

# Business Report

(The 21<sup>st</sup> Year)

Business year from January 1, 2019 to December 31, 2019

To the Financial Services Commission

Korea Stock  
Exchange

March 30, 2020

Type of corporation for submission: Stock-listed Corporation

Occurrence of exemption: N/A

Company Name: Silicon Works Co., Ltd.

Representative Director: Boik Son

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

(Tel.) 02-3777-1114

(Website) <http://www.siliconworks.co.kr>

Responsible personnel of the report: (Position) CFO (Name) Sung Kwan Choi

(Tel.) 02-3774-1114

**【Confirmation by CEO】**

## **Confirmation and Signature of CEO**

### **Letter of Confirmation**

We, CEO of the company and a director of reporting, have checked and reviewed this report thoroughly and confirm that all the important matters to be provided have been given without omission, or falsification, and that there is no content inducing critical misunderstanding to the readers of this report.

Furthermore, we hereby confirm that the company has established and run its internal accounting management system based on Article 2-2 and Article 2-3 of the [Act on External Auditors of Stock Companies]. (This is limited to corporate body subject to external audit by the Article 2 of [Act on External Auditors of Stock Companies])

March 30, 2020

Silicon Work Co., Ltd.

CEO

Boik Son



Director of Reporting    Sung Kwan Choi



## I. Company Overview

### 1. Company Overview

Outline of subsidiaries to be consolidated (Limited to cases where stock-listed companies that writes the consolidated financial statements submit business report, year/half term report)

(Unit: Million KRW)

Company name	Date of establishment	Address	Main businesses	Total asset at the end of the previous year	Basis of controlling relationship	Major subsidiary
Silicon Works Inc. (USA)	October 15, 2012	2952 BUNKER HILL LN #101 SANTA CLARA, CA 95054	Find and open new markets and support existing customers	467	Control over the investee (consolidated financial statements paragraph 5 to 18 of K-IFRS No. 1110)	N/A
Silicon Works China Co., LTD (China)	March 3, 2017	Room 609 Zhongchen Building No.1 Lizezhong 2Road, Wangjing Chaoyangqu, Beijing, 100102, China	Find and open new markets and support existing customers	3,205	Control over the investee (consolidated financial statements paragraph 5 to 18 of K-IFRS No. 1110)	N/A

Note) The total assets of Silicon Works Inc. (USA) and Silicon Works China Co., LTD (China) at the end of the previous year are calculated as of December 31, 2019.

(1) Changes of companies to be consolidated

- N/A

Division	Subsidiary	Reason
Newly consolidated	-	-
	-	-
Excluded from consolidation	-	-
	-	-

B. Legal and Commercial Name of the Company

The company's official name is Silicon Works Co., Ltd. or Silicon Works in short.

C. Date of Establishment and period of survival

The company was established on November 11, 1999.

D. Address, Telephone Number, and Website of the Headquarter

Address: (Headquarter) 222 Techno 2-ro (Tamnipdong), Yuseong-gu, Daejeon

(1) Telephone: 02-3777-1114

(2) Website: <http://www.siliconworks.co.kr>

E. SME Status

- N/A

F. Major Areas of Businesses

The company develops, manufactures, and sells semiconductors as a major business. For detailed information of the company's major business activities, please refer to 『II. Business Activities』.

G. Total Number of Subsidiaries, Name, and the listed status of Major Subsidiaries

(1) Name of corporate group: LG affiliates

(2) Companies belonging to the corporate group (as of September 31, 2019)

① Domestic corporations

Division	Company Name	Corporate registration number	Major field of business	Note
Listed	LG Co., Ltd.	110111-0003543	Holding company (other service business)	
	LG Electronics Co., Ltd.	110111-2487050	Manufacturing business for broadcasting receivers and other image and sound devices	
	LG International Co.,Ltd.	110111-0004632	Manufacturing, wholesale, retail, service, construction and real estate	
	LG Chemicals Co., Ltd.	110111-2207995	Petrochemical and basic compound manufacturing business	
	LG Life & Health Co.,Ltd.	110111-2208000	Cosmetics and living product manufacturing business	
	LG Display Co., Ltd.	110111-0393134	Liquid crystal display device manufacturing business	
	LG U Plus Co., Ltd.	110111-1296676	Wire/wireless communication service	
	LG Innotech Co., Ltd.	110111-0192180	Other electronic component manufacturing business	
	GIIR Co., Ltd.	110111-0375398	Non-financial holding company	

	LG Hausys Co., Ltd.	110111-4071207	Construction plastic product manufacturing business	
	Silicon Works Co., Ltd.	160111-0089395	Flat display system IC designing and manufacturing	
	Robostar Co., Ltd.,	110111-1655393	Manufacture and sale of industrial robots	
Subtotal	12 companies			
Unlisted	LG CNS Co., Ltd.	110111-0516695	Other software consulting, development and supply business	
	LG Sports Co., Ltd.	110111-0359300	Professional baseball team operation	
	LG Institute of Management Development Co., Ltd.	110111-0423494	Institution for economy, management and environment research and construction	
	LG MMA Co., Ltd.	206211-0001805	Other basic organic compound manufacturing business	
	Media Log Co., Ltd.	110111-1905441	Value added communication business	
	Dacom Crossing Co., Ltd.	110111-2234683	International line rental	
	S&I Co., Ltd.	110111-2411520	Other real estate lease business	
	Hiplaza Co., Ltd.	131111-0028801	Home appliance wholesale business	
	Seetech Co., Ltd.	110111-0589171	Electricity, gas, steam and air control and supply business	
	CS Leader Co., Ltd.	110111-2271924	Telemarketing service business	
	A-in Teleservice Co., Ltd.	180111-0367581	Telemarketing service business	
	Biz Tech Partners Co., Ltd.	110111-2689507	ERP consulting, development, outsourcing, business intelligence consulting, development, etc.	
	Coca Cola Beverages Co., Ltd.	110111-1342130	Manufacturing and selling of fresh beverages, etc.	
	Hi-M Solutek Co., Ltd.	110111-3371989	Selling and maintenance business for electric, electronic and air conditioning devices	
	CS One Partners Co., Ltd.	110111-3961756	Telemarketing service business	
	HS Ad Co., Ltd.	110111-3076662	Advertising production and agency business	
	L Best Co., Ltd.	110111-3806267	Advertising agency business	
	LG Tostem BM Co.,Ltd	110111-4080688	Manufacturing business for metallic doors, windows, shutter and related products	
	Hi-Teleservice Co., Ltd.	110111-4251552	Call center and telemarketing service business	
	Thefaceshop Co., Ltd.	110111-0386973	Cosmetics product manufacturing business	
Korea Beverage Co.,Ltd.	211311-0005197	Food, beverage manufacturing, selling and exporting business		
Gonjiam Yewon Co.,Ltd.	134211-0111354	Agriculture, forestry, wholesale and retail business		

Hatai HTB Co., Ltd.	110111-0900004	Beverage manufacturing, selling and leasing business	
Sal de Vida Korea Co.,Ltd.	144811-0008169	Mining, wholesale and retail business	
Ace Freezing Air Conditioning Co., Ltd.	135111-0047493	Freezer and air conditioners manufacturing and selling business	
Nanum Nuri Co., Ltd.	176011-0075546	Social welfare service business	
Clean Soul LLC	110114-0113073	Soap and cleaner wholesale business	
Innowith Co., Ltd.	200111-0343156	Service business	
Hanuri Co., Ltd.	134811-0262254	Cleaning service, steam car washing, dormitory management service business, etc.	
Haengbok Nuri Co.,Ltd.	150111-0172829	Chemical product manufacturing, cleaning service and car washing business	
With You Co., Ltd.	110111-5145556	Service business	
CNP Cosmetics Co.,Ltd.	110111-1905318	Cosmetics sales business	
KNI Co., Ltd.	110111-2061581	Groceries sales business	
Pantos Logistics Co.,Ltd.	110111-0208127	Complex logistics brokerage and others	
Pantos Busan Newport Logistics Center Co.,Ltd.	180111-0641133	Warehousing and others	
Helistar Air Co., Ltd.	120111-0528086	General air cargo agency and others	
FMG Co., Ltd.	140111-0020096	Cosmetics manufacturing business	
Bargeunnuri Co., Ltd.	150111-0206876	Cleaning service business, car cleaning business	
Dangjin Tank Terminal Co., Ltd.	165011-0011709	Oil and chemical, gas storage and transportation business	
Farmhannong Co., Ltd.	110111-4362482	Manufacturing of pesticides and other agricultural chemicals, fertilizers and nitrogen compounds	
Haengbokmaru Co., Ltd	110111-6140993	General cleaning for buildings, operation of non-alcoholic beverage stores and specialized coffee stores	
LG Farouk Co., Ltd.	110111-6210647	Wholesale and retail of hair care products	
Migene Story Co., Ltd.	131111-0466580	Gene analysis information providing service	
Miraem Co., Ltd.	134211-0190259	Tourist hotel business, Tourist use facility business	
Dreamnuri Co., Ltd	110111-6560282	General cleaning for buildings	
Taegeuk Pharmaceutical Co., Ltd	134811-0004367	Pharmaceutical manufacturing	
JES Pharmaceutical Co., LTD	205911-0016611	Pharmaceutical manufacturing	
Greennuri Co., Ltd	230111-0286144	General cleaning for buildings	
Hanultari Co., Ltd	110111-6628337	Other general grocery retail businesses	
Robomedi Co., Ltd	161511-0181019	Manufacture and wholesale of motor	

	Ugimag, Ltd	154511-0032401	Manufacture and wholesale of Ferrite Magnet	
	Sejong green power, Ltd	110111-5586065	Steam power and electricity sale	
	Woolleungsemool., Ltd	175811-0003526	Manufacture and sale of drinkable spring water	
	Rucipello Korea Co., Ltd	110111-5089316	Pharmaceutical manufacturing and sale	
	SNICM Co., Ltd.	110111-7030507	Construction & civil engineering service	
Subtotal	55 companies			
Total	67 companies			

- \* Silicon Works Co., Ltd. was included in our affiliates on July 1, 2014.
- \* Hibusiness Logistics Co., Ltd. changed its name into High Logistics Co., Ltd. on August 4, 2014.
- \* Picstdics Co., Ltd. was excluded from our affiliates on November 18, 2014.
- \* CNP Cosmetics Co., Ltd. was included in our affiliates on January 2, 2015.
- \* Gumi Ochang Solar Power Plant Co., Ltd. was included in our affiliates on January 2, 2015.
- \* Gumi Ochang Solar Power Plant Co., Ltd. was excluded from our affiliates on February 25, 2015.
- \* KNI Co., Ltd. was included in our affiliates on March 2, 2015
- \* Pantos Co., Ltd. was included in our affiliates on August 1, 2015.
- \* Pantos Busan Newport Logistics Center Co., Ltd. was included in our affiliates on August 1, 2015.
- \* Helistar Air Co., Ltd. was included in our affiliates on August 1, 2015.
- \* Janice Co., Ltd. was included in our affiliates on September 1, 2015.
- \* Bargeunnuri Co., Ltd. was included in our affiliates on October 1, 2015.
- \* Dangjin Tank Terminal Co., Ltd. was included in our affiliates on October 1, 2015.
- \* LG Solar Energy Co., Ltd. was excluded from our affiliates on October 21, 2015.
- \* Sarangnuri Co., Ltd. was included in our affiliates on November 1, 2015.
- \* LG Toyo Engineering Co., Ltd. was excluded from our affiliates on December 22, 2015.
- \* Future Co., Ltd. was excluded from our affiliates on March 17, 2016.
- \* One Seen Sky Tech was excluded from our affiliates on May 3, 2016.
- \* Haitai Beverage Co., Ltd. changed its company name to Haitai HTB Co., Ltd. on May 30, 2016.
- \* Farmhannong Co., Ltd. was included in our affiliates on June 1, 2016.
- \* Saemangeum Farm Co., Ltd. was included in our affiliates on June 1, 2016.
- \* Cecil Co., Ltd. was included in our affiliates on June 1, 2016.
- \* Agrotech Co., Ltd. was included in our affiliates on June 1, 2016.
- \* Farm Biotech Co., Ltd. was included in our affiliates on June 1, 2016.
- \* Farm Ceres Co., Ltd. was included in our affiliates on June 1, 2016.
- \* Farm PFI Co., Ltd. was included in our affiliates on June 1, 2016.
- \* Farm Hwaong Co., Ltd. was included in our affiliates on June 1, 2016.
- \* Farm Heungnong Co., Ltd. was included in our affiliates on June 1, 2016.

- \* Chem Green Energy Co., Ltd. was included in our affiliates on June 1, 2016.
- \* Hi-Logistics Co., Ltd. was excluded from our affiliates on August 23, 2016.
- \* Haengbokmaru Co., Ltd. was included in our affiliates on October 1, 2016.
- \* Farm Heungnong Co., Ltd. and Chem Green Energy Co., Ltd. were excluded from our affiliates on October 5, 2016.
- \* Biz Tech Partners Co., Ltd. was included in our affiliates on November 1, 2016.
- \* Saemangeum Farm Co., Ltd. Farm PFI Co., Ltd. Hausys Interpane Co., Ltd. and Everon Co., Ltd. were excluded from our affiliates on November 18, 2016.
- \* LG Farouk Co., Ltd. was included in our affiliates on December 1, 2016.
- \* Farm Ceres Co., Ltd. was excluded from our affiliates on December 22, 2016.
- \* Gene Story Co., Ltd. was included in our affiliates on December 30, 2016.
- \* B&E Partners Co., Ltd. changed its company name to Biz Tech Partners Co., Ltd. on January 3, 2017.
- \* (Former) Biz Tech Partners Co., Ltd. was excluded from our affiliates on January 17, 2017.
- \* LG Life Science Co., Ltd. and Ucess Partners Co., Ltd. were excluded from our affiliates on January 18, 2017.
- \* Pantos Logistics Co., Ltd. changed its company name to Pantos Co., Ltd. on March 21, 2017.
- \* Pantos Busan Newport Logistics Center Co., Ltd. changed its company name to Pantos Busan Newport Center Co., Ltd. on March 27, 2017.
- \* Gene Story Co., Ltd. changed its company name to Migene Story Co., Ltd. on March 27, 2017.
- \* Farm Biotech was excluded from our affiliates on March 29, 2017.
- \* Miraem Co., Ltd. was included in our affiliates on July 1, 2017.
- \* Agrotech Co., Ltd. was excluded from our affiliates on December 5, 2017
- \* Dreamnuri Co., Ltd. was included in our affiliates on January 1, 2018
- \* SK Silitron(formerly LG Silitron) was excluded from our affiliates on January 3, 2018
- \* Cecil Co., Ltd. was excluded from our affiliates on January 3, 2018
- \* Taegeuk Pharmaceutical Co., Ltd. was included in our affiliates on February 1, 2018
- \* JES Pharmaceutical Co., LTD was included in our affiliates on February 1, 2018
- \* Promotion of the development of the spring water Ulleung Chusan Yongchunsu was included in our affiliates on Feb 1, 2018
- \* Greennuri Co., Ltd. was included in our affiliates on Feb 1, 2018
- \* Hanultari Co., Ltd. was included in our affiliates on Feb 1, 2018
- \* LG Nsys Co., Ltd. was excluded from our affiliates on April 12, 2018
- \* LBLusem Co., Ltd. (formerly Lusem Co., Ltd.) was excluded from our affiliates on April 18, 2018
- \* Hausys ENG Co., Ltd. was excluded from our affiliates on July 10, 2018
- \* Janice Co., Ltd. changed its company name to FMG Co., Ltd. on July 25, 2018
- \* Sarangnuri Co., Ltd. was excluded from our affiliates on August 27, 2018
- \* Robostar Co., Ltd. was included in our affiliates on September 1, 2018
- \* Robomedi Co., Ltd. was included in our affiliates on September 1, 2018
- \* Ugimac Korea Co., Ltd. was included in our affiliates on November 1, 2018
- \* Serve One Co., Ltd. changed its company name to SNI Co., Ltd. on December 3, 2018.

- \* Jiheung Co., Ltd. was excluded from our affiliates on December 26, 2018.
- \* Farmhwaong Co., Ltd. was excluded from our affiliates on December 26, 2018.
- \* (Former) Serve One Co., Ltd. established Serve One Co., Ltd. as 100% subsidiary by physically dividing the MRO business department on December 3, 2018. Newly established Serve One Co., Ltd. was integrated to the affiliate on January 1, 2019.
- \* Sejon Green Power Co., Ltd. was included in our affiliates on February 1, 2019.
- \* East Arrow Partners Co., Ltd was included in our affiliates on February 1, 2019.
- \* Woolleungsem Ltd. was included in our affiliates on March 1, 2019.
- \* Rucipello Korea Ltd. was included in our affiliates on March 1, 2019.
- \* SNICM Ltd. was included in our affiliates on April 1, 2019
- \* East Arrow Partners Co., Ltd was excluded from our affiliates on June 20, 2019
- \* Wolleng choosan yong chun soo reseach organization Co., Ltd was excluded from our affiliates on June 21, 2019
- \* Serve One Co, Ltd. was excluded in our affiliates on July 24th, 2019
- \* Korea Elecom Co Ltd. was excluded in our affiliates on August 30<sup>th</sup>, 2019
- \* Global Dynasty Overseas Resource Development Private Offering Investment Company was excluded in our affiliates on November 1st, 2019.
- \* LG Fuel Cell Systems Korea Co., Ltd. was excluded in our affiliates on December 13<sup>th</sup>, 2019.
- \* Hi-entech Co., Ltd. was excluded in our affiliates on December 30<sup>th</sup> 2019.
- \* LG-Hitach Water Solution Co., Ltd. was excluded in our affiliates on December 31<sup>th</sup> 2019.
- \* LG-Hello Vision Co., Ltd. was included in our affiliates on February 3, 2020.
- \* Hana Broadcasting Co., Ltd. was included in our affiliates on February 3, 2020.
- \* U-plus Home Service Co., Ltd. was included in our affiliates on February 3, 2020.

② Overseas corporations

No.	Company Name	Country
1	Arcelik-LG Klima Sanayi ve Ticaret A.S.	Turkey
2	Beijing LG Building Development Company	China
3	BEIJING LG HOUSEHOLD CHEMICAL CO., LTD.	China
4	Beijing Yuanzhimeng Advertising Co.,LTD.	China
5	DACOM AMERICA,INC.	USA
6	EIC PROPERTIES PTE, LTD.	Singapore
7	LG CNS BRASIL SERVICOS DE TI LTDA	Brazil
8	GIIR America Inc.	USA
9	GIIR Communications India Private Limited	India
10	GIIR UK Limited	England

No.	Company Name	Country
11	Hangzhou LG Cosmetics Co.,Ltd.	China
12	Hi Logistics China Co., Ltd.	China
13	Inspur LG Digital Mobile Communications Co., Ltd.	China
14	KM Resources Inc.	Malaysia
15	Korea Carbon International Co., Ltd.	China
16	L&T Display Technology (Fujian) Limited	China
17	LG Chem (China) Investment Co.,Ltd.	China
18	LG Chem (Nanjing) Information & Electronics Materials Co.,Ltd.	China
19	LG Chem (Taiwan), Ltd.	Taiwan
20	LG Chem (Tianjin) Engineering Plastics Co.,Ltd.	China
21	LG Chem America, Inc.	USA
22	LG Chem BRASIL INTERMEDIACAO DE NEGOCIOS DO SETOR QUIMICO LTDA.	Brazil
23	LG Chem Display Materials (Beijing) Co.,Ltd.	China
24	LG Chem Europe Gmbh	Germany
25	LG Chem Michigan Inc.	USA
26	LG Chem Poland Sp. z o.o.	Poland
27	LG Chemical (Guangzhou) Engineering Plastics Co.,Ltd.	China
28	LG Chemical India Pvt. Ltd.	India
29	LG CNS America Inc.	USA
30	LG CNS China Inc.	China
31	LG CNS Europe B.V	Netherlands
32	LG CNS India Pvt. Ltd.	India
33	LG CNS PHILIPPINES, INC.	Philippines
34	LG Consulting corp.	Panama
35	LG Display America,Inc.	USA
36	LG Display Germany GmbH	Germany
37	LG Display Guangzhou Co., Ltd	China
38	LG Display Japan Co.,Ltd.	Japan

No.	Company Name	Country
39	LG Display Nanjing Co.,Ltd.	China
40	LG Display Poland Sp.zo.o.	Poland
41	LG Display Shanghai Co.,Ltd.	China
42	LG Display Shenzhen Co., Ltd	China
43	LG Display Singapore Pte. Ltd.	Singapore
44	LG Display Taiwan Co.,Ltd.	Taiwan
45	LG Display Yantai Co., Ltd.	China
46	LG Electronics (Hangzhou) Co., Ltd.	China
47	LG Electronics (China) Co., Ltd.	China
48	LG Electronics (China) Research and Development Center Co., Ltd.	China
49	LG Electronics (Levant) Jordan	Jordan
50	LG Electronics Alabama Inc.	USA
51	LG Electronics Algeria SARL	Algeria
52	LG Electronics Almaty Kazakhstan	Kazakhstan
53	LG Electronics Argentina S.A.	Argentina
54	LG Electronics Australia Pty, Ltd.	Australia
55	LG Electronics Benelux Sales B.V.	Netherlands
56	LG Electronics Canada, Inc.	Canada
57	LG Electronics Colombia Ltda	Columbia
58	LG Electronics do Brasil Ltda.	Brazil
59	LG Electronics Deutschland GmbH	Germany
60	LG Electronics Dubai FZE	UAE
61	LG Electronics Egypt S.A.E	Egypt
62	LG Electronics Espana S.A	Spain
63	LG Electronics European Holdings B.V.	Netherlands
64	LG Electronics European Shared Service Center B.V.	Netherlands
65	LG Electronics France S.A.S.	France
66	LG Electronics Guatemala S.A.	Guatemala

No.	Company Name	Country
67	LG Electronics Gulf FZE	UAE
68	LG Electronics Hellas S.A.	Greece
69	LG Electronics HK Ltd.	China
70	LG Electronics Honduras S.de R.L.	Honduras
71	LG Electronics Huizhou Ltd.	China
72	LG Electronics Inc Chile Ltda.	Chile
73	LG Electronics India Pvt. Ltd.	India
74	LG Electronics Italia S.P.A.	Italy
75	LG Japan Lab. Inc.	Japan
76	LG Electronics Japan, Inc.	Japan
77	LG Electronics Latvia, LLC	Latvia
78	LG Electronics Magyar K.F.T.	Hungary
79	LG Electronics Malaysia SDN.BHD	Malaysia
80	LG Electronics Mexicali S.A.DE C.V.	Mexico
81	LG Electronics Mexico S.A.DE C.V.	Mexico
82	LG Electronics Middle East Co., Ltd.	UAE
83	LG Electronics Mlawa Sp. z.O.O.	Poland
84	LG Electronics Mobile Research U.S.A.,LLC.	USA
85	LG Electronics Monterrey Mexico S.A. de C.V	Mexico
86	LG Electronics Morocco S.A.R.L.	Morocco
87	LG Electronics Nanjing New Technology co.,LTD	China
88	LG Electronics Nigeria Limited	Nigeria
89	LG Electronics Nordic AB	Sweden
90	LG Electronics North Africa Service Company SARL	Tunisia
91	LG Electronics Overseas Trading FZE	UAE
92	LG Electronics Panama, S.A.	Panama
93	LG Electronics Peru S.A.	Peru
94	LG Electronics Philippines Inc.	Philippines

No.	Company Name	Country
95	LG Electronics Polska Sp. Z.O.O	Poland
96	LG Electronics Portugal S.A.	Portugal
97	LG Electronics Qinhuangdao Inc.	China
98	LG Electronics Reynosa S.A. DE C.V.	Mexico
99	LG Electronics RUS, LLC	Russia
100	LG Electronics S.A. (Pty) Ltd.	Republic of South Africa
101	LG Electronics Shenyang Inc.	China
102	LG Electronics Singapore PTE LTD	Singapore
103	LG Electronics Taiwan Taipei Co.,Ltd.	Taiwan
104	LG Electronics Thailand Co., Ltd.	Thailand
105	LG Electronics Tianjin Appliances Co., Ltd.	China
106	LG Electronics Ticaret A.S.	Turkey
107	LG Electronics U.S.A., Inc.	USA
108	LG Electronics Ukraine Inc.	Ukraine
109	LG Electronics United Kingdom Ltd.	England
110	LG Electronics Venezuela S.A	Venezuela
111	LG Electronics Wroclaw Sp.z.O.O.	Poland
112	LG Electronics(Shanghai) Research and Development Center Co., Ltd.	China
113	LG Electronics (Kunshan) Co., Ltd.	China
114	LG Electronics Africa Logistics FZE	UAE
115	LG Electronics Miami Inc.	USA
116	LG Hausys America,Inc.	USA
117	LG Hausys Europe GmbH	Germany
118	LG Hausys India Private Limited	India
119	LG Hausys RUS,LLC.	Russia
120	LG Hausys Trading Co., Ltd.	China
121	LG HOLDINGS (HK) LIMITED	China

No.	Company Name	Country
122	LG Household & Health Care (Taiwan), Ltd.	Taiwan
123	LG HOUSEHOLD AND HEALTH CARE AMERICA, INC	USA
124	LG Household & Health Care TRADING(Shanghai)Co.,Ltd	China
125	LG Innotek (Taiwan) Co., Ltd.	Taiwan
126	LG Innotek Huizhou Co., Ltd.	China
127	PT. LG Innotek Indonesia	Indonesia
128	LG Innotek Poland Sp. z o.o.	Poland
129	LG Innotek USA, Inc.	USA
130	LG Innotek Yantai Co., Ltd.	China
131	LG International Yakutsk	Russia
132	LG International(America) Inc.	USA
133	Bowen Investment(Australia) Pty Ltd	Australia
134	LG International(China) Corp.	China
135	LG International(Deutschland) GmbH.	Germany
136	LG International(Hong Kong) Ltd.	China
137	LG International(Japan) Ltd.	Japan
138	LG International(Saudi) LLC	Saudi Arabia
139	LG International(Singapore) Pte. Ltd.	Singapore
140	LG Chem Life Sciences (Beijing) Co.,Ltd.	China
141	LG Chem Life Sciences India Pvt. Ltd.	India
142	LG Chem Life Sciences Poland Ltd.	Poland
143	LG Polymers India Pvt. Ltd.	India
144	LG Soft India Private Limited	India
145	LG VINA Chemical Co.,Ltd.	Vietnam
146	LG Vina Cosmetics Co.,Ltd.	Vietnam
147	LG-Shaker Co. Ltd.	Saudi Arabia
148	Nanjing LG-Panda Appliances Co., Ltd.	China
149	Ningbo LG Yongxing Chemical Co.,Ltd.	China

No.	Company Name	Country
150	Ningbo Zhenhai LG Yongxing Trade Co.,Ltd.	China
151	P.T. LG Electronics Indonesia	Indonesia
152	Philco Resources Ltd.	Malaysia
153	PT. LG CNS Indonesia	Indonesia
154	PT. Batubara Global Energy	Indonesia
155	PT. Green Global Lestari	Indonesia
156	PT. Indonesia Renewable Resources	Indonesia
157	PT. Mega Global Energy	Indonesia
158	Qingdao LG Inspur Digital Communication Co., Ltd.	China
159	Resources Investment (H.K) Limited	China
160	S&I Nanjing Company Limited	China
161	Servicios Integrales LG S.A DE C.V	Mexico
162	Servicios LG Monterrey Mexico S.A. de C.V.	Mexico
163	Steel Flower Electric Machinery (Tianjin) Co., Ltd.	China
164	Taizhou LG Electronics Refrigeration Co., Ltd.	China
165	THEFACESHOP(SHANGHAI) CO., LTD	China
166	Tianjin LG Bohai Chemical Co.,Ltd.	China
167	Tianjin LG Botian Chemical Co.,Ltd.	China
168	LG Hausys Tianjin Co., Ltd.	China
169	Tianjin Li Jie Cartridge Heater co.,Ltd	China
170	V-ENS (M) Sdn. Bhd.	Malaysia
171	Zenith Electronics Corporation	USA
172	Zenith Electronics Corporation of Pennsylvania	USA
173	LG Chem(HUIZHOU) Petrochemical Co., Ltd.	China
174	GIIR Rus LLC	Russia
175	GIIR Do Brasil Ltda	Brazil
176	LG Hausys (Wuxi) Co., Ltd.	China
177	Yantai VMI HUB LG International	China

No.	Company Name	Country
178	PT. Mega Prima Persada	Indonesia
179	PT. Parna Agromas	Indonesia
180	LG Electronics Air-Conditioning(Shandong) Co.,Ltd.	China
181	LG Electronics Angola Limitada	Angola
182	Guangzhou Steel Flower Electric & Machinery Co., Ltd.	China
183	Colmineral S.A. de C.V	Mexico
184	Ginza Stefany Inc.	Japan
185	LG CNS COLOMBIA SAS	Columbia
186	LHC Solar. LLC	USA
187	LG Hausys Mongolia LLC	Mongolia
188	PANTOS LOGISTIC SOLUTIONS INDIA PRIVATE LIMITED	India
189	LG Electronics Saudi Arabia Limited Company	Saudi Arabia
190	GIIR Thailand Ltd.	Thailand
191	PT. Ganda Alam Makmur	Indonesia
192	LG Innotek Trading (Shanghai) Co., Ltd	China
193	Global OLED Technology LLC.	USA
194	GIIR Germany GmbH	Germany
195	GIIR Ukraine LLC	Ukraine
196	LG Display (China) Co., Ltd.	China
197	LG Chem Life Sciences (Thailand) Ltd.	Thailand
198	Everlife Co.,Ltd.	Japan
199	TFS Singapore Private Limited	Singapore
200	Everlifeagency Co.,Ltd.	Japan
201	Everlife H&B Co.,Ltd.	Taiwan
202	LG Electronics Pasig Inc.	Philippines
203	LG Innotek Mexico S.A. de C.V.	Mexico
204	LGC Petrochemical India Private Ltd.	India
205	LG International India Private Limited	India

No.	Company Name	Country
206	LG Electronics Vietnam Haiphong Co Ltd	Vietnam
207	Fertilizer Resources Investment Limited	China
208	LG CHEM TK Kimya SANAYI VE TIC. Ltd. STI.	Turkey
209	THE FACE SHOP TRADE (GUANGDONG) Co., Ltd	China
210	LG CNS MALAYSIA SDN BHD	Malaysia
211	LG Hausys(Tianjin) Engineering Co., Ltd.	China
212	LG CNS Saudi Arabia LLC	Saudi Arabia
213	LG CNS JAPAN Co., Ltd.	Japan
214	HI LOGISTICS RUS. LIMITED LIABILITY COMPANY	Russia
215	LG Chem Japan Co.,Ltd.	Japan
216	UNIFIED INNOVATIVE TECHNOLOGY, LLC	USA
217	LG NanoH2O, LLC	USA
218	LG Holdings Japan Co., Ltd	Japan
219	PT. Binsar Natorang Energi	Indonesia
220	PT.LG Electronics Service Indonesia	Indonesia
221	Farmhannong America, Inc.	USA
222	Silicon Works Inc.	USA
223	Hi Logistics Egypt	Egypt
224	HS Ad MEA FZ-LLC	UAE
225	HSAD LATIN AMERICA,S.A.	Panama
226	Nanjing LG Chem New Energy Battery Co.,Ltd.	China
227	Combustion Synthesis Co., Ltd.	Japan
228	LG Chem (Chongqing) Engineering Plastics Co.,Ltd.	China
229	LG Chem Malaysia SDN.BHD	Malaysia
230	LG CNS UZBEKISTAN, LLC	Uzbekistan
231	LG Electronics Finland Lab Oy	Finland
232	LG Display Guangzhou Trading Co., Ltd.	China
233	Haiphong Steel Flower Electrical & Machinery Company Limited	Vietnam

No.	Company Name	Country
234	Pantos Logistics (China) Co., Ltd.	China
235	FNS (Beijing) Logistics Co., Ltd.	China
236	Pantos Logistics (Shanghai) Co., Ltd.	China
237	Pantos Logistics (Ningbo) Co., Ltd.	China
238	Pantos Logistics (Shenzhen) Co., Ltd.	China
239	Pantos Logistics (HK) Company limited	China
240	Pantos Logistics (Taiwan) Co., Ltd.	Taiwan
241	PT. Pantos Logistics Indonesia	Indonesia
242	PT. Pantos Logistics Jakarta	Indonesia
243	PT. Pantos Express Indonesia	Indonesia
244	Pantos Logistics SINGAPORE PTE. LTD.	Singapore
245	Pantos Logistics (Thailand) Co., Ltd.	Thailand
246	Pantos Logistics MALAYSIA SDN. BHD.	Malaysia
247	PANTOS LOGISTICS (INDIA) PRIVATE LIMITED	India
248	Pantos Logistics (CAMBODIA) Co., Ltd.	Cambodia
249	Pantos Logistics Vietnam Co., Ltd.	Vietnam
250	Pantos Logistics AUSTRALIA PTY LTD.	Australia
251	Pantos Logistics Philippines Inc.	Philippines
252	Pantos Holdings (Thailand) Co., Ltd.	Thailand
253	Pantos Logistics Myanmar Co., Ltd.	Myanmar
254	Pantos Logistics U.K Ltd.	England
255	Pantos Logistics Benelux B.V	Netherlands
256	Pantos Logistics France	France
257	Pantos Logistics Poland Sp.z o.o.	Poland
258	Pantos Logistics Germany GmbH	Germany
259	Pantos Logistics Spain S.L.	Spain
260	Pantos Logistics DIS TICARET SANAYI VE TICARET LIMITED SIRKETI	Turkey
261	Pantos Logistics Mexico S.A DE C.V	Mexico

No.	Company Name	Country
262	Pantos Do Brasil Logistica Ltda	Brazil
263	Pantos Logistics Colombia S.A.S	Columbia
264	Pantos Logistics Chile SPA	Chile
265	Pantos Logistics Panama S.A.	Panama
266	FNS CIS LLC	Russia
267	Pantos Logistics Kazakhstan	Kazakhstan
268	Pantos Logistics UKRAINE LTD.	Ukraine
269	Pantos Customs Services LLC	Russia
270	ZAO Contrans	Russia
271	Pantos Logistics L.L.C (DUBAI)	UAE
272	PANTOS LOGISTICS L.L.C OMAN	Oman
273	PANTOS LOGISTICS CO., LTD. SAUDI ARABIA	Saudi Arabia
274	Pantos Logistics Japan Inc.	Japan
275	LG Electronics Nanjing Battery Pack Co.,Ltd.	China
276	LG Electronics Nanjing Vehicle Components Co.,Ltd.	China
277	HI M SOLUTEK HVAC SERVICE AND MAINTENANCE L.L.C	UAE
278	Highland Cement International Co., Ltd.	Myanmar
279	S&I POLAND sp.z o.o.	Poland
280	Pantos North America, Inc.	USA
281	LG Display Vietnam Haiphong Co., Ltd.	Vietnam
282	Farm Hannong (Heilongjiang) Chemical Co., Ltd.	China
283	LG H&H HK LIMITED	China
284	HI-M SOLUTEK PHILIPPINES INC.	Philippines
285	LG Chem Wroclaw Energy sp. z o.o.	Poland
286	Suzhou Lehui Display Co., Ltd.	China
287	Toiletry Japan Inc.	Japan
288	LG Innotek Vietnam Haiphong Co., Ltd	Vietnam
289	LG HOUSEHOLD AND HEALTH CARE COSMETICS R AND D(SHANGHAI) CO.,LTD	China

No.	Company Name	Country
290	HI LOGISTICS BRASIL SERVICOS DE LOGISTICA LTDA	Brazil
291	PANTOS LOGISTICS AR S.A.	Argentina
292	HI-M SOLUTEK VIETNAM CO., LTD.	Vietnam
293	c2i(s.r.o)	Slovakia
294	FJ Composite Material Co., Ltd.	Japan
295	LG CNS VIETNAM CO., LTD	Vietnam
296	LG Corp. U.S.A.	USA
297	LG Hausys Canada, Inc.	Canada
298	Silicon Works China Co., Ltd	China
299	LGEUS Power, LLC	USA
300	LG Electronics Vehicle Component U.S.A., LLC	USA
301	LG Chem Hai Phong Vietnam Co., Ltd.	Vietnam
302	LG HOUSEHOLD & HEALTH CARE MALAYSIA SDN. BHD.	Malaysia
303	HS AD VIETNAM CO., LTD.	Vietnam
304	LG Chem Australia Pty Ltd.	Australia
305	CCP-LGE OWNER, LLC	USA
306	LG Chem Mexico S.A. de C.V.	Mexico
307	FarmHannong(Thailand) Ltd.	Thailand
308	Pantos Logistics Nigeria Limited	Nigeria
309	LG ELECTRONICS FUND I LLC	USA
310	LG Technology Ventures LLC	USA
311	LG Chem Hai Phong Engineering Plastics LCC.	Vietnam
312	LG Chem (Guangzhou) Information & Electronics Materials Co.,Ltd.	China
313	LG CHEM FUND I LLC	USA
314	LG UPLUS FUND I LLC	USA
315	LG DISPLAY FUND I LLC	USA
316	HS GTM Germany GmbH	Germany
317	LEYOU NEW ENERGY MATERIALS(WUXI)CO.,LTD	China

No.	Company Name	Country
318	PT. Grand Utama Mandiri	Indonesia
319	PT. Tintin Boyok Sawit Makmur	Indonesia
320	PT. Tintin Boyok Sawit Makmur Dua	Indonesia
321	LG Household & Health Care (Thailand) Limited	Thailand
322	FMG & MISSION CO., Ltd.	Japan
323	ZKW Holding GmbH	Austria
324	ZKW Group GmbH	Austria
325	ZKW Lichtsysteme GmbH	Austria
326	ZKW Elektronik GmbH	Austria
327	KES – kálove a elektrické systémy spol. s.r.o.	Czech
328	KES Poland Sp.z o.o.	Poland
329	ZKW Slovakia s.r.o.	Slovakia
330	ZKW Lighting Systems USA, Inc.	USA
331	ZKW Mexico, S.A. de C.V.	Mexico
332	ZKW Mexico Inmobiliaria, S.A. de C.V.	Mexico
333	ZKW Mexico Servicios, S.A. de C.V.	Mexico
334	ZKW Lighting Systems (Dalian) Co. Ltd.	China
335	ZKW Austria Immobilien Holding GmbH	Austria
336	ZKW Austria Immobilien GmbH	Austria
337	HIPLAZA (Shenyang) Trading Co., Ltd.	China
338	LG Display High-Tech (China) Co., Ltd.	China
339	Live & Life Co., Ltd.	Japan
340	Fleuve Beaute Inc.	Japan
341	ROBOSTAR (SHANGHAI) CO.,LTD	China
342	LG CNS FUND I LLC	USA
343	S&I Vietnam construction Co., Ltd	Vietnam
344	PANTOS LOGISTICS SWEDEN AB.	Sweden
345	Uniseal, Inc.	USA

No.	Company Name	Country
346	LG Chem Nanjing Energy Solution Co., Ltd.	China
347	LG Chem Life Science Innovation Center, Inc.	USA
348	Avon Manufacturing (Guangzhou),Ltd	China
349	QINGGONGLIAN ELECTRICAL INSTALLATION ENGINEERING CO.,LTD	China
350	Uniseal Europe Ltd.	England
351	PANTOS LOGISTICS HUNGARY KFT.	Hungary
352	S&I CM NANJING	China
353	S&I CM POLAND SP. Z o. o	Poland
354	FarmHannong(Malaysia) SDN. BHD.	Malaysia
355	S&I CM VIETNAM COMPANY LIMITED	Vietnam
356	New Avon Company	USA
357	Avon Canada Inc.	Canada
358	LG H&H Tokyo R&D Center Inc.	Japan
359	Onecube International Logistics Co., Ltd.	China

#### H. Credit Rating

For the past 3 years, the company has not requested or received any credit rating from domestic or foreign credit rating agencies that is not registered as a credit inquiry service business.

#### I. Stock listing (or registration and designation) and special listing of the company

Listing(or registered, certified) Status	Listed(or registered, certified) date	Special listing status	Related laws on the special listing
KOSDAK	June 8, 2010	N/A	N/A

## 2. Corporate History

A. The major events of Silicon Works Co., Ltd are written below:

Date	Major event
April 2015	Acquired part of System IC business from Lusem Inc. (Entire sales related to the part of System IC business)
July 2015	Acquired part of System IC business from LG Electronics Inc. (Entire assets and manpower related to the display chip design business)
October 2016	Received "500 billion KRW sales tower prize" – (in Daejeon)

March 2017	Change of CEO (Daekeun Han -> Boik Son)
October 2017	Received "600 billion KRW sales tower prize" – (in Daejeon)
May 2018	Acquired part of System IC business from LG Electronics Inc. (Entire assets and manpower related to T-Con chip business for OLED TV)
June 2018	The 10th Korea KOSDAQ Award (KOSDAQ Association) (won "Best job creating company prize")
October 2019	Selected as top sales company of ' 700 billion won' (Daejeon-si)

B. The following is the major corporate history of Silicon Works Inc. (USA), one of the company's subsidiaries.

Date	Major event
October 2012	Establishment of legal entity (capital of USD 500,000)

C. The following is the major corporate history of Silicon Works China Co., LTD(China), one of the company's subsidiaries.

Date	Major event
March 2017	Establishment of corporation company (capital of CNY 4,085,400)
May 2018	Recapitalization (CNY 4,085,400 -> CNY 13,012,920)

D, The address changes of headquarters

November 11, 1999: 4F 79, Dunsanse-ro, Seo-gu, Daejeon, Republic of Korea

December 15, 2000: 5F 58, Gyeryong-ro 491beon-gil, Seo-gu, Daejeon, Republic of Korea

October 4, 2005: 10-6, Expo-ro 339beon-gil, Yuseong-gu, Daejeon, Republic of Korea

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

E. Significant changes in management

Date	Before			After		
	executive director	Nonexecutive director	Outside director	executive director	Nonexecutive director	Outside director
March 2015	Daekeun Han (CEO), Daesung Kim, Hyungseok Oh	-	Kunwoo Moon, Sanggook Lee, Namjoo Lee	Daekeun Han (CEO), Dongsoo Bae	-	Kunwoo Moon, Sanggook Lee, Namjoo Lee
June 2015	Daekeun Han (CEO), Dongsoo Bae	-	Kunwoo Moon, Sanggook Lee, Namjoo Lee	Daekeun Han (CEO), Dongsoo Bae	Boik Son	Kunwoo Moon, Sanggook Lee, Namjoo Lee
March 2017	Daekeun Han (CEO), Dongsoo Bae	Boik Son	Kunwoo Moon, Sanggook Lee, Namjoo Lee	Boik Son(CEO), Dongsoo Bae	Byunghoo Min	Kunwoo Moon, Namjoo Lee, Ilgoo Yoon

March 2018	Boik Son(CEO), Dongsoo Bae	Byunghoo Min	Kungwoo Moon, Namjoo Lee, Ilgoo Yoon	Boik Son (CEO), Sungkwan Choi	Hyungok Jeong	Namjoo Lee, Ilgoo Yoon, Yongsoo Shin	Notes
March 2019	Boik Son (CEO), Sungkwan Choi	Hyungok Jeong	Namjoo Lee, Ilgoo Yoon, Yongsoo Shin	Boik Son (CEO), Sungkwan Choi	Nyunchae Jeong	Ilgoo Yoon, Youngsoo Shin, Kyungwoo Wi	

1)Please refer to 『VII. Executives and Employees』 for more details on change in management.

Notes 2) Due to the re-election of executive director Boik Son and Ilgoo Yoon who was elected as CEO on March 26th 2020, after the change in March 2019, the executive managers are the same as of the submission date of the business report.

#### F. Changes in the largest shareholder

Please refer to 『VII. Matters regarding to shareholders. 2.changes in the largest shareholder』 for more details

### 3. Changes in capital

#### Increase of Capital

(Basic date: December 31, 2019)

(Unit: KRW, share)

Date of Issue of shares	Issue type	Details of issued share				
		Share type	Quantity	Face amount per share	Issue price per share	note
-	-	-	-	-	-	-

※ The company does not have any issues related above for the recent 5 years.

### 4. Total Number of Shares

#### Status of Total Number of Shares

(Basic date: December 31, 2019)

(Unit: share)

Classification	Type of share			note
	Common share	Preferred share	Total	
I. Total number of shares to be issued	-	-	50,000,000	-

II. Total number of shares issued		16,264,300	-	16,264,300	-
III. Total number of shares that have been decreased		-	-	-	-
	1. Capital Decrease	-	-	-	-
	2. Cancellation of shares	-	-	-	-
	3. Redemption of redeemable shares	-	-	-	-
	4. Others	-	-	-	-
IV. Total number of issued shares (II - III)		16,264,300	-	16,264,300	-
V. Number of treasury shares		-	-	-	-
VI. Number of shares ready to trade (IV - V)		16,264,300	-	16,264,300	-

notes) The total number of shares to be issued is 50,000,000; among the total, issue limit of preferred shares is 7,000,000

#### Acquisition and Disposal of Treasury Shares Status

(Basic date: December 31, 2019)

※Acquisition Method		Type of Share	Basic Number	Change Number			End of the term number	note	
				Acquisition(+)	Disposal(-)	Incineration(-)			
Acquired within the range of profit available for	Directly acquired	Directly acquired	-	-	-	-	-	-	
		internally	-	-	-	-	-	-	
		Directly acquired	-	-	-	-	-	-	
		externally	-	-	-	-	-	-	
		Take over bid	-	-	-	-	-	-	-
			-	-	-	-	-	-	-
	Subtotal(a)	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	

dividend	신탁계약에 의한 취득	Number that bailee retains	-	-	-	-	-	-	-
			-	-	-	-	-	-	-
		Existing goods retention number	-	-	-	-	-	-	-
			-	-	-	-	-	-	-
		Subtotal(b)	-	-	-	-	-	-	-
			-	-	-	-	-	-	-
		Other acquisition(c)		-	-	-	-	-	-
				-	-	-	-	-	-
Total(a+b+c)		-	-	-	-	-	-		
		-	-	-	-	-	-		

## 5. Status of Voting Right

(Basic date: December 31, 2019)

(Unit: share)

Classification	Type of shares	Number of shares	note
Total number of issued shares (Class A)	Common share	16,264,300	-
	Preferred share	-	-
Number of shares without voting rights (Class B)	Common share	-	-
	Preferred share	-	-
Number of shares with restricted voting rights based on the Articles of Association laws (Class C)	Common share	-	-
	Preferred share	-	-
Number of shares with restricted voting rights based on other laws (Class D)	Common share	-	-
	Preferred share	-	-
Number of shares with resurrected voting rights (Class E)	Common share	-	-
	Preferred share	-	-
Number of issued shares with voting rights (F = A - B - C - D + E)	Common share	16,264,300	-
	Preferred share	-	-

## 6. Dividends related issues

## A. Dividend

The Company, pursuant to its Articles of Incorporation, is distributing dividends with the decisions made by the board of directors and from shareholders' meetings; it determines reasonable number of dividends based on business conditions, investments and shareholder value enhancement for the consistent growth within the profit available for dividend distribution. 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.

### Articles of association Clause 55 [Dividend]

- ① The dividend of profit can be made by money, share and other assets.
- ② In case the dividend of profit is given as share, it can be substituted by share according to resolution by general meeting of shareholders at the time of issuing shares by the company.
- ③ The dividend in clause 1 shall be given to the shareholder written in the current list of names of shareholders or registered pledge at the end of each settlement term.

### Clause 57 [Statute of Limitation for Claims for Payment of Dividends]

- ① The statute of limitation for claims for payment of dividends shall expire unless exercised for 5 years.
- ③ Dividends from the expiration of the statute of limitation in Paragraph 1 shall be attributed to the Company.

## B. Dividends over the recent 3 business years

### Major Dividend index

Classification	Type of share	Current year	Previous year	The year before previous year
		21st year	20th year	19th year
Face value per share (KRW)		500	500	500
(Consolidated) Current net profit (One Million KRW)		38,539	48,960	47,064
(Non-Consolidated) Net profit during the term (One Million KRW)		38,240	48,931	46,458
Net income per share (KRW)		2,370	3,010	2,894
Total cash dividend (Million KRW)		13,499	13,499	11,385
Total share dividend (Million KRW)		-	-	-
(Consolidated) Cash dividend payout ratio (%)		35.0	27.6	24.2

Return on cash dividend (%)	Common shares	2.1	2.5	1.4
	Preferred shares	-	-	-
Return on share dividend (%)	Common shares	-	-	-
	Preferred shares	-	-	-
Cash dividend per share (KRW)	Common shares	830	830	700
	Preferred shares	-	-	-
Share dividend per share (Share)	Common shares	-	-	-
	Preferred shares	-	-	-

## II. Content of Business

### 1. Business Overview

#### A. System IC

##### (1) Characteristics of the industry

Our product is a key component that drives the Display Panel and has been growing at scale with the development of the display industry. The key competitive elements in the display component market is to strengthen the technological competitiveness based on the originality and to enter in the early stage of the display technology development. As complex product design technologies are required these days, the technology gap between companies that have made bold investments in new market and those who have not.

##### (2) Market size and growth prospect

Medium and large (TV/ IT/ Auto) Display IC market is growing with aggressive capacity expansion by the Chinese panel manufacturers and increasing focus on premium products such as 8K LCD and OLED TV etc. Moreover, small (Smartphone/ Smartwatch) Display IC market is prospected to sustain its growth on P-OLED products in the future, as Chinese panel manufacturers are accelerating their entry into the P-OLED market since the introduction of Apple's first P-OLED phone release. Therefore, the Display IC market will continue to grow due to the rapid growth in Chinese panel manufacturers and shift in panel generation and etc.

[Yearly panel sales]

(Unit : M units)	2017	2018	2019(E)	2020(E)	2021(E)	2022(E)	2023(E)	2024(E)	2025(E)	2026(E)
<b>TV</b>	266.6	291.5	287.1	278.1	283.0	289.1	283.2	284.3	283.7	284.6
<b>Monitor</b>	140.1	150.4	144.3	146.9	147.9	148.9	149.1	149.6	149.4	149.1
<b>Notebook</b>	179.9	184.9	189.1	183.0	178.1	178.7	184.4	184.5	184.5	184.7
<b>Tablet</b>	215.1	207.6	225.8	210.2	200.9	202.6	211.3	212.4	209.8	205.2
<b>Automotive Display</b>	247.7	244.7	223.8	228.5	236.0	244.5	252.0	257.7	260.5	263.0
<b>Large Panel Total</b>	<b>1,049.4</b>	<b>1,079.0</b>	<b>1,070.1</b>	<b>1,046.7</b>	<b>1,045.9</b>	<b>1,063.9</b>	<b>1,079.9</b>	<b>1,088.5</b>	<b>1,087.8</b>	<b>1,086.5</b>
<b>Featurephone</b>	321.8	326.2	285.2	276.9	277.7	273.9	271.4	267.3	264.3	261.4
<b>Smartphone</b>	1,681.7	1,596.5	1,605.8	1,617.2	1,699.9	1,775.3	1,805.6	1,833.8	1,846.8	1,854.8
<b>Smartwatch</b>	105.1	148.7	194.9	244.2	313.8	342.9	362.4	376.5	386.4	393.5
<b>HeadMountDisplay</b>	3.5	3.7	4.7	6.5	9.4	12.9	14.9	16.6	17.1	17.3
<b>Small Panel Total</b>	<b>2,112.2</b>	<b>2,075.1</b>	<b>2,090.6</b>	<b>2,144.8</b>	<b>2,300.9</b>	<b>2,405.1</b>	<b>2,454.3</b>	<b>2,494.2</b>	<b>2,514.7</b>	<b>2,526.9</b>

[Source- HIS(Information Handling Services)]

### ① Medium and large (TV/ IT/ Auto) Display IC

Display IC market for LCD TV is growing due to panel supply increase caused by aggressive investments by the Chinese panel manufacturers and increase number of IC per panel with expansion of UHD TVs. UHD TV penetration rate in 2018 was approximately 45% in global average, and as mass production of 8K TV is estimated, display IC for LCD TV is expected to grow.

Moreover, the importance of OLED TV among premium TV market is continuously growing, and display IC market for OLED TV is also showing high growth as there has been an increase in TV set makers who chose OLED panel as their product differentiation strategy. Although the market size is fairly small as LG Display is currently the only manufacturer that mass produces OLED TV panels, but the market's rapid growth is expected as Chinese panel manufacturers are doing heavy investments on production facilities and equipment with their huge capital. Display IC for OLED TV has panel compensation technology in its core rather than the drive technology unlike LCD products. Therefore, manufacturers with such competitiveness will likely to lead the market.

It is hard to expect growth without changes in the form factor due to maturation of the IT product market. However, among the premium brands, some are creating added values by adding new functions to the products such as increasing the display resolution, utilizing touch panels, and etc.

### ② Small (Smartphone/ Smartwatch) Display IC

Smartphone market have entered into maturation phase. Smartphone market size has increase to approximately 1.5 billion in 2017, but it is expected as about 1.6 billion in 2018 and 2019. In the case of developed countries' smartphone market, it is expected to have lower growth compared to emerging markets, and emerging markets' growth is leading the entire smartphone market's growth. Global mobile demand is strongly affected especially by the Chinese internal market. Also, the importance of Chinese set customer is on the rise as local set makers' percentage inside China is showing growth.

As global major set makers are pushing active form factor progression strategy to create new demand, smartphones with P-OLED panels are expected to increase. Domestic and overseas panel makers are expanding

their P-OLED facility investments. Although domestic panel makers are leading the P-OLED market due to the technology gap between domestic and Chinese manufacturers, with capacity expansion by the Chinese panel makers, percentage of Chinese makers in the P-OLED panel market is expected to gradually increase.

Display IC for P-OLED phones has panel compensation, improvement in resolution, and low-power implementation at its core competitiveness. The relationship between set makers is very important along with the relation with the panel makers, because the wanted functions and performances differ by the set makers. To lead the Display IC market for P-OLED phones, along with procuring product competitiveness, it is important to have strategic cooperation relationship with the Chinese set makers such as Huawei and Shao Mi.

Unlike declining demand in smartphone market, smartwatch market is prospected to have high level of growth. And the market size will continue to grow through services affiliated with diverse devices such as IoT and etc.

### (3) Characteristics of economic fluctuations and competitive factors

The core competitive factor in the display component market is the market entry at the initial stage along with the development of display, and strengthening technological competitiveness based on original technologies. It is creating an entry barrier through differentiation with technological competitiveness by securing a meaningful share in the new market where new technology is applied.

Display industry has a characteristic where the technological completeness increases, the entry barrier becomes higher. Supply capacity has improved through fierce competition between panel makers in the past, and recorded high growth rate among overall display industry as it met with high demand. However, currently, it is now in the slow growth phase with high market maturation and limited demand, and changing need has not increased in big numbers due to high sensitivity in economic fluctuation. It is hard to expect sustainable market growth unless creating new demand through innovative products.

### (4) Market share

According to IHS, a market research company, the company entered top 60 global semiconductor manufacturer in 2019 and ranked in third place in terms of display driver IC manufacturer. However, as competitiveness of new technologies is more important than recent sales scale in judging the competitive advantage of the company, the company have successfully entered the OLED market through close cooperation with panel customers, and we continue to expand our business into new areas such as automobiles, batteries, and consumer electronics.

### (5) Strength of the company

The company not only provides the core components of display system semiconductor as a total solution, but also localize the products that have been highly dependent on overseas imports, contributing to stable components procurement and price competitiveness of domestic downstream companies. We are also actively supporting customers' market lead by providing customized premium products through continuous technology development. The win-win strategy based on trust with downstream companies plays a major role in our competitiveness. As a result, we have secured technology responsiveness that enables us to respond fast and flexibly to market changes, from new product developments to supply. The company is diversifying customer through procuring domestic and overseas partners base on independent design technology.

B. Silicon Works Inc.(USA), Silicon Works China Co., LTD(China)

For new market opportunities and existing customer service, the company has installed overseas corporate body in USA and China, and refer to 'A. System IC Part' for characteristics and market size of the two overseas subsidiaries.

C. Financial status summary for each business segment

(1) Financial status for each business segment

[Base date: December 31, 2019]

(Unit : 1 million KRW)

Category	Location	Title	21 <sup>st</sup> year	20 <sup>th</sup> year	19 <sup>th</sup> year
Semiconductor	Daejeon	Assets	629,733	607,559	544,294
		Liabilities	157,526	160,945	132,069
		Capital	472,207	446,614	412,225

Note) The financial status of Silicon Works Inc.(USA), Silicon Works China Co., LTD(China) are included in semiconductor category

(2) Profit / loss for each business segment

[Base date: December 31, 2019]

(Unit : 1 million KRW)

Category	Location	Title	21 <sup>st</sup> year	20 <sup>th</sup> year	19 <sup>th</sup> year
Semiconductor	Daejeon	Assets	867,122	791,818	692,761
		Operating profit	47,255	55,797	45,522
		Net profit	38,539	48,960	47,064

Note) The financial status of Silicon Works Inc.(USA), Silicon Works China Co., LTD(China) are included in semiconductor category

**2. Information on major products and etc.**

[Base date: December 31, 2019]

(Unit : 1 million KRW)

Business Sector	Product	Product Detail	Major Product	21 <sup>st</sup> year		20 <sup>th</sup> year		19 <sup>th</sup> year	
				Sales	Rate(%)	Sales	Rate(%)	Sales	Rate(%)
Semiconductor	System IC	Panel driver IC and etc.	Driver - IC	723,567	83.44	664,232	83.89	585,037	84.45
			Non-Driver-IC	143,555	16.56	127,586	16.11	107,724	15.55
Total				867,122	100.00	791,818	100.00	692,761	100.00

**3. Main materials**

[Basic date: December 31, 2019]

(Unit : 1 million KRW)

Material	Purchase price	Major supplier
WAFER, etc.	406,376	SK Hynix Co., Ltd., LG Innotek Co., Ltd. etc

Processing cost, etc.	257,108	LB Semicon Co., Ltd., LB Lusem Co., Ltd. etc.
-----------------------	---------	-----------------------------------------------

Note) LG Innotek Co., Ltd. which is one of the supplier of the company's materials is an LG affiliate company.

The company is a fabless company that outsources the manufacturing of the semiconductors. Information on unit price and price fluctuation are not written as purchase price of the wafers is crucial part of the business performance and therefore is a confidential information.

#### 4. Information on manufacture and facilities

##### A. Manufacturing ability and facilities

The company is a fabless company that has no manufacturing facilities. Manufacturing is outsourced to professional semiconductor manufacturers (foundry). Therefore, details on manufacture and facilities are not written.

##### B. Outsourcing manufacture

Fabless companies rely on outsource manufacturing from wafer production to packaging and testing. Moreover, due to the industry's characteristics, the business is segmented as foundry businesses that manufactures wafers or packing and testing businesses accompany big investments.

#### 5. Sales

##### A. Sales performance

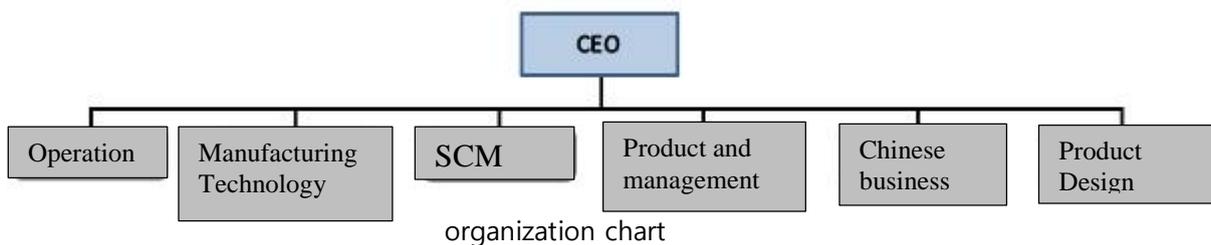
[Basic date: December 31, 2019]

(Unit : 1 million KRW)

Business	Sales type	Product		21 <sup>st</sup> year	20 <sup>th</sup> year	19 <sup>th</sup> year
Semiconductor	Product, etc.	System IC	Domestic	31,209	36,812	30,104
			Export	835,913	755,006	662,657
Total			Total	867,122	791,818	867,122

##### B. Sale channel and method, strategy, major customers

###### (1) Sales and mass production support divisions



[Job tasks per sales division]

Division	Job tasks
Sales	- Market and customer analysis, strengthening benchmark - Seek opportunity for market entering by sector/ secure orders
SCM	- Establish and implement medium and long-term purchase strategy to counteract on production cost and internal and external environment changes

	- Management of developed products' supply chain - Timely/ proper production and supply
Manufacturing Technology	- Secure product reliability - Secure post-manufacture pre-quality and technology - Establish quality management system
Quality Management	- Establish quality assurance and management system for customers - Provide best shipping quality and highly reliable products - Provide satisfaction with continuous developments and fast CS
Chinese Business	- Business diversification and enlarge overseas business through Chinese region (China, Taiwan) customer focused strategy
Product Planning	- Plan product, plan short and long-term product technology strategy

## (2) Marketing channel

Most of our sales are direct sales; The company develops and sells products through consistent discussions regarding the product specifications and characteristics with electronic companies which are the major buyers from the stage of development.

Product name	Partner	Sales channel
System IC	LG Display, etc.	Order → Silicon Works (OEM → release → delivery) Payment: within 30 to 120 days

## (3) Marketing strategy

The company is expected to maintain its competitiveness in the market through the development of new products and technologies along with differentiated customer support to fortify the customer base and to explore new customers. The company will keep its status in the market as it provides the optimum solutions which customers expecting from it.

## 6. Order Situation

The driver chips for displays manufactured by the company vary depending on the size and characteristics of display panels. Based on the purchase policies of major panel manufacturers, order is placed in a cycle of 10 weeks, followed by additional order at any given time thereafter.

## 7. Market Risk and Risk Management

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

### A. Credit Risk Management

Credit risk refers to risk where the company may have financial losses as customers or transactional counterpart fails to fulfill contractual obligations for financial products, and it may mainly break out from account receivables for customers and investment assets. Our 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 our company is in principle trading only with the banks of higher credit ranking in an effort to reduce this risk. Our 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 level of the company to credit risk in the current half year is maximum 385.4 billion KRW, including cash, cashable assets, trade receivables and other receivables.

#### B. Liquidity Risk Management

Proper liquidity maintenance and management are very important in running a company. The company currently maintain non-borrowing management and have adequate cash levels. In addition, the company is fully committed to maintaining and managing proper liquidity by regularly predicting the amount of cash flow, estimating the required level of cash, and managing income and spending. In addition, the company is communicating with the financial market in order to secure early liquidity in case of liquidity risk. The company is also actively reviewing current overdrafts and other borrowing limits to secure adequate level of liquidity.

#### C. Market risk

Market risk refers to risk with variations on the fair values of financial products or future cash flows due to variations in the market prices.

##### (1) Exchange rate risk management

The company is exposed to the exchange rate risk related to the sales profits and costs indicated in currencies other than the Korean Won which is the functioning currency. The major presentation currency for these transactions is the USD.

The book values of the cash assets and liabilities presented in foreign currency other than the functioning currency at the end of the current year and the previous year are as follows.

(Unit : 1 million KRW)

Classification	End of the year			End of previous year		
	USD	JPY	CNY	USD	JPY	CNY
Assets in foreign Currency	81,229	0.0	0.0	11,801	-	106
Liabilities in foreign Currency	19,537	0.4	0.2	19,858	73	0.2

The influence of changes in foreign exchange rate for KRW on the profits (before corporate tax) at the end of the current year and the previous year is shown below.

(Unit: 1 million KRW)

Division	End of the year	End of previous year
	(If 5% changed)	(If 5% changed)
USD	±3,085	±403
JPY	±0.0	±4
CNY	±0.0	±5

## (2) Interest Rate Risk Management

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

## D. Capital Risk Management

The capital management of the company 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 company is managing its capital based on the liability ratio. The liability ratio is calculated by dividing the total liability with the capital in the financial statement. In the current half year, the company maintains a proper debt ratio at 33.36%.

For more details on the market risks, please refer to the notes to this disclosure document. 『Ⅲ. Financial Matters』: 3. Notes to Consolidated Financial Statements – 6. Financial Risk Management 』

## 8. Transaction of Derivatives

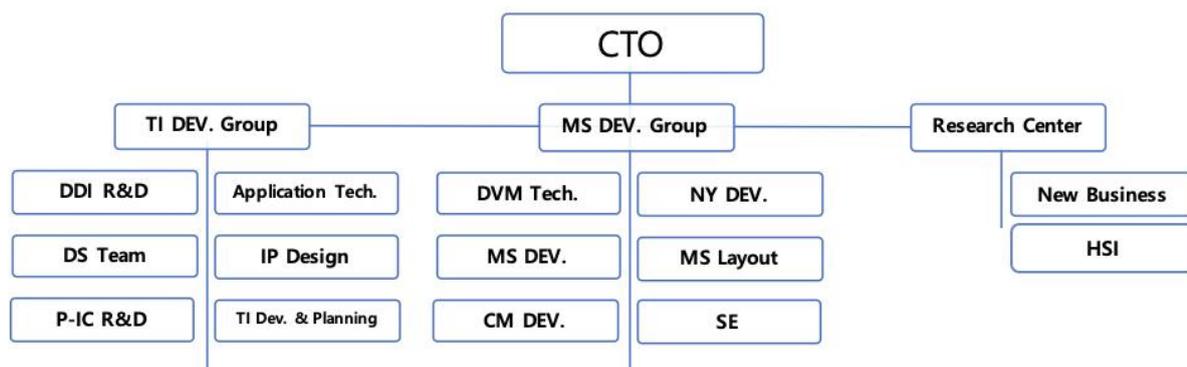
As of the reporting day, there is no relevant information.

## 9. Major Contracts in Management

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

## 10. Research and Development

### A. Research and Development Organization



Organization Chart – Research & Development

A. Research and Development cost

(Unit:1 million KRW)

Classification		21 <sup>st</sup> year	20th year	19 <sup>th</sup> year
Total of Research and Development Cost		100,030	85,879	79,336
(Government subsidy)		(196)	(170)	(121)
Balance of research and development cost after subtracting government subsidy		99,834	85,709	79,214
Accounting	Sales cost and management cost	99,834	85,709	79,214
	Manufacturing cost	-	-	-
	Development cost (Intangible capital)	-	-	-
R&D cost/ sales ratio [total of R&D cost÷Current proceeds×100]		11.5	10.8	11.5

note) The sales ratio is calculated based on the total of R&D cost before subtracting government subsidy.

C. 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. Our company's main products include Driver-IC, T-CON and PMIC while increasing sales through expanding product lineup to Mobile GID ,POLED DDI and Touch Controller etc. In addition to these products, the company is carrying out the mass production or development of some analog semiconductors for electric fittings and OA machines such as power IC, MCU, BMS IC and others through expanding technologies to various application areas other than displays.

## 11. Other Matters Necessary for Investment Decision Making

### A. Intellectual Property in Possession

[단위:건]



구분		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Registration	Domestic	12	18	36	25	20	8	4	1	4	8
	Overseas	3	1	9	35	50	25	36	27	31	28
Application	Domestic	-	-	2	29	32	47	42	50	50	96
	Overseas	-	-	-	3	1	17	19	45	46	82

<Patent registration and application status>

Products	2010		2011		2012		2013		2014		2015		2016		2017		2018		2019	
	Do mes tic	Ov ers eas	Do me stic	Ov ers eas																
D-IC	9		7		9	3	5	18	3	17		8	12		3		8			9
Back-end	1	1	2	1	2	3	1	7		2		1	1							
PMIC	1	2	2		5	1	7	2		6		2	1		1		1			3
I/F	1		2		6	2	2	7	2	20	1	6	3		1		3	1	1	
Touch			3		3		2		2	3		1	2		2	2	3	4	3	
T-Con					2		1					1	1		1		1	1		
ETC			1		6		1					1			2					
Algorithm			1																	1
DIC_TED					2		2			1		3								2
BMS IC									1				2		2	2	2			2
LED light					1		4		2	1	6	2	4	11	1	13		8		5
DIC_GD									1				2							1
APS							1		8				1		2					2
First-end									1		1									
RCL D-IC																		5		1
<b>Sub</b>	<b>12</b>	<b>3</b>	<b>18</b>	<b>1</b>	<b>36</b>	<b>9</b>	<b>25</b>	<b>35</b>	<b>20</b>	<b>50</b>	<b>8</b>	<b>25</b>	<b>4</b>	<b>36</b>	<b>1</b>	<b>27</b>	<b>4</b>	<b>31</b>	<b>8</b>	<b>28</b>

<Patent registration by products status>

### III. Financial Related Matters

#### 1. Summarized Financial Information

##### A. Summarized consolidated financial information

The company's consolidated financial statements for 21st year are written based on Korea - International Financial Reporting Standards (K-IFRS) and inspected by external financial inspector. The Company's 20<sup>th</sup> and 19<sup>th</sup> consolidated financial statements also have been written based on K-IFRS for comparison.

(Unit: 1 million KRW)

Classification	21 <sup>st</sup> year	20 <sup>th</sup> year	19 <sup>th</sup> Year
	Dec 31 <sup>th</sup> , 2019	Dec 31 <sup>st</sup> , 2018	Dec 31 <sup>st</sup> , 2017
[Current Assets]	519,233	508,162,893	497,749,254
• Quick Assets	400,390	404,071,783	436,737,980
• Inventory Assets	118,843	104,091,110	61,011,274
[Non-Floating Assets]	110,500	99,395,413	46,544,871
• Transferrable Financial Assets	-	1,025,845	3,358,369
• Tangible Assets	31,623	22,952,603	15,208,687
• Intangible Assets	52,680	56,895,059	17,715,664
• Other Non-Current Assets	26,197	18,521,906	10,262,151
Total Assets	629,733	607,558,306	544,294,125
[Current Liabilities]	144,852	155,223,703	129,360,440
[Non-Current Liabilities]	12,674	5,721,034	2,708,263
Total liabilities	157,526	160,944,738	132,068,704
[Capital Stock]	8,132	8,132,150	8,132,150
[Capital Surplus]	76,343	76,343,170	76,343,170
[Other Capital]	(433)	△487,552	1,645,781
[Retained Earnings]	388,165	326,625,800	326,104,320
[Non-Controlling Equity]	-	0	0
Total Equities	472,207	446,613,568	412,225,422
	Jan 1 <sup>st</sup> , 2019 - Dec 31 <sup>th</sup> , 2019	Jan 1 <sup>st</sup> , 2018 - Dec 31 <sup>st</sup> , 2018	Jan 1 <sup>st</sup> , 2017 - Dec 31 <sup>st</sup> , 2017
Sales	867,122	791,818,132	692,761,282
Operating Profit	47,255	55,797,059	45,521,509
Net profit	38,539	48,960,453	47,064,354
company's equity	38,539	48,960,453	47,064,354
Non-Controlling Company's Equity	-	-	-
Net Earnings per Share (KRW)	2,370	3,010	2,894
Net Diluted Earnings per Share	2,370	3,010	2,894

(KRW)			
Number of company included in the consolidation	2	2	2

## B. Summarized Financial Information

The company's financial statements for the 21<sup>st</sup> year are written based on Korea - International Financial Reporting Standards (K-IFRS) and reviewed by external inspector. The Company's 20<sup>th</sup> and 19<sup>th</sup> consolidated financial statements also have been written based on K-IFRS for comparison.

(Unit: 1 million KRW)

Classification	21 <sup>st</sup> year	20 <sup>th</sup> year	19 <sup>th</sup> Year
	Dec 31 <sup>th</sup> , 2019	Dec 31 <sup>st</sup> , 2018	Dec 31 <sup>st</sup> , 2017
[Current Assets]	517,493	506,873,236	496,552,390
• Quick Assets	398,650	402,782,126	435,541,116
• Inventory Assets	118,843	104,091,110	61,011,274
[Non-Current Assets]	111,771	100,375,583	47,293,891
• Transferrable Financial Assets	-	1,025,845	3,358,369
• Tangible Asset	30,647	21,717,533	15,188,032
• Intangible Asset	52,619	56,895,059	17,715,664
• Other Non-Current Assets	28,505	20,737,146	11,031,826
Total Assets	629,264	607,248,819	543,846,281
[Current Liabilities]	145,432	155,610,549	129,626,588
[Non-Current Liabilities]	12,675	5,721,034	2,708,263
Total Liabilities	158,107	161,331,583	132,334,851
[Capital Stock]	8,132	8,132,150	8,132,150
[Capital Surplus]	76,343	76,343,170	76,343,170
[Other Capital]	(381)	△380,808	1,705,780
[Retained Earnings]	387,063	361,822,723	325,330,329
Total Equities	471,157	445,917,236	411,511,429
Evaluation method for Subsidiaries, Relational and Common Company's investment	Cost Methods	Cost Methods	Cost Methods
	Jan 1 <sup>st</sup> , 2019 ~ Dec 31 <sup>th</sup> , 2019	Jan 1 <sup>st</sup> , 2018 ~ Dec 31 <sup>st</sup> , 2018	Jan 1 <sup>st</sup> , 2017 ~ Dec 31 <sup>st</sup> , 2017
Sales	867,122	791,817,912	692,756,756
Operating Profit (loss)	46,811	55,686,047	44,713,714
Net Profit (loss)	38,240	48,931,368	46,457,534
Net Earnings (loss) per Share (KRW)	2,351	3,009	2,856
Net Diluted Earnings (loss) per Share (KRW)	2,351	3,009	2,856

## 2.Consolidated Financial Statements

### Consolidated Statement of Financial Position, Balance Sheet

The 21<sup>st</sup> Year, 2019.12.31 current

The 20<sup>th</sup> Year, 2018.12.31 current

Silicon Works, Co., Ltd. and Subsidiary Company

(Unit:KRW)

Subjects	The 21 <sup>st</sup> Year(current)		The 20 <sup>th</sup> Year(previous)	
Assets				
I . Current Assets		519,232,824,508		508,162,893,203
Cash and Cash Equivalent (share 6,7,8,33)	109,686,194,681		222,527,311,948	
Short-Term Financial Products (share 6,7,9)	100,000,000,000		-	
Sales Receivables (share 6,7,10,36)	159,275,850,982		158,800,076,125	
Other Receivables (share 6,7,10)	4,571,715,172		2,245,032,543	
Other Current Assets (share 12)	26,584,770,094		20,499,362,783	
Short-Term Investment Assets (share 7,11)	270,925,629		-	
Inventory Assets(share 13)	118,843,367,950		104,091,109,804	
II . Non-Current Assets		110,500,465,809		99,395,412,661
Long-Term Investment Assets (share 7,11)		-	1,025,845,393	
Other Non-Current Receivables (share 6,7,10)	11,551,657,859		6,700,853,051	
Investments in Relational Companies (share 14)	4,295,935,074		4,419,269,914	

Subjects	The 21 <sup>st</sup> Year(current)		The 20 <sup>th</sup> Year(previous)	
Tangible Assets (share 15,35)	31,623,157,509		22,952,602,672	
Intangible Assets (share 16,17)	52,680,432,003		56,895,059,001	
Other Non-Current Assets (share 12)	2,393,994,075		1,521,850,250	
Deferred Tax Assets (share 32)	7,955,289,289		5,879,932,380	
Total Assets		629,733,290,317		607,558,305,864
Liabilities				
I . Current Liabilities		144,851,947,627		155,223,703,292
Expense Payables(share 6,7,18,36)	112,842,199,455		114,566,795,190	
Other Payables(share 6,7,18)	20,522,788,020		19,970,296,461	
Other Current Liabilities (share 19)	9,490,866,003		10,120,587,970	
Payable Tax Liabilities (share 32)	1,996,094,149		10,566,023,671	
II . Non-Current Liabilities		12,674,547,196		5,721,034,233
Other Non-Current Payables (share 6,7,18)	7,077,760,245		-	
Other Non-Current Liabilities (share 19)	1,616,864,455		1,323,932,368	
Fixed Salaries Liability (share 31)	3,979,922,496		4,397,101,865	
Total Liabilities		157,526,494,823		160,944,737,525
Capital				
1. Capital Reverted to Owners of Controlling company		472,206,795,494		446,613,568,339
I . Capital (share 20)	8,132,150,000		8,132,150,000	

Subjects	The 21 <sup>st</sup> Year(current)		The 20 <sup>th</sup> Year(previous)	
II . Capital Surplus (share 20)	76,343,170,500		76,343,170,500	
III. Other Capital Accounts (share 21)	(433,012,471)		(487,551,847)	
IV . Retained Earnings (share 22)	388,164,487,465		362,625,799,686	
2. Non-Controlling Shares	-		-	
Total Equities		472,206,795,494		446,613,568,339
Total Equities and Liabilities		629,733,290,317		607,558,305,864

"The attached note is a part of consolidated financial statement."

### Consolidated Profit and Loss Statement

The 21<sup>st</sup> Year, 2019.01.01-2019.12.31

The 20<sup>th</sup> Year, 2018.01.01-2018.12.31

Silicon Works, Co., Ltd. and Subsidiary Company

(Unit : KW)

Subject	The 21 <sup>st</sup> Year(current)		The 20 <sup>th</sup> Year(previous)	
I . Revenue (share 27,28,36)		867,122,049,614		791,818,131,828
II . Cost of Goods Sold (share 28,30,36)		654,231,514,747		598,160,376,164
III. Gross Profit		212,890,534,867		193,657,755,664
Selling and Maintenance Expenses (share 28,29,30)	165,635,907,186		137,860,697,117	
IV . Operating Profit (share 28)		47,254,627,681		55,797,058,547
Financial Income (share 6,25)	3,909,582,790		4,135,648,108	
Financial Cost (share 6,25)	456,681,665		664,052,236	
Other Profit (share 26)	3,602,289,324		2,202,478,724	
Other Expenses (share 26)	7,298,899,135		2,239,660,304	
Equity Method Profit and Loss (share 14)	(123,334,840)		9,269,914	

Subject	The 21 <sup>st</sup> Year(current)		The 20 <sup>th</sup> Year(previous)	
V. Net Profit (loss) excluding Income Tax Expense		46,887,584,155		59,240,742,753
VI. Income Tax Expense (share 32)	8,349,065,922		10,280,289,439	
VII. Current Year Net Profit		38,538,518,233		48,960,453,314
Current year Net Profit (loss) reverted to Owners of Controlling Company		38,538,518,233		48,960,453,314
Non-controlling Interest		-		-
IX. Earnings per Share (share 24)				
Basic Earnings per Share		2,370		3,010
Diluted Earnings per Share		2,370		3,010

"The attached note is a part of consolidated financial statement."

### Comprehensive Consolidated Profit and Loss Statement

The 21<sup>st</sup> Year, 2019.01.01-2019.12.31

The 20<sup>th</sup> Year, 2018.01.01-2018.12.31

Silicon Works, Co., Ltd. and Subsidiary Company

(Unit : KW)

Subjects	The 21 <sup>st</sup> Year(current)		The 20 <sup>th</sup> Year(previous)	
I. Year Net Profit		38,538,518,233		48,960,453,314
II. Other Comprehensive Profit or Loss		554,077,922		(1,610,321,796)
Accounts not reclassified as Profit and Loss:				
Re-measurement element of defined benefit plan (share 22,31)	659,021,828		(1,560,381,193)	
Corporate Tax Effect(share 32)	(159,483,282)		377,612,249	
Profit (loss) on hedge of net investment in foreign operations (other comprehensive profit or loss before tax) (share 6,11,21)	-		(502,384,869)	
Corporate Tax Effect (share 32)	-		121,577,138	

Subjects	The 21 <sup>st</sup> Year(current)		The 20 <sup>th</sup> Year(previous)	
Accounts can be reclassified as Profit and Loss:				
Currency Exchange Rate for Overseas Branches	54,539,376		(46,745,121)	
III. Total Comprehensive Profit		39,092,596,155		47,350,131,518
IV. Converted Total Comprehensive Income				
Total Comprehensive Income converted to the Owners of Controlling Companies		39,092,596,155		47,350,131,518
Non-controlling Interest		-		-

"The attached note is a part of consolidated financial statement."

### Consolidated Statement of Changes in Equity

The 21<sup>st</sup> Year, 2019.01.01-2019.12.31

The 20<sup>th</sup> Year, 2018.01.01-2018.12.31

Silicon Works, Co., Ltd. and Subsidiary Company

(Unit : KW)

Subjects	Capital attributable to owners of the controlling company				Non-Controlling Share	Total capital
	Capital	Capital surplus	Other capital	Consolidated retained earnings		
2018.1.1(beginning)	8,132,150,000	76,343,170,500	1,645,780,697	326,104,320,415	-	412,225,421,612
First Application of Accounting Policy K-IFRS 1109	-	-	(1,705,779,692)	1,705,779,692	-	-
First Application of Accounting Policy K-IFRS 1115	-	-	-	(1,576,974,791)	-	(1,576,974,791)
2018.1.1 (beginning) (Rewritten Amount)	8,132,150,000	76,343,170,500	(59,998,995)	326,233,125,316	-	410,648,446,821

Subjects	Capital attributable to owners of the controlling company				Non-Controlling Share	Total capital
	Capital	Capital surplus	Other capital	Consolidated retained earnings		
Total Comprehensive Profit or Loss:						
Year Net Profit	-	-	-	48,960,453,314	-	48,960,453,314
Re-measurement element of defined benefit plan	-	-	-	(1,182,768,944)	-	(1,182,768,944)
Other Year Net Profit – Fair Value Measured	-	-	(380,807,731)	-	-	(380,807,731)
Currency Exchange Profit and Loss for Overseas Business	-	-	(46,745,121)	-	-	(46,745,121)
Transactions with shareholders directly recognized in capital, etc.:						
Annual dividend	-	-	-	(11,385,010,000)	-	(11,385,010,000)
2018.12.31(Ending Capital)	8,132,150,000	76,343,170,500	(487,551,847)	362,625,799,686	-	446,613,568,339
2019.1.1(beginning)	8,132,150,000	76,343,170,500	(487,551,847)	362,625,799,686	-	446,613,568,339
Total Comprehensive Profit or Loss						
Year Net Profit	-	-	-	38,538,518,233	-	38,538,518,233
Re-measurement element of defined benefit plan	-	-	-	499,538,546	-	499,538,546

Subjects	Capital attributable to owners of the controlling company				Non-Controlling Share	Total capital
	Capital	Capital surplus	Other capital	Consolidated retained earnings		
Currency Exchange Profit and Loss for Overseas Business	-	-	54,539,376	-	-	54,539,376
Transactions with shareholders directly recognized in capital:						
Annual Dividend	-	-	-	(13,499,369,000)	-	(13,499,369,000)
2019.12.31(Ending Capital)	8,132,150,000	76,343,170,500	(433,012,471)	388,164,487,465	-	472,206,795,494

"The attached note is a part of consolidated financial statement."

### Consolidated Cash Flow Statement

The 21<sup>st</sup> Year, 2019.01.01-2019.12.31

The 20<sup>th</sup> Year, 2018.01.01-2018.12.31

Silicon Works, Co., Ltd. and Subsidiary Company

(Unit : KW)

subjects	The 21 <sup>st</sup> Year(current)		The 20 <sup>th</sup> Year(previous)	
I. Cash flow from sales operations		20,694,847,797		27,373,427,451
1. Cash generated from sales	36,682,081,187		20,668,228,801	
Year net profit	38,538,518,233		48,960,453,314	
Year net profit adjustment (share 33)	31,329,609,333		21,454,158,897	
Change to equities/liabilities on sales operations(share 33)	(33,186,046,379)		(49,746,383,410)	
2. Receipt of interest	3,386,621,936		4,247,053,641	

subjects	The 21 <sup>st</sup> Year(current)		The 20 <sup>th</sup> Year(previous)	
3. Payment of interest	(251,687,433)			
4. Payment of corporate tax (payment)	(19,122,167,893)		2,458,145,009	
II. Cash flow of investments		(117,201,380,408)		131,802,361,522
Increase in short-term financial item	(170,000,000,000)		(185,000,000,000)	
Decrease in short-term financial item	70,000,000,000		385,000,000,000	
Increase in other bonds	(2,751,374,404)		(4,350,311,979)	
Decrease in other bonds	2,410,805,819		2,331,997,856	
Increase in advance payments	(744,023,205)		(583,144,600)	
Decrease in other liabilities	-		(15,000,000)	
Acquisition of tangible assets	(10,402,438,679)		(12,378,788,209)	
Acquisition of intangible assets	(6,421,916,939)		(4,933,559,421)	
Disposition of tangible assets	92,567,000		950,703,900	
Disposition of intangible assets	-		231,545,455	
The profits and losses for the current term -disposition of net income-fair value measured financial assets	615,000,000		1,089,000,000	
Other comprehensive income- disposition of net income-fair value measured financial assets	-		97,615,131	
Acquisition of investments in equity securities of related companies	-		(4,410,000,000)	
Cash flow caused by acquisition of business	-		(46,129,996,611)	
Cash flow caused by restoration obligation	-		(97,700,000)	
III. Cash flow from financing activities		(16,267,098,811)		(11,385,010,000)
Payment of dividend	(13,499,369,000)		(11,385,010,000)	
Payment of lease fees	(2,767,729,811)		-	

subjects	The 21 <sup>st</sup> Year(current)		The 20 <sup>th</sup> Year(previous)	
IV. Increase of cash and cash equivalents (decrease)		(112,773,631,422)		147,790,778,973
V. Starting cash and cash equivalents		222,527,311,948		74,727,328,394
VI. Foreign exchange rate fluctuation effect on cash and cash equivalents		(67,485,845)		9,204,581
VII. Ending cash and cash equivalents		109,686,194,681		222,527,311,948

"The attached not is a part of consolidated financial statement."

### 3. Consolidated Financial Statements Notes

The 21st Year, 2019.01.01-2019.12.31

The 20th Year, 2018.01.01-2018.12.31

Silicon Works, Co., Ltd. and Subsidiary Company

#### 1. Company overview

##### (1) Controlling company overview

Silicon Works Co., Ltd. (hereinafter referred to as the "controlling company") was established on November 11, 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 controlling company was certified by the Korea Institute for Advance 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 on October 19, 2001. The controlling company has also been designated as a high-tech company as per Clause 1 of Article 9 of the Special Law on the Cultivation of the Special Research and Development Daedeok-gu and more on October 23, 2011.

The controlling company was listed in KOSDAQ on June 8, 2010. After several increases in capital with or without considerations, the amount of paid-in capital of the company at the end of current year is KRW 8,132,150,000 (Issued shares: 16,264,300, Authorized shares: 50,000,000).

The current status of the shareholders of the controlling company at the end of this year is as follows:

(Unit: shares)			
Company name	Shares owned	Percentage	Comment
LG Inc.	5,380,524	33.08%	Largest shareholder
National Pension Service	916,212	5.63%	-
Etc.	9,967,564	61.29%	-
Total	16,264,300	100.00%	

Consolidated financial statement for the reporting period ending on September 30, 2019 is comprised of shares in the controlling company and its subsidiaries (hereinafter the "consolidated entity").

(2) Overview of consolidated subsidiary of current year and last year-end

Company name	Country	Major Activity	Settlement month	Current year end controlling percentage	Last year end controlling percentage
Silicon Works Inc.	USA	Semiconductors manufacture and design	December	100.00%	100.00%
Silicon Works China Co., Ltd.	China	Semiconductors manufacture and design	December	100.00%	100.00%

(3) Subsidiaries' financial statement summary

Overview of current consolidated subsidiaries' financial statement of the end of current year and last year are as follows:

(Unit: KW)				
Category	Silicon Works Inc.		Silicon Works China Co., Ltd.	
	Current Year	Last Year	Current Year	Last Year
Assets	466,586,141	298,468,756	3,204,750,570	2,869,034,174
Liabilities	14,230,311	14,676,203	176,803,636	149,128,448
Capital	452,355,830	283,792,553	3,027,946,934	2,719,905,726
Sales	2,172,907,391	1,646,388,473	4,098,799,678	2,789,621,315

(Unit: KW)				
Category	Silicon Works Inc.		Silicon Works China Co., Ltd.	
	Current Year	Last Year	Current Year	Last Year
Net profit	160,956,176	(48,605,613)	261,108,933	68,420,742
Total comprehensive income	168,563,277	(35,475,712)	308,041,208	8,545,720

## 2. Applied standards for writing the consolidated financial statements

### (1) Accounting standards

The consolidation entity has prepared consolidated financial statements in accordance with the K-IFRS which is an accounting estimate that follows International Accounting Standards Board's international financial reporting standards as specified in Article 5 paragraph 1 of the Act on external audit of Inc., etc. The consolidated financial statements of the consolidation entity were approved by the board of directors on February 11, 2020, and will be finalized at the shareholders' meeting on March 26, 2020. The consolidated financial statements of consolidation entity were prepared by applying No. 1116 of the SKAS's 'Lease' for the first time. The resulting variation is described in Note 3.

### (2) Estimation Standards

The consolidated financial statements are prepared on a historical basis, except for the main items in the consolidated statement of financial position listed below.

- ① Net profit/loss-fair value measured financial asset which is measured by fair value
- ② Other profit and loss- fair value measured which is measured by fair value
- ③ Defined benefit obligation calculated by subtracting plan assets from the present value of defined benefit obligation

### (3) Functional currency and presentation currency

The financial statements of individual entities within the consolidated entity are prepared in the currency ("functional currency") of the main economic environment in which each individual company operates. The consolidated financial statements of the consolidated entity are reported in won, the functional currency and presentation currency of reporting company which is a dominant firm.

### (4) Estimation and judgment

K-IFRS requires the use of the board of directors' estimations and hypothesis based on their best judgments in matters such as accounting standard application or that affect the reporting amount of current asset, debt and profit, fees of the interim report when writing it. If estimates and assumptions based on the best

judgment of the board of directors at the end of the period are different from those of the actual environment, the actual results may differ.

The basic assumptions about estimated value and estimation are constantly being reviewed, and changes in accounting estimates are recognized for the period during which the estimates have been changed and for the period in which they will be affected in the future.

① Uncertainty in the board of directors' judgment

Information on key management decisions related to the application of accounting policies that significantly affect the amounts recognized in consolidated financial statements is included in the following notes.

- Note 4: Significant accounting policies

② Uncertainty of estimation and assumption

Information on the uncertainties in estimates and assumptions that has a significant risk of having adjustments occurring within the next reporting period is included in the following notes.

- Note 13: Inventory - assumption on inventory valuation allowance setting

- Note 18: Lease liability - judgement on lease duration

- Note 19: Provision - assumption about resource outflow and the cost

- Note 31: Measurement of defined benefit obligation - Major actuarial assumptions

③ Measuring fair value

While the accounting policies and disclosures of the consolidated entity require fair value measurement for a number of financial and non-financial assets and liabilities, the consolidated entity establishes a fair value assessment policy and procedures. These policies and procedures include the operation of the assessment department responsible for the review of all significant fair value measurements, including fair values classified in Level 3, and the results are reported directly to the financial officer.

The evaluation department regularly reviews significant input variables and evaluation adjustments that cannot be observed. If any information by a third party such as the broker price or evaluation organization is used in the fair value measurement, the evaluation based on information acquired from the third party includes the classification per level in the hierarchy system of fair value and judge whether to conclude as it meeting the applicable standard.

In the case where the fair value of an asset or liability is measured, the consolidated entity uses the input variable that can be observed from the market as much as possible. The fair values are classified within the hierarchy system of fair values, based on the input variables used in the valuation techniques as follows.

- Level 1: Unadjusted quoted price in an active market with access to the same asset or liability of the date of measurement
- Level 2: Input variables that are directly or indirectly observable for an asset or liability other than the quoted price at Level 1
- Level 3: Input variables that cannot be observed for an asset or liability

If more than one input variables used for measuring the fair value of an asset or liability are classified into different levels within the hierarchy system, the consolidated entity classifies the entire fair value measurements into the same level with input variable in the lowest level in the hierarchy system, and recognizes movement within the levels of the hierarchy that occurred at the end of reporting period.

Detailed information on the assumptions used in fair value measurements is included in the notes below.

- Note 7: Financial Risk Management

### 3. Change in accounting policies

Except for the cases mentioned below, accounting policies applied in this year consolidated financial statement is same as the one used for the yearly consolidated financial statement.

Consolidated entity first applied No.1116 of SKAS on January 1, 2019. There is other accounting policies that implements starting from January 1, 2019, those standards do not have big impact on the financial statement of the consolidated entity.

No.1116 of SKAS implemented single lease user accounting model, and as a result, consolidated entity recognizes user assets that shows the right to use underlying asset as a lease user and the lease liability that shows the obligation to pay lease fees. Lease provider accounting model is similar to the previous accounting policy.

The consolidated entity has recognized the cumulative effect by the no.1116 of SKAS as an earned surplus of January 1, 2019(first day of application). Therefore, comparative financial information applied no.1017 of SKAS as reported previously, and have not been rewritten. Details about modifications in accounting policies are noted below.

## (1) Definition of lease

Previously, consolidated entity applied No.2104 of the Statement of Financial Accounting Standards(SFAS) decide whether lease is included in the contract' and decided whether the contract was a lease or non-lease on the contract date. Now, the consolidated entity evaluates it under the basis of new definition of lease. According to No.1116 of SKAS, if the observed assets' private use control is transferred for a certain period of time in a contract, such contract is considered a lease or it includes lease.

On the first application date of No.1116 of SFAS, consolidated entity decided to apply a practical simple law that does not identify whether the contract is lease or not. Previously, consolidated identity applied No.1116 of SFAS only to the contracts that were identified as lease. It was not re-identified to find out whether it was the lease based on No.1017 or SKAS and No.2104 of SFAS. Therefore, definition of lease according to No.1116 of SKAS was applied to contracts signed or modified after January 1, 2019.

## (2) Lease user

Consolidated entity leases many assets including buildings and automobiles.

Consolidated entity classified lease as operating lease or financing lease depending on whether the lease transferred most of the dangers and compensations followed by the ownership of underlying assets as a lease user. According to no.1116 of SKAS, consolidated entity recognizes user right assets and lease liabilities on most of the lease. Therefore, most of the leases are shown on the consolidated financial statement.

However, consolidated entity decided not to recognize user right assets and lease liabilities for some of the underlying asset leases of a small sum. Consolidated entity recognizes such lease as an expense according to a flat rate standard during the lease period.

Consolidated entity includes lease liabilities into 'other liabilities' category of the financial statement.

### ① Significant accounting policy

Consolidated entity recognizes lead liability on the starting day of the lease. User right asset is measured as production price on initial recognition and subsequently measured by deducting accumulated depreciation and accumulated impairment losses from the production price, reflecting adjustments to the measurement of the lease liability.

Lease liability is measured as the current value that has not been paid on initial recognition, the starting day of the lease. When measuring the current value, lease fees are discounted as implicit interest rate. In the

cases where implicit interest rate cannot be easily calculated, lease fees are discounted as incremental borrowing rate of the consolidated entity.

The lease liability subsequently increases by the amount of interest fees recognized for the lease liability and decreases according to the payment of the lease fee payments. Lease liabilities are recalculated when future lease fees are altered according to changes in index or tariff (interest rate), estimated amount of payment according to guaranteed residual value, certainty of exercising purchase or extension options, or certainty of not exercising termination option.

Consolidated entity applies their judgments when deciding lease term for certain lease contracts that contain extension option. The evaluation of the certainty on the consolidated entity's selection of extension option affects the lease term, therefore also affecting the lease liabilities and the cost of the user right assets.

## ② Transitional provision

For the leases classified as an operating lease according to No.1017 of the SKAS on the period of transition, lease liabilities are measured as a current value of remaining lease fees as of January 1, 2019. And user right assets are calculated as the same price of the lease liabilities (adjust pre-paid or occurred(unpaid) lease fees).

Consolidated entity applies the following practical simple law when applying no.1116 of the SFAS to leases that are classified as operating lease according to No.1017 of the SKAS.

- Exempt regulation that does not recognize user right assets and lease liabilities applies for the leases that have less than 12 months of term.
- Direct cost of lease opening is excluded from the measured value of user right assets of the first application date.
- If the contract includes lease extension or termination option, then post-judgment is used to decide the lease term.

## (3) Accounting for lease grantor

The consolidation entity does not need to make any adjustments about the lease that corresponds to lease grantor at the time of transition. The consolidated entity accounts for the lease by applying No.1116 of SFAS from the date of initial application.

## (4) Effect on the consolidated financial statement

### ① Effect at the point of transition

Consolidated entity additionally recognized user right assets and lease liabilities at the transition period of No. 1116 of the SFAS. The effects on the transition point are as follows.

(Unit: KRW)		
Category		January 1, 2019
User right assets indicated as tangible asset	Building	12,197,494,072
	Delivery Equipment	380,679,049
	Total	12,578,173,121
Lease liabilities	Building	12,197,494,072
	Delivery Equipment	380,679,049
	Total	12,578,173,121

When measuring lease liabilities for leases classified as operating leases, the consolidation entity used the incremental borrowing rate at the date of initial application to discount the lease rates, and the weighted average incremental borrowing rate applied is 2.22%.

(Unit:KRW)	
Category	January 1, 2019
Operating lease term announced on the half year-end (December 31, 2018) financial statement	4,726,446,288
Discounted cost by applying incremental borrowing rate	4,676,698,850
- Application of exemption regulation on small lease and short term lease	(812,609,069)
- Change in estimation of prolongablenes, etc.	8,714,083,340
Lease liabilities recognized on January 1, 2019	12,578,173,121

② Effect at the transition period

As a result of applying No.1116 of SFAS to leases previously classified as operating leases, the amounts recognized as user assets and lease liabilities in the statement of financial position, balance sheet as of the end of the current term are as follows:

(Unit : KRW)		
Category		December 31, 2019
User right assets indicated as tangible asset	Building	9,445,476,190

(Unit : KRW)		
Category		December 31, 2019
	Delivery Equipment	325,387,122
	Total	9,770,863,312
Lease liabilities	Building	9,549,319,502
	Delivery Equipment	329,147,928
	Total	9,878,467,430

The amounts recognized in the comprehensive profit and loss statement related to leases during the current term are as follows:

(Unit:KW)			
Category		Current Term	
Sales	Profit from lease	1,057,300,000	
Selling and administrative expense and sales cost	Depreciation cost	Building	2,490,001,663
		Delivery Equipment	396,201,518
	Lease for short term lease and small assets		1,573,382,159
	Total		4,459,585,340
Other non-operation income	Profit from disposition of user assets	10,869,252	
Finance income	Interest Return	59,986,441	
Finance cost	Interest Cost	251,687,433	

#### 4. Significant accounting policies

The significant accounting policies that the consolidation entity has applied to prepare consolidated financial statements in accordance with K-IFRS are described below, and the consolidated financial statements of the current and last term have been prepared by applying the same accounting policy, except for changes in accounting policies described in Note 3.

##### (1) Business segment

The consolidation entity sorts the segments based on internal reporting data periodically reviewed by the top sales decision maker to make decisions on resources to be allocated to the segment and evaluate the performance of the segment. The consolidation entity identifies and reports business segment as a single segment.

##### (2) Consolidation

###### ① Business Combination

Business combinations are accounted by applying the acquisition method, except for combinations of business entities or businesses under the same command.

The transfer price is typically measured at fair value same as the identifiable net assets acquired are measured at fair value. If goodwill is generated as a result of a business combination, the company conducts an annual damage survey, and immediately recognizes it as profits or losses for the current term if a gain on a bargain purchase occurs. Acquisition-related costs are accounted for as expenses in the period in which the costs are incurred and the services are received, except for the costs of debt securities and equity securities that are recognized in accordance with IAS 32 and IFRS 9.

The transfer price does not include the amount related to the settlement of the existing relationship, and the settlement cost of the existing relationship is generally recognized in profits or losses for the current term.

Conditional price is measured at fair value at the acquisition date. Conditional price classified as equity is not re-measured and subsequent settlements are accounted for within equity. If conditional price is not classified as equity, the change in the fair value of conditional price is subsequently recognized and treated as profits or losses for the current term.

In the case of compensation held by the acquiree's employees and the exchanged acquirer's share-based payment, all or part of market-based estimate about acquirer's replacement award is included in the business combination's transfer price.

The portion of replacement award that is part of the transfer price of the acquiree and the portion of the compensation for post-combination service are determined by comparing the market-based estimate of the acquiree's compensation with the amount of replacement award for the pre-combination service.

## ② Non-controlling interests

Non-controlling interests are measured at the acquisition date in proportion of the current equity instruments to the amount recognized for the acquiree's identifiable net assets. Changes in the parent entity's ownership interest in the subsidiaries that do not lose control are accounted for as capital transactions.

## ③ Subsidiary

Subsidiary is an entity controlled by the consolidation entity.

The consolidation entity has the right to variable returns and to be exposed to variable returns by invested company's involvement and the consolidation entity controls invested company when it has the ability to influence those returns on its own power. The subsidiary's financial statements are included in the consolidated financial statements from the date the parent entity obtains control of the subsidiary until it loses control.

## ④ Loss of control

If the parent entity loses control of the subsidiary, it removes the assets and liabilities related to former subsidiary from consolidated statement of financial position and recognizes the profit and loss related to loss of control over previous controlling interest. Any residual investment in the subsidiary is recognized at fair value of the time it lost control.

#### ⑤ Share regarding investee under equity method

The consolidated entity's share on investee under equity method is consisted of the associate and joint venture's share.

An associate is an entity whose consolidated entity has significant influence over its financial and sales policies, but does not control or jointly control them. A joint venture is an entity in which the consolidation entity has rights to the net assets of the arrangement, not obligations for the assets and liabilities of the arrangement.

Investment shares in associates and joint ventures are initially recognized at cost, including transaction costs, and are accounted for using the equity method after acquisition. In other words, among the amount of profit and loss or other comprehensive income of the investee that occurs after the acquisition date, the amount that belongs to consolidated entity's share is deducted from the book value of the investment interest, and the share received from investee is deducted from investment share's book value.

#### ⑥ Removing internal transactions

Transactions within the consolidated entity and the related balances, income and expenses, and unrealized gains and losses are all removed when preparing consolidated financial statements.

On the other hand, the consolidated entity removes its share of the unrealized profits generated from transactions with equity-based investees, and the unrealized losses are eliminated in the same way as the unrealized gains if there is no evidence of asset damage.

#### ⑦ Business combination under common control

A combination of business entity or company under common control assumes the acquired assets and liabilities as the book value in the consolidated financial statements of the ultimate parent entity. The consolidated entity deducts the difference between the book value of the net assets acquired and the transfer price from capital surplus.

#### (3) Cash and cash equivalents

The consolidated entity classifies investments with maturity of less than three months from the acquisition date as cash and cash equivalents. Equity instruments are excluded from cash equivalents, but are included

in cash equivalents if they are real cash equivalents, such as preference shares with fixed redemption dates and with short term periods which is from the acquisition date to the redemption date.

#### (4) Inventory assets

The unit cost of inventories is determined by the moving average method, and the acquisition cost includes the purchase cost, conversion cost, and other costs required to prepare the inventory in a usable state.

Inventory is measured at the lower of acquisition cost and net realizable value.

The valuation loss and all inventory obsolescence reduced by the net realizable value are recognized as expenses during the period in which the reduction or loss occurred, and the reversal of inventory valuation loss due to the increase in the net realizable value of the inventory is deducted from the cost of sales of the inventory recognized as expenses during the period in which the reversal occurred.

#### (5) Non-derivative financial assets

##### ① Recognition and initial measurement

Trade receivables and issued debt securities are recognized for the first time at the time of the issue. Other financial instruments and financial liabilities are recognized only when the consolidated entity becomes a contracting party of the financial instrument. Except for trade receivables that do not include a significant financing component, the financial asset or financial liability is measured as fair value at the initial recognition and,

if it is not the fair value through profit or loss financial assets or fair value through profit or loss financial liability, the transaction costs directly attributable to the acquisition of that financial asset or the issuance of that financial liability are adjusted at fair value. A trade receivable that does not include a significant financing component is initially measured at the transaction price.

##### ② Classification and subsequent measurement

At initial recognition, financial assets are classified to be measured at amortised cost, fair value through other comprehensive income debt instruments, fair value through other comprehensive income equity instruments, or fair value through profit or loss. Financial assets are not reclassified after initial recognition unless the consolidated entity changes the business model for managing the financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets are measured at amortized cost if they meet both of the following conditions and are not designated as fair value through profit or loss:

- It is held under the business model whose objective is to collect contractual cash flows.
- Cash flows that are solely the payments of interest on principal amount and principal balances are generated on a specific date, depending on the terms of the financial asset's contract. If the debt instrument meets the following two conditions and is not designated as fair value through profit or loss, it is measured at fair value through other comprehensive income.
- Financial assets are held under a business model that is aimed both for collecting contractual cash flows and selling financial assets.
- Cash flows that are solely payments of interest on principal amount and principal balances are generated on a specific date, depending on the terms of the financial asset's contract.

On initial recognition of equity instruments that are not held for trading, the consolidated entity may choose to present subsequent changes in the fair value of the investment as other comprehensive income. Once selected, however, you cannot cancel it. This choice is made by the each investment.

All financial assets not measured at amortized cost or at fair value through other comprehensive income described above are measured at fair value through profit or loss. These financial assets include all derivative financial assets. At initial recognition, if the consolidated entity designate financial assets measured at amortized cost or fair value through other comprehensive income as the measurement item of fair value through profit or loss, it can eliminate accounting mismatch and if the entity wants to reduce the mismatch significantly, it may designate the related financial asset as a measurement item of fair value through profit or loss. However, you cannot cancel it once you specify it.

#### 1) Business model

The consolidated entity assesses the objective of the business model held at the portfolio level of financial asset because it best reflects how the business is managed and how information is provided to the management. Such information considers the following:

- The accounting policies and objectives specified for the portfolio and the actual operation of these policies. This includes management's strategy of obtaining or realizing expected cash flows through the acquisition of contractual interest income, maintenance of a certain level of interest return, and the matching of the duration of the liability that procures financial assets and the duration of the financial assets.

- A method of assessing the performance of financial assets held in a business model and reporting the assessment to key management personnel
- A method of managing risks that affect the performance of the business model (and the financial assets held in the business model)
- Compensation method for management (e.g. whether it is based on the fair value of the assets managed or on the contractual cash flows received)
- The frequency, amount, timing and reason of the financial assets' sales during the past period and expectation of future sales activities of financial assets

For this purpose, a transaction to transfer a financial asset to a third party where the transaction taking place does not meet the liquidation requirements is not considered as sale. A portfolio of financial assets that meets the definition of short term trade or whose portfolio's performance is evaluated on a fair value basis is measured at fair value through profit or loss.

## 2) Evaluation of whether contractual cash flows consist of principal amount and interest only

The principal amount is defined as the fair value of the financial asset at initial recognition. Interest consists of profits as well as the consideration for the time value of money, the consideration for credit risk associated with the principal balance in a particular period, and other basic loan risks and costs (e.g., liquidity risk and operating costs).

When assessing whether the contractual cash flows are solely payments for the principal amount and interest, the consolidated entity considers the terms and conditions of the instrument. If a financial asset contains a contractual term that changes the timing or amount of contractual cash flows, it shall determine whether the contractual cash flows that may arise due to that contractual term over the life of the instrument are solely payments of the principal and interest.

When evaluating this, the consolidated entity considers the following.

- Conditional circumstances that change the amount or timing of cash flows
- Provisions that adjust the contractual coupon, including variable interest rate characteristics
- Prepayment and maturity extension characteristics
- Terms and conditions that limit the consolidated entity's claim to cash flows arising from a particular asset

If the prepayment amount represents interest on the principal and the remaining principal that are practically unredeemed and includes reasonable additional compensation for the early liquidation of the contract, the early repayment characteristics are consistent with the conditions under which the principal and interest are paid on a particular date.

In addition, for financial assets acquired with significant discounts or premiums on face value for the contract, the prepayment practically represents the contractual face value and contractual interest accrual (but not paid in this case) which in this situation reasonable additional compensation for the early liquidation of the contract may be included, and the prepayment characteristic is determined to satisfy the condition when the related characteristic's fair value is insignificant at the point of financial asset's initial recognition.

### ③ Follow-up measurement and profit and loss

#### 1) Financial assets measured at fair value through profit or loss

These assets are subsequently measured at fair value. Net profit or loss, including return on dividends, is recognized in profit or loss.

#### 2) Financial assets measured at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by an impairment loss. Interest income, foreign currency translation gains/losses and impairment loss are recognized in profit or loss. Any gain or loss arising from de-recognition shall be recognized in profit or loss.

#### 3) Debt instruments measured at fair value through other comprehensive income

These assets are subsequently measured at fair value. Interest income is calculated using the effective interest method and foreign currency translation gains/losses and impairment loss are recognized in profit or loss. Other net gains and losses shall be recognized in other comprehensive income. The gain or loss on de-recognition shall be reclassified from accumulated other comprehensive income to profit or loss.

#### 4) Equity instruments measured at fair value through other comprehensive income

These assets are subsequently measured at fair value. Dividends are recognized in profit or loss if they do not clearly represent a recovery of investment costs. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

### ④ Removal of financial assets

The consolidated entity shall transfer the contractual right to collect the cash flows of the financial asset if the contractual right to the cash flows of the financial asset is extinguished, and if it practically transferred most of the risk and rewards regarding ownership of transferred financial asset or if the consolidated entity does not hold or transfer much of the risks and rewards of ownership, then it shall remove the financial asset.

The transferred asset shall not be removed if the consolidated entity has carried out the transaction to transfer the assets that are recognized in the consolidated statement of financial position, but retains most of the risks and rewards of ownership of the asset being transferred.

#### ⑤ Offset of financial assets

The consolidated entity may offset financial assets and financial liabilities and display them on a net basis in the consolidated statement of financial position only if it currently has a legally enforceable right of set-off on the assets and liabilities recognized or if it intends to settle them on a net basis, realize the assets or settle the liabilities.

#### ⑥ Impairment of financial assets

1) The consolidated entity shall recognize the loss allowance for expected credit losses of the following assets.

- Financial assets measured at amortised cost

- Lease bond

The loss allowance for trade receivables and other receivables measured at amortised cost is always measured at the amount of lifetime expected credit losses.

When determining whether a financial asset's credit risk has increased significantly since initial recognition, and when estimating expected credit losses, the consolidated entity considers information that is available, reasonable and supportable without undue cost or effort. This includes qualitative and quantitative information and analysis based on the group's past experience and known credit ratings, including future-oriented information.

The lifetime expected credit losses are expected credit losses resulting from all default events that may occur during the expected life of the financial instrument.

The longest consideration period when measuring expected credit losses is the maximum contractual period over which the group is exposed to credit risk.

#### 2) Measuring expected credit losses

Expected credit losses are the probability-weighted estimate of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e., the difference between all contractual cash flows payable under the contract and all contractual cash flows expected to be received). Expected credit losses are discounted at the effective interest rate of the financial asset.

### 3) Financial assets with impaired credit

At the end of each reporting period, the consolidated entity assesses whether credits of the financial assets measured at amortised cost are impaired. If one or more events occur that adversely affect the estimated future cash flows of a financial asset, then the financial asset is credit-impaired. Evidence of credit-impaired financial assets includes the following observable information.

- Significant financial difficulties of the issuer or borrower

### 4) Display of credit loss allowance in the consolidated statement of financial position

Loss allowances for financial assets and lease payment receivables measured at amortised cost are deducted from the book value of those assets.

### 5) Disengagement

If there is no reasonable expectation for the recovery of all or part of the financial asset's contractual cash flows, the asset is removed. The consolidated entity evaluates the timing and cost of each break by assessing whether the corporate customer has reasonable expectations for recovery. The consolidated entity does not expect a significant payback of the disengaged amount. However, each eliminated financial assets may be subject to recovery activities in accordance with the recovery process for the group's mature amount.

### (6) Tangible Assets

Tangible assets is initially recognized at the principal amount. Cost of tangible assets includes costs directly related to the location and condition required to operate the asset in the manner intended by management, and costs estimated to be incurred by decommissioning and removing the asset or restoring the site.

After initial recognition, tangible assets shall have the cost calculated after deducting accumulated depreciation and accumulated impairment losses from the principal amount as the book value.

As for the costs incurred when replacing a part of tangible assets, when the future economic benefits from the asset are likely to flow into the group and when the costs are reliably measurable, it is included in the book value of the asset, or, if appropriate, are recognized as separate assets.

When doing so, the book value of the replaced part is removed. Other costs incurred in connection with routine repairs and maintenance are recognized in profit or loss when incurred.

Among tangible assets, lands shall not be depreciated, and regarding the amount of the asset's acquisition cost minus its residual value, other tangible assets shall be amortised to a straight-line depreciation method

that best reflects the expected pattern of consumption for future economic benefits embodied in the asset over the economic durable years set out below.

If a part of the principal amount that consists tangible assets is significant compared to the total cost of tangible assets, then the related tangible asset is depreciated separately.

The gain or loss arising from the de-recognition of tangible assets is determined by the difference between the net selling amount and the book value, and the difference is recognized as non-operating income and other non-operating expenses.

The estimated service life of current and previous tangible assets is as follows.

Category	Service Life
Building and Structure	20yrs 40yrs
Mechanical Equipment	5yrs
Equipment	4yrs
Other Tangible Assets	5yrs

At the end of each reporting period, the consolidated entity reviews the residual value of the asset, its service life and depreciation method, and after the review, if it is decided appropriate to change it, then the change in accounting estimate is carried out.

#### (7) Intangible assets

Intangible assets are measured by the cost of the initial recognition and the amount calculated after deducting accumulated amortization and accumulated impairment losses from the principal cost after the initial recognition is deemed as a book value.

The intangible assets are amortized on a straight-line method for the following useful life, with the residual value of zero ("0") from the date of availability. However, for some intangible assets, since there is no foreseeable limit on the period in which this method is available to use, the useful life of such intangible assets is deemed as indefinite and are not amortized.

The estimated useful life of current and last year's electric intangible assets is as follows.

Category	Useful Life
Goodwill	Indefinite
Industrial Property	10yrs
Software	2yrs ~ 5yrs

Category	Useful Life
Membership	Indefinite
Other Intangible Assets	2yrs ~ 5yrs

The amortisation period and amortisation method of intangible assets with finite useful lives are reviewed at the end of each reporting period, and the evaluation of intangible assets with indefinite useful lives continues to be reviewed whether the judgement that the asset's useful life is indefinite is reasonable at the end of each reporting period, and a change in accounting estimate carried out if it is deemed appropriate to change.

Subsequent expenditures are capitalised only if the future economic benefits of the particular assets involved increase, and other expenditures, including internally generated goodwill and trademarks, are expensed immediately when they are generated.

#### (8) Goodwill

The goodwill corresponds to the consideration paid for the excess amount paid more than the fair value regarding net identifiable assets acquired at the time of the business combination and is counted as intangible assets. Although goodwill is not amortised, it is tested for impairment every year and displayed as a cost calculated by deducting accumulated impairment loss from the principal amount.

#### (9) Government subsidy

Government subsidy is recognized only when the consolidated entity corresponds to the standards necessary for government subsidy and when there is a reasonable assurance about receiving that subsidy.

##### ① Government subsidy related to assets

The consolidated entity receives government subsidy with a necessary basic standard that the subsidy should be used for acquiring or building intangible assets; when calculating the asset's book value, the subsidy is deducted and over the useful life of the depreciable assets, it is recognized as profits or losses.

##### ② Government subsidy related to profits

The consolidated entity recognizes the subsidy as profits and losses by deducting it from related charge over the period during which relevant cost that tries to keep government subsidy as a subsidy is recognized as a cost.

#### (10) Impairment of non-financial assets

For all non-financial assets excluding assets such as those arising from employee wage, inventory assets, and intangible assets that are classified as deferred tax assets, the company examines whether there are indications of asset damage at the end of each reporting period, and estimates the recoverable amount of such assets if there are such indications.

However, for the intangible assets with indefinite useful lives and intangible assets that are not yet available for use, they are tested for impairment annually by comparing the recoverable amount with the book value, regardless of any indication of asset damage.

The recoverable amount is estimated by individual assets, or if the individual asset's recoverable amount cannot be estimated, then the amount is estimated by the cash generating unit that the asset belongs. The recoverable amount is determined as the higher one between use value and net fair value. The recoverable amount is determined as the higher one between use value and net fair value. Use value is measured by discounting with an appropriate discount rate that not only reflect the current market's estimation on the asset's special risk which was not adjusted when measuring future cash flow and but also reflect the currency's time value.

If the recoverable amount of an asset or a cash-generating unit falls short of book value, the book value of the asset is reduced and immediately recognized as profits or losses.

At the end of each reporting period, the entity shall review whether there are any indications that the impairment loss recognised in the prior period no longer exists or has been reduced regarding assets excluding the goodwill, and carry out the recovery only when there is a change in the estimation used to determine recoverable amount after the time impairment loss was recognized. The book value increased by the reversal of an impairment loss shall not exceed the balance after depreciation or amortization of the book value prior to the recognition of an impairment loss in the past.

The goodwill acquired by a business combination is allocated to each cash-generating unit that is expected to benefit from the synergy effect of the business combination. The impairment loss for the cash-generating unit first reduces the book value of goodwill allocated to the cash-generating unit, and then reduces the book value of the asset in proportion to book value of each of the other assets included in cash-generating unit. Impairment losses recognised for goodwill cannot be reversed in subsequent periods. At the end of each reporting period, the entity shall review whether there are any indications that the impairment loss recognised in the prior period no longer exists or has been reduced, and carry out the recovery only when there is a change in the estimation used to determine recoverable amount after the time impairment loss was recognized. The book value increased by the reversal of an impairment loss shall not exceed the balance after depreciation or amortization of the book value prior to the recognition of an impairment loss in the past.

#### (11) Lease

The consolidated entity applied No. 1116 of the SKAS using the revised retroactive method. Consequently, comparative financial information presented is not restated and is prepared in accordance with SKAS's No.1017 and SKAS's No. 2104. If the specifics of accounting policies in accordance with SKAS No.1017

and SKAS No.2104 differ from those in SKAS No.1116, the contents and effects of changes are separately disclosed in Note 3.

#### ① Accounting policies applied before January 1, 2019

For contracts signed before January 1, 2019, the consolidated entity has determined whether the arrangement is a lease or whether it includes a lease, based on its assessment of the following:

- whether the arrangement can only be fulfilled by using certain assets;
- whether the right to use the asset is transferred according to the agreement. The agreement transfers the right to use the asset if one of the following conditions is met:
  - Buyer has the right or ability to operate the asset while obtaining or controlling a significant amount of output from the underlying asset
  - Buyer has the right or ability to control physical access to the asset while obtaining or controlling a significant amount of output from the underlying asset
  - Facts and circumstances indicate that the other party's probability of obtaining a significant amount of output from the underlying asset is slim and the price per unit of output is fixed or not equal to the market price.

#### ② Accounting Policies Applied on January 1, 2019

The consolidated entity determines whether the contract is a lease or includes a lease at the time of the agreement. In the contract, if the usage control of the identified asset is transferred for a certain period of time in exchange for the consideration, then the contract is either a lease or includes a lease. When determining whether a contract transfers the usage control of the identified asset, the consolidated entity assesses the following:

- Whether the contract includes use of the assets identified

The identified assets must represent most of the volume of the assets that is clearly specified in the contract or can be implicitly specified at the time that customer is available to use or those that are physically distinct and distinguishable. If the provider has an actual replacement, then the asset is not an identified asset.

- Whether the consolidated entity has the right to obtain most of the economic benefits from the use of the asset throughout its service life;
- Whether the consolidated entity has the right to direct the use of assets
  - The consolidated entity has the right to direct the use of the asset when it has the most relevant decision-making power to change the method and purpose of using the asset.

In rare cases, the method and purpose of using the asset may be predetermined, in which case the consolidated group has the right to direct the use of the asset if one of the following occurs:

·Consolidated entities have the right to operate assets

·The consolidated entity directly designed the assets in a way that the method and purpose of usage is predetermined.

This accounting policy applies to contracts that have been concluded or changed since January 1, 2019.

At the date of the agreement or revaluation of the contract that includes the lease component, the consolidated entity allocates the contract consideration to each lease component based on the relative individual price of the lease component. However, in the case where the consolidated group is a lessee for the lease of land and buildings, the consolidated group chose a practical method of accounting for the lease as a single lease component without separating the lease component from the non-lease component.

#### 1) Lessee

The consolidated entity recognizes license asset and lease liabilities at the commencement of the lease. License assets are initially measured at cost, and those costs consist of estimates of the initial measurement of lease liability, the lease amount paid on the day the lease started or before (the received lease incentive is deducted), the initial direct cost of lease, the estimated cost that lessee is responsible for when the lessee removes or dismantles underlying asset or when the lessee recovers the underlying asset or the site on which the asset is located.

License asset assets shall subsequently be depreciated on a straight-line basis starting from the commencement of the lease until the earlier date between the end date of license asset's service life and the end date of lease term. The service life of a license asset is estimated in the same way as service life estimate of tangible assets. Also, license assets may also be reduced due to impairment loss or may be adjusted due to re-measurement of lease liabilities.

Lease liabilities are initially measured at the present value of the lease payments not paid as of the commencement of the lease. Lease is discounted at the interest rate implicit in a lease, but interest rate implicit in a lease is not readily calculated, then it is discounted at lessee's incremental borrowing rate of interest. Typically, the consolidated entity uses incremental borrowing rate of interest as the discount rate.

The lease payments included in the lease liability measurement consist of the following items:

- Fixed lease (including actual fixed lease)
- Fluctuating lease rates that depend on the index or rate (interest rate). Initially measured using an index or rate (interest rate) on the starting day of lease.

- Amount expected to be paid in accordance with the residual value guarantee

-When it is evident that purchase option will be carried out, then the purchase option's event price; when it is evident that the extended option would be carried out, then the lease payment during the extended period, and in the case where the lease term reflects termination option, then the payment required to terminate the lease.

Lease liabilities are amortised in accordance with the effective interest method. Lease liabilities are remeasured if changes in the index or rate (interest rate) change the future lease payment, change the amount expected to be paid under the residual value guarantee, or change the assessment of whether to carry out the option of buying, extension or termination.

The re-measurement price is recognized as profit or loss when the license asset related to re-measuring lease liabilities is adjusted and the license asset's book value is reduced to 0.

In the statement of financial position, the consolidated entity marked "tangible assets" for license assets that do not meet the definition of investment property, and the lease liabilities as "other liabilities."

The consolidated entity has chosen a practical method that does not recognize license assets and lease liabilities regarding the short-term leases with less than 12 months term and small-sum underlying asset leases including buildings, vehicles and supplies. The consolidated entity recognizes the lease payments associated with these leases as expenses in accordance with the straight-line method over the lease term.

## 2) Lease provider

As a lessor, the consolidated entity determines whether the lease is a finance lease or an operating lease on the inception of the lease. To classify each lease, the consolidated entity generally determines whether the lease transfers most of the risks and rewards of ownership of the underlying asset. If most of the risks and rewards of ownership of the underlying asset are transferred to the lessee, the lease is classified as a finance lease, otherwise the lease is classified as an operating lease. As part of this evaluation indicator, the consolidated entity considers whether the lease term represents a significant part of the economic service life of the underlying asset. If the consolidated entity is an intermediate lease provider, the group accounts for the higher lease and the sublease respectively.

In addition, the classification of sublease is determined by the license asset arising from the higher lease rather than the underlying asset. If the higher lease belongs to a short-term lease that applies the recognition exemption rule, then the sublease is classified as an operating lease. If the arrangement includes both the lease component and the non-lease component, the consolidated entity applies SKAS No.1115 to allocate

the contract cost. The consolidated entity applies the elimination and impairment provisions of SKAS No.1109 for net lease investments.

The consolidated entity conducts a regular review of the non-guaranteed residual value used to calculate the gross lease investment. The consolidated entity recognizes the lease payments received for operating leases as revenue on a flat basis over the lease term, regarding it as part of its 'sales'. The accounting policies applied during comparative periods by the consolidated entity as a lessor are not different from those in SKAS No.1116.

## (12) Non-derivative Financial Liabilities

The consolidated entity classifies the financial liability as the financial liability at fair value through profit or loss and other financial liabilities in accordance with the practical substance of the contract and with the definition of financial liabilities and recognises them in the statement of financial position when the group become actual parties of the contract.

### ① Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or financial liabilities designated as financial liabilities at fair value through profit or loss at initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value after initial recognition and changes in their fair value are recognized as profit or loss. On the other hand, transaction costs related to the issuance of financial liabilities at fair value through profit or loss at initial recognition are recognized immediately as profit or loss upon occurrence.

### ② Other Financial Liabilities

Non-derivative financial liabilities not classified as financial liabilities at fair value through profit or loss are classified as other financial liabilities. At initial recognition, other financial liabilities are measured at fair value with transaction cost directly related to the issuance deducted from it.

Subsequently, other financial liabilities are measured at amortised cost through the application of the effective interest method and the associated interest cost is recognised.

When a financial liability is extinguished, that is, when the contractual obligation has been fulfilled, cancelled or expired, it is removed from the statement of financial position.

## (13) Employee wage

### ① Short-term employee wage

The consolidated entity recognizes as profit or loss the amount expected to be paid when the service is provided by exchanging the service work with the short-term employee wage paid within 12 months from the end of accounting period during which the employee provided the related service. Short-term employee wage are measured at an undiscounted amount.

## ② Other long-term employee wage

For other long-term employee wage that will not be paid within 12 months from the end of reporting period during which the employees provide the related services, the future benefits received as a price of their service during current and last term are discounted to the present value. Changes resulting from remeasurements are recognized as profit or loss in the period in which they occur.

### ② Retirement benefit: defined benefit system

The defined benefit liability related to the defined benefit plan at the end of the reporting period is recognized by deducting fair value of the plan assets from the present value of defined benefit liability. The defined benefit liability is calculated by an independent actuary every year in projected unit credit method. If the net amount calculated by deducting the fair value of the plan assets from the present value of the defined benefit obligation is an asset, the asset is recognized with the present value limit of the economic benefits available by receiving a refund from the plan or reducing future contributions to the plan.

The remeasurement component of the net defined benefit liability consists of changes in the asset recognition ceiling effect which does not include net defined benefit liability, actuarial gains and losses, and revenues of plan assets with the cost included in net defined benefit liability's net interest excluded, and is immediately recognized as other comprehensive income.

The consolidated entity determines the net interest of net defined benefit liability (asset) by multiplying the net defined benefit liability (asset) with discount rate determined at the beginning of the annual reporting period and takes into account the changes in the net defined benefit liability (asset) arising from contributions and payout during the reporting period when determining the interest. Net interest and other expenses related to the defined benefit plan are recognized in profit or loss.

In the event of a revision or reduction of the plan, the profit or loss resulting from the change or reduction of benefits of the past service shall be immediately recognized in profit or loss. The consolidated entity recognizes the gain or loss from settlement when the settlement of defined benefit plan takes place.

## (14) Provisions

A provision is a present obligation (a legal or constructive obligation) that exists as a result of a past event, and is recognized when the necessary resources with economic benefits are likely to be leaked to fulfill that obligation and when the amount required to fulfill that obligation can be estimated with a reliability.

The amount recognized as a provision is the best estimate of the expenditure required to fulfill the present obligation at the end of the reporting period, taking into account the inevitable risks and uncertainties regarding the relevant events and circumstances.

If the effect of the time value of money is important, the provision is assessed as the present value of the expected expenditure to fulfill the obligation.

If a third party is expected to reimburse some or all of the expenses required to settle the provision, the reimbursement is recognized and accounted for as a separate asset only when it is almost certain that the reimbursement will be made.

The consolidated entity reviews the balance of provisions at the end of each reporting period and adjusts by reflecting the best estimate as of the end of the reporting period. The related provisions are reversed when the assets with economic benefits are no longer likely to be leaked in order to fulfill the obligation. A sales guarantee provision is recognized when a product or service is sold or provided, and based on past warranty data, estimates are weighted average of all possible outcomes and associated probabilities. Provisions are used only for expenditures related to initial recognition.

#### (15) Foreign currency transaction

In preparing the financial statements of the consolidated entity, transactions made in currency (foreign currency) other than the functional currency 'won' are recorded using the exchange rate of the transaction date. At the end of each reporting period, monetary foreign currency items are converted by closing rates of the end of the reporting period. Non-monetary foreign currency items measured at fair value are converted by the exchange rate of the date that fair value is determined, and non-monetary items measured at historical cost are converted by the exchange rate of the transaction date.

The foreign exchange differences generated at the time of monetary item's payment and those arising from the conversion of monetary items are recognized as profit or loss's other non-operating income and other non-operating expenses category when they are related to business activities and when the differences are related to non-operating activities, then they are recognized as profit or loss' financial income and financial expense items.

If gains or losses arising from non-monetary items are recognized as other comprehensive income, the effects of exchange rate changes included in those gains and losses are recognized as other comprehensive income, and when they are recognized as profit and loss, then the effects of exchanges rate are also recognized as profit or loss.

## (16) Paid-in capital

Ordinary shares are classified as equity, and the incremental costs incurred directly related to capital transactions are deducted from equity in a net amount that reflects tax effects.

In the case of reacquiring its own equity instruments, the consolidated entity deducts these equity instruments directly from equity as subjects of treasury stock. The gain or loss on the purchase, sale, issue or elimination of the own equity instruments shall not be recognized in profit or loss. If the consolidated entity acquires and holds its own shares, the consideration paid or received is recognized directly as equity.

## (17) Profit from contracts with customers

As of January 1, 2018, the consolidated entity first applies SKAS No.1115 to all types of contracts by applying a five-step revenue recognition model (① identifying contracts → ② identifying performance obligations → ③ identifying market price → ④ allocating market prices to performance obligations → ⑤ recognising revenue when fulfilling performance obligations).

### ① Contract Identification

The consolidated entity identifies the contract with customer when it meets all of the following criteria.

- The parties of contract approve the contract and commit to perform their respective obligations.
- The rights of each party relating to the goods or services to be transferred are identified.
- The payment terms of the goods or services to be transferred are identified.
- There is a commercial practicality in the contract.
- There is a high possibility of collecting the consideration entitled to be received from customer for the goods or services to be transferred. The consolidated entity identifies a supply and service contract that meets all of the above criteria as customer contract.

### ② Identifying performance obligations

At contract inception, the consolidated entity reviews the promised goods or services in the contract with the customer to identify the promise to transfer either of the following to the customer as a performance obligation.

- A distinguishable good or service (or a bundle of goods or services)

'A series of distinguishable goods or services' that are substantially the same and have the same transfer method to the customer

The performance obligation of the consolidated group identified in the contract with the customer is the provision of the promised product and service.

### ③ Market price calculation

The consolidated entity refers to the terms of the contract and the business practices of the company to determine the market price. The market price is the amount that the entity expects to receive in return of the transfer of promised goods or services to customer and it excludes the amount collected on behalf of a third party. The consolidated entity calculates the market price as the consideration received from customer for supply and service of the product. However, the consideration received from customer may change because the consolidated entity allows returning of products as stated in the contract for product supply. The consolidated entity estimates the variable consideration using an expected value method that it expects to better predict the consideration to be entitled to, and recognizes revenue by including the variable consideration in the transaction price only to an amount that is highly probable that it will not reverse a significant portion of the cumulative revenue already recognized when the return period has expired. The amount of consideration received or to be received by the consolidated entity that the group is not expected to be entitled to shall be counted as a refund liability and recognized as a new asset for the right to recover the returned asset.

### ③ Allocating transaction price to performance obligation

The consolidated entity assigns the transaction price to each performance obligations in an amount that indicates the right to receive payments in return of the transfer of promised goods or services to customer. In the contract with the customer, the consolidated entity's performance obligation is provision of products and services, consisting of a single performance obligation of the identified distinguishable goods and services and thus the transaction price is not allocated.

### ④ Recognition of revenue when fulfilling performance obligations

The consolidated entity satisfies its performance obligation by transferring promised goods or services to the customer and recognizes transaction price allocated to performance obligation as revenue when the customer controls goods or services. The consolidated entity recognizes revenue by viewing the performance obligation of supplying products and providing services as being satisfied at a point in time.

In particular, as for service provision, the consolidated entity shall recognize revenue as a performance obligation satisfied at a point in time since the assets created by the consolidated entity's performance do not have an alternative use to the entity itself, and that the performance completed to date does not meet the requirements of the performance obligation that requires performance to be carried out over a period during which payment claim is enforceable.

## (18) Financial Income and Financial Expenses

Financial earnings include interest income, converted profit and foreign exchange gains on foreign currency financial instruments, and net profit on financial assets measured at fair value through profit or loss. Interest income is recognized in profit or loss by applying the effective interest method over time.

Financial expenses include interest costs on borrowings and converted loss and foreign exchange loss on foreign currency financial instruments and net profit on financial assets measured at fair value through profit or loss. The interest expense on the borrowings is recognized in profit or loss over time by applying the effective interest method.

The effective interest method is the interest rate that accurately matches the present value of the future cash payment or receivable estimated for the expected life of the financial instrument with the total book value of financial asset or the amortised cost of financial liability. When calculating interest income or interest costs, the effective interest rate applies to the total book value of the asset (if the asset is not credit-impaired) or amortised cost of the liability. However, for financial assets that have subsequently been credit-impaired since initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer considered credit-impaired, the interest income shall be calculated by applying the effective interest rate to the total book value.

#### (19) Corporate tax

Income tax expense consists of current corporate tax and deferred corporate tax, and is recognized as profit or loss, except for the amount of tax arising from transactions, events or business combinations that are recognized directly in other comprehensive income or equity.

##### ① Current corporate tax

The current corporate tax is calculated on the basis of taxable income in the current period.

Taxable income is different from profit or loss of the consolidated profit or loss statement, as the profit or loss and non-taxable items that are to be added to other taxable periods and items not recognizing exclusion are not included to the pre-tax income of the consolidated profit or loss statement.

The income tax payable in relation to the current corporate tax of the consolidated entity is calculated using the established tax rate established or substantially enacted tax rate.

##### ② Deferred corporate tax

When measuring deferred tax liabilities and deferred tax assets, the tax effects from the method through which the consolidated entity is expected to recover or pay the book value of related assets and liabilities at the end of the reporting period is reflected. Regarding addable temporary difference of the subsidiaries, associates and joint ventures' investment shares, they all recognize deferred tax liabilities except for the case

where the consolidated entity can control the elimination timing of the shares' temporary differences and the temporary difference is unlikely to expire in the foreseeable future.

In addition, deferred tax assets arising from deductible temporary differences are recognized when temporary differences are likely to expire in the foreseeable future, and taxable income is likely to occur during the period in which temporary differences can be used. The book value of deferred tax assets is reviewed at the end of each reporting period, and the book value of deferred tax assets is reduced if there is no longer a high possibility that sufficient taxable income will be generated to use the benefit from deferred tax asset. Deferred tax assets and liabilities are measured using tax rates that are expected to be applied to the reporting period in which the assets are realized or the liabilities are to be paid based on the tax laws enacted at the end of the reporting period.

Deferred tax assets and liabilities are corporate taxes imposed by the same taxation authority, and are offset only if the consolidated entity has the legal right to offset the amount recognized and intends to settle the current corporate tax liabilities and assets in net cost. Any additional corporate tax expense arising from the payment of dividends is recognized at the time of recognition of the liability related to payment of dividends.

#### (20) Earnings per share

The consolidated entity calculates basic and diluted earnings per share by the net profits or losses and displays them in the consolidated statement of profits or losses. The basic earnings per share are calculated by dividing the net profit or loss attributable to ordinary shares by the weighted average number of ordinary shares circulated during the accounting period. Diluted earnings per share are calculated by adjusting the profit or loss attributable to ordinary shares and the weighted average number of ordinary shares, considering the effect of all potential common stocks with dilution effects, including share-based compensation granted to employees.

#### (21) Business combination

Business combinations are accounted for by applying the acquisition method, except for combinations of business entities or businesses under common control. The transfer consideration is typically measured at fair value same as the net identifiable acquisition assets are measured at fair value. If goodwill is generated as a result of a business combination, the company conducts an annual impairment test, and immediately recognizes it as profit or loss if a gain on a bargain purchase occurs. In accordance with SKAS No.1032 and SKAS No.1109, acquisition-related costs are accounted for as expenses for the period in which the costs are incurred and the services are received, except for the costs of issuing debt and equity securities that are recognized.

The transfer consideration does not include the amount related to the settlement of the existing relationship, and the settlement cost of existing relationship is generally recognized as profits or losses. Contingent

considerations are measured at fair value at the acquisition date. Contingent consideration classified as equity are not remeasured and subsequent settlements are accounted for within equity. If contingent consideration is not classified as equity, the change in the fair value of contingent consideration is subsequently recognized and treated in profit or loss.

## 5. Business part

The consolidated group consists of a single R&D organization and has the same marketing strategy, so the business part is identified and reported as a single segment. A single customer who accounts for more than 10% of the consolidated revenue during the current term is an individual company with sales of 670,953 million won and 713,093 million won for the current and last year respectively.

## 6. Classification of financial products by category

### (1) Financial products by category

Current year end and last year-end's book value on financial products by category are as follows.

(Unit: KRW)		
Category	Current year-end	Last year-end
Financial assets:		
Net profit/loss-fair value measured financial asset	270,925,629	1,025,845,393
Financial assets measured at amortized cost		
Cash and cash equivalent assets	109,686,194,681	222,527,311,948
Short-term financial product	100,000,000,000	-
Accounts receivables	159,275,850,982	158,800,076,125
Other receivables	9,998,891,281	8,945,885,594
Subtotal	378,960,936,944	390,273,273,667
Lease liabilities	6,124,481,750	-
Total	385,356,344,323	391,299,119,060
Financial liabilities:		
Other financial liabilities		
Purchase liabilities	112,842,199,455	114,566,795,190
Other liabilities (*)	11,706,534,042	9,539,152,235
Subtotal	124,548,733,497	124,105,947,425

(Unit: KRW)		
Category	Current year-end	Last year-end
Lease liabilities	9,878,467,430	-
Total	134,427,200,927	124,105,947,425

(\* ) Employees related liabilities that do not include in financial liabilities are excluded.

(2) Financial revenues and financial costs by category

- ① Financial revenues and costs that were recognized as the current year's profit and loss during current and last quarter are as follows.

(Unit: KRW)				
Category	Net interest margin		Other profit/loss (*)	
	Current year	Last year	Current year	Last year
Financial products measured at amortized cost	3,822,068,929	4,082,996,310	(37,547,048)	32,123,156
Net profit/loss-fair value measured financial asset	-	-	(139,919,764)	(643,523,594)
Other financial assets	(191,700,992)	-		
Total	3,630,367,937	4,082,996,310	(177,466,812)	(611,400,438)

(\* ) Other profit/loss is consisted of foreign currency conversion profit and loss, foreign currency transaction profit and loss, and net income-fair value measured financial asset.

- ② Financial revenues and costs that were recognized as the other profit and loss during current and last year are as follows.

(Unit: KRW)		
Category	Valuation profit and loss	
	Current year	Last year
Other profit and loss- fair value measured	-	(380,807,731)

7. Financial risk management

- (1) Credit risk

Credit risks are the risks of suffering financial losses due to the default of contractual obligations by the customer or the other party in an agreement for a financial product. This kind of risk is mainly related to the account receivables and investment assets.

① Exposure to credit risk

The book value of a financial asset means the maximum level of exposure to credit risks. The maximum level of exposure to credit risks at the current end and last year-end for the consolidated entity is as follows.

(Unit: KRW)		
Category	Current year end	Last year end
Cash and cash equivalent assets	109,686,194,681	222,527,311,948
Short-term financial product	100,000,000,000	-
Account receivables	159,275,850,982	158,800,076,125
Other receivables	16,123,373,031	8,945,885,594
Net profit/loss-fair value measured financial asset	270,925,629	1,025,845,393
Total	385,356,344,323	391,299,119,060

(\*) Lease liability is included.

② Impairment loss

The consolidated entity has established allowances for the possible losses from its accounts receivable. The allowance for the group of financial assets is set based on the past data on the recollection of similar financial assets.

Account receivables are presented on the consolidated statement of financial position at net amounts where allowance for bad debt loan is deducted. The details of trade receivables and related allowance for bad debt loan on the basis of total amounts before the deduction of allowance for bad debt loan as of the end of the current year end and last year end are as follows.

(Unit: KRW)		
Category	Current year-end	Last year-end
Account receivables	159,275,850,982	158,800,076,125
Other receivables	-	-
Net book value of account receivables	159,275,850,982	158,800,076,125

Impaired amount by account receivables' age of current year-end and last year-end are as follows.

(Unit: KRW)						
Category	Current year-end			Last year-end		
	Total receivables	Impaired amount	Book value	Total receivables	Impaired amount	Book value
Within expire date	156,795,235,163	-	156,795,235,163	155,966,260,967	-	155,966,260,967
Expire date ~ 3 months	2,480,615,819	-	2,480,615,819	2,337,833,843	-	2,337,833,843
3 ~ 6 months	-	-	-	413,348,156	-	413,348,156
Over 6 months	-	-	-	82,633,159	-	82,633,159
Total	159,275,850,982	-	159,275,850,982	158,800,076,125	-	158,800,076,125

There is no change in the current and last year's standard for the trade receivable's allowance for bad debts.

## (2) Liquidity Risk

Liquidity risk means the risk that the consolidated entity

Liquidity risk refers to the risk that the consolidated entity will have difficulty meeting its obligations relating to financial liabilities settled in cash or other financial assets. The consolidated entity's liquidity management method is to ensure that it maintains sufficient liquidity to repay the debt on maturity without the risk of incurring abnormally excessive losses or damaging the group's reputation even in financial difficulties.

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

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① Current year end

The financial liability that the consolidated entity has the following contractual maturity. The cost does not include the effect of business contract.

(Unit : KW)				
Category	Book Value	Contractual Cash Flow	Less than 1 year	More than 1 year, Less than 5 years
Purchase Liability	112,842,199,455	112,842,199,455	112,842,199,455	-
Other Liability(*)	11,706,534,042	11,706,534,042	11,706,534,042	-
Total	124,548,733,497	124,548,733,497	124,548,733,497	-

(\*) The employee related liability which is not included in the financial liability is excluded and the lease liability's contractual maturity is articulated in Note 18.

② Last year end

The contractual maturity of financial liability that the consolidated entity holds are as follows. The cost does not include the effect of the business contract.

(Unit : KW)				
Category	Book Value	Contractual Cash Flow	Less than 1 year	More than 1 year, Less than 5 years
Purchase Liability	114,566,795,190	114,566,795,190	114,566,795,190	-
Other Liability(*)	9,539,152,235	9,539,152,235	9,539,152,235	-
Total	124,105,947,425	124,105,947,425	124,105,947,425	-

(\*) The employee related liability which is not included in the financial liability is excluded.

(3) Market Risk

Market risk means the risk that the future cash flow or financial product's fair value might change due to market price change.

① Exchange rate risk management

The consolidated entity is exposed to the exchange rate risk related to the sales profits and costs indicated in currencies other than the Korean Won which is the functioning currency. The major presentation currency for these transactions is the USD.

#### A) Exposure to exchange rate risk

The book values of the cash assets and liabilities presented in foreign currency other than the functioning currency at the end of the current year and the previous year as follows.

(Unit : KW)						
Classification	Current year end			Last year end		
	USD	JPY	CNY	USD	JPY	CNY
Assets in foreign currency						
Cash and cashable assets	14,132,907,264	255	12	13,102,276	-	106,159,791
Receivable	66,920,020,785	-	-	11,788,273,056	-	-
Account receivable	175,917,985	-	-	-	-	-
Total	81,228,846,034	255	12	11,801,375,332	-	106,159,791
Liabilities in foreign currency:						
Liabilities	16,330,430,832	-	-	17,100,258,709	-	-
Payable	3,206,404,068	350,945	152,703	2,757,857,617	72,948,960	154,622
Total	19,536,834,900	350,945	152,703	19,858,116,326	72,948,960	154,622

The exchange rate applied for the monetary assets and liabilities that are expressed in foreign currency are as follows.

(Unit :KW)		
Category	Current year end	Last year end
USD	1,157.80	1,118.10
JPY	10.63	10.13
CNY	165.74	162.76

#### B) Sensitivity Analysis

If the exchange rate of the won in relation to the main foreign currency that consists the consolidated entity's financial assets and liabilities for current and last year-end, the consolidated entity's capital and

profits/losses will have risen or decreased. This analysis assumes changes of the degree to which that the consolidated entity deems as reasonable in the year-end. Also, when analyzing sensitivity, interest rate and other variables are assumed to be not changed. The effect that the exchange rate change of the won in relation to the foreign currency has on the profit/loss(income tax not reflected) is as follows for the current and last year end.

(Unit : KW)				
Category	Current year-end		Last year-end	
	5% Increase	5% Decrease	5% Increase	5% Decrease
USD	3,084,600,557	(3,084,600,557)	(402,837,050)	402,837,050
JPY	(17,535)	17,535	(3,647,448)	3,647,448
CNY	(7,635)	7,635	5,300,258	(5,300,258)

## ② Interest Rate Risk Management

The consolidated entity's interest-bearing assets are fixed at fixed interest rates and the consolidated entity does not treat fixed-rate financial products as fair value measured financial products. Consequently, consolidated entity's revenue and operating cash flows are substantially independent of changes in market interest rates.

## (4) Fair value

The book value and fair value of financial assets and financial liabilities including fair value hierarchy system of the current year and last year-end are as follows.

### ① Current year-end

(Unit: KRW)					
Category	Book value	Level 1	Level 2	Level 3	Total
Fair value measured financial assets:					
Net profit/loss-fair value measured financial assets	270,925,629	-	-	270,925,629	270,925,629
Financial assets not measured as fair value:					
Cash and cash equivalent assets	109,686,194,681	-	-	-	-
Short-term financial product	100,000,000,000	-	-	-	-
Account receivables	159,275,850,982	-	-	-	-

(Unit: KRW)					
Category	Book value	Level 1	Level 2	Level 3	Total
Other receivables(*1)	9,998,891,281	-	-	-	-
Total	378,960,936,944	-	-	-	-
Financial liabilities not measured as fair value:					
Purchase liabilities	112,842,199,455	-	-	-	-
Other liabilities(*1,*2)	11,706,534,042	-	-	-	-
Total	124,548,733,497	-	-	-	-

(\*1) Lease liability and lease bond is excluded. (\*2) Employee related liabilities, etc. which are not included in the financial liabilities is excluded.

② Last year-end

(Unit: KRW)					
Category	Book value	Level 1	Level 2	Level 3	Total
Fair value measured financial assets:					
Net profit/loss-fair value measured financial assets	1,025,845,393	-	-	1,025,845,393	1,025,845,393
Financial assets not measured as fair value:					
Cash and cash equivalent assets	222,527,311,948	-	-	-	-
Account receivables	158,800,076,125	-	-	-	-
Other receivables	8,945,885,594	-	-	-	-
Total	390,273,273,667	-	-	-	-
Financial liabilities not measured as fair value:					
Purchase liabilities	114,566,795,190	-	-	-	-
Other liabilities	9,539,152,235	-	-	-	-
Total	124,105,947,425	-	-	-	-

Changes in the fair value of level 3 during the current year is as follows.

(Unit: KRW)				
Category	Base	Evaluation (*)	Disposal	Current year end
Net profit/loss-fair value measured financial asset	1,025,845,393	(139,919,764)	(615,000,000)	270,925,629

(\*) Fair value was evaluated with the individual third-party market price method and etc.

#### (5) Asset Management

The consolidated entity's asset management aims for maintaining appropriate asset structure, maximizing shareholder's profit by minimizing capital provision cost while also maintaining the survival capacity as a going concern. The consolidated entity manages capital with liability rate as a base and the liability rate is produced by dividing total liability displayed on the consolidated financial statement with the capital. The liability rate of the consolidated entity for the current year-end and last year-end is as follows.

(Unit : Won)		
Category	Current year-end	Last year-end
Total Liability	157,526,494,823	160,944,737,525
Total Capital	472,206,795,494	446,613,568,339
Liability Rate	33.36%	36.04%

#### 8. Cash and cash equivalent assets

Cash and cash equivalent assets for the current year end and last year end are as follows.

(Unit: KRW)		
Category	Current year-end	Last year-end
Demand deposit	15,686,194,681	52,527,311,948
Regular deposit, etc. (*)	94,000,000,000	170,000,000,000
Total	109,686,194,681	222,527,311,948

(\*) A financial product in which due of expiration is less than three months from the acquisition date. It is highly liquid, easy to convert to a fixed amount, and has a low risk of value change.

#### 9. Short-term financial product

Short-term financial products for the current year-end and last year-end are as follows.

(Unit: KRW)		
Category	Current year-end	Last year-end
Regular deposit, etc.	100,000,000,000	-

10. Account receivables and other receivables

(1) Account receivables and other receivables for the current year and last year-end are as follows.

(Unit: KRW)				
Category	Current year end		Last year end	
	Liquid	Illiquid	Liquid	Illiquid
Trade receivables	159,275,850,982	-	158,800,076,125	-
Unpaid amount	1,327,302,014	-	1,051,633,029	-
Uncollected profit	1,022,295,891	-	586,848,898	-
Lease fee	951,190,198	5,602,299,669	606,550,616	4,738,651,170
Deposit	-	1,095,803,509	-	1,962,201,881
Lease receivables	1,270,927,069	4,853,554,681	-	-
Total	163,847,566,154	11,551,657,859	161,045,108,668	6,700,853,051

(2) Lease liability's fluctuation details are as follows for the current year.

(Unit : KW)	
Category	Cost
Current year beginning	-
Increase	6,593,290,800
Interest rate profit	59,986,441
Recovery	(528,795,491)
Last year end	6,124,481,750

(3) The lease liability's maturity analysis details for current year end are as follows.

(Unit : KW)	
Category	Cost
Within 1 year	1,395,120,000
More than 1 year ~ Less than 2 year	1,395,120,000
More than 2 years ~ Less than 3 years	1,395,120,000
More than 3years ~ Less than 4 years	1,395,120,000
More than 5 years	813,820,000
Total non-discounted lease payment	6,394,300,000
Unrealized financial profit	(269,818,250)
Net lease investment	6,124,481,750

## 11. Short-term and long-term investment asset

(1) Short-term and long-term investment asset for the current year-end and last year-end are as follows.

(Unit: KRW)		
Category	Current year-end	Last year-end
Short-term investment assets:		
Net profit/loss-fair value measured liabilities		
LB Investment	270,925,629	-
Long-term investment assets:		
Net profit/loss-fair value measured liabilities		
LB Investment	-	1,025,845,393

(2) Short-term investment asset and long-term investment asset's changes for the current and last year are as follows.

(Unit: KRW)				
Category	Current year		Last year	
	Short-term investment asset	Long-term investment asset	Short-term investment asset	Long-term investment asset
Base	-	1,025,845,393	-	3,358,368,987
Disposal Cost	-	(615,000,000)	-	(1,186,615,131)
Profit/Loss Valuation(*)	-	(139,919,764)	-	(1,145,908,463)

(Unit: KRW)				
Category	Current year		Last year	
	Short-term investment asset	Long-term investment asset	Short-term investment asset	Long-term investment asset
Liquidity Substitution	270,925,629	(270,925,629)	-	-
Year-end	270,925,629	-	-	1,025,845,393

(\* ) It is the amount calculated by adding up profit or loss and the profit/loss valuation displayed in the other comprehensive profit/loss.

## 12. Other assets

Other assets for the current year-end and last year-end are as follows.

(Unit: KRW)				
Category	Current year end		Last year end	
	Liquid	Illiquid	Liquid	Illiquid
Advance fee	338,796,434	1,856,537,794	941,258,979	1,521,850,250
Prepaid expenses	15,279,741,890	537,456,281	13,268,770,815	-
VAT fees	10,966,231,770	-	6,289,332,989	-
Total	26,584,770,094	2,393,994,075	20,499,362,783	1,521,850,250

## 13. Inventory assets

(1) Inventory assets for the current year-end and last year-end are as follows.

(Unit:KW)		
Category	Current year end	Last year end
Work in progress	134,002,182,039	112,091,770,740
Work in progress return assets	117,492,806	123,976,321
Work item valuation loss allowance	(15,276,306,895)	(8,124,637,257)
Total	118,843,367,950	104,091,109,804

(2) Recognized valuation losses regarding inventory assets during the current quarter-end and last year-end are as follows

(Unit: KRW)		
Category	Current year	Last year
Sales cost:		
Inventory asset valuation loss	7,151,669,638	5,681,843,460

#### 14. Associated company's investment share

(1) Associated company's investment share for the current year-end and last year-end are as follows.

(Unit: KRW)							
Name	Country	Main Sales Division	Closing Month	Current year end		Last year end	
				Shares(%)	Book Value	Shares(%)	Book Value
Advanced Power-Device Technologies Co. Ltd (*)	Korea	R&D and design of semiconductor device	March	49.00	4,295,935,074	49.00	4,419,269,914

(\*) Consolidated entity has newly invested 4,410,000,000 KRW in Advance Power-Device Technologies Co. Ltd during the last quarter for the purpose of product and technology development.

(2) Changes in associated company's investment shares during current year and last year are as follows.

##### ① Current year

(Unit: KRW)		
Base	Gains or losses from equity method	Current year-end
4,419,269,914	(123,334,840)	4,295,935,074

##### ② Last year

(Unit: KRW)			
Base	Acquisition	Gains or losses from equity method	Last quarter-end
-	4,410,000,000	9,269,914	4,419,269,914

(3) Summarized financial statement of the associated company during current year and last year are as follows.

(Unit: KRW)		
Category	Advanced Power-Device Technologies Co. Ltd (*)	
	Current year	Last year
Assets	9,125,860,361	9,659,044,994
Liabilities	358,645,925	372,663,647
Capital	8,767,214,436	9,286,381,347
Sales	4,581,696,640	2,942,094,711
Net profit during the term	(519,166,911)	286,381,367
Gross comprehensive profit	(519,166,911)	286,381,367

(4) The details on adjusted financial information amount of the associated company into book value of the shares regarding the associated company for the current year-end and last year-end are as follows.

① Current year-end

(Unit:KW)				
Name	Net assets at year-end (A)	Share rate of the consolidated entity (B)	Share of net assets (A*B)	Book value at year-end
Advanced Power-Device Technologies Co. Ltd	8,767,214,436	49%	4,295,935,074	4,295,935,074

② Last year-end

(Unit: KRW)						
Name	Net assets at year-end (A)	Share rate of the consolidated entity (B)	Share of net Assets (A*B)	(+)Sales right	(±)others(*)	Book value at year-end
Advanced Power-Device Technologies Co. Ltd	9,286,381,347	49.00%	4,550,326,860	-	(131,056,946)	4,419,269,914

(\*) Unrealized gain and loss of internal deal of the consolidated entity and the associated company are included.

15. Tangible assets

(1) Details of tangible assets for the current year-end and last year-end are as follows.

① Current year end

(Unit: KRW)								
Category	Land	Building	Structure	Machinery	Equipment	Other tangible assets(*1)	User right assets	Total
Acquisition Cost	5,015,382,334	4,847,249,181	188,300,000	21,113,745,225	13,829,895,918	4,689,004,675	12,490,103,725	62,173,681,058
Accumulated amortization	-	(2,209,531,982)	(7,061,256)	(13,636,508,568)	(8,997,405,952)	(2,400,074,478)	(2,719,240,413)	(29,969,822,649)
Accumulated impairment loss	-	-	-	(564,056,013)	-	-	-	(564,056,013)
Government subsidy	-	-	-	(3,551,429)	(13,093,458)	-	-	(16,644,887)
Book Value	5,015,382,334	2,637,717,199	181,238,744	6,909,629,215	4,819,396,508	2,288,930,197	9,770,863,312	31,623,157,509

(\*1) Facility equipment and leasehold improvement assets are included in other tangible assets.

② Last year end

(Unit: KRW)							
Category	Land	Building	Structure	Machinery	Equipment	Other tangible assets (*1)	Total
Acquisition cost	5,001,607,594	4,526,376,631	188,300,000	20,004,919,626	11,792,470,844	4,324,874,810	45,838,549,505
Accumulated amortization	-	(1,853,620,440)	(2,353,752)	(11,204,418,944)	(7,490,709,356)	(1,762,568,652)	(22,313,671,144)
Accumulated impairment loss	-	-	-	(564,056,013)	-	-	(564,056,013)
Government Subsidy	-	-	-	(8,185,674)	(34,002)	-	(8,219,676)
Book Value	5,001,607,594	2,672,756,191	185,946,248	8,228,258,995	4,301,727,486	2,562,306,158	22,952,602,672

(\*1) Facility equipment and leasehold improvement assets are included in other tangible assets.

(2) Changes in the book value of tangible assets during the current year and last year are as follows.

① Current year

(Unit: KRW)								
Category	Land	Building	Structure	Machinery (*1)	Equipment	Other tangible assets(*2)	User right assets	Total
Initial Book Value	5,001,607,594	2,672,756,191	185,946,248	8,228,258,995	4,301,727,486	2,562,306,158	-	22,952,602,672
Accountin g policy change	-	-	-	-	-	-	12,578,173,121	12,578,173,121
Acquisitio n cost during the term	-	-	-	7,725,683,543	2,610,235,536	364,129,865	368,828,409	11,068,877,353
Disposal cost during the term	-	-	-	(4,000)	(2,798,610)	-	(289,935,037)	(292,737,647)
Depreciati on cost	-	(355,911,542)	(4,707,504)	(2,475,971,852)	(2,090,556,738)	(637,505,826)	(2,886,203,181)	(8,450,856,643)
Other changes in cost	13,774,740	320,872,550	-	(6,568,337,471)	788,834	-	-	(6,232,901,347)
End of the year book value	5,015,382,334	2,637,717,199	181,238,744	6,909,629,215	4,819,396,508	2,288,930,197	9,770,863,312	31,623,157,509

(\*1) Due to financial lease contract, 6,593,291,000 won of machinery has been exchanged for a lease liability.

(\*2) Facility equipment, leasehold improvement assets and assets in construction process are included in other tangible assets.

② Last year

(Unit:KW)							
Category	Land	Building	Structure	Machinery	Equipment	Other Tangible Assets(*1)	Total
Initial Book Value	5,220,274,972	3,256,217,768	-	3,446,936,246	2,885,137,434	400,120,255	15,208,686,675
Acquisition cost during the term	-	-	188,300,000	6,818,011,706	2,978,283,511	2,855,106,628	12,839,701,845
Disposal cost during the term	(218,667,378)	(343,137,144)	-	-	(9,713,962)	(224,188,394)	(795,706,878)
Depreciation Cost	-	(240,324,433)	(2,353,752)	(2,018,674,652)	(1,551,355,620)	(468,732,331)	(4,281,440,788)
Acquisition of Business(*2)	-	-	-	8,636,108	-	-	8,636,108
Other Changes	-	-	-	(26,650,413)	(623,877)	-	(27,274,290)
Year-end book value	5,001,607,594	2,672,756,191	185,946,248	8,228,258,995	4,301,727,486	2,562,306,158	22,952,602,672

(\*2) The machineries were obtained due to the acquisition of business in the last year.

## 16. Intangible assets

(1) Details of intangible assets for the current year-end and the last year-end are as follows.

① Current year end

(Unit : KW)							
Category	Goodwill	Industrial Property	Software	Membership	Other Intangible Assets(*)	Intangible Assets in Construction Process	Total
Acquisition cost	27,913,122,677	2,626,926,679	12,302,679,314	2,761,615,400	34,703,000,000	110,435,919	80,417,779,989
Accumulated amortization	-	(1,059,983,751)	(6,029,970,832)	-	(20,328,999,997)	-	(27,418,954,580)
Accumulated impairment loss	-	-	-	(316,282,200)	-	-	(316,282,200)
Government subsidy	-	-	(2,111,206)	-	-	-	(2,111,206)
Book value	27,913,122,677	1,566,942,928	6,270,597,276	2,445,333,200	14,374,000,003	110,435,919	52,680,432,003

(\*) Other intangible assets are consisted of technological ability, customer related intangible assets, etc. that are generated by acquisition of a business.

③ Last year end

(Unit : KW)							
Category	Goodwill	Industrial Property	Software	Membership	Other Intangible Assets(*)	Intangible Assets in Construction Process	Total
Acquisition cost	27,913,122,677	2,260,503,591	8,460,191,622	2,406,879,490	34,703,000,000	2,432,026,408	78,175,723,788
Accumulated amortization	-	(843,000,828)	(4,603,858,101)	-	(15,484,999,994)	-	(20,931,858,923)
Accumulated impairment loss	-	-	-	(337,876,490)	-	-	(337,876,490)
Government subsidy	-	-	(10,929,374)	-	-	-	(10,929,374)
Book value	27,913,122,677	1,417,502,763	3,845,404,147	2,069,003,000	19,218,000,006	2,432,026,408	56,895,059,001

(\*) Other intangible assets are consisted of technological ability, customer related intangible assets, etc. that are generated by acquisition of a business.

(2) The changes in the book value of intangible assets during the current year and the last year are as follows.

① Current year;

(Unit:KW )							
Category	Goodwill	Industrial Property	Software	Membership	Other Intangible Assets(*)	Intangible Assets in Construction Process	Total
Initial Book Value	27,913,122,677	1,417,502,763	3,845,404,147	2,069,003,000	19,218,000,006	2,432,026,408	56,895,059,001
Acquisition cost during the term	-	402,922,263	921,889,820	689,383,200	-	4,445,240,484	6,459,435,767
Disposal cost during the term	-	(7,404,991)	-	-	-	-	(7,404,991)
Intangible Assets Amortization Cost	-	(246,077,107)	(1,540,486,691)	-	(4,844,000,003)	-	(6,630,563,801)
Intangible Asset Impairment	-	-	-	(13,838,800)	-	(3,722,357,762)	(3,736,196,562)
Replacement	-	-	3,043,790,000	(299,214,200)	-	(3,043,790,000)	(299,214,200)
Other	-	-	-	-	-	(683,211)	(683,211)
Year-end Book Value	27,913,122,677	1,566,942,928	6,270,597,276	2,445,333,200	14,374,000,003	110,435,919	52,680,432,003

(\*) Other intangible assets is consisted of customer relationship intangible asset, technical skills, and etc.

## ② Last year

(Unit :KW)							
Category	Goodwill	Industrial Property	Software	Membership	Other Intangible Assets(*1)	Intangible Assets in Construction Process	Total
Initial Book Value	9,044,018,628	1,298,212,020	1,329,137,152	1,693,653,000	2,250,000,040	2,100,643,000	17,715,663,840

(Unit :KW)							
Category	Goodwill	Industrial Property	Software	Membership	Other Intangible Assets(*1)	Intangible Assets in Construction Process	Total
Acquisition cost during the term	-	331,494,891	1,527,263,160	613,350,000	-	2,432,026,408	4,904,134,459
Disposal cost during the term	-	-	-	(238,000,000)	-	-	(238,000,000)
Intangible Assets Amortization Cost	-	(212,204,148)	(1,111,639,165)	-	(2,952,000,034)	-	(4,275,843,347)
Business Acquisition(*2)	18,869,104,049	-	-	-	19,920,000,000	-	38,789,104,049
Replacement	-	-	2,100,643,000	-	-	(2,100,643,000)	-
Year-end Book Value	27,913,122,677	1,417,502,763	3,845,404,147	2,069,003,000	19,218,000,006	2,432,026,408	56,895,059,001

(\*1) Other intangible assets is consisted of customer relationship intangible asset, technical skills, and etc. which are caused by grant of business.

(\*2) It is acquired by grant of business in the last year.

### (3) Applying indefinite service life

#### Intangible assets

Among intangible assets, the consolidated entity classifies goodwill and membership as intangible assets with indefinite service life and reviews impairment annually along with the intangible assets under construction process which is an asset that has not been used. The recoverable value of goodwill was calculated by comparing the book value of the cash-generating unit with total market value of the ordinary shares of the controlling company as of the end of the current term. There is no impairment amount recognized for goodwill during the current and last year. Meanwhile, the amount of impairment recognised for intangible under construction process and the membership during the current term is 372.2 million won and 14 million won, respectively.

#### 17. Government subsidy

The consolidated entity signed a joint research and development agreement regarding undermentioned new technology development, which is a government project. The consolidated entity spent the government subsidy to purchase various tangible and intangible assets related to the development business, while recognizing such transactions as deduction in the relevant subsidy asset entry.

Government Project	Organizer
Digital holographic table top terminal technology development	Electrics and Telecommunications Research Institute

#### 18. Purchase liabilities and other liabilities

(1) Details on the purchase liabilities and other liabilities for the current year-end and last year-end are as follows.

(Unit: KRW)			
Category	Current year-end		Last year-end
	Liquid	Illiquid	Liquid
Purchase liabilities	112,842,199,455	-	114,566,795,190
Amount payable	13,446,931,140	-	16,143,658,885
Unpaid expenses	4,275,149,695	-	3,826,637,576
Lease liabilities	2,800,707,185	7,077,760,245	-
Total	133,364,987,475	7,077,760,245	134,537,091,651

(2) The maturity analysis of lease liabilities are as follows.

(Unit:KW)	
Category	Cost
Less than 3 months	790,734,540
More than 3 months ~ Less than 1 year	2,210,736,349
More than 1 year ~ Less than 5 years	7,381,217,273
More than 5 years	-
Lease liabilities not discounted as of the year-end	10,382,688,162

(3) Cash outflow due to lease is as follows.

(Unit : KW)	
Category	Cost
Lease liabilities repayment	2,767,729,811

(Unit : KW)	
Category	Cost
Lease payment for short-term lease and small-sum assets	1,573,382,159
Interest	251,687,433
Total cash outflow of lease	4,592,799,403

## 19. Other liabilities

(1) Details on other liabilities for the current year-end and last year-end are as follows.

(Unit: KRW)				
Category	Current year-end		Last year-end	
	Liquid	Illiquid	Liquid	Illiquid
Advance payment	4,057,544,846	-	5,400,675,881	-
Deposit	1,327,544,350	-	778,058,278	-
Provision	4,105,776,807	-	3,941,853,811	-
Long-term working employee salary liabilities	-	1,034,499,281	-	825,632,368
Recovery allowance liabilities	-	582,365,174	-	498,300,000
<b>Total</b>	9,490,866,003	1,616,864,455	10,120,587,970	1,323,932,368

(2) Changes to provision during the current year are as follows.

(Unit: KRW)					
Category	Base	Setting	Reversal	Utilization	Year-end
Sales guarantee provision	3,778,854,699	1,462,255,605	(1,107,058,520)	(187,862,478)	3,946,189,306
Return provision	162,999,112	85,788,369	(89,199,980)	-	159,587,501
Recovery provision	498,300,000	84,065,174	-	-	582,365,174
<b>Total</b>	4,440,153,811	1,632,109,148	(1,196,258,500)	(187,862,478)	4,688,141,981

The consolidated entity recognizes warranty expense in the provision for product warranties as expected to be borne by the consolidated entity related to sales guarantee for the products, and recognizes the corresponding transferred amount in selling and administrative expenses. On the other hand, the

consolidated entity 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 no.1115 of the SKAS.

## 20. Capital and capital surplus

(1) Details on capital and capital surplus for the current year-end and last year-end are as follows.

(Unit : KW)		
Category	Current year end	Last year end
Number of authorized shares	50,000,000 shares	50,000,000 shares
Price per share	500	500
Number of issued shares	16,264,300 shares	16,264,300 shares
Capital	8,132,150,000	8,132,150,000

(2) There are no changes in the number of outstanding shares (16,264,300 shares) in the current year and last year.

(3) Details on capital surplus for the current year-end and last year-end are as follows.

(Unit : KW)		
Category	Current year-end	Last year-end
Capital excess stated 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

## 21. Other capital items

Details on other capital items for the current year-end and last year-end are as follows.

(Unit : KW)		
Category	Current year end	Last year end
Profit/loss from overseas business	(52,204,740)	(106,744,116)
Other comprehensive profit/loss-fair value measured financial asset valuation profit/loss	(380,807,731)	(380,807,731)
Total	(433,012,471)	(487,551,847)

## 22. Retained earning

(1) Details on the retained earnings for the current year-end and last year-end are as follows.

(Unit: KRW)		
Category	Current year-end	Last year-end
Legal reserve	4,066,075,000	4,066,075,000
Unappropriated earned surplus	384,098,412,465	358,559,724,686
Total	388,164,487,465	362,625,799,686

(2) Changes in the retained earnings during the current year and last year are as follows.

(Unit : KW)		
Category	Current Year	Last Year
Base	358,559,724,686	322,038,245,415
Provision of dividends	(13,499,369,000)	(11,385,010,000)
Adjustments followed by the first application of no.1109 of K-IFRS	-	1,705,779,692
Adjustments followed by the first application of no.1115 of K-IFRS	-	(1,576,974,791)
Net income of the current year	38,538,518,233	48,960,453,314
Remeasurement component of defined benefit plans	499,538,546	(1,182,768,944)
Year end	384,098,412,465	358,559,724,686

(3) Current year and last year's controlling company's statement to appropriation of earned surplus is as follows.

(Unit : KW)				
Category	Current year		Last year	
	Expected date of disposal : March 26, 2020		Determined date of disposal : March 15, 2019	
I. Unappropriated earned surplus		382,996,605,932		357,756,648,422
February last year's unappropriated earned surplus	344,257,279,422		309,879,244,194	
Adjustments followed by the first application of no.1109 of K-IFRS	-		1,705,779,692	
Adjustments followed by the first application of no.1115 of K-IFRS	-		(1,576,974,791)	
Net income of current year	38,239,787,964		48,931,368,271	
Remeasurement component of defined benefit plans	499,538,546		(1,182,768,944)	
II. Appropriated retained earnings		(13,499,369,000)		(13,499,369,000)
Dividends(Note 23)	(13,499,369,000)		(13,499,369,000)	
III. Upcoming February unappropriated retained earnings(I - II)		369,497,236,932		344,257,279,422

### 23. Dividends

Current year and last year's controlling company's dividends are as follows.

(Unit : KW)		
Category	Current year(*)	Last year
Number of shares to be received	16,264,300 shares	16,264,300 shares
Par value per share	500	500
Par value dividend rate	166%	166%
Dividends per share	830	830
Dividends	13,499,369,000	13,499,369,000

(\*) It is expected to be discussed as a bill in the general meeting expected to be held on March 26, 2020.

## 24. Earnings per share

### (1) Basic earnings per share

- ① The calculated details on basic earnings per shares for the current year and the last year are as follows.

(Unit: KRW, shares)		
Category	Current year	Last year
Net income per basic share	38,538,518,233	48,960,453,314
Number of weighted average outstanding common stocks	16,264,300	16,264,300
Earnings per basic share	2,370	3,010

- ② Calculated details on the number of weighted average outstanding common stocks of the current year

Category	Number of issued shares (1)	Number of treasury shares (2)	Number of outstanding common shares (1-2)	Weight	Number of weighted average outstanding common stocks
Basic	16,264,300 shares	-	16,264,300 shares	365 days /365 days	16,264,300 shares
Total				365days/365 days	16,264,300 shares

- ③ Calculated details on the number of weighted average outstanding common stocks of the last year

Category	Number of issued shares (1)	Number of treasury shares (2)	Number of outstanding common shares (1-2)	Weight	Number of weighted average outstanding common stocks
Basic	16,264,300 shares	-	16,264,300 shares	365 days/365 days	16,264,300 shares
Total				365days/365 days	16,264,300 shares

### (2) Diluted earnings per share

The consolidated entity does not hold any diluted stocks in the current and the last year. Therefore, diluted earnings per share is the same as the basic earnings per share.

## 25. Financial revenues and expenses

(1) Details of financial revenues in the current year and the last year are as follows.

(Unit : KW)		
Category	Current Year	Last Year
Interest profit	3,882,055,370	4,082,996,310
Profit on foreign exchange(financial)	10,520,000	10,151,363
Profit on foreign currency conversion(financial)	17,007,420	42,500,435
Total	3,909,582,790	4,135,648,108

(2) Details of financial expenses in the current year and last year are as follows.

(Unit : KW)		
Category	Current Year	Last Year
Interest Cost	251,687,433	-
Profit on foreign exchange(financial)	-	4,294,589
Profit on foreign currency conversion(financial)	65,074,468	16,234,053
Net profit/loss-fair value measured financial asset valuation loss	139,919,764	643,523,594
Total	456,681,665	664,052,236

## 24. Other non-operating revenues and expenses

(1) Details on other non-operating revenues for the current year and the last year are as follows.

(Unit: KW)		
Category	Current year	Last year
Profit on foreign exchange(non-financial)	2,819,482,548	1,279,801,685
Profit on foreign currency conversion (non-financial)	293,040,480	141,813,204

(Unit: KW)		
Category	Current year	Last year
Profits on dispositions of tangible assets	125,343,724	416,783,357
Profits on dispositions of intangible assets	-	15,000,000
miscellaneous profit	364,422,572	349,080,478
Total	3,602,289,324	2,202,478,724

(2) Details on other non-operating expenses for the current and the last year are as follows..

(Unit: KRW)		
Category	Current Year	Last Year
Profit on foreign exchange(non-financial)	2,147,543,756	1,780,372,655
Profit on foreign currency conversion (non-financial)	978,121,941	109,619,216
Profits on dispositions of tangible assets	24,710,082	261,786,335
Profits on dispositions of intangible assets	7,404,991	21,454,545
Intangible assets impairment loss	3,736,196,562	-
Donations	1,000,000	1,000,000
Miscellaneous loss	403,921,803	65,427,553
Total	7,298,899,135	2,239,660,304

## 27. Sales

(1) Current year and last year's sales configuration details are as follows.

(Unit : KW)		
Category	Current year	Last year
Main geographic market:		
Domestic	699,468,221,764	740,778,990,013
China	159,318,161,080	43,311,505,221
Japan	4,997,503,378	3,707,874,440
Other	3,338,163,392	4,019,762,154
Total	867,122,049,614	791,818,131,828

(Unit : KW)		
Category	Current year	Last year
Main service:		
Product Sales	851,939,311,075	779,370,903,461
Service Sales	8,897,459,489	8,571,767,824
Other Sales	6,285,279,050	3,875,460,543
Total	867,122,049,614	791,818,131,828
Profit recognition time:		
Executed on a single point	866,064,749,614	790,716,567,828
Executed over a period	1,057,300,000	1,101,564,000
Total	867,122,049,614	791,818,131,828

## (2) Contract balance

Contract liabilities arising from contracts with customers for the current year end and last year end are as follows.

(Unit : KW)		
Category	Current year end	Last year end
Contract Liabilities	3,952,120,531	4,700,283,898

There is no contract asset arising from contracts with customers for the current year-end, and the contract liability of 3,952,121,000won is classified as other liability's advances received account. As of the beginning of the year, among the contract liability balance of 4,700,284,000 won, the amount recognized as profit for the current year is 3,632,784,000 won. Also, the transition time that current year-end's contract liability is transferred to profit is uncertain. However, consolidated entity expects that most of the contract liability would be recognized as profit within 1 year.

## (3) Contract fulfillment cost

The consolidated entity recognized the identified cost as prepaid expenses after assessing that costs generated before the contract with customer is directly related to the corresponding contract and that possibility of realization and recoverability of the corresponding contract is very high. The relevant asset is recognized as sales cost over the term during which related sales are generated after the contract is concluded. The change in contract fulfillment cost during this year and last year are as follows.

(Unit: 1000 won)		
Category	Current year	Last year
Beginning of the year	2,931,957,748	-
Issuance	4,188,723,360	7,567,514,451
Reduction	(5,310,585,172)	(4,635,556,703)
End of the year	1,810,095,936	2,931,957,748

## 28. Operating profit

Major items and price included in the measurement of operating profit during the current and the last year are as follows.

(Unit :KW)		
Category	Current year	Last year
Sales	867,122,049,614	791,818,131,828
Sales from sales of goods	852,810,914,275	779,370,903,461
Other sales	14,311,135,339	12,447,228,367
Sales cost	654,231,514,747	598,160,376,164
Cost of goods sold	648,014,125,229	593,177,080,211
Other sales cost	6,217,389,518	4,983,295,953
Selling and administrative expenses	165,635,907,186	137,860,697,117
Salary and bonuses	27,588,182,790	23,423,714,054
Retirement benefits	2,448,920,348	2,235,999,785
Welfare benefits	6,481,152,161	5,233,084,246
Travel expenses	2,243,529,223	1,826,192,294
Paid rents	1,573,382,159	4,487,169,470
Paid fees	12,200,874,248	7,278,348,955
Depreciation cost	5,726,891,595	2,204,636,859
Depreciation cost of intangible assets	1,463,463,394	780,321,137
Cost of product loss guarantee	355,197,085	246,753,693
R&D expenses	99,834,385,988	85,708,859,112

(Unit :KW)		
Category	Current year	Last year
Etc.	5,719,928,195	4,435,617,512
Operating profit	47,254,627,681	55,797,058,547

## 29. Selling expenses and management expense.

The selling expenses and management expenses for this year and last year are as follows.

(Unit : KW)		
Category	Current year	Last year
Wage	18,693,333,325	17,536,904,256
Allowance	8,894,849,465	5,886,809,798
Retirement benefit	2,448,920,348	2,235,999,785
Conference expense	8,776,721	11,517,881
Welfare benefit	6,481,152,161	5,233,084,246
Travel expense	2,243,529,223	1,826,192,294
Communication expense	388,259,927	272,282,667
Supplies expense	271,369,042	181,648,906
Taxes and dues	540,542,675	558,544,535
Rent payment	1,573,382,159	4,487,169,470
Payment commission	12,200,874,248	7,278,348,955
Depreciation cost	5,726,891,595	2,204,636,859
Repairing expenses	113,100,613	134,384,093
Insurance expense	706,490,103	557,616,035
Entertainment expense	700,001,534	555,872,518
Expense for public relations	8,859,092	17,400,000
Book printing fee	17,327,595	6,374,595
Shipping fee	209,830,626	81,322,549
Samples expense	993,029,850	945,870,389
Education cost	1,243,873,426	684,156,080

(Unit : KW)		
Category	Current year	Last year
Vehicle management expense	325,479,549	197,257,335
Water and heat expense	192,987,442	231,369,929
Guarantee cost for product cost	355,197,085	246,753,693
R&D expense	99,834,385,988	85,708,859,112
Amortization of intangible asset	1,463,463,394	780,321,137
Total	165,635,907,186	137,860,697,117

### 30. Announcement by characteristics of expenses

The announcement by the characteristics of expenses for current and last year are as follows.

(Unit : KW)		
Category	Current year	Last year
Inventory change	(14,752,258,146)	(43,079,836,172)
Employee fee	88,960,889,352	80,709,579,996
Depreciation and Amortization	15,081,420,444	8,557,284,135
Amount paid to subcontractors	650,345,149,279	620,670,816,474
Processing cost	13,139,434,872	12,907,278,751
R&D expense	45,479,791,491	36,054,190,423
Rent payment	1,573,382,159	4,487,169,470
Payment commission	14,156,564,814	8,321,643,955
Shipping fee	2,102,583,958	1,868,608,784
Travel expense	4,170,864,155	3,216,241,358
Product impairment guarantee cost	355,197,085	246,753,693
Samples expense	993,029,850	945,870,389
Other	(1,738,627,380)	1,115,472,025
Total(*)	819,867,421,933	736,021,073,281

(\*) Amount calculated by adding consolidated statement of profit or loss's sales cost and distribution cost & management expense.

### 31. Employee salary

The consolidated entity pays their retiring employees with the predetermined amount of retirement benefits in lump sum, based on the level of salaries and the years in service, and this is classified as defined benefit system. Such retirement benefit can be withdrawn before the resignation of the employee as interim settlement when the legal requirements apply. The number of years of service for calculating severance pay after the interim settlement is newly calculated from the time of settlement.

(1) Changes in the defined benefit obligations are as follows.

(Unit: KRW)		
Category	Current year-end	Last year-end
Current value of defined benefit obligation	39,248,760,042	32,571,648,690
Fair value of assets deposited outside of the company	(35,268,837,546)	(28,174,546,825)
Defined benefit obligations	3,979,922,496	4,397,101,865

(2) The main estimation used for actuarial valuation for the current year-end and last year-end are as follows.

Category	Current year end	Last year end
Future wage Increase rate	4.40%	5.52%
Discount Rate	2.16%	2.60%

The discount rate is calculated based on the return of corporate bond which is similar to defined benefit obligation's expected payment period and credit level of consolidated entity for the current and last year-end, and future wage increase rate is calculated by wage increase rate that reflects the consolidated entity's empirical promotion index, inflation and wage agreement.

(2) Changes in the current value of the defined benefit obligation during the current and last year are as follows.

(Unit : KW)		
Category	Current Year	Last Year
Opening balance of defined benefit obligation	32,571,648,690	25,999,037,468
Labor cost for the current year	6,134,824,103	5,140,809,654
Past Labor Cost	-	461,529,333

(Unit : KW)		
Category	Current Year	Last Year
Interest expense	819,252,592	814,250,062
Re-measurement Component(Before income tax deduction):		
Demographical Assumption	232,336,031	(73,921,524)
Financial Assumption	(2,339,859,535)	1,814,406,998
Empirical Adjustment, etc.	1,344,919,946	(448,733,142)
Transfers between associated company	2,089,593,905	1,286,677,491
Retirement benefit payment	(1,603,955,690)	(2,422,407,650)
Balance of defined benefit obligation at the year-end	39,248,760,042	32,571,648,690

(4) The changes in the fair value of assets externally deposited in the current and last year are as follows.

(Unit : KW)		
Category	Current Year	Last Year
Opening balance of externally deposited assets	28,174,546,825	24,015,684,437
Externally deposited assets payment	8,000,000,000	6,000,000,000
Interest profit	649,466,123	628,544,659
Externally deposited assets re-measurement component(before income tax deduction)	(103,581,730)	(268,628,861)
Transfers between associated company	79,647,258	-
Retirement benefit payment from externally deposited assets	(1,531,240,930)	(2,201,053,410)
Ending balance of externally deposited assets	35,268,837,546	28,174,546,825

Regarding defined benefit plans, the expected user contribution's reasonable estimate for 2020 is 6,263,528 thousand won.

(5) Cost recognized as profit/loss regarding defined benefits obligations in the current and last year are as follows.

(Unit : KW)		
Category	Current Year	Last Year
Labor cost	6,134,824,103	5,140,809,654
Past Labor Cost	-	461,529,333
Net interest cost	169,786,469	185,705,403
Total	6,304,610,572	5,788,044,390

(6) The composition of externally deposited assets of the current year-end and last year-end are as follows.

(Unit : KW)		
Category	Current Year End	Last Year End
Short-term financial product, etc.	35,268,837,546	28,174,546,825

(7) Sensitivity Analysis for current year

If each significant actuarial assumptions do change within a possible and reasonable degree, then the effect of this change on the defined benefit obligation is as follows for the current year end.

(Unit : KW)		
Category	Increase	Decrease
Discount Rate (1% change)	(3,248,842,340)	3,779,827,005
Future Wage Increase Rate(1% change)	3,670,118,930	(3,224,949,756)

While the sensitivity analysis did not take into account every cash flow's – generated from the system, it does provide an approximate value of sensitivity regarding used assumption.

Current year end and last year end

The defined benefit obligation's weighted average duration is 9.19 years and 10.2 years respectively for the year-end.

(8) The re-measurement component of defined benefit obligation recognized as other comprehensive profit/loss is as follows for the current and last year.

(Unit : KW)		
Category	Current Year	Last Year
Basic accumulated re-measurement component	6,462,864,394	5,280,095,450
Current Year Change Cost	(659,021,828)	1,560,381,193

(Unit : KW)		
Category	Current Year	Last Year
Income tax effect on current year change	159,483,282	(377,612,249)
Accumulative re-measurement component for the year-end	5,963,325,848	6,462,864,394

### 32. Corporate Income Tax Payment

(1) Elements that consist income tax payment for current and last year are as follows.

(Unit : KW)		
Category	Current Year	Last Year
Current Year Income Tax	8,311,271,078	13,702,296,861
Adjustments recognized in current year regarding the income tax of past period	2,272,635,035	(1,790,193,329)
Deferred income tax(profit) due to generation and expiration of temporary differences	(2,075,356,909)	(2,131,003,480)
Income tax(profit) related to elements recognized as other than current year's profit/loss	(159,483,282)	499,189,387
Income Tax Payment	8,349,065,922	10,280,289,439

(2) The deferred income tax related to items recognized other than current year's profit/loss for the current and last year are as follows.

(Unit : KW)		
Category	Current Year	Last Year
Deferred income tax:		
Actuarial profit/loss	(159,483,282)	377,612,249
Fair value measured financial assets' profit/loss through other comprehensive profit/loss	-	121,577,138
Income tax payment(profit) directly reflected on the capital	(159,483,282)	499,189,387

(3) The relationship between income tax payment and accounting profit for current and last year are as follows.

(Unit : KW)		
Category	Current Year	Last Year
Net income before income tax deduction	46,887,584,155	59,240,742,753
Applied tax rate	23.21%	23.42%
Tax payment after the applied tax rate	10,881,479,323	13,874,259,746
Adjustments:		
Non-taxable income	(165,858,890)	(391,785,862)
Non-deductible expense	265,394,601	137,463,255
Tax deduction	(4,683,921,896)	(1,483,555,472)
Current year adjustment cost recognized regarding past term's income tax(*)	2,277,268,233	(1,790,193,329)
Non-return tax system	-	149,329,288
Unrecognized deferred income tax change	223,989,982	-
Others(tax rate change effect, etc.)	(449,285,431)	(215,228,187)
Income tax payment	8,349,065,922	10,280,289,439
Average effective tax rate	17.81%	17.35%

(\*) The income tax payment includes income tax return received by claim of rectification, deferred income tax payment due to tax investigation and etc. for the current and last year.

(4) The deferred tax assets(liability)'s change details are as follows for current and last year.

① Current Year

(Unit : KW)				
Category	Basic Cost	Current Year Profit/Loss Reflected	Other Comprehensive Profit/Loss Reflected	Year-end Cost
Uncollected Income	(142,017,433)	(105,378,173)	-	(247,395,606)

(Unit : KW)				
Category	Basic Cost	Current Year Profit/Loss Reflected	Other Comprehensive Profit/Loss Reflected	Year-end Cost
Net defined benefit liability	-	159,483,282	(159,483,282)	-
Impairment loss of intangible asset	81,766,111	895,584,759	-	977,350,870
Depreciation of inventory assets	1,936,159,947	1,732,273,063	-	3,668,433,010
Redemption Cost over the limit	1,175,409,247	(486,435,901)	-	688,973,346
Impairment loss of tangible assets	136,501,555	-	-	136,501,555
Unpaid Cost	1,185,142,832	(118,970,874)	-	1,066,171,958
Pre-paid Cost	84,987,511	(16,583,830)	-	68,403,681
Provisions	967,997,292	69,890,216	-	1,037,887,508
Fair value measured financial asset through profit/loss	(197,434,585)	148,810,583	-	(48,624,002)
Fair value measured financial asset through other comprehensive profit/loss	121,000,000	-	-	121,000,000
Long-term employee wage liability	199,803,033	50,545,793	-	250,348,826
Others	330,616,870	(94,378,727)	-	236,238,143
Total	5,879,932,380	2,234,840,191	(159,483,282)	7,955,289,289

② Last Year

(Unit : KW)				
Category	Basic Cost	Current Year Profit/Loss Reflected	Other Comprehensive Profit/Loss Reflected	Year-end Cost
Uncollected Income	(181,719,307)	39,701,874	-	(142,017,433)
Net defined benefit liability	-	(377,612,249)	377,612,249	-
Impairment loss of intangible asset	118,412,692	(36,646,581)	-	81,766,111
Depreciation of inventory assets	591,156,099	1,345,003,848	-	1,936,159,947
Redemption Cost over the limit	1,322,160,821	(146,751,574)	-	1,175,409,247
Impairment loss of tangible assets	136,501,555	-	-	136,501,555
Unpaid Cost	1,013,138,795	172,004,037	-	1,185,142,832
Pre-paid Cost	103,282,209	(18,294,698)	-	84,987,511
Provisions	998,165,880	(30,168,588)	-	967,997,292
Fair value measured financial asset through profit/loss	(544,589,295)	347,154,710	-	(197,434,585)
Fair value measured financial asset through other comprehensive profit/loss	-	(577,138)	121,577,138	121,000,000
Long-term employee wage liability	141,267,454	58,535,579	-	199,803,033
Others	51,151,997	279,464,873	-	330,616,870
<b>Total</b>	<b>3,748,928,900</b>	<b>1,631,814,093</b>	<b>499,189,387</b>	<b>5,879,932,380</b>

(\*) The income tax payment includes income tax return received by claim of rectification, deferred income tax payment due to tax investigation and etc. for the current and last year.

(5) The temporary difference cost of items that are not recognized as deferred income tax assets for current and last year-end are as follows.

(Unit : KW)		
Related Asset	Current Year End	Last Year End
Subsidiary's Investment Share	418,177,955	418,177,955
Associated Group's Investment Share	114,064,926	-
Previous Cost(Subsidiary)	807,301,385	-

Regarding the transfer cost and investment share of the subsidiary, the consolidated entity estimates that temporary difference is not likely to expire in a foreseeable future for current and last year-end.

### 33. Cash flow statement

(1) Adjusted details on profits and expenses during sales of the current and last year are as follows.

(Unit : KW)		
Category	Current Year	Last Year
Corporate tax expense(profit)	8,349,065,922	10,280,289,439
Depreciation cost	8,450,856,643	4,281,440,788
Profit on disposition of tangible assets	(125,343,724)	(416,783,357)
Loss on disposition of tangible assets	24,710,082	261,786,335
Amortization of intangible assets	6,630,563,801	4,275,843,347
Profit from disposition of intangible assets	-	(15,000,000)
Loss from disposition of intangible assets	7,404,991	21,454,545
Impairment loss of intangible assets	3,736,196,562	-
Profit from foreign currency conversion	6,304,610,572	5,788,044,390
Loss from foreign currency conversion	(310,047,900)	(184,313,639)
Interest profit	1,043,196,409	125,853,269
Interest expense	(3,882,055,370)	(4,082,996,310)
Product loss guarantee cost(return)	251,687,433	-
Profit/loss-profit on valuation of financial assets measured at fair value	355,197,085	246,753,693
Profit/loss-loss on valuation of financial assets measured at fair value	139,919,764	643,523,594
Loss of actual value method	123,334,840	-

(Unit : KW)		
Category	Current Year	Last Year
Profit of actual value method	-	(9,269,914)
Long-term employee salary	265,745,313	265,993,117
Return of restoration cover liability	-	(28,460,400)
Miscellaneous profit	(35,433,090)	-
Total	31,329,609,333	21,454,158,897

(2) Changes in assets and liabilities during sales of the current and last year are as follows.

(Unit : KW)		
Category	Current Year	Last Year
Decrease(Increase) of account receivables	(1,431,906,653)	(11,028,942,750)
Decrease(Increase) of other receivables	(275,668,006)	(360,652,249)
Decrease(Increase) of other current assets	(6,617,707,117)	(5,649,580,769)
Decrease(Increase) of other non-current assets	6,413,398	123,532,106
Decrease(Increase) of inventory assets	(14,752,258,146)	(40,571,370,922)
Increase(Decrease) of purchase liabilities	(1,454,305,853)	14,849,987,971
Increase(Decrease) of other current liabilities	(984,919,052)	713,087,372
Increase(Decrease) of other non-current liabilities	(56,878,400)	(24,110,560)
Increase(Decrease) of other liabilities	(2,084,843,928)	(2,863,656,860)
Payment of retirement benefits	(1,603,955,690)	(2,422,407,650)
Decrease(Increase) of externally deposited assets	(6,468,759,070)	(3,798,946,590)
Transfer of defined benefit obligation of associated company	2,009,946,647	1,286,677,491
Decrease(Increase) of lease payment receivables	528,795,491	-
Total	(33,186,046,379)	(49,746,383,410)

(3) Cash flows from operating activities on the cash flow statement are recorded using the indirect method.

The significant transactions that do not involve cash inflows and outflows for the current and last year are as follows.

(Unit : KW)		
Category	Current Year	Last Year
Increase of accounts payables related to acquisition of tangible assets	210,245,091	108,850,000
Decrease of accounts payables related to acquisition of intangible assets	362,103,435	647,491,147
Substitution of advance payments into intangible assets	402,922,263	331,494,891
Increase in tangible assets due to restoration duty	84,065,174	498,300,000
Recognition of lease liabilities and user right assets due to lease contract	12,947,001,530	-
Decrease in user right assets due to early termination of lease	(289,935,037)	-
Substitution of lease payment receivables of tangible assets due to financial lease contract	6,593,290,800	-

#### (4) Cash flows related to financial activities

The changes in liabilities from financial activities during the current and last year are as follows.

##### ① Current Year

(Unit : KW)					
Category	Base	Adjustment due to the application of K-IFRS 1116	Financial activities cash flow	Non-cash transaction	Current year-end
Dividends payable	-		(13,499,369,000)	13,499,369,000	-
Lease liabilities(liquid)	-		(2,767,729,811)	5,568,436,996	2,800,707,185
Lease liabilities(illiquid)	-	12,578,173,121	-	(5,500,412,876)	7,077,760,245

##### ② Last Year

(Unit : KW)				
Category	Base	Financial activities cash flow	Non-cash transaction	last year-end
Dividends payable	-	(11,385,010,000)	11,385,010,000	-

#### 34. Restricted use of financial products

The details of restricted financial products for the current year-end are as follows.

(Unit : KW)		
Category	Amount	Details
Cash and cash equivalent assets	119,126,126	Government subsidy

### 35. Assets with insurance

The details of assets the consolidated entity entered into an insurance for the current year-end are as follows.

(Unit : KW)				
Insurance Category	Assets	Book Value	Insurance payment	Name
Gas accident compensation insurance	Building and construction	2,637,717,199	580,000,000	KB insurance company
			6,000,000,000	
Fire insurance	Machinery	5,978,557,331	2,659,000,000	
	Equipment	4,774,638,268	500,000,000	
	Other Tangible Assets	2,093,221,106	2,659,000,000	
Total		15,484,133,904	12,398,000,000	

### 36. Concerned entity

(1) Details of concerned entity of the consolidated entity for the current year-end and last year-end are as follows.

Category	Current Year-end	Last Year-end
Associated company	Advance Power-Device Technology Co., ltd	Advance Power-Device Technology Co., ltd
Company that exercise significant influence on the consolidated entity	LG Corp.	LG Corp.
Etc.	Affiliate of LG Corp.	Affiliate of LG Corp.
	Conglomerate affiliated company (*)	Conglomerate affiliated company (*)

(\*) Not included in the range of related party pursuant to no.1024 of the SKAS 'Disclosure of related parties', but belongs to the same conglomerate under the monopolistic regulation and fair trade law.

(2) Transactional details with the concerned entity for the current and last year are as follows.

(Unit : KW)				
Category	Name	Transactions	Current Year	Last Year
Associated company	Advance Power-Device Technology Co., ltd	Acquisition of tangible and intangible assets	2,280,731,354	1,441,626,408
Other subsidiaries of LG	LB Lusem Co., ltd (*1)	Sales	-	132,993,637
		Sales expense	-	15,467,193,707
	LG CNS Co., ltd	Sales expense	3,503,501,079	1,805,823,525
		Acquisition of tangible and intangible assets	3,251,786,634	5,852,467,460
	SNI Corp Co., ltd	Sales	-	15,013,650
		Acquisition of tangible and intangible assets	-	13,012,410
		Sales expense	926,380,048	773,973,668
	Serveone Co., ltd (*2)	Sales	3,466,200	3,762,000
		Sales expense	30,173,067	4,641,178
	LG Management Development Institute Inhawwon Co., ltd	Sales expense	1,113,259,310	285,072,410
	Open Source Consulting co., Ltd.	Sales expense	10,420,000	-
	Other Included corporation of the conglomerate	LG Electronics USA Inc.	Sales	1,855,969,929
LG International japan Ltd		Sales	-	673,007,302
LG Display (China) Co., Ltd.		Sales	2,138,102,752	-
LG Display (Guangzhou) Co., Ltd.		Sales	39,523,643,337	-
LG Display Co., Ltd		Sales	670,953,040,248	713,092,604,922
		Sales expense	92,314,736	-
	Other non-sales profit	869,281,918	-	

(Unit : KW)				
Category	Name	Transactions	Current Year	Last Year
	LG Electronics Co., Ltd	Sales	12,388,477,037	7,672,944,411
		Sales expense	5,622,546,911	4,773,689,093
		Acquisition of Business	-	46,129,996,611
	LG Innotek Co., Ltd	Sales expense	22,496,052,247	21,754,169,913
	LG Chemical Co., Ltd	Sales	212,000,000	-
	LG U+	Sales	3,200,000	3,200,000
		Sales expense	102,207,116	111,774,376
	Serveone Co., ltd (*2)	Sales	16,074,450	-
		Sales expense	21,122,380	-
	Pantos Co., Ltd	Sales expense	1,298,036,671	1,246,992,732
	Biztech Partners Co., Ltd	Sales expense	214,344,879	-
HS Ad Co., Ltd	Sales expense	-	9,900,000	

(\*1) Excluded from the related parties as LG has sold all shares of LB Lusem Co., Ltd. during the last quarter and the transaction details after it is excluded from the range of related parties.

(\*2) Serveone Co., Ltd. was excluded from the related parties as of July 24<sup>th</sup> in the current quarter, therefore, it only includes the transaction details till July.

(3) Claim and obligation on the concerned party for the current year-end and last year-end are as follows.

(Unit : KW)					
Category	Name	Current Year-end		Last Year-end	
		Account receivables, etc.	Purchase liabilities, etc.	Account receivables, etc.	Purchase liabilities, etc.
Associated company	Advance Power-Device Technology Co., ltd	-	-	-	220,821,862
Other subsidiaries of LG	LG CNS Co., Ltd	-	937,206,367	-	824,550,265
	LG Management Department Institute Co., ltd	-	15,628,305	-	161,700
	SNI Co., ltd	300,000,000	88,449,068	300,000,000	80,628,193

(Unit : KW)					
Category	Name	Current Year-end		Last Year-end	
		Account receivables, etc.	Purchase liabilities, etc.	Account receivables, etc.	Purchase liabilities, etc.
	Serveone Co., ltd	-	-	3,762,000	5,105,296
Other included corporation of the conglomerate	LG Electronics USA Inc.	257,934,780	-	430,692,120	-
	LG Display (China) Co., Ltd.	1,360,104,351	-	-	-
	LG Display (Guangzhou) Co., Ltd.	37,141,444,928	-	-	-
	LG Display Co., ltd	88,354,795,384	-	140,694,084,067	-
	LG Electronics Co., ltd(*)	3,249,019,544	472,555,262	2,328,583,856	362,298,327
	LG Innotek Co., ltd	-	3,598,523,920	-	2,946,258,263
	LG U+	-	-	3,520,000	-
	Pantos Co., ltd	-	202,957,347	-	247,890,554
	Biztech Partners Co., ltd	-	17,692,125	-	-

(\*) In addition to the above receivables and liabilities, lease liabilities of 9,140,500KRW and license assets of 9,039,170KRW are counted under an office lease agreement with LG Electronics Co., Ltd on the current year-end.

(4) Details on major fund transactions with the concerned entity during the current year and last year are as follows.

(Unit : KW)				
Category	Name	Current Year	Last Year	
		Dividends paid	Cash payment	Dividends paid
Associated company	Advance Power-Device Technology Co., ltd	-	4,410,000,000	-
Company that exercise significant influence on the consolidated entity		4,465,834,920	-	3,766,366,800

(Unit : KW)				
Category	Name	Current Year	Last Year	
		Dividends paid	Cash payment	Dividends paid
	LG Corp. (*)			

(5) Details on the compensation of the major board of directors for the current and last year are as follows.

(Unit : KW)		
Category	Current Year	Last Year
Short-term salary	3,428,705,500	2,210,982,838
Retirement benefit	447,042,625	274,055,953
Total	3,875,748,125	2,485,038,791

Board of directors of the consolidated entity include directors (including outside directors) and audit committee members.

(6) There is no security and guarantees that the company offered for the concerned entity or is being offered from the concerned entity in the current year-end and last year-end.

### 37. Acquisition of business

#### (1) General

On July 1st, the parent company acquired the T-Con chip business for OLED (including development, manufacture, and sales) from LG Electronics Co., Ltd. to establish the total solution of OLED TV-oriented system semiconductor.

#### (2) Transfer price and identifiable acquired assets

(Unit : KW)	
Category	Cost
Transfer Price	
Cash and cashable assets	46,129,996,611
Inherited assets and liabilities	
Trade receivables and others	7,879,739,697

<b>(Unit : KW)</b>	
<b>Category</b>	<b>Cost</b>
Inventory assets	2,508,465,250
Tangible assets	8,636,108
Intangible assets (i.e., contracts with clients)	19,920,000,000
Trade payable and current liabilities	(3,055,948,493)
Business rights	18,869,104,049
Total	46,129,996,611

The sales for last year is 197 hundred million won which is the amount that the consolidated entity recognized for business acquisition after the acquisition date. If the same business acquisition had been occurred on January 1, 2018, then the consolidated entity's last year sales would have increased by 182 hundred million won. Managed and recognized as a single business sector, the consolidated entity did not display the expected current year profit/loss from business acquisition under the assumption that it occurred on January 1, 2018 and the current year profit/loss after the business acquisition since the current year profit/loss amount cannot be categorized practically.

## 4. Financial Statements

### Statement of Financial Position

The 21<sup>st</sup> Year, 2019.12.31 current

The 20<sup>th</sup> Year, 2018.12.31 current

The 19<sup>th</sup> Year, 2017.12.31 current

(Unit : KRW)

(Unit: KRW)

	21th Year	20th Year	19th Year
Assets			
Current assets	517,493,203,044	506,873,236,097	496,552,389,629
Cash and cash equivalent	108,327,650,225	221,572,194,951	73,769,560,133
Short-term financial account	100,000,000,000		200,000,000,000
Sales receivables	159,275,850,982	158,800,076,125	139,950,086,915
Other current receivables	4,571,332,149	2,244,662,653	1,612,693,033
Shot-term investment assets	270,925,629		
Other current assets	26,204,076,109	20,165,192,564	12,238,263,202

Current corporate tax assets			7,970,512,714
Inventory assets	118,843,367,950	104,091,109,804	61,011,273,632
Non-current assets	111,770,974,942	100,375,583,355	47,293,891,063
Long-term investment assets		1,025,845,393	3,358,368,987
Other non-current receivables	11,428,837,064	6,608,727,784	5,077,388,910
Investments in subsidiaries companies	2,316,636,045	2,316,636,045	811,776,045
Investments in relational companies	4,410,000,000	4,410,000,000	
Tangible assets	30,647,327,385	21,717,532,502	15,188,031,734
Intangible assets	52,618,891,084	56,895,059,001	17,715,663,840
Other non-current assets	2,393,994,075	1,521,850,250	1,393,732,647
Deferred corporate tax assets	7,955,289,289	5,879,932,380	3,748,928,900
Total assets	629,264,177,986	607,248,819,452	543,846,280,692
Liabilities			
Current liabilities	145,432,437,089	155,610,549,028	129,626,588,064
Payables	112,842,199,455	114,566,792,039	97,214,262,012
Other payables	21,103,277,482	20,451,775,674	23,534,385,271
Other current liabilities	9,490,866,003	10,120,587,970	4,755,476,030
Unpaid corporate tax	1,996,094,149	10,471,393,345	4,122,464,751
Non-current liabilities	12,674,547,196	5,721,034,233	2,708,263,242
Other non-current payables	7,077,760,245		15,000,000
Other non-current liabilities	1,616,864,455	1,323,932,368	709,910,211
Defined benefit liability	3,979,922,496	4,397,101,865	1,983,353,031
Total liabilities	158,106,984,285	161,331,583,261	132,334,851,306
Capital			
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 accounts	(380,807,731)	(380,807,731)	1,705,779,692
Retained earnings (deficit)	387,062,680,932	361,822,723,422	325,330,329,194
Total equities	471,157,193,701	445,917,236,191	411,511,429,386
Total equities and liabilities	629,264,177,986	607,248,819,452	543,846,280,692

### Statement of Profit and Loss

The 21<sup>st</sup> Period, 2019.01.01 - 2019.12.31

The 20<sup>th</sup> Period, 2018.01.01 - 2018.12.31

The 19<sup>th</sup> Period, 2017.01.01 - 2017.12.31

(Unit: KRW)

	20 <sup>th</sup> period	20 <sup>th</sup> period	19 <sup>th</sup> period
Income (sales)	867,122,049,614	791,817,912,209	692,756,755,514
Cost of goods sold	654,231,514,747	598,160,376,164	540,353,985,480
Total profit on sales	212,890,534,867	193,657,536,045	152,402,770,034
Selling and maintenance expenses	166,079,673,338	137,971,489,233	107,689,056,343
Operating profit(loss)	46,810,861,529	55,686,046,812	44,713,713,691
Financial income	3,889,663,374	4,091,253,656	3,743,751,120
Financial cost	447,232,176	644,761,062	70,378,653
Other income	3,599,039,425	2,188,094,467	2,510,592,121
Other expenses	7,298,889,077	2,239,545,674	3,344,387,627
Net profit excluding corporate tax(loss)	46,553,443,075	59,081,088,199	47,553,290,652
Corporate tax expense	8,313,655,111	10,149,719,928	1,095,757,000
Current year net profit (loss)	38,239,787,964	48,931,368,271	46,457,533,652
Earnings per share			
Basic earnings per share (unit: KRW)	2,351	3,009	2,856
Diluted earnings per share (unit: KRW)	2,351	3,009	2,856

### Comprehensive Statement of Profit and Loss

The 21<sup>st</sup> Period, 2019.01.01 - 2019.12.31

The 20<sup>th</sup> Period, 2018.01.01 - 2018.12.31

The 19<sup>th</sup> Period, 2017.01.01 - 2017.12.31

(Unit: KRW)

	21th Period	20th Period	19th Period
Net profit (loss)	38,239,787,964	48,931,368,271	46,457,533,652
Other comprehensive profit and loss	499,538,546	(1,563,576,675)	(823,757,130)
Not reclassified account to profit or loss (other comprehensive profit or loss excluding tax)			
Re-measured profit or loss of defined benefit system	659,021,828	(1,560,381,193)	(1,391,591,102)
Other comprehensive profit and loss - Income on valuation of available-for-sale financial assets		(502,384,869)	
Corporate tax effect	(159,483,282)	499,189,387	336,765,047
Reclassified account to profit or loss (other comprehensive profit or loss excluding tax)			
Evaluated income of transferrable Assets (other comprehensive profit or loss excluding tax)			304,840,271
Corporate tax effect			(73,771,346)
Total Comprehensive Profit and Loss	38,739,326,510	47,367,791,596	45,633,776,522

### Statement for Changes in Capital

The 21<sup>st</sup> Period, 2019.01.01 - 2019.12.31

The 20<sup>th</sup> Period, 2018.01.01 - 2018.12.31

The 19<sup>th</sup> Period, 2017.01.01 - 2017.12.31

(Unit: KRW)

		Capital				
		Capital	Capital surplus	Other capital	Retained earnings	Total capital
2017.01.01 (fundamental capital)		8,132,150,000	76,343,170,500	1,474,710,767	294,565,491,597	380,515,522,864
Change of accounting policy (KIFRS-9)						
Change of accounting policy (KIFRS-15)						
2018.01.01(beginning)(rewritten amount)						
Total comprehensive profit or loss	Net profit				46,457,533,652	46,457,533,652
	Remeasurement element of defined benefit system				(1,054,826,055)	(1,054,826,055)
	Other Comprehensive Income - Evaluated profit or loss of financial assets measured at fair value					
	Evaluated profit or loss of transferrable financial assets			231,068,925		231,068,925
Transactions with shareholders directly recognized in capital	Annual dividend				(14,637,870,000)	(14,637,870,000)
2017.12.31 (ending capital)		8,132,150,000	76,343,170,500	1,705,779,692	325,330,329,194	411,511,429,386
2018.01.01 (fundamental capital)		8,132,150,000	76,343,170,500	1,705,779,692	325,330,329,194	411,511,429,386
Changes of Accounting Policy (KIFRS-No.9)				(1,705,779,692)	1,705,779,692	
Changes of Accounting Policy (KIFRS-No.15)					(1,576,974,791)	(1,576,974,791)
2018.01.01(beginning)(rewritten amount)		8,132,150,000	76,343,170,500		325,459,134,095	409,934,454,595
Total comprehensive profit and loss	Net profit				48,931,368,271	48,931,368,271
	Remeasurement element of defined benefit system				(1,182,768,944)	(1,182,768,944)
	Other Comprehensive Income - Evaluated profit or loss of financial assets measured at fair value			(380,807,731)		(380,807,731)
	Evaluated profit or loss of transferrable financial assets					
Transactions with shareholders directly recognized in capital	Annual dividend				(11,385,010,000)	(11,385,010,000)

		Capital				
		Capital	Capital surplus	Other capital	Retained earnings	Total capital
2018.12.31 (ending capital)		8,132,150,000	76,343,170,500	(380,807,731)	361,822,723,422	445,917,236,191
2019.01.01 (fundamental capital)		8,132,150,000	76,343,170,500	(380,807,731)	361,822,723,422	445,917,236,191
Changes of Accounting Policy (KIFRS-No.9)						
Changes of Accounting Policy (KIFRS-No.15)						
2018.01.01(beginning)(rewritten amount)						
Total comprehensive profit and loss	Net profit				38,239,787,964	38,239,787,964
	Remeasurement element of defined benefit system				499,538,546	499,538,546
	Other Comprehensive Income - Evaluated profit or loss of financial assets measured at fair value					
	Evaluated profit or loss of transferrable financial assets					
Transactions with shareholders directly recognized in capital	Annual dividend				(13,499,369,000)	(13,499,369,000)
2019.12.31 (ending capital)		8,132,150,000	76,343,170,500	(380,807,731)	387,062,680,932	471,157,193,701

### Statement of Cash Flow

3Q of 21st period, 2019.01.01-2019.09.30

3Q of 20th period, 2018.01.01-2018.09.30

(Unit : KRW)

	21th year	20th year	19th year
Cash flow from sales activities	20,167,443,972	27,514,347,281	32,304,674,119
Cash earned from sales	36,059,332,923	20,730,999,643	40,444,074,031
Year net profit (loss)	38,239,787,964	48,931,368,271	46,457,533,652
Adjustments for year net profit	30,875,951,394	21,278,009,115	8,350,693,414
Change to equities and liabilities on sales activities	(33,056,406,435)	(49,478,377,743)	(14,364,153,035)
Gain on interest (sales)	3,383,592,980	4,245,440,351	3,611,550,340
Payment on interest (sales)	(251,687,433)		
Payment on corporate tax (return)	(19,023,794,498)	2,537,907,287	(11,750,950,252)
Cash flow from investments	(117,089,381,868)	131,674,418,893	(206,524,109,123)
Increase of short-term financial account	(170,000,000,000)	(185,000,000,000)	(200,000,000,000)

	21th year	20th year	19th year
Decrease of short-term financial account	70,000,000,000	385,000,000,000	
Increase in other receivables	(2,722,000,000)	(4,298,935,340)	(1,464,857,238)
Decrease in other receivables	2,410,805,819	2,331,997,856	382,244,214
Decrease in other liabilities		(15,000,000)	
Acquisition of tangible assets	(10,385,338,673)	(11,038,943,577)	(2,976,649,686)
Disposition of tangible assets	92,567,000	936,400,000	300,000,000
Acquisition of intangible assets	(6,356,392,809)	(4,933,559,421)	(1,936,143,749)
Disposition of intangible assets		231,545,455	
Term profit and loss - disposition of financial assets measured at fair values	615,000,000	1,089,000,000	
Other comprehensive profit - disposition of financial assets measured at fair values		97,615,131	
Increase in advances	(744,023,205)	(583,144,600)	(414,248,664)
Acquisition on subsidiaries' invested share		(1,504,860,000)	(674,454,000)
Acquisition on relational company invested share		(4,410,000,000)	
Cash leakage due to acquisition of business		(46,129,996,611)	
Cash flow from financial activities		(97,700,000)	
Disposition of transferrable financial assets			260,000,000
Cash flow of financial activities	(16,267,098,811)	(11,385,010,000)	(14,637,870,000)
Payment of dividend	(13,499,369,000)	(11,385,010,000)	(14,637,870,000)
Payment of lease fee	(2,767,729,811)		
Increase in lease			
Net Increase of cash and cash equivalents before applying currency exchange rate	(113,189,036,707)	147,803,756,174	(188,857,305,004)
Fundamental Cash and cash equivalents	221,572,194,951	73,769,560,133	262,696,790,919
Effect of currency exchange rate movements on cash and cash equivalents	(55,508,019)	(1,121,356)	(69,925,782)
Ending Cash and cash equivalents	108,327,650,225	221,572,194,951	73,769,560,133

## 5. Notes on Financial Statement

### 1. Overview of company

Silicon Works Co., Ltd. (hereinafter referred to as the "controlling company") was established on November 11, 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 controlling company was certified by the Korea Institute for Advance 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 on October 19, 2001. The controlling company has also been designated as a high-tech company as per Clause 1 of Article 9 of the Special Law on the Cultivation of the Special Research and Development Daedeok-gu and more on October 23, 2011.

The controlling company was listed in KOSDAQ on June 8, 2010. After several increases in capital with or without considerations, the amount of paid-in capital of the company at the end of current half year is KRW 8,132,150,000 (issued shares: 16,264,300 and authorized shares 50,000,000).

The current status of the shareholders of the controlling company at the end of year is as follows:

(Unit: shares)			
Company name	Shares owned	Percentage	Comment
LG Co., Ltd.	5,380,524	33.08%	largest shareholder
National Pension Service	916,212	5.63%	-
Etc.	9,967,564	61.29%	-
Total	16,264,300	100.00%	

## 2. Applied standards for writing the financial statements

### (1) Accounting standards

The company wrote this financial statements in accordance with the K-IFRS which is the financial standards that adopts the international financial reporting standards of International Accounting Standards Board regulated by the Article 5, Section 1, Clause 1 regarding the law on external audits of corporations.

The company's financial statement is a separate financial statement in accordance with SKAS No.1027 'Separate Financial Statements'; this financial statement is presented based on direct equity investments, but not based on the reported performance and net assets.

The company's financial statements is certified by the executive board on February 11th, 2020 and will further be certified finally by the general meeting held at March 26th, 2020.

No.1116 of the SKAS's 'Lease' was first applied to the company's financial statements, and significant changes in accounting policies are described in Note 3.

### (2) Estimation Standards

The financial statements are written based on the historical cost except for the financial statement's main elements listed below.

- ① Net profit or loss-fair value measured financial asset
- ② Other comprehensive profit or loss-fair value measured financial asset

③ Defined benefit liability measured by deducting plan assets's fair value from defined benefit obligation's present value

(3) Functional currency and presentation currency

The company's financial statements is written by the main financial environment's currency("functional currency") through which the business activities are carried out. The company's financial statements are reported by Korean currency won which is the company's functional currency and presentation currency.

(4) Estimation and judgement

K-IFRS requires the use of the board of directors' estimations and hypothesis based on their best judgments in matters such as accounting standard application or that affect the reporting amount of current asset, debt and profit, fees of the interim report when writing it. If estimates and assumptions based on the best judgment of the board of directors at the end of the interim period are different from those of the actual environment, the actual results may differ.

The basic assumptions on estimation estimation results are continuously reviewed and the accounting estimation's change is recognized during the period estimation is changed and for the period the estimation will be affected by the future.

① The management's estimation

The information on the management's main estimation regarding application of accounting policy that significantly affects the costs recognized in the financial statements are included following notes.

-Note 4 : Significant Accounting Policy

② Uncertainty of assumptions and estimations

The information on the assumptions and estimations' uncertainty that has significant risk of incurring important changes during the following reporting period is included in the following notes.

- Note 12 : Inventory assets - assumptions on setting allowance for overvaluation of inventories
- Note 17: Lease liabilities - estimation on lease period
- Note 18 : Provisions - possibility on resource leakage and assumption on the its cost
- Note 30 : Estimation of the defined benefit obligation - Main actuarial assumption

③ Measuring fair value

Since the company's accounting policy and government notices require fair value estimation of various financial and non-financial assets and liabilities, the company establishes fair value evaluation policies and procedures. The policies and procedures include the operations of the evaluation department responsible for the review on the measurement of every significance fair values including those classified into Level 3 in the hierarchical system. The results are directly reported to the financial executive.

The evaluation department regularly reviews significant input variables and evaluation adjustments that cannot be observed. If any information by a third party such as the broker price or evaluation organization is used in the fair value measurement, the evaluation based on information acquired from the third party includes the

classification per level in the hierarchy system of fair value and judge whether to conclude as it meeting the applicable standard.

In the case where the fair value of an asset or liability is measured, the company uses the input variable that can be observed from the market as much as possible. The fair values are classified within the hierarchy system of fair values, based on the input variables used in the valuation techniques as follows.

- Level 1: Unadjusted quoted price in an active market with access to the same asset or liability of the date of measurement
- Level 2: Input variables that are directly or indirectly observable for an asset or liability other than the quoted price at Level 1
- Level 3: Input variables that cannot be observed for an asset or liability

If more than one input variables used for measuring the fair value of an asset or liability are classified into different levels within the hierarchy system, the company classifies the entire fair value measurements into the same level with input variable in the lowest level in the hierarchy system, and recognizes movement within the levels of the hierarchy that occurred at the end of reporting period.

The specific details on the assumptions used for the evaluation of fair value are included in the notes below.

- Note 6 : Financial risk management

### 3. Change of accounting policies

Except for the cases mentioned below, accounting policies applied in this financial statement is same as the one used for the yearly financial statement.

The company first applied No.1116 of SKAS on January 1, 2019. There is other accounting policies that implements starting from January 1, 2019, those standards do not have big impact on the financial statement of the company.

No.1116 of SKAS implemented single lease user accounting model, and as a result, the company recognizes user assets that shows the right to use underlying asset as a lease user and the lease liability that shows the obligation to pay lease fees. Lease provider accounting model is similar to the previous accounting policy.

The company have recognized the cumulative effect by the no.1116 of SKAS as an earned surplus of January 1, 2019(first day of application). Therefore, comparative financial information applied no.1017 of SKAS as reported previously, and have not been rewritten. Details about modifications in accounting policies are noted below.

#### (1) Definition of lease

Previously, the company applied no.2104 of the Statement of Financial Accounting Standards(SFAS) 'decide whether lease is included in the contract' and decided whether the contract was a lease or non-lease on the contract date. Now, the company evaluate it under the basis of new definition of lease. According to no.1116 of the SKAS, if the observed assets' private use control is transferred for a certain period of time in a contract, such contract is considered a lease or it includes lease.

On the first application date of no.1116 of the SFAS, the company decided to apply a practical simple law that does not identify whether the contract is lease or not. Previously, the company applied no.1116 of the SFAS only

to the contracts that were identified as lease. It was not re-identified lease of not according to no.1017 or SKAS and no.2104 of the SFAS. Therefore, definition of lease according to no.1116 of the SKAS was applied to contracts signed or modified after January 1, 2019.

## (2) Lease user

The company leases many assets including buildings and automobiles.

The company classified lease as operating lease or financing lease depending on whether the lease transferred most of the dangers and compensations followed by the ownership of underlying assets as a lease user. According to no.1116 of SKAS, the company recognizes user right assets and lease liabilities on most of the lease. Therefore, most of the leases are shown on the financial statement.

However, the company decided not to recognize user right assets and lease liabilities for some of the underlying asset leases of a small sum. The company recognize such lease as an expense according to a flat rate standard during the lease period.

company includes lease liabilities into 'other liabilities' category of the consolidated financial statement.

## ③ Significant accounting policy

company recognizes lead liability on the starting day of the lease. User right asset is measured as production price on initial recognition and subsequently measured by deducting accumulated depreciation and accumulated impairment losses from the production price, reflecting adjustments to the measurement of the lease liability.

Lease liability is measured as the current value that has not been paid on initial recognition, the starting day of the lease. When measuring the current value, lease fees are discounted as implicit interest rate. In the cases where implicit interest rate cannot be easily calculated, lease fees are discounted as incremental borrowing rate of the company.

The lease liability subsequently increases by the amount of interest fees recognized for the lease liability and decreases according to the payment of the lease fee payments. Lease liabilities are recalculated when future lease fees are altered according to changes in index or tariff (interest rate), estimated amount of payment according to guaranteed residual value, certainty of exercising purchase or extension options, or certainty of not exercising termination option.

company applies their judgments when deciding lease term for certain lease contracts that contain extension option. The evaluation of the certainty on the company's selection of extension option affects the lease term, therefore also affecting the lease liabilities and the cost of the user right assets.

## ④ Transitional provision

For the leases classified as an operating lease according to No.1017 of the SKAS on the period of transition, lease liabilities are measured as a current value of remaining lease fees as of January 1, 2019. And user right assets are calculated as the same price of the lease liabilities (adjust pre-paid or occurred(unpaid) lease fees).

company applies the following practical simple law when applying no.1116 of the SFAS to leases that are classified as operating lease according to No.1017 of the SKAS.

- Exempt regulation that does not recognize user right assets and lease liabilities applies for the leases that have less than 12 months of term.
- Direct cost of lease opening is excluded from the measured value of user right assets of the first application date.
- If the contract includes lease extension or termination option, then post-judgment is used to decide the lease term.

### (3) Accounting process for lease grantor

The company does not need to do any adjustments on the relevant leases of lease grantor during the transition period. The company applies SFAS's No.1116 on leases starting from the point of transition.

### (4) Effect on the financial statement

#### ③ Effect at the point of transition

company additionally recognized user right assets and lease liabilities at the transition period of No. 1116 of the SFAS. The effects on the transition point are as follows.

(Unit : KRW)		
Category		January 1, 2019
User right assets indicated as tangible asset	Building	12,197,494,072
	Delivery equipment or vehicles	380,679,049
	Total	12,578,173,121
Lease liabilities	Buidling	12,197,494,072
	Delivery equipment or vehicles	380,679,049
	Total	12,578,173,121

When calculating lease liabilities on the leases classified as operating lease, company calculated the lease liabilities by discounting the lease payment using incremental borrowing rate and the applied weighted average incremental borrowing rate is 2.22%.

(unit : KRW)	
Category	January 1, 2019
Official operating lease's contract on the financial statements of the previous year's end( 12.31.2018)	4,726,446,288
Payment discounted by applying incremental borrowing rate	4,676,698,850
- Application of exemption regulation regarding small lease or short term lease	(812,609,069)
- Estimation change on the prolongableness, etc.	8,714,083,340
Lease liability recognised on January 1st, 2019	12,578,173,121

④ Effect at the transition period

Regarding the lease classified as operating lease, after first applying no.1116 of the SFAS, the costs recognized as lease liability and user right asset on the financial statements as of the current year's end are as follows.

(unit : KRW)		
Category		12.31.2019
User right assets indicated as tangible assets	Building	9,445,476,190
	Delivery equipment or vehicles	325,387,122
	Total	9,770,863,312
Lease liability	Building	9,549,319,502
	Delivery equipment or vehicles	329,147,928
	Total	9,878,467,430

The costs recognized in the comprehensive profit and loss financial statement regarding the current year's lease is as follows.

(unit: KRW)			
Category		Current year	
Sales	Profit generated from lease	1,057,300,000	
Sales & maintenance cost and principal sales cost	Depreciation cost	Building	2,490,001,663
		Vehicles	396,201,518

(unit: KRW)		
Category		Current year
	Short term lease and lease payment regarding small amount asset	1,030,666,665
	Subtotal	3,916,869,846
Other non-operating income	User right asset disposal income	10,869,252
Financial income	Interest income	59,986,441
Financial income	Interest income	251,687,433

#### 4. Significant accounting policies

The significant accounting policies that the consolidation entity has applied to prepare consolidated financial statements in accordance with K-IFRS are described below, and the consolidated financial statements of the current and last term have been prepared by applying the same accounting policy, except for changes in accounting policies described in Note 3.

##### (1) Cash and cash equivalents

The company classifies investments with maturity of less than three months from the acquisition date as cash and cash equivalents. Equity instruments are excluded from cash equivalents, but are included in cash equivalents if they are real cash equivalents, such as preference shares with fixed redemption dates and with short term periods which is from the acquisition date to the redemption date.

##### (2) Inventory assets

The unit cost of inventories is determined by the moving average method, and the acquisition cost includes the purchase cost, conversion cost, and other costs required to prepare the inventory in a usable state.

Inventory is measured at the lower of acquisition cost and net realizable value.

The valuation loss and all inventory obsolescence reduced by the net realizable value are recognized as expenses during the period in which the reduction or loss occurred, and the reversal of inventory valuation loss due to the increase in the net realizable value of the inventory is deducted from the cost of sales of the inventory recognized as expenses during the period in which the reversal occurred.

##### (3) Non-derivative financial assets

###### ① Recognition and initial measurement

Trade receivables and issued debt securities are recognized for the first time at the time of the issue. Other financial instruments and financial liabilities are recognized only when the company becomes a contracting party of the financial instrument. Except for trade receivables that do not include a significant financing component, the financial asset or financial liability is measured as fair value at the initial recognition and,

if it is not the fair value through profit or loss financial assets or fair value through profit or loss financial liability, the transaction costs directly attributable to the acquisition of that financial asset or the issuance of that financial liability are adjusted at fair value. A trade receivable that does not include a significant financing component is initially measured at the transaction price.

## ② Classification and subsequent measurement

At initial recognition, financial assets are classified to be measured at amortised cost, fair value through other comprehensive income debt instruments, fair value through other comprehensive income equity instruments, or fair value through profit or loss. Financial assets are not reclassified after initial recognition unless the company changes the business model for managing the financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets are measured at amortized cost if they meet both of the following conditions and are not designated as fair value through profit or loss:

- It is held under the business model whose objective is to collect contractual cash flows.
- Cash flows that are solely the payments of interest on principal amount and principal balances are generated on a specific date, depending on the terms of the financial asset's contract. If the debt instrument meets the following two conditions and is not designated as fair value through profit or loss, it is measured at fair value through other comprehensive income.
- Financial assets are held under a business model that is aimed both for collecting contractual cash flows and selling financial assets.
- Cash flows that are solely payments of interest on principal amount and principal balances are generated on a specific date, depending on the terms of the financial asset's contract.

On initial recognition of equity instruments that are not held for trading, the company may choose to present subsequent changes in the fair value of the investment as other comprehensive income. Once selected, however, you cannot cancel it. This choice is made by the each investment.

All financial assets not measured at amortized cost or at fair value through other comprehensive income described above are measured at fair value through profit or loss. These financial assets include all derivative financial assets. At initial recognition, if the company designate financial assets measured at amortized cost or fair value through other comprehensive income as the measurement item of fair value through profit or loss, it can eliminate accounting mismatch and if the entity wants to reduce the mismatch significantly, it may designate the related financial asset as a measurement item of fair value through profit or loss. However, you cannot cancel it once you specify it.

### 1) Business model

The company assesses the objective of the business model held at the portfolio level of financial asset because it best reflects how the business is managed and how information is provided to the management. Such information considers the following:

- The accounting policies and objectives specified for the portfolio and the actual operation of these policies. This includes management's strategy of obtaining or realizing expected cash flows through the acquisition of contractual interest income, maintenance of a certain level of interest return, and the matching of the duration of the liability that procures financial assets and the duration of the financial assets.
- A method of assessing the performance of financial assets held in a business model and reporting the assessment to key management personnel
- A method of managing risks that affect the performance of the business model (and the financial assets held in the business model)
- Compensation method for management (e.g. whether it is based on the fair value of the assets managed or on the contractual cash flows received)
- The frequency, amount, timing and reason of the financial assets' sales during the past period and expectation of future sales activities of financial assets

For this purpose, a transaction to transfer a financial asset to a third party where the transaction taking place does not meet the liquidation requirements is not considered as sale. A portfolio of financial assets that meets the definition of short term trade or whose portfolio's performance is evaluated on a fair value basis is measured at fair value through profit or loss.

## 2) Evaluation of whether contractual cash flows consist of principal amount and interest only

The principal amount is defined as the fair value of the financial asset at initial recognition. Interest consists of profits as well as the consideration for the time value of money, the consideration for credit risk associated with the principal balance in a particular period, and other basic loan risks and costs (e.g., liquidity risk and operating costs).

When assessing whether the contractual cash flows are solely payments for the principal amount and interest, the company considers the terms and conditions of the instrument. If a financial asset contains a contractual term that changes the timing or amount of contractual cash flows, it shall determine whether the contractual cash flows that may arise due to that contractual term over the life of the instrument are solely payments of the principal and interest.

When evaluating this, the company considers the following.

- Conditional circumstances that change the amount or timing of cash flows
- Provisions that adjust the contractual coupon, including variable interest rate characteristics
- Prepayment and maturity extension characteristics
- Terms and conditions that limit the company's claim to cash flows arising from a particular asset

If the prepayment amount represents interest on the principal and the remaining principal that are practically unredeemed and includes reasonable additional compensation for the early liquidation of the contract, the early repayment characteristics are consistent with the conditions under which the principal and interest are paid on a particular date.

In addition, for financial assets acquired with significant discounts or premiums on face value for the contract, the prepayment practically represents the contractual face value and contractual interest accrual (but not paid in this case) which in this situation reasonable additional compensation for the early liquidation of the contract may be included, and the prepayment characteristic is determined to satisfy the condition when the related characteristic's fair value is insignificant at the point of financial asset's initial recognition.

### ③ Follow-up measurement and profit and loss

#### 1) Financial assets measured at fair value through profit or loss

These assets are subsequently measured at fair value. Net profit or loss, including return on dividends, is recognized in profit or loss.

#### 2) Financial assets measured at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by an impairment loss. Interest income, foreign currency translation gains/losses and impairment loss are recognized in profit or loss. Any gain or loss arising from de-recognition shall be recognized in profit or loss.

#### 3) Debt instruments measured at fair value through other comprehensive income

These assets are subsequently measured at fair value. Interest income is calculated using the effective interest method and foreign currency translation gains/losses and impairment loss are recognized in profit or loss. Other net gains and losses shall be recognized in other comprehensive income. The gain or loss on de-recognition shall be reclassified from accumulated other comprehensive income to profit or loss.

#### 4) Equity instruments measured at fair value through other comprehensive income

These assets are subsequently measured at fair value. Dividends are recognized in profit or loss if they do not clearly represent a recovery of investment costs. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

### ④ Removal of financial assets

The company shall transfer the contractual right to collect the cash flows of the financial asset if the contractual right to the cash flows of the financial asset is extinguished, and if it practically transferred most of the risk and rewards regarding ownership of transferred financial asset or if the company does not hold or transfer much of the risks and rewards of ownership, then it shall remove the financial asset.

The transferred asset shall not be removed if the company has carried out the transaction to transfer the assets that are recognized in the consolidated statement of financial position, but retains most of the risks and rewards of ownership of the asset being transferred.

### ⑤ Offset of financial assets

The company may offset financial assets and financial liabilities and display them on a net basis in the consolidated statement of financial position only if it currently has a legally enforceable right of set-off on the assets and liabilities recognized or if it intends to settle them on a net basis, realize the assets or settle the liabilities.

## ⑥ Impairment of financial assets

1) The company shall recognize the loss allowance for expected credit losses of the following assets.

- Financial assets measured at amortised cost
- Lease bond

The loss allowance for trade receivables and other receivables measured at amortised cost is always measured at the amount of lifetime expected credit losses.

When determining whether a financial asset's credit risk has increased significantly since initial recognition, and when estimating expected credit losses, the company considers information that is available, reasonable and supportable without undue cost or effort. This includes qualitative and quantitative information and analysis based on the group's past experience and known credit ratings, including future-oriented information.

The lifetime expected credit losses are expected credit losses resulting from all default events that may occur during the expected life of the financial instrument.

The longest consideration period when measuring expected credit losses is the maximum contractual period over which the group is exposed to credit risk.

## 2) Measuring expected credit losses

Expected credit losses are the probability-weighted estimate of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e., the difference between all contractual cash flows payable under the contract and all contractual cash flows expected to be received). Expected credit losses are discounted at the effective interest rate of the financial asset.

## 3) Financial assets with impaired credit

At the end of each reporting period, the company assesses whether credits of the financial assets measured at amortised cost are impaired. If one or more events occur that adversely affect the estimated future cash flows of a financial asset, then the financial asset is credit-impaired. Evidence of credit-impaired financial assets includes the following observable information.

- Significant financial difficulties of the issuer or borrower

## 4) Display of credit loss allowance in the consolidated statement of financial position

Loss allowances for financial assets and lease payment receivables measured at amortised cost are deducted from the book value of those assets.

## 5) Disengagement

If there is no reasonable expectation for the recovery of all or part of the financial asset's contractual cash flows, the asset is removed. The company evaluates the timing and cost of each break by assessing whether the corporate customer has reasonable expectations for recovery. The company does not expect a significant payback

of the disengaged amount. However, each eliminated financial assets may be subject to recovery activities in accordance with the recovery process for the group's mature amount.

(4) The subsidiary company and associated company investment on the separate financial statement  
The company's financial statement is a separate financial statement in accordance with SKAS No.1027. The company accounts for the investment asset regarding the subsidiary company and the associated company by selecting cost methods in accordance with SKAS No.1027. But as for the K-IFRS separate financial statement on the transition date, 'SKAS's initial selection' of the SKAS No.1101 is applied and the values are measured by using the book value of the past accounting standards as deemed cost. On the other hand, the dividends from the subsidiary company is recognized as profit or loss at the time the right to receive the dividend is defined.

#### (5) Tangible Assets

Tangible assets is initially recognized at the principal amount. Cost of tangible assets includes costs directly related to the location and condition required to operate the asset in the manner intended by management, and costs estimated to be incurred by decommissioning and removing the asset or restoring the site.

After initial recognition, tangible assets shall have the cost calculated after deducting accumulated depreciation and accumulated impairment losses from the principal amount as the book value.

As for the costs incurred when replacing a part of tangible assets, when the future economic benefits from the asset are likely to flow into the group and when the costs are reliably measurable, it is included in the book value of the asset, or, if appropriate, are recognized as separate assets.

When doing so, the book value of the replaced part is removed. Other costs incurred in connection with routine repairs and maintenance are recognized in profit or loss when incurred.

Among tangible assets, lands shall not be depreciated, and regarding the amount of the asset's acquisition cost minus its residual value, other tangible assets shall be amortised to a straight-line depreciation method that best reflects the expected pattern of consumption for future economic benefits embodied in the asset over the economic durable years set out below.

If a part of the principal amount that consists tangible assets is significant compared to the total cost of tangible assets, then the related tangible asset is depreciated separately.

The gain or loss arising from the de-recognition of tangible assets is determined by the difference between the net selling amount and the book value, and the difference is recognized as non-operating income and other non-operating expenses.

The estimated service life of current and previous tangible assets is as follows.

Category	Service Life
Building and Structure	20yrs 40yrs
Mechanical Equipment	5yrs
Equipment	4yrs

Category	Service Life
Other Tangible Assets	5yrs

At the end of each reporting period, the company reviews the residual value of the asset, its service life and depreciation method, and after the review, if it is decided appropriate to change it, then the change in accounting estimate is carried out.

#### (6) Intangible assets

Intangible assets are measured by the cost of the initial recognition and the amount calculated after deducting accumulated amortization and accumulated impairment losses from the principal cost after the initial recognition is deemed as a book value.

The intangible assets are amortized on a straight-line method for the following useful life, with the residual value of zero ("0") from the date of availability. However, for some intangible assets, since there is no foreseeable limit on the period in which this method is available to use, the useful life of such intangible assets is deemed as indefinite and are not amortized.

The estimated useful life of current and last year's electric intangible assets is as follows.

Category	Useful Life
Goodwill	Indefinite
Industrial Property	10yrs
Software	2yrs ~ 5yrs
Membership	Indefinite
Other Intangible Assets	2yrs ~ 5yrs

The amortisation period and amortisation method of intangible assets with finite useful lives are reviewed at the end of each reporting period, and the evaluation of intangible assets with indefinite useful lives continues to be reviewed whether the judgement that the asset's useful life is indefinite is reasonable at the end of each reporting period, and a change in accounting estimate carried out if it is deemed appropriate to change.

Subsequent expenditures are capitalised only if the future economic benefits of the particular assets involved increase, and other expenditures, including internally generated goodwill and trademarks, are expensed immediately when they are generated.

#### (7) Goodwill

The goodwill corresponds to the consideration paid for the excess amount paid more than the fair value regarding net identifiable assets acquired at the time of the business combination and is counted as intangible assets. Although goodwill is not amortised, it is tested for impairment every year and displayed as a cost calculated by deducting accumulated impairment loss from the principal amount.

#### (8) Government subsidy

Government subsidy is recognized only when the company corresponds to the standards necessary for government subsidy and when there is a reasonable assurance about receiving that subsidy.

① Government subsidy related to assets

The company receives government subsidy with a necessary basic standard that the subsidy should be used for acquiring or building intangible assets; when calculating the asset's book value, the subsidy is deducted and over the useful life of the depreciable assets, it is recognized as profits or losses.

② Government subsidy related to profits

The company recognizes the subsidy as profits and losses by deducting it from related charge over the period during which relevant cost that tries to keep government subsidy as a subsidy is recognized as a cost.

(9) Impairment of non-financial assets

For all non-financial assets excluding assets such as those arising from employee wage, inventory assets, and intangible assets that are classified as deferred tax assets, the company examines whether there are indications of asset damage at the end of each reporting period, and estimates the recoverable amount of such assets if there are such indications.

However, for the intangible assets with indefinite useful lives and intangible assets that are not yet available for use, they are tested for impairment annually by comparing the recoverable amount with the book value, regardless of any indication of asset damage.

The recoverable amount is estimated by individual assets, or if the individual asset's recoverable amount cannot be estimated, then the amount is estimated by the cash generating unit that the asset belongs. The recoverable amount is determined as the higher one between use value and net fair value. The recoverable amount is determined as the higher one between use value and net fair value. Use value is measured by discounting with an appropriate discount rate that not only reflect the current market's estimation on the asset's special risk which was not adjusted when measuring future cash flow and but also reflect the currency's time value.

If the recoverable amount of an asset or a cash-generating unit falls short of book value, the book value of the asset is reduced and immediately recognized as profits or losses.

At the end of each reporting period, the entity shall review whether there are any indications that the impairment loss recognised in the prior period no longer exists or has been reduced regarding assets excluding the goodwill, and carry out the recovery only when there is a change in the estimation used to determine recoverable amount after the time impairment loss was recognized. The book value increased by the reversal of an impairment loss shall not exceed the balance after depreciation or amortization of the book value prior to the recognition of an impairment loss in the past.

The goodwill acquired by a business combination is allocated to each cash-generating unit that is expected to benefit from the synergy effect of the business combination. The impairment loss for the cash-generating unit first reduces the book value of goodwill allocated to the cash-generating unit, and then reduces the book value of the asset in proportion to book value of each of the other assets included in cash-generating unit. Impairment losses recognised for goodwill cannot be reversed in subsequent periods. At the end of each reporting period, the entity shall review whether there are any indications that the impairment loss recognised in the prior period no longer exists or has been reduced, and carry out the recovery only when there is a change in the estimation

used to determine recoverable amount after the time impairment loss was recognized. The book value increased by the reversal of an impairment loss shall not exceed the balance after depreciation or amortization of the book value prior to the recognition of an impairment loss in the past.

#### (10) Lease

The company applied No. 1116 of the SKAS using the revised retroactive method. Consequently, comparative financial information presented is not restated and is prepared in accordance with SKAS's No.1017 and SKAS's No. 2104. If the specifics of accounting policies in accordance with SKAS No.1017 and SKAS No.2104 differ from those in SKAS No.1116, the contents and effects of changes are separately disclosed in Note 3.

##### ① Accounting policies applied before January 1, 2019

For contracts signed before January 1, 2019, the company has determined whether the arrangement is a lease or whether it includes a lease, based on its assessment of the following:

- whether the arrangement can only be fulfilled by using certain assets;
- whether the right to use the asset is transferred according to the agreement. The agreement transfers the right to use the asset if one of the following conditions is met:
  - Buyer has the right or ability to operate the asset while obtaining or controlling a significant amount of output from the underlying asset
  - Buyer has the right or ability to control physical access to the asset while obtaining or controlling a significant amount of output from the underlying asset
  - Facts and circumstances indicate that the other party's probability of obtaining a significant amount of output from the underlying asset is slim and the price per unit of output is fixed or not equal to the market price.

##### ② Accounting Policies Applied on January 1, 2019

The company determines whether the contract is a lease or includes a lease at the time of the agreement. In the contract, if the usage control of the identified asset is transferred for a certain period of time in exchange for the consideration, then the contract is either a lease or includes a lease. When determining whether a contract transfers the usage control of the identified asset, the company assesses the following:

- Whether the contract includes use of the assets identified

The identified assets must represent most of the volume of the assets that is clearly specified in the contract or can be implicitly specified at the time that customer is available to use or those that are physically distinct and distinguishable. If the provider has an actual replacement, then the asset is not an identified asset.

- Whether the company has the right to obtain most of the economic benefits from the use of the asset throughout its service life;
- Whether the company has the right to direct the use of assets
  - The company has the right to direct the use of the asset when it has the most relevant decision-making power to change the method and purpose of using the asset.

In rare cases, the method and purpose of using the asset may be predetermined, in which case the company has the right to direct the use of the asset if one of the following occurs:

- The company has the right to operate assets

·The company directly designed the assets in a way that the method and purpose of usage is predetermined.

This accounting policy applies to contracts that have been concluded or changed since January 1, 2019.

At the date of the agreement or revaluation of the contract that includes the lease component, the company allocates the contract consideration to each lease component based on the relative individual price of the lease component. However, in the case where the company is a lessee for the lease of land and buildings, the company chose a practical method of accounting for the lease as a single lease component without separating the lease component from the non-lease component.

#### 1) Lessee

The company recognizes license asset and lease liabilities at the commencement of the lease. License assets are initially measured at cost, and those costs consist of estimates of the initial measurement of lease liability, the lease amount paid on the day the lease started or before (the received lease incentive is deducted), the initial direct cost of lease, the estimated cost that lessee is responsible for when the lessee removes or dismantles underlying asset or when the lessee recovers the underlying asset or the site on which the asset is located.

License asset assets shall subsequently be depreciated on a straight-line basis starting from the commencement of the lease until the earlier date between the end date of license asset's service life and the end date of lease term. The service life of a license asset is estimated in the same way as service life estimate of tangible assets. Also, license assets may also be reduced due to impairment loss or may be adjusted due to re-measurement of lease liabilities.

Lease liabilities are initially measured at the present value of the lease payments not paid as of the commencement of the lease. Lease is discounted at the interest rate implicit in a lease, but interest rate implicit in a lease is not readily calculated, then it is discounted at lessee's incremental borrowing rate of interest. Typically, the company uses incremental borrowing rate of interest as the discount rate.

The lease payments included in the lease liability measurement consist of the following items:

- Fixed lease (including actual fixed lease)
- Fluctuating lease rates that depend on the index or rate (interest rate). Initially measured using an index or rate (interest rate) on the starting day of lease.
- Amount expected to be paid in accordance with the residual value guarantee
- When it is evident that purchase option will be carried out, then the purchase option's event price; when it is evident that the extended option would be carried out, then the lease payment during the extended period, and in the case where the lease term reflects termination option, then the payment required to terminate the lease.

Lease liabilities are amortised in accordance with the effective interest method. Lease liabilities are remeasured if changes in the index or rate (interest rate) change the future lease payment, change the amount expected to be

paid under the residual value guarantee, or change the assessment of whether to carry out the option of buying, extension or termination.

The re-measurement price is recognized as profit or loss when the license asset related to re-measuring lease liabilities is adjusted and the license asset's book value is reduced to 0.

In the statement of financial position, the company marked "tangible assets" for license assets that do not meet the definition of investment property, and the lease liabilities as "other liabilities."

The company has chosen a practical method that does not recognize license assets and lease liabilities regarding the short-term leases with less than 12 months term and small-sum underlying asset leases including buildings, vehicles and supplies. The company recognizes the lease payments associated with these leases as expenses in accordance with the straight-line method over the lease term.

## 2) Lease provider

As a lessor, the company determines whether the lease is a finance lease or an operating lease on the inception of the lease. To classify each lease, the company generally determines whether the lease transfers most of the risks and rewards of ownership of the underlying asset. If most of the risks and rewards of ownership of the underlying asset are transferred to the lessee, the lease is classified as a finance lease, otherwise the lease is classified as an operating lease. As part of this evaluation indicator, the company considers whether the lease term represents a significant part of the economic service life of the underlying asset. If the company is an intermediate lease provider, it accounts for the higher lease and the sublease respectively.

In addition, the classification of sublease is determined by the license asset arising from the higher lease rather than the underlying asset. If the higher lease belongs to a short-term lease that applies the recognition exemption rule, then the sublease is classified as an operating lease. If the arrangement includes both the lease component and the non-lease component, the company applies SKAS No.1115 to allocate the contract cost. The company applies the elimination and impairment provisions of SKAS No.1109 for net lease investments.

The company conducts a regular review of the non-guaranteed residual value used to calculate the gross lease investment. The company recognizes the lease payments received for operating leases as revenue on a flat basis over the lease term, regarding it as part of its 'sales'. The accounting policies applied during comparative periods by the company as a lessor are not different from those in SKAS No.1116.

## (11) Non-derivative Financial Liabilities

The company classifies the financial liability as the financial liability at fair value through profit or loss and other financial liabilities in accordance with the practical substance of the contract and with the definition of financial liabilities and recognises them in the statement of financial position when the group become actual parties of the contract.

### ① Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or financial liabilities designated as financial liabilities at fair value through profit or loss at initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value after initial recognition and changes in their fair value are recognized as profit or loss. On the other hand, transaction costs related to the issuance of financial liabilities at fair value through profit or loss at initial recognition are recognized immediately as profit or loss upon occurrence.

## ② Other Financial Liabilities

Non-derivative financial liabilities not classified as financial liabilities at fair value through profit or loss are classified as other financial liabilities. At initial recognition, other financial liabilities are measured at fair value with transaction cost directly related to the issuance deducted from it.

Subsequently, other financial liabilities are measured at amortised cost through the application of the effective interest method and the associated interest cost is recognised.

When a financial liability is extinguished, that is, when the contractual obligation has been fulfilled, cancelled or expired, it is removed from the statement of financial position.

## (12) Employee wage

### ① Short-term employee wage

The company recognizes as profit or loss the amount expected to be paid when the service is provided by exchanging the service work with the short-term employee wage paid within 12 months from the end of accounting period during which the employee provided the related service. Short-term employee wage are measured at an undiscounted amount.

### ② Other long-term employee wage

For other long-term employee wage that will not be paid within 12 months from the end of reporting period during which the employees provide the related services, the future benefits received as a price of their service during current and last term are discounted to the present value. Changes resulting from remeasurements are recognized as profit or loss in the period in which they occur.

### ⑤ Retirement benefit: defined benefit system

The defined benefit liability related to the defined benefit plan at the end of the reporting period is recognized by deducting fair value of the plan assets from the present value of defined benefit liability. The defined benefit liability is calculated by an independent actuary every year in projected unit credit method. If the net amount calculated by deducting the fair value of the plan assets from the present value of the defined benefit obligation is an asset, the asset is recognized with the present value limit of the economic benefits available by receiving a refund from the plan or reducing future contributions to the plan.

The remeasurement component of the net defined benefit liability consists of changes in the asset recognition ceiling effect which does not include net defined benefit liability, actuarial gains and losses, and revenues of

plan assets with the cost included in net defined benefit liability's net interest excluded, and is immediately recognized as other comprehensive income.

The company determines the net interest of net defined benefit liability (asset) by multiplying the net defined benefit liability (asset) with discount rate determined at the beginning of the annual reporting period and takes into account the changes in the net defined benefit liability (asset) arising from contributions and payout during the reporting period when determining the interest. Net interest and other expenses related to the defined benefit plan are recognized in profit or loss.

In the event of a revision or reduction of the plan, the profit or loss resulting from the change or reduction of benefits of the past service shall be immediately recognized in profit or loss. The company recognizes the gain or loss from settlement when the settlement of defined benefit plan takes place.

### (13) Provisions

A provision is a present obligation (a legal or constructive obligation) that exists as a result of a past event, and is recognized when the necessary resources with economic benefits are likely to be leaked to fulfill that obligation and when the amount required to fulfill that obligation can be estimated with a reliability.

The amount recognized as a provision is the best estimate of the expenditure required to fulfill the present obligation at the end of the reporting period, taking into account the inevitable risks and uncertainties regarding the relevant events and circumstances.

If the effect of the time value of money is important, the provision is assessed as the present value of the expected expenditure to fulfill the obligation.

If a third party is expected to reimburse some or all of the expenses required to settle the provision, the reimbursement is recognized and accounted for as a separate asset only when it is almost certain that the reimbursement will be made.

The company reviews the balance of provisions at the end of each reporting period and adjusts by reflecting the best estimate as of the end of the reporting period. The related provisions are reversed when the assets with economic benefits are no longer likely to be leaked in order to fulfill the obligation. A sales guarantee provision is recognized when a product or service is sold or provided, and based on past warranty data, estimates are weighted average of all possible outcomes and associated probabilities. Provisions are used only for expenditures related to initial recognition.

### (14) Foreign currency transaction

In preparing the financial statements of the company, transactions made in currency (foreign currency) other than the functional currency 'won' are recorded using the exchange rate of the transaction date. At the end of each reporting period, monetary foreign currency items are converted by closing rates of the end of the reporting period. Non-monetary foreign currency items measured at fair value are converted by the exchange rate of the date that fair value is determined, and non-monetary items measured at historical cost are converted by the exchange rate of the transaction date.

The foreign exchange differences generated at the time of monetary item's payment and those arising from the conversion of monetary items are recognized as profit or loss's other non-operating income and other non-operating expenses category when they are related to business activities and when the differences are related to non-operating activities, then they are recognized as profit or loss' financial income and financial expense items.

If gains or losses arising from non-monetary items are recognized as other comprehensive income, the effects of exchange rate changes included in those gains and losses are recognized as other comprehensive income, and when they are recognized as profit and loss, then the effects of exchange rate are also recognized as profit or loss.

#### (15) Paid-in capital

Ordinary shares are classified as equity, and the incremental costs incurred directly related to capital transactions are deducted from equity in a net amount that reflects tax effects.

In the case of reacquiring its own equity instruments, the company deducts these equity instruments directly from equity as subjects of treasury stock. The gain or loss on the purchase, sale, issue or elimination of the own equity instruments shall not be recognized in profit or loss. If the company acquires and holds its own shares, the consideration paid or received is recognized directly as equity.

#### (16) Profit from contracts with customers

As of January 1, 2018, the company first applies SKAS No.1115 to all types of contracts by applying a five-step revenue recognition model (① identifying contracts → ② identifying performance obligations → ③ identifying market price → ④ allocating market prices to performance obligations → ⑤ recognising revenue when fulfilling performance obligations).

##### ③ Contract Identification

The company identifies the contract with customer when it meets all of the following criteria.

- The parties of contract approve the contract and commit to perform their respective obligations.
- The rights of each party relating to the goods or services to be transferred are identified.
- The payment terms of the goods or services to be transferred are identified.
- There is a commercial practicality in the contract.
- There is a high possibility of collecting the consideration entitled to be received from customer for the goods or services to be transferred. The company identifies a supply and service contract that meets all of the above criteria as customer contract.

##### ② Identifying performance obligations

At contract inception, the company reviews the promised goods or services in the contract with the customer to identify the promise to transfer either of the following to the customer as a performance obligation.

- A distinguishable good or service (or a bundle of goods or services)

'A series of distinguishable goods or services' that are substantially the same and have the same transfer method to the customer

The performance obligation of the company identified in the contract with the customer is the provision of the promised product and service.

### ③ Market price calculation

The company refers to the terms of the contract and the business practices of the company to determine the market price. The market price is the amount that the entity expects to receive in return of the transfer of promised goods or services to customer and it excludes the amount collected on behalf of a third party. The company calculates the market price as the consideration received from customer for supply and service of the product. However, the consideration received from customer may change because the company allows returning of products as stated in the contract for product supply. The company estimates the variable consideration using an expected value method that it expects to better predict the consideration to be entitled to, and recognizes revenue by including the variable consideration in the transaction price only to an amount that is highly probable that it will not reverse a significant portion of the cumulative revenue already recognized when the return period has expired. The amount of consideration received or to be received by the company that the group is not expected to be entitled to shall be counted as a refund liability and recognized as a new asset for the right to recover the returned asset.

### ⑥ Allocating transaction price to performance obligation

The company assigns the transaction price to each performance obligations in an amount that indicates the right to receive payments in return of the transfer of promised goods or services to customer. In the contract with the customer, the company's performance obligation is provision of products and services, consisting of a single performance obligation of the identified distinguishable goods and services and thus the transaction price is not allocated.

### ⑦ Recognition of revenue when fulfilling performance obligations

The company satisfies its performance obligation by transferring promised goods or services to the customer and recognizes transaction price allocated to performance obligation as revenue when the customer controls goods or services. The company recognizes revenue by viewing the performance obligation of supplying products and providing services as being satisfied at a point in time.

In particular, as for service provision, the company shall recognize revenue as a performance obligation satisfied at a point in time since the assets created by the company's performance do not have an alternative use to the entity itself, and that the performance completed to date does not meet the requirements of the performance obligation that requires performance to be carried out over a period during which payment claim is enforceable.

## (17) Financial Income and Financial Expenses

Financial earnings include interest income, converted profit and foreign exchange gains on foreign currency financial instruments, and net profit on financial assets measured at fair value through profit or loss. Interest income is recognized in profit or loss by applying the effective interest method over time.

Financial expenses include interest costs on borrowings and converted loss and foreign exchange loss on foreign currency financial instruments and net profit on financial assets measured at fair value through profit or loss. The interest expense on the borrowings is recognized in profit or loss over time by applying the effective interest method.

The effective interest method is the interest rate that accurately matches the present value of the future cash payment or receivable estimated for the expected life of the financial instrument with the total book value of financial asset or the amortised cost of financial liability. When calculating interest income or interest costs, the effective interest rate applies to the total book value of the asset (if the asset is not credit-impaired) or amortised cost of the liability. However, for financial assets that have subsequently been credit-impaired since initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer considered credit-impaired, the interest income shall be calculated by applying the effective interest rate to the total book value.

#### (18) Corporate tax

Income tax expense consists of current corporate tax and deferred corporate tax, and is recognized as profit or loss, except for the amount of tax arising from transactions, events or business combinations that are recognized directly in other comprehensive income or equity.

##### ① Current corporate tax

The current corporate tax is calculated on the basis of taxable income in the current period.

Taxable income is different from profit or loss of the consolidated profit or loss statement, as the profit or loss and non-taxable items that are to be added to other taxable periods and items not recognizing exclusion are not included to the pre-tax income of the consolidated profit or loss statement.

The income tax payable in relation to the current corporate tax of the company is calculated using the established tax rate established or substantially enacted tax rate.

##### ④ Deferred corporate tax

When measuring deferred tax liabilities and deferred tax assets, the tax effects from the method through which the company is expected to recover or pay the book value of related assets and liabilities at the end of the reporting period is reflected. Regarding addable temporary difference of the subsidiaries, associates and joint ventures' investment shares, they all recognize deferred tax liabilities except for the case where the company can control the elimination timing of the shares' temporary differences and the temporary difference is unlikely to expire in the foreseeable future.

In addition, deferred tax assets arising from deductible temporary differences are recognized when temporary differences are likely to expire in the foreseeable future, and taxable income is likely to occur during the period in which temporary differences can be used. The book value of deferred tax assets is reviewed at the end of each reporting period, and the book value of deferred tax assets is reduced if there is no longer a high possibility that sufficient taxable income will be generated to use the benefit from deferred tax asset. Deferred tax assets and liabilities are measured using tax rates that are expected to be applied to the reporting period in which the assets are realized or the liabilities are to be paid based on the tax laws enacted at the end of the reporting period.

Deferred tax assets and liabilities are corporate taxes imposed by the same taxation authority, and are offset only if the company has the legal right to offset the amount recognized and intends to settle the current corporate

tax liabilities and assets in net cost. Any additional corporate tax expense arising from the payment of dividends is recognized at the time of recognition of the liability related to payment of dividends.

(19) Earnings per share

The company calculates basic and diluted earnings per share by the net profits or losses and displays them in the consolidated statement of profits or losses. The basic earnings per share are calculated by dividing the net profit or loss attributable to ordinary shares by the weighted average number of ordinary shares circulated during the accounting period. Diluted earnings per share are calculated by adjusting the profit or loss attributable to ordinary shares and the weighted average number of ordinary shares, considering the effect of all potential common stocks with dilution effects, including share-based compensation granted to employees.

(20) Business combination

Business combinations are accounted for by applying the acquisition method, except for combinations of business entities or businesses under common control. The transfer consideration is typically measured at fair value same as the net identifiable acquisition assets are measured at fair value. If goodwill is generated as a result of a business combination, the company conducts an annual impairment test, and immediately recognizes it as profit or loss if a gain on a bargain purchase occurs. In accordance with SKAS No.1032 and SKAS No.1109, acquisition-related costs are accounted for as expenses for the period in which the costs are incurred and the services are received, except for the costs of issuing debt and equity securities that are recognized.

5. Classification of financial products by category

(2) Financial products by category

Current year end and last year-end's book value on financial products by category are as follows.

(Unit: KRW)		
Category	Current year-end	Last year-end
Financial assets:		
Net profit/loss-fair value measured financial asset	270,925,629	1,025,845,393
Financial assets measured at amortized cost		
Cash and cash equivalent assets	108,327,650,225	221,572,194,951
Short-term financial product	100,000,000,000	-
Accounts receivables	159,275,850,982	158,800,076,125
Other receivables	9,875,687,463	8,853,390,437
Subtotal	377,479,188,670	389,225,661,513
Lease liabilities	6,124,481,750	-
Total	383,874,596,049	390,251,506,906

(Unit: KRW)		
Category	Current year-end	Last year-end
Financial liabilities:		
Other financial liabilities		
Purchase liabilities	112,842,199,455	114,566,792,039
Other liabilities (*)	12,287,023,504	10,020,631,448
Subtotal	125,129,222,959	124,587,423,487
Lease liabilities	9,878,467,430	-
Total	135,007,690,389	124,587,423,487

(\*) Employees related liabilities that do not include in financial liabilities are excluded.

(2) Financial revenues and financial costs by category

- ② Financial revenues and costs that were recognized as the current year's profit and loss during current and last quarter are as follows.

(Unit: KRW)				
Category	Interest Income(interest cost)		Other profit/loss (*)	
	Current year	Last year	Current year	Last year
Financial products measured at amortized cost	3,819,039,973	4,081,383,020	(44,988,019)	8,633,168
Net profit/loss-fair value measured financial asset	-	-	(139,919,764)	(643,523,594)
Other financial assets	(191,700,992)	-	-	-
Total	3,627,338,981	4,081,383,020	(184,907,783)	(634,890,426)

(\*) Other profit/loss is consisted of foreign currency conversion profit and loss, foreign currency transaction profit and loss, and net income-fair value measured financial asset.

- ② Financial revenues and costs that were recognized as the other profit and loss during current and last year are as follows.

(Unit: KRW)		
Category	Valuation profit and loss	
	Current year	Last year
Other comprehensive profit and loss- fair value measured financial asset	-	(380,807,731)

## 6. Financial risk management

### (2) Credit risk

Credit risks are the risks of suffering financial losses due to the default of contractual obligations by the customer or the other party in an agreement for a financial product. This kind of risk is mainly related to the account receivables and investment assets.

#### ② Exposure to credit risk

The book value of a financial asset means the maximum level of exposure to credit risks. The maximum level of exposure to credit risks at the current end and last year-end for the company is as follows.

(Unit: KRW)		
Category	Current year end	Last year end
Cash and cash equivalent assets	108,327,650,225	221,572,194,951
Short-term financial product	100,000,000,000	-
Account receivables	159,275,850,982	158,800,076,125
Other receivables	16,000,169,213	8,853,390,437
Net profit/loss-fair value measured financial asset	270,925,629	1,025,845,393
Total	383,874,596,049	390,251,506,906

(\*) Lease liability is included.

#### ② Impairment loss

The company has established allowances for the possible losses from its accounts receivable. The allowance for the group of financial assets is set based on the past data on the recollection of similar financial assets.

Account receivables are presented on the consolidated statement of financial position at net amounts where allowance for bad debt loan is deducted. The details of trade receivables and related allowance for bad debt loan on the basis of total amounts before the deduction of allowance for bad debt loan as of the end of the current year end and last year end are as follows.

(Unit: KRW)		
Category	Current year-end	Last year-end
Account receivables	159,275,850,982	158,800,076,125
Other receivables	-	-
Net book value of account receivables	159,275,850,982	158,800,076,125

Impaired amount by account receivables' age of current year-end and last year-end are as follows.

(Unit: KRW)						
Category	Current year-end			Last year-end		
	Total receivables	Impaired amount	Book value	Total receivables	Impaired amount	Book value
Within expire date	156,795,235,163	-	156,795,235,163	155,966,260,967	-	155,966,260,967
Expire date ~ 3 months	2,480,615,819	-	2,480,615,819	2,337,833,843	-	2,337,833,843
3 ~ 6 months	-	-	-	413,348,156	-	413,348,156
Over 6 months	-	-	-	82,633,159	-	82,633,159
Total	159,275,850,982	-	159,275,850,982	158,800,076,125	-	158,800,076,125

There is no change in the current and last year's standard for the trade receivable's allowance for bad debts.

## (2) Liquidity Risk

Liquidity risk refers to the risk that the company will have difficulty meeting its obligations relating to financial liabilities settled in cash or other financial assets. The company's liquidity management method is to ensure that it maintains sufficient liquidity to repay the debt on maturity without the risk of incurring abnormally excessive losses or damaging the group's reputation even in financial difficulties.

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

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

- ① As of the current year end, the financial liability's contractual maturity that the company has are as follows. The cost does not include the effect of business contract.

(Unit : KW)				
Category	Book Value	Contractual Cash Flow	Less than 1 year	More than 1 year, Less than 5 years
Purchase Liability	112,842,199,455	112,842,199,455	112,842,199,455	-
Other Liability(*)	12,287,023,504	12,287,023,504	12,287,023,504	-
Total	125,129,222,959	125,129,222,959	125,129,222,959	-

(\*) The employee related liability which is not included in the financial liability is excluded and the lease liability's contractual maturity is articulated in Note 18.

- ② As of the last year end, the contractual maturity of financial liability that the company holds are as follows. The cost does not include the effect of the business contract.

(Unit : KW)				
Category	Book Value	Contractual Cash Flow	Less than 1 year	More than 1 year, Less than 5 years
Purchase Liability	114,566,792,039	114,566,792,039	114,566,792,039	-
Other Liability(*)	10,020,631,448	10,020,631,448	10,020,631,448	-
Total	124,587,423,487	124,587,423,487	124,587,423,487	-

(\*) The employee related liability which is not included in the financial liability is excluded.

### (3) Market Risk

Market risk means the risk that the future cash flow or financial product's fair value might change due to market price change.

#### ① Exchange rate risk management

The company is exposed to the exchange rate risk related to the sales profits and costs indicated in currencies other than the Korean Won which is the functioning currency. The major presentation currency for these transactions is the USD.

#### A) Exposure to exchange rate risk

The book values of the cash assets and liabilities presented in foreign currency other than the functioning currency at the end of the current year and the previous year as follows.

(Unit : KW)						
Classification	Current year end			Last year end		
	USD	JPY	CNY	USD	JPY	CNY
Assets in foreign currency						
Cash and cashable assets	14,132,907,264	255	12	13,102,276	-	106,159,791
Receivable	66,920,020,785	-	-	11,788,273,056	-	-
Account receivable	175,917,985	-	-	-	-	-
Total	81,228,846,034	255	12	11,801,375,332	-	106,159,791
Liabilities in foreign currency:						
Liabilities	16,330,430,832	-	-	17,100,258,709	-	-
Payable	3,403,789,031	350,945	574,291,149	2,919,343,995	72,948,960	389,318,631
Total	19,734,219,863	350,945	574,291,149	20,019,602,704	72,948,960	389,318,631

The exchange rate applied for the monetary assets and liabilities that are expressed in foreign currency are as follows.

(Unit :KW)		
Category	Current year end	Last year end
USD	1,157.80	1,118.10
JPY	10.63	10.13
CNY	165.74	162.76

#### B) Sensitivity Analysis

If the exchange rate of the won in relation to the main foreign currency that consists the company's financial assets and liabilities for current and last year-end, the company's capital and profits/losses will have risen or decreased. This analysis assumes changes of the degree to which that the company deems as reasonable in the year-end. Also, when analyzing sensitivity, interest rate and other variables are assumed to be not changed. The effect that the exchange rate change of the won in relation to the foreign currency has on the profit/loss(income tax not reflected) is as follows for the current and last year end.

(Unit : KRW)				
Category	Current year-end		Last year-end	
	5% Increase	5% Decrease	5% Increase	5% Decrease
USD	3,074,731,309	(3,074,731,309)	(410,911,369)	410,911,369
JPY	(17,535)	17,535	(3,647,448)	3,647,448
CNY	(28,714,557)	28,714,557	(14,157,942)	14,157,942

## ② Interest Rate Risk Management

The company's interest-bearing assets are fixed at fixed interest rates and the company does not treat fixed-rate financial products as fair value measured financial products. Consequently, company's revenue and operating cash flows are substantially independent of changes in market interest rates.

## (4) Fair value

The book value and fair value of financial assets and financial liabilities including fair value hierarchy system of the current year and last year-end are as follows.

## ③ Current year-end

(Unit: KRW)					
Category	Book value	Level 1	Level 2	Level 3	Total
Fair value measured financial assets:					
Net profit/loss-fair value measured financial assets	270,925,629	-	-	270,925,629	270,925,629
Financial assets not measured as fair value:					
Cash and cash equivalent assets	108,327,650,225	-	-	-	-
Short-term financial product	100,000,000,000	-	-	-	-
Account receivables	159,275,850,982	-	-	-	-
Other receivables(*1)	9,875,687,463	-	-	-	-
Total	377,479,188,670	-	-	-	-
Financial liabilities not measured as fair value:					
Purchase liabilities	112,842,199,455	-	-	-	-
Other liabilities(*1,*2)	12,287,023,504	-	-	-	-
Total	125,129,222,959	-	-	-	-

(\*1) Lease liability and lease bond is excluded.

(\*2) Employee related liabilities, etc. which are not included in the financial liabilities is excluded.

④ Last year-end

(Unit: KRW)					
Category	Book value	Level 1	Level 2	Level 3	Total
Fair value measured financial assets:					
Net profit/loss-fair value measured financial assets	1,025,845,393	-	-	1,025,845,393	1,025,845,393
Financial assets not measured as fair value:					
Cash and cash equivalent assets	221,572,194,951	-	-	-	-
Account receivables	158,800,076,125	-	-	-	-
Other receivables	8,853,390,437	-	-	-	-
Total	389,225,661,513	-	-	-	-
Financial liabilities not measured as fair value:					
Purchase liabilities	114,566,792,039	-	-	-	-
Other liabilities	10,020,631,448	-	-	-	-
Total	124,587,423,487	-	-	-	-

Changes in the fair value of level 3 during the current year is as follows.

(Unit: KRW)				
Category	Base	Evaluation (*)	Disposal	Current year end
Net profit/loss-fair value measured financial asset	1,025,845,393	(139,919,764)	(615,000,000)	270,925,629

(\*) Fair value was evaluated with the individual third-party market price method and etc.

#### (5) Asset Management

The company's asset management aims for maintaining appropriate asset structure, maximizing shareholder's profit by minimizing capital provision cost while also maintaining the survival capacity as a going concern. The company manages capital with liability rate as a base and the liability rate is produced by dividing total liability

displayed on the consolidated financial statement with the capital. The liability rate of the company for the current year-end and last year-end is as follows.

(Unit : Won)		
Category	Current year-end	Last year-end
Total Liability	158,106,984,285	161,331,583,261
Total Capital	471,157,193,701	445,917,236,191
Liability Rate	33.56%	36.18%

#### 7. Cash and cash equivalent assets

Cash and cash equivalent assets for the current year end and last year end are as follows.

(Unit: KRW)		
Category	Current year-end	Last year-end
Demand deposit	14,327,650,225	51,572,194,951
Regular deposit, etc. (*)	94,000,000,000	170,000,000,000
Total	108,327,650,225	221,572,194,951

(\*) A financial product in which due of expiration is less than three months from the acquisition date. It is highly liquid, easy to convert to a fixed amount, and has a low risk of value change.

#### 8. Short-term financial product

Short-term financial products for the current year-end and last year-end are as follows.

(Unit: KRW)		
Category	Current year-end	Last year-end
Regular deposit, etc.	100,000,000,000	-

#### 9. Account receivables and other receivables

(1) Account receivables and other receivables for the current year and last year-end are as follows.

(Unit: KRW)				
Category	Current year end		Last year end	
	Liquid	Illiquid	Liquid	Illiquid
Trade receivables	159,275,850,982	-	158,800,076,125	-
Unpaid amount	1,326,918,991	-	1,051,263,139	-
Uncollected profit	1,022,295,891	-	586,848,898	-
Lease fee	951,190,198	5,602,299,669	606,550,616	4,738,651,170
Deposit	-	972,982,714	-	1,870,076,614
Lease receivables	1,270,927,069	4,853,554,681	-	-
Total	163,847,183,131	11,428,837,064	161,044,738,778	6,608,727,784

(2) Lease liability's fluctuation details are as follows for the current year.

(Unit : KW)	
Category	Cost
Current year beginning	-
Increase	6,593,290,800
Interest rate profit	59,986,441
Recovery	(528,795,491)
Last year end	6,124,481,750

(3) The lease liability's maturity analysis details for current year end are as follows.

(Unit : KW)	
Category	Cost
Within 1 year	1,395,120,000
More than 1 year ~ Less than 2 year	1,395,120,000
More than 2 years ~ Less than 3 years	1,395,120,000
More than 3years ~ Less than 4 years	1,395,120,000
More than 5 years	813,820,000
Total non-discounted lease payment	6,394,300,000
Unrealized financial profit	(269,818,250)

(Unit : KW)	
Category	Cost
Net lease investment	6,124,481,750

#### 10. Short-term and long-term investment asset

(1) Short-term and long-term investment asset for the current year-end and last year-end are as follows.

(Unit: KRW)		
Category	Current year-end	Last year-end
Short-term investment assets:		
Net profit/loss-fair value measured liabilities		
LB Investment	270,925,629	-
Long-term investment assets:		
Net profit/loss-fair value measured liabilities		
LB Investment	-	1,025,845,393

(2) Short-term investment asset and long-term investment asset's changes for the current and last year are as follows.

(Unit: KRW)				
Category	Current year		Last year	
	Short-term investment asset	Long-term investment asset	Short-term investment asset	Long-term investment asset
Base	-	1,025,845,393	-	3,358,368,987
Disposal Cost	-	(615,000,000)	-	(1,186,615,131)
Profit/Loss Valuation(*)	-	(139,919,764)	-	(1,145,908,463)
Liquidity Substitution	270,925,629	(270,925,629)	-	-
Year-end	270,925,629	-	-	1,025,845,393

(\*) It is the amount calculated by adding up profit or loss and the profit/loss valuation displayed in the other comprehensive profit/loss.

#### 11. Other assets

Other assets for the current year-end and last year-end are as follows.

(Unit: KRW)				
Category	Current year end		Last year end	
	Liquid	Illiquid	Liquid	Illiquid
Advance fee	328,157,675	1,856,537,794	936,074,259	1,521,850,250
Prepaid expenses	14,909,686,664	537,456,281	12,939,785,316	-
VAT fees	10,966,231,770	-	6,289,332,989	-
Total	26,204,076,109	2,393,994,075	20,165,192,564	1,521,850,250

## 12. Inventory assets

(1) Inventory assets for the current year-end and last year-end are as follows.

(Unit:KW)		
Category	Current year end	Last year end
Work in progress	134,002,182,039	112,091,770,740
Work in progress return assets	117,492,806	123,976,321
Work item valuation loss allowance	(15,276,306,895)	(8,124,637,257)
Total	118,843,367,950	104,091,109,804

(2) Recognized valuation losses regarding inventory assets during the current year-end and last year-end are as follows

(Unit: KRW)		
Category	Current year	Last year
Sales cost:		
Inventory asset valuation loss	7,151,669,638	5,681,843,460

## 13. The subsidiary company and associated company's investment share

(1) The subsidiary company's investment share for the current year end and last year end are as follows.

(Unit : won)							
Company name	Country	Main Sales Division	Closing Month	Current year end		Last year end	
				Shares(%)	Book Value	Shares(%)	Book Value
Silicon Works Inc.	USA	R&D and design of semiconductor device	Dec	100.00	137,322,045	100.00	137,322,045
Silicon Works China Co., Ltd.	China	R&D and design of	Dec	100.00	2,179,314,000	100.00	2,179,314,000

(Unit : won)							
Company name	Country	Main Sales Division	Closing Month	Current year end		Last year end	
				Shares(%)	Book Value	Shares(%)	Book Value
		semiconductor device					
Total					2,316,636,045		2,316,636,045

(2) Associated company's investment share for the current year-end and last year-end are as follows.

(Unit: KRW)							
Name	Country	Main Sales Division	Closing Month	Current year end		Last year end	
				Shares(%)	Book Value	Shares(%)	Book Value
Advanced Power-Device Technologies Co. Ltd (*)	Korea	R&D and design of semiconductor device	March	49.00	4,410,000,000	49.00	4,410,000,000

(\*) company has newly invested 4,410,000,000 KRW in Advance Power-Device Technologies Co. Ltd during the last year for the purpose of product and technology development.

#### 14. Tangible assets

(2) Details of tangible assets for the current year-end and last year-end are as follows.

##### ④ Current year end

(Unit: KRW)								
Category	Land	Building	Structure	Machinery	Equipment	Other tangible assets(*1)	User right assets	Total
Acquisition Cost	5,015,382,334	4,847,249,181	188,300,000	19,810,358,312	13,755,198,370	4,689,004,675	12,490,103,725	60,795,596,597
Accumulated amortization	-	(2,209,531,982)	(7,061,256)	(13,264,193,539)	(8,967,466,644)	(2,400,074,478)	(2,719,240,413)	(29,567,568,312)
Accumulated impairment loss	-	-	-	(564,056,013)	-	-	-	(564,056,013)
Government subsidy	-	-	-	(3,551,429)	(13,093,458)	-	-	(16,644,887)
Book Value	5,015,382,334	2,637,717,199	181,238,744	5,978,557,331	4,774,638,268	2,288,930,197	9,770,863,312	30,647,327,385

(\*1) Facility equipment and leasehold improvement assets are included in other tangible assets.

⑤ Last year end

(Unit: KRW)							
Category	Land	Building	Structure	Machinery	Equipment	Other tangible assets (*1)	Total
Acquisition cost	5,001,607,594	4,526,376,631	188,300,000	18,724,967,569	11,738,952,312	4,324,874,810	44,505,078,916
Accumulated amortization	-	(1,853,620,440)	(2,353,752)	(11,116,121,081)	(7,480,606,800)	(1,762,568,652)	(22,215,270,725)
Accumulated impairment loss	-	-	-	(564,056,013)	-	-	(564,056,013)
Government Subsidy	-	-	-	(8,185,674)	(34,002)	-	(8,219,676)
Book Value	5,001,607,594	2,672,756,191	185,946,248	7,036,604,801	4,258,311,510	2,562,306,158	21,717,532,502

(\*1) Facility equipment and leasehold improvement assets are included in other tangible assets.

(2) Changes in the book value of tangible assets during the current year and last year are as follows.

① Current year

(Unit: KRW)								
Category	Land	Building	Structure	Machinery(*1)	Equipment	Other tangible assets(*2)	User right assets	Total
Initial Book Value	5,001,607,594	2,672,756,191	185,946,248	7,036,604,801	4,258,311,510	2,562,306,158	-	21,717,532,502
Accounting policy change	-	-	-	-	-	-	12,578,173,121	12,578,173,121
Acquisition cost during the term	-	-	-	7,725,683,543	2,589,835,530	364,129,865	368,828,409	11,048,477,347

(Unit: KRW)								
Category	Land	Building	Structure	Machinery(*1)	Equipment	Other tangible assets(*2)	User right assets	Total
Disposal cost during the term	-	-	-	(4,000)	(2,798,610)	-	(289,935,037)	(292,737,647)
Depreciation cost	-	(355,911,542)	(4,707,504)	(2,190,436,213)	(2,070,710,162)	(637,505,826)	(2,886,203,181)	(8,145,474,428)
Other changes in cost	13,774,740	320,872,550	-	(6,593,290,800)	-	-	-	(6,258,643,510)
End of the year book value	5,015,382,334	2,637,717,199	181,238,744	5,978,557,331	4,774,638,268	2,288,930,197	9,770,863,312	30,647,327,385

(\*1) Due to financial lease contract, 6,593,291 won of machinery has been exchanged for a lease liability.

(\*2) Facility equipment, leasehold improvement assets and assets in construction process are included in other tangible assets.

② Last year

(Unit:KW)							
Category	Land	Building	Structure	Machinery	Equipment	Other Tangible Assets(*1)	Total
Initial Book Value	5,220,274,972	3,256,217,768	-	3,446,936,246	2,864,482,493	400,120,255	15,188,031,734
Acquisition cost during the term	-	-	188,300,000	5,509,434,523	2,947,016,062	2,855,106,628	11,499,857,213
Disposal cost during the term	(218,667,378)	(343,137,144)	-	-	(9,713,962)	(224,188,394)	(795,706,878)
Depreciation Cost	-	(240,324,433)	(2,353,752)	(1,928,402,076)	(1,543,473,083)	(468,732,331)	(4,183,285,675)
Acquisition of Business(*2)	-	-	-	8,636,108	-	-	8,636,108

(Unit:KW)							
Category	Land	Building	Structure	Machinery	Equipment	Other Tangible Assets(*1)	Total
Year-end book value	5,001,607,594	2,672,756,191	185,946,248	7,036,604,801	4,258,311,510	2,562,306,158	21,717,532,502

(\*1) Due to the financial lease contract, the 6,593,291won of machinery is replaced as the lease liability.

(\*2) The machineries were obtained due to the acquisition of business in the last year.

## 16. Intangible assets

(1) Details of intangible assets for the current year-end and the last year-end are as follows.

### ① Current year end

(Unit : KW)							
Category	Goodwill	Industrial Property	Software	Membership	Other Intangible Assets(*)	Intangible Assets in Construction Process	Total
Acquisition cost	27,913,122,677	2,626,926,679	12,302,679,314	2,761,615,400	34,703,000,000	48,895,000	80,356,239,070
Accumulated amortization	-	(1,059,983,751)	(6,029,970,832)	-	(20,328,999,997)	-	(27,418,954,580)
Accumulated impairment loss	-	-	-	(316,282,200)	-	-	(316,282,200)
Government subsidy	-	-	(2,111,206)	-	-	-	(2,111,206)

(Unit : KW)							
Category	Goodwill	Industrial Property	Software	Membership	Other Intangible Assets(*)	Intangible Assets in Construction Process	Total
Book value	27,913,122,677	1,566,942,928	6,270,597,276	2,445,333,200	14,374,000,003	48,895,000	52,618,891,084

(\*) Other intangible assets are consisted of technological ability, customer related intangible assets, etc. that are generated by acquisition of a business.

⑥ Last year end

(Unit : KW)							
Category	Goodwill	Industrial Property	Software	Membership	Other Intangible Assets(*)	Intangible Assets in Construction Process	Total
Acquisition cost	27,913,122,677	2,260,503,591	8,460,191,622	2,406,879,490	34,703,000,000	2,432,026,408	78,175,723,788
Accumulated amortization	-	(843,000,828)	(4,603,858,101)	-	(15,484,999,994)	-	(20,931,858,923)
Accumulated impairment loss	-	-	-	(337,876,490)	-	-	(337,876,490)
Government subsidy	-	-	(10,929,374)	-	-	-	(10,929,374)
Book value	27,913,122,677	1,417,502,763	3,845,404,147	2,069,003,000	19,218,000,006	2,432,026,408	56,895,059,001

(\*) Other intangible assets are consisted of technological ability, customer related intangible assets, etc. that are generated by acquisition of a business.

(2) The changes in the book value of intangible assets during the current year and the last year are as follows.

② Current year;

(Unit:KW )							
Category	Goodwill	Industrial Property	Software	Membership	Other Intangible Assets(*)	Intangible Assets in Construction Process	Total
Initial Book Value	27,913,122,677	1,417,502,763	3,845,404,147	2,069,003,000	19,218,000,006	2,432,026,408	56,895,059,001
Acquisition cost during the term	-	402,922,263	921,889,820	689,383,200	-	4,383,016,354	6,397,211,637
Disposal cost during the term	-	(7,404,991)	-	-	-	-	(7,404,991)
Intangible Assets Amortization Cost	-	(246,077,107)	(1,540,486,691)	-	(4,844,000,003)	-	(6,630,563,801)
Intangible Asset Impairment	-	-	-	(13,838,800)	-	(3,722,357,762)	(3,736,196,562)
Replacement	-	-	3,043,790,000	(299,214,200)	-	(3,043,790,000)	(299,214,200)
Year-end Book Value	27,913,122,677	1,566,942,928	6,270,597,276	2,445,333,200	14,374,000,003	48,895,000	52,618,891,084

(\*) Other intangible assets is consisted of customer relationship intangible asset, technical skills, and etc.

② Last year

(Unit :KW)							
Category	Goodwill	Industrial Property	Software	Membership	Other Intangible Assets(*1)	Intangible Assets in Construction Process	Total
Initial Book Value	9,044,018,628	1,298,212,020	1,329,137,152	1,693,653,000	2,250,000,040	2,100,643,000	17,715,663,840
Acquisition cost during the term	-	331,494,891	1,527,263,160	613,350,000	-	2,432,026,408	4,904,134,459

(Unit :KW)							
Category	Goodwill	Industrial Property	Software	Membership	Other Intangible Assets(*1)	Intangible Assets in Construction Process	Total
Disposal cost during the term	-	-	-	(238,000,000)	-	-	(238,000,000)
Intangible Assets Amortization Cost	-	(212,204,148)	(1,111,639,165)	-	(2,952,000,034)	-	(4,275,843,347)
Business Acquisition(*2)	18,869,104,049	-	-	-	19,920,000,000	-	38,789,104,049
Replacement	-	-	2,100,643,000	-	-	(2,100,643,000)	-
Year-end Book Value	27,913,122,677	1,417,502,763	3,845,404,147	2,069,003,000	19,218,000,006	2,432,026,408	56,895,059,001

(\*1) Other intangible assets is consisted of customer relationship intangible asset, technical skills, and etc. which are caused by grant of business.

(\*2) It is acquired by grant of business in the last year.

(3) Intangible assets with indefinite service life

Among intangible assets, the company classifies goodwill and membership as intangible assets with indefinite service life and reviews impairment annually along with the intangible assets under construction process which is an asset that has not been used. The recoverable value of goodwill was calculated by comparing the book value of the cash-generating unit with total market value of the ordinary shares of the controlling company as of the end of the current term. There is no impairment amount recognized for goodwill during the current and last year. Meanwhile, the amount of impairment recognised for intangible under construction process and the membership during the current term is 372.2 million won and 14 million won, respectively.

## 16. Government subsidy

The company signed a joint research and development agreement regarding undermentioned new technology development, which is a government project. The company spent the government subsidy to purchase various tangible and intangible assets related to the development business, while recognizing such transactions as deduction in the relevant subsidy asset entry.

Government Project	Organizer
Digital holographic table top terminal technology development	Electrics and Telecommunications Research Institute

## 17. Purchase liabilities and other liabilities

(1) Details on the purchase liabilities and other liabilities for the current year-end and last year-end are as follows.

(Unit: KRW)			
Category	Current year-end		Last year-end
	Liquid	Illiquid	Liquid
Purchase liabilities	112,842,199,455	-	114,566,792,039
Amount payable	14,027,420,602	-	16,625,138,098
Unpaid expenses	4,275,149,695	-	3,826,637,576
Lease liabilities	2,800,707,185	7,077,760,245	-
Total	133,945,476,937	7,077,760,245	135,018,567,713

(2) The maturity analysis of lease liabilities are as follows.

(Unit:KW)	
Category	Cost
Less than 3 months	790,734,540
More than 3 months ~ Less than 1 year	2,210,736,349
More than 1 year ~ Less than 5 years	7,381,217,273
More than 5 years	-
Lease liabilities not discounted as of the year-end	10,382,688,162

(3) Cash outflow due to lease is as follows.

(Unit : KW)	
Category	Cost
Lease liabilities repayment	2,767,729,811
Lease payment for short-term lease and small-sum assets	1,030,666,665
Interest	251,687,433
Total cash outflow of lease	4,050,083,909

## 18. Other liabilities

(1) Details on other liabilities for the current year-end and last year-end are as follows.

(Unit: KRW)				
Category	Current year-end		Last year-end	
	Liquid	Illiquid	Liquid	Illiquid
Advance payment	4,057,544,846	-	5,400,675,881	-
Deposit	1,327,544,350	-	778,058,278	-
Provision	4,105,776,807	-	3,941,853,811	-
Long-term working employee salary liabilities	-	1,034,499,281	-	825,632,368
Recovery allowance liabilities	-	582,365,174	-	498,300,000
Total	9,490,866,003	1,616,864,455	10,120,587,970	1,323,932,368

(2) Changes to provision during the current year are as follows.

(Unit: KRW)					
Category	Base	Setting	Reversal	Utilization	Year-end
Sales guarantee provision	3,778,854,699	1,462,255,605	(1,107,058,520)	(187,862,478)	3,946,189,306
Return provision	162,999,112	85,788,369	(89,199,980)	-	159,587,501
Recovery provision	498,300,000	84,065,174	-	-	582,365,174
Total	4,440,153,811	1,632,109,148	(1,196,258,500)	(187,862,478)	4,688,141,981

The company recognizes warranty expense in the provision for product warranties as expected to be borne by the company related to sales guarantee for the products, and recognizes the corresponding transferred amount in 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 no.1115 of the SKAS.

## 19. Capital and capital surplus

(1) Details on capital and capital surplus for the current year-end and last year-end are as follows.

(Unit : KW)		
Category	Current year end	Last year end
Number of authorized shares	50,000,000 shares	50,000,000 shares
Price per share	500	500

(Unit : KW)		
Category	Current year end	Last year end
Number of issued shares	16,264,300 shares	16,264,300 shares
Capital	8,132,150,000	8,132,150,000

(2) There are no changes in the number of outstanding shares (16,264,300 shares) in the current year and last year.

(3) Details on capital surplus for the current year-end and last year-end are as follows.

(Unit : KW)		
Category	Current year-end	Last year-end
Capital excess stated 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

Details on other capital items for the current year-end and last year-end are as follows.

(Unit : KW)		
Category	Current year end	Last year end
Other comprehensive profit/loss-fair value measured financial asset valuation profit/loss	(380,807,731)	(380,807,731)
Total	(433,012,471)	(487,551,847)

## 21. Retained earning

(1) Details on the retained earnings for the current year-end and last year-end are as follows.

(Unit: KRW)		
Category	Current year-end	Last year-end
Legal reserve	4,066,075,000	4,066,075,000
Unappropriated earned surplus	382,996,605,932	357,756,648,422
Total	387,062,680,932	361,822,723,422

(2) Changes in the retained earnings during the current year and last year are as follows.

(Unit : KW)		
Category	Current Year	Last Year
Base	357,756,648,422	321,264,254,194
Provision of dividends	(13,499,369,000)	(11,385,010,000)
Adjustments followed by the first application of no.1109 of K-IFRS	-	1,705,779,692
Adjustments followed by the first application of no.1115 of K-IFRS	-	(1,576,974,791)
Net income of the current year	38,239,787,964	48,931,368,271
Remeasurement component of defined benefit plans	499,538,546	(1,182,768,944)
Year end	382,996,605,932	357,756,648,422

(3) Current year and last year's statement of appropriation of earned surplus is as follows.

(Unit : KW)				
Category	Current year		Last year	
	Expected date of disposal : March 26, 2020		Determined date of disposal : March 15, 2019	
I. Unappropriated earned surplus		382,996,605,932		357,756,648,422
February last year's unappropriated earned surplus	344,257,279,422		309,879,244,194	
Adjustments followed by the first application of no.1109 of K-IFRS		-	1,705,779,692	
Adjustments followed by the first application of no.1115 of K-IFRS		-	(1,576,974,791)	
Net income of current year	38,239,787,964		48,931,368,271	
Remeasurement component of defined benefit plans	499,538,546		(1,182,768,944)	
II. Appropriated retained earnings		(13,499,369,000)		(13,499,369,000)

(Unit : KW)				
Category	Current year		Last year	
	Expected date of disposal : March 26, 2020		Determined date of disposal : March 15, 2019	
Dividends(Note 23)	(13,499,369,000)		(13,499,369,000)	
Ⅲ. Upcoming February unappropriated retained earnings(I - II)		369,497,236,932		344,257,279,422

## 22. Dividends

Current year and last year's dividends are as follows.

(Unit : KW)		
Category	Current year(*)	Last year
Number of shares to be received	16,264,300 shares	16,264,300 shares
Par value per share	500	500
Par value dividend rate	166%	166%
Dividends per share	830	830
Dividends	13,499,369,000	13,499,369,000

(\*) It is expected to be discussed as a bill in the general meeting expected to be held on March 26, 2020.

## 23. Earnings per share

### (1) Basic earnings per share

- ② The calculated details on basic earnings per shares for the current year and the last year are as follows.

(Unit: KRW, shares)		
Category	Current year	Last year
Net income per basic share	38,239,787,964	48,931,368,271
Number of weighted average outstanding common stocks	16,264,300	16,264,300
Earnings per basic share	2,351	3,009

- ② Calculated details on the number of weighted average outstanding common stocks of the current year

Category	Number of issued shares (1)	Number of treasury shares (2)	Number of outstanding common shares (1-2)	Weight	Number of weighted average outstanding common stocks
Basic	16,264,300 shares	-	16,264,300 shares	365 days /365 days	16,264,300 shares
Total				365days/365 days	16,264,300 shares

③ Calculated details on the number of weighted average outstanding common stocks of the last year

Category	Number of issued shares (1)	Number of treasury shares (2)	Number of outstanding common shares (1-2)	Weight	Number of weighted average outstanding common stocks
Basic	16,264,300 shares	-	16,264,300 shares	365 days/365 days	16,264,300 shares
Total				365days/365 days	16,264,300 shares

(2) Diluted earnings per share

The company does not hold any diluted stocks in the current and the last year. Therefore, diluted earnings per share is the same as the basic earnings per share.

24. Financial revenues and expenses

(1) Details of financial revenues in the current year and the last year are as follows.

(Unit : KW)		
Category	Current Year	Last Year
Interest profit	3,879,026,414	4,081,383,020
Profit on foreign exchange(financial)	10,520,000	9,754,524
Profit on foreign currency conversion(financial)	116,960	116,112

(Unit : KW)		
Category	Current Year	Last Year
Total	3,889,663,374	4,091,253,656

(2) Details of financial expenses in the current year and last year are as follows.

(Unit : KW)		
Category	Current Year	Last Year
Interest Cost	251,687,433	-
Loss on foreign exchange(financial)	55,624,979	1,237,468
Net profit/loss-fair value measured financial asset valuation loss	139,919,764	643,523,594
Total	447,232,176	644,761,062

## 25. Other non-operating revenues and expenses

(1) Details on other non-operating revenues for the current year and the last year are as follows.

(Unit: KW)		
Category	Current year	Last year
Profit on foreign exchange(non-financial)	2,819,482,548	1,279,801,685
Profit on foreign currency conversion (non-financial)	293,040,480	141,813,204
Profits on dispositions of tangible assets	125,343,724	402,479,457
Profits on dispositions of intangible assets	-	15,000,000
miscellaneous profit	361,172,673	349,000,121
Total	3,599,039,425	2,188,094,467

(2) Details on other non-operating expenses for the current and the last year are as follows..

(Unit: KRW)		
Category	Current Year	Last Year
Loss on foreign exchange(non-financial)	2,147,543,756	1,780,372,655
Loss on foreign currency conversion (non-financial)	978,121,941	109,619,216
Loss on dispositions of tangible assets	24,710,082	261,786,335
Loss on dispositions of intangible assets	7,404,991	21,454,545
Intangible assets impairment loss	3,736,196,562	-
Donations	1,000,000	1,000,000
Miscellaneous loss	403,911,745	65,312,923
Total	7,298,889,077	2,239,545,674

## 26. Sales

(1) Current year and last year's sales configuration details are as follows.

(Unit : KW)		
Category	Current year	Last year
Main geographic market:		
Domestic	699,468,221,764	740,778,990,013
China	159,318,161,080	43,311,505,221
Japan	4,997,503,378	3,707,874,440
Other	3,338,163,392	4,019,542,535
Total	867,122,049,614	791,817,912,209
Main service:		
Product Sales	851,939,311,075	779,370,683,842
Service Sales	8,897,459,489	8,571,767,824
Other Sales	6,285,279,050	3,875,460,543
Total	867,122,049,614	791,817,912,209
Profit recognition time:		
Executed on a single point	866,064,749,614	790,716,348,209
Executed over a period	1,057,300,000	1,101,564,000

(Unit : KW)		
Category	Current year	Last year
Total	867,122,049,614	791,817,912,209

(2) Contract balance

Contract liabilities arising from contracts with customers for the current year end and last year end are as follows.

(Unit : KW)		
Category	Current year end	Last year end
Contract Liabilities	3,952,120,531	4,700,283,898

There is no contract asset arising from contracts with customers for the current year-end, and the contract liability of 3,952,121,000won is classified as other liability's advances received account. As of the beginning of the year, among the contract liability balance of 4,700,284,000 won, the amount recognized as profit for the current year is 3,632,784,000 won. Also, the transition time that current year-end's contract liability is transferred to profit is uncertain. However, company expects that most of the contract liability would be recognized as profit within 1 year.

(3) Contract fulfillment cost

The company recognized the identified cost as prepaid expenses after assessing that costs generated before the contract with customer is directly related to the corresponding contract and that possibility of realization and recoverability of the corresponding contract is very high. The relevant asset is recognized as sales cost over the term during which related sales are generated after the contract is concluded. The change in contract fulfillment cost during this year and last year are as follows.

(Unit: 1000 won)		
Category	Current year	Last year
Beginning of the year	2,931,957,748	-
Issuance	4,188,723,360	7,567,514,451
Reduction	(5,310,585,172)	(4,635,556,703)
End of the year	1,810,095,936	2,931,957,748

(4) As for the customer whose sales from single external customer takes more than 10% sales of the company is recognized as 1 corporation, and the sales for the current and last year are 670,953,000 won and 713,093,000 won respectively.

27. Operating profit

Major items and price included in the measurement of operating profit during the current and the last year are as follows.

(Unit :KW)		
Category	Current year	Last year
Sales	867,122,049,614	791,818,131,828
Sales from sales of goods	852,810,914,275	779,370,903,461
Other sales	14,311,135,339	12,447,228,367
Sales cost	654,231,514,747	598,160,376,164
Cost of goods sold	648,014,125,229	593,177,080,211
Other sales cost	6,217,389,518	4,983,295,953
Selling and administrative expenses	166,079,673,338	137,971,489,233
Salary and bonuses	24,247,925,295	20,990,370,265
Retirement benefits	2,448,920,348	2,235,999,785
Welfare benefits	6,423,184,750	5,175,239,128
Travel expenses	1,870,901,441	1,539,750,891
Paid rents	1,030,666,665	4,086,428,117
Paid fees	18,295,338,679	11,610,009,582
Depreciation cost	5,421,509,380	2,106,481,746
Depreciation cost of intangible assets	1,463,463,394	780,321,137
Cost of product loss guarantee	355,197,085	246,753,693
R&D expenses	99,834,385,988	85,708,859,112
Etc.	4,688,180,313	3,491,275,777
Operating profit	46,810,861,529	55,686,046,812

28. Selling expenses and management expense.

The selling expenses and management expenses for this year and last year are as follows.

(Unit : KW)		
Category	Current year	Last year
Wage	15,353,803,630	15,103,560,467
Allowance	8,894,121,665	5,886,809,798
Retirement benefit	2,448,920,348	2,235,999,785
Welfare benefit	6,423,184,750	5,175,239,128

(Unit : KW)		
Category	Current year	Last year
Travel expense	1,870,901,441	1,539,750,891
Communication expense	353,477,263	242,593,474
Supplies expense	243,646,167	149,334,761
Taxes and dues	450,651,244	469,264,469
Rent payment	1,030,666,665	4,086,428,117
Payment commission	18,295,338,679	11,610,009,582
Depreciation cost	5,421,509,380	2,106,481,746
Repairing expenses	113,100,613	134,384,093
Insurance expense	204,631,478	162,467,585
Entertainment expense	610,962,583	457,048,888
Expense for public relations	8,859,092	17,400,000
Conference fee	8,776,721	11,517,881
Book printing fee	17,327,595	6,374,595
Shipping fee	209,485,579	80,414,626
Samples expense	993,029,850	945,870,389
Education cost	1,135,926,613	499,653,278
Vehicle management expense	149,180,283	87,047,252
Water and heat expense	189,125,232	227,904,486
Guarantee cost for product cost	355,197,085	246,753,693
R&D expense	99,834,385,988	85,708,859,112
Amortization of intangible asset	1,463,463,394	780,321,137
Total	166,079,673,338	137,971,489,233

## 29. Announcement by characteristics of expenses

The announcement by the characteristics of expenses for current and last year are as follows.

(Unit : KW)		
Category	Current year	Last year
Inventory change	(14,752,258,146)	(43,079,836,172)
Employee fee	85,562,664,446	78,218,391,089

(Unit : KW)		
Category	Current year	Last year
Depreciation and Amortization	14,776,038,229	8,459,129,022
Amount paid to subcontractors	650,345,149,279	620,670,816,474
Processing cost	13,139,434,872	12,907,278,751
R&D expense	45,479,791,491	36,054,190,423
Rent payment	1,030,666,665	4,086,428,117
Payment commission	20,251,029,245	12,653,304,582
Shipping fee	2,102,238,911	1,867,700,861
Travel expense	3,798,236,373	2,929,799,955
Product impairment guarantee cost	355,197,085	246,753,693
Samples expense	993,029,850	945,870,389
Other	(2,770,030,215)	172,038,213
Total(*)	820,311,188,085	736,131,865,397

(\*) Amount calculated by adding the statement of profit or loss's sales cost and distribution cost & management expense.

### 30. Employee salary

The company pays its retiring employees with the predetermined amount of retirement benefits in lump sum, based on the level of salaries and the years in service, and this is classified as defined benefit system. Such retirement benefit can be withdrawn before the resignation of the employee as interim settlement when the legal requirements apply. The number of years of service for calculating severance pay after the interim settlement is newly calculated from the time of settlement.

(1) Changes in the defined benefit obligations are as follows.

(Unit: KRW)		
Category	Current year-end	Last year-end
Current value of defined benefit obligation	39,248,760,042	32,571,648,690
Fair value of assets deposited outside of the company	(35,268,837,546)	(28,174,546,825)
Defined benefit obligations	3,979,922,496	4,397,101,865

(2) The main estimation used for actuarial valuation for the current year-end and last year-end are as follows.

Category	Current year end	Last year end
Future wage Increase rate	4.40%	5.52%
Discount Rate	2.16%	2.60%

The discount rate is calculated based on the return of corporate bond which is similar to defined benefit obligation's expected payment period and credit level of company for the current and last year-end, and future wage increase rate is calculated by wage increase rate that reflects the company's empirical promotion index, inflation and wage agreement.

(2) Changes in the current value of the defined benefit obligation during the current and last year are as follows.

(Unit : KW)		
Category	Current Year	Last Year
Opening balance of defined benefit obligation	32,571,648,690	25,999,037,468
Labor cost for the current year	6,134,824,103	5,140,809,654
Past Labor Cost	-	461,529,333
Interest expense	819,252,592	814,250,062
Re-measurement Component(Before income tax deduction):		
Demographical Assumption	232,336,031	(73,921,524)
Financial Assumption	(2,339,859,535)	1,814,406,998
Empirical Adjustment, etc.	1,344,919,946	(448,733,142)
Transfers between associated company	2,089,593,905	1,286,677,491
Retirement benefit payment	(1,603,955,690)	(2,422,407,650)
Balance of defined benefit obligation at the year-end	39,248,760,042	32,571,648,690

(4) The changes in the fair value of assets externally deposited in the current and last year are as follows.

(Unit : KW)		
Category	Current Year	Last Year
Opening balance of externally deposited assets	28,174,546,825	24,015,684,437
Externally deposited assets payment	8,000,000,000	6,000,000,000

(Unit : KW)		
Category	Current Year	Last Year
Interest profit	649,466,123	628,544,659
Externally deposited assets re-measurement component(before income tax deduction)	(103,581,730)	(268,628,861)
Transfers between associated company	79,647,258	-
Retirement benefit payment from externally deposited assets	(1,531,240,930)	(2,201,053,410)
Ending balance of externally deposited assets	35,268,837,546	28,174,546,825

Regarding defined benefit plans, the expected user contribution's reasonable estimate for 2020 is 6,263,528 thousand won.

(5) Cost recognized as profit/loss regarding defined benefits obligations in the current and last year are as follows.

(Unit : KW)		
Category	Current Year	Last Year
Labor cost	6,134,824,103	5,140,809,654
Past Labor Cost	-	461,529,333
Net interest cost	169,786,469	185,705,403
Total	6,304,610,572	5,788,044,390

(6) The composition of externally deposited assets of the current year-end and last year-end are as follows.

(Unit : KW)		
Category	Current Year End	Last Year End
Short-term financial product, etc.	35,268,837,546	28,174,546,825

(7) Sensitivity Analysis for current year

If each significant actuarial assumptions do change within a possible and reasonable degree, then the effect of this change on the defined benefit obligation is as follows for the current year end.

(Unit : KW)		
Category	Increase	Decrease
Discount Rate (1% change)	(3,248,842,340)	3,779,827,005
Future Wage Increase Rate(1% change)	3,670,118,930	(3,224,949,756)

While the sensitivity analysis did not take into account every cash flow's – generated from the system, it does provide an approximate value of sensitivity regarding used assumption.

Current year end and last year end

The defined benefit obligation's weighted average duration is 9.19 years and 10.2 years respectively for the year-end.

(8) The re-measurement component of defined benefit obligation recognized as other comprehensive profit/loss is as follows for the current and last year.

(Unit : KW)		
Category	Current Year	Last Year
Basic accumulated re-measurement component	6,462,864,394	5,280,095,450
Current Year Change Cost	(659,021,828)	1,560,381,193
Income tax effect on current year change	159,483,282	(377,612,249)
Accumulative re-measurement component for the year-end	5,963,325,848	6,462,864,394

31. Corporate Income Tax Payment

(1) Elements that consist income tax payment for current and last year are as follows.

(Unit : KW)		
Category	Current Year	Last Year
Current Year Income Tax	8,275,860,267	13,571,727,350
Adjustments recognized in current year regarding the income tax of past period	2,272,635,035	(1,790,193,329)
Deferred income tax(profit) due to generation and expiration of temporary differences	(2,075,356,909)	(2,131,003,480)
Income tax(profit) related to elements recognized as other than current year's profit/loss	(159,483,282)	499,189,387
Income Tax Payment	8,313,655,111	10,149,719,928

(2) The deferred income tax related to items recognized other than current year's profit/loss for the current and last year are as follows.

(Unit : KW)		
Category	Current Year	Last Year
Deferred income tax:		
Actuarial profit/loss	(159,483,282)	377,612,249

(Unit : KW)		
Category	Current Year	Last Year
Fair value measured financial assets' profit/loss through other comprehensive profit/loss	-	121,577,138
Income tax payment(profit) directly reflected on the capital	(159,483,282)	499,189,387

(3) The relationship between income tax payment and accounting profit for current and last year are as follows.

(Unit : KW)		
Category	Current Year	Last Year
Net income before income tax deduction	46,553,443,075	59,081,088,199
Applied tax rate	23.21%	23.42%
Tax payment after the applied tax rate	10,803,933,224	13,835,623,343
Adjustments:		
Non-taxable income	(95,100,555)	(391,785,862)
Non-deductible expense	265,394,601	137,463,255
Tax deduction	(4,683,921,896)	(1,483,555,472)
Current year adjustment cost recognized regarding past term's income tax(*)	2,277,268,233	(1,790,193,329)
Non-return tax system	-	149,329,288
Unrecognized deferred income tax change	195,366,935	-
Others(tax rate change effect, etc.)	(449,285,431)	(307,161,295)
Income tax payment	8,313,655,111	10,149,719,928
Average effective tax rate	17.86%	17.18%

(\*) The income tax payment includes income tax return received by claim of rectification, deferred income tax payment due to tax investigation and etc. for the current and last year.

(4) The deferred tax assets(liability)'s change details are as follows for current and last year.

① Current Year

(Unit : KW)				
Category	Basic Cost	Current Year Profit/Loss Reflected	Other Comprehensive Profit/Loss Reflected	Year-end Cost
Uncollected Income	(142,017,433)	(105,378,173)	-	(247,395,606)
Net defined benefit liability	-	159,483,282	(159,483,282)	-
Impairment loss of intangible asset	81,766,111	895,584,759	-	977,350,870
Depreciation of inventory assets	1,936,159,947	1,732,273,063	-	3,668,433,010
Redemption Cost over the limit	1,175,409,247	(486,435,901)	-	688,973,346
Impairment loss of tangible assets	136,501,555	-	-	136,501,555
Unpaid Cost	1,185,142,832	(118,970,874)	-	1,066,171,958
Pre-paid Cost	84,987,511	(16,583,830)	-	68,403,681
Provisions	967,997,292	69,890,216	-	1,037,887,508
Fair value measured financial asset through profit/loss	(197,434,585)	148,810,583	-	(48,624,002)
Fair value measured financial asset through other comprehensive profit/loss	121,000,000	-	-	121,000,000
Long-term employee wage liability	199,803,033	50,545,793	-	250,348,826
Others	330,616,870	(94,378,727)	-	236,238,143
Total	5,879,932,380	2,234,840,191	(159,483,282)	7,955,289,289

② Last Year

(Unit : KW)				
Category	Basic Cost	Current Year Profit/Loss Reflected	Other Comprehensive Profit/Loss Reflected	Year-end Cost
Uncollected Income	(181,719,307)	39,701,874	-	(142,017,433)
Net defined benefit liability	-	(377,612,249)	377,612,249	-

(Unit : KW)				
Category	Basic Cost	Current Year Profit/Loss Reflected	Other Comprehensive Profit/Loss Reflected	Year-end Cost
Impairment loss of intangible asset	118,412,692	(36,646,581)	-	81,766,111
Depreciation of inventory assets	591,156,099	1,345,003,848	-	1,936,159,947
Redemption Cost over the limit	1,322,160,821	(146,751,574)	-	1,175,409,247
Impairment loss of tangible assets	136,501,555	-	-	136,501,555
Unpaid Cost	1,013,138,795	172,004,037	-	1,185,142,832
Pre-paid Cost	103,282,209	(18,294,698)	-	84,987,511
Provisions	998,165,880	(30,168,588)	-	967,997,292
Fair value measured financial asset through profit/loss	(544,589,295)	347,154,710	-	(197,434,585)
Fair value measured financial asset through other comprehensive profit/loss	-	(577,138)	121,577,138	121,000,000
Long-term employee wage liability	141,267,454	58,535,579	-	199,803,033
Others	51,151,997	279,464,873	-	330,616,870
Total	3,748,928,900	1,631,814,093	499,189,387	5,879,932,380

(5) The temporary difference cost of items that are not recognized as deferred income tax assets for current and last year-end are as follows.

(Unit : KW)		
Related Asset	Current Year End	Last Year End
Subsidiary's Investment Share	418,177,955	418,177,955
Previous Cost(Subsidiary)	807,301,385	-

Regarding the transfer cost and investment share of the subsidiary, the company estimates that temporary difference is not likely to expire in a foreseeable future for current and last year-end.

### 32. Cash flow statement

(1) Adjusted details on profits and expenses during sales of the current and last year are as follows.

(Unit : KW)		
Category	Current Year	Last Year
Corporate tax expense(profit)	8,313,655,111	10,149,719,928
Depreciation cost	8,145,474,428	4,183,285,675
Profit on disposition of tangible assets	(125,343,724)	(402,479,457)
Loss on disposition of tangible assets	24,710,082	261,786,335
Amortization of intangible assets	6,630,563,801	4,275,843,347
Profit from disposition of intangible assets	-	(15,000,000)
Loss from disposition of intangible assets	7,404,991	21,454,545
Retirement benefit	6,304,610,572	5,788,044,390
Profit from foreign currency conversion	(293,157,440)	(141,929,316)
Loss from foreign currency conversion	1,033,746,920	110,856,684
Interest profit	(3,879,026,414)	(4,081,383,020)
Interest expense	251,687,433	-
Product loss guarantee cost(return)	355,197,085	246,753,693
Profit/loss-profit on valuation of financial assets measured at fair value	139,919,764	643,523,594
Long-term employee salary	265,745,313	265,993,117
Impairment loss of intangible assets	3,736,196,562	-
Miscellaneous profit	(35,433,090)	-
Return of restoration cover liability	-	(28,460,400)
Total	30,875,951,394	21,278,009,115

(2) Changes in assets and liabilities during sales of the current and last year are as follows.

(Unit : KW)		
Category	Current Year	Last Year
Decrease(Increase) of account receivables	(1,442,321,327)	(11,029,536,243)
Decrease(Increase) of other receivables	(275,668,006)	(360,652,249)
Decrease(Increase) of other current assets	(6,576,853,160)	(5,550,700,953)
Decrease(Increase) of other non-current assets	6,413,398	123,532,106
Decrease(Increase) of inventory assets	(14,752,258,146)	(40,571,370,922)
Increase(Decrease) of purchase liabilities	(1,454,302,609)	14,849,984,749
Increase(Decrease) of other current liabilities	(984,919,052)	713,087,372
Increase(Decrease) of other non-current liabilities	(56,878,400)	(24,110,560)
Increase(Decrease) of other liabilities	(1,985,646,511)	(2,693,934,294)
Payment of retirement benefits	(1,603,955,690)	(2,422,407,650)
Decrease(Increase) of externally deposited assets	(6,468,759,070)	(3,798,946,590)
Transfer of defined benefit obligation of associated company	2,009,946,647	1,286,677,491
Decrease(Increase) of lease payment receivables	528,795,491	-
Total	(33,056,406,435)	(49,478,377,743)

(3) Cash flows from operating activities on the cash flow statement are recorded using the indirect method. The significant transactions that do not involve cash inflows and outflows for the current and last year are as follows.

(Unit : KW)		
Category	Current Year	Last Year
Increase of accounts payables related to acquisition of tangible assets	210,245,091	108,850,000
Decrease of accounts payables related to acquisition of intangible assets	362,103,435	647,491,147
Substitution of advance payments into intangible assets	402,922,263	331,494,891
Increase in tangible assets due to restoration duty	84,065,174	498,300,000
Recognition of lease liabilities and user right assets due to lease contract	12,947,001,530	-

(Unit : KW)		
Category	Current Year	Last Year
Decrease in user right assets due to early termination of lease	(289,935,037)	-
Substitution of lease payment receivables of tangible assets due to financial lease contract	6,593,290,800	-

(4) Cash flows related to financial activities

The changes in liabilities from financial activities during the current and last year are as follows.

① Current Year

(Unit : KW)					
Category	Base	Adjustment due to the application of K-IFRS 1116	Financial activities cash flow	Non-cash transaction	Current year-end
Dividends payable	-		(13,499,369,000)	13,499,369,000	-
Lease liabilities(liquid)	-		(2,767,729,811)	5,568,436,996	2,800,707,185
Lease liabilities(illiquid)	-	12,578,173,121	-	(5,500,412,876)	7,077,760,245

② Last Year

(Unit : KW)				
Category	Base	Financial activities cash flow	Non-cash transaction	last year-end
Dividends payable	-	(11,385,010,000)	11,385,010,000	-

33. Restricted use of financial products

The details of restricted financial products for the current year-end are as follows.

(Unit : KW)		
Category	Amount	Details
Cash and cash equivalent assets	119,126,126	Government subsidy

34. Assets with insurance

The details of assets the company entered into an insurance for the current year-end are as follows.

(Unit : KW)				
Insurance Category	Assets	Book Value	Insurance payment	Name
Gas accident compensation insurance	Building and construction	2,637,717,199	580,000,000	KB insurance company
Fire insurance				
	Machinery	5,978,557,331	2,659,000,000	
	Equipment	4,774,638,268	500,000,000	
	Other Tangible Assets	2,093,221,106	2,659,000,000	
Total		15,484,133,904	12,398,000,000	

Besides the above insurances, the company is under occupational health and safety insurance and fire accident compensation insurance for the employees.

### 35. Concerned entity

(1) Details of concerned entity of the company for the current year-end and last year-end are as follows.

Category	Current year end	Last year end
Subsidiary Company	Silicon Works Inc.	Silicon Works Inc.
	Silicon Works China Co., Ltd.	Silicon Works China Co., Ltd.
Associated Company	Advance Power-Device Technology Co., Ltd	Advance Power-Device Technology Co., Ltd
Company that exercise significant influence on the company	LG Corp.	LG Corp.
Etc.	Affiliate of LG Corp.	Affiliate of LG Corp.
	Conglomerate affiliated company (*)	Conglomerate affiliated company (*)

(\*) Not included in the range of related party pursuant to no.1024 of the SKAS 'Disclosure of related parties', but belongs to the same conglomerate under the monopolistic regulation and fair trade law.

(2) Transactional details with the concerned entity for the current and last year are as follows.

(Unit : KW)				
Category	Name	Transactions	Current Year	Last Year
	Silicon Works Inc.	Sales	-	1,070,819

(Unit : KW)				
Category	Name	Transactions	Current Year	Last Year
Subsidiary Company		Sales expense	2,147,943,310	1,649,757,653
	Silicon Works China Co., Ltd.	Sales expense	4,363,696,823	2,938,977,348
Associated company	Advance Power-Device Technology Co., Ltd	Acquisition of tangible and intangible assets	2,280,731,354	1,441,626,408
		Sales	-	132,993,637
	LB Lusem Co., Ltd (*1)	Sales expense	-	15,467,193,707
		Sales expense	3,503,501,079	1,805,823,525
	LG CNS Co., Ltd	Acquisition of tangible and intangible assets	3,251,786,634	5,852,467,460
		Sales	-	15,013,650
		Acquisition of tangible and intangible assets	-	13,012,410
	SNI Corp Co., Ltd	Sales expense	926,380,048	773,973,668
		Sales	3,466,200	3,762,000
	Serveone Co., Ltd (*2)	Sales expense	30,173,067	4,641,178
	LG Management Development Institute Inhawwon Co., Ltd	Sales expense	1,113,259,310	285,072,410
	Other subsidiaries of LG	Open Source Consulting co., Ltd.	Sales expense	10,420,000
LG Electronics USA Inc.		Sales	1,855,969,929	2,896,894,269
LG International japan Ltd		Sales	-	673,007,302
LG Display (China) Co., Ltd.		Sales	2,138,102,752	-

(Unit : KW)				
Category	Name	Transactions	Current Year	Last Year
	LG Display (Guangzhou) Co., Ltd.	Sales	39,523,643,337	-
		Sales	670,953,040,248	713,092,604,922
		Sales expense	92,314,736	-
	LG Display Co., Ltd	Other non-sales profit	869,281,918	-
		Sales	12,388,477,037	7,672,944,411
		Sales expense	5,622,546,911	4,773,689,093
	LG Electronics Co., Ltd	Acquisition of Business	-	46,129,996,611
	LG Innotek Co., Ltd	Sales expense	22,496,052,247	21,754,169,913
	LG Chemical Co., Ltd	Sales	212,000,000	-
		Sales	3,200,000	3,200,000
	LG U+	Sales expense	102,207,116	111,774,376
		Sales	16,074,450	-
	Serveone Co., Ltd (*2)	Sales expense	21,122,380	-
	Pantos Co., Ltd	Sales expense	1,298,036,671	1,246,992,732
Biztech Partners Co., Ltd	Sales expense	214,344,879	-	
Other Included corporation of the conglomerate	HS Ad Co., Ltd	Sales expense	-	9,900,000

(\*1) Excluded from the related parties as LG has sold all shares of LB Lusem Co., Ltd. during the last quarter and the transaction details after it is excluded from the range of related parties.

(\*2) Serveone Co., Ltd. was excluded from the related parties as of July 24<sup>th</sup> in the current quarter, therefore, it only includes the transaction details till July.

(3) Claim and obligation on the concerned party for the current year-end and last year-end are as follows.

(Unit : KW)

Category	Name	Current Year-end		Last Year-end	
		Account receivables, etc.	Purchase liabilities, etc.	Account receivables, etc.	Purchase liabilities, etc.
Subsidiary Company	Silicon Works Inc.	-	197,384,963	-	161,486,378
	Silicon Works China Co., Ltd.	-	574,138,446	-	389,164,009
Associated company	Advance Power-Device Technology Co., Ltd	-	-	-	220,821,862
	LG CNS Co., Ltd	-	937,206,367	-	824,550,265
	LG Management Department Institute Co., Ltd	-	15,628,305	-	161,700
	SNI Co., Ltd	300,000,000	88,449,068	300,000,000	80,628,193
Other subsidiaries of LG	Serveone Co., Ltd	-	-	3,762,000	5,105,296
	LG Electronics USA Inc.	257,934,780	-	430,692,120	-
	LG Display (China) Co., Ltd.	1,360,104,351	-	-	-
	LG Display (Guangzhou) Co., Ltd.	37,141,444,928	-	-	-
	LG Display Co., Ltd	88,354,795,384	-	140,694,084,067	-
	LG Electronics Co., Ltd(*)	3,249,019,544	472,555,262	2,328,583,856	362,298,327
	LG Innotek Co., Ltd	-	3,598,523,920	-	2,946,258,263
	LG U+	-	-	3,520,000	-
	Pantos Co., Ltd	-	202,957,347	-	247,890,554
Other included corporation of the conglomerate	Biztech Partners Co., Ltd	-	17,692,125	-	-

(\*) In addition to the above receivables and liabilities, lease liabilities of 9,140,500KRW and license assets of 9,039,170KRW are counted under an office lease agreement with LG Electronics Co., Ltd on the current year-end.

(4) Details on major fund transactions with the concerned entity during the current year and last year are as follows.

(Unit : KW)				
Category	Name	Current Year	Last Year	
		Dividends paid	Cash payment	Dividends paid
Subsidiary Company	Silicon Works China Co., Ltd.	-	1,504,860,000	-
Associated company	Advance Power-Device Technology Co., Ltd	-	4,410,000,000	-
Company that exercise significant influence on the company	LG Corp. (*)	4,465,834,920	-	3,766,366,800

(5) Details on the compensation of the major board of directors for the current and last year are as follows.

(Unit : KW)		
Category	Current Year	Last Year
Short-term salary	3,428,705,500	2,210,982,838
Retirement benefit	447,042,625	274,055,953
Total	3,875,748,125	2,485,038,791

Board of directors of the company include directors (including outside directors) and audit committee members.

(6) There is no security and guarantees that the company offered for the concerned entity or is being offered from the concerned entity in the current year-end and last year-end.

### 36. Acquisition of business

#### (1) General

On July 1st, the parent company acquired the T-Con chip business for OLED (including development, manufacture, and sales) from LG Electronics Co., Ltd. to establish the total solution of OLED TV-oriented system semiconductor.

#### (2) Transfer price and identifiable acquired assets

(Unit : KW)	
Category	Cost
Transfer Price	
Cash and cashable assets	46,129,996,611
Inherited assets and liabilities	
Trade receivables and others	7,879,739,697
Inventory assets	2,508,465,250
Tangible assets	8,636,108
Intangible assets (i.e., contracts with clients)	19,920,000,000
Trade payable and current liabilities	(3,055,948,493)
Business rights	18,869,104,049
Total	46,129,996,611

The sales for last year is 197 hundred million won which is the amount that the company recognized for business acquisition after the acquisition date. If the same business acquisition had been occurred on January 1, 2018, then the company's last year sales would have increased by 182 hundred million won. Managed and recognized as a single business sector, the company did not display the expected current year profit/loss from business acquisition under the assumption that it occurred on January 1, 2018 and the current year profit/loss after the business acquisition since the current year profit/loss amount cannot be categorized practically.

## 6. Other financial matters

### A. Cautions regarding re-preparation of financial statements

#### 1) Consolidated financial statements

Not applicable

#### 2) Financial Statements

Not applicable

#### 3) Business transfer

Classification	Sign date	Contract party	Contract details	Transfer amount (hundred million)	Transfer date	Report submission date
Business transfer	2018.05.29	LG Corp.	Assets and personnel related to T-con chip business for OLED TV	461	2018.07.01	-

Note. Refer to the followings for gain/loss caused by deals are XI needed to protect outside investors  
-> 3. Sanction status and other matters -> Financial statement before and after business transfer.

### B. Established allowance for bad debts

#### (1) Established allowance for bad debts per each accounting title

[Basic date: Dec 31th, 2019]

(Unit : 1 million KRW, %)

Classification	Accounting title	Receivables amount	Allowance for bad debt	Ratio of allowance
21 <sup>st</sup> year	Trade receivables	159,276	-	0.0
	Other receivables	4,572	-	0.0
	Non-current other	11,552	-	0.0
	Total	175,400	-	0.0
20 <sup>th</sup> year	Trade receivables	158,800	-	0.0
	Other receivables	2,245	-	0.0
	Non-current other	6,701	-	0.0
	Total	167,746	-	0.0
19 <sup>th</sup> year	Trade receivables	139,950	-	0.0
	Other receivables	1,613	-	0.0
	Non-current other	5,120	-	0.0
	Total	146,683	-	0.0

Note) The consolidated subsidiaries of the company have no record of establishing allowance for bad debts.

(2) Changes in allowance for bad debts

Changes in the allowance for bad debts on trade receivables during the period are as follows:

[Basic date: Dec 31, 2019]

(Unit : 1 million KRW)

Classification	21 <sup>st</sup> year	20 <sup>th</sup> year	19 <sup>th</sup> year
1. Total allowance for bad debts	-	-	-
2. Net bad recognition (①+②±③)	-	-	-
① Amount processed as bad debts	-	-	-
② Recollected receivables	-	-	-
③ Other	-	-	-
3. Amount in reflection of bad debts	-	-	-
4. Total allowance for bad debts	-	-	-

Note) The consolidated subsidiaries of the company have no record of changes with the allowance for bad debts.

(3) Policy on establishing the allowance for bad debts over the account 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 account receivables at the end of current half year by their elapsed duration.

[Basic date: Dec 31th, 2019]

(Unit : 1 million KRW)

Item	Elapsed duration of bond formation			Total
	Within 3 months	3 ~ 6 months	More than 6 months	
Account	159,276	-	-	159,276
Total	159,276	-	-	159,276
Percentage (%)	100.00	-	-	100.00

#### D. Inventory status

##### (1) Status on inventory asset per business division

[Basic date: Dec 31th, 2019]

(Unit : 1 million KRW)

Business Division	Accounting title	21st year	20th year	19th year	Remarks
Semiconductor	Products	-	-	-	-
	Work in process	118,843	104,091	61,011	-
Total		118,843	104,091	61,011	-
Portion of inventory over gross assets (%) [Total inventory ÷ total assets at the end × 100]		18.9	17.1	11.2	-
Inventory turnover ratio (recollection) [Converted annual sales cost ÷ {(Inventory at the beginning + Inventory at the end) ÷ 2}]		5.9 times	7.2 times	9.1 times	-

##### (2) Due diligence results on inventories

###### ① Date of due diligence

Due diligence on inventory assets 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 inventory assets.

###### ③ Status of long-term stagnant inventory, etc.

The inventory evaluation has been conducted according to the obsolescence of inventories, and the valuation details of inventories as of 12.31.2019 are as follows:

[Basic date : 2019.12.31]

(Unit: 1 million KRW)

Account subject	Acquisition cost	Retained amount	Valuation allowance	Remaining amount of the current year
Works/goods in progress	134,120	134,120	(15,276)	118,844

#### D. Contract status

Not applicable

#### E. Evaluation details of fair value

##### (1) Summary of Fair Value Evaluation Procedures

###### [Non-derivative financial assets]

The company divides non-derivative financial assets into 4 categories such as financial assets to be recognized in the current profit or loss, financial assets held until maturity, lending and receivables, and transferrable financial assets, and they are recognized in the statement of financial position.

Non-derivative financial assets are measured with fair value at the initial recognition. If they do not belong to financial assets to be recognized in the current profit or loss, transactional cost directly relating to the acquisition of financial assets is added to fair value at the initial recognition.

###### ① Financial assets to be recognized in the current profit or loss

The company classified short-term trading financial assets or financial assets designated as financial assets to be recognized in the current profit or loss at the initial recognition into financial assets to be recognized into the current profit or loss. Financial assets to be recognized into the current profit or loss are measured with fair value after initial recognition and any change in fair value is recognized in the current profit or loss. On the other hand, any transactional cost relating to the acquisition at the initial recognition is recognized in the current profit or loss immediately on its occurrence.

###### ② Held to maturity financial assets

If the company has the active intention and ability to hold until maturity as non-derivative financial assets whose maturity is fixed and amount to be paid is confirmed or possibly determined, the company classifies them into financial assets held until maturity. After initial recognition, the company applies the effective interest rate method and measures them with the cost after amortization.

###### ③ Lending and receivables

Non-derivative financial assets whose payment is fixed or possibly determined and trading price is not publicized in the active market are classified into lending and receivables. After initial recognition, the company applies the effective interest rate method and measures them with the cost after amortization.

###### ④ Transferrable financial assets

If non-derivative financial assets are designated as transferrable items or not classified into either of financial assets to be recognized in the current profit or loss, financial assets held until maturity or lending and receivables, they are classified as transferrable financial assets. After initial recognition, they are measured with fair value and any

change in fair value is recognized as other comprehensive profit or loss. However, cost is used for measurements for equity products and others whose market price is not publicized in the active market and fair value cannot be measured in a reliable manner.

⑤ Financial products by category

For more details, refer to "III. Financial Matters, 3. Notes to Consolidate Financial Statements, 6. Classification per Category of Financial Products (1), 7. Financial Risk Management (4)" in this disclosure document.

F. Record on issue of liability securities

Not applicable

Issue of liability Securities

[Basic date: Dec 31th, 2019]

(Unit : 1 million KRW)

Type	Method of issue	Type of issue	Date of issue	Total amount	Interest rate	Rating grade	Date of Maturity	Repayment	Undertaking company
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-

Outstanding Balance of corporate paper

[Basic date: Dec 31, 2019]

(Unit : 1 million KRW)

Remaining to maturity		10 days or less	Exceeding 10 days Not more than 30 days	Exceeding 30 days Not more than 90 days	Exceeding 90 days Not more than 180 days	Exceeding 180 days Not more than a year	Exceeding a year Not more than 2 years	Exceeding 2 years Not more than 3 years	Exceeding 3 years	Total
Unpaid balance	Public offering		-	-	-	-	-	-	-	-
	Private offering		-	-	-	-	-	-	-	-
	Total		-	-	-	-	-	-	-	-

Outstanding Balance of Short-term Bond

[Basic date: Dec 31, 2019]

(Unit : 1 million KRW)

Remaining to maturity		10 days or less	Exceeding 10 days Not more than 30 days	Exceeding 30 days Not more than 90 days	Exceeding 90 days Not more than 180 days	Exceeding 180 days Not more than a year	Exceeding a year Not more than 2 years	Exceeding 2 years Not more than 3 years	Exceeding 3 years	Total
Unpaid balance	Public offering		-	-	-	-	-	-	-	-
	Private offering		-	-	-	-	-	-	-	-
	Total		-	-	-	-	-	-	-	-

Outstanding Balance of Corporate Bonds

[Basic date: Dec 31, 2019]

(Unit : 1 million KRW)

Remaining to maturity		10 days or less	Exceeding 10 days Not more than 30 days	Exceeding 30 days Not more than 90 days	Exceeding 90 days Not more than 180 days	Exceeding 180 days Not more than a year	Exceeding a year Not more than 2 years	Exceeding 2 years Not more than 3 years	Exceeding 3 years	Total
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Unpaid balance	Public offering		-	-	-	-	-	-	-	-
	Private offering		-	-	-	-	-	-	-	-
	Total		-	-	-	-	-	-	-	-

#### Outstanding Balance of Hybrid Securities

[Basic date: Dec 31, 2019]

(Unit : 1 million KRW)

Remaining to maturity		10 days or less	Exceeding 10 days Not more than 30 days	Exceeding 30 days Not more than 90 days	Exceeding 90 days Not more than 180 days	Exceeding 180 days Not more than a year	Exceeding a year Not more than 2 years	Exceeding 2 years Not more than 3 years	Exceeding 3 years	Total
Unpaid balance	Public offering		-	-	-	-	-	-	-	-
	Private offering		-	-	-	-	-	-	-	-
	Total		-	-	-	-	-	-	-	-

#### Outsourcing Balance of Conditional Capital Securities

[Basic date: Dec 31, 2019]

(Unit : 1 million KRW)

Remaining to maturity		10 days or less	Exceeding 10 days Not more than 30 days	Exceeding 30 days Not more than 90 days	Exceeding 90 days Not more than 180 days	Exceeding 180 days Not more than a year	Exceeding a year Not more than 2 years	Exceeding 2 years Not more than 3 years	Exceeding 3 years	Total
Unpaid balance	Public offering		-	-	-	-	-	-	-	-
	Private offering		-	-	-	-	-	-	-	-
	Total		-	-	-	-	-	-	-	-

## IV. Director's management diagnosis and opinion

### 1. Cautions on predictive information

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. These 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 forecast. 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. We 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, we 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 predictive information 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.

### 2. Overview

The board of directors of Silicon Works Co., Ltd. reports the directors' opinions on management diagnosis regarding accounting and works for the 21st business year from January 1, 2019 to December 31, 2019.

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. We have received enough reports on documents that are deemed necessary for management diagnosis, and have reviewed the details of the company's management by using appropriate methods such as reading documents related to important tasks and closely reviewing the contents.

In 2019, despite the fierce market competition environment, the company achieved sales of 867.1 billion won, an increase of approximately 10% compared to 2018. This year, we will focus on R & D which is our main business, launching competitive products, and expanding our overseas market share through active sales activities, and grow into a global company beyond Korea.

### 3. Financial Status and Operating Results

#### A. Financial Status - Summary of Financial Statements (Consolidated)

(unit: 1 million won, %)

Subject	21th year(current)	20th year(previous)	Change	Rate of change(%)
Asset	629,733	607,558	22,175	3.65
[Liquid Asset]	519,233	508,163	11,070	2.18
[Illiquid Asset]	110,500	99,395	11,105	11.17
Liability	157,526	160,945	(3,419)	(2.12)
[Liquid liability]	144,852	155,224	(10,372)	(6.68)
[Illiquid liability]	12,675	5,721	6,954	121.55
Asset	472,207	446,614	25,593	5.73
[Pament funds]	8,132	8,132	-	-
[Earned surplus]	388,164	362,626	25,538	7.04
Debt ratio	33.4%	36.0%	(2.6%p)	

#### (1) Asset

As of the end of '19, the company's total assets were 629.7 billion won, an increase of 22.2 billion won from the previous year due to the increase in sales receivables and inventory assets. Of these, liquid assets account for 82.45% of total assets and illiquid assets account for 17.55% of total assets.

The reason for the increase in illiquid assets by 11.17% compared to the previous year is the effect of the recognition of user right assets due to the application of K-IFRS no. 1116 "Lease".

## (2) Debt

At the end of '19, our total debt was 157.5 billion won, a decrease of 3.4 billion won compared to the previous year, due to the effect of purchase liabilities and etc. arising from increase in number of goods. And among this 91.95%, or 144.9 billion won is liquid liabilities and 8.05% or 12.7 billion won is illiquid liability.

Illiquid liabilities increased 121.55% compared to the previous year due to the recognition of lease liabilities following the introduction of K-IFRS No. 1116 "Lease".

## (3) Capital

As of the end of '19, the company's total capital increased by KRW 25.6 billion compared to the previous year to KRW 472.2 billion. The main factor is that net income excluding dividends, etc., contributed to the surplus of capital.

## B. Operating Results - Summary of financial statement of profit or loss(consolidated)

(Unit : million won, %)

Subject	21th	20th	Change	Rate of
	year(current)	year(previous)		change(%)
Sales	867,122	791,818	75,304	9.51
Sales Cost	654,232	598,160	56,072	9.37
Total profit from sales	212,891	193,657	19,234	9.93
- SG&A	165,636	137,861	27,775	20.15
Business profit	47,255	55,797	(8,542)	(15.31)
Net income before deduction of income tax expense	46,888	59,241	(12,353)	(20.85)
Income tax expense	8,349	10,280	(1,931)	(18.78)
Current year income	38,539	48,960	(10,421)	(21.28)
Total sales profit rate	24.6%	24.5%	0.1%p	-
Business profit rate	5.5%	7.0%	(1.5%p)	-
Ordinary development expense rate compared to sales	11.5%	10.8%	0.7%p	-

Valid tax rates	17.8%	17.4%	0.4%p	-
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"19-year sales increased to 867.1 billion won , up from 75.3 billion won of the previous year, whose major factor lies in the increase in mobile DDI sales due to increased large Driver-IC sales and mobile volume spurred by increased volume of OLED TVs and high-end monitors. With the increase in the proportion of the high-end product line mainly on OLED, gross profit reached 212.9 billion won, up from 19.2 billion won of the previous year, and the operating profit decreased to 47.3 billion won, a decrease of 8.5 billion won from last year due to increase of SG&A by 27.8 billion won due to increased personnel and R&D costs for business expansion.

### C. Business performance by busienss sector

(Unite :1 million won, %)

Category	Business sector	21th year(current)	20th year(previous)	Change	Rate of change(%)
Sales	System IC	867,122	791,818	75,305	9.51
Business profit	System IC	47,255	55,797	(8,542)	(15.31)

[System IC Division]

In 2013, the sales of the System IC division increased by 9.51% compared to the previous year to 867.1 billion won, and the operating profit decreased by 15.31% from the previous year to 47.3 billion won.

Although business profit has decreased compared to last year due to increase in R&D cost because of product expansion to Chinese market, the preparation for High-Tech process and increase in personnel expense due to personnel provision for business expansion and for product line-up reinforcement, the company believes that the cost was necessary for the future.

### D.Main points for consideration

As the company's sales and purchase amounts are based on USD-based unit price calculation and settlement, changes in the KRW / USD exchange rate are the main factors affecting our business performance.

In addition, as the market price of the wafer varies depending on the supply and demand environment, and the share of foundries is the largest among the company's manufacturing costs, we have to keep checking changes in Wafer price.

## 4. Liquidity and resource provision and expenditures, etc.

### A. Liquidity index

(unit : 1 million won, %)

Subject	21th year(current)	20th year(previous)	Change	Rate of change(%)
I.Liquid Asset	519,233	508,163	11,070	2.18

Cash and cash equivalents	109,686	222,527	(112,841)	(50.71)
Deposits in financial institutions	100,000	0	100,000	-
Trade receivables	159,276	158,800	476	0.30
Inventory Asset	118,843	104,091	14,752	14.17
II.Liquid liability	144,852	155,224	-10,372	(6.68)
Purchase liability	112,842	114,567	-1,725	(1.51)
Liquidity ratio	358.5%	327.4%	31.1%	-

As the company maintains a stable financial position, it is expected that the risk of liquidity due to the rapid fluctuation of the economy will not be large.

As of December 2019, it is believed that it has adequate liquidity for the company's funding needs, as it has 209.7 billion won of cash and cash equivalents & deposits in financial institutions and 159.3 billion won of sales receivables. We are preparing for uncertainties such as changes in financial environment, etc. that may affect future liquidity. Looking at the liquidity ratio, it remains at a high level of 358%, and the company maintains a stable liquidity ratio while maintaining no-borrowing management.

#### B. 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

#### C. Funds expenditure

During the disclosure period, the company did not have large-scale investments such as stakes and business acquisitions in addition to ordinary investments.

## Derivatives

### 5. Other matters necessary for investment decision-making

#### A. Important accounting policies and estimates

The company's financial statements have been prepared in accordance with accounting standards generally accepted in Korea. Important accounting policies and estimates are given in 'III. Finance Matters'.

#### B. Matters regarding the environment and employees

For environmental sanctions and administrative measures, refer to '3. Sanctions and other matters' of 'XI. Other matters necessary for protection of investors'. There are no significant employee-related changes, such as major key personnel movements.

C. Matters concerning regulatory regulations

For main regulations related to our business, please refer to '3. Sanctions and other matters' of 'XI. Other matters necessary for protection of investors'.

D. Derivatives and Risk Management Policy

As for the main derivatives and risk management policy, refer to '8. Derivatives Transaction Status' of 'II. Business details' and '3. Consolidated financial statements' of 'III. Financial factors'.

## V. Auditor's opinion

### 1. Audit opinion of auditor

A. Name and audit opinion of auditor

Business year	Auditor	Audit opinion	Special remarks, etc.	Main audit points
21 <sup>st</sup> year (current)	Samjung KPMG, Inc.	Appropriate	N/A	Inventory asset evaluation
20 <sup>th</sup> year (previous)	Samjung KPMG, Inc.	Appropriate	N/A	N/A
19 <sup>th</sup> year (previous before the last)	Samjung KPMG, Inc.	Appropriate	N/A	N/A

B. Audit service contract status

(Unit : 1 million KRW)

Business year	Auditor	Subject	Remune	Total required
21 <sup>st</sup> year (current)	Samjung KPMG, Inc.	Consolidated financial statements, financial statements,	200	2,587
20 <sup>th</sup> year (previous)	Samjung KPMG, Inc.	Consolidated financial statements, financial statements,	165	1,783
19 <sup>th</sup> year (previous before the last)	Samjung KPMG, Inc.	Consolidated financial statements, financial statements,	105	1,174

C. Status of non-audit service contracts with auditor

Business year	Contract date	Services	Period	Remuneration	Remarks
21 <sup>st</sup> year (current)	-	-	-	-	-
20 <sup>th</sup> year (previous)	-	-	-	-	-
19 <sup>th</sup> year (previous before the last)	-	-	-	-	-

D. The result of the internal auditing body's discussion with the auditor regarding subjects within financial statement which may have a significant impact on the judgment of stakeholders

Category	Date	Participants	Method	Main discussion points
1	2019.09.20	Comapny : 3 memebbers of the audit committee Auditor : Director of operation	written words	Audit plan report
2	2020.02.11	Comapny : 3 memebbers of the audit committee Auditor : Director of operation	In person	Audit result report

E. Auditor's opinion on subsidiaries

There is no subsidiary which has received any audit opinion other than appropriate from auditor during the current term.

## 2. Change of auditor

The Audit Committee of the company approved Samjung KPMG, Inc. as the company's external auditor for the period from the 19th year to the 21st year on February 28, 2017, following the 18th year.

The change of external auditors was reported to the 18th regular general shareholders' meeting of the company in accordance with Article 4-3 of the Act on the External Auditor of Limited Liability Company, and Article 4 and 53 of the company's Articles of Incorporation.

## 3. Internal Accounting Management System

A. Status of operation of internal accounting management system

(1) Report by the Internal Accounting Manager

Business year	Reporting date	Report	Comment
21th year	2020.2.11.	The company's internal accounting control system as of February 11, 2020 is thought to be effectively	-

		designed and operated in terms of importance, considering the standard regulations on the internal accounting control system.	
20 <sup>th</sup> year	2019.1.30.	The company's internal accounting control system as of January 30, 2019 is thought to be effectively designed and operated in terms of importance, considering the standard regulations on the internal accounting control system.	-
19 <sup>th</sup> year	2018.2.1.	The company's internal accounting control system as of February 1, 2018 is thought to be effectively designed and operated in terms of importance, considering the standard regulations on the internal accounting control system.	-

(2) Overall opinions represented in the audit report by auditor

As of December 31, 2019, the auditor has expressed his opinion that the contents of the report on the operation of the IACS does not have any points that leads to the assessment that the report has not been prepared in accordance with the provisions of IAMS.

## 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 day this report is prepared, the board of directors comprises of 2 full-time directors, 1 uncategorized non-executive director and 3 independent directors. Boik Son, chairperson of the audit committee and was elected as chairperson according to Article 5 of the company's regulations.

With regard to the history and roles of each director, please refer to "VIII. Executives and Employees - 1. Executives and Employees".

Committee name	Composition	Name of members	Purpose of installation and its rights
Audit Acommittee	3 independent directors	Kyungwoo Wi, Ilgoo Yoon, Youngsoo Shi	Audit of the overall work of the company, including its financial status

#### B. Major Resolutions

No	Date	Detail	Approval Status	Name						
				Boik Son (Attendance rate: 100%)	Sungkwan Choi (Attendance rate: 100%)	Hyeonok Jeong (Attendance rate: 100%)	Nyunchae Jeong (Attendance rate: 40%)	Ilgoo Yoon (Attendance rate: 100%)	Youngsu Shin (Attendance rate: 85.7%)	Namju Lee (Attendance rate: 100%)
Accordance status										



2	2019.2.28	Report	<p>1. Report on the evaluation results of the internal accounting management system</p> <p>2. Report on compliance with the law control standard</p>	Reprot	-	-	-		-	-	-	
		Approval	<p>1. Agreement on the gathering of the 20th annual meeting of shareholders and approval of the meeting's purpose</p>	Approved	Agree	Agree	Agree		Agree	Absent	Agree	
3	2019.3.15	Approval	<p>1. Approval of the revision of the personnel management regulations for executive officers</p> <p>2. Approval</p>	Approved	Agree	Agree	<p>After retirement (retired on March, 2019)</p>	Absent	Agree	Agree	<p>After retirement (retired on March, 2019)</p>	Agree

			of executive officers' special bonuses 3. Approval of maintaining advisor contracts 4. Approval of the board's remuneration								
4	2019.5.10	Report	1. Report on the first quarter of 2019	Reprot	-	-	-	-	-	-	-
		Approval	1. Approval of change of special bonus payment standard of executive officers	Approved	Agree						
5	2019.08.22	Report	1. Report on the second quarter of 2019	Reprot	-	-	-	-	-	-	-
6	2019.11.08	Report	1. Report on the third quarter of 2019	Reprot	-	-	-	-	-	-	-

7	2019.11.28	Approval	1. Approval of the business plan for the 2020. 2. Approval of the transaction between CEOs and companies 3. Approval of the personnel management for executive officers	Approved	Agree	Agree	Agree	Agree	Agree	Agree
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Note) Nyeonchae Jeong was elected in the 20<sup>th</sup> annual shareholders' meeting and the term is 3 years. Also serves as executive director at LG Corp and as non-executive director at LG Innotek Co., Ltd.

Note) Outside director and audit committee member Kyungwoo Wi was elected from the 20<sup>th</sup> year's general shareholders meeting, and his term is 3 years.

#### C. Committees within the Board of Directors

The audit committee was excluded in accordance with preparation standards of corporate disclosure forms.

#### D. Independence of Directors

The directors are elected at the shareholders' meeting, and the candidates for the directors to be elected at the general shareholders' meeting are selected by the board of directors and confirmed as agenda to be submitted to the general shareholders' meeting. If there is shareholder's opinion based on related law regarding the election the director, the board submits it to the shareholders' meeting within appropriate scope.

As the total amount of assets of the company is less than 2 trillion won at the end of the business year, the company does not have an obligation to set up a committee to recommend candidates for outside directors. In order to secure fairness and independence in the appointment of outside directors, the company will appoint outside directors at the shareholders meeting. The directors appointed through such procedure are as follows.

As of December 31, 2019, each of the current six directors has the following recommendations and background:

Position	Name	Elected background	Recom mender	Duty	Deal with the company	Relationship with the largest shareholder or major shareholder	Term	Term status (number of consecutive terms)
Executive director	Bok Son	to perform internal and external affairs	Board	Board chairman, CEO	N/A	Registered executives of affiliated company	3 yrs	-
Executive director	Sungkwan Choi	to carry out overall works on finance	Board	CFO		Registered executives of affiliated company	3 yrs	-
Non-executive director	Nyeonchae Jeong	to carry out all management tasks	Board	Advisor on system semiconductor development and commercialization		Registered executives of affiliated company	3 yrs	-
Outside director	Kyeongwoo Wi	qualified as a financial and accounting specialist	Board	chairman of the audit committee		Registered executives of affiliated company	3 yrs	-
Outside director	Ilgoo Yoon	qualified as an expert in the company's business field	Board	audit committee		Registered executives of affiliated company	3 yrs	-
Outside director	Youngsoo Shi	qualified as an expert in the company's business field	Board	audit committee		Registered executives of affiliated company	3 yrs	-

Note) Nyeonchae Jeong was elected in the 20<sup>th</sup> annual shareholders' meeting and the term is 3 years. Also serves as executive director at LG Corp and as non-executive director at LG Innotek Co., Ltd.

Note) Outside director and audit committee member Kyungwoo Wi was elected from the 20<sup>th</sup> year's general shareholders meeting, and his term is 3 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 must review and Decide the following issues pursuant to Article 393-2 of the Commercial Law:

Law:

- Proposal of issues requiring the approval of the general shareholders' meeting
- Appointment of CEO and Decision of co-representatives
- Decisions on appointment, term, position, and remuneration of executives
- Other important matters as to the company's basic policies and operating activities

E. Expertise of outside directors

1) Organization in support of outside director

- CFO Finance Team
- Main task : Support the operation of the board of directors and the performance of outside directors
- Team employee status : 3 people

Team name	Number of members	Job title ( by years of service)	Job duration	Major works
Finance Team	3	Manage (1 yr), Senior (8 yrs), Junior(1 yr)	Average 3 years	a prior explanation of the board's agenda for outside directors; support for requests for outside directors' job performance

2) Training for the outside directors

Status of the training for the outside directors

Date	Organizer	Participant	Reason for absence	Content
2019.4.17	LG Business Development Institution	Kyungwoo Wi	Training only for new outside directors	Major matters concerning the activities of the Board of Directors and the management of the company
2019.5.10	Finance Team, IRTeam, Business Management Team	Kyungwoo Wi	Training only for new outside directors	Major matters on the company's status

## 2.Audit System

### A. Audit Committee

(1) The composition of the Audit Committee and director status

[Basic date: Dec 31, 2019]

Note) Auditor chairperson director Wi has 5 years of experience in the related field of work

Note) Director Wi and Audit Committee members were elected in the annual meeting of shareholder in the 20th year and term of office is 3 years.

Name	Director Status	Background	Accounting · financial expertise		
			Applicability	Expert category	Related career
Kyungwoo, Wi	Yes	Ph.D. of Business Administration, UCLA (Current) Professor of Business School at Sookmyung W. University	Yes	Has accounting, financial area diploma	Ph.D. of Business Administration, UCLA(1995) (1997~Current) Professor of Business School at Sookmyung W. University
Yoonil, Gu	Yes	Ph.D. Georgia Institute of Technology (Current) Professor of Electrical and Electronics Engineering at Yonsei University	-	-	-
Youngsu, Shin	Yes	Ph.D. of Electronic Engineering at Seoul National University (Current) Professor of Electrical and Electronics Engineering at KAIST	-	-	-

## (2) Independence of the members of the Audit Committee

Audit Committee maintains independence by consisting its members (3 persons) as independent directors who do not have any reasons for disqualification according to the Commercial Act. The appointment of the members has been made after a thorough 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.

Criteria	Qualification	Related Laws
Consist of 3 directors	Qualified (3 members)	Article 415.2, Section 2 of Commercial Act
2/3 of the member must be outside directors	Qualified (all members outside directors)	
One or more member must be expert in finance and accounting	Qualified (1 person, Kyunwoo Wi)	Article 542.11, Section 2 of Commercial Act

Auditor chairperson must be an outside				
Name	Appointment background	Referee	Deals with the company	Relationship between largest shareholders of major shareholders
Kyunwoo Wi	Expertise in finance and accounting judged to be the adequate person for the position	Board of Directors	N/A	N/A
Ilgoo Yoon	Expertise in semiconductors judged to be the adequate person for the position	Board of Directors	N/A	N/A
Youngsoo Shin	Expertise in semiconductors judged to be the adequate person for the position	Board of Directors	N/A	N/A

(3) Activities of the Audit Committee

No.	Date	Agenda	Pass/ Decline	Approval				Note
				Namju Lee	Gyeongwoo Wi	Ilgoo Yoon	Youngsoo Shin	
				Approval Status				
1	2019.01.30	Report on the operation status of the internal accounting management system	Report	-	Before appointment (Appointed on March 2019)	-	--	-
		Report on the 20 <sup>th</sup> year's financial statements and sales report	Report	-		-	-	-
		Report on the audit progress by external auditors	Report	-		-	-	-
		Revision approval of the internal accounting management regulations	Passed	Agree		Agree	Agree	-
2	2019.02.28	Approval of audit reports by the audit committee on financial statements and operating reports	Passed	Agree		Agree	Absent	-
		Approval of the audit committee's evaluation report on the actual conditions of the internal accounting management system	Passed	Agree		Agree	Absent	-
		Approval of the Audit Committee's opinion on the operation status of the internal monitoring system	Passed	Agree		Agree	Absent	-
3	2019.03.15	Appointment of the chairman of the audit committee	Passed	After retirement	Agree	Agree	Agree	-
4	2019.5.10	Business performance report of 1Q of 2019	Report		-	-	-	-

5	2019.8.22	Business performance report of 2Q of 2019	Report	(retired on March 2019)	-	-	-	-
6	2019.11.8	Business performance report of 3Q of 2019	Report		-	-	-	-
7	2019.12.19	Periodic report specified by the external auditor	Report		-	-	-	-
		Approval of audit payment, audit period, and necessary personnel for the audit by the external auditor	Passed		Agree	Agree	Agree	-

(4) Training Plan and Status

Audit Committee training status

Committee Training	Reason
None carried out	Note)

Note) The company is planning training program for the directors

(5) Audit Committee's Organizational Status

Team	Number of Personnel	Position (years of service)	Role
Finance Team	3	1 Manager(1 year), 2 Senior employee(8 years) 1 Junior(1 year)	Support the operation and job performance of the audit committee
Precision Management Team	2	1 Manager, 1 Senior employee (average 1 year)	Major issues related to the management of internal accounting management systems

Note) Years of service was measured according to one's tenure of office in the company.

B. Compliance Assistant

(1) Information of the compliance assistants and etc. (including major background)

Name	DOB	Major Career	Date of Appointment
Jinbok Kim	October 1960	Undergraduate in Law at Chungnam National University Head of Management Law Team, Head of Contract Legal Team at LG Electronics (Current) Head of Legal Team at Siliconworks	2018.05.29

Note) Jinbok Kim, the compliance assistant, has total of over 10 years of experience in audit/audit committee/compliance assistant or related legal team at a listed company

(2) Major activities and results of the compliance assistant

After evaluating the validity of our compliance control standards and checking their compliance, our compliance control standards are prepared and complied with in accordance with the following laws and standards.

Date of compliance	Major check point	Result
At all times	Check that the provisions stipulated in the Commercial Act are stipulated in the compliance control standard	content of compliance control standard - It was appropriately stipulated in accordance with the content of compliance control standard
	Ensure that the compliance control system, procedures, equipment, education, and compliance support personnel are appropriately implemented	Assessment and management of legal risks - Legal risks were being classified; detailed items for each type are being prepared
		Independent working system for a compliance personnel
		A compliance personnel was appointed by the board of directors and the person's term is guaranteed
		A system of sanctions against violations - The system reflects employment law and disciplinary regulations appropriately
		Compliance inspection and report system - The system reflects employment law and disciplinary regulations appropriately
Check the process of classification of risks, compliance inspection and compliance personnel	Compliance inspection and report system - The company is preparing the annual compliance inspection system; the result will be reported to the board of directors	

(3) Compliance support personnel status

Department	# of employee	position (working year)	Major issue
Legal team	2	1 Manager, 1 Senior member (average 2 year)	Major Issues related to the operation of compliance

**3.Shareholders' Exercise of Voting Rights**

A. Voting system

(1) Selecting from concentrated voting system, voting in writing or electronic voting

system As of the day that the company prepared the report, there is no relevant information.

## B. Exercise of the Right of the Minority Shareholders

As of the day that the company prepared the report, there is no relevant information.

## C. Competition over Management Right

As of the day that the company prepared the report, there is no competition over management right.

## VII. Shareholders

### 1. Shareholding status of the largest shareholder and its special interest parties

#### A. Shares held by the largest shareholder and its special interest parties

(Basic date: December, 31th 2019)

(Unit: share, %)

Name	Relation	Type of Share	Number of shares owned and stake				note
			Beginning of the them		End of the term		
			# of Shares	stake	# of shares	stake	
LG Crop.	The largest shareholder	Common	5,380,524	33.08	5,380,524	33.08	-
Boik Son	Executive	Common	1,826	0.01	1,826	0.01	-
Total		Common	5,382,350	33.09	5,382,350	33.09	-
		-	-	-	-	-	-

Note) Refer to 『VII. Executives and Employees』 for details on the change of management」

#### B. Major issues related to the largest shareholder

##### (1) Basic information of the largest shareholder (as of December, 31th 2019)

Name	# of investors	CEO (Representative member)		Business executive (Business executive member)		The largest shareholder (The largest investor)	
		Name	Portion (%)	Name	Portion (%)	Name	Portion (%)
LG Corp.	30,213	Kwangmo Koo	15.00	-		Kwangmo Koo	15.00
		Youngsoo Kwon	0.00	-		-	-

Note 1) Stake is based on common stock

Note 2) The number of investors and portion listed above is based on the closing date, December 31<sup>st</sup> 2018.

#### Changes in CEO, business executive and the largest shareholder

Date of change	CEO (Representative member)	Business executive (Business executive member)	The largest shareholder (The largest investor)
----------------	--------------------------------	---------------------------------------------------	---------------------------------------------------

	Name	Portion (%)	Name	Portion (%)	Name	Portion (%)
2018.06.29	Kwangmo Koo	6.24	-	-	-	-
2018.08.29	Yongsoo Kwon	-	-	-	-	-
2018.11.01	Kwangmo Koo	15.00	-	-	Kwangmo Koo	15.00
2019.03.25	Yongsoo Kwon	0.00	-	-	-	-

Note 1) CEO Bonmoo Koo resigned on May 20, 2018 due to his death, and CEO Kwangmo Koo was newly appointed through the board meeting on June 29, 2018.

Note 2) CEO Hyunwoi Ha resigned on August 29<sup>th</sup> 2018, and CEO Yongsoo Kwon was newly appointed.

Note 3) Prior to the change on November 1, 2018, the largest shareholder was changed to CEO Koo Kwang-mo due to the inheritance of the shares of Bonmoo Koo.

Note 4) On March 25, 2019, CEO Youngsoo Kwon acquired the stake through takeover in the market

Note 5) The reset date is the settlement date in the stock market.

Note 6) The portion is based on common stock

## 2) Financial status

This is the latest financial status of LG Corp., our largest shareholder.

(Unit: Million KRW)

Criteria	
Organization name	LG Corp.
Total assets	22,434,630
Total liabilities	3,413,609
Total capital	19,021,021
Sales and profit or loss under equity method	6,575,339
Operating income	1,024,098
Current net profit	1,106,755

Note 1) Based on consolidated financial statements of December 2019.

### (3) Business status

Our company's largest shareholder LG Corp. was established on January 5, 1947 and listed on the stock market on February 13, 1970. LG Corp. is a holding company which owns 13 subsidiaries such as LG Electronics, LG Chemicals, LG U Plus at the end of September 2019. Major income sources of LG Corp. consist of dividend income, trademark use income, rental income, etc.

## 2. Changes to the Largest Shareholders

### A. Details for changes to the largest shareholder

- Not applicable

## 3. Distribution of Shares

Status of shares held

(Basic date: December 31th, 2019)

(Unit: share)

Classification	Name of shareholder	Number of shares		Stake	Notes
		owned			
5% or higher shareholders	LG Corporation	5,380,524		33.08%	-
	National Pension Service (NPS)	916,212		5.63%	
Employee stock ownership association		6,460		0.04%	-

### Minority Shareholder Status

(Basic date: December.31, 2019)

(Unit: shares)

Classification	Shareholder		Shares hold		Note
	Number of shareholders	Stake	Number of shares	Stake	
Minority shareholders	10,994	99.9%	8,340,232	51.29%	

## 4.Operations for Shares

Classification	Information
Preemptive rights based on the Articles of Association	<p>① Shareholders have the rights to receive new shares in proportion to the number of shares held by themselves.</p> <p>② Despite Clause 1, the company may distribute new shares in the event of the following,</p> <ol style="list-style-type: none"> <li>1. 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」</li> <li>2. When the company issues new shares via stock option according to Article 542-3 of 「Commercial Law」</li> <li>3. Primary distribution to the members of the Employee Stock Ownership Association within 20% of the total number of shares issued.</li> <li>4. 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 Commerce Act</li> <li>5. When collecting new shares or having the acquirers take over the shares to be listed in the security market or KOSDAQ</li> <li>6. When the company issues new shares for foreigners' investment based on the reasons of management according to the Foreigners Investment Promotion Act.</li> <li>7. When issuing new shares according to the issuance of depository receipts(DR) within 50% of the total number of shares issued,</li> </ol> <p>③ the way of handling single share arose from the assignment of new shares and shares caused by waiver shall be determined by the board of directors.</p> <p>④ Pursuant to Section 2, in the event one other than a shareholder assigns a new stock, he/she must 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 Law.</p>
Settlement date	December 31
Regular shareholders' general meeting	Within three months after the closing of each business year
Period closing the Shareholders' list	January 1 ~ January 7, every year (Date shareholders' list is closed: December 31 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) 051-519-1500
Public notices	The company's public announcement is posted at its Website ( <a href="http://www.siliconworks.co.kr">www.siliconworks.co.kr</a> ). 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.

## 5. Stock Price and Stock Trading

### A. Domestic Stock Market

(Unit: KRW, share)

Category			Dec.	Nov.	Oct.	Sep.	Aug.	Jun.
Silicon Works (A108320) Common Stock	Stock price	Maximum	39,800	37,850	35,000	35,200	37,300	44,350
		Minimum	36,150	33,200	32,650	32,900	31,100	38,150
		Average	37,908	35,743	33,807	34,226	34,064	40,370
	Volume of Transaction	Maximum (day)	225,464	328,225	190,912	120,444	290,669	206,003
		Minimum (day)	50,962	58,971	52,517	35,569	65,723	31,606
		Monthly	2,160,073	2,961,077	2,097,180	1,389,895	2,459,557	2,021,819

※ 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.

## B. Overseas Stock Market

As of the day that prepared for the report, the company has nothing to report on this matter.

# VII. Executives and Employees

## 1. Status of the Executives and Employees

### Status of Executives

(Basic date: December 31th, 2019)

(Unit: shares)

Name	Gender	DOB	Title	Registered/Unregistered	Regular/Not Regular	Duty	Experience and education background	Number of shares		Relation to the largest shareholder	Service term	Term expiry
								W/voting right	WO/voting right			
Bolk, Son	M	1961.09	CEO	Registered	Regular	CEO	MIT (Master) LG Electronics, Director of System IC Center	1,826	-	Registered executive member of affiliates	'15.06.10 ~ present	Mar. 16, 2020
Sungwan Choi	M	1973.02	Executive Director	Registered	Regular	CFO	Yonsei University, School of Business Administration LG Corp, Senior Manager of Financial department	-	-	Registered executive member of affiliates	'18.01.01 ~ Present	2021.03.15
Nyeonchaeh Jeong	M	1963.08	Executive Director	Registered	Regular	LG Corp.	Hankuk University of Foreign Studies, School of Business Administration LG Electronics, Business management	-	-	Registered executive member of affiliates	'19.03.15 ~ Present	2022.03.14
Ilgu Yoon	M	1967.06	Independent director	Registered	Not Regular	Member of Audit committee	Georgia Tech(Ph.D) Yonsei University, Electrical Engineering Professor	-	-	Registered executive member of affiliates	'17.03.17 ~ Present	2020.03.16

Youngsoo Shin	M	1967.08	Independent director	Registered	Not Regular	Member of Audit committee	Seoul National University Electrics Engineering (Ph.D.) KAIST, Electrics Engineering professor	-	-	Registered executive member of affiliates	'18.03.16 ~ Present	2021.03.15
Kyungwoo Wi	M	1962.07	Independent director	Registered	Not Regular	Head of Audit committee	UCLA School of Business(Ph.D) Sookmyung w. University, Professor of School of Business	-	-	Registered executive member of affiliates	'19.03.15 ~ Present	2022.03.14
Minseok Hong	M	1969.07	Executive Director	Unregistered	Regular	CHO	Cornell Univ. MILR(Master) LG Electronics MC HR	-	-	Unregistered executive member of affiliates	'18.12.01 ~ Present	-
Joonho Na	M	1968.09	Executive Director	Unregistered	Regular	R&D	Inha University, Electrics Engineering (Master) LG Semiconductors	20,636	-	Unregistered executive member of affiliates	'11.05.18 ~ Present	-
Daehyup Ko	M	1965.09	Executive Director	Unregistered	Regular	R & D	Seoul National University, Electrics Engineering (Master) LG Electronics, SIC Center, DTV SoC R&D Team Leader	-	-	Unregistered executive member of affiliates	'17.07.31 ~ Present	-
Youngsun Na	M	1971.05	Executive Director	Unregistered	Regular	R & D	Hanyang University, Electrics Engineering (Ph.D) LG Electronics SIC center, DIC Business Team	299	-	Unregistered executive member of affiliates	'15.07.01 ~ Present	-
Chulkyo Seo	M	1963.01	Director	Unregistered	Regular	Sales Representative	Techno MBA(Master) LG Electronics SIC center, DIC Business Team leader	1,262	-	Unregistered executive member of affiliates	'15.07.01 ~ Present	-
Hyunkyueon Jeon	M	1971.02	Director	Unregistered	Regular	R & D	Korea Advanced Instituted of science and Technology (Ph.D.) Telecommunication Research Institution	20,691	-	Unregistered executive member of affiliates	'03.09.01 ~ Present	-
Youngjin Woo	M	1977.02	Director	Unregistered	Regular	R&D	Korea Advanced Instituted of science and Technology (Ph.D.) Korea Advanced Instituted of science and Technology	-	-	Unregistered executive member of affiliates	'11.02.10 ~ Present	-

Note) The number of shares owned includes allocations of shares under the employee-stock-ownership plan to unregistered members (Joonho Na, Hyunkyueon Jeon).

Jinkyu Lee	M	1969, 12	Executive Director	Unregistered	Regular	R&D	Yonsei University department of electronic engineering(master) LG electronics Co., Ltd., SIC center researcher of intelligent SoC research center	-	-	Unregistered executive member of affiliates	'19.08.12 ~ Present	-
Jaeryang Jang	M	1964. 01	Director	Unregistered	Regular	SCM	KAIST Techno management(master) LG electronics Co., Ltd., SIC center head of business support	-	-	Unregistered executive member of affiliates	'16.02.15 ~ Present	-

Note) Executive director Minsuk Hong, Executive director Yongsun Na, Executive director Youngjin Woo were newly elected on January 1<sup>st</sup> 2019.

Note) Executive director (Not-regular) Nyeonchae Jung was elected in the 20<sup>th</sup> Regular General Shareholders' Meeting, and has 3 years term; He is also Executive director of LG Corp. and Executive director(not-regular) of LG Innotek.

Note) Kyunwoo Wi was elected as an independent director and a member of Audit Committee in the 20<sup>th</sup> Regular General Shareholders' Meeting, and has 3 years term

Note) Sungkwan Choi, a regular director, is also a director of Advanced Powerdevice Technology Ltd.

Note) Hyungyu Jeon, a regular director, is also a director of Advanced Powerdevice Technology Ltd.

Note) Internal director Boik Son and external director Illgu Yoon is re-elected on regular general meeting and the has 3 years term.

Note) Director JinKyu Lee and director Jaeryang Jang is newly appointed on January 1st, 2020.

#### Status of employees

(Basic date: December 31th, 2019)

(Unit: 1 million KRW)

Business area	Gender	Number of employees				Average working years	Total annual salary	Average salary per person	Outside Employee			Remarks	
		Employees without defined term		Term-based employees					Total	Male	Female		Total
		All	(Short-term employees)	All	(Short-term employees)								
All	M	836	0	10	7	846	4.59	62,422	75			Including unregistered executives	
All	F	154	0	8	8	162	3.33	7,288	47	11	14	25	-
Total		990		18	15	1,008	4.39	69,710	70				Including unregistered executives

Remuneration status of unregistered executive member

(Basic date: Dec. 31th, 2019)

(Unit: 1 million KRW)

Classification	# of member	Total	Average per capita remuneration person	Remarks
Unregistered member	7	2,254	322	-

**2. Remuneration to Executives**

<Remuneration to all directors and auditors>

1. Amount Approved by Shareholders' Meeting

(Unit: 1,000KRW)

Division	Number	Amount approved in the shareholders' meeting	Comment
Registered directors	3	-	The approved amount is based on the sum of registered executive members'.
independent directors	-	-	The approved amount is based on the sum of registered executive members'.
The Audit Committee or Auditor	3	-	The approved amount is based on the sum of registered executive members'.
Total	6	5,000,000	-

2. Amount paid

2-1. All directors & auditors

(Unit: 1 million KRW)

Number of people	Total remuneration	Average per capita remuneration	Remarks
6	1,264	211	-

Note) The number of people on the chart is based on the day of the report is written.

Note) The total amount of remuneration above is the amount of income based on the income tax law paid to re-elected or retired registered directors, outside directors and auditors in that business year pursuant to Article 159 and 168 of the Capital Markets and Financial Investment Industry Act.

(Unit: 1 million KRW)

Classification	Number of people	Total remuneration	Average per capita remuneration	Remarks
Registered director (Excluding independent directors, members of the Audit Committee)	2	1,089	544	-
Independent director (Excluding members of the Audit Committee)	-	-	-	-
Member of the Audit Committee	3	175	58	-
Auditor	-	-	-	-

Note 1) As of 12.31.2019 which is the date this report is written, the above independent director's total amount of remuneration is the amount calculated by adding remuneration amount that the current independent directors including the independent director whose office termination date is 3/15/2019 of the 20th general meeting were paid in that business year.

Note 2) The average remuneration amount per person of the audit committee is calculated by dividing total remuneration amount with the total number of people which is 3.

Note 3) Among the directors of the same period, one emergency executive director who does not have remuneration is not included.

< Remuneration Status of Directors and Auditors >

1. The company does not report on this section in accordance with the standard for preparation of the corporate disclosure form.

(Unit: million KRW)

Name	Title	Total amount of remuneration	Remuneration non inclusive to the total amount
Boik Son	CEO	711	-

2. Accounting criteria and method

Name	Remuneration type		Total amount	Calculation standards and method
Boik Son	Earned income	Income	534.3	1. Basic salary - The basic salary is determined by taking into account the positions in accordance with the executive remuneration regulations determined by the Board of Directors,

Name	Remuneration type		Total amount	Calculation standards and method
				<ul style="list-style-type: none"> <li>- and are paid monthly approximately 33.5 million won from January to March and approximately 34.5 million won from April to December.</li> <li>2. Role-level</li> <li>- Taking into account the importance of the job and role in general,</li> <li>- Approximately 10.1 million won per moth from January to March and approximately 10.4 million won per month from April to December are paid.</li> </ul>
		Bonus	174.2	<ul style="list-style-type: none"> <li>- The board of directors shall decide on the basis of performance evaluation in accordance with special bonus provision stipulated in the executive remuneration regulations.</li> <li>- By evaluating metric indicators consisted of the previous year's company's sales, operating profit, etc., and evaluating non-metric indicators such as assessment of key tasks, and mid-to-long-term focus initiatives for preparing for the future, it is paid within 0% to 150% of the annual salary.</li> <li>- In relation to the metric indicators, compared to last year, the company's sales increased 9.5% from 791.8 billion won of the previous year to 867.1 billion won of this year.</li> <li>Operating profit decreased 15.2% from 55.8 billion won of the previous year to 47.3 billion won of this year.</li> <li>Net income decreased 21.4% from 49 billion won of the previous year to 38.5 billion won of this year.</li> <li>Taking into account that he has ensured the ethical management culture and compliance management is spread out throughout the company by enabling the internal controls work smoothly which is proven by no accidents occurred related to internal control with regard to non-metric indicators, and the fact that he has performed leadership to achieve the business goal of the company, the bonus of 174.2</li> </ul>

Name	Remuneration type		Total amount	Calculation standards and method
				million won was paid in consideration of the above points.
		Stock option exercising profit	-	N/A
		Other earned income	-	- In accordance with in-house regulations, benefits are paid
	Retirement income		2.5	N/A
	Other income		-	N/A

< Top five individuals who receive over 500 million won in remuneration >

#### 1. Remuneration of individuals

(Unit : Million KRW)

Name	position	Total amount	Other types of payment that is excluded in the total amount
Boik Son	CEO	711	-

#### 2. Accounting criteria and method

(unit : million KRW)

Name	Type of remuneration	total	Accounting criteria and method
Boik Son	Earned income	534.3	<p>1. Basic salary</p> <p>- The basic salary is determined by taking into account the positions in accordance with the executive remuneration regulations determined by the Board of Directors,</p> <p>- and are paid monthly approximately 33.5 million won from January to March and</p>

Name	Type of remuneration	total	Accounting criteria and method
			<p>approximately 34.5 million won from April to December.</p> <p>2. Role-level</p> <ul style="list-style-type: none"> <li>- Taking into account the importance of the job and role in general,</li> <li>- Approximately 10.1 million won per month from January to March and approximately 10.4 million won per month from April to December are paid.</li> </ul>
		reward	<p>174.2</p> <ul style="list-style-type: none"> <li>- The board of directors shall decide on the basis of performance evaluation in accordance with special bonus provision stipulated in the executive remuneration regulations.</li> <li>- By evaluating metric indicators consisted of the previous year's company's sales, operating profit, etc., and evaluating non-metric indicators such as assessment of key tasks, and mid-to-long-term focus initiatives for preparing for the future, it is paid within 0% to 150% of the annual salary.</li> <li>- In relation to the metric indicators, compared to last year, the company's sales increased 9.5% from 791.8 billion won of the previous year to 867.1 billion won of this year.</li> </ul> <p>Operating profit decreased 15.2% from 55.8 billion won of the previous year to 47.3 billion won of this year.</p>

Name	Type of remuneration	total	Accounting criteria and method
			<p>Net income decreased 21.4% from 49 billion won of the previous year to 38.5 billion won of this year.</p> <p>Taking into account that he has ensured the ethical management culture and compliance management is spread out throughout the company by enabling the internal controls work smoothly which is proven by no accidents occurred related to internal control with regard to non-metric indicators, and the fact that he has performed leadership to achieve the business goal of the company, the bonus of 174.2 million won was paid in consideration of the above points.</p>
	Gains on exercise of the share purchase option	-	N/A
	Miscellaneous	2.5	- In accordance with in-house regulations, benefits are paid
	Retirement Income	-	N/A
	Miscellaneous income	-	N/A

<Authorizing the right to exercise of the share purchase option and current status >

As of the report preparation base date, there are no unexercised share purchase options for executives and employees.

※ As of December 30, 2019, the closing price is 39,800 won.

## IX. Affiliates

### 1. Name of the relevant corporate group and names of affiliates

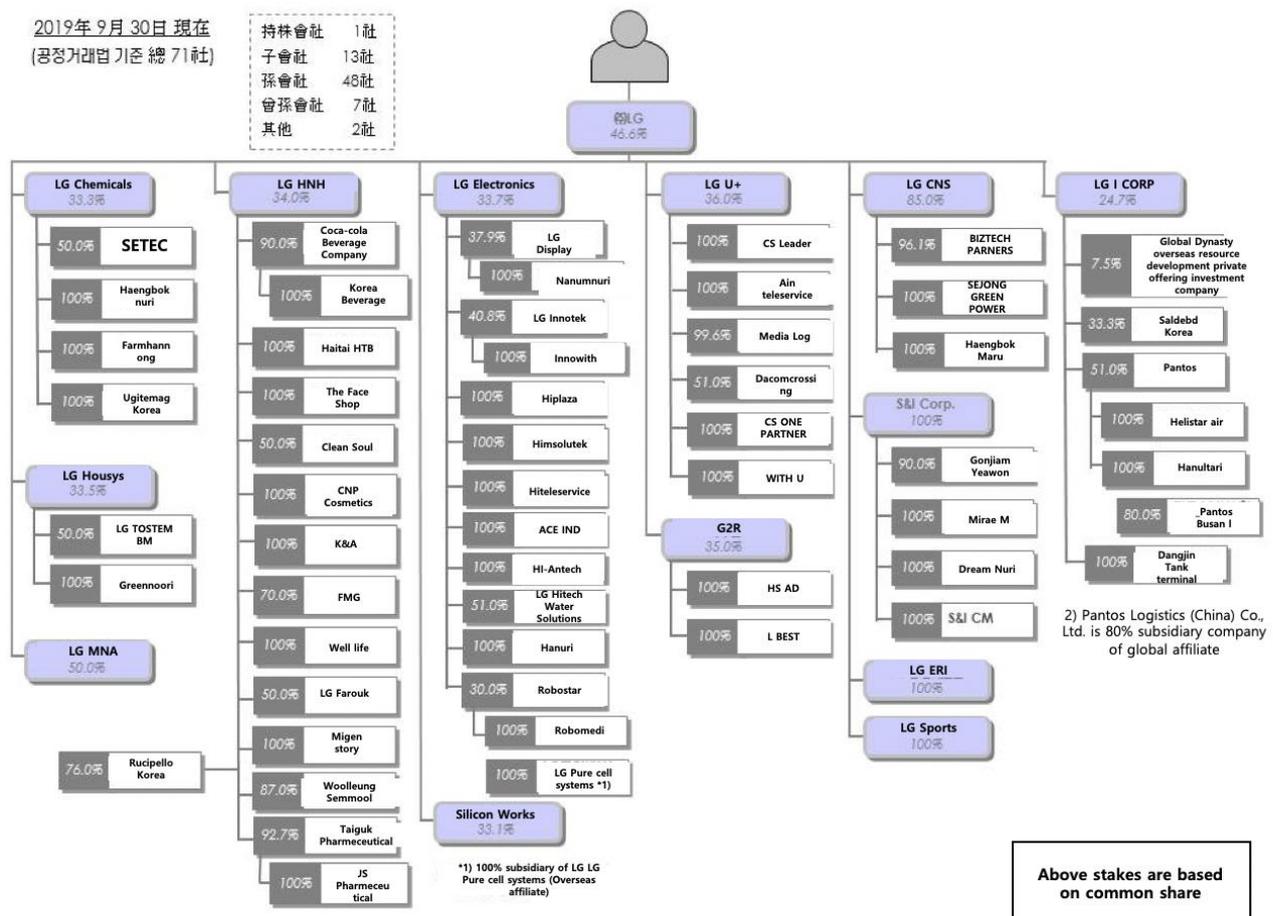
Name of corporate group: LG affiliates

Name of the belonging company: Silicon Works

- Corporate Registration No.: 160111-0089395
- Business Registration No.: 314-81-29147

Refer to "I. Company Overview, 1. Company Overview - G. Total Number of Affiliates, Name of Major Affiliates and their Listing Status" in the disclosure documents for more details on the corporate group and its belonging companies to which the company belongs.

### 2. Diagram to Identify the Control, Dependence and Investment among Subsidiaries



### 3. Name of companies and details if there is any company directly or indirectly affecting the management of the company among affiliates

LG Corporation: Holding company

#### 4. Status of additional positions in the company and subsidiaries

[Base date: December 31<sup>th</sup>, 2019]

Name	Position	Status of Additional Positions		
		Company	Position	Regular or not
Boik Son	CEO	Silicon Works Inc.(USA)	CEO	Non-regular
Nyeonchae Jeong	Registered Director	LG Corp	Executive director	Regular
		LG Inotek	Other non-permanent managing director	Non-regular

Note) Registered director, Nyeonchae Jeong was elected on 20<sup>th</sup> general shareholders' meeting with 3 years term; he is also directors of LG Corp. and LG Innotek

#### 5. Status of investment in other companies

(Base date: December 31<sup>th</sup>, 2019)

(Unit: Million KRW, Thousand shares, %)

Company Name	First Acquisition Date	Purpose of Investment	Amount of the First Acquisition	Balance at the beginning			Increase (Decrease)			Balance at the end			Recent financial state	
				Quantity	Share	Book value	Acquisition (disposition)		Quantity	Share	Book Value	Total assets	Current net profit or loss	
							Quantity	Amount						
Daedeok Investments Co., Ltd. (Not listed)	2011.05.20	Simple Investment	500	100	8.9	0	-	-	-	100	8.9	0	3,372	454
Silicon Works Inc. (Not listed)	2012.10.15	Pioneering new markets	555	2,000	100	137	-	-	-	2,000	100	137	467	161
Silicon Works China Co.,LTD (Not listed)	2017.03.03	Pioneering new markets	674	-	100	2,179	-	-	-	-	100	2,179	3,205	261
Advanced Power Device Technology (Not listed)	2018.03.12	Semiconductor chip development and design business	4,410	176	49	4,419	-	-	-7	176	49	4,296	9,126	-519
Total				2,276	-	6,735	-	-	-7	2,276	-	6,612	16,170	357

Note) Net profit and total assets of Daedeok Investments Co., Ltd. to which the company made equity investments in the latest fiscal year are calculated as of Dec 31, 2017; Other companies are calculated as of Dec 31, 2019

## X. Transactions with Stakeholders

### 1. Credit Granting to Large Shareholders

Our company is not applicable as of the report preparing day.

### 2. Transfer or Succession of Assets to or from Large Shareholders

#### A. Business transfer

Division	Date of contract (Date of board resolution)	Contract party	Contract details	Amount for transfer (100 million KRW)	Date of transfer	Due date of major fact report
Business transfer	2018.05.29	LG Electronics Co., Ltd.	Entire assets and manpower related to T-Con chip business for OLED TV	461	2018.07.01	-

Note) Refer to 'XI. Other matters necessary for the protection of investors' -> 3. Other information such as sanctions -> Information after the merger -> (2) Comparison table of financial matters before and after the transfer of business" for profit or loss arising from the transactions.

### 3. Operational Transactions with Large Shareholders

[Base date: December 31th, 2019]

(Unit : 1 million KRW)

Classification	Company Name	Profit transaction		Cost transaction	
		Sales	Other	Purchase	Other
Affiliates and their subsidiaries	LG CNS				6,755
	SNI Corporation				926
	Serveone Co., Ltd.(share1)	3			30
	Serveone Co., Ltd.(share 2)	16			21
	LG Management Development Institute Co., Ltd.				1,113
	Open Source Consulting Co., Ltd.				10
	LG Electronics USA Inc.	1,856			
	LG Display (China) Co., Ltd.	2,138			
	LG Display (Guangzhou) Co., Ltd.	39,524			

	LG Display Co., Ltd.	670,953	869		92
	LG Electronics Co., Ltd.	12,388			5,623
	LG INNOTEK Co., Ltd.			20,962	1,534
	LG Chemicals	212			
	LG U Plus	3			102
	Pantos Logistics Co., Ltd.				1,298
	Biz Tech Partners Co.,Ltd				214

Note 1) Because Serveone Co., Ltd. has been excluded from special associates since July 24th, transactions made until July are included.

Note 2) Only transactions among corporates within the conglomerates after the exclusion of special associates are included for the current term.

#### 4. Transactions with stakeholders other than major shareholders

The company is not applicable as of the reporting date.

## XI. Other matters necessary for the investors protection

### 1. Summary of minutes from the general shareholders' meeting

<Progress and change status of disclosure>

-Not applicable

<Summary of minutes of the General Meeting of Shareholders>

Date	Subject	Result
The 21th General Meeting (2020.3.26)	1. Approval of the 21st consolidated financial statements and financial statements	Passed
	2. Appointment of directors	
	2-1: Appointment of In-House Director Bo-ik Son	
	2-2: Appointment of Outside Director Il-gu Yoon	
	3. Appointment of Audit Committee member (Outside director Il-gu Yoon)	
	4. Approval of the director's compensation limit	

<p>The 20th General Meeting (2019.3.15)</p>	<p>1. Approval of the 20th consolidated financial statements and financial statements</p> <p>2. Approval of change of the articles of association</p> <p>3. Appointment of directors</p> <p>3-1: Appointment of other non-executive directors, Yeon- chae Jeong</p> <p>3-2: Appointment of outside director Kyeong-woo Wui</p> <p>4. Appointment of audit committee members (in this case, outside director Kyeong-woo Wui)</p> <p>5. Approval of the director's compensation limit</p> <p>6. Approval of the rules for the payment of executive retirement allowances</p>	<p>Passed</p> <p>Passed</p> <p>Passed</p> <p>Passed</p> <p>Passed</p> <p>Passed</p> <p>Passed</p>
<p>The 19th General Meeting (2018.3.16)</p>	<p>1. Approval of the 19th consolidated financial statements and financial statements</p> <p>2. Appointment of directors</p> <p>2-1: Appointment of Internal director Seong-gwan, Choi</p> <p>2-2: Appointment of other non-executive director Hyun-Ok Jeong</p> <p>2-3: Appointment of Outside Director Young-Soo Shin</p> <p>3. Appointment of Audit Committee members (Young-Soo Shin, outside director)</p> <p>4. Approval of the director's compensation limit</p>	<p>Passed</p> <p>Passed</p> <p>Passed</p> <p>Passed</p> <p>Passed</p> <p>Passed</p>

## 2.Contingent liabilities

### <Important litigations>

Currently under suits, dispute, investigation of regulatory institutions and etc. aroused by normal sales process. Leaked sum of resources and exact timeline is uncertain. The board of director judges that the outcome of such suits will not have big impact to the company's financial position.

### <Status of Promissory Note, Notes and Checks as Collateral>

(Basic date: December 31<sup>th</sup>, 2019)

(Unit: KRW)

Submitted to	Number	Amount	Remarks
Bank	-	-	-
Financial institution (except bank)	-	-	-

Incorporated entity	-	-	-
Others (individual)	-	-	-

<Status of debt guarantees and debt acceptance agreements, other contingent liabilities, etc.>

- None

### 3. Restriction and Other Situations

<Status of restriction>

There is no case of any violation against domestic and/or international financial and tax obligations from laws and regulations such as the Commercial Code, Capital Market Act, External Audit Act, Fair Trade Act.

< Significant Incidents after the Basic Date for Preparation >

- Not applicable

<Use of directly financed funds>

- Not applicable

<Information after merger>

#### A. General information

Division	Contents
Date of transfer	2018.07.01
Amount for transfer	48 billion KRW
Company name	LG Electronics Co., Ltd.
Representative director	DoHyun Jeong
Address of head office	LG Twin Tower, 128, Yeoui Road, Yeongdeungpo-gu, Seoul
Background of business transfer	Total solution construction for system semiconductors for OLED TV
Legal form	Business transfer and succession
Specific details	Related business on T-Con chip for OLED TV Acquisition of entire assets and manpower in exchange for 48 billion KRW
Key schedule	Date of contract: May 29, 2018

Note) The final acquisition amount was changed from 48 billion KRW to 46.1 billion KRW by settling the difference between the change in operating capital at the time of assessment and the acquisition.

#### B. Comparison table of financial matters before and after business transfer

\*Transfer etc.(transfer, important operation • asset transfer, comprehensive transfer • exchange, division)

(Unit: Million KRW)

Applicable company	Title of account	Projection		Performance				Comment
		1 <sup>st</sup> year	2 <sup>nd</sup> year	1st year		2 <sup>nd</sup> year		
				Performance	Difference rate	Performance	Difference rate	
	Sales	16,209	38,766	19,698	(22%)	38,210	1%	-

LG Electronics Co., Ltd.	Operating income	1,888	4,755	1,622	14%	3,152	34%	-
	Current net income	947	2,636	748	21%	2,589	2%	-

Note) 1st year was July 1, 2018 (from the date of transfer) to December 31, 2018, and 2nd year was 2019.

Note) Difference rate: (projection – performance) / Projection

Note) The reason for the difference rate above 10% - The sales increased due to increased customers' demand compared to business environment predicted during acquisition; the operating profit decreased slightly due to prior investment for development expenses.

### [Confirmation of Expert]

#### 1. Confirmation by experts

Not applicable

#### 2. Interests with experts

Not applicable