

Daesang Corporation

Non-consolidated Financial Statements

For the year ended December 31, 2022

with independent auditors' report

Table of contents

	Page
Report of Independent Auditors	1
Non-consolidated Financial Statements:	4
Non-consolidated Statements of Financial Position	5
Non-consolidated Statements of Comprehensive Income	7
Statements of Changes in Equity	8
Non-consolidated Statements of Cash Flows	9
Notes to the Non-consolidated Financial Statements	10
Independent auditor's report on internal control over financial reporting	84
Management's report on the effectiveness of internal control over financial reporting	87

Report of Independent Auditors

(English Translation of Independent Auditors' Report Originally Issued in Korean on March 16, 2023)

**To the Board of Directors and Stockholders
Daesang Corporation**

Opinion

We have audited the accompanying non-consolidated financial statements of Daesang corporation (the "Company"), which comprise the non-consolidated statement of financial position as of December 31, 2022, and the non-consolidated statement of comprehensive income, non-consolidated statement of changes in equity and non-consolidated statement of cash flows, for the year then ended, and notes, including a summary of significant accounting policies and other explanatory information.

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

We have also audited, in accordance with Korean Standards on Auditing ("KSAs"), the Company's Internal Control over Financial Reporting ("ICFR") as of December 31, 2022 based on the criteria established in Conceptual Framework for Designing and Operating Internal Control over Financial Reporting issued by the Republic of Korea, and our report dated March 16, 2023 expressed an unmodified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The accompanying non-consolidated financial statements of the Company as of and for the year ended December 31, 2021 presented herein for comparative purpose, were audited by Ernst & Young Han Young, in accordance with the KSAs, whose audit report dated March 17, 2022, expressed an clean opinion on those financial statements.

Key Audit Matters

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

(1) Variable consideration and consideration paid to the customers

A. Reasons why the matter was determined to be a key audit matter:

Revenue in the financial statements is one of the Company's key financial performance indicators. As revenue is measured based on variable consideration and consideration paid to customers, the significance of amounts such as sales incentives and the complexity of the calculations, a significant risk of error in recognition of the variable consideration and consideration to be paid to customers, which may result in overstatement of revenue has been identified as a key audit matter.

B. How the key audit matter was addressed in the audit:

- Understand and evaluate revenue recognition accounting policies
- Performed tests on the effectiveness of the design and operation of related internal controls
- Performed trend analyses of the monthly performance of sales incentives for major customers.
- Inspected supply contracts for major customers to identify variable consideration and considerations payable to the customers and assessed the appropriateness of the treatment of the related revenue recognized.
- Assessed the appropriateness of the revenue recognition of sales incentives by obtaining relevant documents and testing transactions for a batch of samples selected.
- Evaluated the completeness of the revenue deduction through inspection of general ledger accounts to assess whether the consideration to be paid to the customer amounts were recorded in the selling expense accounts

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with prevailing audit regulations in the Republic of Korea, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Dongkun, Seo.

BDO Sunghyun LLC

Seoul, Korea

March 16, 2023

<p>This report is effective as of March 16, 2023, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.</p>
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Daesang Corporation

Non-consolidated Financial Statements

For the years ended December 31, 2022 and 2021

**“The accompanying financial statements, including all footnotes and disclosures, have been prepared by,
and are the responsibility of, the Company.”**

Jung-bae Lim
CEO

Daesang Corporation

Daesang Corporation
Non-consolidated Statements of Financial Position
As of December 31, 2022 and 2021

<i>(in Korean won)</i>	<u>Notes</u>	<u>2022-12-31</u>	<u>2021-12-31</u>
Assets			
Current assets:			
Cash and cash equivalents	5,6	463,827,736,531	510,864,187,831
Short-term financial instruments	5,6,18	20,900,000,000	10,850,000,000
Trade receivables and other receivables	5,7,29,31	346,720,128,833	321,439,359,486
Inventories	8	490,379,290,866	356,986,716,559
Current tax assets	26	1,240,769,542	-
Other current financial assets	5,10	10,375,290,441	9,775,345,516
Other current assets	10	21,709,258,410	25,847,382,884
		<u>1,355,152,474,623</u>	<u>1,235,762,992,276</u>
Non-current assets:			
Long-term financial instruments	5,6	15,000,000	15,000,000
Trade receivables and other receivables	5,7	84,298,489	32,616,246
Financial assets at fair value through profit or loss	5,9	24,571,165,938	4,231,696,318
Financial assets at fair value through other comprehensive income	5,9,18	14,505,705,258	13,096,469,300
Investments in subsidiaries	11	403,099,419,387	392,113,740,721
Investments in associates and joint ventures	11	42,455,669,656	21,870,262,323
Property, plant and equipment, net	12,18	795,488,418,880	717,419,723,168
Intangible assets, net	13	89,565,233,415	81,576,096,748
Investment property, net	14	41,168,252,402	43,715,988,373
Right-of-use assets, net	32	42,866,845,717	51,061,142,965
Deferred income tax assets	26	8,852,767,708	28,095,982,811
Other non-current financial assets	5,10	31,621,571,220	26,708,251,717
Other non-current assets	10	9,483,609,413	11,706,831,018
		<u>1,503,777,957,483</u>	<u>1,391,643,801,708</u>
Total assets		<u>2,858,930,432,106</u>	<u>2,627,406,793,984</u>

Daesang Corporation
Non-consolidated Statements of Financial Position, Continued
As of December 31, 2022 and 2021

<i>(in Korean won)</i>	<u>Notes</u>	<u>2022-12-31</u>	<u>2021-12-31</u>
Liabilities			
Current liabilities:			
Trade payables and other payables	3,5,15,29	287,200,731,881	324,093,973,341
Short-term borrowings	3,5,16,18	321,068,154,134	236,747,640,250
Current portion of long-term borrowings	3,5,16,18	524,674,684	494,904,549
Current portion of debentures	3,5,17	79,994,272,276	129,989,421,323
Current provisions	19	8,021,507,873	6,620,152,288
Income tax liabilities		-	27,058,570,699
Other current financial liabilities	3,5,10,32	42,536,254,959	33,675,547,625
Other current liabilities	10,31	26,761,372,346	27,227,362,391
		<u>766,106,968,153</u>	<u>785,907,572,466</u>
Non-current liabilities:			
Trade payables and other payables	3,5,15	95,212,584	89,041,197
Borrowings	3,5,16,18	140,490,218,406	30,014,893,090
Debentures	3,5,17	528,825,447,517	409,039,595,672
Non-current provisions	19	1,538,353,130	1,510,588,512
Defined benefit obligations, net	20	99,296,175,290	142,448,865,257
Other non-current financial liabilities	3,5,10,32	32,514,689,423	47,577,087,721
Other non-current liabilities	10	1,341,936,057	1,529,949,546
		<u>804,102,032,407</u>	<u>632,210,020,995</u>
Total liabilities		<u>1,570,209,000,560</u>	<u>1,418,117,593,461</u>
Stockholders' Equity			
Capital stock	1,22	36,018,248,000	36,018,248,000
Paid-in Capital in excess of par		73,467,953,000	73,467,953,000
Retained earnings	22	1,026,822,328,820	946,035,255,931
Other components of equity	22	152,412,901,726	153,767,743,592
Total stockholders' equity		<u>1,288,721,431,546</u>	<u>1,209,289,200,523</u>
Total liabilities and stockholders' equity		<u>2,858,930,432,106</u>	<u>2,627,406,793,984</u>

The accompanying notes are the part of the financial statements.

Daesang Corporation
Non-consolidated Statements of Comprehensive Income
For The Years ended December 31, 2022 and 2021

<i>(in Korean won)</i>	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Revenues	4,29,31	3,289,633,813,611	2,875,271,859,567
Cost of sales	23,29	2,471,550,435,329	2,119,973,996,930
Gross profit		818,083,378,282	755,297,860,637
Selling, general and administrative expenses	23,24	688,823,845,088	626,235,915,044
Provision of expected credit loss allowance	7-3	190,206,257	160,066,878
Operating profit		129,259,533,194	129,061,945,593
Other non-operating income	25	56,427,650,984	106,601,955,532
Reversal of other expected credit loss allowance	10	3,043,505,519	-
Other non-operating expenses	25	36,383,045,678	37,484,948,388
Provision of other expected credit loss allowance	10	-	4,247,898,127
Finance income	25	38,165,809,791	11,690,861,953
Interest income of the effective interest method	5	290,793,573	259,027,888
Finance expenses	25	64,075,263,155	37,235,372,483
Share of profit of equity-accounted investees	11,25	(7,774,825,811)	1,219,685,150
Net income before income taxes		115,619,859,325	173,854,127,357
Income tax expense	26	30,880,016,626	33,843,989,474
Net income		84,739,842,699	140,010,137,883
Other comprehensive income (loss):			
Items that may be reclassified subsequently to profit or loss:			
Changes in equity accounts from valuation of investments accounted under equity method	11	(1,751,245,607)	18,484,471,316
Items that will not be reclassified subsequently to profit or loss:			
Gain (loss) on valuation of financial assets at FVOCI	5,9	396,403,741	(196,845,854)
Changes in retained earnings from valuation of equity method	11	1,966,453,649	684,685,485
Remeasurements of the defined benefit obligations	20	22,909,077,171	90,141,435
Total comprehensive income		108,260,531,653	159,072,590,265
Earnings per share	27		
Basic earnings per share (common share)		2,352	3,887
Basic earnings per share (preferred share)		2,362	3,897

The accompanying notes are the part of the financial statements.

Daesang Corporation
Statements of Changes in Equity
For The Years ended December 31, 2022 and 2021

<i>(in Korean won)</i>	Notes	Issued capital	Capital in excess of par value	Retained earnings	Other components of equity	Total equity
Balance as of January 1, 2021		36,018,248,000	73,467,953,000	830,476,766,958	135,480,118,130	1,075,443,086,088
Net income		-	-	140,010,137,883	-	140,010,137,883
Other comprehensive income(loss):						
Gain (loss) on valuation of financial asset at FVOCI	5, 9	-	-	-	(196,845,854)	(196,845,854)
Changes in equity accounts from valuation of investments accounted under equity method	11	-	-	684,685,485	18,484,471,316	19,169,156,801
Remeasurement of net defined severance benefit obligations	20	-	-	90,141,435	-	90,141,435
Total comprehensive income for the year		-	-	140,784,964,803	18,287,625,462	159,072,590,265
Annual dividends	22	-	-	(25,226,475,830)	-	(25,226,475,830)
Balance as of December 31, 2021		36,018,248,000	73,467,953,000	946,035,255,931	153,767,743,592	1,209,289,200,523
Balance as of January 1, 2022		36,018,248,000	73,467,953,000	946,035,255,931	153,767,743,592	1,209,289,200,523
Net income		-	-	84,739,842,699	-	84,739,842,699
Other comprehensive income(loss):						
Gain (loss) on valuation of financial asset at FVOCI	5, 9	-	-	-	396,403,741	396,403,741
Changes in equity accounts from valuation of investments accounted under equity method	11	-	-	1,966,453,649	(1,751,245,607)	215,208,042
Remeasurement of net defined severance benefit obligations	20	-	-	22,909,077,171	-	22,909,077,171
Total comprehensive income for the year		-	-	109,615,373,519	(1,354,841,866)	108,260,531,653
Annual dividends	22	-	-	(28,828,300,630)	-	(28,828,300,630)
Balance as of December 31, 2022		36,018,248,000	73,467,953,000	1,026,822,328,820	152,412,901,726	1,288,721,431,546

The accompanying notes are the part of the financial statements.

Daesang Corporation
Non-consolidated Statements of Cash Flows
For The Years ended December 31, 2022 and 2021

<i>(in Korean won)</i>	Note	2022	2021
Cash flows provided by operating activities			
Cash generated from operations	28	5,229,806,300	82,791,107,660
Interest income received		8,356,342,064	2,251,457,781
Interest paid		(20,274,964,884)	(13,973,181,065)
Dividends received		96,355,044	4,735,984,561
Income taxes paid		(47,666,416,840)	(26,735,650,310)
Net cash provided by (used in) operating activities		(54,258,878,316)	49,069,718,627
Cash flows from investing activities			
Increase in short-term financial instruments		(50,900,000,000)	(1,150,000,000)
Decrease in short-term financial instruments		40,850,000,000	150,000,000
Increase in FVPL		(19,500,000,000)	(2,000,400,000)
Decrease in FVPL		-	570,892,382
Increase in FVOCI		(800,002,838)	(6,696,782,000)
Increase in investments in subsidiaries		(33,213,561,760)	(19,389,235,510)
Decrease in investments in subsidiaries		20,394,750,000	-
Increase in investments in associates and joint ventures		(20,585,407,333)	(3,300,000,000)
Decrease in investments in associates and joint ventures		-	6,838,000,000
Increase in property, plant and equipment		(148,840,635,291)	(126,973,247,128)
Decrease in property, plant and equipment		875,675,880	7,824,214,674
Increase in intangible assets		(4,210,819,496)	(4,498,094,297)
Decrease in intangible assets		-	1,913,586,364
Increase in investment property		-	(305,129)
Decrease in investment property		658,400,000	3,693,565,001
Cash inflow from sale of assets-held-for-sale		-	123,250,000,000
Increase in other financial assets		(24,683,967,614)	(11,934,226,140)
Decrease in other financial assets		22,228,229,919	3,151,946,842
Cash flow from business combination		-	139,650,000
Net cash used in investing activities		(217,727,338,533)	(28,410,434,941)
Cash flows from financing activities			
Increase in short-term borrowings		702,869,743,439	530,718,279,086
Decrease in short-term borrowings		(601,899,069,216)	(491,749,711,954)
Decrease in current portion of long-term borrowings		(659,083,330)	(735,793,330)
Decrease in current portion of debentures		(130,000,000,000)	(100,000,000,000)
Increase in long-term borrowings		111,000,000,000	-
Issuance of debentures		199,253,940,000	149,318,981,294
Increase in other financial liabilities		-	3,427,685,548
Decrease in other financial liabilities		(18,703,478,181)	(22,365,446,198)
Dividends paid		(28,828,300,630)	(25,226,475,830)
Net cash provided by financing activities		233,033,752,082	43,387,518,616
Net increase in cash and cash equivalents		(38,952,464,767)	64,046,802,302
Foreign currency effect on cash and cash equivalents		(8,083,986,533)	650,491,148
Cash and cash equivalents at beginning of year		510,864,187,831	446,166,894,381
Cash and cash equivalents at end of year		463,827,736,531	510,864,187,831

see accompanying notes are the part of the financial statements

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

1. General Information

Daesang Corporation (the “Company”) was incorporated on 1956 and listed on the Korea Stock Exchange (KOSOI) in April 1970. The Company’s main business is to manufacture seasonings and food additives. The Company has been through several capital increases and reductions since its establishment, and as of December 31, 2022, the Company’s paid-in capital was 36,018 million Korean Won (34,648 million Korean Won in common shares and 13,700 million Korean Won in preferred shares).

As of December 31, 2022, major shareholders are as follows:

Stockholders	Number of shares	Percentage of ownership (%)
Daesang Holdings Co., Ltd.	13,608,456	39.28%
National Pension Service	4,309,743	12.44%
Daesang Cultural Foundation	1,324,957	3.82%
Others	15,404,869	44.46%
	34,648,025	100.00%

2. Basis of preparation and summary of significant accounting policies

The Company has prepared the financial statements in accordance with K-IFRSs. Unless stated otherwise, these accounting policies have been applied consistently to the financial statements for the current period and the comparative period.

2-1 Basis of preparation

The separate financial statements have been prepared in accordance with Korean International Financial Reporting Standards (“K-IFRS”), as prescribed in the Act on External Audit of Stock Companies in the Republic of Korea.

The financial statements have been prepared under the historical cost basis, except as otherwise noted in the accounting policies below, including financial instruments. The financial statements are presented in Korean won and are stated in millions of won unless otherwise noted.

2-2 Investments in associates and joint ventures

These separate financial statements are prepared and presented in accordance with K-IFRS No. 1027 “Separate Financial Statements”, which is accounting treatment used by investors in associates and joint ventures to present their investments based on their direct equity investment rather than based on the reported financial performance and net assets of the investees. The Company applied the cost method to investments in associates, and joint ventures in accordance with K-IFRS No. 1027. However, for investments in associates and joint ventures owned before the first adoption of K-IFRS, K-IFRS No. 1101 (First-time adoption of Korean International Financial Reporting Standards) is applied to the date of transition to Korea International Financial Reporting Standards. The cost method was applied using the carrying amount in accordance with accounting standards as the deemed cost.

Dividends from a subsidiary, associate or joint venture are recognized in profit or loss when the right to receive the dividend is established.

2-3 Investments in subsidiaries

These separate financial statements are prepared and presented in accordance with K-IFRS No. 1027 “Separate Financial Statements”, in which the Company’s investments in subsidiaries are accounted for by the investor in the parent based on the reported financial performance and net assets of the investees. The Company applied the equity method of accounting in accordance with K-IFRS No. 1028.

2-4 Reportable Segments

Reportable segments are disclosed in a manner consistent with the reporting provided to the chief operating decision-maker (Refer to note 4). The chief operating decision-maker is responsible for making strategic decisions on resource allocation and assessing performance of the reportable segments.

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

2. Basis of preparation and summary of significant accounting policies, continued

2-5 Classification of Current or Non-current

The Company classifies assets and liabilities as current and non-current on the statement of financial position.

Assets are classified as current assets when:

-Expected to be realized within the normal operating cycle or intended to be sold or consumed within the normal operating cycle.

-Primarily held for short-term trading.

-Expected to be realized within 12 months after the end of reporting period.

-Cash or cash equivalents, with a restriction period not exceeding 12 months after the end of reporting period for use for exchange or debt repayment purposes.

All other assets are classified as non-current assets.

Liabilities are classified as current assets when:

-Expected to be settled within the normal operating cycle.

-Primarily held for short-term trading.

-Expected to be settled within 12 months after the reporting period.

-No unlimited right to defer settlement of a liability for more than 12 months after the end of reporting period.

All other liabilities are classified as non-current liabilities.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2-6 Foreign currencies

The Company's financial statements are presented in Korean won, which is also the Company's functional currency.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The transaction date for determining the exchange rate to be applied for the initial recognition of related assets, expenses and income is the date on which the Company first recognizes the non-current assets or non-current liabilities by paying or receiving advance consideration. If advance payment or advance receipt is made multiple times, the Company determines the transaction date for each advance payment or advance receipt.

2-7 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

2-8 Dividend

Dividend is recognized as a liability when approved by the Company's shareholders and the Company no longer has discretion. Distributions to shareholders require approval by the shareholders' meeting.

The corresponding amount is reflected directly in equity.

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

2. Basis of preparation and summary of significant accounting policies, continued

2-9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(1) Financial assets

1) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under KIFRS 1115.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

2) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

And

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

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified, or impaired.

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

2. Basis of preparation and summary of significant accounting policies, continued

2-9 Financial instruments, continued

Financial assets at fair value through OCI (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling

And

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

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under KIFRS 1032 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

2. Basis of preparation and summary of significant accounting policies, continued

2-9 Financial instruments, continued

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

3) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

4) Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions
- Debt instruments at fair value through OCI
- Trade receivables, including contract assets

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

2. Basis of preparation and summary of significant accounting policies, continued

2-9 Financial instruments, continued

(2) Financial liabilities

1) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade payables, other payables, borrowings, including overdraft, and derivative liabilities.

2) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as of fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by KIFRS 1109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in KIFRS 1109 are satisfied. The Company has not designated any financial liability as of fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

3) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

2. Basis of preparation and summary of significant accounting policies, continued

2-9 Financial instruments, continued

(3) Offsetting

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

2-10 Fair value measurement

The Company measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

- Quantitative disclosures of fair value measurement hierarchy (Note 5)
- Non-marketable securities (Note 5)
- Financial instruments (including those carried at amortized cost) (Note 5)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

2. Basis of preparation and summary of significant accounting policies, continued

2-11 Inventories

Inventories are valued at the lower of cost and net realizable value. Meanwhile, initial cost of inventories includes purchase cost, transfer cost and other costs incurred in bringing each product to its present location and conditions. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

The cost of inventories is based on the method below.

	Costing method
Finished goods/Commodity goods	Gross average method
Raw materials/Supplies/Goods in process	Moving average method or Gross average method
Goods in transit/Finished mall	Individual method

2-12 Property, plant and equipment

Construction in progress is stated at cost, net of accumulated impairment losses, and property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to significant accounting judgments, estimates and assumptions and provisions for further information about the recorded decommissioning provision.

Property, plant and equipment transferred from customers are initially measured at fair value at the date on which control is obtained.

The Company depreciate on a straight-line method over the following estimated useful lives:

	Estimated useful lives
Buildings	15 ~ 60 years
Structures	8 ~ 50 years
Machinery	2 ~ 13 years
Vehicles	5 years
Others	5 ~ 8 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

The residual values, useful lives, and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. In particular, the Company consider the impact of health, safety and environmental legislation when reviewing residual value and useful life estimates.

2-13 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed in the period in which they are incurred.

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

2. Basis of preparation and summary of significant accounting policies, continued

2-14 Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the Company receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments. When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as a government grant.

2-15 Investment property

Property held to earn rentals or for capital appreciation or both is classified as investment property. Investment property is measured initially at its cost. Transaction costs are included in the initial measurement. Subsequently, investment property is carried at depreciated cost less any accumulated impairment losses. Investment property, other than land, is depreciate on a straight-line method basis over its estimated useful life (32 to 60 years).

An item of investment property and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

The consideration to be included in profit or loss arising from the disposal of an investment property is calculated in accordance with the requirements of K-IFRS 1115 on the calculation of the transaction price.

2-16 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of comprehensive income when the asset is derecognized.

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

2. Basis of preparation and summary of significant accounting policies, continued

2-16 Intangible assets, continued

The Company assesses where climate-related issues could have a material impact, such as the introduction of legislation to regulate estimated amounts of emissions that could increase manufacturing costs. These issues related to climate change are included as key assumptions if they have a material impact on the measurement of the recoverable amount. These assumptions are included in the forecast of cash flows when valuing silver in use.

(1) Research and development expenses

Research and development expenses are recognized in the statement of comprehensive income as incurred. However, developments costs related to individual projects are recognized as intangible assets only when i) the Company can demonstrate the technical feasibility of completing the asset for use or sale, ii) the Company has the intention and ability to complete the intangible asset for use or sale, iii) sufficient resources are available to do so, iv) the Company can demonstrate how the intangible asset will generate future economic benefits, and v) the expenditure on the intangible asset incurred in the development phase can be measured reliably.

Development costs recognized as assets are stated at cost, less accumulated amortization and accumulated impairment losses, using the cost model, and are amortized over the estimated period of economic benefits from when the development is completed and available for use. The Company tests development costs recognized as assets for impairment annually during the development period.

(2) Membership rights

Membership rights are regarded as intangible assets with an indefinite useful life and not amortized because there is no foreseeable limit to the period over which the assets are expected to be utilized.

(3) Other intangible assets

Licenses, trademark, and software for internal use are initially recognized at their historical cost and amortized on a straight-line method over their estimated useful lives of 3~10 years. Easement rights are regarded as intangible assets with an indefinite useful life and not amortized because there is no foreseeable limit to the period over which the assets are expected to be utilized. If any indication exists, the Company estimates the asset's recoverable amount. The carrying amount of other intangible assets is evaluated and, if it exceeds its recoverable amount, the carrying amount of the other intangible assets is reduced to its recoverable amount.

2-17 Impairment of non-financial assets

The Company assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

2. Basis of preparation and summary of significant accounting policies, continued

2-17 Impairment of non-financial assets, continued

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognized in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the assets or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Intangible assets with indefinite useful lives are tested for impairment annually on an individual asset or the CGU level.

The Company continuously monitors the latest government legislation on climate-related issues. As of now, no legislation has been passed that would affect the Company. The Company will adjust our sensitivity to changes in key assumptions used in our value in use if such changes are necessary.

2-18 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the original or modified terms of a debt instrument. Financial guarantee contracts provided by the Company are initially measured at fair value on the date the guarantee was given.

Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the following amounts below and recognized as 'other financial liabilities':

- the amount determined in accordance with Korean IFRS 1037 Provisions, Contingent liabilities, and Contingent assets
- the amount initially recognized less the cumulative amount of income recognized in accordance with Korean IFRS 1115 Revenue from Contracts with Customers

2-19 Employee benefits

(1) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Company during an accounting period, the Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as profit or loss.

(2) Pension benefits

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets, are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

2. Basis of preparation and summary of significant accounting policies, continued

2-19 Employee benefits, continued

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognizes the current service cost and the net defined benefit obligation under 'cost of sales' and 'selling and administrative expenses', in the statement of comprehensive income.

(3) Other long-term employee benefits

The Company provides other long-term employee benefits to their employee. The entitlement to these benefits is usually conditional on the employee working more than ten years. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The Company recognizes past service cost, net interest on other long-term employee benefits and re-measurements as profit or loss for the year. These benefits are calculated annually by independent qualified actuaries.

The Company maintains a separate in-house employee welfare fund for the purpose of providing long-term employee benefits.

2-20 Provisions and Contingent liabilities

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement.

Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows. Provisions are measured at present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The risk reflected in this rate do not reflect the risk considered in estimating future cash flow.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. Where provisions are measured at present value, the carrying amount is increased over the time and the increase is recognized in borrowing costs.

The Company discloses a contingent liability if there is a possible obligation from past events in which the existence may only be identified through the occurrence of uncertain future events; or there is a present obligation that the possibility on the outflow of economic resources is uncertain; or the amount of economic resources required to settle the present obligation cannot be reasonably estimated.

- Provision for restoration

Where the Company, as a tenant, is required to restore its leased assets to their original state at the end of the lease-term, the Company recognizes the present value of the estimated cost of restoration as a provision for restoration. Provisions are measured at present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimates.

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

2. Basis of preparation and summary of significant accounting policies, continued

2-20 Provisions and Contingent liabilities, continued

- Emission rights

The Company received emission rights free of charge from the government under a domestic Greenhouse Gas Emission trading scheme. The Company must submit an equal quantity of emission rights in response to actual emissions. The emissions allocated free of charge are accounted for using the net debt approach. Accordingly, when actual emissions exceed the amount of emission rights received and held, a provision is recorded.

The rights purchased additionally from third parties are measured at acquisition cost.

2-21 Revenue recognition

The Company recognizes revenue when the inflow of economic benefits is highly probable and can be reliably measured, regardless of the timing of receipt.

The Company believes that the Company is acting as a principal for all sales contracts as the Company is primarily responsible for all revenue contracts, have pricing rights, and is exposed to inventory and credit risks.

In addition, the Company recognizes revenue only when the following recognition criteria are met.

(1) Sale of products

Revenue from sale of products is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

(2) Interest income

Interest earned on financial assets measured at amortized cost and on financial assets at fair value through profit or loss is recognized using the effective interest method.

The effective interest rate is the rate at which the present value of expected future cash outflows and inflows over the expected life of the financial asset, or a shorter period if appropriate, matches the net carrying amount of the financial asset or financial liability. Interest income is recognized on statement of comprehensive income.

(3) Dividend income

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

(4) Other revenue

Other revenue is recognized when the process of earning revenue is complete, the amount of revenue can be reliably measured, and it is highly probable that economic benefits will flow to the Company.

2-22 Income taxes

(1) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

2. Basis of preparation and summary of significant accounting policies, continued

2-22 Income taxes, continued

(2) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill; or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

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

Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

2. Basis of preparation and summary of significant accounting policies, continued

2-23 Revenue from contracts with customers

The Company is in the business of food manufacturing and ingredient. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company concludes that the Company is the principal, except for agency services, because the Company controls each good or service as defined in the contract with the customer before providing it to the customer.

(1) Variable consideration

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

- Right of return

Some contracts give customers the right to return goods within a certain period. As a method of estimating the value of goods that will not be returned, The Company uses an expected value that is expected to be a better estimate of the consideration the Company will be entitled to receive. A gross contract liability (refund liability) for the expected returns to customers is recognized as adjustment to revenue.

(2) Assets and liabilities from a right of return

- Right to recover

The Company has a right to recover the product from the customers. The right of recovery is measured at the existing carrying amount of the inventory, less the estimated cost to recover the product and any potential reduction in the value of the returned product. The Company updates the measurement of the asset to reflect changes in the expected volume of returns and the anticipation of further diminution in value for products that will be returned.

- Refund liability

A refund liability is an obligation to return some, or all the consideration received or to be received from a customer. The refund liability is measured as the amount you expect to eventually must refund to customers. The Company updates estimate of the refund liability and the resulting change in transaction price at the end of each reporting period.

(3) Significant financing component

The Company uses the practical expedient in the KIFRS 1115, the Company do not reflect the impact of a significant financing component in the promised consideration if, at the inception of the contract, the Company expects the period between the transfer of the promised goods or services to the customer and the time the customer pays for them to be less than one year.

2-24 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

- Company as a lease

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities representing obligations to make lease payments and right-of-use assets representing the right to use the underlying assets.

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

2. Basis of preparation and summary of significant accounting policies, continued

2-24 Leases, continued

(1) Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land 1 ~ 9 years
- Buildings and structures 4 ~ 60 years
- Vehicles and others 2 ~ 15 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of non-financial assets.

(2) Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in other financial liabilities.

(3) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of buildings, vehicles and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

2. Basis of preparation and summary of significant accounting policies, continued

2-24 Leases, continued

(4) As a lessor

The Company classifies leases that do not transfer substantially all of the risks and rewards of ownership of the underlying asset as operating leases. Lease income from operating leases is recognized in income on a straight-line basis over the lease term. Initial direct cost incurred by the lessor in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Contingent rent is recognized as revenue when the rent is received.

2-25 Assets Held-for-Sale

Non-current assets (or disposal groups) are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and the sale is considered highly probable. The assets are measured at the lower of their carrying amount and the fair value less costs to sell. In order to be classified as held for sale, the assets or disposal groups must be available for immediate sale in their present condition and their sale must be highly probable. The conditions required to complete the sale must show that it is unlikely that the sale will be materially modified or withdrawn, and the sale is expected to be completed within one year of classification as held for sale. Property, plant and equipment and intangible assets classified as held for sale are not depreciated.

2-26 New and amended standards and interpretations

The Company has applied the following standards for the first time for the annual reporting period commencing January 1, 2022. Earlier application is permitted but the Company has not adopted the new or amended standards in preparing these financial statements.

(1) Amendments to Korean IFRS 1116, Lease

The amendments to Korean IFRS 1116 introduced a practical expedient that provided relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19. The amendment extends the practical expedient to apply to reduction in lease payments originally due on or before June 30, 2022. The amendment does not have a significant impact on the financial statements.

(2) Amendments to Korean IFRS 1103, Business Combinations

The amendments update Korean IFRS 1103 so that it refers to the amended conceptual framework for financial reporting for assets and liabilities recognized upon business combination, along with adding requirement that for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 to identify the liabilities it has assumed in a business combination. The amendments also add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination. The amendment does not have a significant impact on the financial statements.

(3) Amendments to Korean IFRS 1016, Property, Plant and Equipment

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendment does not have a significant impact on the financial statements.

(4) Amendments to Korean IFRS 1037, Provisions, Contingent Liabilities and Contingent Assets

The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract, and that costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The amendment does not have a significant impact on the financial statements.

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

2. Basis of preparation and summary of significant accounting policies, continued

2-26 New and amended standards and interpretations, continued

(5) Annual improvements to Korean IFRS 2018-2020

Annual improvements of Korean IFRS 2018-2020 Cycle should be applied for annual periods beginning on or after January 1, 2022. The amendment does not have a significant impact on the financial statements.

- Korean IFRS 1101 First time Adoption of Korean International Financial Reporting Standards – Subsidiaries that are first-time adopters
- Korean IFRS 1109 Financial Instruments – Fees related to the 10% test for derecognition of financial liabilities
- Korean IFRS 1116 Leases – Lease incentives
- Korean IFRS 1041 Agriculture – Measuring fair value

2-27 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures about risks and uncertainties to which the Company is exposed include capital management, financial risk management objectives and policies, and sensitivity analysis (Note 3).

(1) Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

1) Determining the lease term of contracts with renewal and termination options – Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Company includes extension periods as part of the lease term for leases of equipment and machinery with short noncancelable terms (e.g., three to five years). If replacement assets are not readily available, there will be a significant negative impact on production, so the Company generally exercise the option to extend the lease. The Company does not include extensions to leases of equipment and machinery with long noncancelable terms (e.g., 10 to 15 years) as part of the lease term because it is not certain that the Company will exercise its option to extend. The Company generally leases fleet vehicles for five years or less and do not exercise extension options, so the extension option for fleet vehicle leases is not included as part of the lease term. Furthermore, the term to which the termination option applies is the period during which it is exercised.

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

2. Basis of preparation and summary of significant accounting policies, continued

2-27 Significant accounting judgements, estimates and assumptions, continued

2) Classification of real estate leases – As a lessor

The Company entered into commercial real estate lease agreements for its investment property portfolio. The Company assesses the risks and risks of owning commercial properties based on an assessment of the terms of the agreement, such as the lease term that does not represent a significant portion of the commercial property's economic useful life and the present value of lease payments that does not represent a majority of the commercial property's fair value. It retains most of its compensation and has decided to account for these contracts as operating leases.

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

1) Income taxes

The Company recognizes assets and liabilities for anticipated tax audit issues based on the best estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

2) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period.

3) Provisions

The Company recognizes provision for refund liability based on their historical data.

4) Net defined severance benefit obligations

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

5) Impairment of assets

The Company is reviewing impairment in accordance with the accounting policy in Note 2. The recoverable amount is determined based on the fair value and value in use calculations of the assets. These recoverable amounts are based on estimates.

6) Impairment of goodwill

The recoverable amounts of cash-generating units have been determined based on fair value less costs of disposal or value in use calculations. These calculations require estimates.

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

2. Basis of preparation and summary of significant accounting policies, continued

2-27 Significant accounting judgements, estimates and assumptions, continued

7) Revenue from contracts with customers

The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- Identification of performance obligations in contracts that combine the sale of goods with delivery services

The Company determined that sales of goods and transportation services are distinct under the contract. Accordingly, the Company allocates transaction prices to the sale of goods and the transportation services on a relative stand-alone selling price basis.

- Determining method to estimate variable consideration and assessing the constraint

Certain contracts for the sale of products include a right of return that give rise to variable consideration. In estimating the variable consideration, the Company is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Company has determined that expected value is an appropriate method for estimating variable consideration for the sale of products with a right of return given to many similar types of customers. As a method of estimating variable consideration for the sale of products under volume rebate terms, it was judged appropriate to use a combination of the expected value and the most probable amount method.

Before including any amount of variable consideration in the transaction price, the Company considers whether the amount of variable consideration is constrained. The Company determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

- Determining whether customer loyalty points provide important rights to customers

The Company operates a customer loyalty point program. The Company evaluated whether customer loyalty points provide important rights to customers. In this case, it is accounted for as a separate performance obligation.

8) Provision for expected credit losses of trade receivables and contract assets

The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables and contract assets is disclosed in Note 7.

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

2. Basis of preparation and summary of significant accounting policies, continued

2-27 Significant accounting judgements, estimates and assumptions, continued

9) Estimation of variable consideration for returns

The Company estimates variable consideration in the transaction price of the sale of products with a right of return.

The Company has developed a statistical method for predicting returns. This method calculates the expected return rate from historical return data for each product. This ratio is used to determine the expected amount of variable consideration. Significant changes in experience, such as historical return patterns, will affect our estimate of expected return rates. As of December 31, 2022, provision for returns for expected returns is 8,022 million Korean won(end of previous year: 6,620 million Korean won).

10) Leases- Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The Company should measure incremental borrowing rates using observable input variables (such as market interest rates) where possible and prepare specific company-specific estimates (such as the individual credit ratings of subsidiaries).

2-28 New and amended standards not yet adopted by the Company

The amended accounting standards issued that are not mandatory for the annual reporting periods commencing on January 1, 2022, and has not been early adopted by the Company are as follows:

1) Amendments to Korean IFRS 1001, Presentation of Financial Statements

The amendments clarify that the classification of liabilities as current or non-current is based on the rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, and elucidate that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Company is reviewing the impact of this amendments on the financial statements.

2) Amendments to Korean IFRS 1001, Presentation of Financial Statements

The amendments require companies to define and disclose their 'material' accounting policy information instead of its 'significant' accounting policies. The amendments explain how an entity can identify material accounting policy information. The amendments to K-IFRS 1001 are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted and are applied prospectively. The Company does not expect that these amendments have a significant impact on the financial statements.

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

2. Basis of preparation and summary of significant accounting policies, continued

2-28 New and amended standards not yet adopted by the Company, continued

3) Amendments to Korean IFRS 1008, Accounting Policies, Changes in Accounting Estimates and Errors

The amendments clarify the definition of a change in accounting estimates and specify how to distinguish from a change in accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023, to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

2-28 New and amended standards not yet adopted by the Company (Continued)

4) Amendments to Korean IFRS 1012, Income Taxes

The amendments add to the initial recognition exemption that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

5) Amendments to Korean IFRS 1117, Insurance Contracts

The amendments replace Korean IFRS 1104, 'Insurance Contracts'. Estimate all cash flows from insurance contracts, measure insurance liabilities using a discount rate that reflects assumptions and risks at the time of reporting and recognize revenue on an accrual basis by reflecting services (insurance protection) provided to policyholders for each fiscal year. In addition, investment elements (cancellation/maturity refunds) paid to policyholders regardless of insurance events are excluded from insurance revenue, and insurance profit and loss and investment profit and loss are displayed separately so that information users can identify the source of profit and loss. This standard is applied from the first fiscal year starting on or after January 1, 2023, and early application is permitted for companies that have applied Korean IFRS 1109, 'Financial Instruments'. The Company does not expect that these amendments have a significant impact on the financial statements.

6) Amendments to Korean IFRS 1001, Presentation of Financial Statements

The amendments require disclosure of valuation gains or losses of the financial liabilities, if all or part of the financial instrument with exercise price that is adjusted depending on the issuer's share price change is classified as financial liability.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

2-29 Approval of the financial statements

These financial statements were approved by the Board of Directors on March 9, 2023 and may be modified and approved at the Annual General Shareholders' Meetings.

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

3. Purpose and Policy of Financial Risk Management

The Company is exposed to market risk, credit risk and liquidity risk due to various activities (market risk is further divided into foreign exchange risk, interest rate risk and market value fluctuation risk for equity securities). To manage these risk factors, the company operates a risk management policy that closely monitors and responds to each risk factor.

The Company's financial assets subject to financial risk management consist of cash and cash equivalents, short-term financial instruments, financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, trade receivables and other receivables. Financial liabilities consist of trade payables, other payables, borrowings, and debentures.

3-1 Market risk

(1) Foreign exchange risk

The Company is committed to foreign exchange risk management with the goal of realizing management stability through predictable management and soundness of financial structure by minimizing risk due to exchange rate fluctuations in foreign currency-denominated assets and liabilities. Since the Company has more cash flows from foreign currency expenditures from material imports and repayment of foreign currency borrowings (usance) than foreign currency collections from exports, foreign exchange losses due to exchange rate rises are the main target of exchange risk.

As of December 31, 2022 and 2021, the carrying amounts of monetary assets and liabilities denominated in foreign currencies other than the functional currency are as follows:

(In millions of Korean won)

Classification	December 31, 2022		December 31, 2021	
	Assets	Liabilities	Assets	Liabilities
USD	217,292	270,320	150,405	242,032
EUR	36,178	2,427	42,422	641
JPY	10,202	687	9,130	276
Others	10,146	406	10,381	153
Total	273,818	273,840	212,338	243,102

Internally, the Company regularly measures foreign exchange risk for exchange rate fluctuations. As of December 31, 2022 and 2021, when the currency rate of the functional currency for each foreign currency changes by 5%, the impact of the exchange rate change on profit before tax is as follows.

(In millions of Korean won)

Classification	December 31, 2022		December 31, 2021	
	Increase	Decrease	Increase	Decrease
USD	(2,651)	2,651	(4,581)	4,581
EUR	1,688	(1,688)	2,089	(2,089)
JPY	476	(476)	443	(443)
Others	487	(487)	512	(512)
Total	-	-	(1,537)	1,537

The above sensitivity analysis has been conducted on monetary assets and liabilities denominated in foreign currencies other than the functional currency as of December 31, 2022 and 2021

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

3. Purpose and Policy of Financial Risk Management, Continued

(2) Interest rate risk

The Company is exposed to interest rate fluctuation risks, such as the risk of value fluctuations of financial statement items (financial assets and liabilities) due to price fluctuations and the risk of fluctuations in interest income (expenses) from investments and borrowings. The Company's interest rate fluctuation risk arises from issuance of interest-paying liabilities such as bonds and investments in interest-receiving assets. However, the company operates most of its surplus funds with fixed-rate financial instruments, and the carrying amount of floating rate borrowings is KRW 137,000 million (End of previous year: KRW 28,000 million), if all other variables are the same and the interest rate changes by 100 basis points as of December 31, 2022 and 2021, the effect of interest expense on floating rate borrowings on profit before tax is as follows.

<i>(In millions of Korean won)</i>	2022		2021	
	Increase	Decrease	Increase	Decrease
Interest Expenses	(1,370)	1,370	(280)	280

3-2 Credit risk

Credit risk arises during the normal course of transactions and investing activities where clients or other parties fail to discharge an obligation. To manage these credit risks, The Company sets the client's and the counterparty's credit limits on a periodic basis based on the client's and counterparty's financial conditions, default histories and other important factors.

Credit risk can arise from transactions with financial institutions, such as cash equivalents, deposits, and derivative instruments. To minimize such risk, the Company transacts only with financial institutions which have high creditworthiness.

Excluding the payment guarantee details in Note 21, the Company estimates that its maximum exposure to credit risk is the carrying amount of its financial assets, net of impairment losses.

3-3 Liquidity risk

The Company manages liquidity risk through periodic forecasting and adjustment of fund balance to maintain appropriate liquidity.

The Company manages receivables by reducing inventory turnover days and preventing receivables from insolvency to ensure smooth fund operation and has bank overdraft agreements with financial institutions. The Company has invested KRW 484,728 million (End of previous year: KRW 521,714 million) in cash and cash equivalents and short-term financial instruments that can be withdrawn immediately. For financial liabilities, liquidity classification is as follows according to the remaining maturity from the end of the reporting period to the contract maturity date.

December 31, 2022

(In millions of Korean won)

Classification	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years	Total
Trade and other payables	287,201	-	46	18	25	6	287,296
Borrowings (including debentures)	401,727	145,659	199,465	89,115	78,600	157,850	1,072,416
Financial guarantee contracts (*1)	179,515	-	-	-	-	-	179,515
Other financial liabilities (*2)	23,279	-	-	91	-	-	23,370
Total	891,722	145,659	199,511	89,224	78,625	157,856	1,562,597

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

3. Purpose and Policy of Financial Risk Management, Continued

December 31, 2021

(In millions of Korean won)

Classification	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years	Total
Trade and other payables	324,094	-	46	18	25	-	324,183
Borrowings (including debentures)	367,407	80,659	130,659	81,915	81,915	65,200	807,755
Financial guarantee contracts (*1)	134,915	-	-	-	-	-	134,915
Other financial liabilities (*2)	16,156	3,500	-	-	91	-	19,747
Total	842,572	84,159	130,705	81,933	82,031	65,200	1,286,600

(*1) The above financial guaranteed contracts are for subsidiaries, etc., and are the maximum amount of guarantee that can be requested as of December 31, 2022 and 2021 (see note 21).

(*2) Among other financial liabilities, the lease liability was KRW 51,267 million (End of previous year: KRW 61,135 million), which was excluded from the above amount (see note 32).

3-4 Capital risk management

The purpose of the Company's capital risk management is to maintain a sound capital structure. The Company uses the debt ratio as a capital management indicator. This ratio is calculated by dividing total liabilities by total equity, and total liabilities and total equity are calculated as disclosed amounts in the financial statements.

As of December 31, 2022 and 2021, The Company's debt ratio is as follows.

(In millions of Korean won, %)

Classification	December 31, 2022	December 31, 2021
Total liabilities	1,570,209	1,418,118
Total equity	1,288,721	1,209,289
Debt ratio (%)	121.84	117.27

4. Operating segments information

In accordance with Korean International Financial Reporting Standards 1108, Operating Segments, the company discloses disclosures related to the operating segment in the consolidated financial statements, which are not separately disclosed in these financial statements.

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

5. Financial Instruments by Category and Fair Value

For the years ended December 31, 2022 and 2021, there are no significant changes in the business environment and economic environment that affected the fair value of financial assets and liabilities.

5-1 The carrying amount and fair value of financial instruments by category as of December 31, 2022 and 2021 are as follows.

(1) Financial assets

December 31, 2022

(In millions of Korean won)

Financial assets	Financial assets measured at amortized cost	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Carrying amount	Fair value
Current portion					
Cash and cash equivalents	463,828	-	-	463,828	463,828
Short-term financial instruments	20,900	-	-	20,900	20,900
Trade receivables and other receivables	346,720	-	-	346,720	346,720
Other current financial assets	10,375	-	-	10,375	10,375
Sub total	841,823	-	-	841,823	841,823
Non-current portion					
Long-term financial instruments	15	-	-	15	15
Trade receivables and other receivables	84	-	-	84	84
Financial assets at fair value through profit or loss	-	24,571	-	24,571	24,571
Financial assets at fair value through other comprehensive income	-	-	14,506	14,506	14,506
Other non-current financial assets	31,622	-	-	31,622	31,622
Sub total	31,721	24,571	14,506	70,798	70,798
Total	873,544	24,571	14,506	912,621	912,621

December 31, 2021

(In millions of Korean won)

Financial assets	Financial assets measured at amortized cost	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Carrying amount	Fair value
Current portion					
Cash and cash equivalents	510,864	-	-	510,864	510,864
Short-term financial instruments	10,850	-	-	10,850	10,850
Trade receivables and other receivables	321,439	-	-	321,439	321,439
Other current financial assets	9,775	-	-	9,775	9,775
Sub total	852,928	-	-	852,928	852,928
Non-current portion					
Long-term financial instruments	15	-	-	15	15
Trade receivables and other receivables	33	-	-	33	33
Financial assets at fair value through profit or loss	-	4,232	-	4,232	4,232
Financial assets at fair value through other comprehensive income	-	-	13,096	13,096	13,096
Other non-current financial assets	26,708	-	-	26,708	26,708
Sub total	26,756	4,232	13,096	44,084	44,084
Total	879,684	4,232	13,096	897,012	897,012

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

5. Financial Instruments by Category and Fair Value, Continued

(2) Financial liabilities

December 31, 2022

(In millions of Korean won)

Financial liabilities	Financial liabilities measured at amortized cost	Other financial liabilities	Carrying amount	Fair value
Current portion				
Trade payables and other payables	287,201	-	287,201	287,201
Short-term borrowings	312,095	8,974	321,068	321,068
Current portion of long-term borrowings	525	-	525	525
Current portion of debentures	79,994	-	79,994	79,994
Other current financial liabilities	42,187	350	42,536	42,536
Sub total	722,002	9,324	731,324	731,324
Non-current portion				
Trade payables and other payables	95	-	95	95
Borrowings (*1)	140,490	-	140,490	122,161
Debentures (*1)	528,825	-	528,825	495,233
Other non-current financial liabilities	32,430	84	32,515	32,515
Sub total	701,840	84	701,925	650,004
Total	1,423,842	9,408	1,433,249	1,381,328

December 31, 2021

(In millions of Korean won)

Financial liabilities	Financial liabilities measured at amortized cost	Other financial liabilities	Carrying amount	Fair value
Current portion				
Trade payables and other payables	324,094	-	324,094	324,094
Short-term borrowings	218,910	17,838	236,748	236,748
Current portion of long-term borrowings	495	-	495	495
Current portion of debentures	129,989	-	129,989	129,989
Other current financial liabilities	33,222	454	33,676	33,676
Sub total	706,710	18,292	725,002	725,002
Non-current portion				
Trade payables and other payables	89	-	89	89
Debentures (*1)	30,015	-	30,015	31,432
Borrowings (*1)	409,040	-	409,040	406,401
Other non-current financial liabilities	47,544	33	47,577	47,577
Sub total	486,688	33	486,721	485,499
Total	1,193,398	18,325	1,211,723	1,210,501

(*1) The fair value of debentures and borrowings is calculated by discounting the estimated future cash flows with a discount rate that considers market interest rates and credit risk. As of December 31, 2022, the Company applies a discount rate of 5.92% to borrowings (End of previous year: 0.85%), and a discount rate of 5.16% to debentures (End of previous year: 2.37%).

5-2 Fair value hierarchy classifications

Financial instruments measured at fair value are classified according to the fair value hierarchy, and the levels defined are as follows.

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

5. Financial Instruments by Category and Fair Value, Continued

As of December 31, 2022 and 2021, the measured fair values according to the above classifications are as follows.

<i>(In millions of Korean won)</i>				
Classification	Level 1	Level 2	Level 3	Total
December 31, 2022				
Financial assets				
- Financial assets at fair value through profit or loss	-	-	24,571	24,571
- Financial assets at fair value through other comprehensive income	-	-	14,506	14,506
December 31, 2021				
Financial assets				
- Financial assets at fair value through profit or loss	-	-	4,232	4,232
- Financial assets at fair value through other comprehensive income	-	-	13,096	13,096

There is no significant transfer between level 1 and level 2 of the fair value hierarchy for the years ended December 31, 2022 and 2021

In calculating the fair value measurement, the Company considered the impact of potential climate-related issues, including legislation that may affect the fair value measurement of assets and liabilities in the financial statements. Risks related to climate-related issues are included as key assumptions where they have a material impact on the measurement of recoverable amount. These assumptions are included in the cash flow estimates in the value in use assessment.

Currently, the impact of climate-related issues is not material to the Company's financial statements.

Changes in Level 3 financial instruments for the years ended December 31, 2022 and 2021 are as follows:

<i>(In millions of Korean won)</i>	Level 3 financial instruments	
Value of level 3 financial assets	2022	2021
Balance as of January 1	17,328	12,826
Acquisitions	20,300	8,697
Disposals and recoveries	-	(1)
Amount recognized in profit or loss	839	(3,934)
Amount recognized in other comprehensive income (loss)	610	(260)
Balance as of December 31	39,077	17,328
The total gain or loss recognized in profit or loss for assets held at the December 31	839	(3,934)

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

5. Financial Instruments by Category and Fair Value, Continued

5-3 Valuation technique and the inputs

The following table presents the valuation technique and the inputs used for recurring fair value measurements categorized within Level 3 as of December 31, 2022 and 2021.

December 31, 2022

(In millions of Korean won)

Classification	Fair value	Level	Valuation technique	Level 3 inputs	Input range
Financial assets at fair value through profit or loss, other comprehensive income					
Broadcasting and telecommunications	3,245	3	Present value technique	Long-term sales growth rate	1.62%~2.68%
				Cost of sales ratio	66.81%~74.80%
				Discount rate	14.27%
Finance	4,883	3	Present value technique	Long-term sales growth rate	2.83%~4.03%
				Cost of sales ratio	23.68%~24.33%
				Discount rate	8.57%
Research and development	7,781	3	Present value technique	Long-term sales growth rate	27.37%~27.37%
				Cost of sales ratio	64.33%~76.07%
				Discount rate	14.02%
Investment	22,532	3	Binomial model	Discount rate	10.72%~17.70%
Others	636	3	Net asset value technique	-	-
Total	<u>39,077</u>				

December 31, 2021

(In millions of Korean won)

Classification	Fair value	Level	Valuation technique	Level 3 inputs	Input range
Financial assets at fair value through profit or loss, other comprehensive income					
Broadcasting and telecommunications	3,225	3	Present value technique	Long-term sales growth rate	(8.04)%~2.93%
				Cost of sales ratio	66.99%~72.80%
				Discount rate	16.66%
Finance	2,500	3	Present value technique	Long-term sales growth rate	3.51%~4.06%
				Operating profit ratio	75.16%~75.75%
				Discount rate	13.81%
Investment	2,193	3	Present value technique	Long-term sales growth rate	1.71%~15.97%
				Operating profit ratio	55.62%~63.05%
				Discount rate	8.12%
Research and development	8,697	3	Cost method	-	-
Others	713	3	Net asset value technique	-	-
Total	<u>17,328</u>				

5-3-1 Valuation process of fair value measurement classified as level 3

For financial instruments classified as Level 3, the company evaluates the amount calculated using a reasonable valuation model and appropriate estimates based on the professional judgment of an independent external valuation firm as fair value.

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

5. Financial Instruments by Category and Fair Value, Continued

5-3-2 Sensitivity analysis for recurring fair value measurements categorized within Level 3

Sensitivity analysis of financial instruments is performed to measure favorable and unfavorable changes in the fair value of financial instruments which are affected by the unobservable parameters, using a statistical technique. When the fair value is affected by more than two input parameters, the amounts represent the most favorable or unfavorable.

The results of the sensitivity analysis for the effect on capital due to changes in input variables for each instrument which are categorized within Level 3 and subject to sensitivity analysis are as follows.

<i>(In millions of Korean won)</i>	December 31, 2022		December 31, 2021	
	Favorable changes (*2)	Unfavorable changes (*3)	Favorable changes (*2)	Unfavorable changes (*3)
Financial assets (*1)	3,319	(895)	3,544	(1,997)

(*1) For equity securities, changes in fair value are calculated by increasing or decreasing the correlation between the permanent growth rate and the discount rate, which are significant unobservable inputs.

(*2) This refers to the fair value changes resulting from a 1.0% increase in permanent growth rate and a 1.0% decrease in discount rate.

(*3) This refers to the fair value changes resulting from a 1.0% decrease in permanent growth rate and a 1.0% increase in discount rate.

5-4 As of December 31, 2022 and 2021, the details of the Company's income and loss of financial instruments by category are as follows.

December 31, 2022

(In millions of Korean won)

Classification	Financial assets measured at amortized cost	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Financial liabilities measured at amortized cost	Total
Interest income	9,254	-	-	-	9,254
Dividend income	-	-	96	-	96
Foreign exchange gain	36,333	-	-	2,395	38,728
Foreign currency translation gain	289	-	-	17,091	17,380
Gain (loss) on valuation/disposal (FVPL)	-	839	-	-	839
Gain (loss) on valuation (FVOCI)	-	-	396	-	396
Reversal (provision) of expected credit loss allowance	(190)	-	-	-	(190)
Reversal(provision) of other expected credit loss allowance	3,044	-	-	-	3,044
Interest expenses	-	-	-	(24,215)	(24,215)
Loss on foreign currency transactions	(14,445)	-	-	(32,238)	(46,683)
Foreign currency translation loss	(14,594)	-	-	(47)	(14,641)
Total	19,691	839	492	(37,014)	(15,992)

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

5. Financial Instruments by Category and Fair Value, Continued

December 31, 2021

(In millions of Korean won)

Classification	Financial assets measured at amortized cost	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Financial liabilities measured at amortized cost	Total
Interest income	2,638	-	-	-	2,638
Dividend income	4,653	-	83	-	4,736
Foreign exchange gain	12,844	-	-	1,727	14,571
Foreign currency translation gain	4,955	-	-	146	5,101
Gain (loss) on valuation/disposal (FVPL)	-	(3,364)	-	-	(3,364)
Gain (loss) on valuation (FVOCI)	-	-	(197)	-	(197)
Reversal (provision) of expected credit loss allowance	(160)	-	-	-	(160)
Reversal(provision) of other expected credit loss allowance	(4,248)	-	-	-	(4,248)
Interest expenses	-	-	-	(14,537)	(14,537)
Foreign currency transaction loss	(6,521)	-	-	(16,927)	(23,448)
Foreign currency translation loss	(279)	-	-	(1,725)	(2,004)
Total	<u>13,882</u>	<u>(3,364)</u>	<u>(114)</u>	<u>(31,316)</u>	<u>(20,912)</u>

5-5 Offsetting of financial instruments

Details of recognized financial assets and financial liabilities subject to enforceable master offsetting arrangements and similar agreements are as follows:

5-5-1 Financial assets

December 31, 2022

(In millions of Korean won)

Classification	Gross amounts of recognized assets	Gross amounts of recognized liabilities	Net amounts of financial assets presented in the financial statements	Related amounts not offset in the financial statements	Net amount
Trade receivables	11,565	7,162	4,403	-	4,403
Other receivables	1,540	1,453	87	-	87

December 31, 2021

(In millions of Korean won)

Classification	Gross amounts of recognized assets	Gross amounts of recognized liabilities	Net amounts of financial assets presented in the financial statements	Related amounts not offset in the financial statements	Net amount
Trade receivables	6,917	4,329	2,588	-	2,588
Other receivables	456	451	5	-	5

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

5. Financial Instruments by Category and Fair Value, Continued

5-5-2 Financial liabilities

December 31, 2022

(In millions of Korean won)

Classification	Gross amounts of recognized liabilities	Gross amounts of recognized assets	Net amounts of financial liabilities presented in the financial statements	Related amounts not offset in the financial statements	Net amount
Trade payables	50,906	8,616	42,290	-	42,290
Other payables	201	1	200	-	200

December 31, 2021

(In millions of Korean won)

Classification	Gross amounts of recognized liabilities	Gross amounts of recognized assets	Net amounts of financial liabilities presented in the financial statements	Related amounts not offset in the financial statements	Net amount
Trade payables	36,120	4,773	31,347	-	31,347
Other payables	777	8	769	-	769

6. Cash and Cash Equivalents and Short and Long-term Financial Instruments

6-1 Cash and cash equivalents and short and long-term financial instruments as of December 31, 2022 and 2021 are as follows.

(In millions of Korean won)

Classification	Description	December 31, 2022	December 31, 2021
Cash and cash equivalents	Cash	106	79
	Cash equivalents	463,722	510,785
	Sub-total	463,828	510,864
Short-term financial instruments	Time deposits	20,900	10,850
Long-term financial instruments	Temporary deposits	15	15

6-2 Restricted deposits as of December 31, 2022 and 2021 consist of the following:

(In millions of Korean won)

Classification	December 31, 2022	December 31, 2021	Restrictions
Short-term financial instruments	3,000	-	Pledged asset
Long-term financial instruments	15	15	Guarantee deposits of checking account

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

7. Trade Receivables and Other Receivables

7-1 Trade receivables and other receivables as of December 31, 2022 and 2021 are as follows:

December 31, 2022		
<i>(In millions of Korean won)</i>		
Classification	Current portion	Non-current portion
Trade receivables	334,958	-
Expected credit loss allowance	(5,872)	-
Other receivables	18,894	84
Expected credit loss allowance	(1,260)	-
Total	346,720	84

December 31, 2021		
<i>(In millions of Korean won)</i>		
Classification	Current portion	Non-current portion
Trade receivables	305,323	-
Expected credit loss allowance	(5,663)	-
Other receivables	23,911	36,238
Expected credit loss allowance	(2,132)	(36,205)
Total	321,439	33

7-2 Aging breakdown of trade receivables and other receivables as of December 31, 2022 and 2021 is as follows.

December 31, 2022			
<i>(In millions of Korean won)</i>			
Classification	Total	Trade receivables	Other receivables
Receivables not past due			
Not past due	281,521	270,803	10,718
Sub total	281,521	270,803	10,718
Past due but not impaired receivables (*1)			
Less than 3 months	51,760	50,186	1,574
Over 3 months and less than 6 months	5,826	3,694	2,132
Over 6 months and less than 9 months	4,364	4,364	-
Over 9 months and less than 12 months	945	16	929
Over 12 months	2,388	23	2,365
Sub total	65,283	58,283	7,000
Impaired receivables (*2)			
Impaired receivables	7,132	5,872	1,260
Total	353,936	334,958	18,978

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

7. Trade receivables and Other accounts receivables, Continued

December 31, 2021
(In millions of Korean won)

Classification	Total	Trade receivables	Other receivables
Receivables not past due			
Not past due	285,190	273,991	11,199
Sub total	285,190	273,991	11,199
Past due but not impaired receivables (*1)			
Less than 3 months	25,543	24,981	562
Over 3 months and less than 6 months	1,947	328	1,619
Over 6 months and less than 9 months	120	120	-
Over 9 months and less than 12 months	2,945	31	2,914
Over 12 months	5,727	209	5,518
Sub total	36,282	25,669	10,613
Impaired receivables (*2)			
Impaired receivables	44,000	5,663	38,337
Total	365,472	305,323	60,149

(*1) Past due but unimpaired receivables are related to multiple customers who have no recent bankruptcy record or are provided as collateral for trade receivables.

(*2) As of December 31, 2022, expected credit loss allowance established in relation to impaired receivables is KRW 7,131 million (End of previous year: KRW 44,000 million).

7-3 Changes in expected credit loss allowance for impaired trade and other accounts receivables for the years ended December 31, 2022 and 2021, are as follows.

(In millions of Korean won)

Classification	2022	2021
Balance at beginning of year	44,000	40,167
Provision(reversal) of expected credit loss allowance	190	160
Provision(reversal) of other expected credit loss allowance	(3,072)	3,790
Write-off and other	(33,987)	(117)
Balance at end of year	7,131	44,000

7-4 As of December 31, 2022 and 2021, details of trade receivables transferred but not eliminated as a whole from the financial statements are as follows (see Note 16).

(In millions of Korean won)

Classification	December 31, 2022	December 31, 2021
Carrying amount of the discounted trade receivables	9,474	17,838
Carrying amount of the related borrowings	9,474	17,838

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

8. Inventories

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

(In millions of Korean won)

Classification	December 31, 2022			December 31, 2021		
	Acquisition cost	Valuation allowance	Carrying amount	Acquisition cost	Valuation allowance	Carrying amount
Merchandise	41,234	(1,008)	40,226	37,785	(553)	37,232
Finished goods	124,766	(4,846)	119,920	86,999	(619)	86,380
Work in-process	63,346	(520)	62,826	47,935	(408)	47,527
Raw materials	174,324	(492)	173,832	94,700	(402)	94,298
Supplies	5,047	-	5,047	4,746	-	4,746
Goods-in-transit	88,473	-	88,473	86,766	-	86,766
Returnable goods	55	-	55	38	-	38
Total	497,245	(6,866)	490,379	358,969	(1,982)	356,987

Loss on valuation of inventories for the years ended December 31, 2022 is KRW 4,884 million (End of previous year: KRW 843 million of reversal of losses on valuation of inventories), and the loss (reversal) was added to (or subtracted from) the cost of sales.

9. Financial assets at fair value through profit or loss, other comprehensive income

9-1 Financial assets at fair value through profit or loss as of December 31, 2022 and 2021 are as follows:

(In millions of Korean won)

Classification	December 31, 2022	December 31, 2021
Equity instruments		
Unlisted equity securities	5,032	4,193
Other equity investments	19,500	-
Sub total	24,532	4,193
Debt instruments		
Investment in cooperatives	39	39
Sub total	39	39
Total	24,571	4,232

9-1-1 Equity instruments

(In millions of Korean won)

Classification	December 31, 2022				December 31, 2021			
	Number of shares	% Owned	Cost	Book value	Number of shares	% Owned	Cost	Book value
Unlisted Equity Securities: Kumho Buslines Co., Ltd. (Ordinary shares) (*1)	50,000	2.43	5,000	3,032	50,000	2.43	5,000	2,193
Space F Corp (Preference shares)	3,334	5.24	2,000	2,000	3,334	5.24	2,000	2,000
Cypress Tree Investment	1,950,000	16.63	19,500	19,500	-	-	-	-
Total			26,500	24,532			7,000	4,193

(*1) The company evaluates the value calculated using a reasonable valuation model and appropriate estimates based on the professional judgment of an independent external valuation firm as fair value (see Note 5).

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

9. Financial assets at fair value through profit or loss, other comprehensive income, Continued

9-2 Financial assets measured at fair value through other comprehensive income as of December 31, 2022 and 2021 are as follows:

(In millions of Korean won)

Classification	December 31, 2022	December 31, 2021
Equity instruments		
Unlisted equity securities	14,506	13,096

9-2-1 Equity instruments

(In millions of Korean won)

Classification	December 31, 2022				December 31, 2021
	Number of shares owned	Percentage of ownership (%)	Acquisition cost	Carrying amount	Carrying amount
Korea Housing & Urban Guarantee (*1)(*2)	409,499	0.07	7,816	4,883	2,500
Shinki Chemical IND. Co., Ltd	23,000	19.17	239	71	71
Jeonju Munhwa Broadcasting Corp (*1)	24,470	15.29	1,548	1,688	1,688
Jeonju Television Co., Ltd. (*1)	168,000	3.00	840	1,557	1,537
The Korea Economic Daily Co., Ltd.	5,944	0.03	81	81	81
International Convention Center Jeju (*1)	100,000	0.25	500	425	427
Sserio Co., Ltd.	15,000	15.00	75	-	75
Jinan Village Agricultural Co., Ltd.	2,000	2.21	20	20	20
Xcell Therapeutics Inc (*1)	210,526	2.40	2,000	284	2,000
Biocoz Global Pte. Ltd.	100,000	3.10	4,697	4,697	4,697
Bippeco Inc.	98,998	10.39	800	800	-
Others	-	-	1,835	-	-
Total			20,451	14,506	13,096

(*1) The Company evaluates the amount using a reasonable valuation model and appropriate estimates based on the professional judgment of an independent external valuation firm as fair value.

(*2) As of December 31, 2022 and 2021, this security is pledged as collateral for borrowings (see Note 18).

10. Other assets and other liabilities

10-1 Other financial assets and other financial liabilities as of December 31, 2022 and 2021 are as follows:

(In millions of Korean won)

Classification	December 31, 2022		December 31, 2021	
	Current portion	Non-current portion	Current portion	Non-current portion
Other financial assets				
Accrued income	838	-	233	-
Loan assets	9,537	5,644	9,438	985
Present value discount	-	(311)	-	-
Guarantee deposits	-	27,191	-	26,860
Expected credit loss allowance	-	(251)	-	(246)
Present value discount	-	(651)	-	(891)
Financial lease receivables	-	-	104	-
Total	10,375	31,622	9,775	26,708
Other financial liabilities				
Accrued expenses	17,537	-	13,459	-
Deposits for letter of guarantees	5,742	91	2,697	3,591
Present value discount	(13)	(6)	(17)	(99)
Financial guarantee liabilities	349	84	454	33
Lease liability	18,921	32,346	17,083	44,052
Total	42,536	32,515	33,676	47,577

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

10. Other assets and other liabilities, Continued

10-2 Changes in value of expected credit loss allowance for other financial assets for the years ended December 31, 2022 and 2021 are as follows.

(In millions of Korean won)

Classification	2022	2021
Balance as of January 1	246	305
Provision	5	11
Reversal	-	(70)
Balance as of December 31	251	246

10-3 Other current (non-current) assets and other current (non-current) liabilities as of December 31, 2022 and 2021 are as follows:

(In millions of Korean won)

Classification	December 31, 2022		December 31, 2021	
	Current portion	Non-current portion	Current portion	Non-current portion
Other assets				
Advance payments	16,137	10,083	16,576	12,305
Accumulated impairment losses	(622)	(638)	(599)	(639)
Prepaid expenses	6,194	39	9,870	41
Total	21,709	9,484	25,847	11,707
Other liabilities				
Contract liabilities	12,741	-	11,985	-
Income in advance	2,844	522	1,295	709
Deposits received	9,407	-	9,279	-
Output value added taxes	1,769	-	4,668	-
Others	-	820	-	821
Total	26,761	1,342	27,227	1,530

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

11. Subsidiaries, Associates and Joint ventures

11-1 Details of investments in subsidiaries

11-1-1 Details of investments in subsidiaries as of December 31, 2022 and 2021 are as follows:

(In millions of Korean won)

Subsidiaries	location	Major operating activities	2022			
			share ratio (%)	Acquisition cost	Company portion of net assets	Book value
Daesang Dives Co., Ltd.	Domestic	Food manufacturing	100.00	27,585	42,409	43,415
Sinan Solar Salt Co., Ltd	Domestic	Food manufacturing	90.00	3,420	4,647	4,727
Daesang Food Plus Co., Ltd. (*1)	Domestic	Food manufacturing	100.00	65,977	53,414	52,992
PT Daesang Ingredients Indonesia (*2)	Indonesia	Food manufacturing	89.98	99,216	132,539	135,743
PT Daesang Food Indonesia (*3)	Indonesia	Food manufacturing	70.30	4,064	6,531	6,064
Daesang Vietnam Co., Ltd. (*4)	Vietnam	Food manufacturing	93.11	52,562	48,678	48,100
Daesang (H.K.) Ltd.	China	Trade Business	100.00	10,963	4,723	4,705
Daesang(Beijing) Foods Co., Ltd.	China	Food manufacturing	100.00	4,145	(4,985)	-
Tianjin Defeng Foods Co., Ltd.	China	Food manufacturing	100.00	4,507	5,401	5,354
Daesang Japan Inc.	Japan	Trade Business	100.00	346	4,014	4,329
Daesang America Inc.	USA	Trade Business	95.00	2,152	1,705	1,806
Daesang Europe B.V.	Netherlands	Trade Business	100.00	235	2,487	-
DU Food Co., Ltd.	Domestic	Food manufacturing	92.50	1,665	1,160	1,105
Daesang Duc Viet JSC. (*5)	Vietnam	Food manufacturing	100.00	36,056	16,001	24,363
Daesang Philippines Corporation	Philippines	Trade Business	100.00	18,342	18,283	18,268
Daesang (Lianyungang) Food Co., Ltd	China	Food manufacturing	100.00	19,785	18,647	18,647
DSF DE, Inc.	USA	Intermediate holding company	100.00	17,019	13,759	13,759
Daesang Deliheim Co., Ltd (*6)	Domestic	Food manufacturing	100.00	22,666	19,913	19,722
Total				390,705	389,326	403,099

(In millions of Korean won)

Subsidiaries	location	Major operating activities	2021			
			share ratio (%)	Acquisition cost	Company portion of net assets	Book value
Daesang Dives Co., Ltd.	Domestic	Food manufacturing	100.00	27,585	40,807	41,796
Sinan Solar Salt Co., Ltd	Domestic	Food manufacturing	90.00	3,420	4,246	4,330
Daesang Food Plus Co., Ltd. (*1)	Domestic	Food manufacturing	100.00	65,977	54,481	54,190
PT Daesang Ingredients Indonesia (*2)	Indonesia	Food manufacturing	89.98	99,216	144,450	147,643
PT Daesang Food Indonesia (*3)	Indonesia	Food manufacturing	70.30	4,064	6,687	6,538
Daesang Vietnam Co., Ltd. (*4)	Vietnam	Food manufacturing	93.11	52,562	44,713	44,023
Daesang (H.K.) Ltd.	China	Trade Business	100.00	10,963	4,126	4,110
Daesang(Beijing) Foods Co., Ltd.	China	Food manufacturing	100.00	4,145	(2,806)	-
Tianjin Defeng Foods Co., Ltd.	China	Food manufacturing	100.00	4,506	5,539	5,506
Daesang Japan Inc.	Japan	Trade Business	100.00	346	5,191	5,448
Daesang America Inc.	USA	Trade Business	95.00	2,152	2,315	-
Daesang Europe B.V.	Netherlands	Trade Business	100.00	235	2,020	-
DU Food Co., Ltd.	Domestic	Food manufacturing	92.50	1,665	1,083	1,013
Daesang Duc Viet JSC. (*5)	Vietnam	Food manufacturing	100.00	36,056	14,157	20,457
Daesang Philippines Corporation	Philippines	Trade Business	100.00	537	905	725
Daesang (Lianyungang) Food Co., Ltd	China	Food manufacturing	100.00	19,785	19,245	19,245
DSF DE, Inc.	USA	Intermediate holding company	100.00	17,019	15,576	15,576
Daesang Deliheim Co., Ltd (*6)	Domestic	Food manufacturing	100.00	22,666	21,938	21,514
Total				372,899	384,673	392,114

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

11. Subsidiaries, Associates and Joint ventures. Continued

- (*1) During the previous year, the company name was changed from Jeongpung Co., Ltd. to Daesang Food Plus Co., Ltd.
- (*2) During the previous year, the company name was changed from PT MIWON INDONESIA to PT Daesang Ingredients Indonesia.
- (*3) During the previous year, the company name was changed from PT ANEKA BOGA NUSANTARA to PT Daesang Food Indonesia.
- (*4) During the current year, the company name was changed from Miwon Vietnam CO., Ltd. to Daesang Vietnam Co., Ltd.
- (*5) During the current year, the company name was changed from Duc Viet Food Joint Stock Company to Daesang Duc Viet JSC.
- (*6) During the previous year, Daesang Deliheim Co., Ltd., a subsidiary, was established (see Note 30).

As of the end of the reporting period, the Company's ownership share ratio and voting share ratio are the same.

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

11. Subsidiaries, Associates and Joint ventures, Continued

11-1-2 Details of Changes in investments in subsidiaries for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

Subsidiaries	2022								
	Beginning Balance	Acquisition	Disposal	Valuation under equity method				Ending balance	Profit (loss) not reflected in the application of the equity method
				Changes in equity	Retained earnings	Gain or loss	Impairment (loss) Reversal		
Daesang Dives Co., Ltd.	41,796	-	-	-	381	1,238	-	43,415	-
Sinan Solar Salt Co., Ltd	4,330	-	-	-	228	169	-	4,727	-
Daesang Food Plus Co., Ltd.	54,190	-	-	-	477	(1,487)	(188)	52,992	-
PT Daesang Ingredients Indonesia	147,643	-	-	(3,215)	659	(9,344)	-	135,743	-
PT Daesang Food Indonesia	6,538	-	-	(181)	58	(351)	-	6,064	-
Daesang Vietnam Co., Ltd.	44,023	-	-	1,306	-	2,771	-	48,100	-
Daesang (H.K.) Ltd.	4,110	-	-	279	-	316	-	4,705	-
Daesang (Beijing) Food Co., Ltd	-	-	-	-	-	-	-	-	(5,119)
Tianjin Defeng Foods Co., Ltd	5,506	-	-	(144)	-	(8)	-	5,354	-
Daesang Japan Inc.	5,448	-	-	(363)	-	(756)	-	4,329	-
Daesang America Inc.	-	-	-	175	-	1,631	-	1,806	-
Daesang Europe B.V.	-	-	-	-	-	-	-	-	(3,042)
DU Food Co., Ltd.	1,013	-	-	-	2	90	-	1,105	-
Daesang Duc Viet JSC.	20,457	-	-	426	-	1,064	2,416	24,363	-
Daesang Philippines Corporation	725	17,806	-	(669)	-	406	-	18,268	-
Daesang (Lianyungang) Food Co., Ltd	19,245	-	-	(492)	-	(106)	-	18,647	-
DSF DE, Inc.	15,576	-	-	1,129	-	(2,946)	-	13,759	-
Daesang Deliheim Co., Ltd	21,514	-	-	-	162	(1,954)	-	19,722	-
Hongbo Energy Co., Ltd	-	15,408	(14,668)	-	-	(740)	-	-	-
Total	392,114	33,214	(14,668)	(1,749)	1,967	(10,007)	2,228	403,099	(8,161)

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

11. Subsidiaries, Associates and Joint ventures (Continued)

(In millions of Korean won)

Subsidiaries	2021							Profit (loss) not reflected in the application of the equity method
	Beginning Balance	Acquisition (disposal) Replacement	Changes in equity	Retained earnings	Gain or loss	Impairment loss	Ending balance	
Daesang Dives Co., Ltd.	35,149	-	-	-	6,647	-	41,796	-
Sinan Solar Salt Co., Ltd	4,585	-	-	(70)	(185)	-	4,330	-
Daesang Food Plus Co., Ltd.	53,981	7,000	-	3	84	(6,878)	54,190	-
PT Daesang Ingredients Indonesia	132,536	-	9,602	961	4,544	-	147,643	-
PT Daesang Food Indonesia	5,226	-	433	27	852	-	6,538	-
Daesang Vietnam Co., Ltd.	36,336	-	4,066	-	3,621	-	44,023	-
Daesang (H.K.) Ltd.	3,626	-	331	-	153	-	4,110	-
Daesang (Beijing) Food Co., Ltd	1,793	-	(90)	-	(1,703)	-	-	(3,017)
Tianjin Defeng Foods Co., Ltd	4,972	-	577	-	(43)	-	5,506	-
Daesang Japan Inc.	4,917	-	(112)	-	643	-	5,448	-
Daesang America Inc.	-	-	-	-	-	-	-	(483)
Daesang Europe B.V.	-	-	-	-	-	-	-	(3,046)
DU Food Co., Ltd.	1,118	-	-	(51)	(54)	-	1,013	-
Daesang Duc Viet JSC	22,818	-	1,657	-	798	(4,816)	20,457	-
Daesang Philippines Corporation	888	-	25	-	(188)	-	725	-
Daesang (Lianyungang) Food Co., Ltd	17,101	-	1,985	-	159	-	19,245	-
DSF DE, Inc.	17,013	-	10	-	(1,447)	-	15,576	-
Daesang Deliheim Co., Ltd	-	22,666	-	(185)	(967)	-	21,514	-
Total	342,059	29,666	18,484	685	12,914	(11,694)	392,114	(6,546)

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

11. Subsidiaries, Associates and Joint ventures, Continued

11-1-3 Major financial information of Subsidiaries as of the December 31, 2022 and 2021 are as follows:

(In millions of Korean won)

Subsidiaries	2022				
	Assets	Liabilities	Equity	Sales	Net income (loss)
Daesang Dives Co., Ltd.	73,014	30,605	42,409	144,469	1,221
Sinan Solar Salt Co., Ltd	6,806	1,643	5,163	8,722	193
Daesang Food Plus Co., Ltd.	87,369	33,955	53,414	65,342	(1,544)
PT Daesang Ingredients Indonesia	245,537	98,238	147,299	369,468	(10,397)
PT Daesang Food Indonesia	25,697	16,406	9,291	65,724	(46)
Daesang Vietnam Co., Ltd.	99,519	47,239	52,280	170,592	2,856
Daesang (H.K.) Ltd.	8,088	3,365	4,723	49,175	318
Daesang (Beijing) Food Co., Ltd	11,501	16,486	(4,985)	61,148	(2,396)
Tianjin Defeng Foods Co., Ltd	5,693	292	5,401	4,568	5
Daesang Japan Inc.	49,914	45,900	4,014	110,645	(813)
Daesang America Inc.	46,965	45,170	1,795	141,480	(826)
Daesang Europe B.V.	68,219	65,732	2,487	169,392	455
DU Food Co., Ltd.	3,353	2,099	1,254	9,168	82
Daesang Duc Viet JSC.	26,118	10,117	16,001	52,053	1,447
Daesang Philippines Corporation	25,053	6,770	18,283	24,319	242
Daesang (Lianyungang) Food Co., Ltd	26,347	7,700	18,647	15,438	(105)
DSF DE, Inc.	13,759	-	13,759	-	(2,946)
Daesang Deliheim Co., Ltd	28,730	8,817	19,913	40,129	(2,186)
Total	851,682	440,534	411,148	1,501,832	(14,440)

(In millions of Korean won)

Subsidiaries	2021				
	Assets	Liabilities	Equity	Sales	Net income (loss)
Daesang Dives Co., Ltd.	70,293	29,486	40,807	113,690	6,649
Sinan Solar Salt Co., Ltd	7,764	3,047	4,717	8,085	(221)
Daesang Food Plus Co., Ltd.	84,894	30,413	54,481	51,195	252
PT Daesang Ingredients Indonesia	225,062	64,526	160,536	276,989	4,340
PT Daesang Food Indonesia	15,803	6,291	9,512	48,817	1,058
Daesang Vietnam Co., Ltd.	93,864	45,842	48,022	128,908	4,312
Daesang (H.K.) Ltd.	9,669	5,543	4,126	38,889	160
Daesang (Beijing) Food Co., Ltd	10,533	13,339	(2,806)	52,368	(4,562)
Tianjin Defeng Foods Co., Ltd	5,721	182	5,539	4,061	(65)
Daesang Japan Inc.	36,136	30,945	5,191	95,285	727
Daesang America Inc.	35,798	33,361	2,437	118,850	187
Daesang Europe B.V.	51,806	49,786	2,020	110,269	331
DU Food Co., Ltd.	2,713	1,542	1,171	6,591	(32)
Daesang Duc Viet JSC.	18,341	4,184	14,157	37,679	1,043
Daesang Philippines Corporation	8,040	7,135	905	21,022	(122)
Daesang (Lianyungang) Food Co., Ltd	28,275	9,030	19,245	10,788	159
DSF DE, Inc.	15,576	-	15,576	-	(1,447)
Daesang Deliheim Co., Ltd	26,139	4,201	21,938	5,822	(505)
Total	746,427	338,853	407,574	1,129,308	12,264

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

11. Subsidiaries, Associates and Joint ventures, Continued

11-1-4 Details of adjustments to carrying amounts of investments in subsidiaries are as follows.

(In millions of Korean won)

Subsidiaries	2022						
	Equity	Share ratio (%)	Company portion of net assets	Unrealized income (loss)	Good will	Valuation difference impairment loss	Book value of subsidiaries
Daesang Dives Co., Ltd.	42,409	100.00	42,409	(52)	1,021	37	43,415
Sinan Solar Salt Co., Ltd	5,163	90.00	4,647	(33)	113	-	4,727
Daesang Food Plus Co., Ltd.	53,414	100.00	53,414	(165)	11,705	(11,962)	52,992
PT Daesang Ingredients Indonesia	147,299	89.98	132,539	(127)	4,336	(1,005)	135,743
PT Daesang Food Indonesia	9,291	70.30	6,531	(467)	-	-	6,064
Daesang Vietnam Co., Ltd.	52,280	93.11	48,678	(578)	-	-	48,100
Daesang (H.K.) Ltd.	4,723	100.00	4,723	(18)	-	-	4,705
Daesang (Beijing) Food Co., Ltd	(4,985)	100.00	(4,985)	4,985	-	-	-
Tianjin Defeng Foods Co., Ltd	5,401	100.00	5,401	(47)	-	-	5,354
Daesang Japan Inc.	4,014	100.00	4,014	(1,004)	-	1,319	4,329
Daesang America Inc.	1,795	95.00	1,705	-	-	101	1,806
Daesang Europe B.V.	2,487	100.00	2,487	(2,487)	-	-	-
DU Food Co., Ltd.	1,254	92.50	1,160	(55)	-	-	1,105
Daesang Duc Viet JSC.	16,001	100.00	16,001	-	21,764	(13,402)	24,363
Daesang Philippines Corporation	18,283	100.00	18,283	(15)	-	-	18,268
Daesang (Lianyungang) Food Co., Ltd	18,647	100.00	18,647	-	-	-	18,647
DSF DE, Inc.	13,759	100.00	13,759	-	-	-	13,759
Daesang Deliheim Co., Ltd	19,913	100.00	19,913	(229)	-	38	19,722
Total	411,148		389,326	(292)	38,939	(24,874)	403,099

(In millions of Korean won)

Subsidiaries	2021						
	Equity	Share ratio (%)	Company portion of net assets	Unrealized income (loss)	Good will	Valuation difference impairment loss	Book value of subsidiaries
Daesang Dives Co., Ltd.	40,807	100.00	40,807	(69)	1,021	37	41,796
Sinan Solar Salt Co., Ltd	4,717	90.00	4,246	(30)	114	-	4,330
Daesang Food Plus Co., Ltd.	54,481	100.00	54,481	(222)	11,704	(11,773)	54,190
PT MIWON INDONESIA	160,536	89.98	144,450	(137)	4,335	(1,005)	147,643
PT ANEKA BOGA NUSANTARA	9,512	70.30	6,687	(149)	-	-	6,538
MIWON VIETNAM CO., LTD.	48,022	93.11	44,713	(689)	-	(1)	44,023
DAESANG (H.K.) LTD.	4,126	100.00	4,126	(16)	-	-	4,110
Daesang (Beijing) Food Co., Ltd	(2,806)	100.00	(2,806)	2,806	-	-	-
Tianjin Defeng Foods Co., Ltd	5,539	100.00	5,539	(33)	-	-	5,506
Daesang Japan Inc.	5,191	100.00	5,191	(1,062)	-	1,319	5,448
Daesang America Inc.	2,437	95.00	2,315	(2,315)	-	-	-
Daesang Europe B.V.	2,020	100.00	2,020	(2,020)	-	-	-
DU Food Co., Ltd.	1,171	92.50	1,083	(70)	-	-	1,013
DUC VIET FOOD JOINT STOCK COMPANY	14,157	100.00	14,157	-	21,763	(15,463)	20,457
Daesang Philippines Corporation	905	100.00	905	(180)	-	-	725
Daesang (Lianyungang) Food Co., Ltd	19,245	100.00	19,245	-	-	-	19,245
DSF DE, Inc.	15,576	100.00	15,576	-	-	-	15,576
Daesang Deliheim Co., Ltd	21,938	100.00	21,938	(462)	-	38	21,514
Total	407,574		384,673	(4,648)	38,937	(26,848)	392,114

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

11. Subsidiaries, Associates and Joint ventures, Continued

11-2 Details of investments in associates as of December 31, 2022 and 2021 are as follows

(In millions of Korean won)

Associates	2022			
	location	Major operating activities	share ratio (%)	Book value
PT Daesang Agung Indonesia (*1)	Indonesia	Food wholesale	49.00	6,217
Sunchangjangryu Agricultural Corporation	Domestic	Food manufacturing	22.88	716
UTC Greenbio Investment	Domestic	Investment	45.00	3,024
UN Green Synergy Investment	Domestic	Investment	23.91	4,818
Ecovance Co., Ltd. (*2,3)	Domestic	Ingredients manufacturing	14.10	17,300
Shandong Aonong Food Co., Ltd. (*2)	China	Food manufacturing	25.00	3,285
Total				35,360

(In millions of Korean won)

Associates	2021			
	location	Major operating activities	share ratio (%)	Book value
PT Daesang Agung Indonesia (*1)	Indonesia	Food wholesale	49.00	6,217
Sunchangjangryu Agricultural Corporation	Domestic	Food manufacturing	22.88	716
UTC Greenbio Investment	Domestic	Investment	45.00	3,024
UN Green Synergy Investment	Domestic	Investment	23.91	4,818
Ecovance Co., Ltd. (*2,3)	Domestic	Ingredients manufacturing	-	-
Shandong Aonong Food Co., Ltd. (*2)	China	Food manufacturing	-	-
Total				14,775

(*1) During the previous year, the company name was changed from PT JICO AGUNG to PT Daesang Agung Indonesia.

(*2) As a result of investing during the current period, it was added to associates.

(*3) As of December 31, 2022, the Company's ownership is less than 20%, but it is classified as an associate because it is judged to exercise significant influence by participating in major decision-making bodies.

As of the end of the reporting period, the Company's share ownership share ratio and voting ratio are the same.

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

11. Subsidiaries, Associates and Joint ventures, Continued

11-3 Details of investments in joint ventures as of December 31, 2022 and 2021

(In millions of Korean won)

		2022		
Joint ventures	location	Major operating activities	Share ratio (%)	Book value
Daesang Ricor Corporation	Philippines	Food manufacturing	50.00	4,995
DMC Co., Ltd.	Domestic	Food manufacturing	50.00	2,100
Total				<u>7,095</u>

(In millions of Korean won)

		2021		
Joint ventures	location	Major operating activities	Share ratio (%)	Book value
Daesang Ricor Corporation	Philippines	Food manufacturing	50.00	4,995
DMC Co., Ltd.	Domestic	Food manufacturing	50.00	2,100
Total				<u>7,095</u>

As of the end of the reporting period, the Company's share ownership ratio and voting ratio are the same.

12. Property, Plant and Equipment

12-1 Details of property and equipment as of December 31, 2022 and 2021, are as follows

(In millions of Korean won)

		2022			
	Land	facility assets	Others	Construction-in-progress	Total
Acquisition cost	255,023	1,403,883	107,132	34,220	1,800,258
Accumulated depreciation	-	(905,149)	(81,815)	-	(986,964)
Accumulated impairment loss	-	(13,621)	(133)	-	(13,754)
Government subsidy	-	(3,702)	(350)	-	(4,052)
Net book value	<u>255,023</u>	<u>481,411</u>	<u>24,834</u>	<u>34,220</u>	<u>795,488</u>

(In millions of Korean won)

		2021			
	Land	facility assets	Others	Construction-in-progress	Total
Acquisition cost	252,112	1,237,203	94,016	80,901	1,664,232
Accumulated depreciation	-	(853,932)	(74,790)	-	(928,722)
Accumulated impairment loss	-	(13,642)	(133)	-	(13,775)
Government subsidy	-	(4,273)	(42)	-	(4,315)
Net book value	<u>252,112</u>	<u>365,356</u>	<u>19,051</u>	<u>80,901</u>	<u>717,420</u>

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

12. Property, Plant and Equipment, Continued

12-2 Changes in net book value of property, plant and equipment during the years ended December 31, 2022 and 2021 are as follows:

<i>(In millions of Korean won)</i>	2022						
	Beginning Balance	Acquisitions	Disposals	Transfer(*)	Depreciation	Impairment loss	Ending balance
Land	252,112	2,619	(171)	463	-	-	255,023
Facilities	369,628	49,808	(253)	123,372	(57,463)	22	485,114
(Government subsidy)	(4,273)	(45)	-	-	615	-	(3,703)
Others	19,094	11,169	(5)	2,609	(7,683)	-	25,184
(Government subsidy)	(42)	(393)	-	-	85	-	(350)
Construction-in-progress	80,901	86,288	(69)	(132,900)	-	-	34,220
Total	717,420	149,446	(498)	(6,456)	(64,446)	22	795,488

(*) During the current year, the amount transferred from tangible assets to intangible assets is KRW 7,313 million, the amount transferred from tangible assets to investment properties is KRW 168 million, and the amount transferred from investment properties to tangible assets is KRW 1,025 million.

<i>(In millions of Korean won)</i>	2021							
	Beginning Balance	Acquisitions	Disposals	Transfer(*)	Investment in kind (Note. 30)	Depreciation	Impairment loss	Ending balance
Land	262,229	5,148	(3,475)	(4,815)	(6,975)	-	-	252,112
Facilities	367,461	54,071	(4,659)	8,953	(3,271)	(52,571)	(356)	369,628
(Government subsidy)	(4,892)	-	-	-	-	619	-	(4,273)
Others	14,855	11,299	(1,400)	456	(31)	(6,089)	3	19,093
(Government subsidy)	(448)	-	281	-	-	126	-	(42)
Construction-in-progress	38,333	54,751	-	(12,183)	-	-	-	80,901
Total	677,538	125,269	(9,253)	(7,589)	(10,277)	(57,915)	(353)	717,420

(*) During the previous year, the amount transferred from assets held for sale to tangible assets was KRW 369 million, the amount transferred from tangible assets to intangible assets was KRW 1,012 million, and the amount transferred from tangible assets to investment real estate was KRW 6,946 million.

12-3 The accounts that contain depreciation expenses during 2022 and 2021 are as follows:

<i>(In millions of Korean won)</i>	2022	2021
Cost of sales	55,416	50,507
Selling and administrative expenses	8,589	7,277
Other non-operating expenses	441	131
Total	64,446	57,915

12-4 The capitalized borrowing costs included in fixed assets during 2022 and 2021 are as follows:

<i>(In millions of Korean won)</i>	2022	2021
qualifying asset	tangible assets	tangible assets
Capitalized borrowing costs	1,174	419
Capitalization rate	1.50%~4.89%	1.5%

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

13. Intangible Assets

13-1 Details of intangible assets as of December 31, 2022 and 2021, are as follows

	2022					
<i>(In millions of Korean won)</i>	Good will	Industrial property	Software	Club membership	Others	Total
Acquisition cost	65,511	10,466	45,209	8,188	5,507	134,881
Accumulated amortization	-	(9,814)	(34,107)	-	(946)	(44,867)
Accumulated impairment loss	-	-	-	(445)	-	(445)
Government subsidy	-	(2)	(2)	-	-	(4)
Net book value	<u>65,511</u>	<u>650</u>	<u>11,100</u>	<u>7,743</u>	<u>4,561</u>	<u>89,565</u>

	2021					
<i>(In millions of Korean won)</i>	Good will	Industrial property	Software	Club membership	Others	Total
Acquisition cost	65,511	10,362	40,710	4,531	1,955	123,069
Accumulated amortization	-	(9,511)	(30,411)	-	(923)	(40,845)
Accumulated impairment loss	-	-	-	(638)	-	(638)
Government subsidy	-	(3)	(7)	-	-	(10)
Net book value	<u>65,511</u>	<u>848</u>	<u>10,292</u>	<u>3,893</u>	<u>1,032</u>	<u>81,576</u>

13-2 Changes in net book value of intangible assets for the years ended December 31, 2022 and 2021, are as follows:

	2022				
<i>(In millions of Korean won)</i>	Beginning Balance	Acquisitions	Transfer (*2)	Amortization	Ending balance
Goodwill	65,511	-	-	-	65,511
Industrial property	851	-	104	(303)	652
Government subsidy	(3)	-	-	1	(2)
Software	10,299	-	4,498	(3,695)	11,102
Government subsidy	(7)	-	-	5	(2)
Club membership (*1)	3,893	-	3,850	-	7,743
Others intangible assets	1,032	4,691	(1,139)	(23)	4,561
Total	<u>81,576</u>	<u>4,691</u>	<u>7,313</u>	<u>(4,015)</u>	<u>89,565</u>

(*1) Club memberships were not amortized but impairment gain (loss) was set up based on the membership market value at the year-end.

(*2) During the current year, the amount transferred from tangible assets to intangible assets is KRW 7,313 million.

	2021					
<i>(In millions of Korean won)</i>	Beginning Balance	Acquisitions	Disposal	Transfer (*2)	Amortization	Ending balance
Goodwill	65,511	-	-	-	-	65,511
Industrial property	2,145	-	(379)	96	(1,011)	851
Government subsidy	(4)	-	-	-	1	(3)
Software	11,469	1,756	(360)	1,012	(3,578)	10,299
Government subsidy	(11)	-	-	-	4	(7)
Club membership (*1)	3,436	857	(400)	-	-	3,893
Others intangible assets	192	971	-	(96)	(35)	1,032
Total	<u>82,738</u>	<u>3,584</u>	<u>(1,139)</u>	<u>1,012</u>	<u>(4,619)</u>	<u>81,576</u>

(*1) Client relationships were not amortized by applying an indefinite useful life.

(*2) During the current year, the amount transferred from tangible assets to intangible assets is KRW 1,012 million.

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

13. Intangible Assets, Continued

13-3 The accounts that contain amortization expenses during 2022 and 2021 are as follows:

<i>(In millions of Korean won):</i>	<u>2022</u>	<u>2021</u>
Cost of sales	688	632
Selling and administrative expenses	3,327	3,987
Total	<u>4,015</u>	<u>4,619</u>

13-4 Result of goodwill impairment test

The recoverable amount of cash flow generating units was determined based on value in use calculations, and the key assumptions used in value in use calculations are as follows:

	<u>2022</u>	<u>2021</u>
Operating margin	2.61%~2.95%	1.86%~3.20%
Sales growth rate (*1)	3.40%~4.48%	1.50%~9.47%
Perpetual growth rate (*2)	1.00%	1.00%
Discount rate (*3)	7.34%	7.76%

(*1) The annual average sales growth rate was calculated based on the past growth rate to calculate the cash flow forecast for the next five years.

(*2) Figures from industry reports and consistent growth rates projected beyond 5 years were used.

(*3) The discount rate applied to the expected cash flow.

The Company conducts an impairment test on goodwill every year. As a result of the impairment test, it is determined that the book value of the cash-generating unit will not exceed its recoverable amount.

14. Investment Properties

14-1 Details of investment properties as of December 31, 2022 and 2021, are as follows

<i>(In millions of Korean won)</i>	<u>2022</u>			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net book value
Land	32,035	-	(613)	31,422
Buildings	24,994	(15,122)	(126)	9,746
Total	<u>57,029</u>	<u>(15,122)</u>	<u>(739)</u>	<u>41,168</u>

<i>(In millions of Korean won)</i>	<u>2021</u>			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net book value
Land	32,836	-	(613)	32,223
Buildings	26,852	(15,233)	(126)	11,493
Total	<u>59,688</u>	<u>(15,233)</u>	<u>(739)</u>	<u>43,716</u>

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

14. Investment properties, Continued

14-2 Changes in net book value of investment properties for the years ended December 31, 2022 and 2021 are as follows

<i>(In millions of Korean won)</i>	2022				
	Beginning Balance	Disposal	Transfer (*)	Depreciation	Ending Balance
Land	32,223	(390)	(411)	-	31,422
Buildings	11,493	(762)	(446)	(539)	9,746
Total	<u>43,716</u>	<u>(1,152)</u>	<u>(857)</u>	<u>(539)</u>	<u>41,168</u>

(*) During the current year, the amount transferred from property, plant and equipment to investment properties is 168 million won, and the amount transferred from investment properties to property, plant and equipment is 1,025 million won.

<i>(In millions of Korean won)</i>	2021				
	Beginning Balance	Disposal	Transfer (*)	Depreciation	Ending Balance
Land	29,963	(2,555)	4,815	-	32,223
Buildings	11,116	(1,205)	2,131	(549)	11,493
Total	<u>41,079</u>	<u>(3,760)</u>	<u>6,946</u>	<u>(549)</u>	<u>43,716</u>

(*) During the previous year, the amount transferred from tangible assets to investment real estate was 6,946 million won.

14-3 Details of rental income and rental expenses recognized in relation to the Company's investment properties for the years ended December 31, 2022 and 2021 are as follows:

<i>(In millions of Korean won)</i>	2022	2021
rental income	1,757	1,817
rental expenses (*)	(984)	(1,266)
Net income	<u>773</u>	<u>551</u>

(*) It consists of investment property depreciation and investment property maintenance expenses.

14-4 As of December 31, 2022, the fair value of investment property is 47,026 million won (2021: 48,793 million won).

15. Trade Payables and Other Payables

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

<i>(In millions of Korean won)</i>	2022	
	Current	Non-current
Trade payables	144,516	-
Other payables	142,685	95
Total	<u>287,201</u>	<u>95</u>

<i>(In millions of Korean won)</i>	2021	
	Current	Non-current
Trade payables	166,066	-
Other payables	158,028	89
Total	<u>324,094</u>	<u>89</u>

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

16. Borrowings

16-1 Details of short-term borrowings as of December 31, 2022 and 2021 are as follows

<i>(In millions of Korean won)</i>		Annual interest rate (%)	Amount	
Lender		2022	2022	2021
(1) Borrowings in Korean won:				
General loan	Korea Agro-Fisheries & Food Trade Corporation	1.00	23,000	20,000
	Export-Import Bank of Korea	1.68	35,000	12,000
	NH Bank	5.19	5,000	-
(2) Borrowings in foreign currencies:				
Usance	Korea Development Bank, etc.	1.52~5.07	249,095	186,910
Export bills (*)	KEB Hana Bank	5.16~5.97	8,973	17,838
Total			<u>321,068</u>	<u>236,748</u>

(*) The Company classifies export bills as borrowings because the Company retains most of the risks in case of debtor's default in transactions.

16-2 Details of long-term borrowings as of December 31, 2022 and 2021 are as follows:

<i>(In millions of Korean won)</i>		Annual interest rate (%)	Amount	
Lender		2022	2022	2021
General loan	Housing City Guarantee Corporation	1.00	2,061	2,576
Facility loan	NH Bank	2.00	288	432
Facility loan	Korea Development Bank and others	1.50~4.89	79,000	28,000
General loan	Korea Eximbank	5.13	45,000	-
Facility loan	Woori Bank	5.85	15,000	-
Sub total			<u>141,349</u>	<u>31,008</u>
Recognized amount of government subsidies (*)			(334)	(498)
Borrowings maturing within 1 year (Current portion of long-term borrowings)			(525)	(495)
Long-term borrowings balance			<u>140,490</u>	<u>30,015</u>

(*) For loans borrowed from government agencies at a lower interest rate than the market rate, the difference between the borrowed amount and the fair value is recognized as government subsidies.

The Company's tangible assets are provided as collateral for the above short- and long-term borrowings. (See note 18).

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

17. Debentures

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

<i>(In millions of Korean won)</i>	Interest rate (%)	Amount	
	2022	2022	2021
Public Debentures	1.23 ~ 3.19	610,000	540,000
Debentures discount issuance		(1,181)	(971)
Sub total		608,819	539,029
Debentures maturing within one year (Current portion of debentures)		(79,994)	(129,989)
Debentures balance		528,825	409,040

18. Collateral Assets

Details of assets provided as collateral as of December 31, 2022 and 2021 are as follows.

<i>(In millions of Korean won)</i>	2022				
	Book value	Amount set up as collateral	Type of borrowing	Related borrowing Amount	Collateral holder
Land	110,955		Short-term borrowings (usance)	25,187	Korea Development Bank
		424,784	Long-term borrowings	79,000	
Building	129,849		Long-term borrowings	15,000	Woori Bank
Machinery	17,257			17,000	
Short-term financial instruments	3,000	3,000	Short-term borrowings	3,000	Korea Agro-Fisheries & Food Trade Corporation
Shares			Current portion of Long-term borrowings	515	Korea Housing & Urban Guarantee Corporation
	4,883	4,883	Long-term borrowings	1,546	
Total	265,944	432,667		141,248	

19. Provisions

19-1 Provisions as of December 31, 2022 and 2021 are as follows:

<i>(In millions of Korean won)</i>	2022		2021	
	Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities
Provision for returns	8,022	-	6,620	-
Provision for restoration	-	1,538	-	1,511

The Company estimates the number of returnable sales and accounts for the estimated amount of future returns as a provision for returns.

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

19. Provisions, Continued

19-2 GHG Emission Rights and Emission Liabilities

There are no GHG emission rights provided as collateral as of the end of the reporting period.

Our estimate of greenhouse gas emissions during the current year is expected to be 463,420 tCO₂-eq, which is less than the sum of the free emission allowance granted by the government and the amount brought forward from previous year.

Emission liabilities are recognized only when the allocated emission permits exceed the actual emissions, and there is no emission liability recognized by the company during the current year.

20. Net Defined Benefit Obligations

20-1 Details of net defined benefit obligations and fair value of plan assets recognized in the non-consolidated statements of financial position as of December 31, 2022 and 2021 are as follows:

(In millions of Korean won)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligation	246,828	262,468
Fair value of plan assets (*)	(147,532)	(120,019)
Total	<u>99,296</u>	<u>142,449</u>

(*) Fair value of plan assets is the amount including the amount due from the national pension fund of 47 million won in 2022 and 51 million won in 2021.

20-2 Changes in the defined benefit obligations for the years ended December 31, 2022 and 2021 are as follows:

(In millions of Korean won)

	<u>2022</u>	<u>2021</u>
Present value of obligations at beginning of year	262,468	244,274
Current service cost	29,583	35,273
Interest cost	7,698	5,977
Sub total	<u>37,281</u>	<u>41,250</u>
Benefits paid	(19,999)	(19,998)
Remeasurement:		
Actuarial gains or losses arising from changes in demographic assumptions	2,035	-
Actuarial gains or losses arising from changes in financial assumptions	(47,187)	(10,321)
Experience adjustments	13,773	9,835
Sub total	<u>(31,379)</u>	<u>(486)</u>
Net transfer of employees to affiliated companies	(1,543)	(2,572)
Present value of obligations at end of year	<u>246,828</u>	<u>262,468</u>

As of December 31, 2022, the weighted average maturity of defined benefit obligations are 7.07 years (End of previous year: 7.75 years).

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

20. Net Defined Benefit Obligations, Continued

20-3 Changes in the fair value of plan assets for the years ended December 31, 2022 and 2021 are as follows:

<i>(In millions of Korean won)</i>	2022	2021
Fair value of plan assets at beginning of year	120,019	91,494
Interest income on plan assets	3,518	2,050
Operating and management expenses	(276)	(202)
Sub total	3,242	1,848
Benefits paid	(9,987)	(7,920)
Remeasurement:		
Expenses on plan assets	(952)	(421)
Sub total	(952)	(421)
Contributions by employer	35,000	35,000
Net transfer of employees from affiliated companies	210	18
Fair value of plan assets at end of year	147,532	120,019

The Company reviews the level of accumulation of funds every year and has a policy to compensate for any loss in the fund. Expected contributions to post-employment benefit plans to be paid in 2023 by the Company are estimated to be about 35,000 million won.

20-4 Net defined benefit obligations (assets) costs recognized in profit or loss for the years ended December 31, 2022 and 2021 are as follows:

<i>(In millions of Korean won)</i>	2022	2021
Current service cost	29,583	35,273
Net interest cost	4,180	3,927
Operation and management expenses	276	202
Total	34,039	39,402

20-5 The principal actuarial assumptions as of December 31, 2022 and 2021 are as follows:

<i>(In percentage)</i>	2022	2021
Discount rate	5.54%	3.08%
Salary growth rate	5.00%	5.00%

20-6 Plan assets as of December 31, 2022 and 2021 consist of the following:

<i>(In millions of Korean won)</i>	December 31, 2022		December 31, 2021	
	Amount	Ratio	Amount	Ratio
Debt instrument	-	-	17,001	14.17%
Cash and cash equivalents	147,558	100%	103,018	85.83%
Total	147,558	100%	120,019	100%

20-7 The sensitivity analysis of the defined benefit obligations as of December 31, 2022 to changes in the weighted principal assumptions is as follows:

<i>(In millions of Korean won)</i>	1% p increase	1% p decrease
Discount rate	(15,581)	17,611
Salary growth rate	16,191	(14,637)

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

21. Commitments and Contingencies

21-1 Details of financial institution limit commitments as of December 31, 2022, are as follows:

<i>(In millions of Korean won and a thousand dollars)</i>	<u>December 31, 2022</u>
overdrafts	22,000
General loan agreements, etc.	311,200
Import L/C limit agreements, etc.	20,000
Import L/C limit agreements (foreign currency), etc.	USD 309,000
Foreign exchange limit	USD 3,000
B2B limit agreements, etc.	25,200
Comprehensive limit agreement (foreign currency)	USD 35,000

21-2 As of December 31, 2022, the Company is involved in 5 lawsuits as a plaintiff and 1 lawsuit as a defendant. The aggregate amounts of claims as a plaintiff and a defendant are approximately 2,700 million won and 116 million won, respectively. As of the end of the current term, the final outcome of these lawsuits cannot be predicted.

21-3 The Company has insured amount of 8,422 million won in 2022 and 4,151 million won in 2021, with Seoul Guarantee Insurance for Fulfillment (contract) of guarantee

21-4 As of December 31, 2022, Details of payment guarantees provided by the Company to related parties are as follows.

(In millions of Korean won and a thousand dollars)

	<u>Name of Company</u>	<u>Creditor</u>	<u>Classification</u>	<u>Amount</u>
	PT Daesang Ingredients Indonesia	The Export-Import Bank of Korea	Offshore finance	25,346
	PT Daesang Foods Indonesia	KEB Hana Bank	Local finance	16,475
	Daesang Vietnam Co., Ltd.	Korea Development Bank, Etc	Offshore finance	29,148
	Daesang America Inc.	Woori Bank, Etc	Local finance	7,604
	Daesang H.K. Ltd.	Woori Bank, Etc	Local finance	13,560
Related parties	Daesang Japan Inc.	Woori Bank, Etc	Local finance	30,166
	Daesang Europe. B.V.	KEB Hana Bank	Local finance	20,971
	Sinan Sun.dried Salt Corp.	KEB Hana Bank	Debt guarantee	3,600
	Daesang Foods USA Inc.	Korea Development Bank	Local finance	6,337
	Daesang Lianyungang Food Corporation	Korea Development Bank	Local finance	3,265
	Daesang(Beijing) Foods Co., Ltd.	Woori Bank	Local finance	4,355
Other	Heilongjiang Chengfu Food Group Co., Ltd.	Kookmin Bank	Local finance	18,688
Total				<u>179,515</u>

21-5 As of December 31, 2022, details of investment agreements that are in progress where the remaining future investment amount is significant are as follows.

(In millions of Korean won and a thousand CNY)

<u>Name of Company</u>	<u>Investment agreement</u>	<u>Cumulative amount of investment</u>	<u>Residual contract amount</u>
Ecovance Co., Ltd.	40,000	17,300	22,700
Shandong Aonong Food Co., Ltd.	CNY 42,000	CNY 17,000	CNY 25,000

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

21. Commitments and Contingencies, Continued

21-6 Acquisition arrangements for tangible assets

In order to secure a new production base site to foster the food business, the Company decided to acquire land and buildings (located in Inju-myeon, Asan-si, Chungcheongnam-do, on June 30, 2026) in accordance with the board resolution dated July 8, 2022. As of December 31, 2022, 3,462 million won is recorded as an advance payment made as a purchase guarantee in connection with the acquisition of the property.

22. Equity

22-1 Capital Stock

(1) As of December 31, 2022, the Company's total number of authorized shares is 125,000,000 shares (1,000 won per share). The Company has issued 34,648,025 ordinary shares and 1,370,223 preferred shares as of December 31, 2022.

(2) Details of preferred stocks issued according to the Company articles of association are as follows.

	December 31, 2022
Number of shares issued	1,370,223 shares
Nature	Participating non-cumulative preferred stock
Issued date	May 29, 1992
Convertible date	Not convertible to common stock
Matters concerning dividends	1% additional dividend compared to common shares based on par value If dividends are not paid on common stocks, dividends on preferred stocks may not be paid either.
Matters concerning Conversion etc.	-

22-2 Retained Earnings

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

<i>(In millions of Korean won)</i>	December 31, 2022	December 31, 2021
Legal reserve (*)	19,700	19,700
Unappropriated retained earnings	1,007,122	926,335
Total	1,026,822	946,035

(*) The Korean Commercial Code requires the Company to appropriate as legal reserve an amount equal to at least 10% of cash dividends for each accounting period until the reserve equals 50% of stated capital. As of the end of the reporting period, our profit reserves amounted to 50% of the paid-in capital, so there is no obligation to accumulate additional reserves. This profit reserve cannot be allocated in cash, but capital transfer or deficit compensation can be made by a resolution of the general shareholders' meeting.

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

22. Equity, Continued

(2) Details of the statement of appropriation of unappropriated retained earnings for the years ended December 31, 2022 and 2021 are as follows.

<i>(In millions of Korean won)</i>	2022		2021	
Unappropriated retained earnings	-	1,007,122	-	926,335
Balance brought forward from the previous year	897,507	-	785,551	-
Actuarial gain or loss	22,909	-	90	-
Changes in earnings surplus for affiliated companies	1,966	-	684	-
Net profit (loss) in the current term	84,740	-	140,010	-
Appropriation	-	28,828	-	28,828
Dividend	28,828	-	28,828	-
Common stock: KRW 800 (80%) in 2022 and 2021	-	-	-	-
First preferred stock: KRW 810 (81%) in 2022 and 2021	-	-	-	-
Unappropriated retained earnings	-	-	-	-
Carried forward to next year	-	978,294	-	897,507

The statement of appropriation of unappropriated retained earnings for 2022 will be approved at the regular shareholders' meeting on March 24, 2023.

The statement of appropriation of unappropriated retained earnings for 2021 was finalized at the regular shareholders' meeting on March 25, 2022.

(3) Details of the dividend calculation as of 2022 and 2021 are as follows.

<i>(Korean won and number of shares)</i>	2022	
	Common shares	Preferred shares
Number of shares eligible for dividends	34,648,025	1,370,223
Dividend rate	80% (800 won per share)	81% (810 won per share)
Dividend amount	27,718,420,000	1,109,880,630
<i>(Korean won and number of shares)</i>	2021	
	Common shares	Preferred shares
Number of shares eligible for dividends	34,648,025	1,370,223
Dividend rate	80% (800 won per share)	81% (810 won per share)
Dividend amount	27,718,420,000	1,109,880,630

A cash dividend of 28,828 million won for the fiscal year ending December 31, 2021 was paid in April 2022.

22-3 Other Components of Equity

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

<i>(In millions of Korean won)</i>	December 31, 2022	December 31, 2021
Other capital surplus	209,735	209,734
Loss on valuation of financial assets at FVOCI	(4,572)	(4,968)
Changes in capital from valuation of investments accounted under equity method	(19,471)	(17,719)
Other capital adjustment	(33,279)	(33,279)
Total	152,413	153,768

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

23. Expenses by Nature

Expenses by nature for the years ended December 31, 2022 and 2021 were summarized from cost of sales and selling and administrative expenses as follows:

<i>(In millions of Korean won)</i>	2022	2021
Changes in merchandise, finished goods and work in process	(89,468)	(68,129)
Merchandise purchased	958,183	789,152
Raw materials and consumables used	1,082,540	929,313
Wages and salaries, and other	385,868	370,347
Depreciation and amortization	68,461	62,534
Transportation	113,107	99,750
Advertising	31,571	26,925
Other	610,112	536,318
Sum of cost of sales and selling and administrative expenses	<u>3,160,374</u>	<u>2,746,210</u>

24. Selling and Administrative Expenses

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

<i>(In millions of Korean won)</i>	2022	2021
Wages and salaries	213,002	203,046
Post-employment benefit	21,538	24,574
Employee welfare	26,103	25,045
Travel	5,196	2,745
Education and training expenses	2,399	1,881
Communication	2,185	1,794
Power cost	4,528	4,065
Taxes and dues	17,638	17,192
Office expenses	12,967	11,673
Rent	6,045	6,149
Depreciation	24,772	17,518
Repair and maintenance cost	1,450	1,482
Insurance	3,665	3,515
Entertainment	5,632	5,073
Advertising	31,500	26,865
Transportation	95,554	82,565
Automobile maintenance	3,167	2,588
Books	250	252
Commissions and service charges	56,698	46,687
Provision of expected credit loss allowance	190	160
Amortization	3,327	3,987
Sample cost	305	209
Sales commissions	28,382	25,222
Sales promotion expenses	28,599	28,371
Inspection fee	884	1,271
Packaging cost	4,780	4,391
Service cost	39,607	35,424
Research and development expenses	34,161	27,110

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

24. Selling and Administrative Expenses, Continued

<i>(In millions of Korean won)</i>	2022	2021
Export cost	12,655	14,220
Environmental management expenses	1,621	1,137
Safety management fee	24	25
Total	<u>688,824</u>	<u>626,236</u>

25. Other Non-Operating Income and Expenses

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

25-1 Other non-operating income

<i>(In millions of Korean won)</i>	2022	2021
Gain on foreign currency transactions	27,409	12,313
Gain on foreign currency translation	723	3,612
Gain on disposal of property, plant and equipment	505	795
Gain on disposal of intangible assets	-	899
Gain on disposal of assets to be sold	-	74,449
Reversal of other expected credit loss allowance	3,044	-
Miscellaneous income	3,333	2,539
Other	21,414	11,995
Total	<u>56,428</u>	<u>106,602</u>

25-2 Other non-operating expenses

<i>(In millions of Korean won)</i>	2022	2021
Loss on foreign currency transactions	14,913	6,314
Loss on foreign currency translation	6,551	374
Loss on disposal of property, plant and equipment	123	1,960
Loss on discard of property, plant and equipment	4	263
Loss on disposal of intangible assets	-	124
Loss on impairment of tangible assets	-	369
Loss on disposal of investment real estate	712	1,091
Depreciation of investment real estate	548	600
Provision of other expected credit loss allowance	-	4,248
Donations	4,906	3,647
Other payment fees	4,038	3,656
Miscellaneous expenses	3,351	13,225
Other	1,237	1,614
Total	<u>36,383</u>	<u>37,485</u>

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

25. Other Non-Operating Income and Expenses, Continued

25-3 Financial income

<i>(In millions of Korean won)</i>	<u>2022</u>	<u>2021</u>
Interest income	9,254	2,638
Dividend income	96	4,736
Gain on foreign currency transactions	11,320	2,258
Gain on foreign currency translation	16,657	1,489
Gain on valuation of FVPL	839	-
Gain on disposal of FVPL	-	570
Total	<u>38,166</u>	<u>11,691</u>

25-4 Financial expenses

<i>(In millions of Korean won)</i>	<u>2022</u>	<u>2021</u>
Interest expenses	24,215	14,537
Loss on foreign currency transactions	31,770	17,134
Loss on foreign currency translation	8,090	1,630
Loss on valuation of FVPL	-	3,934
Total	<u>64,075</u>	<u>37,235</u>

The Company recognizes foreign exchange differences related to borrowings and cash and cash equivalents as financial income and financial expenses.

25-5 Profit or loss on investments accounted under equity method

<i>(In millions of Korean won)</i>	<u>2022</u>	<u>2021</u>
Company portion of current year's net income	10,105	16,617
Company portion of current year's net loss	(20,108)	(3,703)
Impairment loss on valuation of investments	(188)	(11,694)
Reversal of impairment loss	2,416	-
Total	<u>(7,775)</u>	<u>1,220</u>

26. Income Tax Expense

26-1 Details of Income tax expense for the years ended December 31, 2022 and 2021 are as follows:

<i>(In millions of Korean won)</i>	<u>2022</u>	<u>2021</u>
Current taxes		
Current tax on profits for the year	19,367	34,229
Deferred taxes (benefits)		
Changes in deferred taxes arising from unused tax credits and temporary differences	11,513	(385)
Income tax expense	<u>30,880</u>	<u>33,844</u>

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

26. Income Tax Expense, Continued

26-2 Details of Income tax recognized in equity for the years ended December 31, 2022 and 2021 are as follows:

<i>(In millions of Korean won)</i>	<u>2022</u>	<u>2021</u>
Deferred tax recognized in equity		
Remeasurement of net defined benefit liabilities (assets)	(7,517)	(29)
Loss (gain) on valuation of financial assets at fair value through other comprehensive income	(213)	63
Total	<u>(7,730)</u>	<u>34</u>

26-3 The tax on the Company's profit before income tax and Income tax expense for the years ended December 31, 2022 and 2021 are as follows:

<i>(In millions of Korean won)</i>	<u>2022</u>	<u>2021</u>
Net income before income taxes	115,620	173,854
Income tax using the Company's statutory tax rate	27,518	41,611
Adjustments:		
Effect of non-deductible income and expenses	2,493	6,564
Tax credits	(1,512)	(1,385)
Temporary differences for which no deferred income tax was recognized	2,002	(2,068)
Refund of previous income tax	(45)	(9,165)
Other (Impact of changes in tax rates, etc.)	424	(1,713)
Income tax expense	<u>30,880</u>	<u>33,844</u>
Effective income tax rate (%)	26.71%	19.47%

26-4 The changes in deferred tax for the years ended December 31, 2022 and 2021 are as follows:

December 31, 2022				
<i>(In millions of Korean won)</i>	<u>Beginning balance</u>	<u>Income</u>	<u>Equity</u>	<u>Ending balance</u>
Allowance for expected credit losses	9,971	(8,947)	-	1,024
Property, plant and equipment	(18,438)	1,217	-	(17,221)
Defined Benefit Liabilities	34,473	(4,018)	(7,517)	22,938
FVOCI financial assets	1,586	-	(213)	1,373
Other	504	235	-	739
Total	<u>28,096</u>	<u>(11,513)</u>	<u>(7,730)</u>	<u>8,853</u>
December 31, 2021				
<i>(In millions of Korean won)</i>	<u>Beginning balance</u>	<u>Income</u>	<u>Equity</u>	<u>Ending balance</u>
Allowance for expected credit losses	9,121	850	-	9,971
Property, plant and equipment	(24,877)	6,439	-	(18,438)
Defined Benefit Liabilities	36,973	(2,471)	(29)	34,473
FVOCI financial assets	1,545	(22)	63	1,586
Other	4,915	(4,411)	-	504
Total	<u>27,677</u>	<u>385</u>	<u>34</u>	<u>28,096</u>

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

26. Income Tax Expense, Continued

26-5 Deferred income tax assets(liabilities) that were not recognized for temporary differences for December 31,2022 and 2021 are as follows:

The deductible temporary difference not recognized as deferred tax assets in the statement of financial position as of December 31, 2022 is KRW 22,795 million, including investment stocks in subsidiaries and related companies. As of December 31, 2022, the unused deficits not recognized as deferred tax assets in the statement of financial position are KRW 134,077 million, and the unused tax credit is KRW 9 million. The maturity of the unused deficit and tax credit is as follows:

<i>(In millions of Korean won)</i>	2023	2024	2025	2026	2027 after	Total
Unused tax losses	10,670	21,277	28,779	30,969	42,382	134,077
Unused tax credits	-	-	9	-	-	9
Total	10,670	21,277	28,788	30,969	42,382	134,086

26-6 The Company assessed that deferred tax assets would be feasible as expected taxable income for future years would exceed the deductible temporary differences.

27. Earnings per Share

27-1 Basic earnings per share

Basic earnings per share were calculated by dividing the net income of common share by the weighted average number of common shares. The first preferred stock has the right to participate in the distribution of our profits, and the order of payment is the same as the common share when paying dividends or distributing residual property, so we also calculated earnings per share for the preferred stock.

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

(a) Common shares

<i>(In millions of Korean won, a number of shares)</i>	2022	2021
Net income for common shareholders	81,503	134,671
Weighted-average number of common shares outstanding	34,648,025	34,648,025
Basic earnings per common share (in Korean won)	2,352	3,887

(b) Preference shares

<i>(In millions of Korean won, a number of shares)</i>	2022	2021
Net income for preferred shareholders	3,237	5,340
Weighted-average number of preferred shares outstanding	1,370,223	1,370,223
Basic earnings per preferred share (in Korean won)	2,362	3,897

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

27. Earnings per Share, Continued

(c) Calculation details of common shares and preferred shares

<i>(In millions of Korean won, a number of shares)</i>	2022	2021
Net income	84,740	140,010
Common share dividend (A) (*)	27,718	27,718
Preferred share dividend (B) (*)	1,110	1,110
Net income available for additional dividends (residual income)	55,912	111,182
- Available to common shareholders (C)	53,785	106,953
- Available to preferred shareholders (D)	2,127	4,229
Net income attributable to common shareholders (C-A)	81,503	134,671
Net income attributable to the preferred shareholders (D-B)	3,237	5,339

(*) Dividends for common shareholders and preferred shareholders for the current term were approved by the board of directors on March 9, 2023, and will be approved at the regular shareholders' meeting on March 24, 2023. Dividends in the prior term were confirmed for disposal at a regular shareholders' meeting on March 25, 2022.

27-2 The potential common shares issued by the Company should have no dilution effect, so the basic and diluted earnings per share should be the same for common stock.

28. Statements of Cash Flows

28-1 The cash flows from operating activities for the years ended December 31, 2022 and 2021 are calculated as follows:

<i>(In millions of Korean won)</i>	2022	2021
Net income	84,740	140,010
Adjustments:		
Income tax expense	30,880	33,844
Interest expenses	24,215	14,537
Depreciation	64,446	57,915
Amortization	4,015	4,619
Depreciation of investment property	539	549
Depreciation of right-of-use assets	16,596	10,528
Post-employment benefit	34,039	39,402
Transfer of expected credit loss allowance	190	160
Reversal of expected credit loss allowance	(3,044)	4,248
Loss on disposal (discard) of property, plant and equipment	127	2,223
Loss on disposal (discard) of investment real estate	712	1,091
Loss on disposal of intangible assets	-	124
Loss on impairment of tangible assets	-	369
Reversal of impairment of tangible assets	(22)	(17)
Loss (reversal) on valuation of inventory	4,884	(842)
Loss on disposal (discard) of inventory	15,284	11,190
Loss on valuation of financial assets at FVPL	-	3,934
Loss on foreign currency translation	14,641	2,004
Disaster loss	130	-
The Company's share of current net loss of invested companies accounted under the equity method	17,880	15,397
Interest income	(9,254)	(2,638)

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

28. Statements of Cash Flows, Continued

<i>(In millions of Korean won)</i>	2022	2021
Dividend income	(96)	(4,736)
Gain on foreign currency translation	(17,380)	(5,101)
Gain on disposal of property, plant and equipment	(505)	(795)
Gain on disposal of intangible assets	-	(899)
Gain on disposal of assets to be sold	-	(74,449)
Gain on disposal of inventory	-	(108)
Gain on valuation of financial assets at FVPL	(839)	-
Gain on disposal of financial assets at FVPL	-	(570)
Profit from disposal of shares invested by related companies	(5,726)	-
Gain on disposal of investment real estate	(220)	(524)
Profit from business transfer	-	(140)
The Company's portion of current year net income of investments accounted by equity method	(10,105)	(16,617)
Other	(2)	(3)
Sub total	<u>181,385</u>	<u>94,695</u>
Changes in net operating assets and liabilities		
Increase in trade receivables	(35,925)	(72,297)
Decrease (increase) in other receivables	5,000	(5,249)
Decrease in advance payments	2,661	2,203
Decrease (increase) in prepaid expenses	3,690	(5,286)
Decrease (increase) in inventories	(153,542)	(103,445)
Decrease (increase) in other non-current assets	1	1
Increase (decrease) in trade payables	(21,148)	60,938
Increase (decrease) in other payables	(16,567)	26,072
Increase (decrease) in advance from customers	755	(574)
Increase (decrease) in accrued expenses	963	(1,261)
Increase in provisions	1,385	2,245
Decrease in other current liabilities	(1,401)	(5,672)
Increase in long term other payables	6	25
Decrease in net defined benefit obligations	(46,765)	(49,614)
Decrease in other non- current liabilities	(8)	-
Sub total	<u>(260,895)</u>	<u>(151,914)</u>
Total	<u>5,230</u>	<u>82,791</u>

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

28. Statements of Cash Flows, Continued

28-2 Significant non-cash investing and financing transactions for the years ended December 31, 2022 and 2021 are as follows:

<i>(In millions of Korean won)</i>	<u>2022</u>	<u>2021</u>
Replacement of accounts receivable for financial guaranteed liabilities	52	286
Transfer of current portion of long-term advance payments	2,222	2,222
Equity method capital change	1,751	18,484
Transfer between properties in fixed assets and investment property	858	6,946
Transfer from construction-in-progress to other accounts in fixed assets	132,899	12,183
Increase in outstanding payments when acquiring tangible assets	605	1,707
Transfer of current portion of long-term borrowings	525	495
Transfer of current portion of long-term debentures	79,994	129,989
Changes in fair value measurement of other comprehensive income financial assets valuation gains or losses	396	197
Changes in net defined severance benefit liability remeasurement factors	22,909	90
Replacement of assets to be sold	-	369
Current portion of financial assets measured at fair value through profit or loss	-	6,127

28-3 Changes in liabilities arising from financing activities

December 31, 2022

<i>(In millions of Korean won)</i>	As of January, 1	Cash flows from financing activities	Exchange rate fluctuations	Other (*)	As of December 31,
Short-term borrowings	236,748	100,971	(16,651)	-	321,068
Current portion of long-term borrowings	495	(659)	-	689	525
Current portion of debentures	129,989	(130,000)	-	80,005	79,994
Borrowings	30,015	111,000	-	(525)	140,490
Debentures	409,040	199,254	-	(79,469)	528,825
Other financial liabilities	81,253	(18,704)	-	12,502	75,051
Total	<u>887,540</u>	<u>261,862</u>	<u>(16,651)</u>	<u>13,202</u>	<u>1,145,953</u>

December 31, 2021

<i>(In millions of Korean won)</i>	As of January, 1	Cash flows from financing activities	Exchange rate fluctuations	Other (*)	As of December, 31
Short-term borrowings	196,231	38,969	1,548	-	236,748
Current portion of long-term borrowings	543	(736)	-	688	495
Current portion of debentures	99,994	(100,000)	-	129,995	129,989
Borrowings	30,510	-	-	(495)	30,015
Debentures	389,179	149,319	-	(129,458)	409,040
Other financial liabilities	64,624	(18,938)	-	35,567	81,253
Total	<u>781,081</u>	<u>68,614</u>	<u>1,548</u>	<u>36,297</u>	<u>887,540</u>

(*) It includes interest expense due to liquidity replacement and amortization of current value discount.

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

29. Related Party Transactions

29-1 Details of the Company's controlling company, subsidiaries, associates and joint ventures as of the end of the current term are as follows:

Division	Region	Name of related party
Major shareholder	Korea	Daesang Holdings Co., Ltd.
Subsidiaries	Korea	Daesang Dives Co., Ltd., Sinan Solar Salt Co., Ltd., Daesang Food Plus Co., Ltd. (*1), DU Food Co., Ltd., Daesang Deliheim Co., Ltd (*2) Daesang (H.K.) Ltd., Daesang Japan Inc., Daesang Vietnam Co., Ltd. (*3), PT Daesang Ingredients Indonesia (*4),
	Asia	PT Daesang Food Indonesia (*5), Tianjin Defeng Foods Co., Ltd., Daesang (Beijing) Food Co., Ltd., Daesang Duc Viet JSC. (*6), Daesang Philippines Corporation., Daesang (Lianyungang) Food Co., Ltd
	Europe	Daesang Europe B.V.
	North America	Daesang America Inc., DSF DE, Inc., Daesang Foods USA Inc.
Associates	Indonesia	PT Daesang Agung Indonesia (*7)
	Korea	Sunchangjangryu Agricultural Corporation, UTC Greenbio Investment, UN Green Synergy Investment, Ecovance Co., Ltd. (*8)
	China	Shandong Aonong Food Co., Ltd. (*8)
Joint venture	Philippines	Daesang Ricor Corporation
	Korea	DMC Co., Ltd.

(*1) During the previous year, the company name was changed from Jeongpung Co., Ltd. to Daesang Food Plus Co., Ltd.

(*2) Incorporated as a subsidiary during the previous year.

(*3) During the current year, the company name was changed from MIWON VIETNAM CO., LTD to Daesang Vietnam Co., Ltd.

(*4) During the previous year, the company name was changed from PT MIWON INDONESIA to PT Daesang Ingredients Indonesia.

(*5) During the previous year, the company name was changed from PT ANEKA BOGA NUSANTARA to PT Daesang Food Indonesia.

(*6) During the current year, the company name was changed from DUC VIET FOOD JOINT STOCK COMPANY to Daesang Duc Viet JSC.

(*7) During the previous year, the company name was changed from PT. JICO AGUNG to PT Daesang Agung Indonesia.

(*8) Incorporated as an associate during the current year.

29-2 As of the end of the reporting period, the details of other related parties with transactions such as sales or balances of receivables and debts with the Company are as follows:

Division	2022	2021
Other related parties	Daesang Information Technology Co., Ltd.	Daesang Information Technology Co., Ltd.
	Daesang E&C Co.,Ltd.	Daesang E&C Co., Ltd.
	(*1)	Chorocmaeul Co., Ltd.
	Daesang Wellife Co., Ltd. (*2)	Daesang Life Science Corporation
	Daesang Cultural Foundation	Daesang Cultural Foundation
	Daesang Networks Co., Ltd.	Daesang Networks Co., Ltd.
	Daesang Cellgene Co., Ltd.	Daesang Cellgene Co., Ltd.
	Haesung Provision Co., Ltd.	Haesung Provision Co., Ltd.
	Hongbo Energy Co., Ltd (*3)	-

(*1) During the current year, Green Village Co., Ltd. was excluded from the scope of related parties.

(*2) During the current year, the company name was changed from Daesang Life Science Co., Ltd. to Daesang Wellife Co., Ltd.

(*3) During the current year, Hongbo Energy Co., Ltd. was changed from a subsidiary to other related parties.

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

29. Related Party Transactions, Continued

29-3 Details of transactions with related parties for the years ended December 31, 2022 and 2021 are as follows:

December 31, 2022							
<i>(In millions of Korean won)</i>	Name of company	Sales	Purchase	Tangible and intangible assets	Disposal of tangible and intangible assets	Other income	Other costs
Major shareholder	Daesang Holdings Co., Ltd.	30	-	-	-	-	7,827
	Daesang Dives Co., Ltd.	20,289	6,335	-	-	652	5
	Sinan Solar Salt Co., Ltd	129	7,040	-	-	9	-
	Daesang Food Plus Co., Ltd.	7,238	58,171	-	6	279	141
	DU Food Co., Ltd.	521	8,939	-	-	10	24
	PT Daesang Ingredients Indonesia	3,313	84,701	-	-	3,040	-
	PT Daesang Food Indonesia	16,352	-	-	-	64	-
	Daesang Vietnam Co., Ltd.	18,635	13,014	-	-	1,453	28
	Daesang (H.K.) Ltd.	8,307	842	-	-	9	-
	Daesang (Beijing) Food Co., Ltd.	15,440	1,751	-	-	384	746
Subsidiaries	Tianjin Defeng Foods Co., Ltd.	-	2,995	-	-	-	-
	Daesang Japan Inc.	77,070	677	-	-	41	74
	Daesang America Inc.	76,197	-	-	-	62	9
	Daesang Europe B.V.	135,819	24,873	-	-	49	-
	Daesang Philippines Corporation	10,714	-	-	-	411	219
	Daesang (Lianyungang) Food Co., Ltd	-	-	-	-	36	-
	Daesang Foods USA Inc.	789	-	-	-	39	-
	Daesang Deliheim Co., Ltd	440	40,129	-	-	199	31
	Sub total	391,283	249,467	-	6	6,737	9,104
	PT Daesang Agung Indonesia	4,200	71	-	-	-	-
Associates	Sunchangjangryu Agricultural Corporation	15	153	-	-	-	3
	Sub total	4,215	224	-	-	-	3
	Daesang Ricor Corporation	519	-	-	-	225	-
Joint venture	DMC Co., Ltd.	21,220	-	-	-	-	-
	Sub total	21,739	-	-	-	225	-
	Daesang Information Technology Co., Ltd.	14	-	2,068	-	4	15,607
	Daesang Wellife Co., Ltd.	24,680	9,529	-	-	3,999	2
	Daesang E&C Co.,Ltd.	43	-	25,382	-	71	-
	Daesang Cellgene Co., Ltd.	2	-	-	-	1	-
Other related parties	Chorocmaeul Co., Ltd.	3,594	543	-	-	-	89
	Daesang Cultural Foundation	3	-	-	-	-	196
	Haesung Provision Co., Ltd.	31	-	-	-	-	-
	Daesang Networks Co., Ltd.	154	12,360	-	-	-	85
	Hongbo Energy Co., Ltd	-	-	-	-	-	3
	Sub total	28,521	22,432	27,450	-	4,075	15,982
	Total	445,758	272,123	27,450	6	11,037	25,089

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

29. Related Party Transactions, Continued

December 31, 2021							
<i>(In millions of Korean won)</i>	Name of company	Sales	Purchase	Tangible and intangible assets	Disposal of tangible and intangible assets	Other income	Other costs
Major shareholder	Daesang Holdings Co., Ltd.	4	-	-	-	13	6,788
	Daesang Dives Co., Ltd.	18,797	6,192	-	-	663	16
	Sinan Solar Salt Co., Ltd	152	6,892	-	-	5	-
	Daesang Food Plus Co., Ltd.	3,765	44,689	-	-	647	171
	DU Food Co., Ltd.	438	6,416	-	-	15	18
	PT Daesang Ingredients Indonesia	1,196	43,853	-	-	1,746	25
	PT Daesang Food Indonesia	8,827	-	-	-	-	-
	MIWON VIETNAM CO., LTD.	24,720	3,759	-	-	989	179
	Daesang (H.K.) Ltd.	7,536	1,202	-	-	6	1
	Daesang (Beijing) Food Co., Ltd	17,040	1,182	-	-	306	721
Subsidiaries	Tianjin Defeng Foods Co., Ltd	-	2,329	-	-	-	-
	Daesang Japan Inc.	60,584	516	-	-	30	166
	Daesang America Inc.	80,552	-	-	-	53	20
	Daesang Europe B.V.	97,986	15,137	-	-	45	10
	Daesang Philippines Corporation	11,183	-	-	-	24	-
	Daesang (Lianyungang) Food Co., Ltd	-	-	-	-	9	-
	Daesang Foods USA Inc.	16	-	-	-	15	-
	Daesang Deliheim Co., Ltd	46	-	-	721	187	-
	Sub total	332,838	132,167	-	721	4,740	1,327
	PT Daesang Agung Indonesia	2,724	-	-	-	-	-
Associates	Sunchangjangryu Agricultural Corporation	32	389	-	-	-	-
	Sub total	2,756	389	-	-	-	-
	Daesang Ricor Corporation	274	-	-	-	178	-
Joint venture	DMC Co., Ltd.	15,503	-	-	-	-	-
	Sub total	15,777	-	-	-	178	-
	Daesang Information Technology Co., Ltd.	-	-	1,594	-	243	14,351
	Daesang Life Science Corporation	14,846	5,937	-	140	3,751	-
	Sangam Communication	-	-	-	-	-	937
	Daesang E&C Co.,Ltd.	29	-	33,154	-	42	-
Other related parties	Daesang Cellgene Co., Ltd.	-	-	-	1,143	-	-
	Chorocmaeul Co., Ltd.	15,042	1,903	-	-	213	201
	SANGAM & ASSOCIATES	-	-	-	-	-	53
	Daesang Cultural Foundation	1	-	-	-	2	408
	Daesang Networks Co., Ltd.	232	15,914	-	-	-	245
	Sub total	30,150	23,754	34,748	1,283	4,251	16,195
	Total	381,525	156,310	34,748	2,004	9,182	24,310

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

29. Related Party Transactions, Continued

29-4 Details of receivables and debts to related parties as of the end of the reporting period are as follows:

December 31, 2022							
<i>(In millions of Korean won)</i>							
	Name of company	Trade receivables	Loan	Other receivables	Trade payables	Other liabilities	
Major shareholder	Daesang Holdings Co., Ltd.	-	-	5	-	71	
	Daesang Dives Co., Ltd.	1,748	-	60	813	3,501	
	Sinan Solar Salt Co., Ltd	11	-	10	545	-	
	Daesang Food Plus Co., Ltd.	22	-	1,277	9,001	23	
	DU Food Co., Ltd.	30	-	400	567	15	
	PT Daesang Ingredients Indonesia	2,106	-	1,625	3,960	-	
	PT Daesang Food Indonesia	4,516	-	63	-	-	
	Daesang Vietnam Co., Ltd.	5,902	-	730	1,230	3	
	Daesang (H.K.) Ltd.	1,171	-	9	-	-	
	Daesang (Beijing) Food Co., Ltd	9,019	-	189	-	423	
	Subsidiaries	Tianjin Defeng Foods Co., Ltd	-	-	-	310	-
		Daesang Japan Inc.	12,263	-	36	14	31
		Daesang America Inc.	23,812	-	39	-	-
		Daesang Europe B.V.	40,886	-	31	2,104	-
		Daesang Philippines Corporation	1,951	-	402	-	1
		Daesang (Lianyungang) Food Co., Ltd	-	-	19	-	-
Daesang Foods USA Inc.		103	-	36	-	-	
Daesang Deliheim Co., Ltd		-	-	22	8,703	31	
Sub total		103,540	-	4,948	27,247	4,028	
Associates		PT Daesang Agung Indonesia	834	-	-	-	-
	Sunchangjangryu Agricultural Corporation	1	-	-	20	8	
	Sub total	835	-	-	20	8	
Joint venture	Daesang Ricor Corporation	109	-	176	-	-	
	DMC Co., Ltd.	2,518	-	-	-	-	
	Sub total	2,627	-	176	-	-	
Other related parties	Daesang Information Technology Co., Ltd.	-	-	-	-	1,831	
	Daesang Wellife Co., Ltd.	4,014	-	434	-	1,822	
	Daesang Cultural Foundation	-	-	-	-	21	
	Haesung Provision Co., Ltd.	6	-	-	-	-	
	Daesang Networks Co., Ltd.	-	-	-	289	2	
	Hongbo Energy Co., Ltd	-	9,019	-	-	-	
Sub total	4,020	9,019	434	289	3,676		
Total		111,022	9,019	5,563	27,556	7,783	

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

29. Related Party Transactions, Continued

December 31, 2021 <i>(In millions of Korean won)</i>						
	Name of company	Trade receivables	Loan	Other receivables	Trade payables	Other liabilities
Major shareholder	Daesang Holdings Co., Ltd.	-	-	26	-	27
	Daesang Dives Co., Ltd.	1,795	-	60	1,010	3,605
	Sinan Solar Salt Co., Ltd	14	-	1,256	389	-
	Daesang Food Plus Co., Ltd.	13	-	1,026	7,299	47
	DU Food Co., Ltd.	17	-	400	624	19
	PT Daesang Ingredients Indonesia	-	-	1,293	2,222	-
	PT Daesang Food Indonesia	2,254	-	-	-	-
	MIWON VIETNAM CO., LTD.	2,522	-	663	5	1,302
	Daesang (H.K.) Ltd.	1,164	-	6	1	-
	Daesang (Beijing) Food Co., Ltd	8,621	-	315	-	284
Subsidiaries	Tianjin Defeng Foods Co., Ltd.	-	-	-	81	-
	Daesang Japan Inc.	10,017	-	31	-	41
	Daesang America Inc.	22,157	-	29	-	-
	Daesang Europe B.V.	44,350	-	9	502	-
	Daesang Philippines Corporation	3,264	593	-	-	1
	Daesang (Lianyungang) Food Co., Ltd	-	-	8	-	-
	Daesang Foods USA Inc.	-	-	9	-	-
	Daesang Deliheim Co., Ltd	44	-	1,093	-	-
	Sub total	96,232	593	6,198	12,133	5,299
Associates	PT Daesang Agung Indonesia	548	-	-	-	-
	Sunchangjangryu Agricultural Corporation	-	-	-	126	-
	Sub total	548	-	-	126	-
Joint venture	Daesang Ricor Corporation	28	-	178	-	-
	DMC Co., Ltd.	3,246	-	-	-	-
	Sub total	3,274	-	178	-	-
Other related parties	Daesang Information Technology Co., Ltd.	-	-	1	-	1,334
	Daesang Life Science Corporation	2,409	-	374	616	597
	Daesang E&C Co.,Ltd.	-	-	2	-	11,623
	Chorocmaeul Co., Ltd.	1,713	-	1	535	91
	Daesang Cultural Foundation	-	-	-	-	16
	Daesang Networks Co., Ltd.	-	-	-	90	241
	Sub total	4,122	-	378	1,241	13,902
	Total	104,176	593	6,780	13,500	19,228

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

29. Related Party Transactions, Continued

29-5 Details of financial transactions with related parties for the years ended December 31, 2022 and 2021 are as follows:

December 31, 2022						
<i>(In millions of Korean won)</i>	Name of company	Investment in cash	Dividend payment	Loan	Dividend Receipt	Return of investment
Major shareholder	Daesang Holdings Co., Ltd.	-	12,019	-	-	-
Subsidiaries	Daesang Philippines Corporation	17,805	-	-	-	593
Associates	Ecovance Co., Ltd.	17,300	-	-	-	-
Joint venture	Shandong Aonong Food Co., Ltd.	3,285	-	-	-	-
Other related parties	Hongbo Energy Co., Ltd	-	-	9,019	-	-
	Total	38,390	12,019	9,019	-	593

December 31, 2021						
<i>(In millions of Korean won)</i>	Name of company	Investment in cash	Investment in kind	Dividend payment	Dividend Receipt	Return of investment
Major shareholder	Daesang Holdings Co., Ltd.	-	-	10,517	-	-
Subsidiaries	Daesang Food Plus Co., Ltd.	7,000	-	-	-	-
Subsidiaries	Daesang Deliheim Co., Ltd	12,389	10,277	-	-	-
Associates	UN Green Synergy Investment	3,300	-	-	-	682
Associates	UTC Greenbio Investment	-	-	-	3,474	6,156
Joint venture	Daesang Ricor Corporation	-	-	-	1,179	-
	Total	22,689	10,277	10,517	4,653	6,838

29-6 For the years ended December 31, 2022 and 2021, the amounts reflected as expenses for compensation to key executives by the Company are as follows:

<i>(In millions of Korean won)</i>	2022	2021
Short-term salary	8,918	10,039
Retirement benefit	1,501	1,690

The key management team above consists of directors and auditors who have important authority and responsibility for the planning, operation and control of the Company's activities.

29-7 As of the end of the reporting period, the Company provides debt guarantees for debts of related parties (see Note 21).

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

30. Investment in kind

The Company established Daesang Deliheim Co., Ltd. on November 1, 2021 (100% subsidiary) in accordance with the resolution of the board of directors on September 6, 2021 for the purpose of securing competitiveness in meat processing manufacturing and promoting business expansion.

Details of assets and liabilities invested by the Company in relation to the investment in kind are as follows:

<i>(In millions of Korean won)</i>	Amount
<i>I. Cost of investment</i>	
<i>Investment stocks in subsidiaries</i>	22,666
<i>II. Amount invested</i>	
<i>Cash and cash Equivalents</i>	12,389
<i>Tangible assets</i>	10,277
Sub total	22,666

31. Revenues from Contracts with Customers and Related Contract Liabilities

31-1 Revenue from contracts with customers

(1) Considering the characteristics of products and manufacturing processes, we divide our sales division into food division and material division, and our main customers are food and beverage manufacturers and food and beverage consumers. The revenue recognized by the Company during the reporting period is as follows:

<i>(In millions of Korean won)</i>	2022	2021
Revenue from contracts with customers	3,289,634	2,875,272

(2) The division of revenue from contracts with our customers is as follows:

December 31, 2022		
<i>(In millions of Korean won)</i>	Food division	Material division
Recognize at a point in time	2,235,704	1,053,930
December 31, 2021		
<i>(In millions of Korean won)</i>	Food division	Material division
Recognize at a point in time	1,984,033	891,239

31-2 Assets and liabilities related to contracts with customers

(1) Trade receivables and contract liabilities recognized by the Company are as follows:

<i>(In millions of Korean won)</i>	2022	2021
Trade receivables	334,958	305,323
Contract liabilities	12,741	11,985

As of December 31, 2022, contractual liabilities include non-refundable customer loyalty points of KRW 681 million (end of previous year: KRW 501 million).

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

31. Revenues from Contracts with Customers and Related Contract Liabilities, Continued

(2) The revenue recognized in relation to contract liabilities is as follows:

<i>(In millions of Korean won)</i>	<u>2022</u>	<u>2021</u>
Performance obligations satisfied for contract liabilities	10,574	30,349

32. Leases

32-1 The Company as a lessee

(1) General information

The Company enters into lease contracts for various items of land, buildings, vehicles and other facilities used for business. The lease term for land is generally from 1 to 49 years, the lease term for buildings is generally from 1 to 15 years, while the lease term for vehicles and other equipment is generally from 1 to 15 years. Our obligations under the lease agreement are guaranteed by the lessor's rights in the leased asset.

The Company also has leases of certain buildings and machinery with a lease term of 12 months or less, as well as leases of small amounts of equipment. We apply the recognition exemption for 'short-term leases' and 'leases of low-value underlying assets' to these leases.

(2) Right-of-use assets

The carrying amount and details of changes in right-of-use assets for the years ended December 31, 2022 and 2021 are as follows:

December 31, 2022

<i>(In millions of Korean won)</i>	<u>Land</u>	<u>Facility assets</u>	<u>Other tangible assets</u>	<u>Total</u>
Acquisition value:				
January 1	6,802	50,278	10,331	67,411
Increase	61	1,196	7,156	8,413
Decrease	(41)	(1,290)	(6,240)	(7,571)
December 31	<u>6,822</u>	<u>50,184</u>	<u>11,247</u>	<u>68,253</u>
Accumulated depreciation:				
January 1	(1,923)	(8,511)	(5,916)	(16,350)
Decrease	41	1,288	6,231	7,560
Depreciation	(1,221)	(11,425)	(3,950)	(16,596)
December 31	<u>(3,103)</u>	<u>(18,648)</u>	<u>(3,635)</u>	<u>(25,386)</u>
Carrying amount:				
December 31(*)	<u><u>3,719</u></u>	<u><u>31,536</u></u>	<u><u>7,612</u></u>	<u><u>42,867</u></u>

(*) Right-of-use assets related to sale and lease contracts amounted to KRW 4,183 million.

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

32. Leases, Continued

December 31, 2021

(In millions of Korean won)

	Land	Facility assets	Other tangible assets	Total
Acquisition value:				
January 1	4,850	17,433	9,163	31,446
Increase	2,529	33,741	2,860	39,130
Decrease	(577)	(896)	(1,692)	(3,165)
December 31	<u>6,802</u>	<u>50,278</u>	<u>10,331</u>	<u>67,411</u>
Accumulated depreciation:				
January 1	(1,260)	(3,836)	(3,550)	(8,646)
Decrease	572	592	1,660	2,824
Depreciation	(1,235)	(5,267)	(4,026)	(10,528)
December 31	<u>(1,923)</u>	<u>(8,511)</u>	<u>(5,916)</u>	<u>(16,350)</u>
Carrying amount:				
December 31(*)	<u>4,879</u>	<u>41,767</u>	<u>4,415</u>	<u>51,061</u>

(*) Right-of-use assets related to sale and lease contracts amounted to KRW 6,363 million.

(3) Lease liabilities

The carrying amount and details of changes in lease liabilities (including other financial liabilities) for the years ended December 31, 2022 and 2021 are as follows:

(In millions of Korean won)

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	61,135	38,870
Increase	8,380	37,049
Decrease	-	(339)
Interest expense	1,062	783
Lease payments paid	(19,310)	(15,228)
Balance at end of year (*)	<u>51,267</u>	<u>61,135</u>

(*) As of December 31, 2022, lease liabilities related to sale and after-lease contracts include KRW 12,413 million (end of previous year: KRW 18,520 million).

The details of the maturity analysis of the lease liabilities recognized by the Company as of the end of the reporting period are as follows:

(In millions of Korean won)

	<u>2022</u>	<u>2021</u>
Current lease liabilities	18,921	17,083
Non-current lease liabilities	32,346	44,052
Total lease liabilities	<u>51,267</u>	<u>61,135</u>
less than 1 years	18,921	17,083
Over 1 years and less than 5 years	32,236	43,521
Over 5 years	110	531

Daesang Corporation
Notes to the Non-consolidated Financial Statements
As of December 31, 2022 and 2021

32. Leases, Continued

(4) Revenues and expenses recognized from lease contracts for the years ended December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	<u>2022</u>	<u>2021</u>
Other income:		
Income from change of lease contract	-	4
Sublease income	1	7
Other operating expenses such as consumable expenses:		
Short term lease	(3,648)	(3,707)
Small lease	(7,115)	(7,087)
Depreciation:		
Depreciation of right-of-use assets	(16,596)	(10,528)
Net financial cost:		
Lease debt interest expense	(1,061)	(783)

The Company had a total of KRW 19,310 million in cash outflows for leases during the year. In addition, right-of-use assets and lease liabilities increased by KRW 8,413 million and KRW 8,380 million, respectively, during the current year.

32-2 The Company as a lessor

The Company entered into an operating lease agreement for offices and manufacturing buildings included in the investment property. The terms of these leases range from 1 to 20 years. All leases include a clause that allows the rent to be adjusted upwards on an annual basis based on current market conditions. The lessee must also guarantee the residual value of the property. During the reporting period, rental income recognized by the Company was KRW 1,821 million.

The future minimum rental receivables under irrevocable operating leases at the end of the reporting period are as follows:

<i>(In millions of Korean won)</i>	<u>2022</u>	<u>2021</u>
Less than 1 years	1,696	1,684
Over 1 years and less than 5 years	122	1,502
Over 5 years	238	239
Total	<u>2,056</u>	<u>3,425</u>

33. Subsequent events after the reporting period

33-1 As of January 18, 2023, we issued KRW 190,000 million in Debentures for the purpose of repaying the Company's borrowings.

33-2 As of February 15, 2023, the Company has agreed to a payment guarantee of USD 30,000,000 to its subsidiary, PT Daesang Ingredients Indonesia, for facility loan.

33-3 The Company has decided to contribute an additional USD 30,350,000 to its subsidiary DSF DE, Inc. in accordance with a board resolution dated March 9, 2023, for the purpose of expanding its U.S. market business.

Daesang Corporation

The internal control over financial reporting of Daesang Corporation as of December 31, 2022 has been audited by the independent auditors and the independent auditor's report pursuant to Article 8 of the Act on External Audit of Stock Companies.

1. Independent auditor's audit report on internal control over financial reporting
2. Management's assessment of internal control over financial reporting

Independent Auditor’s Report on Internal Control Over Financial Reporting

(English Translation of Independent Auditors’ Report Originally Issued in Korean on March 20, 2023)

**To the Board of Directors and Stockholders
Daesang Corporation**

Audit Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Daesang Corporation. (the "Company") as of December 31, 2022, based on 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting'.

In our opinion, the Company's internal control over financial reporting is designed and operated effectively as of December 31, 2022, in all material respects, in accordance with the 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting'.

We also have audited, in accordance with Korean Standards on Auditing(“KSAs”), the separate financial statements of the Company, which comprise the separate statements of financial position as December 31, 2022, and the statement of comprehensive income, separate statement of changes in shareholders’ equity and separate financial statement of cash flows, for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies, and our report dated March 16, 2023 expressed an unqualified opinion.

Basis for Opinion on Internal Control over Financial Reporting

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Internal Control over Financial Reporting section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the internal control over financial reporting in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Control over Financial Reporting

Management is responsible for designing, operating and maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying ICFR Operating Status Report by CEO.

Those Charged with Governance is responsible for the oversight of internal control over financial reporting of the Company.

Auditor’s Responsibilities for the Audit of the Internal Control over Financial Reporting

Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We conducted our audit in accordance with the KSAs. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

The audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment,

including the assessment of the risks of that a material weakness exists. The audit includes obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risks.

Definition and Limitations of the Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Korean International Financial Reporting Standards ("K-IFRS"). A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with K-IFRS, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The partner in charge of the audit resulting in this independent auditor's report is Dongkun, Seo.

BDO Sunghyun LLC

Seoul, Korea

March 16, 2023

<p>This report is effective as of March 16, 2023, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.</p>
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Management's report on the effectiveness of internal control over financial reporting

(English Translation of Report Originally Issued in Korean)

To the Shareholders, Board of Directors, and Audit Committee of Daesang Corporation

We, as the Chief Executive Officer("CEO") and the Internal Accounting("IA") Manager of Daesang Corporation ("the Company"), assessed operating status of the Company's Internal Control over Financial Reporting("ICFR") for the year ending December 31, 2022.

Design and operation of ICFR is the responsibility of the Company's management, including the CEO and the IA Manager. (Collectively, "We", "Our")

We evaluated whether the Company effectively designed and operated its ICFR to prevent and detect errors or frauds which may cause a misstatement in financial statements to ensure preparation and disclosures of reliable financial information.

We used the 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting' established by the Operating Committee of Internal Control over Financial Reporting in Korea (the" ICFR Committee") as the criteria for design and operation of the Company's ICFR. And we conducted an evaluation of ICFR based on the 'Management Guideline for Evaluating and Reporting Effectiveness of Internal Control over Financial Reporting' established by the ICFR Committee.

Based on our assessment, we concluded that the Company's ICFR is designed and operated effectively as of December 31, 2022, in all material respects, in accordance with the 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting'.

We certify that this report does not contain any untrue statement of a fact or omit to state a fact necessary to be presented herein. We also certify that this report does not contain or present any statements which might cause material misunderstandings of the readers, and we have reviewed and verified this report with sufficient care.

February 9, 2023

Chief Executive Officer Lim Jung-Bae

Internal Accounting Manager Oh Yon-Taek