of 31 December 2023)

(Unit: million won)

Category	Number of persons	Total annual salary	Average salary per person	Remarks
Unregistered director	18	6,728	374	-

2. Remuneration to Executives

A. Remuneration for all directors and auditors

<Remuneration to all directors and auditors>

(1) Amount approved by shareholders' meeting

(Unit: million won)

Category	Number of persons	Amount approved by shareholders' meeting	Remarks
Registered director (excluding external directors and members of the Audit Committee or auditors)	3	-	The amount approved at the general meeting of shareholders is based on the sum of registered executives.
External director (excluding members of the Audit Committee or auditors)	-	-	The amount approved at the general meeting of shareholders is based on the sum of registered executives.
Members of the Audit Committee or auditor	3	-	The amount approved at the general meeting of shareholders is based on the sum of registered executives.
Total	6	5,000	-

*) In accordance with Article 38 of the Articles of Incorporation, the Company pays remuneration for directors in accordance with the 「Executives Retirement Allowance Payment Regulations」 passed a resolution at the general meeting of shareholders. Therefore, severance pay is not included in the remuneration limit approved by the general meeting of shareholders.

(2) Amount of remuneration

[All directors and auditors]

(Unit: million won)

Number of persons	Total amount	Average per capita remuneration	Remarks
5	1,702	340	-

*) Other non-executive directors (Roh Jin-Seo) has been excluded from the number of executives as of the reporting date.

*2) The total amount of remunerations is based on the income on the Income Tax Act, which has been paid under the qualification of the registered executive by the serving or resigned registered directors, external directors and members of the Audit Committee pursuant to the provisions of Article 159 of the Capital Market and Financial Investment Services Act and Article 168 of the Enforcement Decree of the same Act. It was calculated by including the amount of remuneration for newly appointed or retired directors when they served as unregistered executives during the relevant fiscal year.

[Types]

(Unit: million won)

Category	Number of persons	Total amount	Average per capita remuneration	Remarks
Registered director (excluding external director and members of the Audit Committee)	2	1,480	740	-
External director (excluding members of the Audit Committee)	-	-	-	-
Members of the Audit Committee	3	222	74	-
Audit	-	-	-	-

*) Other non-executive directors (Roh Jin-Seo) has been excluded from the number of executives as of the reporting date.

*2) The total amount of remunerations is based on the income on the Income Tax Act, which has been paid under the qualification of the registered executive by the serving or resigned registered directors, external directors and members of the Audit Committee pursuant to the provisions of Article 159 of the Capital Market and Financial Investment Services Act and Article 168 of the Enforcement Decree of the same Act. It was calculated by including the amount of remuneration for newly appointed or retired directors when they served as unregistered executives during the relevant fiscal year.

*3) The average amount paid per member of the Audit Committee was calculated by dividing the total remuneration by the number of people (4) as of the reporting date.

[Standards of remuneration payment]

The remuneration of directors and auditors is paid within the amount approved by the general shareholders' meeting and in accordance with the standards set by the Board of Directors, taking into account their positions and duties.

Category	Basis	System	Evaluation items for decision making
Registered director (excluding external director and members of the Audit Committee)	Personnel management regulations for executive officers	Base salary, role pay, executive performance payment	- Base salary: Comprehensively considering inflation rate, external competitiveness, financial performance, etc. - Role pay: Comprehensively considering the importance of positions/duties and roles - Executive performance payment: Business and personal performance
External director (excluding members of the Audit Committee)	Standards for payment of compensation to external directors	Fixed monthly payment	- The remuneration of outside directors is executed in accordance with the standards set by the Board of Directors, comprehensively considering the company's management performance and external competitiveness, within the limits approved by the general meeting of shareholders.
Members of the Audit Committee	Standards for payment of compensation to external directors	Fixed monthly payment	- The remuneration of outside directors is executed in accordance with the standards set by the Board of Directors, comprehensively considering the company's management performance and external competitiveness, within the limits approved by the general meeting of shareholders.

B. Individual remuneration for directors and auditors

<Individual remuneration of directors and auditors who paid 500 million won or more>

(1) Individual remuneration amount

(Unit: million won)

Name	Position	Total amount	Remuneration not included in the total remuneration
Son Bo-Ik	Representative director	1,210	-

(2) Calculation standard and method

(Unit: million won)

Name	Type	Total amount	Calculation standard and method
	Earned income		
	Salaries	1,098	1. Basic salary - determined by considering the position, etc. in accordance with the executive remuneration regulations determined by the board of directors. - paid about 63.9 million won from January to March and about 65.8 million won from April to December. 2. Role-level - Taking into account the importance of the job and role in general, - paid about 25.6 million won from January to March and about 26.3 million won from April to December.
	Bonuses	107	- Determined by the board of directors based on performance evaluation in accordance with the special bonus rules among the executive remuneration regulations.
			- It is paid within 0% to 150% of annual salary by evaluating non-metric indicators such as quantitative indicators consisting of the Company's sales and operating profit of the previous period, evaluation of core tasks, and mid-to-long-term priority tasks for future preparation. - Regarding quantitative indicators, the Company achieved sales of 2.1193 trillion won and operating profit of 310.6 billion won in 2022, with an operating profit margin of 15%. Considering these achievements, and in relation to non-quantitative indicators, no incidents related to internal controls occurred, ensuring smooth operation of the internal control system. This facilitated the spread of compliance management and an ethical management culture. Taking into account these factors, including demonstrating leadership to achieve the company's management objectives, a bonus of 107 million won was calculated and paid out.
	Stock Option exercising profit	-	Not applicable

	Other earned income	5	Paid as welfare benefits, etc. by internal regulations
	Retirement income		Not applicable
	Other income		Not applicable

C. Remuneration status of the top 5 individuals among the remuneration payments of 500 million or more

<Remuneration status of the top 5 individuals among the remuneration payments of 500 million or more>

(1) Individual remuneration amount

(Unit: million won)

Name	Position	Total amount	Remuneration not included in the total remuneration
Son Bo-Ik	Representative director	1,210	-
Koo Bon-Joon	CEO	1,218	-
Choi Young-cheol	Executive director	676	-

(2) Calculation standard and method

(Unit: million won)

Name	Type	Total amount	Calculation standard and method
Son Bo-Ik	Earned income	Salaries	1,098 1. Basic salary - determined by considering the position, etc. in accordance with the executive remuneration regulations determined by the board of directors. - paid about 63.9 million won from January to March and about 65.8 million won from April to December. 2. Role-level - Taking into account the importance of the job and role in general, - paid about 25.6 million won from January to March and about 26.3 million won from April to December.
		Bonuses	107 - Determined by the board of directors based on performance evaluation in accordance with the special bonus rules among the executive remuneration regulations. - It is paid within 0% to 150% of annual salary by evaluating non-metric indicators such as quantitative indicators consisting of the Company's sales and operating profit of the previous period, evaluation of core tasks, and mid-to-long-term priority tasks for future preparation. - Regarding quantitative indicators, the Company achieved sales of 2.1193 trillion won and operating profit of 310.6 billion won in 2022, with an operating profit margin of 15%. Considering these achievements, and in relation to non-quantitative indicators, no incidents related to internal controls occurred, ensuring smooth operation of the internal control system. This facilitated the spread of compliance management and an ethical management culture. Taking into account these factors, including demonstrating leadership to achieve the company's management objectives, a bonus of 107 million won was calculated and paid out.
	Stock Option exercising profit	-	Not applicable
	Other earned income	5	Paid as welfare benefits, etc. by internal regulations
	Retirement income		Not applicable
	Other income		Not applicable
Koo Bon-Joon	Earned income	Salaries	1,126 1. Basic salary - determined by considering the position, etc. in accordance with the executive remuneration regulations determined by the board of directors. - paid about 91.8 million won from January to March and about 94.6 million won from April to December.
		Bonuses	92 - Determined by the board of directors based on performance evaluation in accordance with the special bonus rules among the executive remuneration regulations. - It is paid within 0% to 150% of annual salary by evaluating non-metric indicators such as quantitative indicators consisting of the Company's sales and operating profit of the previous period, evaluation of core tasks, and mid-to-long-term priority tasks for future preparation. - Regarding quantitative indicators, the Company achieved sales of 2.1193 trillion won and operating profit of 310.6 billion won in 2022, with an operating profit margin of 15%. Considering these achievements, and in relation to non-quantitative indicators, no incidents related to internal controls occurred, ensuring smooth operation of the internal control system. This facilitated the spread of compliance management and an ethical management culture. Taking into account these factors, including demonstrating leadership to achieve the company's management objectives, a bonus of 92 million won was calculated and paid out.

		Stock Option exercising profit	-	Not applicable
		Other earned income	-	Not applicable
		Retirement income	-	Not applicable
		Other income	-	Not applicable
Choi Young-cheol	Earned income	Salaries	408	1. Basic salary - determined by considering the position, etc. in accordance with the executive remuneration regulations determined by the board of directors. - and are paid monthly approximately 31.1 million won from January to December. 2. Role-level - Taking into account the importance of the job and role in general, - and are paid monthly approximately 2.9 million won from January to December.
		Bonuses	-	Not applicable
		Stock Option exercising profit	-	Not applicable
		Other earned income	268	Paid as welfare benefits, etc. by internal regulations
		Retirement income	-	Not applicable
		Other income	-	Not applicable



IX. Affiliates

Name of the relevant corporate group and names of affiliates

A. Affiliates (Summary)

Name of Group LX - Company name: LX Semicon Co., Ltd. (Corporation Registration Number: 160111-0089395) As of 1 May 2023, the LX Group was designated as a mutual investment-restricted corporate group under the Monopoly Regulation and Fair Trade Act. As of 31 December, there are a total of 16 domestic affiliated companies within the LX Group, including 4 listed companies and 12 unlisted companies.

(As of 31 December 2023)

(Unit: Companies)

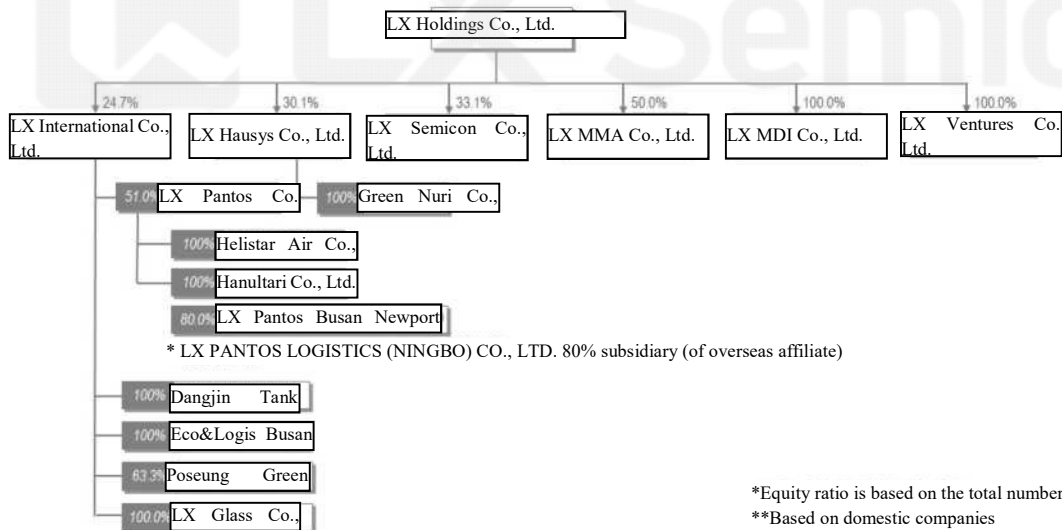
Name of corporate group	Number of affiliates		
	Listed	Unlisted	Total
LX	4	12	16

※ Refer to Detailed Table - 2. Affiliates (Detailed).

B. Diagram to identify the control, dependence and Investment among subsidiaries

Governance structure of LX Group

As of December 2023



Name of companies and details among the affiliates, which directly or indirectly affects the management of the Company

Company name	Details
LX Holdings Co., Ltd.	Holding company

Status of additional positions between the Company and the affiliates

[As of 31 December 2023]

Name	Position	Status of additional positions		
		Concurrent company name	Position	Regular or not
Roh Jin-Seo	Other non-executive director	LX Holdings Co., Ltd.	Representative director	Regular
		LX Hausys Co., Ltd.	Other non-executive director	Non-regular
		LX MMA Co., Ltd.	Other non-executive director	Non-regular
		LX MDI Co., Ltd.	Other non-executive director	Non-regular
		LX Ventures Co., Ltd.	Other non-executive director	Non-regular
		LX Glass Co., Ltd.	Other non-executive director	Non-regular

*1) He is registered as a non-executive director of LX Ventures Co., Ltd. in July 2023.

Korea Glass Industry Co., Ltd. changed its name to LX Glass Co., Ltd. as of 1 October.

Status of investment in other companies (summary)

(As of 31 December 2023)

(Unit: million won)

Purpose of investment	Number of investment company			Total investment amount			
	Listed	Unlisted	Total	Book value as of 1 January	Increase(decrease)		Book value as of 31 December
					Acquisition (disposition)	Assessed profit or loss	
Management participation	1	5	6	41,547	2,887	-	44,434
General investment	-	1	1	0	2,800	-	2,800
Simple investment	-	1	1	-	-	-	-
Total	1	7	8	41,547	5,687	-	47,234

※ Refer to Detailed Table -3. Investment in Other Companies (Detailed).

X. Transactions with Large Shareholders

A. Credit granting to large shareholders

As of the reporting date, there is no relevant information.

B. Transfer or Succession of Assets to or from Large Shareholders

As of the reporting date, there is no relevant information.

C. Operational Transactions with Large Shareholders

As of the reporting date, there is no relevant information.

D. Transactions with stakeholders other than major shareholders

For details, refer to III. Finances - 5. Notes on Financial Statements - 34. Related parties.



XI. Other Matters Necessary for the Protection of Investors

1. Progress and Changes of Disclosure

As of the reporting date, there is no relevant information.

2. Contingent Liabilities

A. Important litigations

As of the reporting date, it is believed that there are no lawsuits that have the potential to have a significant impact on the company's operations in which the company or its subsidiaries become a party to litigation or lawsuits are filed against the assets of the Company or its subsidiaries.

B. Promissory note, notes and checks as collateral

(As of 31 December 2023)

(Unit: sheets, million won)

Submitted to	Sheets	Amount	Remarks
Sheets	-	-	-
Financial institution (Except for banks)	-	-	-
Corporate	-	-	-
Others (individual)	-	-	-

C. Status of debt guarantee

As of the reporting date, there is no relevant information.

D. Other contingent liabilities, etc.

As of the reporting date, there is no relevant information.

3. Sanctions, etc.

A. Status of sanctions

During the reporting period, neither the Company nor any of its employees have been criminally prosecuted or subjected to administrative actions for violating domestic or international financial and tax-related laws, including the Commercial Act, the Financial Investment Services and Capital Markets Act (Capital Market Act), the Act on External Audit of Stock Companies (External Audit Act), and the Monopoly Regulation and Fair Trade Act (Fair Trade Act).

B. Sanctions from the Korea Exchange, etc.

As of the reporting date, there have been no sanctions from the Korea Exchange or the Korea Financial

Investment Association.

C. Occurrence and return of profits from short-term trading

As of the reporting date, there is no relevant information.

4. Other Matters Such as Significant Incidents after the Basic Date for Preparation

A. Significant incidents after the basic date for preparation

As of the reporting date, there is no relevant information.

B. Post-merger information, etc.

As of the reporting date, there is no relevant information.



XII. Detailed Table

1. Consolidated Subsidiaries (Detailed)

☞ Current Document

(Unit: million won)

Business name	Established on	Address	Main businesses	Total asset as of 31 December	Basis of controlling relationship	Status as a major subsidiary
LX Semicon U.S.A., Inc	15 Oct. 2012	2952 BUNKER HILL LN #101 SANTA CLARA, CA 95054 USA	Sales support, etc.	1,287	Control over the investee (Paragraph 5 to 18 of K-IFRS 1110 Consolidated Financial Statements)	Not applicable
LX Semicon China Co., Ltd.	03 Mar. 2017	Room 609 Zhongchen Building No.1 Lizezhong 2Road, Wangjing Chaoyangqu, Beijing, 100102, China	Sales support, etc.	8,074	Control over the investee (Paragraph 5 to 18 of K-IFRS 1110 Consolidated Financial Statements)	Not applicable
LX Semicon Japan Co., Ltd.	03 Sep. 2021	Otemachi First Square East Tower 11F, 1-5-1 Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan	Sales support, etc.	3,032	Control over the investee (Paragraph 5 to 18 of K-IFRS 1110 Consolidated Financial Statements)	Not applicable

2. Status of affiliates (summary)

As of 1 May 2023, companies including LX Holdings Co., Ltd., LX International Co., Ltd., LX Semicon Co., Ltd., and LX Hausys Co., Ltd., among a total of 16 companies, were designated as a mutual investment-restricted corporate group under the Monopoly Regulation and Fair Trade Act.

A. Domestic corporations

☞ Current Document

(As of 31 December 2023)

(Unit: Companies)

Listed or not	No. of Companies	Company name	Business Reg. No.
Listed	4	LX Holdings Co., Ltd.	110111-7875359
		LX International Co., Ltd.	110111-0004632
		LX Hausys Co., Ltd.	110111-4071207
		LX Semicon Co., Ltd.	160111-0089395
Unlisted	12	LX MMA Co., Ltd.	206211-0001805
		LX Pantos Co., Ltd.	110111-0208127
		LX Pantos Busan Newport Logistics Center Co., Ltd.	180111-0641133
		Helistar Air Co., Ltd.	120111-0528086
		Dangjin Tank Terminal Co., Ltd.	165011-0011709
		Eco&Logis Busan Corp.	180111-1424877
		Poseung Green Power Co., Ltd.	131311-0143077
		Greennuri Co., Ltd.	230111-0286144
		Hanultari Co., Ltd.	110111-6628337
		LX MDI Co., Ltd.	110111-8490932
		LX Glass Co., Ltd.	110111-7324116
		LX Ventures Co., Ltd.	110111-8680814

Korea Glass Industry Co., Ltd. changed its name to LX Glass Co., Ltd. as of 1 October.

B. Overseas corporations

No.	Name of affiliate	Country
1	LX Hausys Americajnc.	USA
2	LX Hausys Europe GmbH	Germany
3	LX Hausys India Private Limited	India
4	LX Hausys RUS,LLC.	Russia
5	LX Hausys Trading Co., Ltd.	China
6	LX Hausys Tianjin Co., Ltd.	China
7	LX Hausys (Wuxi) Co., Ltd.	China
8	LX Hausys Canada, Inc.	Canada
9	LX Hausys Mexico., Ltd.	Mexico
10	LX PANTOS LOGISTICS (BEIJING) CO., LTD.	China
11	LX PANTOS SOLUTIONS INDIA PVT. LTD.	India
12	LX PANTOS EGYPT, S.A.E.	Egypt
13	LX PANTOS LOGISTICS (NINGBO) CO., LTD.	China
14	LX PANTOS LOGISTICS (SHANGHAI) CO., LTD.	China
15	LX PANTOS LOGISTICS (HONGKONG) CO., LTD.	China
16	LX PANTOS LOGISTICS TAIWAN CO., LTD.	Taiwan
17	PT. LX PANTOS INDONESIA	Indonesia
18	PT. LX PANTOS JAKARTA	Indonesia
19	LX PANTOS MALAYSIA SDN. BHD.	Malaysia
20	LX PANTOS INDIA PVT. LTD.	India
21	LX PANTOS (CAMBODIA) CO., LTD.	Cambodia
22	LX PANTOS AUSTRALIA PTY LTD.	Australia
23	LX PANTOS HOLDINGS (THAILAND) CO., LTD.	Taiwan
24	LX PANTOS U.K. LTD.	UK
25	LX PANTOS NETHERLANDS B.V.	Netherlands
26	LX PANTOS FRANCE S.A.R.L.	France
27	LX PANTOS POLAND SP. Z O. O.	Poland
28	LX PANTOS GERMANY GMBH	Germany
29	LX PANTOS SPAIN, SLU	Spain
30	LX PANTOS TURKEY LOJISTIK VE TICARET LTD. STL	Turkye
31	LX PANTOS MEXICO S.A. DE C.V.	Mexico
32	LX PANTOS LOGISTICA DO BRASIL LTDA.	Brazil
33	LX PANTOS COLOMBIA S.A.S	Columbia
34	LX PANTOS CHILE SPA	Chile
35	LX PANTOS PANAMA, S.A	Panama
36	LX PANTOS RUS LLC	Russia
37	PANTOS LOGISTICS KAZAKHSTAN LTD.	Kazakhstan
38	PANTOS LOGISTICS UKRAINE LTD.	Ukraine
39	PANTOS LOGISTICS L.L.C. (DUBAI)	UAE

40	LX PANTOS ARABIA CO., LTD.	Saudi Arabia
41	LX PANTOS JAPAN INC.	Japan
42	LX PANTOS AMERICA, INC.	USA
43	LX PANTOS SOLUCOES LOGISTICAS DO BRASIL LTDA.	Brazil
44	LX PANTOS SWEDEN AB.	Sweden
45	LX PANTOS HUNGARY KFT.	Hungary
46	PT. Global Investment Institusi	Indonesia
47	Korea Carbon International Co., Ltd.	China
48	LX International Yakutsk	Russia
49	LX International(America) Inc.	USA
50	Bowen Investment(Australia) Pty Ltd	Australia
51	LX International (Shanghai) Corp.	China
52	LX International(Deutschland) GmbH.	Germany
53	LX International (HK) Ltd.	China
54	LX International Japan Ltd.	Japan
55	LX_International(Singapore) Pte. Ltd.	Singapore
56	Philco Resources Ltd.	Malaysia
57	PT. Batubara Global Energy	Indonesia
58	PT. Green Global Lestari	Indonesia
59	PT.LX International Indonesia	Indonesia
60	Resources Investment (H.K) Limited	China
61	Steel Flower Electric Machinery (Tianjin) Co., Ltd.	China
62	Colmineral S.A. de C.V	Mexico
63	PT. Ganda Alam Makmur	Indonesia
64	LX International India Private Limited	India
65	Fertilizer Resources Investment Limited	China
66	PT. Binsar Natorang Energi	Indonesia
67	Haiphong Steel Flower Electrical & Machinery Company Limited	Vietnam
68	LX Semicon U.S.A., Inc	USA
69	LX Semicon China Co., Ltd.	China
70	LX Semicon Japan Co., Ltd.	Japan
71	PT. Tintin Boyok Sawit Makmur Dua	Indonesia
72	PT. PANTOS EXPRESS INDONESIA	Indonesia
73	LX PANTOS SINGAPORE PTE. LTD.	Singapore
74	LX PANTOS VIETNAM CO., LTD.	Vietnam
75	LX PANTOS PHILIPPINES, INC.	Philippines
76	PT. Parna Agromas	Indonesia
77	PT. Grand Utama Mandiri	Indonesia
78	PT. Tintin Boyok Sawit Makmur	Indonesia
79	PT. Green Global Utama	Indonesia
80	PT. Satu Gen Indonesia	Indonesia
81	PT. Energy Metal Indonesia	Indonesia

82	PT. Mega Global Energy	Indonesia
83	PT. Mega Prima Persada	Indonesia
84	KM Resources Inc.	Malaysia
85	LX PANTOS LOGISTICS (NINGBO) CO., LTD.	China
86	LX PANTOS LOGISTICS (SHENZHEN) CO., LTD.	China
87	LX PANTOS ARGENTINA S.A.	Argentina
88	LX PANTOS (THAILAND) CO., LTD.	Taiwan
89	LHC Solar. LLC	USA
90	LX PANTOS USA, INC.	USA
91	LPIC TN LLC	USA
92	PT. SLX Global Healthcare	Indonesia
93	Ordos Lezheng Trading Limited	China
94	BOXLINKS LLC	USA
95	PT. Kinarya Prima Utama	Indonesia
96	PT Energy Battery Indonesia	Indonesia

3. Status of investment in other companies (detailed)

(As of 31 December 2023)

(Unit: Million won, thousand shares, %)

Company name	Listed or not	Initial acquisition date	Purpose of investment	Initial acquisition amount	Balance as of 1 January			Increase(decrease)			Balance as of 31 December			Financial status for the most recent fiscal year	
					Qty.	Ratio	Book value	Acquisition (disposition)		Valuation Profit and loss	Qty.	Ratio	Book value	Total assets	Net Income
								Qty.	Amount						
LX Semicon U.S.A., Inc	Unlisted	15 Oct. 2012	Management participation	555	2,000	100.00	137	-	-	-	2,000	100.00	137	1,287	284
LX Semicon China Co., Ltd.	Unlisted	03 Mar. 2017	Management participation	674	-	100.00	2,179	-	-	-	-	100.00	2,179	8,074	1,210
Advanced Power Device Technology Co., Ltd.	Unlisted	12 Mar. 2018	Management participation	4,410	176	49.00	4,410	-	-	-	176	49.00	4,410	9,402	390
LX Semicon Japan Co., Ltd.	Unlisted	03 Sep. 2021	Management participation	317	60	100.00	1,215	-	-	-	60	100.00	1,215	3,032	349
FJ Composite Materials Co., Ltd.	Unlisted	25 Nov. 2021	Management participation	6,836	70	29.98	6,836	15	2,887	-	85	28.70	9,723	23,236	-124
Telechips Inc.	Listed	06 Jun. 2022	Management participation	26,770	1,515	10.93	26,770	-	-	-	1,515	10.26	26,770	338,538	27,840
Daedeok Investment Co., Ltd.	Unlisted	20 May 2011	Simple investment	500	100	6.80	-	-	-	-	100	6.80	-	3,303	-501
LX Ventures New Technology Business Investment Association No. 1	Unlisted	23 Oct. 2023	General investment	2,800	0	0.00	0	2,800,000	2,800	-	2,800,000	23.33	2,800	11,981	-88
Total					3,921	-	-41,547	2,800,015	5,687	-	2,803,936	-	-47,234	398,853	29,360

- *1) LX Semicon U.S.A., Inc, LX Semicon China Co., Ltd. and LX Semicon Japan Co., Ltd. are December-settled corporations, and total assets and net income for the most recent fiscal year are as of 31 December 2023.
- *2) Advanced Power Device Technology Co., Ltd. is a December-settlement corporation, and total assets and net profit or loss for the most recent fiscal year are as of 31 March 2023.
- *3) FJ Composite Materials Co.,LTD is a May-settlement corporation, and total assets and net profit or loss are as of 31 May 2023.
- *4) Telechips Inc. is a corporation whose accounts are closed in December, but before disclosure, so its total assets and net profit and loss for the most recent fiscal year are as of 30 September 2023.
- *5) Daedeok Investment Co., Ltd. is a December-settlement corporation, and total assets and net profit or loss for the most recent fiscal year are as of 31 December 2023.
- *6) LX Ventures New Technology Business Investment Association No. 1 is a December-settlement corporation, and total assets and net profit or loss for the most recent fiscal year are as of 31 December 2023.

【Confirmation by Expert】

1. Confirmation by Expert

As of the reporting date, there is no relevant information.

2. Interests with Expert

As of the reporting date, there is no relevant information.

