

# Annual Business Report

The 8<sup>th</sup> fiscal year  
From January 1, 2022  
To December 31, 2022

To. Financial Services Commission and Korea Exchange March 22, 2023

Type of Corporation Subject to Submit: Stock-listed Corporation.

Reason for Exemption: Not applicable

Name of Company: CLASSYS Inc.

CEO: Seung Han Baek

Place of Head Office: 208, CLASSYS, Teheran-ro, Gangnam-gu, Seoul, Republic  
of Korea  
(Tel.) 82-1544-3481  
(Homepage) <http://www.classys.co.kr>

Main Officer: (Title) CFO (Name) Yoonseok Choi  
(Tel.) 82-1544-3481

## 【Confirmation by CEO, Etc.】

### Confirmation Certificate

We, as CEO and a reporting director, certify that we have thoroughly reviewed the business report of CLASSYS Inc. Based on our knowledge, this report does not contain any untrue statements of material facts or omit any material facts; and it does not contain any statements that are intentionally misleading for the users of the information in the report.

We also confirm that CLASSYS Inc. operates the Internal Controls over Financial Reporting as defined in Article 8 of the Act on External Audit of Stock Companies, Etc.

March 22, 2023

CEO of CLASSYS Inc.  
Seung Han Baek

Reporting director  
Yoonseok Choi

# I. Company Overview

## 1. Company Overview

### 1. Overview of the consolidated subsidiaries

#### 1-1. Status of the consolidated subsidiaries (summary)

(Unit: company)

Category	No. of the Consolidated Subsidiaries				No. of main subsidiaries
	Beginning of period	Increase	Decrease	End of period	
Listed company	-	-	-	-	-
Unlisted company	2	-	-	2	-
Total	2	-	-	2	-

※ For detailed information, see the status of the consolidated subsidiaries (detailed) in XI. Detailed Information – 1. Status of the Consolidated Subsidiaries (Detailed).

#### 1-2. Changes in the consolidated subsidiaries

Category	Subsidiaries	Reason
Newly Consolidated	-	-
	-	-
Consolidated Eliminated	-	-
	-	-

### 2. Legal and commercial name

The Company's name is CLASSYS Inc.

### 3. Establishment date

The Company was established on January 10, 2007.

### 4. Address of head office, telephone number, and homepage

Category	Details
Address	208, CLASSYS, Teheran-ro, Gangnam-gu, Seoul, Republic of Korea
Tel.	82-1544-3481
Homepage	<a href="http://www.classys.co.kr">http://www.classys.co.kr</a>

### 5. Applicable law

The Company's products are classified as medical devices pursuant to the Medical Devices Act. Accordingly, it is required to obtain a certificate of sales and a certificate of manufacturer for domestic manufacturing/sales as well as certification of each country for overseas sales.

### 6. Status of small business enterprise

Small business enterprise	Y
Venture business	Y
Mid-sized firm	N

## 7. Main businesses

The Company has three brands such as CLASSYS in the business of medical devices, Cluederm in the business of aesthetic devices, and SKEDERM in the business of home-care devices and cosmetics.

As the accumulated numbers of sales and uses of its main products such as ULTRAFORMER III, ULTRAFORMER MPT, VOLNEWMER, and CLATUU Alpha have increased, the consumables required to use the devices became an independent category of business.

The sale of CLASSYS brand and consumables as of December 31, 2022 accounted for 52% and 39%, respectively.

Customers consist of distributors in about 60 countries, domestic hospitals and clinics, and general customers. The Company is expanding its brand portfolio through continuous product upgrades and various marketing techniques.

## 8. Status of stock-listed (or registered or designated) corporation and matters regarding special listing

Stock-listed (or registered or designated) status	Stock-listed (or registered or designated) date	Specially listed status	Applicable laws such as special listing
KOSDAQ	April 3, 2015	N	N/A

## 2. Company History

2018	01	Approved AQUAPURE for marketing from the Ministry of Food and Drug Safety
	05	Approved TONURV for marketing from the Ministry of Food and Drug Safety
	10	Obtained the European CE approval for AQUAPURE
	11	Selected SHURINK (ULTRAFORMER III) as the 2018 World-class Product
2019	01	Approved CLATUU Alpha for marketing from the Ministry of Food and Drug Safety
	02	Approved TONURV for marketing from the Ministry of Food and Drug Safety
	05	Won the Prime Minister's Prize at the 54 <sup>th</sup> Invention Day commemoration ceremony
	06	Obtained the European CE approval for CALTUU Alpha
	09	Held the opening ceremony of Plant 2 in Misa
2020	10	Selected as the military service-designated entity
	01	Approved as Derma SHURINK from the Ministry of Food and Drug Safety
	10	Won the Korea IR Award
2021	12	Awarded the 30 Million Dollars Export Tower
	04	Selected as the Global IP Start-up
	04	Selected as the Global Small Giant
	09	Approved AQUAPURE II from the Ministry of Food and Drug Safety
	09	Added the intended use (wrinkle improvement) of ULTRAFORMER III (SHURINK) to the Ministry of Food and Drug Safety
2022	10	Approved SHURINK UNIVERSE (ULTRAFORMER MPT) from the Ministry of Food and Drug Safety
	12	Awarded the 50 Million Dollars Export Tower

- 2022 02 Changed the head office (208, Teheran-ro, Gangnam-gu, Seoul, Republic of Korea
- 03 Selected as the KOSDAQ Disclosure Excellent Corporation
- 04 Changed the largest shareholder (to BCPE Centur Investments, LP)
- 04 Changed CEO (newly appointed CEO Seung Han Baek)
- 08 Approved VOLNEWMER for marketing from the Ministry of Food and Drug Safety
- 08 Selected as the KOSDAQ Rising Star for 2022
- 11 Won the best prize in beauty category at the Money Today IR Awards
- 11 Newly included in the KOSDAQ Global segment
- 11 Won the Prize of FSS at the 14<sup>th</sup> Korea KOSDAQ Award
- 12 Won the excellent corporate governance prize at the 2022 KCGS(Korea Institute of Corporate Governance and Sustainability)

## 1. Place of head office and its changes

Date	Relocated to the following address
2022.02.15	208, CLASSYS, Teheran-ro, Gangnam-gu, Seoul, Republic of Korea

- For more information, refer to the 'Relocation of Corporate Headquarters' disclosure.

## 2. Important changes in management executives and auditor

Date	Meeting type	Appointment		Expiration of term or dismissal
		Newly appointed	Re-appointed	
2020.03.27	Ordinary general meeting of shareholders	Inside director Kwang Taek Jung Outside director Dae Sung Kim Outside director Jung Hyun Lim	Inside director Sung Jae Jung (largest shareholder) Inside director Kim Dong-seok Inside director Chang Ho Choi Outside director Woo Sung Jo	-
2020.03.27	-	-	CEO Sung Jae Jung (largest shareholder)	-
2022.03.31	Ordinary general meeting of shareholders	Inside director Seung Han Baek Non-executive director Lee, Jung Woo Non-executive director Kim, Dong Wook Non-executive director Kim, Hyunseung Non-executive director Park, Wan Jin Outside director Park, Jun Hong Outside director Kim, Dong Ju Outside director Hyuk Jin Kwon		-
2022.04.18	-	CEO Seung Han Baek		-

- 2020.03.27 Established an audit committee and appointed additional inside directors
- 2020.03.27 Appointed CEO by the board of directors' resolution
- 2022.03.31 Changed the management at the ordinary general meeting of shareholders
- 2022.04.14 Appointed CEO by the board of directors' resolution
- 2022.04.18 Inaugurated CEO Seung Han Baek

### 3. Change of the largest shareholder

The largest shareholder changed to BCPE Centur Investments, LP on April 4, 2022. For more information, refer to the 'Change of the largest shareholder' disclosure on April 4, 2022.

### 4. Change in the company's industry or main business

The Company added the business purpose at the ordinary general meeting of shareholders on March 23, 2018.

Change date of business purpose	Addition of business purpose
2018.03.23	13. Manufacture, processing, and sale of food and beverage 14. Manufacture, distribution, and sale of nutritional and dietary supplements 15. Rental of medical devices 16. Manufacture, distribution, and sale of industrial goods 17. Trade business related with the subparagraphs above 18. All the business incidental to the subparagraphs above

## 3. Changes in Capital

### 1. Changes in capital

(Unit: won, share)

Type	Category	8 <sup>th</sup> fiscal year (End of 2022)	7 <sup>th</sup> fiscal year (End of 2021)	6 <sup>th</sup> fiscal year (End of 2020)	5 <sup>th</sup> fiscal year (End of 2019)	4 <sup>th</sup> fiscal year (End of 2018)
Common stock	Total number of issued shares	64,776,702	64,716,864	64,709,168	64,364,380	61,973,077
	Face value	100	100	100	100	100
	Capital	6,477,670,200	6,471,686,400	6,470,916,800	6,436,438,000	6,197,307,700
Preferred stock	Total number of issued shares	-	-	-	-	-
	Face value	-	-	-	-	-
	Capital	-	-	-	-	-
Others	Total number of issued shares	-	-	-	-	-
	Face value	-	-	-	-	-
	Capital	-	-	-	-	-
Total	Capital stock	6,477,670,200	6,471,686,400	6,470,916,800	6,436,438,000	6,197,307,700

(Note 1) 1,500,000 shares of common stock were issued as conversion rights were exercised

during 2018, and the capital increased by about 150 million won.

(Note 2) 2,391,303 shares of common stock were issued as stock options were exercised during 2019, and the capital increased by about 240 million won.

(Note 3) 344,788 shares of common stock were issued as stock options were exercised during 2020, and the capital increased by about 30 million won.

(Note 4) 7,696 shares of common stock were issued as stock options were exercised during 2021, and the capital increased by about 770,000 won.

(Note 5) 59,838 shares of common stock were issued as stock options were exercised during 2022, and the capital increased by about 5.98 million won.

## 4. Stock Information

### 1. Total number of shares

(As of December 31, 2022)

(Unit: share)

Classification	Class of stocks			Remarks
	Common stock	Preferred stock	Total	
I. Total number of authorized shares	100,000,000	-	100,000,000	-
II. Total number of issued shares	64,776,702	-	64,776,702	-
III. Total number of reduced shares	-	-	-	-
<ul style="list-style-type: none"> <li>1. Capital reduction</li> <li>2. Cancellation of shares</li> <li>3. Payment for shares</li> <li>4. Others</li> </ul>	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
IV. Total number of outstanding shares (II-III)	64,776,702	-	64,776,702	-
V. Number of treasury shares	367,636	-	367,636	-
VI. Number of floating shares (IV-V)	64,409,066	-	64,409,066	-

(Note 1) Pursuant to the Company's Articles of Incorporation, the maximum number of shares that may be issued for different classes of stocks is 30,000,000. To date, no different classes of stocks have been issued.

(Note 2) As of the submission date of disclosure documents, the total number of issued shares is 64,776,702. An additional 59,838 shares of stock option were exercised in 2022.

(Note 3) On September 15, 2022, the Company decided to sign a treasury share trust agreement worth 20 billion won to improve shareholder value and stabilize stock prices. For more information, please refer to the 'Report on material facts (decision to sign a treasury share trust agreement)' disclosure.

### 2. Status of acquisition and disposal of treasury stock

(As of December 31, 2022)

(Unit: share)

Acquisition method			Class of stock	Beginning Qty.	Changed Qty.			Ending Qty.	Remarks
					Acquire(+)	Dispose(-)	Cancel(-)		
Scope of	Direct	Direct acquisition	Common stock	-	-	-	-	-	

profit available for dividend	acquisition	on exchange market	-	-	-	-	-	-	-
		Direct acquisition on OTC market	Common stock	-	-	-	-	-	-
Acquisition within the scope	Acquisition via trust agreement	Tender offer	Common stock	-	-	-	-	-	-
			-	-	-	-	-	-	-
		Subtotal (a)	Common stock	-	-	-	-	-	-
			-	-	-	-	-	-	-
		Volume held by trustee	Common stock	-	367,636	-	-	367,636	-
			-	-	-	-	-	-	-
		Spot volume held	Common stock	-	-	-	-	-	-
			-	-	-	-	-	-	-
		Subtotal (b)	Common stock	-	367,636	-	-	367,636	-
			-	-	-	-	-	-	-
		Other acquisition (c)		Common stock	-	-	-	-	-
				-	-	-	-	-	-
Total (a+b+c)		Common stock	-	367,636	-	-	367,636		
		-	-	-	-	-	-		

### 3. Status of execution and termination of treasury share trust agreement

(As of December 31, 2022)

(Unit: million won, %, round)

Category	Agreement period		Agreement amount (A)	Treasury Acquisition (B)	Execution rate (B/A)	Change of trade direction		Result reporting date
	Start date	End date				Number	Date	
Trust agreement	2022.09.15	2023.09.22	20,000	5,422	27.1	-	-	-

(Note 1) The above start date of the agreement period is the date on which the first trust agreement is signed. An extension agreement of 6 months was concluded after December 31, 2022. For more information, please refer to the '[Extension Decision] Report on material facts (decision to sign a treasury share trust agreement) disclosure on March 13, 2022.

(Note 2) The treasury share trust agreement is aimed to improve shareholder value and stabilize stock prices. Its execution rate will be enhanced in line with the trust operation's purpose.

## 5. Matters Regarding the Articles of Incorporation

### 1. Matters regarding the amendments to the Articles of Incorporation

The Company's Articles of Incorporation attached herein were approved for some changes at the 7<sup>th</sup> ordinary general meeting of shareholders and modified as of March 31, 2022. The Company will present an agenda on some amendments to the Articles of Incorporation at the 8<sup>th</sup> ordinary general meeting of shareholders to be held on March 30, 2023, to reinforce the rights of directors. For the comparison table of the old and new Articles of Incorporation, refer to the agenda on some amendments to the Articles of Incorporation in the convened announcement submitted to the DART system (<http://dart.fss.or.kr>).



## 2. Amendment history to the Articles of Incorporation

Date	Meeting	Details of amendment	Reason
2020.03.27	The 5 <sup>th</sup> ordinary general meeting of shareholders	Article 8 (Issuance and Class of Stock) Deleted Article 11 (Stock Option) Article 14 (Transfer Agent) Article 33 (Number of Directors) Article 37 (Duties of Directors) Article 38 (Compensation and Severance Pay for Directors) Article 39 (Composition and Convening of the Board of Directors) Article 41 (Minutes of the Board of Directors) Article 46 (Composition of Audit Committee) Article 47 (Appointment of the Chairman of the Audit Committee) Article 48 (Auditor's Term of Office and By-election) Deleted Article 49 (Duties of the Audit Committee) Article 50 (Audit Report) Article 51 (Compensation and Severance Pay of Auditors) Deleted Article 53 (Financial Statements) Article 54 (Appointment of External Auditors) Article 56 (Payment of Dividends) Article 57 (Quarterly Dividends)	Enforcement of Act on Electronic Registration of Stocks, Bonds, Etc., installation of audit committee, etc.
2021.03.31	The 6 <sup>th</sup> ordinary general meeting of shareholders	Article 8-2 (Electronic Registration of Stocks, Etc.) Article 12 (Equal Dividends of Newly Issued Shares) Article 17 (Issuance of Convertible Bonds) Article 46 (Composition of the Audit Committee) Article 46-2 (Separate Appointment and Discharge of Audit Committee Members) Article 49 (Duties of the Audit Committee) Article 53 (Financial Statements) Article 57 (Quarterly Dividends)	Amendments of Enforcement Decree of Commercial Law, etc.
2022.03.31	The 7 <sup>th</sup> ordinary general meeting of shareholders	Article 16 (Closure and Record Date of Register of Shareholders) Article 35 (Term of Office of Directors)	Enforcement of Act on Electronic Registration of Stocks, Bonds, Etc., change in the term of office, etc.

## II. Business Overview

### 1. Business Overview

The Company has three brands such as CLASSYS in the business of medical devices, Cluederm in the business of aesthetic devices, and SKEDERM in the business of home-care devices and cosmetics.

As the accumulated numbers of sales and uses of its main products have increased, the consumables required to use the devices became an independent category of business. The sales of the CLASSYS brand and consumables account for 52% and 39%, respectively, as of 2022.

Customers consist of distributors in about 60 countries, domestic hospitals and clinics, and general customers, and the brands are expanding through continuous product upgrades and various marketing techniques.

The Company is expanding its brand portfolio through new product development, continuous product upgrades, and targeted marketing strategies to attract a wider customer base. Additionally, production capacity is being increased through the recruitment of additional workers to meet growing demand. For more information, please refer to II. Business Overview herein.

### 2. Main Products & Services

#### 1. Main products

Brand	Product	Technology
CLASSYS	ULTRAFORMER III	HIFU
	ULTRAFORMER MPT	HIFU
	VOLNEWMER	RF
	CLATUU Alpha	Cooling
	TONURV	Laser
	SCIZER	HIFU
Cluederm	Ufit	HIFU
	AQUAPURE I AQUAPURE II	Vacuum
	Refit	RF
	Cool4D	Cooling
SKEDERM	Cibon, Touchwave	Galvanic ion vibration
	Lifting patches	-

#### 2. Distribution of sales

(As of December 31, 2022)

(Unit: thousand won)

Consolidated basis	Item	Sales	Ratio
Medical devices	CLASSYS	74,186,224	52.3%
	Cluederm	7,916,596	5.6%
	Consumables	55,584,429	39.2%
Cosmetics & home-care devices	SKEDERM, etc.	1,964,271	1.4%
Lease	Real estate	2,151,722	1.5%
Total	Total	141,803,242	100.0%

Product prices vary depending on brands, products, regions, and purchasers' characteristics. The pricing information and any changes will not be disclosed herein since such information constitutes trade secrets.

### 3. Raw Materials & Manufacturing Facilities

#### 1. Main raw materials

The raw materials for medical devices produced by the Company include power supply units, temperature control units, and electronic instruments. The main suppliers are not in a special relationship with the Company, and the Company's R&D center selects suppliers by considering quality, price, and the stability of supply.

The Company is also trying to ensure a stable supply of raw materials by securing multiple suppliers, ordering components well in advance to ensure a stable supply or or having sufficient inventories.

The details about any changes in raw materials will not be disclosed herein since such information constitutes trade secrets.

#### 2. Production and facilities

##### (1) Production capacity and utilization rate

(Unit: number of units, thousand won)

Category	2022		2021		2020	
	Quantity	Amount	Quantity	Amount	Quantity	Amount
Capacity	129,662	39,107,781	90,903	32,859,971	56,285	18,381,536
Performance	109,011	32,879,073	65,073	24,891,254	50,282	15,004,028
Utilization rate	84.1%		75.7%		81.6%	

(Note 1) The above production performance is the sum of each quantity of devices and consumables.

(Note 2) The above quantity and amount of production capacity are obtained by reflecting the number of workforce and time available based on the quantity and amount of production performance.

##### (2) Manufacturing facilities

(Unit: thousand won)

Category	Beginning balance	Acquisition	Depreciation	Substitution	Ending balance
Land	15,117,163	-	-	6,383,948	21,501,111
Building	17,066,888	-	(525,353)	5,099,948	21,641,483
Machinery	222,704	78,567	(90,300)	-	210,971
Vehicles	39,180	13,509	(12,833)	(1)	39,855
Tools and equipment	1,371,463	457,500	(982,567)	-	846,396
Fixtures	98,746	64,194	(33,267)	(1,140)	128,533
Facilities	28,988	298,500	(56,896)	(1,362)	269,230
Total	33,945,132	912,270	(1,701,216)	11,481,393	44,637,579

(Note 1) The Company's manufacturing facilities are located in Songpa-gu of Seoul and Hanam-si of Gyeonggi-do, Republic of Korea.

## 4. Sales & Contracts

### 1. Sales

#### (1) Sales performance

(Unit: thousand won)

Consolidated basis		Item		2022	2021	2020
Product	Medical devices	CLASSYS	Export	44,283,525	36,563,003	20,556,429
			Domestic	29,902,699	10,327,838	12,377,446
		Cluederm	Export	7,397,232	6,421,530	3,558,356
			Domestic	519,364	822,545	832,036
		Consumables	Export	34,715,339	26,726,328	16,986,668
			Domestic	20,869,090	18,592,620	20,761,236
	Cosmetics and home-care devices	SKEDERM, etc.	Export	1,072,982	469,240	797,580
			Domestic	891,289	673,832	591,180
Lease	Real estate		Domestic	2,151,722	-	-
Total			Export	87,469,078	70,180,101	41,899,033
			Domestic	54,334,164	30,416,835	34,561,898
			Total	141,803,242	100,596,936	76,460,931

#### (2) Sales channel, method, strategy, and main places of sales

##### 1) Sales channels

The Company sells aesthetic medical devices in both domestic and overseas markets. In the domestic market, products are sold directly by the Company's head office in the metropolitan area of Seoul, Gyeonggi-do, and Incheon, while products are sold through distributors in other regions. Consumables are primarily sold through the online website (<http://classysmall.com>).

For overseas sales, the Company works with distributors who have a strong understanding of the local market. Our employees collaborate with our distributors to ensure a win-win relationship.

Category	Sales channel	Sales (thousand won)	Ratio
Domestic	Direct sale	27,220,807	19.2%
	Distributors, etc.	24,961,635	17.6%
	Lease	2,151,722	1.5%
Overseas	Distributors, etc.	87,469,078	61.7%
Total		141,803,242	100.0%

SKEDERM is an item for general sales. It can be purchased through various channels such as the brand website in Korea (<http://www.skederm.co.kr>) as well as other online and offline sites. In the United States, it can be purchased online at Amazon.

Cluederm is a consumable item for aesthetic devices and is sold through the sales network of the distributors in aesthetic device channel.

## 2) Sales methods

The terms and conditions of business vary depending on factors such as the credit rating and business prospects of each client. In South Korea, coupons for consumables are included with the sale of ULTRAFORMER III, ULTRAFORMER MPT, Ulfit, CLATUU Alpha, and SCIZER, and unused coupons are accounted for as advances.

## 3) Sales strategies

The Company divides the markets for aesthetic medical devices into the medical and aesthetics markets, where different models and distinguished items are sold. This leads to the segmentation and diversification of distribution channels while eliminating duplicate sales.

## 4) Major sales outlets

The Company's distributors are located in over 60 countries around the world, but the distributor information is not disclosed herein since it constitutes trade secrets.

## 2. Status of orders

The Company mainly produces according to purchase orders from domestic and overseas distributors as well as domestic hospitals and clinics. Therefore, the status of orders is not disclosed herein.

# 5. Risk Management & Derivative Transactions

## 1. Market risk & risk management

The details of market risk and risk management suggested in the corporate disclosure preparation standards are recorded in 35. Risk management items of 3. Notes to the Consolidated Financial Statements under III. Matters Regarding Finance herein.

## 2. Derivative transactions.

Not applicable

## 6. R&D Activities

### 1. R&D activities

#### (1) Overview of R&D

The Company manufactures aesthetic medical devices operates a Company-led R&D Center, which focuses on developing competitive aesthetic medical devices and promoting innovation.

#### (2) R&D department

Team	Activity
Research Support Team	Development support
Research Planning Team	Technology & product development planning & management
H/W Team	Electronic circuit and system design & development
ME/ID Team	Machinery, instruments, and optical design & development
GUI Team	Graph-based UI development
Home-beauty Device Team	Electronic circuit and system design & development

#### (3) R&D costs

(Unit: thousand won)

Consolidated		2022	2021	2020
Accounted for as assets	Raw material costs	-	-	-
	Personnel expenses	-	-	-
	Depreciation	-	-	-
	Outsourcing costs	-	-	-
	Other expenses	-	-	-
Accounted for as expenses	Manufacturing costs	512,929	431,644	558,812
	Selling and administrative expenses	4,429,777	4,700,593	3,115,050
Total R&D costs		4,942,706	5,132,237	3,673,862
(Government subsidies)		-	-	-
Ratio to sales (Note 1)		3.5%	5.1%	4.8%

(Note 1) The above total R&D costs are based on the sum of R&D expenses before deducting government subsidies.

## 7. Other Information

### 1. Status of intellectual property rights

The Company holds intellectual property rights as below. Detailed information will not be disclosed herein since they are trade secrets.

Category		Patents	Utility models	Design rights	Trademarks	Total
Registered	Domestic	98	0	79	176	353

	Overseas	16	2	148	262	428
	Total	114	2	227	438	781
Applied	Domestic	130	0	83	262	475
	Overseas	86	2	186	396	670
	Total	216	2	269	658	1,145

## 2. Overview of operations

### 1) Nature of the industry, growth potential, economic fluctuation, and seasonality

#### (1) Nature of the industry

The beauty industry currently encompasses cosmetics, skin care, and body care using various techniques. Medical skin care practices initially developed for therapeutic purposes have evolved into anti-aging solutions to improve the signs of skin aging such as wrinkles, loss of skin elasticity, and enlarged pores. The business models have become specialized for hospitals and clinics that provide skin care services. In curative dermatology, patients were treated as they developed a disease and paid for each treatment. However, with an increasing need for steady skincare, the payment method has shifted towards package payment plans such as 10-session courses or 3-month courses. As a result, large hospitals and franchised clinics have emerged as leading brands in the beauty industry, reflecting the growing trend of skin care.

With the increasing demand for skin care services and aesthetic treatments, the market for aesthetic medical devices has also expanded rapidly. The industry has evolved with advancements in technology, and various types of devices have been developed, such as laser devices, IPL (Intense Pulse Light), RF (Radio Frequency), Fractional Laser, Needle RF, and HIFU (High-Intensity Focused Ultrasound).

#### (2) Growth potential

According to Mordor Intelligence, the global aesthetic medical device market is currently valued at USD 18.9 billion in 2021 and is projected to reach USD 37.6 billion by 2027. The market for energy-based aesthetic devices and consumables is currently valued at USD 4.2 billion in 2021 and is expected to grow to USD 7.9 billion by 2027. Skin rejuvenation therapies are expected to make up more than 50% of overall skin care treatments, surpassing all other treatments such as pigmentation treatment, tattoo removal, acne treatment, vascular laser treatment, waxing, and others. This growth is attributed to the increasing demand for procedures that produce immediate effects with a short recovery time and an increasing preference for non-invasive treatments, as well as the well-known safety and effectiveness of energy-based aesthetic medical devices.

#### (3) Characteristics of economic fluctuation

According to the 2020 analysis report on the medical devices industry provided by the Korea Health Industry Development Institute, the medical devices manufacturing business is relatively less sensitive to economic conditions.

As the global population ages, there is a growing interest in health, wellness, and beauty, with

more people seeking aesthetic care and procedures to improve their appearance. This trend is not limited to the upper-middle class, with young people in their 20s and 30s now receiving care at specialized beauty clinics and shops. As a result, non-invasive procedures offering natural-looking rejuvenation with reduced side effects are becoming more popular.

However, it is difficult to predict demand in response to economic changes, as the demand for aesthetic medical devices varies depending on the economic situation of each country, the types of aesthetic procedures performed, and the devices that clinics prefer. Business performance can also be affected by various factors, such as the timing of product releases, the quality and durability of each product, when licenses are issued in each country, and the competence of each distributor.

#### (4) Seasonality

It is difficult to make accurate seasonal and regional demand forecasts for aesthetic medical devices because each country's sales volume of aesthetic medical devices differs depending on the world situation, licensing status in each country, and distributors' competency, and trends often affect the domestic demand. However, certain factors may influence demand in specific countries or regions. In Korea, for example, the timing of private clinic openings and peak periods for aesthetic procedures may have an impact on device purchases. Additionally, office workers may prefer to undergo procedures during summer vacation in July and August, while students may choose to have procedures during winter or summer vacations. As a result, device purchases may be higher in Q2 and Q4 in Korea.

### 2) Domestic and overseas market conditions

#### (1) Market stability

The Company provides medical devices and in particular manufactures medical devices for cosmetic procedures and aesthetic care provided by hospitals or clinics.

The future aesthetic medical devices market is expected to keep growing due to sociodemographic factors, technological and industrial factors, and government policy support.

The first factor contributing to the growth of the aesthetic medical devices market is more people want to have a young, beautiful appearance and seek wellness and active aging. As a growing number of women participate in economic activities and their income increases, they spend more on beauty and healthcare. This trend is not confined to women. A growing number of men also spend more on improving their appearance and fitness since they believe good appearance plays an important role in success.

Secondly, the convergence of IT in the medical devices industry and the bio-industry is leading to the development of more innovative technologies, which are improving the quality of services provided by aesthetic care and healthcare providers.

Thirdly, the government is developing policies aimed at disease and aging prevention to



improve public health and quality of life. These policies include increased support for the medical devices industry.

## (2) Competition situation

Aesthetic medical devices are primarily used for skin care purposes by dermatologists and plastic surgeons, and their development requires expertise from various fields such as clinical medicine, electrical engineering, electronic engineering, mechanical engineering, material engineering, and optical science. Aesthetic medical devices cover a wide range of apparatus, ranging from simple consumables to advanced electronic medical devices, and are becoming increasingly diverse and complex with technological advancements.

Functional cosmetics and various aesthetic care offered at skincare shops are also used for skin care purposes, but Korean laws stipulate that aesthetic medical devices can only be used in hospitals and clinics. Therefore, these methods do not replace but rather complement the use of aesthetic medical devices.

Aesthetic procedures can be either surgical or non-surgical, with surgical therapies or with injectable therapies such as botulinum toxin and dermal fillers often used in conjunction with the products provided by the Company. This synergy between industries contributes to the growth of both sectors, resulting in an overall increase in the aesthetics market.

## (3) Market share trends

The Company belongs to the aesthetic medical devices market and no market share data from authorized organizations is available, so it cannot be reported here.

## 3) Determinants of competitiveness and the Company's competitive advantages and disadvantages

The Company gathers information about competitors' R&D activities and the latest market trends by attending overseas exhibitions and conferences focused on aesthetic medical devices. The Company is also trying to learn the aesthetic medical devices local and overseas distributors and hospitals want to have and discuss with R&D personnel to determine in which areas upgrades are needed and what kinds of new products need to be developed. Moreover, the Company keeps up with changing technological trends by frequently checking the results of overseas clinical trials of aesthetic medical devices.

The Company plans, designs, and develops products using each technology to order raw materials, then assembles and manufactures finished goods.

In the overseas market, the Company sells medical devices such as ULTRAFORMER III, ULTRAFORMER MPT, VOLNEWMER, CLATUU Alpha, TONURV, and SCIZER to hospitals and clinics under the brand name CLASSYS. In 2016, the Company also launched a new brand, Cluederm, to target hospitals as well as overseas skin care shops. As a result, the Company operates with two brands, CLASSYS for hospitals and Cluederm for skin care shops, increasing sales in the overseas market. The sales of the Company's main devices and the development

of a new product portfolio have also increased the sales of related consumables such as cartridges and gel pads.

The Company also operates a cosmetic business under the SKEDERM brand, with main items including lifting patches and Cibon, a personal skin care device. The Cluederm brand is used for cosmetics in conjunction with aesthetic devices at aesthetic shops, which is expected to create a synergy effect of sales with the CLASSYS brand.

The Company invests in R&D activities to produce quality products and focuses on buzz marketing. The Company also leverage various social media platforms like Facebook, Instagram, and YouTube for marketing and encourages key doctors to participate in clinical studies and conferences to enhance technological competence, market presence, and expand their sales network.

### **3. Financial information by business segments**

The Company engages in a single business segment and does not manage revenues, expenses, assets, and liabilities by segments. For the summary of financial information for the single business segment, refer to 1. Summary of Financial Information under III. Matters Regarding Finance herein.

### III. Matters Regarding Finance

#### 1. Summary of Financial Information

##### 1. Summary of consolidated financial information

(Unit: million won)

Classification	2022	2021	2020
	End of December., 2022	End of December, 2021	End of December, 2020
[Current assets]	147,789	73,140	83,012
Cash and cash equivalents	26,004	42,788	64,383
Short-term financial instruments	65,377	-	3,241
Financial assets measured at fair value through profit or loss	20,199	5,125	-
Accounts receivable and other receivables	8,004	2,116	3,467
Inventories	23,398	16,465	9,940
Other financial assets	2,077	906	1,468
Others	2,730	5,740	513
[Non-current assets]	183,622	143,239	54,514
Property, plant, and equipment	104,242	80,705	50,099
Intangible assets	1,478	1,124	822
Investment properties	74,654	58,418	-
Other non-current financial assets	1,038	1,894	1,847
Others	2,210	1,098	1,746
Total assets	331,411	216,379	137,526
[Current liabilities]	36,225	16,793	13,450
[Non-current liabilities]	65,632	35,842	319
Total liabilities	101,857	52,635	13,769
[Equity attributable to shareholders of the parent company]	229,554	163,744	123,757
Capital stock	6,478	6,471	6,471
Capital surplus	24,230	24,122	24,108
Retained earnings	204,230	133,123	93,201
Others	(5,384)	28	(23)
[Non-controlling interest]	-	-	-
Total shareholder's equity	229,554	163,744	123,757
	(Jan. 1, 2022 ~ Dec. 31, 2022)	(Jan. 1, 2021 ~ Dec. 31, 2021)	(Jan. 1, 2020 ~ Dec. 31, 2020)
Sales	141,803	100,597	76,461
Operating profit	68,876	51,713	40,609
Net income	75,379	43,805	38,165
Net income in majority interest	75,379	43,805	38,165

Net income in minority interest	-	-	-
Basic earnings per share (unit: won)	1,165	677	590
Diluted earnings per share (unit: won)	1,165	676	589
Number of consolidated companies (unit: number)	2	2	2

※ The financial statements are prepared based on K-IFRS.

## 2. Summary of separate financial information

(Unit: million won)

Classification	2022	2021	2020
	End of December, 2022	End of December, 2021	End of December, 2020
[Current assets]	147,048	72,457	82,358
Cash and cash equivalents	25,358	42,156	63,776
Short-term financial instruments	65,377	-	3,241
Financial assets measured at fair value through profit or loss	20,199	5,125	-
Accounts receivable and other receivables	7,995	2,145	3,474
Inventories	23,375	16,442	9,916
Other financial assets	2,077	906	1,468
Others	2,667	5,683	483
[Non-current assets]	184,068	143,674	54,942
Investments in subsidiaries, associates, and jointly-controlling entities	438	437	437
Property, plant, and equipment	104,242	80,705	50,099
Intangible assets	1,478	1,124	822
Investment properties	74,654	58,418	-
Other non-current financial assets	1,036	1,892	1,845
Others	2,220	1,098	1,739
Total assets	331,117	216,131	137,300
[Current liabilities]	36,208	16,777	13,392
[Non-current liabilities]	65,632	35,835	320
Total liabilities	101,840	52,612	13,712
Capital stock	6,478	6,471	6,471
Capital surplus	24,230	24,122	24,108
Retained earnings	203,991	132,921	93,004
Others	(5,422)	5	5
Total shareholders' equity	229,277	163,519	123,588
Valuation method of investments in subsidiaries, associates, and jointly-controlling entities	Cost method	Cost method	Cost method
	(Jan. 1, 2022 ~ Dec. 31, 2022)	(Jan. 1, 2021 ~ Dec. 31, 2021)	(Jan. 1, 2020 ~ Dec. 31, 2020)
Sales	141,443	100,344	75,857
Operating profit	68,830	51,708	40,465
Net income	75,341	43,801	38,050
Basic earnings per share (unit: won)	1,165	677	588
Diluted earnings per share (unit: won)	1,165	676	587

※ The financial statements are prepared based on K-IFRS.

## 2. Consolidated Financial Statements

※ The financial statements are prepared based on K-IFRS.

### Consolidated Statements of Financial Position

The 8<sup>th</sup> fiscal year As of Dec. 31, 2022

The 7<sup>th</sup> fiscal year As of Dec. 31, 2021

The 6<sup>th</sup> fiscal year As of Dec. 31, 2020

(Unit: won)

	2022	2021	2020
<b>Assets</b>			
Current assets	147,788,690,727	73,140,020,626	83,012,388,624
Cash and cash equivalents	26,004,485,440	42,788,254,096	64,383,495,928
Short-term financial instruments	65,377,445,900		3,240,706,464
Financial assets measured at fair value through profit or loss	20,198,635,245	5,125,081,461	
Accounts receivable and other receivables	8,003,983,210	2,115,901,774	3,466,866,129
Inventories	23,397,666,986	16,465,363,683	9,940,294,738
Other financial assets	2,076,639,142	905,863,455	1,467,640,085
Other current assets	2,705,307,480	5,715,120,631	511,857,728
Current tax assets	24,527,324	24,435,526	1,527,552
Non-current assets	183,622,417,572	143,239,184,710	54,513,727,744
Long-term financial instruments	331,655,306	297,207,558	275,743,441
Property, plant, and equipment	104,241,594,590	80,704,632,923	50,098,618,893
Intangible assets	1,478,369,574	1,123,998,104	821,862,469
Investment properties	74,654,142,444	58,418,164,117	
Other non-current financial assets	1,038,003,840	1,894,438,860	1,846,884,560
Right-of-use assets	1,090,644,081	800,743,148	384,945,482
Deferred tax assets	788,007,737		1,085,672,899
<b>Total assets</b>	<b>331,411,108,299</b>	<b>216,379,205,336</b>	<b>137,526,116,368</b>
<b>Liabilities</b>			
Current liabilities	36,225,225,302	16,793,038,427	13,449,682,549
Accounts payable and other payables	2,124,969,047	1,762,682,479	840,329,862
Current portion of long-term borrowings	2,400,000,000		
Current tax liabilities	18,158,545,452	5,965,653,812	4,396,487,856
Other financial liabilities	5,465,274,676	980,208,015	580,431,267
Other current liabilities	6,293,182,762	6,742,818,342	6,641,273,139
Current provisions	1,225,950,125	827,521,251	775,580,984
Lease liabilities	557,303,240	514,154,528	215,579,441
Non-current liabilities	65,632,025,837	35,841,735,557	319,554,174
Long-term borrowings	64,400,000,000	35,000,000,000	

Other non-current financial liabilities	690,712,000	178,000,000	148,000,000
Non-current lease liabilities	541,313,837	291,450,457	171,554,174
Deferred tax liabilities		372,285,100	
Total liabilities	101,857,251,139	52,634,773,984	13,769,236,723
Shareholder's equity			
Equity attributable to shareholders of the parent company	229,553,857,160	163,744,431,352	123,756,879,645
Capital stock	6,477,670,200	6,471,686,400	6,470,916,800
Capital surplus	24,229,755,029	24,122,104,354	24,108,258,978
Capital adjustments	(5,421,976,100)	4,789,153	5,405,105
Accumulated other comprehensive income (loss)	38,081,537	22,859,175	(28,567,206)
Retained earnings	204,230,326,494	133,122,992,270	93,200,865,968
Total shareholders' equity	229,553,857,160	163,744,431,352	123,756,879,645
Total shareholders' equity and liabilities	331,411,108,299	216,379,205,336	137,526,116,368

## Consolidated Statements of Comprehensive Income

The 8<sup>th</sup> fiscal year: From Jan. 1 to Dec. 31, 2022

The 7<sup>th</sup> fiscal year: From Jan. 1 to Dec. 31, 2021

The 6<sup>th</sup> fiscal year: From Jan. 1 to Dec. 31, 2020

(Unit: won)

	2022	2021	2020
Sales	141,803,242,402	100,596,935,574	76,460,931,514
Cost of sales sold	33,636,218,547	22,744,271,711	15,501,675,464
Gross profit	108,167,023,855	77,852,663,863	60,959,256,050
Selling and administrative expenses	39,290,816,397	26,139,943,465	20,350,687,039
Operating profit	68,876,207,458	51,712,720,398	40,608,569,011
Financial income	2,584,120,029	4,211,433,763	1,201,134,880
Financial expense	4,675,705,739	367,148,616	2,582,900,459
Other income	30,374,149,233	214,610,833	75,312,801
Other expenses	400,334,309	147,027,685	8,748,529
Income before income taxes	96,758,436,672	55,624,588,693	39,293,367,704
Income tax expense	21,379,789,424	11,819,912,311	1,128,544,281
Net income (loss)	75,378,647,248	43,804,676,382	38,164,823,423
Other comprehensive income (loss)	15,222,362	51,426,381	9,072,758
Items that may be reclassified substantially to current profit or loss (other comprehensive income (loss) after taxes)	15,222,362	51,426,381	9,072,758
Gain (loss) on valuation of financial assets measured at fair value through other comprehensive income (other comprehensive income after taxes)			20,835,066
Gain (loss) on translation of foreign operations	15,222,362	51,426,381	(11,762,308)
Current gross comprehensive income (loss)	75,393,869,610	43,856,102,763	38,173,896,181
Net income (loss) attributable to:			
Equity attributable to shareholders of the parent company	75,378,647,248	43,804,676,382	38,164,823,423
Gross comprehensive income (loss) attributable to:			
Equity attributable to shareholders of the parent company	75,393,869,610	43,856,102,763	38,173,896,181
Earnings (loss) per share			
Basic earnings per share (unit: won)	1,165	677	590
Diluted earnings per share (unit: won)	1,165	676	589



## Consolidated Statements of Change in Shareholder's Equity

The 8<sup>th</sup> fiscal year: From Jan. 1 to Dec. 31, 2022

The 7<sup>th</sup> fiscal year: From Jan. 1 to Dec. 31, 2021

The 6<sup>th</sup> fiscal year: From Jan. 1 to Dec. 31, 2020

(Unit: won)

	Capital							
	Equity attributable to shareholders of the parent company						Non-controlling interest	Total
	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income (loss)	Retained earnings	Equity attributable to shareholders of the parent company		
2020.01.01 (Beginning capital)	6,436,438,000	23,487,973,190	33,000,321	(37,639,964)	57,996,804,025	87,916,575,572		87,916,575,572
Net income (loss)					38,164,823,423	38,164,823,423		38,164,823,423
Stock option exercised	34,478,800	620,285,788	(27,595,216)			627,169,372		627,169,372
Acquisition of treasury stock								
Dividend payout					(2,960,761,480)	(2,960,761,480)		(2,960,761,480)
Other comprehensive income (loss)				9,072,758		9,072,758		9,072,758
2020.12.31 (Ending capital)	6,470,916,800	24,108,258,978	5,405,105	(28,567,206)	93,200,865,968	123,756,879,645		123,756,879,645
2021.01.01 (Beginning capital)	6,470,916,800	24,108,258,978	5,405,105	(28,567,206)	93,200,865,968	123,756,879,645		123,756,879,645
Net income (loss)					43,804,676,382	43,804,676,382		43,804,676,382
Stock option exercised	769,600	13,845,376	(615,952)			13,999,024		13,999,024
Acquisition of treasury stock								
Dividend payout					(3,882,550,080)	(3,882,550,080)		(3,882,550,080)
Other comprehensive income (loss)				51,426,381		51,426,381		51,426,381
2021.12.31 (Ending capital)	6,471,686,400	24,122,104,354	4,789,153	22,859,175	133,122,992,270	163,744,431,352		163,744,431,352
2022.01.01 (Beginning capital)	6,471,686,400	24,122,104,354	4,789,153	22,859,175	133,122,992,270	163,744,431,352		163,744,431,352
Net income (loss)					75,378,647,248	75,378,647,248		75,378,647,248
Stock option exercised	5,983,800	107,650,675	(4,789,153)			108,845,322		108,845,322
Acquisition of treasury stock			(5,421,976,100)			(5,421,976,100)		(5,421,976,100)
Dividend payout					(4,271,313,024)	(4,271,313,024)		(4,271,313,024)
Other comprehensive income (loss)				15,222,362		15,222,362		15,222,362
2022.12.31 (Ending capital)	6,477,670,200	24,229,755,029	(5,421,976,100)	38,081,537	204,230,326,494	229,553,857,160		229,553,857,160

## Consolidated Statements of Cash Flow

The 8<sup>th</sup> fiscal year: From Jan. 1 to Dec. 31, 2022

The 7<sup>th</sup> fiscal year: From Jan. 1 to Dec. 31, 2021

The 6<sup>th</sup> fiscal year: From Jan. 1 to Dec. 31, 2020

(Unit: won)

	2022	2021	2020
Cash flows from operating activities	54,754,505,368	36,367,042,257	38,125,167,917
Net income (loss)	75,378,647,248	43,804,676,382	38,164,823,423
Addition (reduction) to adjust net income	(1,673,811,565)	11,048,673,401	6,104,279,267
Income tax expenses	21,379,789,424	11,819,912,311	1,128,544,281
Interest revenues	(772,115,051)	(57,275,421)	(187,222,165)
Interest expenses	2,609,847,800	93,054,431	168,907,143
Gain on foreign currency translation	(879,061,670)	(3,729,897,054)	(10,327,079)
Loss on foreign currency translation	1,241,385,965	1,480,020	2,202,449,001
Gain on valuation of financial assets measured at fair value through profit or loss	(198,635,245)	(164,764,001)	(40,193,417)
Loss on valuation of financial assets measured at fair value through profit or loss	48,786,354		
Loss on disposition of property, plant, and equipment	51,327,317	31,757,524	40,000
Gain on disposition of property, plant, and equipment	(30,338,624,339)	(7,174,849)	
Bad debt expenses	19,725,005	(101,199,839)	198,526,944
Warranty expenses	1,159,752,673	513,264,222	537,258,025
Depreciation	3,213,442,385	2,350,218,806	2,003,229,692
Depreciation of investment properties	523,289,433	65,244,531	
Rent and management fee			
Amortization of intangible assets	162,963,417	107,550,911	80,169,996
Loss on valuation of inventories	104,314,967	126,501,816	22,896,846
Miscellaneous gains		(7)	
Changes in assets and liabilities resulting from operating activities	(6,422,117,947)	(9,613,329,388)	(1,746,960,045)
Decrease (increase) in accounts receivable	(4,927,046,178)	1,433,341,286	(739,327,447)
Decrease (increase) in other current liabilities	(709,172,357)	43,835,861	176,722,915
Decrease (increase) in other current assets	3,011,181,648	(5,205,359,422)	196,758,392
Decrease (increase) in inventories	(7,786,432,986)	(7,094,042,322)	(1,703,324,671)
Increase (decrease) in accounts payable	(557,451,995)	470,566,511	37,761,214
Increase (decrease) in other liabilities	880,399,037	413,372,724	47,171,057
Increase (decrease) in other current liabilities	3,666,404,884	324,955,974	238,278,495
Increase (decrease) in current provisions			(1,000,000)
Payment of income taxes	(10,340,797,227)	(8,821,975,758)	(4,427,624,729)
Interest received	386,339,364	42,052,051	199,557,144
Interest paid	(2,573,754,505)	(93,054,431)	(168,907,143)
Cash flows from investing activities	(91,994,852,657)	(92,466,134,619)	6,655,641,811

Decrease in financial assets measured at fair value through profit or loss	5,076,295,107		4,087,674,714
Decrease in long-term loans		500,000,000	
Decrease in short-term loans	5,421,976,100	3,240,706,464	7,000,000,000
Disposition of property, plant, and equipment	60,027,636,362	61,551,000	
Decrease in deposit for rent	158,000,000	735,000,000	425,000,000
Decrease in other deposits	1,500,000	300,000	
Decrease in long-term financial instruments	105,970,452		
Increase in financial assets measured at fair value through profit or loss	(20,000,000,000)	(4,960,317,460)	
Increase in short-term financial instruments	(70,906,844,000)		(3,021,741,885)
Increase in long-term financial assets	(32,996,200)	(21,464,117)	(62,046,484)
Acquisition of property, plant, and equipment	(27,481,361,335)	(32,627,973,312)	(791,886,102)
Acquisition of intangible assets	(517,334,887)	(409,686,546)	(191,358,432)
Acquisition of investment properties	(43,759,576,256)	(58,278,608,648)	
Increase in deposit for rent	(80,000,000)	(681,000,000)	(790,000,000)
Increase in other deposits	(8,118,000)	(24,642,000)	
Cash flows from financing activities	21,055,238,698	30,719,729,449	(12,183,784,165)
Increase in short-term borrowings			100,000,000
Increase in long-term borrowings	69,000,000,000	35,000,000,000	
Exercise of stock option	108,845,322	13,999,024	627,169,372
Increase in deposit for rent	85,000,000		
Dividend payout	(4,271,313,024)	(3,882,550,080)	(2,960,761,480)
Acquisition of treasury stock	(5,421,976,100)		
Repayment of short-term borrowings	(37,200,000,000)		(100,000,000)
Repayment of current portion of long-term liabilities			(9,600,000,000)
Repayment of lease liabilities	(618,723,000)	(411,719,495)	(250,192,057)
Decrease in deposit for rent	(626,594,500)		
Increase (decrease) in cash and cash equivalents	(16,185,108,591)	(25,379,362,913)	32,597,025,563
Cash and cash equivalents at the beginning of year	42,788,254,096	64,383,495,928	33,976,505,980
Effect of exchange rate changes on cash and cash equivalents	(598,660,065)	3,784,121,081	(2,190,035,615)
Cash and cash equivalents at the end of year	26,004,485,440	42,788,254,096	64,383,495,928

### 3. Notes to Consolidated Financial Statements

#### 1. General description

##### (1) Summary of parent company

CLASSYS Inc. (hereinafter, the "Company") was founded in order to manufacture and sell medical devices for skin care. The Company was established on January 10, 2007, and has a head office in Seoul, Republic of Korea.

For listing on the KOSDAQ, the Company signed a merger agreement with KTB Special Purpose Acquisition Company 2 Co., Ltd. On July 13, 2017, and completed the registration of the merger on December 13, 2017. KTB Special Purpose Acquisition Company 2 Co., Ltd. (acquiring company) merged with CLASSYS (acquired company) and the company name after the merger is changed to CLASSYS Inc.

The total number of shares to be issued by the Company in accordance with the Articles of Incorporation is 100,000,000 shares (100 won per share) and the capital stock as of December 31, 2022, is 6,477,670 thousand won (number of shares issued: 64,776,702 shares).

Meanwhile, the status of stockholders as of the reporting period end date is as follows.

(Unit: share, %)

Shareholders	End of 2022		End of 2021	
	No. of shares	Share ratio	No. of shares	Share ratio
BCPE CENTUR INVESTMENTS, LP	39,407,057	60.8	-	-
Sung Jae Jung and related party (*)	8,376,790	12.9	47,840,476	73.9
Treasury stock	367,636	0.6	-	-
Others	16,625,219	25.7	16,876,388	26.1
Total	64,776,702	100.0	64,716,864	100.0

(\*) Share ratio for the end of 2022 changed due to the sale of shares during 2022.

##### (2) Summary of subsidiaries

###### 1) Status

The status of subsidiaries as of the reporting period end date is as follows:

Subsidiaries	Share ratio		Acquisition date	Location	Reporting period end date	Business area	De facto control standard
	End of 2022	End of 2021					
Skederm, Inc.	100%	100%	2017.03.17	US	2022.12.31	Cosmetics sales	Wholly owned subsidiary
Skederm Shanghai co., Ltd.	100%	100%	2017.07.20	China	2022.12.31	Cosmetics sales	Wholly owned subsidiary

###### 2) Summary of financial information

The summary of financial information of subsidiaries is as follows.

(Unit: thousand won)

Subsidiaries	End of 2022			End of 2021		
	Assets	Liabilities	Capital	Assets	Liabilities	Capital
Skederm, Inc.	357,650	17,083	340,567	360,488	51,067	309,421
Skederm Shanghai co., Ltd.	378,263	-	378,263	365,273	-	365,273

(Unit: thousand won)

Subsidiaries	2022			2021		
	Sales	Net income (loss)	Gross comprehensive income (loss)	Sales	Net income (loss)	Gross comprehensive income (loss)
Skederm, Inc.	379,593	9,986	9,986	283,182	(5,195)	(5,195)
Skederm Shanghai co., Ltd.	72,436	23,695	23,695	61,155	15,356	15,356

### 3) The change of consolidated scope

There is no change in consolidated scope during 2022.

## 2. Important accounting policies

### 2.1. Consolidated financial statements preparation standards

#### 2.1.1 Established and amended standards adopted by the Consolidated Entity

The Consolidated Entity newly applied the following established and amended corporate accounting standards from the fiscal year that begins on January 1, 2022.

#### (1) K-IFRS 1103 Business Combinations (Amendment) – Refer to the Conceptual Framework for Financial Reporting

It clearly stipulates that it was amended to refer to the amended conceptual framework for financial reporting about the definitions of assets and liabilities to be recognized upon business combination, but exemptions were added to apply this standard for the liabilities and contingent liabilities included in the scope to which K-IFRS 1037, Contingent Liabilities and Contingent Assets and IFRIC 2121 Contribution are applied. The Consolidated Entity does not expect the amendment above will have a significant impact on the financial statements.

#### (2) K-IFRS 1016 Property, Plant and Equipment (Amendment) – Proceeds Before Intended Use

It requires a company to recognize the proceeds from the sale of goods produced while the property, plant, and equipment become available in the location and state intended by the management as well as the costs of goods as current profit or loss. It subsequently requires the sales proceeds and the costs of goods included in current profit or loss to be disclosed. The Consolidated Entity does not expect the amendment above will have a significant impact on the financial statements.

#### (3) K-IFRS 1037, Contingent Liabilities, and Contingent Assets (Amendment) – Onerous Contracts: Cost of Fulfilling a Contract

It clearly stipulates that when indemnifying onerous contracts, the costs to fulfill a contract consist of the incremental costs to fulfill a contract and other costs directly associated with contract fulfillment. The Consolidated Entity does not expect the amendment above will have a significant impact on the financial statements.

#### (4) K-IFRS 2018-2020 Annual Improvements

There are an amendment in K-IFRS 1109 Financial Instruments that only the commission received or paid between the borrower and the lender are included in the commission related with a '10%' test to derecognize financial liabilities (including the commission paid or received by the borrower or the lender on behalf of other parties) as well as some amendments in K-IFRS 1101 First-time Adoption of K-IFRS of the Corporate Accounting Standards, K-IFRS 1116 Lease, and K-IFRS 1041 Agriculture, Forestry, and Fishery. The Consolidated Entity does not expect the amendment above will have a significant impact on the financial statements.

#### 2.1.2 Established and amended standards not applied by the Consolidated Entity

The Korean International Financial Reporting Standards and Interpretations which were established and published, yet not applied by the Consolidated Entity since the effective date has not arrived as of the end of 2022 are as follows:

##### (1) K-IFRS 1001 Presentation of Financial Statements (Amendment) – Classification of Liabilities as Current and Non-Current

The classification of liabilities is not affected by the possibility of exercising the right to postpone the settlement of liabilities for more than 12 months after the reporting period, and the liabilities are classified as non-current even though the management intends and expects the liabilities to be settled within 12 months after the reporting period or the liabilities are settled between the end of reporting period and the approval date of the financial statements, if the criteria are satisfied. Moreover, the settlement of liabilities includes the transfer of the entity's own equity instruments, but excludes the cases recognized separately from liabilities as an option to settle with the entity's own instruments in compound financial instruments meets the definition of equity instruments. This amendment becomes effective from the fiscal year starting after January 1, 2023 and early application is allowed. The Consolidated Entity does not expect the amendment above will have a material impact on the financial statements.

##### (2) K-IFRS 1001 Presentation of Financial Statements (Amendment)

This amendment changed the information of accounting policies to be disclosed from 'significant' accounting policies to 'material' accounting policies and explained the meaning of material accounting policies. This amendment becomes effective from the fiscal year starting after January 1, 2023 and early application is allowed. The Consolidated Entity does not expect the amendment above will have a material impact on the financial statements.

##### (3) K-IFRS 1008 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment)

It defines 'accounting estimate' as the monetary amount in the financial statements which is affected by measurement uncertainty and provides the clear example of accounting estimate. If input variables or measurement method are changed due to the acquisition of new information, development of a new situation, or accumulation of additional experience, this is a change of accounting estimate, if not the correction of previous year's error. This amendment becomes effective from the fiscal year starting after January 1, 2023 and early application is allowed. The Consolidated Entity does not expect the amendment above will have a material impact on the financial statements.

#### (4) K-IFRS 1012 Income Taxes (Amendment)

It stipulates that deferred tax liabilities and assets are recognized respectively, if the same amount of temporary differences to be added and to be deducted takes place when initially recognizing assets and liabilities in a single transaction by adding the exception rules for the initial recognition of deferred tax. This amendment becomes effective from the fiscal year starting after January 1, 2023, and early application is allowed. 'Deferred income tax related to assets and liabilities arising from a single transaction' applies to the transactions made after the start date of the earliest comparative period. Assets and liabilities are recognized for all temporary differences to be deducted or added related to (1) right-of-use assets and lease liabilities that have already existed on the start date of the earliest comparative period and (2) the after-service and recovery-related liabilities and equivalent amount recognized as part of the cost of assets, and the accumulated effects of initial application are recognized by adjusting the beginning balance of retained earnings (or other components of capital). The Consolidated Entity does not expect the amendment above will have a material impact on the financial statements.

## 2.2. Accounting policies

The significant accounting policies and calculation methods applied to prepare the financial statements are equal to the accounting policies or calculation method applied to prepare the annual financial statements for the fiscal year ending on December 31, 2021, except the changes made as the established or amended standards in Note 2.1 are applied and the followings explained below.

### 2.2.1 Consolidation criteria

Subsidiaries are the entities controlled by the Consolidated Entity. The Consolidated Entity controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Consolidated Entity takes into account the potential voting rights it holds as well as potential voting rights other parties hold when evaluating the control over other entities.

The consolidated financial statements are prepared by combining assets, liabilities, equity, profits, expenses, and cash flows of the parent company and subsidiaries by items, offsetting (derecognizing) the parent company's book value of investment assets in each subsidiary and

the equity attributable to equity holders of the parent company out of the equity of each subsidiary, and derecognizing all of inter-enterprise transactions within the Consolidated Entity and related assets, liabilities, equity, profits, expenses, and cash flows that occur within the Consolidated Entity. The profits and expenses of subsidiaries are included in the consolidated financial statements for the period from the date when the Consolidated Entity obtains control of the subsidiary until the date when the Consolidated Entity loses control of the subsidiary.

The financial statements of the parent company and subsidiaries used to prepare the consolidated financial statements have the same reporting period end date. If the reporting period end date is different between them, each subsidiary needs to prepare additional financial information that has the same reporting period end date to the financial statements of the parent company in order for the parent company to consolidate the subsidiary's financial information when preparing the consolidated financial statements. If it is however impractical for the subsidiary to apply it, the parent company consolidates the subsidiary's financial information using the subsidiary's latest financial statements that adjusted the impact of significant transactions or events that occurred between the subsidiary's financial statements date and the consolidated financial statements date. In any case, the difference between the subsidiary's financial statements date and the consolidated financial statements date should not exceed three months and the same length of reporting period and the difference of financial statements dates are applied in each period.

If the entity that comprises the Consolidated Entity used accounting policies different from those adopted in the consolidated financial statements on the same transactions and events that occurred in similar situations, the Consolidated Entity prepares the consolidated financial statements by properly adjusting the financial statements to match the accounting policies of the Consolidated Entity.

Non-controlling interests are included in equity, but separately presented from the equity attributable to equity holders of the parent company in the consolidated statements of financial position. Each component of net income or loss and other comprehensive income or loss belong to the owner of the parent company and non-controlling interests, and gross comprehensive income or loss belongs to the owner of the parent company and non-controlling interests even in case of the non-controlling interests having a deficit balance.

The changes in the parent company's interest in the subsidiary that do not result in a loss of control are accounted for as equity transactions (transactions with an owner exercising the rights as an owner).

If the parent company loses control of the subsidiary, the assets and liabilities of the former subsidiary are derecognized from the consolidated statements of financial position and any investment retained in the former subsidiary is recognized at its fair value when control is lost. The investment and the amount traded with the former subsidiary are subsequently accounted for in accordance with the related K-IFRS, and the gain or loss associated with the loss of control attributable to the former controlling interest is recognized.



## 2.2.2 Foreign currency translation

The Consolidated Entity comprises of individual entities that use different functional currencies, and translates business performance and financial position of each entity in Korean won (KRW) which is the functional currency and reporting currency of the parent company to prepare the consolidated financial statements.

### (1) Foreign currency transactions

In case of the initial recognition of foreign currency transactions in the functional currency, the spot-exchange rate between the foreign currency and the functional currency of the transaction day is applied and recorded to the foreign currency amount and recorded. Monetary items denominated in foreign currencies on the reporting period end date are translated using the closing rate and non-monetary items denominated in foreign currencies are translated using the exchange rate of the transaction day. Non-monetary items measured at fair value are translated using the exchange rate of the day when the fair value was determined.

The foreign currency differences arising on the settlement of monetary items and the foreign currency differences arising since the exchange rate used to translate monetary items are different from the exchange rate at the time of first recognition during the fiscal year or at the time of currency translation of the financial statements for the preceding year are recognized in profit or loss during the fiscal year when the foreign currency differences occurred. The foreign currency differences where the hedge accounting that meets certain requirements are applied (those effective in hedging out of net investment hedging for foreign operations and those effective in hedging out of foreign currency differences for monetary items equipped with the requirements for cash flow hedges) are reported as other comprehensive income or loss.

For the items for which is not scheduled or unlikely to be paid in a foreseeable future out of the monetary items the Consolidated Entity received from foreign operations or will pay to foreign operations, the foreign currency differences arising from monetary items which is part of net investments for the foreign operations are recognized in other comprehensive income or loss and are reclassified as current profit or loss in the equity at the time of disposal of related net investments.

If profit or loss arising from non-monetary items is recognized in other comprehensive income or loss, the effects of changes in foreign exchange rates included in the profit or loss are also recognized in other comprehensive income or loss. If profit or loss arising from non-monetary items is recognized in current profit of loss, the effects of changes in foreign exchange rates included in the profit or loss are also recognized in current profit or loss.

### (2) Currency translation in foreign operations

The Consolidated Entity comprises of individual entities that use different functional currencies (not the currencies of hyperinflationary economies) translates business performance and

financial position of each individual entity in the reporting currency of the Consolidated Entity to prepare the consolidated financial statements.

The assets and liabilities in the statements of financial position of foreign operations are translated using the closing rate of the applicable reporting period end date, and the revenues and expenses in the statements of comprehensive income are translated using the average exchange rate for the period. The accumulated foreign currency differences arising from non-controlling interests out of foreign currency differences related to the foreign operations which are not wholly owned by the Consolidated Entity, but included in the Consolidated Entity are allocated and recognized in non-controlling interests in the consolidated statements of financial position.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities are expressed in the functional currency of the foreign operation and translated at the closing rate. The accumulated foreign currency differences related to the foreign operation recognized in equity separately from other comprehensive income or loss are reclassified as current profit or loss in equity at the time of recognizing the gain or loss on disposal of the foreign operation.

### (3) Disposal or partial disposal of foreign operations

When a foreign operation is disposed of (including the Consolidated Entity not only disposes all of its shares in the foreign operation, but also loses control over a subsidiary that includes the foreign operation; and the Consolidated Entity loses a material influence on an associate that includes the foreign operation and loses joint control over jointly-controlling entities that include the foreign operation), the accumulated foreign exchange differences related to the foreign operation that recognized it in equity separately from other comprehensive income or loss are reclassified as current profit or loss in equity at the time of recognizing the gain or loss on disposal of the foreign operation, and the accumulated foreign exchange differences related to the foreign operation attributed to non-controlling interests at the time of disposing the associate that includes the foreign operation are derecognized, but not reclassified as current profit or loss.

When an associate that includes a foreign operation is partially disposed of, the proportional share out of the accumulated foreign currency differences recognized in other comprehensive income or loss is reattributed to non-controlling interests of the foreign operation. In this case, only the proportional share out of the accumulated foreign currency differences recognized in other comprehensive income or loss at the time of disposing the foreign operation is reclassified as current profit or loss.

### 2.2.3 Cash and cash equivalents

The Company classifies cash on hand, demand deposit and the assets that can be easily converted into a fixed amount of cash and is unlikely to fluctuate in value such as short-term investments with high liquidity as cash and cash equivalents. Cash equivalents exclude equity instruments, but include substantial cash equivalents like preferred stock which have a fixed

maturity date and a short payback period from the acquisition date. Bank overdraft required to be immediately repaid by request of a bank is included in the component of cash and cash equivalents.

#### 2.2.4 Financial assets

##### (1) Classification

The Consolidated Entity classifies financial assets into the following categories of measurement.

- Financial assets measured at fair value (changes of fair value are recognized in other comprehensive income or loss or current profit or loss)
- Financial assets measured at amortized cost

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

Profit or loss on financial assets measured at fair value is recognized in current profit or loss or other comprehensive income or loss. Investments in debt instruments are recognized in current profit or loss or other comprehensive income or loss according to the business model under which the financial assets are held. The Consolidated Entity reclassifies debt instruments only when the business model for the management of financial assets is changed.

For equity instruments which are not held for short-term sales, the Consolidated Entity can make an irrevocable choice to designate it as an item that requires the subsequent changes in fair value upon initial recognition to be presented as other comprehensive income or loss. The changes in the fair value of investments in the equity instruments which are not designated as above are recognized in current profit or loss.

##### (2) Measurement

Financial assets are measured at fair value upon initial recognition. In the case of financial assets which are not measured at fair value through profit or loss, transition costs directly related to the acquisition of the financial asset and the issuance of the financial liability are added to fair value. The transaction costs of financial assets measured at fair value through profit or loss are accounted for as current profit or loss.

For a multiple consumer contract containing embedded derivatives, the Consolidated Entity takes into account the entire terms of the multiple consumer contracts when evaluating if the contractual cash flow consists only of the principal and interest.

##### ① Debt instruments

The subsequent measurement of a financial asset is based on the contractual cash flow characteristics of the financial asset and a business model for the management of the financial

asset.

(A) Financial assets measured at amortized cost

If financial assets are held under a business model with the purpose of receiving contractual cash flow and the contractual cash flow consists only of the principal and interest, the financial assets are measured at amortized cost. The profit or loss of financial assets which are not subject to hedging relationship as a financial asset measured at amortized cost are recognized in current profit or loss when derecognizing or impairing the financial asset. The interest revenues of financial assets recognized according to the effective interest rate are included in finance incomes.

(B) Financial assets measured at fair value through other comprehensive income or loss

If financial assets are held under the business model to realize the purpose by both receiving contractual cash flow and selling financial assets and the contractual cash flow consists only of the principal and interest, the financial assets are measured at fair value through other comprehensive income or loss. Except for impairment loss (subsequent gain), interest revenues, and gain or loss on foreign currency translations, the profit or loss of financial assets measured at fair value through other comprehensive profit or loss are recognized in other comprehensive profit or loss. When derecognizing financial assets, the recognized other comprehensive accumulated profit or loss are reclassified as current profit or loss in equity. The interest revenues of financial assets recognized according to the effective interest rate are included in finance incomes. Gain or loss on foreign currency translations is presented as finance incomes or finance expenses while impairment loss is presented as other expenses.

(C) Debt instruments which are not financial assets measured at amortized cost or fair value through other comprehensive income or loss, are measured at fair value through profit or loss. Profit or loss of debt instruments measured at fair value through profit or loss which are not subject to hedging relationship are recognized in current profit or loss and presented as other income or other expenses in the income statements during the period they occurred.

② Equity instruments

Investments in all equity instruments are subsequently measured at fair value. The amount recognized in other comprehensive income or loss for the equity instrument the Consolidated Entity chose to present the changes in fair value as other comprehensive income or loss are not reclassified as current profit or loss even when derecognizing the equity instrument. The dividends of the equity instrument are recognized in other income in the income statements when the right to receive dividends is confirmed.

The changes in the fair value of financial assets measured at fair value through profit or loss are presented as other income or other expenses in the income statements. Impairment loss (subsequent gain) on equity instruments measured at fair value through other comprehensive income or loss is separately classified and not recognized.

(3) Impairment

The Consolidated Entity evaluates the expected credit loss on debt instruments measured at amortized cost or measured at fair value through other comprehensive income or loss based on future prospects. The way impairment occurs is determined depending on a significant increase in credit risk. However, the Consolidated Entity applies a short-cut method that recognizes expected credit loss for the entire period from initial recognition of receivables to accounts receivable.

#### (4) Recognition and de-recognition

Standardized selling and buying of financial assets are recognized or derecognized on the date of sale. Financial assets are derecognized in the event of a lapse of the contractual rights to cash flows or the transfer of financial assets and most of risks and rewards of holding the financial assets.

Even if the Consolidated Entity transferred financial assets and if the Consolidated Entity holds most of risks and rewards of holding the financial assets transferred in the form of the right of recourse in the event of a debtor's default, the financial assets are not derecognized and the entire assets transferred continue to be recognized, but the consideration received is recognized in financial liabilities.

#### (5) Offsetting financial instruments

The financial instruments are offset and presented at net value in the statements of financial position when the Consolidated Entity currently holds the legally enforceable right to offset financial assets and liabilities and pays liabilities or has an intention to pay liabilities at the same time realizing assets. The legally enforceable right to offset is not influenced by future events and means that it shall be enforced during the normal course of business and default and even in the event of insolvency or bankruptcy.

### 2.2.5 Derivatives

Derivatives are initially measured at fair value of the contract date. Subsequent to initial recognition, derivatives are re-measured at fair value.

#### (1) Embedded derivatives

Embedded derivatives which comprises the multiple consumer contract that includes a main contract are accounted for as separate derivatives from the main contract if the economic characteristics and risks are not closely related to the economic characteristics and risks of the main contract, the financial instruments having the same conditions to embedded derivatives meet the definition of derivatives, and the changes in the fair value of the multiple consumer contract are not recognized in current profit or loss.

#### (2) Hedge accounting

The Consolidated Entity applies hedge accounting when a hedging relationship upon the

commencement of hedges, hedging purpose, and hedging strategies are officially designated and documented; a high effect of hedging is expected in offsetting the changes in fair value or cash flow caused by the risk of the hedging target; the possibility is high in expected transactions in hedging targets in cash flow hedges and is exposed to the changes in cash flow that ultimately affect current profit or loss; the effect of hedging can be reliably measured; the effect of hedging continues to be evaluated; and it is determined if the effect of hedging is high during the entire financial reporting period designated for hedging.

A hedge accounting recognizes the effect of offsetting gains or losses of the changes in the fair value of hedging instruments and hedged items and classifies them into fair value hedges and cash flow hedges.

### (3) Fair value hedges

Fair value hedges are used to mitigate the risk of entire or partial changes in the fair value of recognized assets or liabilities which arise from specific risks and may have influence on current profit or loss or non-recognized firm commitments. The changes in fair value following the re-measurement of derivatives designated as hedging instruments are recognized in current profit or loss, and the profit or loss of hedged items caused by the risk of hedging targets is recognized in current profit or loss by adjusting the book value of hedged items.

If the financial instruments measured at amortized cost using the effective interest rate are hedged items, the adjusted amount of book value is amortized to be recognized in current profit or loss. If the non-recognized firm commitment is designated as a hedged item, the subsequent, accumulated changes in fair value of the firm commitments due to the risk of hedged items are recognized in assets or liabilities and the corresponding gains or losses are recognized in current profit or loss. If the firm commitment that acquires assets and takes over liabilities is a hedged item, the initial book value of the assets and liabilities recognized as a result of fulfilling the firm commitment is adjusted to include the accumulated changes in the fair value of the firm commitment recognized in hedged items in the statements of financial position.

In case of disappearance, sales, termination, and exercise of hedging instruments and if the requirements for the application of hedge accounting are no longer satisfied and the designation as hedging instruments is withdrawn, fair value hedges are prospectively ceased.

### (4) Cash flow hedges

Cash flow hedges is used to mitigate the risk of entire or partial changes in the fair value of recognized assets or liabilities which arise from specific risks and may have influence on current profit or loss or the changes in cash flows of transactions which are highly likely to occur. Those effective in mitigating the risk out of gains or losses of hedging instruments are recognized in other comprehensive income or loss and those ineffective in mitigating the risk are recognized in current profit or loss.

If financial assets or financial liabilities are recognized in the future based on expected

transactions which are hedged items, the relevant gains or losses recognized in other comprehensive income or loss are reclassified as current profit or loss in the equity item after going through the adjustment of reclassification during the fiscal year when the expected cash flows of hedged items have influence on current profit or loss.

If non-financial assets or non-financial liabilities are recognized in the future based on expected transactions which are hedged items or the expected transactions for non-financial assets or non-financial liabilities become firm commitments that apply fair value hedges, the relevant gains or losses recognized in other comprehensive income or loss are derecognized and the initial cost or book value of relevant assets or liabilities are included.

In case of disappearance, sales, termination, and exercise of hedging instruments and if the requirements for the application of hedge accounting are no longer satisfied and the designation as hedging instruments is withdrawn, the accumulative gains or losses of hedges recognized in other comprehensive income or loss until when the expected transaction takes place are recognized in equity. If the expected transaction is expected to no longer take place, the accumulative gains or losses of hedges recognized in other comprehensive income or loss are recognized in current profit or loss.

#### 2.2.6 Inventories

The acquisition cost of inventories includes the cost of goods purchased, conversion cost, and any costs that attributable to bringing the inventories to the present location and condition, and the unit cost of inventories valued using gross average method (identified cost method for goods not yet delivered).

Inventories are measured using the lower one between acquisition cost and net realizable value. Net realizable value is the amount that deducted the estimated additional cost of completion and selling costs from the estimated selling price in the normal course of business, and the net reliable value is revalued in each subsequent period.

The carrying amount of inventories is recognized in the costs of the period when relevant revenues from selling inventories are recognized. Loss on valuation that reduced inventories to net realizable value and all losses from inventory shrinkage are recognized in the costs of the period when reduction or depletion occurred, and the reversal of a loss on inventory valuation caused by an increase of inventories' net realizable value is recognized as the amount subtracted from value of inventories recognized in the costs during the period when the reversal occurred.

#### 2.2.7 Property, plant, and equipment

Property, plant, and equipment are initially measured at cost. Subsequent to initial recognition, the amount that deducted any accumulated depreciation and any accumulated impairment loss from the acquisition cost is carried at cost. The cost of property, plant, and equipment includes the purchasing price with customs and non-refundable acquisition taxes added and discounts earned and rebates deducted, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner

intended by the management, and the initial estimate of the costs of dismantling and removing the item or restoring the site on which it is located.

Subsequent costs are carried at cost or recognized in a separate asset where appropriate when future economic benefits from the asset are expected to flow to the entity and the cost of the asset can be measured reliably, and the cost arising in relation to the regular repair or maintenance is recognized in current profit or loss at the time of incurrence.

Land among property, plant, and equipment is not depreciated and other property, plant, and equipment are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed.

Classification	Useful life
Building	40 years
Machinery	5 years
Facilities	5 years
Vehicles	5 years
Tools and equipment	3 years
Fixtures	5 years

If part of costs that comprise property, plant, and equipment is significant compared to the overall costs of property, plant, and equipment for the year, the part is separately depreciated when the depreciation of the tangible asset is performed.

The depreciation methods, useful lives, and residual values of property, plant, and equipment are reviewed at the end of each reporting period and, if it is believed to be appropriate to change them, the items are accounted for as changes in accounting estimates.

The carrying amount of property, plant, and equipment are derecognized if the items are disposed or if no future economic benefits are expected from the items due to use or disposal, and gains or losses on disposal are recognized in current profit or loss at the time when the asset is derecognized.

### 2.2.8 Investment properties

Property held for the purpose of earning rental income or benefiting from capital appreciation is classified as investment property. Investment property is initially measured at its cost and transaction costs are included in the initial measurement. Subsequent to initial recognition, investment properties are carried at the amount that deducted accumulated depreciation and accumulated impairment loss from the cost.

Subsequent costs are carried at cost or recognized in a separate asset where appropriate only when future economic benefits from the asset are expected to flow to the entity and the cost



of the asset can be measured reliably, and the carrying amount reclassified by subsequent expenditures are derecognized. Meanwhile, the cost arising in relation to the regular repair or maintenance is recognized in current profit or loss at the time of incurrence.

Land among investment properties is not depreciated, and other investment properties are depreciated on a straight-line basis that applies 40 years according to economic useful lives. The depreciation methods, useful lives, and residual values of investment properties are reviewed at the end of each reporting period and, if it is believed appropriate to change them, the items are accounted for as changes in accounting estimates.

The carrying amount of investment properties are derecognized from the statements of financial position if the investment properties are disposed or if no future economic benefits are expected from the items even after they are permanently suspended to use or disposed. Gains or losses on de-recognition of the investment properties is determined by comparing the proceeds from disposal with the carrying amount and are recognized in current profit or loss at the time when the investment property is derecognized.

#### 2.2.9 Intangible assets

The Consolidated Entity recognizes intangible assets when future economic benefits from the asset are expected to flow to the entity and the cost of the asset can be measured reliably. Subsequent to initial recognition, the amount that deducted accumulated amortization and accumulated impairment loss from the cost is carried at cost.

##### (1) Individual acquisition

The costs of individually acquired intangible assets include the purchasing price (with discounts earned and rebates deducted and customs and non-fundable taxes added) and the cost directly related to prepare to use for the intended purpose.

##### (2) Goodwill

Transfer price, the amount of non-controlling interest in acquire, and the excess amount when the sum of fair value of the interest in acquire previously held by the Consolidated Entity on the acquisition date exceeds the net value of identifiable acquisition assets and assumed liability in case of business combinations that take place step by step are recognized in goodwill.

##### (3) Acquisition through business combinations

The acquisition cost of intangible assets recognized separately from the goodwill acquired through business combinations is measured at fair value on the acquisition date.

##### (4) Internally-generated intangible assets

Expenditures arising from research (or the research stage of internal projects) recognized in costs at the time of incurrence, and intangible assets generated during development (or the

development stage of internal projects) are recognized only when all of the technical feasibility to complete the asset for the use or sale of intangible assets, the entity's intention to use or sell by completing intangible assets, the entity's ability to use or sell intangible assets, the method in which intangible assets generate future economic benefits, the availability of technical and financial resources necessary to complete the development of intangible assets and to sell or use them, and the entity's ability to reliably measure the expenditures related to intangible assets generated during the development process can be suggested. The costs of internally-generated intangible assets are the sum of expenditures incurred after initially meeting the recognition criteria for intangible assets, and include all the directly-related costs necessary to create, manufacture, and get the intangible assets ready be operated in the way management intends to. Internally-generated goodwill is not recognized in assets.

(5) Useful life and amortization

In case of intangible assets with finite useful life, amortization base is allocated on a straight-line basis over estimated useful lives since the assets become available for use. The amortization base is determined by deducting the residual value. The residual value is set to zero (0) except in the situation that there exists an agreement of a third party to purchase the intangible asset at the time when the useful life expires or there is likely to exist an active market of the intangible asset on which the residual value can be determined based at the time when the useful life expires. Amortization period and method of intangible assets with finite useful life are reviewed at the end of each reporting period, and if it is believed appropriate to change them, the items are accounted for as changes in accounting estimates.

Intangible assets with infinite useful life are not amortized, and examined for impairment by comparing the recoverable amount and the carrying amount at the end of each reporting period or in the presence of indicators of impairment. The relevance of the infinite useful life of intangible assets is reviewed again at the end of each reporting period, and if not appropriate, accounted for as changes in accounting estimates.

Intangible assets are amortized on a straight-line basis over estimated useful lives below.

Classification	Useful life
Trademarks	5 years
Patents	10 years
Design rights	5 years
Software	5 years

(6) De-recognition of intangible assets

Intangible assets are derecognized from the statements of financial position when they are disposed or if no future economic benefits are expected as they are used or disposed. Gains or losses on de-recognition of intangible assets are determined by comparing the proceeds from disposal with the carrying amount and recognized in current profit or loss at the time when the asset is derecognized.

### 2.2.10 Borrowing costs

The Consolidated Entity capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that requires a substantial period of time to get ready for its intended use or sale, as part of the cost of that asset for the year, and other borrowing costs are recognized in costs during the period when they incurred.

To the extent that the Consolidated Entity borrows funds specifically for the purpose of obtaining a qualifying asset, the Consolidated Entity determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the fiscal year less any investment income incurred from the temporary operation of those borrowings. To the extent that the Consolidated Entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Consolidated Entity determines the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the Consolidated Entity that are outstanding during the fiscal year, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Consolidated Entity capitalizes during a period does not exceed the amount of borrowing costs incurred that period.

### 2.2.11 Government subsidies

The Consolidated Entity recognizes government subsidies only when the conditions incidental to government subsidies and there is a reasonable conviction in obtaining the government subsidies, and the benefits of government loans of a below-market interest rate are accounted for as government subsidies.

Revenue-related government subsidies are recognized in profits on a systematic basis over the period necessary to match the related costs for which the grants are intended to compensate. Asset-related government subsidies are presented after deduction when determining the carrying amount of the asset and recognized in current profit or loss by reducing depreciation over the useful life of the depreciable asset. Government subsidies to be received in the form of immediate financial support provided to the Consolidated Entity without compensation for costs or losses already incurred or future related costs are recognized in profits in the period when the right to receive government subsidies occurred. If non-monetary assets are provided as government subsidies, all of the grants and assets are accounted for at their fair values.

Government subsidies that an obligation for repayment arrived are accounted for as changes in accounting estimates.

### 2.2.12 Lease

A lease is a contract that a lessor transfers the right to control the use of identifiable assets to a lessee for a certain period of time in exchange for consideration. The Consolidated Entity

judges whether the contract itself is a lease at the time when an agreement is made and the contract includes a lease.

A lessee and a lessor account for by separating non-lease components (hereinafter, the 'non-lease components') from lease components in a lease agreement or an agreement containing a lease. However, the Consolidated Entity as a lessee account for each lease component and related non-lease components as a single lease component without separating non-lease components from lease components by applying a practical short-cut method in accounting.

#### (1) Accounting as a lessee

The Consolidated Entity recognizes right-of-use assets (lease assets) that represent the right to use underlying assets on the commencement date of the lease term and lease liabilities that represents the obligation to pay rent.

Right-of-use assets are initially measured at cost and, subsequent to initial recognition, measured by deducting accumulated depreciation and accumulated impairment loss from the cost and reflecting the adjustments made after the re-measurement of lease liabilities. The right-of-use assets are also depreciated for the shorter period between the end date of useful life of the right-of-use asset and the end date of lease period from the lease start date.

Lease liabilities are measured at the current value of rent not paid as of the commencement date of lease. When measuring the current value, the lease payments are discounted using the implied interest rate, but the incremental borrowing interest rate of the Consolidated Entity is used if it is hard to calculate the implied interest rate. Subsequently, lease liabilities increase as much as interest expenses recognized for lease liabilities and decrease as the payment of rent is reflected. Lease liabilities are re-measured if the future lease payments are affected by changes in index or rate (interest rate) and changes in amounts to be paid according to a residual value guarantee, and changes in future lease payments according to the changes in the evaluation of if it is fairly certain to exercise the option to purchase or the option to extend lease or if it is fairly certain not to exercise the option to terminate.

For short-term leases (with the lease period of less than 12 months as of the commencement date of lease) and leases of low-value assets, the expenses for rent are recognized over the lease period on a straight-line basis by selecting an escape clause.

#### (2) Accounting as a lessor

The accounting of a lessor is significantly changed from accounting policies applied when the annual financial statements for the accounting year ending on December 31, 2021, was developed.

The Consolidated Entity classifies leases that most of risks and rewards for holding the leased assets are transferred on the inception of the lease as financial leases and all other leases except for financial leases as operating leases. Revenues from rent for operating leases are recognized on a straight-line basis over the lease term, and initial direct costs are recognized

in cost during the lease term that matches revenues from rent after being added to the carrying amount of the leased asset.

### 2.2.13 Provisions

Provisions are recognized when the Consolidated Entity has a present obligation 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 spent to settle the obligation.

The amount recognized in provisions is the best estimate for the expenditures spent to settle the present obligation on the reporting period end date. The risks and uncertainties that inevitably surround related events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are estimated at the present value of the expected expenditures required to settle the obligation; the discount rate is the pre-tax interest rate reflecting the current market's valuation of the unique risk of the liability and the time value of money; and the risk reflected in the discount rate does not reflect the risk considered to estimate the future cash flows. Where there is sufficient and objective evidence that a future event that will affect the amount of expenditures spent to settle the present obligation is likely to occur, the amount of provisions is estimated by considering the future event and the estimated gain on disposition of assets is not taken into account in measuring provisions.

Where some or all of the expenditures required to settle a provision are expected to be reimbursed by a third party, the reimbursement is recognized only when it is virtually certain that reimbursement will be received if the Consolidated Entity settles the obligation and accounted for as a separate asset. The reimbursement recognized in assets should not exceed the amount of the related provision.

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. Provisions are used in expenditures related to initial recognition.

### 2.2.14 Convertible bonds

Convertible bonds issued by the Consolidated Entity are classified into financial liabilities and equity according to the substance of agreement. The fair value of financial liabilities upon initial recognition is estimated at the current value discounted by a market interest rate at the time when the future cash flows defined in the contract is reflected to debt instruments having the same condition or similar credit status to financial instruments for the year and providing substantially same cash flows, but having no convertible rights, and measured at amortized cost that lapsed as convertible rights were exercised and that reflected an effective interest rate until maturity. The carrying amount of convertible rights which is an equity component is determined at the amount that subtracted the fair value of financial liabilities from the fair value of the entire convertible bonds and reflected tax effects, and not measured again after that. Transaction costs

related to the issuance of convertible bonds are allocated to financial liabilities and equity in proportion to the allocated issue value.

#### 2.2.15 Share-based payment

Goods or services provided in share-based payment transactions are recognized on the date when the goods or services are being provided. Where goods or services are provided through share-based payment transactions, the corresponding increase in equity is recognized. Where goods or services provided through share-based payment transactions do not satisfy the requirements for recognizing the asset, it is recognized in costs.

For the share-based payment transactions that the Consolidated Entity grants its equity instruments (shares or stock option) in exchange for receiving goods or services or the share-based payment transactions that receives goods or services but do not have the obligation to settle the share-based payment transactions to the provider, the goods or services provided and the corresponding increase in equity are measured directly at the fair value of the goods or services provided. If it is unable to reliably estimate the fair value of the goods or services provided, the goods or services provided and the corresponding increase in equity are measured indirectly based on the fair value of equity instruments granted. Where the equity instruments granted are vested only when providing services at a particular period, the services received for the equity instruments are considered being provided for the future vesting period, so the services for the year are allocated to the vesting period and recognized, and the corresponding increase in equity is recognized.

Vesting conditions, not market conditions, are determined based on the number of equity instruments that the amount recognized for goods or services provided for equity instruments granted when adjusting the number of equity instruments included at the time of measuring the amount of transactions is ultimately vested, and if the estimated number of equity instruments to be vested in the future in light of subsequent information is different from the previous estimates, the estimates for the year is changed to match the number of ultimately vested equity instruments on the vesting date. Market conditions such as target stock prices are taken into account when estimating the fair value of equity instruments the Consolidated Entity granted.

Except in the situation that equity instruments are not vested since predetermined vesting conditions (except for market conditions) are not satisfied, service workers provided regardless of the conditions for granting equity instruments are changed or the equity instruments granted are cancelled or early cleared are recognized at the fair value of at least the day when the equity instruments are issued. If the gross fair value of share-based payment agreements is increased or the conditions are changed in favor of employees, the effects of condition changes are additionally recognized.

Where the equity instruments granted are cancelled or early cleared during the vesting period and if no cancellation or early clearance took place seeing that the equity instruments granted are early vested due to cancellation or early clearance, the amount to be recognized for the services to be provided during the remaining vesting period is immediately recognized, and

the amount paid to employees, etc. at the time of cancellation or early clearance is considered repurchase to be deducted from equity.

#### 2.2.16 Revenues from contracts with customers

##### (1) Identification of performance obligation

The Consolidated Entity is engaged in the business that manufactures, sells, and repairs skin care medical devices and related consumables. If there exist other promises except for providing goods in some sales agreements of medical devices and related consumables entered into with customers, the Consolidated Entity needs to take into account if the obligations under these other promises correspond to a separate performance obligation that requires part of transaction consideration to be allocated. Accordingly, the Consolidated Entity identifies the provision of consumable coupons that exist in the sales agreement of some of medical devices as a separate performance obligation, different from the provision of medical devices and related consumables.

##### (2) Paid repair services related to the sales of medical devices and related consumables

If the control of goods or services is transferred to a customer in the agreement with the customer, the Consolidated Entity recognizes the amount that reflected the consideration expected to have the right in exchange for the goods or services in profits. The Consolidated Entity controls the goods or services before the goods or services defined in the agreement with customers are provided to the customers, so the Company acts as a contractual party in the agreement with customers.

##### (3) Consumable coupons

The Consolidated Entity sells consumable coupons as a package for the domestic sale of some medical devices, allocates some of trading values received at the time of providing goods to the performance obligation, recognizes unused coupons in advances, and recognizes the consumable coupons in profits over the period when the performance obligation (exchanging coupons with consumables) is fulfilled. Meanwhile, the individual selling prices of the vendor are not observed when estimating the market price allocated to coupons, so the Consolidated Entity estimates the individual selling prices in a consistent manner by taking into account all information available within a reasonable range. The Consolidated Entity also reviews if there exist any significant financial components because there is a significant different between the time when the Consolidated Entity receives consideration for the provision of coupons and the time when the obligation to exchange coupons with consumables is actually fulfilled. However, the Consolidated Entity believes that the difference occurred for the reason other than financial components provided by customers or the Consolidated Entity, the significant financial components that existed when estimating the market price have no influence.

#### 2.2.17 Employee benefits

##### (1) Short-term employee benefits

Short-term employee benefits include salaries, social security contributions, short-term paid leaves such as paid annual leave or paid sick leave to be settled within 12 months from the end of the fiscal year when an employee offers related services, profit sharing and bonuses to be settled within 12 months from the end of the fiscal year when an employee offers related services, and non-monetary benefits for incumbent employees. The undiscounted amount of short-term employee benefits to be paid in exchange for services provided by employees during the fiscal year is recognized in accrued expenses less the amount paid. Where the amount paid is larger than the undiscounted amount of the salaries, the future payment is reduced or cash refund is offered for the excess value, so it is recognized in prepaid expenses and recognized in expenses except in the situation that the salaries are included in the costs of assets according to other K-IFRS.

## (2) Retirement benefits

Defined contribution plans are a retirement plan in which employees contribute a fixed amount to a separate entity (fund), the Consolidated Entity's legal obligation or constructive obligation is confined to the amount agreed to donate to the fund, and the amount of retirement benefits employees will receive is determined by the contributions donated by the Consolidated Entity and employees to the retirement benefit schemes or an insurance company and a return on investment that incurs from the contribution. If an employee provided services for a certain period of time, the contribution to be paid to the defined contribution plans in exchange for the services is recognized in accrued expenses less the amount paid. Where the amount paid is larger than the contribution to be paid for the services provided before the reporting period end date, the future payment is reduced or cash refund is offered for the excess value, so it is recognized in prepaid expenses and recognized in expenses except in the situation that the contribution is included in the costs of assets according to other K-IFRS.

## (3) Other long-term employee benefits

Other long-term employee benefits include long-term paid leaves expected to be settled after 12 months from the end of the fiscal year when an employee offers related services, other long service benefits, long-term disability benefits, profit sharing and bonuses, and deferred compensation. The amount recognized in liabilities in relation to other long-term employee benefits is recognized by deducting the fair value on the reporting period end date of plan assets available to directly settle the present value of the related defined benefit obligation on the reporting period end date.

## (4) Termination benefits

Liabilities and expenses for termination benefits are recognized on the earlier day between when the Consolidated Entity can no longer withdraw the proposal for termination benefits and when the costs for restructuring included in the scope of K-IFRS 1037, Contingent Liabilities and Contingent Assets and involving the payment of retirement benefits.



## 2.2.18 Impairment of assets

For the impairment of all assets except for inventories, deferred tax assets, assets from employee benefits, financial assets, etc., impairment loss is recognized as follows.

In case of intangible assets with infinite useful life, intangible assets which is not available yet, and the goodwill acquired through business combinations, an impairment test is performed by estimating recoverable amounts every year and comparing them with the carrying amount, regardless of any signs indicating the impairment of assets. For other assets, the presence of any signs indicating the impairment of assets is reviewed at the end of each reporting period and if any, the recoverable amount of each asset is estimated. If the estimation is impossible, the recoverable amount at cash-generating unit that belongs to the asset is estimated.

The recoverable amounts of assets are measured at the higher value between the fair value less costs to sell and the value in use of assets or cash-generating units. If the recoverable amount of an asset falls short of the carrying amount, the asset's carrying amount is reduced to the recoverable amount and impairment loss is immediately recognized in current profit or loss.

The goodwill acquired through the business combination for the purpose of impairment test is allocated to each cash-generating unit expected to benefit from a synergy effect of the business combination from the acquisition date. For the cash-generating units to which goodwill is allocated, impairment test is conducted by comparing the carrying amounts of cash-generating units including goodwill and recoverable amounts every year and whenever a sign indicating impairment appears, and impairment loss is recognized if the carrying amounts of cash-generating units exceed recoverable amounts. Impairment loss of cash-generating units first reduces the carrying amount of goodwill allocated to cash-generating units and allocates it to other assets that belong to cash-generating units in proportion to each carrying amount.

If there are signs that indicate the absence or reduction of impairment loss recognized in the past for assets except for goodwill is reviewed to discover any signs, the recoverable amounts of assets for the year is estimated, and reversed only when there is a change in estimates used to determine the recoverable amounts immediately before impairment loss is recognized. The increased carrying amount by the reversal of an impairment loss should not exceed the depreciation of the carrying amount before the impairment loss was recognized in the past or the balance after amortization, and the reversal of an impairment loss is immediately recognized in current profit or loss. The reversal of an impairment loss of cash-generating units is allocated in proportion of the carrying amount of assets (except for goodwill) that comprises cash-generating units, and the impairment loss recognized for goodwill is not reversed in the subsequent period.

## 2.2.19 Income taxes

Income taxes comprise current tax expenses (revenues) and deferred tax expenses (revenues). Current taxes and deferred taxes are recognized in incomes or expenses to be included in

current profit or loss. Current taxes and deferred taxes related to the items directly deducted from equity during the same fiscal year or other fiscal years are directly deducted from equity.

#### (1) Current taxes

Current taxes are income taxes to be paid (refunded) for the taxable income (tax loss) of the fiscal year, and taxable income (tax loss) is gains (losses) during the fiscal year subject to calculation of income taxes to be paid (refunded) according to the laws enacted by a taxation authority and different from income or loss in the comprehensive statements of income.

Current tax liabilities (assets) for the current and past periods are measured at the amount expected to be paid to (refunded by) the taxation authority, using the tax rate (and tax law) enacted or substantially enacted until the reporting period end date.

The portion not paid out of current taxes for the current and past periods are recognized in liabilities, the portion overpaid for the past period is recognized in assets, and tax loss and related benefits which can be retroactively deducted for the current taxes for the past fiscal year are recognized in assets.

#### (2) Deferred taxes

The Consolidated Entity recognizes all taxable temporary differences in deferred taxes, but not recognizes the deferred taxes that incur if goodwill is initially recognized, if the transaction that assets or liabilities are initially recognized is not a business combination transaction, but a transaction that does not influence accounting profit or taxable income (tax loss) at the time of transaction, and if the parent company, investors, or participants can control the timing of disappearance of taxable temporary differences related to investments in subsidiaries, branches, and associates and the share of investments in joint arrangements and it is unlikely that the temporary differences will disappear in a foreseeable future.

The Consolidated Entity recognizes deferred tax assets for all deductible temporary differences only if it is likely that taxable income will be generated in the future, which allows the temporary deductible differences to be utilized. However, deferred tax assets are not recognized if the transaction that takes place when assets or liabilities are initially recognized is not a business combination transaction, but a transaction that does not influence accounting profit or taxable income (tax loss) and if deductible temporary differences related to investments in subsidiaries, branches, and associates and the share of investments in joint arrangements are unlikely to disappear in a foreseeable future or taxable income in which the temporary differences can be used is unlikely to occur. Deferred tax assets are recognized for unused tax loss and tax credit carried forward to the extent that future taxable income is likely to occur in which unused tax loss and tax credit can be used.

The carrying amounts of deferred tax assets are reviewed at the end of each reporting period. If taxable income is no longer likely to occur sufficient to have part or the benefits of all of deferred tax assets be used, the carrying amounts of deferred tax assets are reduced and is reversed to the extent that taxable income is likely to occur sufficient to have the reduction be

used.

Deferred tax assets and liabilities are measured using the tax rate expected to apply to the fiscal year when the assets for the year are realized or liabilities are settled, based on the tax rate (and tax law) enacted or substantially enacted until the reporting period end date. Deferred tax assets and liabilities are not discounted.

The Consolidated Entity has the legally enforceable right to offset current tax assets and current tax liabilities and offsets deferred tax assets and deferred tax liabilities related to income taxes imposed by the same taxation authority.

### (3) Recognition of current taxes and deferred taxes

Current taxes and deferred taxes are recognized in revenues or expenses to be included in current profit or loss unless they occur from transactions, events, or business combinations directly recognized in other comprehensive income or loss or equity during the same fiscal year or other fiscal years. In the event of a business combination, tax effects are included and reflected in the accounting for business combinations.

#### 2.2.20 Earnings per share

The Consolidated Entity calculates basic earnings per share and diluted earnings per share for the income or loss from continuing operations and net income or loss vested in common stocks and presents them in the statements of comprehensive income.

Basic earnings per share is calculated by dividing the current income or loss for a specific fiscal year vested in common shares by the weighted average number of common stocks outstanding during the period. The amount vested in common stocks is adjusted by the difference and similar effects that occurred when after-tax dividend for preferred stocks classified as equity in each amount of income or loss from continuing operations and net income or loss and preferred stocks are repaid.

Diluted earnings per share is calculated by adjusting the net income or loss vested in common stocks and the weighted average number of common stocks considering the impacts of all potential common stocks which have an effect of dilution.

#### 2.2.21 Error correction

Unless it is unable to practically determine the time-specific effects of errors or the accumulated effects of errors, the financial information is prepared again if the financial statements in which significant errors for the previous period are found are presented for comparison in the financial statements to be approved for initial issuance.

### 2.3. Approval of financial statements

The Company's financial statements were approved by the board of directors as of February 15, 2023, and may be approved with modifications at the annual meeting of shareholders.

### 3. Significant accounting estimates and assumptions

The Company estimates and assumes the future. Estimates and assumptions continue to be reviewed considering past experience and other elements such as reasonably-foreseeable future events in the present situation. These accounting estimates may be different from actual circumstances.

Significant accounting estimates and assumptions used in the preparation of the financial statements are same to the accounting estimates and assumptions applied in the preparation of the financial statements for the previous year, except for the method of estimation.

### 4. Fair value

There are no significant changes in business environment and economic circumstance that have influence on the fair value of financial assets and financial liabilities of the Consolidated Entity during 2022.

#### (1) Fair value by types of financial instruments

The book value and fair value of financial instruments of the Consolidated Entity as of the reporting period end date are as follows:

(Unit: thousand won)

Classification	End of 2022		End of 2021	
	Book value	Fair value	Book value	Fair value
Financial assets				
Cash and cash equivalents	26,004,485	26,004,485	42,788,254	42,788,254
Long- and short-term financial instruments	65,709,101	65,709,101	297,208	297,208
Financial assets measured at fair value through profit or loss	20,198,635	20,198,635	5,125,081	5,125,081
Accounts receivable	6,862,300	6,862,300	1,722,391	1,722,391
Receivables	1,102,683	1,102,683	393,511	393,511
Notes receivable	39,000	39,000	-	-
Accrued income	433,639	433,639	47,864	47,864
Security deposit	2,681,004	2,681,004	2,752,439	2,752,439
Subtotal	123,030,847	123,030,847	53,126,748	53,126,748
Financial liabilities				
Accounts payable	317,104	317,104	819,287	819,287
Payables	1,807,864	1,807,864	927,415	927,415
Long- and short-term borrowings	66,800,000	66,800,000	35,000,000	35,000,000
Accrued expense	4,907,500	4,907,500	775,408	775,408
Lease liabilities	557,303	557,303	514,155	514,155
Security deposit	1,248,487	1,248,487	382,800	382,800
Non-current lease liabilities	541,314	541,314	291,450	291,450

Subtotal	76,179,572	76,179,572	38,710,515	38,710,515
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The Consolidated Entity judges that the book value of financial assets and financial liabilities measured at amortized cost in the financial statements is approximate to the fair value of them.

## (2) Fair value hierarchy

Financial instruments which are measured at fair value or the fair value is disclosed are classified according to a fair value hierarchy and defined as follows.

Classification	Significance of input variables
Level 1	The (unadjusted) posted price in an active market for the same assets or liabilities
Level 2	Directly (e.g., prices) or indirectly (e.g., drawn from prices) observable input variables for assets or liabilities (except for the posted price in Level 1)
Level 3	Input variables for assets or liabilities not based on observable market data (unobservable input variables)

The status of financial assets and financial liabilities measured at fair value as of the reporting period end date is as follows.

### ① End of 2022

(Unit: thousand won)

Classification	Level 1	Level 2	Level 3	Total
Repeated measured fair value				
Financial assets measured at fair value through profit or loss	-	20,198,635	-	20,198,635

### ② End of 2021

(Unit: thousand won)

Classification	Level 1	Level 2	Level 3	Total
Repeated measured fair value				
Financial assets measured at fair value through profit or loss	-	5,125,081	-	5,125,081

## (3) Valuation method and input variables

The valuation method and input variables of items classified to Level 2 of a fair value hierarchy out of assets and liabilities measured at fair value as of the reporting period end date are as follows.

(Unit: thousand won)

Classification		Fair value		Valuation method	Input variables
		End of 2022	End of 2021		
Assets	Financial assets measured at fair value through profit or loss				
	Hybrid bond fund	20,198,635	5,125,081	Net asset-based approach	-

## 5. Information of segment

(1) Business segment

The Consolidated Entity engages in a single business segment and does not manage revenues, expenses, assets, and liabilities by segments.

(2) Information of regions

1) The details of regional sales of the Consolidated Entity are as follows.

(Unit: thousand won)

Category	2022	2021
South Korea	54,331,359	30,416,836
Overseas	87,471,883	70,180,100
Total	141,803,242	100,596,936

2) Non-current assets by regions are as follows.

(Unit: thousand won)

Category	End of 2022	End of 2021
South Korea	105,719,964	81,828,631
Overseas	-	-
Total	105,719,964	81,828,631

Non-current assets by regions are the sum of property, plant, and equipment and intangible assets.

(3) Information of key accounts

Key accounts that account for more than 10% of the Consolidated Entity's revenues as a single client are as follows.

(Unit: thousand won)

Category	2022	2021
A	26,633,536	13,448,069
B	-	13,621,977

(4) The financial statements of all subsidiaries used to prepare the consolidated financial statements are the financial statements for the same reporting period to that of the parent company.

## 6. Cash and cash equivalents

The details of cash and cash equivalents are as follows.

(Unit: thousand won)

Classification	End of 2022	End of 2021
Demand deposit	26,004,485	42,687,843
Repurchase agreement	-	100,411
Total	26,004,485	42,788,254

## 7. Restricted financial assets

The details of restricted financial assets as of the reporting period end date are as follows.

(Unit: thousand won)

Classification	Bank	End of 2022	End of 2021	Restrictions
Time deposits	Woori Bank	214,844	-	Restricted use related to setting the right of pledge for investment properties
Trust account	Samsung Securities	14,578,024	-	Restricted use related to share repurchase trust
Total	-	14,792,868	-	-

## 8. Accounts receivable and other receivables

(1) The book value of accounts receivable and other receivables is as follows.

(Unit: thousand won)

Classification	End of 2022	End of 2021
	Current	Current
Accounts receivable	7,059,121	1,899,487
(-)Allowance for loss	(196,821)	(177,096)
Accounts receivable (net value)	6,862,300	1,722,391
Receivables	1,102,683	393,511
(-)Allowance for loss	-	-
Receivables (net value)	1,102,683	393,511
Notes receivable	39,000	-
Total	8,003,983	2,115,902

The Consolidated Entity's credit risk, the exposure to the market risk, impairment loss on loans related to accounts receivable and other receivables are described in Note 35.

(2) The details of allowance for loss are as follows.

(Unit: thousand won)

Classification	2022		2021	
	Accounts receivable	Receivables	Accounts receivable	Receivables
Beginning balance	177,096	-	278,791	7,079
Bad debt expense	19,725	-	(101,200)	-
Removal of accounts receivable	-	-	(495)	(7,079)
Ending balance	196,821	-	177,096	-

## 9. Other financial assets

The details of other financial assets are as follows.

(Unit: thousand won)

Classification	End of 2022		End of 2021	
	Current	Non-current	Current	Non-current
Accrued revenue	433,639	-	47,864	-
Deposit for rent	1,643,000	981,089	858,000	1,844,118
Other deposits	-	56,915	-	50,321

Total	2,076,639	1,038,004	905,864	1,894,439
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## 10. Other current assets

The details of other current assets are as follows.

(Unit: thousand won)

Classification	End of 2022	End of 2021
Advance payment	2,442,157	3,238,706
Prepaid expense	258,609	1,110,968
Prepaid VAT amount	4,541	1,365,447
Total	2,705,307	5,715,121

## 11. Inventories

(1) The details of inventories are as follows.

(Unit: thousand won)

Classification	End of 2022	End of 2021
Finished goods	5,751,715	4,673,086
(-) Allowance for finished goods valuation	(12,789)	(68,820)
Finished goods (net value)	5,738,926	4,604,266
Work in progress	3,045,747	1,830,526
Raw material	15,186,421	10,443,653
(-) Allowance for raw material valuation	(573,427)	(413,081)
Raw materials (net value)	14,612,994	10,030,572
Total	23,397,667	16,465,364

(2) Loss on valuation of inventories recognized during 2022 is 104,315 thousand won and loss on valuation of inventories recognized during 2021 is 126,502 thousand won.

## 12. Property, plant, and equipment

(1) The details of property, plant, and equipment are as follows.

① End of 2022

(Unit: thousand won)

Classification	Acquisition cost	Accumulated depreciation	Book value
Land	65,404,482	-	65,404,482
Buildings	36,218,488	(1,873,193)	34,345,295
Machinery	613,176	(394,654)	218,522
Facilities	2,459,662	(175,951)	2,283,711
Vehicles	950,032	(481,518)	468,514
Tools and equipment	4,010,740	(3,162,642)	848,098



Fixtures	1,083,896	(410,923)	672,973
Construction in progress	-	-	-
Total	110,740,476	(6,498,881)	104,241,595

② End of 2021

(Unit: thousand won)

Classification	Acquisition cost	Accumulated depreciation	Book value
Land	36,994,744	-	36,994,744
Buildings	27,233,885	(1,906,142)	25,327,743
Machinery	528,146	(302,300)	225,846
Facilities	701,263	(544,829)	156,434
Vehicles	990,144	(423,400)	566,744
Tools and equipment	3,551,490	(2,180,027)	1,371,463
Fixtures	596,821	(346,065)	250,756
Construction in progress	15,810,903	-	15,810,903
Total	86,407,396	(5,702,763)	80,704,633

(2) The changes in the book value of property, plant, and equipment are as follows.

① 2022

(Unit: thousand won)

Classification	Beginning balance	Acquisition cost	Depreciation	Disposal	Reclassification	Ending balance
Land	36,994,744	18,556,663	-	(21,620,106)	31,473,181	65,404,482
Buildings	25,327,743	5,537,620	(1,006,734)	(8,067,845)	12,554,511	34,345,295
Machinery	225,846	85,030	(92,354)	-	-	218,522
Facilities	156,434	2,209,897	(233,702)	(45,918)	197,000	2,283,711
Vehicles	566,744	67,921	(165,272)	(879)	-	468,514
Tools and equipment	1,371,463	112,750	(982,615)	-	346,500	848,098
Fixtures	250,756	558,781	(130,973)	(5,591)	-	672,973
Construction in progress	15,810,903	352,700	-	-	(16,163,603)	-
Total	80,704,633	27,481,362	(2,611,650)	(29,740,339)	28,407,589	104,241,595

② 2021

(Unit: thousand won)

Classification	Beginning balance	Acquisition cost	Depreciation	Disposal	Reclassification	Ending balance
Land	28,470,958	7,753,786	-	-	770,000	36,994,744
Buildings	19,067,429	6,227,137	(596,823)	-	630,000	25,327,743
Machinery	284,573	63,124	(89,490)	(32,361)	-	225,846
Facilities	296,687	-	(140,253)	-	-	156,434
Vehicles	264,153	490,184	(141,913)	(45,680)	-	566,744
Tools and	1,350,443	626,304	(869,934)	-	264,650	1,371,463

equipment						
Fixtures	228,376	127,887	(97,414)	(8,093)	-	250,756
Construction in progress	136,000	17,339,553	-	-	(1,664,650)	15,810,903
Total	50,098,619	32,627,975	(1,935,827)	(86,134)	-	80,704,633

(3) The main insurance status is as follows.

(Unit: thousand won)

Insurance type	Insured asset	Insured sum	Insurer	Remarks
Fire insurance	Office building	24,100,000	Hyundai Marine & Fire insurance Co., Ltd.	-
Fire insurance	Production 1 (Munjeong-dong)	8,654,000	Samsung Fire & Marine Insurance Co., Ltd.	Inventories included
Fire insurance	Production 2 (Misa, Hanam)	8,030,000	Samsung Fire & Marine Insurance Co., Ltd.	Inventories included

(4) The details of property, plant, and equipment provided as collateral to a bank for long-term borrowings are as follows.

(Unit: thousand won)

Bank	Type of borrowings	Secured asset	Carrying amount of insurance coverage	Maximum credit amount
Kookmin Bank	Long-term borrowings	Land & Building	56,675,447	82,800,000

### 13. Investment properties

(1) The details of investment properties are as follows.

① End of 2022

(Unit: thousand won)

Classification	Acquisition cost	Accumulated depreciation	Book value
Land	57,823,670	-	57,823,670
Buildings	17,262,023	(431,551)	16,830,472
Construction in progress	-	-	-
Total	75,085,693	(431,551)	74,654,142

② End of 2021

(Unit: thousand won)

Classification	Acquisition cost	Accumulated depreciation	Book value
Land	6,383,948	-	6,383,948
Buildings	5,219,564	(65,245)	5,154,319

Construction in progress	46,879,897	-	46,879,897
Total	58,483,409	(65,245)	58,418,164

(2) The changes in the book value of investment properties are as follows.

① 2022

(Unit: thousand won)

Classification	Beginning balance	Acquisition cost	Depreciation	Reclassification	Ending balance
Land	6,383,948	33,380,622	-	18,059,100	57,823,670
Buildings	5,154,318	10,378,955	(523,289)	1,820,488	16,830,472
Construction in progress	46,879,897	-	-	(46,879,897)	-
Total	58,418,163	43,759,577	(523,289)	(27,000,309)	74,654,142

② 2021

(Unit: thousand won)

Classification	Beginning balance	Acquisition cost	Depreciation	Reclassification	Ending balance
Land	-	5,778,948	-	605,000	6,383,948
Buildings	-	4,724,564	(65,245)	495,000	5,154,319
Construction in progress	-	47,979,897	-	(1,100,000)	46,879,897
Total	-	58,483,409	(65,245)	-	58,418,164

(3) The details of fair value evaluation of investment properties are as follows.

(Unit: thousand won)

Classification	Latest date of revaluation	Land	Building	Construction in progress	Total
< Book value of assets to be valuated >					
Book value		57,823,670	16,830,472	-	74,654,142
< Detailed valuation results by assets >					
Ann Jay Tower in Yeoksam-dong(*)	-	54,849,237	16,383,538	-	71,232,775

(\*) It is purchased on January 28, 2022 in order to use as a head office following business expansion. As the existing lease agreement is inherited, some are leased and the whole building will be used as soon as the existing lease agreement is terminated.

Rental income and expense from investment properties recognized by the Company during 2022 are 2,151,722 thousand won and 1,220,798 thousand won, respectively.

## 14. Intangible assets

(1) The details of intangible assets are as follows.

① End of 2022

(Unit: thousand won)

Classification	Acquisition cost	Accumulated	Book value
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		amortization	
Patents	318,404	(134,845)	183,559
Trademarks	179,511	(86,957)	92,554
Design right	339,925	(61,908)	278,017
Software	374,388	(159,137)	215,251
Intangible assets in progress	403,002	-	403,002
Membership	305,987	-	305,987
Total	1,921,217	(442,847)	1,478,370

② End of 2021

(Unit: thousand won)

Classification	Acquisition cost	Accumulated amortization	Book value
Patents	288,964	(107,133)	181,831
Trademarks	95,042	(67,781)	27,261
Design right	84,991	(19,390)	65,601
Software	330,093	(85,580)	244,513
Intangible assets in progress	298,805	-	298,805
Membership	305,987	-	305,987
Total	1,403,882	(279,884)	1,123,998

(2) The changes in the book value of intangible assets are as follows.

① 2022

(Unit: thousand won)

Classification	Beginning balance	Acquisition cost	Accumulated amortization	Reclassification	Ending balance
Patents	181,831	-	(27,713)	29,441	183,559
Trademarks	27,261	2,616	(19,176)	81,853	92,554
Design right	65,601	-	(42,518)	254,934	278,017
Software	244,513	5,285	(73,557)	39,010	215,251
Intangible assets in progress	298,805	509,435	-	(405,238)	403,002
Membership	305,987	-	-	-	305,987
Total	1,123,998	517,336	(162,964)	-	1,478,370

② 2021

(Unit: thousand won)

Classification	Beginning balance	Acquisition cost	Accumulated amortization	Reclassification	Ending balance
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Patents	273,173	-	(26,169)	(65,173)	181,831
Trademarks	28,467	8,042	(17,048)	7,800	27,261
Design right	22,466	-	(10,037)	53,172	65,601
Software	77,605	107,040	(54,297)	114,165	244,513
Intangible assets in progress	114,165	294,604	-	(109,964)	298,805
Membership	305,987	-	-	-	305,987
Total	821,863	409,686	(107,551)	-	1,123,998

(3) Ordinary research and development expenses that incurred in 2022 and 2021 are 4,942,706 won and 5,132,236 thousand won, respectively.

## 15. Accounts payable and other payables

The details of accounts payable and other payables are as follows.

(Unit: thousand won)

Classification	End of 2022		End of 2021	
	Current		Current	
Accounts payable	317,104		835,220	
Payables	1,807,865		927,463	
Total	2,124,969		1,762,683	

## 16. Borrowings

(1) The details of borrowings are as follows.

(Unit: thousand won)

Classification	End of 2022		End of 2021	
	Current	Non-current	Current	Non-current
Long-term borrowings	2,400,000	64,400,000	-	35,000,000
Total	2,400,000	64,400,000	-	35,000,000

(2) The details of long-term borrowings are as follows.

(Unit: thousand won)

Classification	Creditor	Interest rate	End of 2022	End of 2021
Loans	Kookmin Bank	2.76%	-	35,000,000
Loans	Kookmin Bank	2.94%	61,800,000	-
Loans	Kookmin Bank	2.72%	5,000,000	-
Less: Current portion of long-term borrowings			2,400,000	-
Total			64,400,000	35,000,000

(3) The year-based repayment plan of long-term borrowings is as follows.

(Unit: thousand won)

Classification	≤1 year	≤2 years	≤3 years	Total
Loans for facility funds	2,400,000	2,400,000	62,000,000	66,800,000

## 17. Other financial liabilities

The details of other financial liabilities are as follows.

(Unit: thousand won)

Classification	End of 2022		End of 2021	
	Current	Non-current	Current	Non-current
Accrued expense	4,907,500	-	775,408	-
Unpaid dividend	-	-	-	-
Deposits received	557,775	690,712	204,800	178,000
Total	5,465,275	690,712	980,208	178,000

## 18. Other current liabilities

The details of other current liabilities are as follows.

(Unit: thousand won)

Classification	End of 2022	End of 2021
Withholdings	4,499	1,243,534
VAT withheld	975,358	-
Advances	5,313,326	5,499,284
Total	6,293,183	6,742,818

## 19. Warranty provisions

The changes in warranty provisions are as follows.

(Unit: thousand won)

Classification	2022	2021
Beginning balance	827,521	775,581
Use	(761,324)	(461,324)
Increase	1,159,753	513,264
Ending balance	1,225,950	827,521
Current liabilities	1,225,950	827,521

## 20. Capital stocks

(1) The details of capital stocks are as follows.

(Unit: share, won)

Classification	End of 2022	End of 2021
	Common stock	Common stock

Number of authorized shares	100,000,000	100,000,000
Face value per share	100	100
Number of issued shares	64,776,702	64,716,864
Capital stock	6,477,670,200	6,471,686,400

A stock option was exercised on January 13, 2022 during the current reporting period and the details are described in Note 26.

(2) The changes in capital stocks are as follows.

(Unit: thousand won)

Classification	2022	2021
Beginning of the period	6,471,687	6,470,917
Exercise of stock option	5,983	770
End of the period	6,477,670	6,471,687

## 21. Capital surplus

The details of capital surplus are as follows.

(Unit: thousand won)

Classification	End of 2022	End of 2021
Capital in excess of par value	24,229,755	24,122,104

## 22. Other components of equity

The details of other components of equity are as follows.

(Unit: thousand won)

Classification	End of 2022	End of 2021
Gain (loss) on translation of foreign operations	38,082	22,859

## 23. Capital adjustments

The details of capital adjustments are as follows.

(Unit: thousand won)

Classification	End of 2022	End of 2021
Stock option (*Note 1)	-	4,789
Treasury stock (*Note 2)	(5,421,976)	-
Total	(5,421,976)	4,789

(\*Note 1) Equity-settled reserve for employee benefits is related to a stock option granted to employees according to employee stock option plans. Detailed information on share-based payment for employees is described in Note 26.

(\*Note 2) The parent company acquired 367,636 shares of treasury stock during 2022.

## 24. Retained earnings

(1) The details of retained earnings are as follows.

(Unit: thousand won)

Classification	End of 2022	End of 2021
Legal reserve (Note)	1,296,603	869,472
Unappropriated retained earnings	202,933,723	132,253,520
Total	204,230,326	133,122,992

(Note) The Company accumulates over 10% of cash dividends as legal reserve until its amount reaches 50% of the capital stocks according to business laws. This legal reserve cannot be paid as cash dividends, but can be used in capitalization or to make up deficits carried forward by the resolution of the general meeting of shareholders.

(2) The changes in retained earnings are as follows.

(Unit: thousand won)

Classification	End of 2022	End of 2021
Beginning balance	133,122,992	93,200,866
Net income	75,378,647	43,804,676
Cash dividends	(4,271,313)	(3,882,550)
Ending balance	204,230,326	133,122,992

(3) Dividends

Cash dividends of 4,271,313,024 won for the common stocks for the fiscal year that ends on December 31, 2021, were paid in April 2022.

## 25. Earnings per share

(1) Basic earnings per share

Basic earnings per share represent earnings per one common stock and the details of calculation of basic earnings per share in 2022 and 2021 are as follows.

(Unit: thousand won, share)

Classification	2022	2021
Net income	75,378,647	43,804,676
Net income attributable to common shares	75,378,647	43,804,676
Weighted average number of common shares outstanding (*)	64,689,751	64,716,667
Basic earnings per share	1,165	677

(\*) The weighted average number of common shares outstanding applied to estimate net basic earnings or loss per share is calculated as follows.

(Unit: share)

Classification	2022	2021
Number of common shares outstanding at the beginning of period	64,716,864	64,709,168
Exercise of stock option	57,871	7,548



Number of treasury stock	(84,984)	-
Weighted average number of common shares outstanding	64,689,751	64,716,716

## (2) Diluted earnings per share

Diluted earnings or loss per share is calculated by applying the weighted average number of common shares outstanding adjusted based on the assumption that all dilutive potential ordinary shares are converted into common shares. Dilutive potential ordinary shares held by the Company include a stock option.

The details of calculation of diluted earnings per share in 2022 and 2021 are as follows:

(Unit: thousand won, share)

Classification	2022	2021
Net income diluted of common shares	75,378,647	43,804,676
Number of shares that combined the weighted average number of common shares outstanding and the number of dilutive potential ordinary shares (*)	64,691,516	64,770,577
Diluted earnings per share	1,165	676

(\*) The weighted average number of common shares outstanding applied to estimate net diluted earnings or loss per share is calculated as follows.

(Unit: share)

Classification	2022	2021
Weighted average number of common shares outstanding	64,689,751	64,716,716
Stock option	1,765	53,861
Number of shares that combined the weighted average number of common shares outstanding and the number of dilutive potential ordinary shares	64,691,516	64,770,577

## 26. Share-based payment

### (1) Share-based payment arrangements

The share-based payment arrangements granted by the Company are as follows.

#### ① Stock option

The Company gave stock options to employees which allow the purchase of stocks in the Consolidated Entity on December 20, 2016, but cancelled all of them on August 30, 2017 and gave again after changing the terms and conditions. In the event of exercising a stock option, stocks can be purchased at its exercise price.

Specific conditions for share-based payment arrangements are as follows. If a stock option is exercised, real stocks are delivered.

Payment method	Equity-settled share-based payment	
Arrangement type	Stock option	
	Executives	Employees
Grant date	2017-08-30	2017-08-30
Number of shares granted (share)	1,869,084	934,541
Vesting condition & exercise period	Executives or employees are required to be in office for more than two years from the grant date and be employed as of the exercise date. The exercisable period is 7 years from the day 2 years has passed from the date resolved by the general meeting of shareholders or defined by the board of directors for the grant of a stock option.	
Exercise price (won)	1,819	1,819

(2) The details of stock option granted by the Consolidated Entity are as follows.

(Unit: share, won)

Classification	Quantity	Exercise price
Beginning of the period	59,838	1,819
Granted	-	-
Exercised (*)	59,838	1,819
End of the current period	-	-
Year-end number of exercisable shares	-	-

(\*) The weighted average price of shares at the exercising time is 17,279 won.

(3) Measurement of fair value

The Consolidated Entity calculated compensation costs by applying fair value approach that uses a binominal option pricing model, and the assumptions applied to the calculation of the fair value of a stock option are as follows.

Classification	Grant date
	2017-08-30
Grant date fair value (won)	80
Grant date stock price (won)	1,082
Risk-free interest rate	1.95%
Expected exercise period	5년
Estimated volatility	22.70%
Expected dividend yield	0%

## 27. Sales and cost of goods sold

(1) The details of sales are as follows.

(Unit: thousand won)

Classification	2022	2021
Sales of finished goods	139,628,863	100,571,828
Other sales (*)	22,657	25,108
Lease sales	2,151,722	-
Total	141,803,242	100,596,936

(\*) Other sales include the sales of services other than the sales of merchandise.

(2) The details of cost of goods sold are as follows.

(Unit: thousand won)

Classification	2022	2021
<Cost of finished goods sold >		
Beginning inventory of finished goods	4,673,086	2,674,385
Manufacturing cost of finished goods for the term	35,359,790	25,510,285
Transfer to other accounts	(1,829,837)	(743,467)
Customs refund	(35,903)	(23,845)
Ending inventory of finished goods	(5,751,715)	(4,673,085)
Cost of finished goods sold	32,415,421	22,744,273
<Cost of goods sold for a rental property >		
Cost of goods sold for a rental property	1,220,798	-
Total	33,636,219	22,744,273

(3) The balance of receivables, contract assets, and contract liabilities resulting from contracts with clients as of the end of 2022 and 2021 are as follows.

(Unit: thousand won)

Classification	Description	End of 2022	End of 2021
Receivables	Accounts receivable	7,059,121	1,899,487
Contract liabilities	Advances	5,313,326	5,499,284
Total		12,372,447	7,398,771

(4) Revenues recognized during the reporting period due to a change in contract liabilities during 2022 and 2021 are as follows.

① 2022

(Unit: thousand won)

Description	Details	Beginning balance	Revenue recognition	Increase	Ending balance
Advances	Unused coupons (*)	3,772,275	(1,377,649)	1,833,585	4,228,211
	Advances for medical devices	1,727,009	(49,583,914)	48,942,020	1,085,115
Total		5,499,284	(50,961,563)	50,775,605	5,313,326

(\*) Coupon-related advances are recognized in revenues when the coupon is actually exercised and medical devices-related advances are recognized in revenues when the medical device is delivered.

② 2021

(Unit: thousand won)

Description	Details	Beginning balance	Revenue recognition	Increase	Ending balance
Advances	Unused coupons	4,197,840	(595,311)	169,746	3,772,275
	Advances for medical devices	989,665	(38,666,143)	39,403,487	1,727,009
Total		5,187,505	(39,261,454)	39,573,233	5,499,284

## 28. Expenses by characteristics

The details of expenses by characteristics are as follows.

(Unit: thousand won)

Classification	2022	2021
Variation in finished goods	(1,080,180)	(2,083,808)
Variation in work in process	(1,297,818)	(939,253)
Raw material costs	16,973,873	12,013,570
Employee benefits	22,527,768	18,047,032
Depreciation and amortization of intangible assets	3,376,406	2,523,014
Other expenses	32,426,986	19,323,661
Total	72,927,035	48,884,216

## 29. Employee benefits

The details of employee benefits recognized in expenses are as follows.

(Unit: thousand won)

Classification	2022	2021
Salaries	19,150,130	15,856,183
Social security contributions	1,983,532	1,202,838
Contribution paid to the defined contribution plans	1,394,106	988,011
Total	22,527,768	18,047,032

The Consolidated Entity has a defined contribution retirement pension of Samsung Life Insurance.

## 30. Selling and administrative expenses

The details of selling and administrative expenses are as follows.

(Unit: thousand won)

Classification	2022	2021
Salaries	10,022,964	9,137,445
Miscellaneous money	2,297	14,050

Retirement benefits	787,518	577,907
Fringe benefits	1,591,431	1,084,447
Travel expenses	312,864	7,368
Entertainment expenses	58,869	37,125
Communication expenses	36,580	35,844
Utility expenses	134,355	82,864
Taxes and dues	375,009	180,711
Depreciation	1,430,150	956,852
Rent	5,747	5,323
Repair charges	69,528	39,811
Insurance premium	90,979	33,751
Vehicle maintenance	194,300	162,576
Ordinary R&D expenses	4,429,777	4,700,593
Freight charges	398,530	121,602
Training expenses	4,675	4,430
Book and print costs	270,254	263,760
Office supplies expenses	22,552	13,427
Consumables	144,543	160,898
Commissions	6,676,410	2,264,782
Advertising costs	5,914,187	4,215,073
Sales promotion cost	173,929	168,730
Bad debt expenses	19,725	(101,200)
Amortization of intangible fixed assets	162,963	107,551
Export expenses	229,470	329,281
Sales commission	3,826,259	714,714
Sample expenses	745,198	306,964
Warranty expenses	1,159,753	513,264
Total	39,290,816	26,139,943

### 31. Net finance costs

The details of finance income and financial expenses are as follows.

(Unit: thousand won)

Classification	2022	2021
Interest revenues	772,115	57,275
Gain on foreign currency transaction	734,308	259,497
Gain on foreign currency translation	879,062	3,729,897
Gain on valuation of financial assets measured at fair value through profit or loss	198,635	164,764
Total finance income	2,584,120	4,211,433
Interest expenses	2,609,848	93,054

Loss on foreign currency transaction	775,686	272,614
Loss on foreign currency translation	1,241,386	1,480
Loss on valuation of financial assets measured at fair value through profit or loss	48,786	-
Total financial expenses	4,675,706	367,148
Total net income or loss	(2,091,586)	3,844,285

## 32. Other income and other expenses

The details of other income and other expenses are as follows.

### (1) Other income

(Unit: thousand won)

Classification	2022	2021
Government subsidies	-	58,749
Gain on disposition of property, plant, and equipment	30,338,624	7,175
Income from rental real estate	-	116,825
Miscellaneous gains	35,525	31,862
Total	30,374,149	214,611

### (2) Other expenses

(Unit: thousand won)

Classification	2022	2021
Loss on disposition of property, plant, and equipment	51,327	31,758
Rent and maintenance costs	-	65,244
Miscellaneous losses	349,007	50,026
Total	400,334	147,028

## 33. Income tax expenses

### (1) Details of income tax expenses

Income tax expenses are calculated by adjusting the adjusted amount recognized in the current year for current taxes of the past period in current tax expenses and the income tax expenses (revenues) related to the items recognized other than in deferred tax expenses (revenues) and current profit or loss resulted from the occurrence and disappearance of temporary difference.

The components of income tax expenses are as follows.

(Unit: thousand won)

Classification	2022	2021
Current tax expenses:		

Income tax payout (incl. additional payment of income taxes and refund of income taxes)	22,549,909	10,369,252
Income tax expenses directly reflected in equity	(2,530)	(7,298)
Deferred tax expenses:		
Occurrence and disappearance of temporary difference (*)	(1,167,590)	1,457,958
Income tax expenses	21,379,789	11,819,912
(*) Beginning deferred tax assets resulted from temporary difference	788,007	(372,285)
Ending deferred tax assets resulted from temporary difference	(372,285)	1,085,673
Variation in deferred taxes resulted from temporary difference	(1,160,292)	1,457,958

(2) The relationship between accounting profit and income tax expenses is as follows.

(Unit: thousand won)

Details	2022	2021
Income (loss) before income taxes	96,758,437	55,624,588
Tax payout based on the tax rate applied	22,975,934	13,041,150
Adjustments		
Permanent difference	9,940	5,661
Additional payment of income taxes	8,279	524,394
Tax credits	(1,621,610)	(1,880,324)
Others (e.g., difference in tax rate)	7,246	129,031
Income tax expenses	21,379,789	11,819,912
Valid tax rate	22.10%	21.25%

(3) The details of income tax expenses directly reflected in equity are as follows.

(Unit: thousand won)

Classification	2022	2021
Gain (loss) on translation of foreign operations	(9,828)	(7,298)
Total	(9,828)	(7,298)

(4) The details of temporary difference and an increase or decrease in deferred tax assets (liabilities) are as follows.

① 2022

(Unit: thousand won)

Classification	Beginning balance	Increase	Ending balance
Accounts receivable and other receivables	38,445	(10,487)	27,958
Gain (loss) on foreign currency translation	(902,276)	986,335	84,059

Other current assets	(11,583)	(89,021)	(100,604)
Inventories	116,620	19,382	136,002
Property, plant, and equipment	21,626	99,566	121,192
Other current liabilities	210,617	78,424	289,041
Provisions	200,261	84,159	284,420
Gain on valuation of financial assets measured at fair value through profit or loss	(39,873)	(6,210)	(46,083)
Right-of-use assets	(193,780)	(59,249)	(253,029)
Financial lease liabilities	194,956	59,923	254,879
Gain (loss) on translation of foreign operations	(7,298)	(2,530)	(9,828)
Sum of deferred taxes resulted from tax loss and temporary difference	(372,285)	1,160,292	788,007
Except recognition of deferred taxes	-	-	-
Sum of items subject to recognition of deferred taxes	(372,285)	1,160,292	788,007

## ② 2021

(Unit: thousand won)

Classification	Beginning balance	Increase	Ending balance
Accounts receivable and other receivables	77,570	(39,125)	38,445
Gain (loss) on foreign currency translation	530,494	(1,432,770)	(902,276)
Other current assets	(7,899)	(3,684)	(11,583)
Inventories	86,007	30,613	116,620
Property, plant, and equipment	15,035	6,591	21,626
Other current liabilities	189,098	21,519	210,617
Provisions	187,691	12,570	200,261
Gain on valuation of financial assets measured at fair value through profit or loss	-	(39,873)	(39,873)
Right-of-use assets	(93,157)	(100,623)	(193,780)
Financial lease liabilities	93,686	101,270	194,956
Gain (loss) on translation of foreign operations	7,148	(14,446)	(7,298)
Sum of deferred taxes resulted from tax loss and temporary difference	1,085,673	(1,457,958)	(372,285)
Except recognition of deferred taxes	-	-	-
Sum of items subject to recognition of deferred taxes	1,085,673	(1,457,958)	(372,285)

Meanwhile, the deferred tax assets and liabilities are measured based on the defined interest rate as of the reporting period end date, using an estimated interest rate to be applied during the period when related temporary difference, etc. are expected to disappear.

(5) The Consolidated Entity judges that deferred tax assets can be realized as the estimated taxable income after the subsequent year exceeds the tax loss to disappear in each fiscal year and the deductible temporary difference.

## 34. Capital management



The Consolidated Entity's capital management policies are to keep the optimum capital structure for investors and creditors, market confidence, and the future development of business. The board of directors is trying best to have a high rate of return and maintain a sound financial position.

The Consolidated Entity monitors equity using the ratio of equity to liabilities, and the debt ratio of the Consolidated Entity at the end of the reporting period is as follows.

(Unit: thousand won)

Classification	End of 2022	End of 2021
Total liabilities	101,857,251	52,634,774
Total assets	229,553,857	163,744,431
Debt ratio	44%	32%

### 35. Risk management

The Consolidated Entity is exposed to credit risk, liquidity risk, and market risk in relation to financial instruments. This Note provides information about the risks above the Consolidated Entity is exposed to and disclose the Consolidated Entity's risk management objectives, policies, and risk evaluation and management procedures. Additional quantitative data are provided across these financial statements.

#### (1) Financial risk management

##### 1) Risk management system

The responsibility for establishing and overseeing the Consolidated Entity's risk management system rests with the board of directors. The Consolidated Entity's risk management policies are established to distinguish and analyze the risk encountered by the Consolidated Entity, set the appropriate risk limits and controls, and ensure that the risk does not exceed the limits. Risk management policies and system are regularly reviewed to reflect the changes in the market situation and the Consolidated Entity's activities. The Consolidated Entity aims to build a strictly and structurally controlled environment to make all employees understand their roles and duties.

##### 2) Credit risk

Credit risk refers to the risk that a client or the other party to a financial instrument will cause financial losses to the Consolidated Entity by failing to fulfil its obligations. It mostly arises from accounts receivable and other receivables for clients.

The credit risk related to the Consolidated Entity's accounts receivable and other receivables is mostly influenced by the characteristics of each client. Main clients of the Consolidated Entity are domestic and international hospitals and overseas distributors, and the bankruptcy risk of countries where the clients are located does not have a great influence on the credit risk.

The Consolidated Entity receives a large part of contract price in advance from overseas clients and purchased a short-term export credit insurance (amount secured: \$1,000,000) provided by the Korea Trade Insurance Corporation against an event of default.

The Consolidated Entity sets the allowance for receivables based on the past experience rates for bad debts by individually or collectively evaluating the status of impairment loss on accounts receivable and other receivables.

### 3) Liquidity risk

Liquidity risk means the risk that the Consolidated Entity will encounter difficulty in meeting obligations associated with financial liabilities. The Consolidated Entity manages liquidity risk by maintaining sufficient liquidity to be able to settle a debt on the date of maturity without the risk of causing unacceptable loss in financially difficult situations or damage to the reputation of the Consolidated Entity.

In general, the Consolidated Entity judges that it holds enough liquid assets to support the estimated operating for a considerable period of time. It does not include potential effects caused by extreme situations which cannot be reasonably expected.

### 4) Market risk

Market risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices such as an exchange rate, an interest rate, etc. The purpose of market risk management is to control the exposure to a market risk within acceptable limits while optimizing revenues.

#### ① Currency risk

Sales presented in currencies other than Korean won which is the functional currency of the Consolidated Entity are exposed to a currency risk. Main currencies to present these transactions are USD, CNY, etc.

#### ② Interest rate risk

The Consolidated Entity establishes and fulfills the annual funds balance plan as part of efforts to minimize the interest burden incidental to an increasing scale of adjustable rate financial liabilities.

### (2) Credit risk

#### ① Exposure to credit risk

The book value of financial assets represents the maximum level of exposure to a credit risk. The Consolidated Entity deposits cash and cash equivalents in banks with a high credit rating, so the risk from banks is limited.

The Consolidated Entity's maximum level of exposure to a credit risk is as follows.

(Unit: thousand won)

Classification	End of 2022	End of 2021
----------------	-------------	-------------

Cash and cash equivalents	26,004,485	42,788,254
Short-term financial instruments	65,377,446	-
Financial assets measured at fair value through profit or loss	20,198,635	5,125,081
Accounts receivable and other receivables	8,003,983	2,115,902
Long-term financial instruments	331,655	297,208
Other current financial assets	2,076,639	905,864
Other non-current financial assets	1,038,004	1,894,439
Total	123,030,847	53,126,748

## ② Impairment loss

The ages of accounts receivable and other receivables as of the end of reporting period and expected credit losses by ages are as follows.

(Unit: thousand won)

Classification	End of 2022		End of 2021	
	Receivable balance	Expected credit losses	Receivable balance	Expected credit losses
≤6 months	8,114,493	(129,819)	2,163,870	(49,572)
>6 months ~≤12 months	38,841	(27,780)	70,403	(40,015)
≥1 year	47,470	(39,222)	92,544	(92,544)
Total	8,200,804	(196,821)	2,326,817	(182,131)

The changes in the allowance for loss on financial assets are as follows.

(Unit: thousand won)

Classification	2022	2021
Beginning balance	177,096	346,870
Setting amount	19,725	(101,200)
Eliminated	-	(68,574)
Ending balance	196,821	177,096

## (3) Liquidity risk

The contractual maturities of financial liabilities held by the Company are as follows. The amounts include the interest paid and do not include the effects of offset arrangements.

### ① End of 2022

(Unit: thousand won)

Classification	Book value	Contractual cash flows	≤6 months	6~≤12 months	≤1~2 years	> 2 years
Accounts payable and other payables	2,124,969	2,124,969	2,124,969	-	-	-
Borrowings	66,800,000	70,735,094	2,167,003	2,155,959	4,257,778	62,154,354
Other current financial liabilities	5,465,275	5,465,275	5,465,275	-	-	-
Lease liabilities	557,303	576,634	324,667	251,967	-	-
Other non-current financial	690,712	690,712	-	-	-	690,712

liabilities						
Non-current lease liabilities	541,314	556,021	-	-	298,055	257,966
Total	76,179,573	80,148,705	10,081,914	2,407,926	4,555,833	63,103,032

## ② End of 2021

(Unit: thousand won)

Classification	Book value	Contractual cash flows	≤6 months	6~≤12 years	≤1~2 years	>2 years
Accounts payable and other payables	1,762,683	1,762,683	1,762,683	-	-	-
Borrowings	35,000,000	37,816,398	480,361	483,217	966,000	35,886,820
Other current financial liabilities	980,208	980,208	980,208	-	-	-
Lease liabilities	514,155	527,500	274,020	253,480	-	-
Other non-current financial liabilities	178,000	178,000	-	-	-	178,000
Non-current lease liabilities	291,450	295,300	-	-	259,300	36,000
Total	38,726,496	41,560,089	3,497,272	736,697	1,225,300	36,100,820

## (4) Currency risk

### ① Exposure to currency risk

The Consolidated Entity's level of exposure to currency risk is as follows.

(Unit: thousand won)

Classification	End of 2022				End of 2021			
	USD	CNY	EUR	Others	USD	CNY	EUR	Others
Cash and cash equivalents	21,940,209	366,263	19,919	26,335	34,041,852	400,189	391,567	6,426
Accounts receivable and other receivables	5,196,189	-	-	-	1,392,344	-	-	-
Total exposure	27,136,398	366,263	19,919	26,335	35,434,196	400,189	391,567	6,426

### ② Sensitivity analysis

In the event of exchange rate fluctuations against major foreign currencies that consist of financial assets and financial liabilities of the Consolidated Entity, the Company's gain or loss will increase or decrease. The sensitivity analysis below assumes exchange rate fluctuations occurred to the extent that the Company deems reasonably possible at the end of the reporting period, and also assumes that other variables such as interest rate, etc. are not changed. Analysis was conducted in the previous year in the same way and the specific changes in gain or loss are as follows.

(Unit: thousand won)

Currency	End of 2022			End of 2021		
	Reference exchange rate	10% increase	10% decrease	Reference exchange rate	10% increase	10% decrease
USD	1,267.30	2,713,640	(2,713,640)	1,185.50	3,543,420	(3,543,420)
CNY	181.44	36,626	(36,626)	186.26	40,019	(40,019)
EUR	1,351.20	1,992	(1,992)	1,342.34	39,157	(39,157)
HKD	162.55	-	-	152.03	266	(266)

SGD	943.11	-	-	877.14	154	(154)
GBP	1,527.67	-	-	1,600.25	222	(222)
AUD	858.41	2,634	(2,634)	858.89	-	-
Total		2,754,891	(2,754,891)		3,623,238	(3,623,238)

### 36. Financial instruments

(1) The book value of financial assets by categories is as follows.

① End of 2022

(Unit: thousand won)

Classification	Financial assets measured at amortized cost	Financial assets measured at fair value through profit or loss	Total
Cash and cash equivalents	26,004,485	-	26,004,485
Short-term financial instruments	65,377,446	-	65,377,446
Financial assets measured at fair value through profit or loss	-	20,198,635	20,198,635
Accounts receivable and other receivables	8,003,983	-	8,003,983
Long-term financial instruments	331,655	-	331,655
Other current financial assets	2,076,639	-	2,076,639
Other non-current financial assets	1,038,004	-	1,038,004
Total	102,832,212	20,198,635	123,030,847

② End of 2021

(Unit: thousand won)

Classification	Financial assets measured at amortized cost	Financial assets measured at fair value through profit or loss	Total
Cash and cash equivalents	42,788,254	-	42,788,254
Short-term financial instruments	-	-	-
Financial assets measured at fair value through profit or loss	-	5,125,081	5,125,081
Accounts receivable and other receivables	2,115,902	-	2,115,902
Long-term financial instruments	297,208	-	297,208
Other current financial assets	905,864	-	905,864
Other non-current financial assets	1,894,439	-	1,894,439
Total	48,001,667	5,125,081	53,126,748

(2) The book value of financial liabilities by categories is as follows.

① End of 2022

(Unit: thousand won)

Classification	Financial liabilities measured at amortized cost	Financial liabilities measured at fair value through profit or loss	Total
Accounts payable and other payables	2,124,969	-	2,124,969
Borrowings	66,800,000	-	66,800,000
Other financial liabilities	5,465,275	-	5,465,275
Lease liabilities	557,303	-	557,303
Other non-current financial liabilities	690,712	-	690,712
Non-current lease liabilities	541,314	-	541,314
Total	76,179,573	-	76,179,573

② End of 2021

(Unit: thousand won)

Classification	Financial liabilities measured at amortized cost	Financial liabilities measured at fair value through profit or loss	Total
Accounts payable and other payables	1,762,683	-	1,762,683
Borrowings	35,000,000	-	35,000,000
Other financial liabilities	980,208	-	980,208
Lease liabilities	514,155	-	514,155
Other non-current financial liabilities	178,000	-	178,000
Non-current lease liabilities	291,450	-	291,450
Total	38,726,496	-	38,726,496

(3) Gains or losses of financial assets and financial liabilities by categories are as follows.

① 2022

(Unit: thousand won)

Classification	Financial instruments measured at amortized cost	Financial instruments measured at fair value through current profit or loss	Total
Financial assets			
Gain (loss) on valuation of financial assets measured at fair value through profit or loss	-	149,849	149,849
Interest revenues	772,115	-	772,115
Gain on foreign currency transaction	734,308	-	734,308
Gain on foreign currency translation	879,062	-	879,062

Loss on foreign currency transaction	(775,686)	-	(775,686)
Loss on foreign currency translation	(1,241,386)	-	(1,241,386)
Reversal of depreciation	(19,725)	-	(19,725)
Financial liabilities			
Interest expenses	(2,609,848)	-	(2,609,848)

② 2021

(Unit: thousand won)

Classification	Financial instruments measured at amortized cost	Financial instruments measured at fair value through current profit or loss	Total
Financial assets			
Gain (loss) on valuation of financial assets measured at fair value through profit or loss	-	164,764	164,764
Interest revenues	57,275	-	57,275
Gain on foreign currency transaction	259,497	-	259,497
Gain on foreign currency translation	3,729,897	-	3,729,897
Loss on foreign currency transaction	(272,614)	-	(272,614)
Loss on foreign currency translation	(1,480)	-	(1,480)
Depreciation	101,200	-	101,200
Financial liabilities			
Interest expenses	(93,054)	-	(93,054)

37. Lease

(1) The details of lease liabilities and right-of-use assets are as follows.

(Unit: thousand won)

Classification	End of 2022	End of 2021
Lease liabilities		
Current	557,303	514,155
Non-current	541,314	291,450
Right-of-use assets	-	
Acquisition cost	1,905,600	1,151,357
Accumulated depreciation	(814,956)	(350,614)
Book value	1,090,644	800,743

(2) The changes in the book value of right-of-use assets are as follows.

① End of 2022

(Unit: thousand won)

Classification	Buildings	Vehicles	Total
Beginning balance	800,743	-	800,743
Acquisition cost	319,040	572,653	891,693

Depreciation	(559,632)	(42,160)	(601,792)
Ending balance	560,151	530,493	1,090,644

② End of 2021

(Unit: thousand won)

Classification	Buildings	Total
Beginning balance	384,945	384,945
Acquisition cost	848,304	848,304
Depreciation	(414,393)	(414,393)
Contract termination, etc.	(18,113)	(18,113)
Ending balance	800,743	800,743

(3) The amounts of gain or loss related to right-of-use assets and lease liabilities are as follows.

(Unit: thousand won)

Classification	2022	2021
Depreciation	601,792	414,393
Interest expenses on lease liabilities	20,042	13,657
Short-term rent (≤1 year)	14,410	1,310
Rent for low-value assets, not short-term lease	66,047	58,445

(4) Operating lease arrangement - lessor

① The Company is currently in an operating lease agreement as it succeeded to a lease contract for the facility purchased for the purposes of manufacturing and main office relocation as of the end of the reporting period, and the contract is terminated in November 2025. A plan to collector future minimum rent according to this contract is as follows.

(Unit: thousand won)

Classification	2022.12.31		
	≤1 year	>1~2 years	>2~3 years
Lease contract	1,314,124	344,960	135,743

② Rent revenue recognized during 2022 in relation to this operating lease is 2,151,722 thousand won.

### 38. Related party

(1) The status of related party is as follows.

Classification	Name of related party	
	End of 2022	End of 2021
CEO	Seung Han Baek	Sung Jae Jung



(2) Main transactions between the parent company and subsidiaries are derecognized during the consolidation and not announced in Note. There is no transaction between the Consolidated Entity and other related parties.

(3) The details of compensation of major management members are as follows.

(Unit: thousand won)

Classification	2022	2021
Short-term employee benefits	1,335,694	1,721,367
Retirement benefits	201,216	143,911
Total	1,536,910	1,865,278

(4) There is no allowance for bad debts set for the related party's receivables as of the reporting period end date and no bad debt expenses recognized during the reporting period.

(5) There is no payment guarantee provided to the related party by the Consolidated Entity or provided to the Consolidated Entity as of the reporting period end date.

### 39. Cash flow-related information

(1) Cash and cash equivalents are managed to have the amounts in the statements of financial position and cash flows matched.

(2) Adjustments for net income are as follows:

(Unit: thousand won)

Classification	2022	2021
Income tax expenses	21,379,789	11,819,912
Interest revenues	(772,115)	(57,275)
Interest expenses	2,609,848	93,054
Gain on foreign currency translation	(879,062)	(3,729,897)
Loss on foreign currency translation	1,241,386	1,480
Gain on valuation of financial assets measured at fair value through profit or loss	(198,635)	(164,764)
Loss on valuation of financial assets measured at fair value through profit or loss	48,786	-
Loss on disposition of tangible assets	51,327	31,758
Gain on disposition of tangible assets	(30,338,624)	(7,175)
Bad debt expense	19,725	(101,200)
Warranty expense	1,159,753	513,264
Depreciation	3,213,442	2,350,219
Depreciation of investment properties	523,289	65,245
Amortization of intangible assets	162,963	107,551
Loss on valuation of inventories	104,315	126,502

Total	(1,673,813)	11,048,674
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(3) The details of increase or decrease in assets or liabilities from operating activities are as follows.

(Unit: thousand won)

Classification	2022	2021
Decrease (increase) in accounts receivable	(4,927,046)	1,433,341
Decrease (increase) in other current receivables	(709,172)	43,836
Decrease (increase) in other current assets	3,011,182	(5,205,359)
Decrease (increase) in inventories	(7,786,433)	(7,094,042)
Increase (decrease) in accounts payable	(557,452)	470,567
Increase (decrease) in other payables	880,399	413,373
Increase (decrease) in other current liabilities	3,666,405	324,956
Total	(6,422,117)	(9,613,328)

(4) Changes in liabilities from financial activities

① 2022

(Unit: thousand won)

Classification	Beginning balance	Financial cash flow	Non-cash transactions				Ending balance
			New	Gain (loss) on translation	Amortization, etc.	Interest expense	
Long-term borrowings	35,000,000	31,800,000	-	-	(2,400,000)	-	64,400,000
Current portion of long-term borrowings	-	-	-	-	2,400,000	-	2,400,000
Increase in deposits received	382,800	865,687	-	-	-	-	1,248,487
Lease liabilities	805,605	(618,723)	891,693	-	-	20,042	1,098,617
Total	36,188,405	32,046,964	891,693	-	-	20,042	69,147,104

② 2021

(Unit: thousand won)

Classification	Beginning balance	Financial cash flow	Non-cash transaction				Ending balance
			New	Gain (loss) on translation	Amortization, etc.	Interest expense	
Long-term borrowings	-	35,000,000	-	-	-	-	35,000,000
Deposits received	-	382,800	-	-	-	-	382,800
Lease liabilities	387,134	(425,376)	830,190	-	-	13,657	805,605
Total	387,134	34,957,424	830,190	-	-	13,657	36,188,405

(5) Important matters during the transactions without cash inflow or outflow

(Unit: thousand won)

Classification	2022	2021
Reclassification of current portion of other financial assets	-	577,000
Reclassification of tangible assets-construction in progress	16,163,603	2,764,650

Reclassification of intangible assets in construction	405,237	-
Reclassification of investment properties-construction in progress	46,879,897	-
Reclassification of investment properties-land to tangible assets	19,445,702	-
Reclassification of investment properties-buildings to tangible assets	8,961,888	-
Reclassification of current portion of deposit for rent	863,000	-
Reclassification of current portion of borrowings	2,400,000	-
Recognized amount of right-of-use assets and lease liabilities	891,693	848,304
Reclassification of current portion of lease liabilities	661,872	723,952
Reclassification of current portion of tenancy deposit	352,975	-
Succession of tenancy deposit upon the acquisition of investment properties	1,407,281	-

#### 40. Contingent liabilities

(1) The details of payment guarantee provide from other entities are as follows.

(Unit: thousand won)

Provider	Guarantee type	Guarantee amount
Seoul Guarantee Insurance Company	Payment guarantee	1,078,160
	Maintenance guarantee	14,300
	Tender guarantee	2,400
	Performance guarantee	3,900
Korea Trade Insurance Corporation	Short-term export-credit insurance	\$1,000,000

(2) There is one pending litigation against the non-payment of accrued receivables as of the end of December 2022 and this case is not reflected in the consolidated financial statements since the winning of the case is confirmed as of the date on which the report is submitted, but the potential inflow of future economic benefits is unpredictable.

## 6. Matters Regarding Dividends

### 1. Dividends policy

The Company suggests dividend at the board of directors according to the Articles of Incorporation, obtains a final approval at the general meeting of shareholders, then makes dividend payments. The size of dividend is determined by considering sales performance and future investment plans, financial solvency, and profit available for divided. The dividend payout ratio for the last three years (2019~2021) was 9.6%. Cash dividends are paid out in accordance with the shareholder return policy and the amount of dividends paid out to shareholders will be determined after reviewing consolidated current net income at the end of the reporting period by the board of directors.

Dividend per share for the last three years (consolidated cash dividend payout ratio) was 46 won (8.9%) in 2019, 60 won (10.2%) in 2020, and 66 won (9.8%) in 2021. As current net income has increased, dividend per share has also increased. Dividend-related financial indicators were calculated mainly based on consolidated dividend payout ratio which is the ratio of the amount of dividend relative to the consolidated net income. For detailed figures, refer to the items of consolidated current net income and consolidated dividend payout ratio in 2. Key indicators for dividend below.

In 2022, 116 won of dividend per share (9.9% of consolidated cash dividend payout ratio) was suggested to the board of directors considering that consolidated current net income is 75.4 billion won and the payment will be made after obtaining approval at the general meeting of shareholders to be held on March 30, 2023.

The Company's shareholder return policy including future dividend plans will be reviewed at the board of directors and the general meeting of shareholders. The Company will do the best to keep the business growing and paying dividends to shareholders.

### 2. Key indicators for dividend

Classification	Class	2022	2021	2020
		The 8 <sup>th</sup> fiscal year	The 7 <sup>th</sup> fiscal year	The 6 <sup>th</sup> fiscal year
Face value per share (won)		100	100	100
(Consolidated) current net income (million won)		75,379	43,805	38,165
(Separate) current net income (million won)		75,341	43,801	38,050
(Consolidated) earnings per share (won)		1,165	677	590
Total cash dividends (million won)		7,471	4,271	3,883
Total stock dividends (million won)		-	-	-
(Consolidated) cash dividend payout ratio (%)		9.9	9.8	10.2
Total dividend yield (%)	Common stock	0.6	0.3	0.4
	Preferred stock	-	-	-
Stock dividend yield (%)	Common stock	-	-	-

	Preferred stock	-	-	-
Cash dividend per share (won)	Common stock	116	66	60
	Preferred stock	-	-	-
Stock dividend per share (share)	Common stock	-	-	-
	Preferred stock	-	-	-

(Note 1) (Consolidated) earnings per share were recorded as basic net income per share in the consolidated statements of comprehensive income.

### 3. Dividend history

(Unit: number, %)

No. of continuous dividends		Average dividend yield	
Quarterly (interim) dividends	Year-end dividends	Last three years	Last five years
0	5	0.33	0.30

(Note 1) The Company pays year-end dividends every year since 2017.

(Note 2) Average dividend yield was calculated using a simple average method. The last three-year average dividend yield was calculated by dividing the sum of the last three-year dividend yields by three while the last five-year average dividend yield was calculated by dividing the sum of the last five-year dividend yields by five.

## 7. Matters Regarding Financing through the Issuance of Securities

### 7-1. Financing results through the issuance of securities

[Matters related to the issuance of equity securities, etc.]

#### 1. Status of capital increase (reduction)

(As of December 31, 2022)

(Unit: won, share)

Date of stock issuance (reduction)	Type of issuance (reduction)	Details of issued (reduced) shares				
		Class	Volume	Far value per share	Amount issued (reduced) per share	Remarks
2020.01.07	Exercise of stock option	Common stock	344,788	100	1,819	-
2021.01.08	Exercise of stock option	Common stock	7,696	100	1,819	-
2022.01.13	Exercise of stock option	Common stock	59,838	100	1,819	-

[Matters related to the issuance of debt securities, etc.]

#### 1. Issuance of debt securities

(As of December 31, 2022)

(Unit: won, %)

Issuing company	Securities type	Issuing method	Issuing date	Total face value (electronic registration)	Interest rate	Credit rating (rating agency)	Maturity date	Repayment status	Org.
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-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-

## 2. Outstanding balance of commercial paper

(As of December 31, 2022)

(Unit: won)

Current maturity		≤10 days	>10~30 days	>30~90 days	>90~180 days	>180 days~1 year	>1~2 years	>2~3 years	>3 years	Total
Outstanding balance	Public offering	-	-	-	-	-	-	-	-	-
	Private placement	-	-	-	-	-	-	-	-	-
	Total	-	-	-	-	-	-	-	-	-

## 3. Outstanding balance of short-term bonds

(As of December 31, 2022)

(Unit: won)

Current maturity		≤10 days	>10~30 days	>30~90 days	>90~180 days	>180 days ~ 1 year	Total	Issue limit	Residual limit
Outstanding balance	Public offering	-	-	-	-	-	-	-	-
	Private placement	-	-	-	-	-	-	-	-
	Total	-	-	-	-	-	-	-	-

## 4. Outstanding balance of corporate bonds

(As of December 31, 2022)

(Unit: won)

Current maturity		≤1 year	>1~2 years	>2~3 years	>3~4 years	>4~5 years	>5~10 years	>10 years	Total
Outstanding balance	Public offering	-	-	-	-	-	-	-	-
	Private placement	-	-	-	-	-	-	-	-
	Total	-	-	-	-	-	-	-	-

## 5. Outstanding balance of hybrid bonds

(As of December 31, 2022)

(Unit: won)

Current maturity		≤1 year	>1~5 years	>5~10 years	>10~15 years	>15~20 years	>20~30 years	>30 years	Total
Outstanding balance	Public offering	-	-	-	-	-	-	-	-
	Private placement	-	-	-	-	-	-	-	-
	Total	-	-	-	-	-	-	-	-

## 6. Outstanding balance of contingent convertible bonds

(As of December 31, 2022)

(Unit: won)

Current maturity		≤1 year	>1~2 years	<2~3 years	>3~4 years	>4~5 years	>5~10 years	>10~20 years	>20~30 years	>30 years	Total
Outstanding balance	Public offering	-	-	-	-	-	-	-	-	-	-

	Private placement	-	-	-	-	-	-	-	-	-	-
	Total	-	-	-	-	-	-	-	-	-	-

## 7-2. Use of funds financed through the issuance of securities

Not applicable

## 8. Other Financial Matters

### 1. Matters to be noted for financial statements re-preparation

The consolidated financial statements and the financial statements were prepared according to the Korean International Financial Reporting Standards (K-IFRS), and important accounting policies used herein are the same to the important accounting policies applied in the preparation of the financial statements for the previous year unless otherwise mentioned. For more information, refer to the notes on the consolidated financial statements and the financial statements.

### 2. Matters regarding asset purchases and sales

The Company decided to buy property during 2021 to expand production capacity and facilities for R&D, sales, and marketing. The newly-purchased production facility located near the existing production 1 was intended to increase the scale and capacity of management of production 1. The newly-purchased property located in Yeoksam-dong was intended to facilitate better communication to make more efficient decision-making and improve collaboration among departments. An agreement was concluded on August 21, 2022 to transfer the land and building located in Yeoksam-dong owned by the Company for more efficient use of assets and the receipt of balance was completed on October 11, 2022. The purchase or sale-related process was completed as of the date on which the disclosure documents were submitted.

Category	Purchase of property	Purchase of property	Purchase of property	Sale of property
Counterparty	SGA Co., Ltd.	Lee Jae-yoon	Correctional Mutual Aid Association	Byun Sang-kuk
Purpose	Addition of production facility	Addition of production facility	Addition of facilities for development, sales, and marketing	More efficient use of assets through the sale of property
- Name of purchased property	Land and building located in A(801~815), F8, H business park, 645, Munjeong-dong, Songpa-gu, Seoul, Republic of Korea	Land and building located in B(701~715), F7, H business park, 645, Munjeong-dong, Songpa-gu, Seoul, Republic of Korea	Land and building located in 718-2 and others, Yeoksam-dong, Gangnam-gu, Seoul, Republic of Korea	Land and building located in 720-6, Yeoksam-dong, Gangnam-gu, Seoul, Republic of Korea
Contract date	2021.03.31	2021.06.09	2021.10.20	2022.08.30
Termination date	2021.06.30	2021.07.08	2022.01.28	2022.10.11
Contract price	14 billion won	11 billion won	125 billion won	60 billion won
- Financing	Self-funding	Self-funding	Self-funding & bank borrowing	-

- Payment terms	- 2021.03.31 Down payment: 1.4 billion won (10%) - 2021.06.30 Balance: 12.6 billion won (90%)	- 2021.06.09 Down payment: 1.1 billion won (10%) - 2021.07.08 Balance: 9.9 billion won (90%)	- 2021.10.20 Down payment: 12.5 billion won (10%) - 2021.11.29 Intermediate payment: 50 billion won (40%) - 2022.01.28 Balance: 62.5 billion won (50%)	- 2022.08.30 Down payment: 6 billion won (10%) - 2022.10.11 Balance: 54 billion won (90%)
Effects on the financial statements	Current assets (cash and cash equivalents) that correspond to acquisition cost and its accidental expenses were reclassified to non-current assets (property, plant, and equipment).	Current assets (cash and cash equivalents) that correspond to acquisition cost and its accidental expenses were reclassified to non-current assets (property, plant, and equipment).	Current assets (cash and cash equivalents) that correspond to acquisition cost and its accidental expenses and non-current liabilities (borrowing) were reclassified to non-current assets (property, plant, and equipment and investment properties).	Some of non-current assets that correspond to disposal cost were reclassified to current assets (cash and cash equivalents), and some were used for the redemption of non-current liabilities (borrowings).
Submission date of disclosure documents	- 2021.03.31 Report on material facts (decision to purchase the property) - 2021.06.30 Closure report on merger, etc. (asset purchases and sales)	- 2021.06.09 Decision to acquire the property (voluntary disclosure)	- 2021.10.20 Report on material facts (decision to purchase the property) - 2022.01.28 Closure report on merger, etc. (asset purchases and sales)	- 2022.08.30 Report on material facts (decision to purchase the property) - 2022.10.11 Closure report on merger, etc. (asset purchases and sales)

### 3. Establishment of allowance for bad debts

(1) Established allowance for bad debts (allowance for loss) by accounts in the last three fiscal years.

(Unit: thousand won)

Period	Description	Amount	Allowance for bad debts (allowance for loss)	Allowance rate for bad debts
2022	Accounts receivable	7,059,121	196,821	2.8%
	Receivables	1,102,683	-	0.0%
	Short-term loans	-	-	0.0%
	Total	8,161,804	196,821	2.4%
2021	Accounts receivable	1,899,487	177,096	9.3%
	Receivables	393,511	-	0.0%
	Short-term loans	-	-	0.0%
	Total	2,292,998	177,096	7.7%
2020	Accounts receivable	3,308,311	278,791	8.4%
	Receivables	444,425	7,079	1.6%
	Short-term loans	61,000	61,000	100.0%
	Total	3,813,736	346,870	9.1%

(2) Changes in allowance for bad debts (allowance for loss) in the last three fiscal years

(Unit: thousand won)

Classification	2022	2021	2020
1. Allowance for bad debts (allowance	177,096	346,870	561,126



for loss) at the beginning of period			
2. Amount accounted for as net bad debts (①-②±③)		68,574	412,783
① Amount accounted for as bad debts (amount of amortized bond)		68,574	412,783
② Amount of amortized bond recovered		-	-
③ Other increase (decrease)		-	-
3. Amount of allowance for bad debts offset (reversed)	19,725	(101,200)	198,527
4. Allowance for bad debts (allowance for loss) at the end of period	196,821	177,096	346,870

(3) Policy to establish allowance for bad debts (allowance for loss) relating to accounts receivable and other receivables

The credit risk related to the Company's accounts receivable and other receivables is mostly influenced by the characteristics of each client. The Company's main clients are domestic and international hospitals and overseas distributors, and the bankruptcy risk of countries where the clients are located does not have a great influence on the credit risk.

The Company receives a large part of contract price in advance from overseas clients and purchased a short-term export credit insurance (amount secured: \$1,000,000) provided by the Korea Trade Insurance Corporation against an event of default.

The Company sets the allowance for receivables based on the past experience rates for bad debts by individually or collectively evaluating the status of impairment loss on accounts receivable and other receivables.

(4) Status of balance of accounts receivable and other receivables by a lapse of time

(Unit: thousand won)

Lapse of time		>6 months	>1 year	>3 years	Total
Category		≤6 months	≤1 year	≤3 years	
Amount	General	8,114,494	38,841	47,469	8,200,804
	Related parties	-	-	-	-
	Total	8,114,494	38,841	47,469	8,200,804
Composition ratio		98.9%	0.5%	0.6%	100.0%

#### 4. Inventories, etc.

(1) Status of inventories

(Unit: thousand won)

Business unit	Description	2022	2021	2020
Medical devices, etc.	Finished goods	5,738,926	4,604,266	2,536,692
	Work in progress	3,045,747	1,830,526	916,619

Raw materials	14,612,993	10,030,572	6,486,984
Merchandise	-	-	-
Total	23,397,666	16,465,364	9,940,295
Ratio of inventories to total assets (%) [Sum of inventories ÷ sum of assets at the end of period X100]	7.1%	7.6%	7.2%
Turnover ratio of inventories [Annual sales cost ÷ {(beginning balance + ending balance) ÷ 2}]	1.7 times	1.7 times	1.7 times

## (2) Inspection on inventories

The Consolidated Entity takes stock inspection at the end of quarter on its own and carries out an inspection on overall inventories at the end of year with external auditors attended. Loss on valuation of inventories recognized during 2022 and 2021 are 104,315 thousand won and 126,502 thousand won, respectively.

### (A) Inspection date & inspection participants and attendees

Date	Participants and attendees	Remarks
2022.01.03	External auditors (Dasan Accounting Corporation), the Company's accounting team manager and person in charge of inventories	-
2022.07.01	The Company's accounting team manager and person in charge of inventories	-
2022.09.30	The Company's accounting team manager and person in charge of inventories	-
2022.12.30	External auditors (Nexia Samduk), the Company's accounting team manager and person in charge of inventories	-

### (B) Inspection method

Total inspection is basically performed and sample inspection is conducted only for the items of insignificance and in large quantities.

## (3) Inventory aging and valuation

Inventories are measured using the lower one between acquisition cost and net realizable value. Loss on valuation that reduced inventories to net realizable value and all losses from inventory shrinkage are recognized in the costs of the period when reduction or depletion occurred, and the reversal of loss on inventory valuation caused by an increase of inventories' net realizable value is recognized as the amount subtracted from the value of inventories recognized in the costs during the period when the reversal occurred. No inventory is provided as collateral.

(Unit: thousand won)

Description	Acquisition cost	Reserve	Current loss on valuation	Ending balance	Remarks
Finished goods	5,751,715	5,682,895	56,031	5,738,926	-
Work in progress	3,045,747	3,045,747	-	3,045,747	-

Raw materials	15,327,630	14,914,548	(301,555)	14,612,993	-
Total	24,125,092	23,643,190	(245,524)	23,397,666	-

## 5. Fair value estimation

For the details of fair value estimation in the guidelines for corporate disclosure preparation, refer to 4. Fair Value and 36. Financial Instruments of 3. Notes to the Consolidated Financial Statements under III. Matters Regarding Finance herein.

### III. Directors' Management Discussion & Analysis

#### 1. Disclaimers

The activities, events, or phenomenon that the Company anticipated or forecasted in this report reflect the Company's forward-looking statements on the events and financial performance at the time when the disclosure documents for the current year were prepared. These forecasts were recorded based on the following criteria.

1. Phrases contain works representing that the contents are forecasts.
2. Grounds for the assumptions or judgment related to forecasts or prospects are provided.
3. Statements are based on reasonable grounds or assumptions.
4. A note that the actual future performance may vary from the forward-looking statements reported herein is included.

The Company assumes no obligation to revise or update this report to reflect risks or uncertainties that arise after the reporting period.

In conclusion, it is not certain that the results or events the Company anticipated on this report are realized and the effects the Company anticipated will occur. It should be noted that the forecasts provided in this report were made as of December 31, 2022. and the Company will no longer update these risk factors or forecasts.

#### 2. Overview

The Company has made continuous growth since its foundation in 2007 through continued investments in research and development of aesthetic medical devices. The Company is not only localizing aesthetic medical devices, but also taking the lead in the global market.

The Company has three business units including CLASSYS, Cluederm, and SKEDERM. In overseas markets, the Company is to sell medical devices such as ULTRAFORMER III, ULTRAFORMER MPT, VOLNEWMER, CLATUU Alpha, SCIZER, and TONURV under the brand name CLASSYS. The high-priced products are sold to hospitals and clinics. Cluederm, a brand that targets hospitals as well as overseas skin care shops, provides five products such as Ulfit, AQUAPURE, AQUAPURE II, Refit, and cool4D. SKEDERM is a brand of home-care devices that provides lifting patches and aesthetic devices.

(Unit: million won)

Classification	2022	2021	Increase (decrease)	Rate of increase (decrease)	Calculation
Sales	141,803	100,597	41,206	41.0%	-
Operating profit	68,876	51,713	17,163	33.2%	-
Operating profit margin	48.6%	51.4%	-2.8%p	-	Operating profit/sales
Net income	75,379	43,805	31,574	72.1%	-
Net income margin	53.2%	43.5%	9.6%p	-	Net income/sales

As the sales of devices and consumables have risen following the growing global awareness of ULTRAFORMER III and ULTRAFORMER MPT, the Company's sales increased by 41% compared to the previous year to reach 141.8 billion won which is the largest. The operating profit rate slightly decreased due to the launch of new products, a decrease in the proportion of consumables, and an increase of sales commission and advertising expenses, but the operating profit increased by 33% compared to the previous year to reach 68.9 billion won. Net income also increased by 72% compared to the previous year to reach 75.4 billion won as gain on disposition of property incurred as the sale of the old office building was completed on October 11, 2022.

### 3. Financial condition and sales performance (consolidated)

As population ageing is widespread across the world, interest in health, wellness, and beauty is increasing and people begin to believe that good appearance plays an important role in success. Accordingly, a growing number of people from the upper-middle class tend to use aesthetic care and procedures to improve appearance and even young people in their 20s and 30s now receive care at specialized beauty clinics and shops. Therefore, non-invasive procedures offering a more natural-looking rejuvenation with reduced side effects become popular.

In addition, aesthetic medical device manufacturers are releasing their unique upgraded equipment, creating brand awareness among customers. Customers are looking for specific brands held in high regard at the clinic, so brand awareness will become more important.

The Company is working to develop aesthetic medical devices that will satisfy both users and patients. In particular, the popularity of ULTRAFORMER III and ULTRAFORMER MPT is increasing among users and patients due to their easy-to-use, safety, and effectiveness.

There is uncertainty in sales of aesthetic medical devices since they should be newly installed in each hospital and target customers are changing. However, the Company sells additional consumables required for each device, so if the number of installed equipment and the awareness of the brand increase, the sales of consumables increase faster.

For this reason, the Company is not only continuously upgrading existing products and releasing new products, but also focusing more on domestic and global marketing to increase its sales.

#### 1) Financial position

(Unit: million won)

Classification	2022	2021	Increase or decrease	Rate of increase or decrease
[Current assets]	147,789	73,140	74,650	102.1%

·Cash and cash equivalents	26,004	42,788	-16,784	-39.2%
·Short-term financial instruments	65,377	-	65,377	100.0%
·Financial assets measured at fair value through profit or loss	20,199	5,125	15,074	294.1%
·Accounts receivable and other receivables	8,004	2,116	5,888	278.3%
·Inventories	23,398	16,465	6,933	42.1%
·Other financial assets	2,077	906	1,171	129.2%
·Others	2,730	5,740	-3,009	-52.4%
[Non-current assets]	183,622	143,239	40,382	28.2%
·Property, plant, and equipment	104,242	80,705	23,537	29.2%
·Intangible assets	1,478	1,124	354	31.5%
·Investment properties	74,654	58,418	16,236	27.8%
·Other non-current financial assets	1,038	1,894	-856	-45.2%
·Others	2,210	1,098	1,111	101.2%
Total assets	331,411	216,379	115,032	53.2%
[Current liabilities]	36,225	16,793	19,432	115.7%
[Non-current liabilities]	65,632	35,842	29,790	83.1%
Total liabilities	101,857	52,635	49,222	93.5%
[Equity attributable to shareholders of the parent company]	229,554	163,744	65,810	40.2%
·Capital stock	6,478	6,471	7	0.1%
·Capital surplus	24,230	24,122	108	0.4%
·Retained earnings	204,230	133,123	71,107	53.4%
·Others	-5,384	28	-5,412	-19328.6%
[Non-controlling interest]	-	-	-	-
Total shareholders' equity	229,554	163,744	65,810	40.2%

(1) The Company concluded a contract on October 20, 2021, to purchase a new head office building to accommodate more sales, marketing, and research personnel. An intermediate payment was made by the end of 2021 and the balance payment and ownership transfer were completed on January 29, 2022. An agreement was concluded on August 21, 2022 to transfer the land and building located in Yeoksam-dong owned by the Company for more efficient use of assets and the receipt of balance was completed on October 11, 2022. The purchase or sale-related process was completed as of the date on which the disclosure documents were submitted.

Due to favorable business activities and the sale of old office building, the Company's monetary assets (cash and cash equivalents, short-term financial instruments, and financial assets measured at fair value through profit or loss) increased by 63.7 billion won compared to the previous year. As the used and leased portions of assets are recognized following the payment of balance for the new office building, property, plant, and equipment, and investment properties also increased by 23.5 billion won and 16.2 billion won, respectively while long-term borrowings increased by 29.4 billion won. The Company believed that it is reasonable to invest in facilities rather than paying rent and spending time in staff distribution, and plans to repay

long-term borrowing used for property, plant, and equipment, and investment properties through the cash flows from operating activities.

(2) Total liabilities during 2022 increased by 49.2 billion won compared to the previous year, and 29.4 billion won out of it is long-term borrowing taken from a bank to make intermediate payments for the new office building (average interest rate: 2.83%). Current income tax liabilities also increased by 12.2 billion won compared to the previous year as an increase in gain from operating activities and gain from the sale of old office building occurred.

(3) As stock options were exercised during 2022, 59,838 shares of common stock were issued and capital stock increased by about 5.98 million won. There is not remaining stock option as of December 31, 2022. Also, capital adjustments took place as 367,636 shares of treasury stock were acquired due to the share repurchase trust contract and retained earnings increased by 71.1 billion won compared to the previous year due to domestic and overseas sales growth.

## 2) Sales performance

### (1) Overall sales performance

(Unit: million won)

Classification	2022	2021	Increase or decrease	Rate of increase or decrease
Sales	141,803	100,597	41,206	41.0%
Cost of goods sold	33,636	22,744	10,892	47.9%
Gross profit	108,167	77,853	30,314	38.9%
Total sales margin	76.3%	77.4%	-1.1%p	-
Selling and administrative expenses	39,291	26,140	13,151	50.3%
Operating profit	68,876	51,713	17,163	33.2%
Operating profit margin	48.6%	51.4%	-2.8%p	-
Financial income	2,584	4,211	-1,627	-38.6%
Financial expense	4,676	367	4,309	1174.1%
Other incomes	30,374	215	30,160	14027.4%
Other expenses	400	147	253	172.1%
Income before income taxes	96,758	55,625	41,134	73.9%
Income tax expenses	21,380	11,820	9,560	80.9%
Net income	75,379	43,805	31,574	72.1%
Net income margin	53.2%	43.5%	9.6%p	-

As the sales of devices and consumables have risen following the growing global awareness of ULTRAFORMER III and ULTRAFORMER MPT, the Company's sales increased by 41% compared to the previous year to reach 141.8 billion won which is the largest. Cost of goods sold increased by 48% compared to the previous year due to the increase in sales, while the total sales margin decreased by 1.1%p compared to the previous year due to the launch of new products and the decrease in the proportion of consumables. Selling and administrative expenses increased by 50% compared to the previous year due to the increase in sales commission, advertising

expenses, and commission fees, while the operating profit increased by 33% compared to the previous year to reach 68.9 billion won. Income from income taxes increased by 74% compared to the previous year and net income increased by 72% compared to the previous year to reach 75.4 billion won as gain on disposition of tangible assets incurred as the sale of old office building was completed on October 11, 2022.

(2) Sales performance by brands

(Unit: thousand won)

Consolidated		Item		2022	2021	Increase or decrease	Rate of increase or decrease
Product	Medical devices, etc.	CLASSYS	Export	44,283,525	36,563,003	7,720,522	21.1%
			Domestic	29,902,699	10,327,838	19,574,861	189.5%
		Cluederm	Export	7,397,232	6,421,530	975,702	15.2%
			Domestic	519,364	822,545	-303,181	-36.9%
		Consumables	Export	34,715,339	26,726,328	7,989,011	29.9%
			Domestic	20,869,090	18,592,620	2,276,470	12.2%
	Cosmetics & personal aesthetic devices	SKEDERM, etc.	Export	1,072,982	469,240	603,742	128.7%
			Domestic	891,289	673,832	217,457	32.3%
	Lease	Real estate	Domestic	2,151,722	-	2,151,722	-
	Total			Export	87,469,078	70,180,101	17,288,977
			Domestic	54,334,164	30,416,835	23,917,329	78.6%
			Total	141,803,242	100,596,936	41,206,306	41.0%

① CLASSYS

The sales of CLASSYS brand items such as ULTRAFORMER III and ULTRAFORMER MPT, VOLNEWMER, CLATUU Alpha, TONURV, and SCIZER increased by 27.3 billion won year on year thanks to the brand awareness.

In Korea, the sales of medical devices increased by 20 billion won year on year thanks to the sale of new products such as ULTRAFORMER MPT, VOLNEWMER. In particular, more than 1,100 units of ULTRAFORMER MPT were sold within a year since the item was launched. Export also increased as the sales growth is shown equally in the existing markets of around 60 countries and more than 500 units were sold a year in overseas markets as ULTRAFORMER MPT was launched in Brazil, Japan, Thailand, etc. as of the second half of the year.

② Cluederm

The brand awareness of Cluederm for overseas skin care shops has gradually increased since its launch in 2016. The sales of items like Ulfit, AQUAPURE II, etc. increased by around 1 billion won year on year due to export upswing.

③ Consumables

The Company sells required consumables such as cartridges and gel pads necessary to use the aesthetic medical devices installed. The sales of consumables show a virtuous circle: an increase in the accumulated number of devices sold, the number of uses, and brand



awareness lead to an increase in sales.

The accumulated number of ULTRAFORMER III and ULTRAFORMER MPT sold exceeded 12,000 units and exports of consumables increased by 10.3 billion won year on year as of 2022.

In Korea, the sales of consumables increased thanks to a growing number of patients receiving ULTRAFORMER MPT procedures. In particular, the domestic sales of consumables reached 7 billion won in the fourth quarter of 2022 which is the largest ever, exceeding the pre-COVID-19 levels. Exports of consumables also sustain steady growth as the accumulated number of units sold throughout the world continues rising.

#### ④ SKEDERM, etc.

The Company expands B2C channels through SKEDERM, a brand of cosmetics and home-care devices. The main items including Cibon and lifting patches help increase its brand awareness. Sales increased by 800 million won compared to the previous year thanks to an increase in sales of lifting patches both at home and abroad.

The Company will strive to make both qualitative and quantitative growth by focusing marketing on home-care devices and lifting patches.

## 4. Liquidity and financing & expenditures

### ① Liquidity

Consolidated	Formula	2022	2021	Reasons for change
Current ratio	(Current assets/current liabilities) * 100	408%	436%	Increased in cash and cash equivalents and current income tax liabilities resulted from asset transfer
Debt ratio	(Total liabilities/equity capital) * 100	44%	32%	Increase in borrowings resulted from asset purchase
Cash and cash equivalents	Cash and cash equivalents Short-term financial instruments Financial assets measured at fair value through profit or loss	111.6 billion won	47.9 billion won	Increase in cash equivalents resulted from active operating activities and asset transfer
Interest coverage ratio	Operating income/interest expense on cash flows	26 times	556 times	Increase in operating expense resulted from an increase in borrowings following asset transfer

### ② Financing

(1) The details of borrowings are as follows.

(Unit: thousand won)

Classification	End of 2022		End of 2021	
	Current	Non-current	Current	Non-current
Long-term borrowings	2,400,000	64,400,000	-	35,000,000
Total	2,400,000	64,400,000	-	35,000,000

(2) The details of long-term borrowings are as follows.

(Unit: thousand won)

Classification	Creditor	Interest rate	End of 2022	End of 2021
Loan	Kookmin Bank	2.76%	-	35,000,000
Loan	Kookmin Bank	2.94%	61,800,000	-
Loan	Kookmin Bank	2.72%	5,000,000	-
Less: current portion of long-term borrowings			2,400,000	-
Total			64,400,000	35,000,000

The Company concluded a contract to purchase a new head office building in October 2021 and took long-term borrowing worth 69 billion won from a bank to make the balance payment in January 2022. The Company also concluded a contract to transfer land and building located in Yeoksam-dong owned by the Company for more efficient use of assets, and the receipt of balance and repayment of related borrowings worth 35 billion won were completed in October 2022.

#### 5. Off-book transactions

Not applicable

#### 6. Other matters required for investment decision-making

(1) Matters regarding important accounting policies and estimates

Refer to 2. Important accounting policies of 3. Notes to the Consolidated Financial Statements under III. Matters Regarding Finance herein.

(2) Matters regarding environment and employees

Not applicable

(3) Matters regarding legal regulations

The Company's products are classified as medical devices pursuant to the Medical Devices Act. Accordingly, it is required to obtain a certificate of sales and a certificate of manufacturer for domestic manufacturing/sales as well as certification of each country for overseas sales.

(4) Matters regarding derivatives and risk management policy

The Company had no derivatives transactions during 2021. For risk management policy, refer to 35. Risk management items of 3. Notes to the Consolidated Financial Statements under III. Matters Regarding Finance herein.

## IV. External Auditor's Opinion, Etc.

### 1. External Auditor's opinion, etc.

#### 1. External auditor's name and opinion

Fiscal year	Auditor	Auditor's opinion	Highlights	Key audit matters
2022	Nexia Samduk	Unqualified	N/A	(Consolidated financial statements) Property, plant, and equipment (investment properties included) (Separate financial statements) Property, plant, and equipment (investment properties included)
2021	Dasan Accounting Corporation	Unqualified	N/A	(Consolidated financial statements) Appropriateness of accounting of property, plant, and equipment (Separate financial statements) Appropriateness of accounting of property, plant, and equipment
2020	Dasan Accounting Corporation	Unqualified	N/A	(Consolidated financial statements) Appropriateness of calculation of cost of goods sold (Separate financial statements) Appropriateness of calculation of cost of goods sold

(Note 1) The auditor's opinion above is the opinion about the separate and consolidated financial statements.

#### 2. External audit service contract

Fiscal year	Auditor	Details	Contract		Actual	
			Audit fee (mil. won)	Audit hours (hours)	Audit fee (mil. won)	Audit hours (hours)
2022	Nexia Samduk	IFRS Consolidated financial statements audit: 2023.02.20~02.24 IFRS Separate financial statements audit: 2023.02.20~02.24 Interim financial statements review: 2022.08.02~08.04 Internal control over financial reporting audit: 2022.09.14~09.16 2022.11.28~12.02	220	1,690	220	1,472
2021	Dasan Accounting Corporation	IFRS Consolidated financial statements audit: 2022.02.03 ~02.08 IFRS Separate financial statements audit: 2022.02.03 ~02.08 Interim financial statements review: 2021.07.23 ~07.27 2021.10.25 ~10.27	105	996	105	1,003
2020	Dasan Accounting Corporation	IFRS Consolidated financial statements audit: 2021.01.28 ~02.03 IFRS Separate financial statements audit: 2021.01.28 ~02.03	85	850	85	845

		Interim financial statements review: 2020.07.28 ~07.31 2020.10.27 ~ 10.30				
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### 3. Non-audit service contract with external auditors

Business year	Contract date	Service details	Service period	Service fee (mil. won)	Remarks
2022	-	-	-	-	-
2021	2021.02	2020 tax adjustment	2021.02 ~ 2021.03	10	Dasan Accounting Corporation
	2021.02	2021 tax adjustment	2022.02 ~ 2022.03	10	Dasan Accounting Corporation
2020	-	-	-	-	-

### 4. Results of discussion between internal auditors and external auditors on matters that may have significant influence on the judgement of stakeholders in the financial statements

No.	Date	Attendees	Method	Details of discussion
1	2022.02.15	Three from audit committee, two from IR team Auditor: partner in charge	Face-to-face	Sharing the details of required discussion based on auditing standards & end-of-term audit progress
2	2022.05.11	Company: three from audit committee Auditor: partner in charge	Face-to-face	Communication and audit, ICFR audit plan, and selection of key audit matters, etc.
3	2022.09.01	Company: three from audit committee Auditor: partner in charge	Communication letter	Sharing the progress and results of the reviews of the semi-annual financial statements, ICFR audit planning, etc.
4	2022.12.20	Company: three from audit committee Auditor: partner in charge	Communication letter	Reporting the evaluation of ICFR design and operation
5	2023.03.13	Company: three from audit committee Auditor: partner in charge	Face-to-face	Reporting audit results, the responsibility of the auditor on the audit of the financial statements

### 5. Change of external auditors

The Company appointed Dasan Accounting Corporation as an external auditor for three consecutive years from 2020 (the 6th, 7th, and 8th fiscal years) pursuant to the Act on External Audit of Stock Companies and Dasan Accounting Corporation conducted an audit for the 6th and 7th fiscal years. Due to the periodic auditor designation pursuant to the Act on External Audit of Stock Companies in 2022, Nexia Samduk was newly appointed as an external auditor for the 8th, 9th, and 10th fiscal years.

## 2. Matters regarding internal control

### 1. External auditor's review of or opinion on Internal Control over Financial Reporting(ICFR)

Business year	Auditor	Auditor's opinion		Inadequacies
		Type	Details	
2022	Nexia Samduk	Audit	The auditor audited the ICFR of CLASSYS Inc. (the Company) in terms of the design and operation of the ICFR as of December 31, 2022. As a result, the auditor presents an opinion that the Company's ICFR is effectively designed and operated in terms of significance of its design and operation conceptual framework as of December 31, 2022.	N/A
2021	Dasan Accounting Corporation	Review	The auditor reviewed the operation status report of ICFR prepared by the management and presented an opinion that the report has no significant flaws according to Chapter 5 Application to small and medium enterprises of the ICFR regulation.	N/A
2020	Dasan Accounting Corporation	Review	The auditor reviewed the operation status report of ICFR prepared by the management and presented an opinion that the report has no significant flaws according to Chapter 5 Application to small and medium enterprises of the ICFR regulation.	N/A

## V. Matters Regarding Executive Organizations Including the Board of Directors

### 1. Matters Regarding the Board of Directors

#### 1. Overview of the board of directors

As of December 31, 2022, the board of directors (BOD) is made up of a total of eight directors including one inside director, three outside directors, and four non-executive directors. CEO Seung Han Baek serves as chairperson of the board of directors according to the Articles of Incorporation and the bylaw on the board of directors. The audit committee is in place.

#### (1) Outside directors & its changes

(Unit: number)

No. of directors	No. of outside directors	Changes in outside directors		
		Appointment	Dismissal	Withdrawal
8	3	3	-	3

(Note 1) Three outside directors were newly appointed at the 7<sup>th</sup> ordinary general meeting of shareholders held on March 31, 2022 and existing three outside directors resigned for personal reasons. For more information, refer to the 'Notice regarding the appointment, dismissal, or withdrawal of outside directors' disclosure as of March 31, 2022.

#### 2. Important matters for resolution

Date	Agenda	Result	Inside directors (Attendance rate)				Outside directors (Attendance rate)						Non-executive directors (Attendance rate)				
			Sungjae Jung (100%)	Changho Choi (100%)	Gwang Taekjung (100%)	Seung Han Baek (100%)	DaeSung Kim (100%)	Woo SungJo (57%)	Jung Hyun Lim (100%)	HyukJin Kwon (100%)	Park, Jun Hong (100%)	Kim, Dong Ju (100%)	Lee, Jung Woo (27%)	Kim, Dong Wook (100%)	Kim Hyun seung (100%)	Park, WanJin (100%)	
			Attend(A)/Not Attend(N-A) & Pro/Con														
2022.02.15	Reporting 1) ICFR operation status by CEO	(Reported)	A	A	A	-	A	A	A	-	-	-	-	-	-	-	-
	Reporting 2) Completion of investment in financial assets	(Reported)	A	A	A	-	A	A	A	-	-	-	-	-	-	-	-
	Reporting 3) Completion of investment in property, plant, and equipment	(Reported)	A	A	A	-	A	A	A	-	-	-	-	-	-	-	-
	Reporting 4) Status of main contracts	(Reported)	A	A	A	-	A	A	A	-	-	-	-	-	-	-	-
2022.02.15	1. Approval of the 7 <sup>th</sup> financial statements	Approved	Pro	Pro	Pro	-	Pro	Pro	Pro	-	-	-	-	-	-	-	-
	2. Approval of the 7 <sup>th</sup> business report	Approved	Pro	Pro	Pro	-	Pro	Pro	Pro	-	-	-	-	-	-	-	-
	3. Convening the ordinary general meeting of shareholders	Approved	Pro	Pro	Pro	-	Pro	Pro	Pro	-	-	-	-	-	-	-	-
	4. Approval of the estimated amount of incentives	Approved	Pro	Pro	Pro	-	Pro	Pro	Pro	-	-	-	-	-	-	-	-
2022.02.15	1. Change of the location of main office	Approved	Pro	Pro	Pro	-	Pro	Pro	Pro	-	-	-	-	-	-	-	-
2022.03.15	1. Recommendation of director and audit committee member candidates	Approved	Pro	Pro	Pro	-	Pro	N-A	Pro	-	-	-	-	-	-	-	-
	2. Amendment to the Articles of Incorporation and two others	Approved	Pro	Pro	Pro	-	Pro	N-A	Pro	-	-	-	-	-	-	-	-
	3. Addition of an agenda to the ordinary general meeting of shareholders	Approved	Pro	Pro	Pro	-	Pro	N-A	Pro	-	-	-	-	-	-	-	-
2022.03.15	1. Establishment of branch office	Approved	Pro	Pro	Pro	-	Pro	N-A	Pro	-	-	-	-	-	-	-	-
2022.03.16	1. Recommendation of director and audit committee member candidates	Approved	Pro	Pro	Pro	-	Pro	N-A	Pro	-	-	-	-	-	-	-	-
	2. Changes in schedule and agenda of the ordinary general meeting of shareholders	Approved	Pro	Pro	Pro	-	Pro	N-A	Pro	-	-	-	-	-	-	-	-
2022.03.22	Reporting 1) Evaluation of ICFR and one more reporting	(Reported)	A	A	A	-	A	A	A	-	-	-	-	-	-	-	-
	Reporting 2) Pre- and post-audit adjustments of the financial statements	(Reported)	A	A	A	-	A	A	A	-	-	-	-	-	-	-	-
2022.03.22	1. Payment of severance pay	Approved	Pro	Pro	Pro	-	Pro	Pro	Pro	-	-	-	-	-	-	-	-
2022.04.14	1. Appointment of CEO	Approved	-	-	-	-	-	-	-	Pro	Pro	Pro	Pro	Pro	Pro	Pro	Pro
2022.04.14	1. Approval of compensation of registered executives	Approved	-	-	-	-	-	-	-	Pro	Pro	Pro	Pro	Pro	Pro	Pro	Pro
	2. Evaluation of the appropriateness of ICFR manager and a team in charge of ICFR	Approved	-	-	-	-	-	-	-	Pro	Pro	Pro	Pro	Pro	Pro	Pro	Pro
	3. Amendment to the bylaws on the board of directors	Approved	-	-	-	-	-	-	-	Pro	Pro	Pro	Pro	Pro	Pro	Pro	Pro
2022.05.12	1. Approval of the first-quarter financial results	Approved	-	-	-	Pro	-	-	-	Pro	Pro	Pro	Pro	N-A	Pro	Pro	Pro
2022.08.10	Reporting 1) Evaluation of the appropriateness of ICFR	(Reported)	-	-	-	A	-	-	-	A	A	A	N-A	A	A	A	A
	Reporting 2) First half financial results	(Reported)	-	-	-	A	-	-	-	A	A	A	N-A	A	A	A	A
	1. Amendment to the bylaws on the board of directors	Approved	-	-	-	Pro	-	-	-	Pro	Pro	Pro	Pro	N-A	Pro	Pro	Pro
	2. Approval of the result of establishing the support policy	Approved	-	-	-	Pro	-	-	-	Pro	Pro	Pro	Pro	N-A	Pro	Pro	Pro

	for executives																
2022.09.15	1. Approval of treasury stock purchase trust agreement	Approved	-	-	-	Pro	-	-	-	Pro	Pro	Pro	N/A	Pro	Pro	Pro	
2022.09.15	1. Approval of asset management plan Reporting 1) Costs related to the interior decoration of new office	Rejected (Reported)	-	-	-	Pro A	-	-	-	Con A	Con A	Con A	N/A N/A	Con A	Con A	Pro A	
2022.10.28	1. Closure of branch office	Approved	-	-	-	Pro	-	-	-	Pro	Pro	Pro	N/A	Pro	Pro	Pro	
2022.11.10	Reporting 1) Third-quarter financial results Reporting 2) Consulting contract 1. Approval of fund operation plan	(Reported) (Reported) Approved	-	-	-	A A Pro	-	-	-	A A Pro	A A Pro	A A Pro	N/A N/A N/A	A A Pro	A A Pro	A A Pro	
2022.12.21	Reporting 1) Succession plan 1. Amendment to the bylaws on the organization and roles	(Reported) Approved	-	-	-	A Pro	-	-	-	A Pro	A Pro	A Pro	N/A N/A	A Pro	A Pro	A Pro	
2022.12.21	1. Addition of lease business and report of the closed place of business	Approved	-	-	-	Pro	-	-	-	Pro	Pro	Pro	N/A	Pro	Pro	Pro	

(Note 1) The above important matter for resolution is based on 2022.

(Note 2) Outside directors Dae Sung Kim, Woo Sung Jo, and Jung Hyun Lim and inside directors Chang Ho Choi and Kang Taek Jung resigned for personal reasons on March 31, 2022.

(Note 3) Outside directors Hyuk Jin Kwon, Park, Jun Hong, and Kim, Dong Ju and non-executive directors Lee, Jung Woo, Kim, Dong Wook, Kim, Hyunseung, and Park, Wan Jin were newly appointed at the ordinary general meeting of shareholders held on March 31, 2022.

(Note 4) Inside director Sung Jae Jung resigned for personal reason on April 4, 2022.

(Note 5) CEO Seung Han Baek was appointed at the ordinary general meeting of shareholders held on March 31, 2022 and inaugurated on April 18, 2022.

(Note 6) Agenda No. 1 on September 15, 2022 was rejected due to the review of the timing adjustment of operation following a rapid change in the market conditions.

### 3. Committees of the BOD

There is an audit committee under the board of directors as of December 31, 2022. For more information about the audit committee, refer to 2. Matters regarding an audit system under VI. Matters Regarding Executive Organizations Including the Board of Directors herein.

### 4. Independence of directors

Directors are appointed at the general meeting of shareholders, and director candidates are recommended by the board of directors, which is decided as a bill to be submitted to the general meeting of shareholders. If there is a shareholder's proposal pursuant to the law relating to the appointment of directors, the proposal is submitted as a bill to the general meeting of shareholders within legal limits. The Company checks the director candidate satisfies the requirements set forth in relevant laws and the Articles of Incorporation and complies with due process. In accordance with Article 363 of the Commercial Act and Article 21 of the Company's Articles of Incorporation, the Company notifies shareholders of the date, venue, and purpose of the general meeting of shareholders in writing or electronically two weeks prior the general meeting. If the purpose of the meeting is to appoint a director, the candidate's information such as name and profile are notified. The inside directors and outside directors appointed at the general meeting of shareholders according to these procedures are as follows.

Title	Name	Term	Status of consecutive terms	No. of consecutive terms	Appointment background	Recommended by	Area	Self-dealing transactions	Relation with the largest or major shareholders
Inside director	Seung Han Baek	2 years	New	1	A global business expert who has led corporate restructuring and corporate external growth in global biopharmaceuticals & healthcare companies such as Coultter, Abbott, Bayer, SK, etc. for two decades. As the Country GM, he has raised the integrated value of investment companies through the establishment and execution of differentiated strategic mid- and long-term management strategies and has led management growth through continuous profit improvement. He also has a leadership in the overall management of the organization such as sales, marketing, operation, IT, logistics, etc. by building an efficient relationship. Based on these experiences, he is expected to contribute to the operation of the Company.	BOD	General management	N/A	N/A

Non-executive director	Lee, Jung Woo	2 years	New	1	With nearly two decades of experience in consulting and private equity as the vice president of Bain Capital Private Equity, he has a wide range of work experience in consulting, financing, and investment sectors. Based on these experiences, he is expected to the operation of the Company.	BOD	Overall management	N/A	N/A
Non-executive director	Kim, Dong Wook	2 years	New	1	With nearly two decades of experience in consulting and private equity as the senior managing director of Bain Capital Private Equity, he has a wide range of work experience in consulting, financing, and investment sectors. Based on these experiences, he is expected to the operation of the Company.	BOD	Overall management	N/A	N/A
Non-executive director	Kim, Hyunseung	2 years	New	1	With nearly fifteen years of experience in consulting and private equity as the managing director of Bain Capital Private Equity, he has a wide range of work experience in consulting, financing, and investment sectors. Based on these experiences, he is expected to the operation of the Company.	BOD	Overall management	N/A	N/A
Non-executive director	Park, Wan Jin	2 years	New	1	With nearly five years of experience in consulting and private equity as the director of Bain Capital Private Equity, he has a wide range of work experience in consulting, financing, and investment sectors. Based on these experiences, he is expected to the operation of the Company.	BOD	Overall management	N/A	N/A
Outside director	Park, Jun Hong	2 years	New	1	With more than twenty years of experience in the pharmaceutical and medical device sectors, he is an expert with extensive experience in establishing and managing mid- and long-term strategies. He understands the importance of maintaining an independent stance from the company's largest shareholder and is capable of making transparent and independent decisions to enhance the company's value based on his career and experience in the pharmaceutical and medical device sectors. As the outside director and audit committee member of the Company, he is expected to demonstrate expertise in company structure and audit.	BOD	Audit	N/A	N/A
Outside director	Kim, Dong Ju	2 years	New	1	With more than twenty years of experience in the cosmetics and financial marketing, she is an expert with extensive experience in establishing and operating strategies for the sales and marketing of cosmetics and retail products. She understands the importance of maintaining an independent stance from the company's largest shareholder and is capable of making transparent and independent decisions to enhance the company's value based on her career and experience in the cosmetics and retail sectors. As the outside director and audit committee member of the Company, she is expected to demonstrate expertise in company structure and audit.	BOD	Audit	N/A	N/A
Outside director	Hyuk Jin Kwon	2 years	New	1	As a certified public accountant in Korea, a certified public accountant in the US, and a tax accountant, he is an expert in the management control/strategies/internal control/overseas listings of financial institutions. He is capable of making transparent and independent decisions to enhance the company's value based on his career and experience in accounting and IFRS system, embedding, M&A advisory, due diligence, and valuation. As the outside director and audit committee member of the Company, he is expected to demonstrate his expertise in company structure and audit.	BOD	Audit	N/A	N/A

## 5. Professionalism of outside directors

### (1) Training for outside directors

Date	Org. in charge	Participants	Reason for non-attendance	Details
2022.04.26	Business planning team	Hyuk Jin Kwon Park, Jun Hong Kim, Dong Ju	-	1. Company introduction 2. Finance control inspection
2022.08.10	Training team	Hyuk Jin Kwon Park, Jun Hong Kim, Dong Ju	-	1. Product lineup 2. Characteristics of VOLNEWMER 3. Characteristics of ULTRAFORMER MPT

(Note 1) Hyuk Jin Kwon, Park, Jun Hong, and Kim, Dong Ju were appointed as outside directors at the 7<sup>th</sup> ordinary general meeting of shareholders held on March 31, 2022.



## (2) Organization to support outside directors

Dept. (team)	No. of staff	Title (years of service)	Period in charge	Detailed job
Business planning team	2	Deputy general manager (5 years) Manager (3 years)	4 years	Operation of the BOD and support of outside directors' duties

## 2. Matters Regarding an Audit System

### 1. Profile of audit committee members

The Company's audit committee is made up of three outside directors as of December 31, 2022. Out of the audit committee members, chairperson Hyuk Jin Kwon is an accounting and financing expert and he satisfies the career requirements set forth in the related laws.

Name	Status of outside director	Career	Related to accounting and financing expert		
			Status	Type	Related career
Hyuk Jin Kwon (chair)	Y	1993~2015 Partner, Samil PwC 2015~2019 CEO of consulting unit, NamuCorp Co., Ltd 2020~2021 Director/Vice president of Jungjin Accounting Corp. 2021~present Standing auditor of Kolon Life Science; 2021~present Adjunct Prof. at Dongguk Univ. (Dept. of Accounting)	Y	① CPA (Type No. 1)	1993~2015 Partner, Samil PwC 2015~2019 CEO of consulting unit, NamuCorp Co., Ltd 2020~2021 Director/Vice president of Jungjin Accounting Corp.
Park, Jun Hong	Y	1991 Ann Arbor MBA, University of Michigan 2011~2016 Managing director/Vice president of Janssen Cilag Taiwan 2017~2020 Managing director/Vice president of Johnson & Johnson, Vietnam	-	-	-
Kim, Dongju	Y	2002 MBA, Wharton School, University of Pennsylvania, USA 2013~2017 Country manager of Aesop Korea 2017~2018 General manager of Channel Korea, Fragrance & Beauty 2018~2021 Country general manager of Sephora Korea 2021~present Founder and CEO of LAVOIR	-	-	-

(Note 1) The above type of accounting and financial experts is based on Article 542-11 (2)-1 of the Commercial Act and Article 37 (2) of the Enforcement Decree of the Commercial Act.

### 2. Independence of audit committee members

The Company performs audit tasks by prescribing the duties of the audit committee such as the composition, operation, authority, and responsibilities of the members according to related laws and the article of corporation. The audit committee members are made up of outside directors recommended by the board of directors and appointed at the general meeting of shareholders, and include an accounting and financing expert. The audit committee members have no relationship with the Company's largest shareholder and major shareholders that may hinder the independent activities of the audit committee. The audit committee also meets the requirements set forth in related laws, for instance an outside director serves as chairperson of the audit committee.

The audit committee performs the following audit tasks, for instance reviewing accounting documents including the financial statements and the audit procedures and results of an auditor, and if necessary, requesting the auditor to have additional reviews on the documents related to accounting books and review the results again. The audit committee receives reports on the operation status of the internal accounting control system established for the

reliable preparation and disclosure of accounting information from an internal accounting manager, and reviews them. The audit committee members also attend the board of directors and other important meetings to inspect the business and if necessary, receive reports on management-related deliberation results from directors and review them in an appropriate manner, for instance asking for additional reviews and data supplementation.

Title	Name	Term of office (yrs.)	Status of consecutive terms (Y/N)	No. of consecutive terms	Appointment background	Recommender	Area	Self-dealing transaction	Relation with the largest or major shareholders
Outside director & audit committee member	Hyuk Jin Kwon	2	N	1	As a certified public accountant in Korea, a certified public accountant in the US, and a tax accountant, he is an expert in the management control/strategies/internal control/overseas listings of financial institutions. He is capable of making transparent and independent decisions to enhance the company's value based on his career and experience in accounting and IFRS system, embedding, M&A advisory, due diligence, and valuation. As the outside director and audit committee member of the Company, he is expected to demonstrate his expertise in company structure and audit.	BOD	Audit	N/A	N/A
Outside director & audit committee member	Park, Jun Hong	2	N	1	With more than twenty years of experience in the pharmaceutical and medical device sectors, he is an expert with extensive experience in establishing and managing mid- and long-term strategies. He understands the importance of maintaining an independent stance from the company's largest shareholder and is capable of making transparent and independent decisions to enhance the company's value based on his career and experience in the pharmaceutical and medical device sectors. As the outside director and audit committee member of the Company, he is expected to demonstrate expertise in company structure and audit.	BOD	Audit	N/A	N/A
Outside director & audit committee member	Kim, Dong Ju	2	N	1	With more than twenty years of experience in the cosmetics and financial marketing, she is an expert with extensive experience in establishing and operating strategies for the sales and marketing of cosmetics and retail products. She understands the importance of maintaining an independent stance from the company's largest shareholder and is capable of making transparent and independent decisions to enhance the company's value based on her career and experience in the cosmetics and retail sectors. As the outside director and audit committee member of the Company, she is expected to demonstrate expertise in company structure and audit.	BOD	Audit	N/A	N/A

### 3. Main activities of the audit committee

Name of meeting	Date	Agenda	Result	Name of members (attendance rate)					
				Dae Sung Kim (100%)	Woo Sung Jo (100%)	Jung Hyun Lim (100%)	Hyuk Jin Kwon (100%)	Park, Jun Hong (100%)	Kim, Dong Ju (100%)
				Attend(A)/Not Attend(N-A) & Pro/Con					
Audit committee	2022.02.15	Reporting 1) Report of the 7th business report the 7th Financial Statements	(Reported)	A	A	A			
		Reporting 2) ICFR operation status by CEO	(Reported)	A	A	A			
		Reporting 3) Communication by the external auditor	(Reported)	A	A	A			
		Reporting 4) Internal audit result	(Reported)	A	A	A			
		Reporting 5) Status of IWS operation	(Reported)	A	A	A	-	-	-
		Reporting 6) Status of disclosure execution	(Reported)	A	A	A			
		Reporting 7) Conclusion of external audit contract	(Reported)	A	A	A			
		Reporting 8) Creation of new accounts 1. Evaluation of ICFR operation status 2. Approval of the Audit Report and Auditor's Opinion Letter	(Reported) Approved Approved	A Pro Pro	A Pro Pro	A Pro Pro			
Audit committee	2022.03.22	1. Deliberation on agenda at the ordinary general meeting of shareholders	Approved	Pro	Pro	Pro	-	-	-
		2. Evaluation of audit activities	Approved	Pro	Pro	Pro			
Audit committee	2022.04.14	Reporting 1) Completion of the project for ICFR sophistication	(Reported)				A	A	A
		Reporting 2) Evaluation of the appropriateness of ICFR manager and a team in charge of ICFR	(Reported)				A	A	A
		1. Election of the chairperson of the audit committee and designation of the order of acting duties in case the chairperson is absent	Approved	-	-	-	Pro	Pro	Pro
		2. Succession of the audit committee support organization	Approved				Pro	Pro	Pro
Audit committee	2022.05.11	3. Approval of the plan for audit committee operation	Approved				Pro	Pro	Pro
		Reporting 1) Communication by the external auditor	(Reported)				A	A	A
		Reporting 2) The first-quarter financial results	(Reported)				A	A	A
		Reporting 3) ICFR plan and progress	(Reported)				A	A	A
Audit committee	2022.08.10	Reporting 4) Status of IWS operation	(Reported)	-	-	-	A	A	A
		Reporting 5) Status of disclosure execution	(Reported)				A	A	A
		1. (1st) plan to investigate the ICFR operation status	Approved				Pro	Pro	Pro
		2. Internal audit plan	Approved				Pro	Pro	Pro
Audit committee	2022.11.23	Reporting 1) First half financial results	(Reported)				A	A	A
		Reporting 2) Interim report of ICFR	(Reported)				A	A	A
		Reporting 3) Result of internal audit	(Reported)	-	-	-	A	A	A
		Reporting 4) Status of IWS operation	(Reported)				A	A	A
		Reporting 5) Status of disclosure execution	(Reported)				A	A	A
Audit committee	2022.11.23	Reporting 1) Third-quarter financial results	(Reported)				A	A	A
		Reporting 2) Interim report of ICFR	(Reported)				A	A	A
		Reporting 3) Result of internal audit	(Reported)	-	-	-	A	A	A
		Reporting 4) Status of IWS operation	(Reported)				A	A	A
		Reporting 5) Status of disclosure execution	(Reported)				A	A	A

(Note 1) Dae Sung Kim, Woo Sung Jo, and Jung Hyun Lim who are outside directors and audit committee members resigned for personal reasons on March 31, 2002.

(Note 2) Hyuk Jin Kwon, Park, Jun Hong, and Kim, Dong Ju who are outside directors and audit committee members were appointed at the 7<sup>th</sup> ordinary general meeting of shareholders held on March 31, 2022.

#### 4. Training plan for audit committee members

The Company provides management data used for a thorough review of the details required to do the business and frequently offers other information on main issues of the company. The Company will also encourage audit committee members to participate in other training programs provided by the Korea Exchange, the KOSDAQ Listed Companies Association, the Korea Listed Companies Association, and other external educational institutions by referring to their schedules.

#### 5. Training for audit committee members

Date	Org. in charge	Participants	Reason for non-attendance	Details
2022.04.26	Business planning team	Hyuk Jin Kwon Park, Jun Hong Kim, Dong Ju	-	1. Company introduction 2. Finance control inspection
2022.08.10	Training team	Hyuk Jin Kwon Park, Jun Hong Kim, Dong Ju	-	1. Product lineup 2. Characteristics of VOLNEWMER 3. Characteristics of ULTRAFORMER MPT

#### 6. Organization to support the audit committee

Dept. (team)	No. of staff	Title (years of service)	Detailed job
Audit Committee Support Organization	2	Deputy general manager (5 years) Manager (3 years)	Support of audit committee's duties

#### 7. Compliance officer, etc.

The Company has no obligation to have a compliance officer in accordance with Article 542-13 of the Commercial Act.

### 3. Matters Regarding the General Meeting of Shareholders

#### 1. Voting system

(As of December 31, 2022)

Type of voting system	Concentrated voting system	Voting in writing	Electronic voting
Introduced	Excluded	N	N
Conducted	-	-	-

(Note 1) The Company's board of directors adopted the electronic voting system on February 15, 2023, in order to improve shareholders' convenience in exercising their voting rights from the 8<sup>th</sup> ordinary general meeting of shareholders scheduled to be held on March 30, 2023, in accordance with Article 368-4 of the Commercial Act (Exercise of voting right by electronic means). The Company announces that voting rights can be exercised electronically when giving a notice to convene the general meeting of shareholders. Shareholders who own shares with

voting right can exercise their voting rights through an electronic voting system from ten days before the general meeting of shareholders to the day before the general meeting of shareholders, instead of attending the meeting in person.

## 2. Shareholders' voting rights

(As of December 31, 2022)

(Unit: share)

Category	Class of stock	No. of shares	Remarks
Total number of issued shares (A)	Common stock	64,776,702	-
	Preferred stock	-	-
Number of shares without voting rights (B)	Common stock	367,636	Treasury stock
	Preferred stock	-	-
Number of shares with voting rights excluded by the Articles of Incorporation (C)	Common stock	-	-
	Preferred stock	-	-
Number of shares with voting rights limited by other laws (D)	Common stock	-	-
	Preferred stock	-	-
Number of shares with voting rights received (E)	Common stock	-	-
	Preferred stock	-	-
Number of voting shares (F = A - B - C - D + E)	Common stock	64,409,066	-
	Preferred stock	-	-

## 3. Shareholders services

### (1) Details of preemptive right prescribed in the Articles of Incorporation

Article 10 (Preemptive right)

① The Company's shareholders shall have the right to subscribe to new shares in proportion to their respective shareholdings.

② Notwithstanding paragraph ① above, the Company may issue new shares to persons other than shareholders by the resolution of the board of directors, who fall under the following subparagraphs:

1. New shares not exceeding 30/100 of shares outstanding are issued through a capital increase by public offering under Article 165-6 of the Financial Investment Services and Capital Markets Act.

2. New shares are issued by the exercise of stock options under Article 542-3 of the Commercial Act

3. Shares not exceeding 20/100 of shares outstanding are preferentially allocated to the members of employee stock ownership association.

4. New shares are issued by the exercise of employee stock options under Article 39 of the Framework Act of Labor Welfare.

5. New shares not exceeding 30/100 of shares outstanding are issued to domestic and foreign financial institutions and institutional investors for urgent fundraising.

6. New shares not exceeding 30/100 of shares outstanding are issued to the counterparty to achieve business purposes such as the introduction of important technologies, R&D, production, sales, capital alliances, adoption of new technologies, and financial restructuring.

7. New shares are offered or transferred to subscribers for listing on the KOSDAQ market.

③ If new shares are issued according to any of subparagraphs above under Paragraph ②, the classification of stocks to be issued and issue price shall be determined by the resolution of the board of directors.

④ Disposal of shares resulted from the abandonment or loss of the preemptive right of shareholders



	shareholders	1-1. The 5 <sup>th</sup> separate financial statements	Approved
		1-2. The 5 <sup>th</sup> consolidated financial statements	Approved
		2. Amendment to the Articles of Incorporation	Approved
		3. Appointment of directors	Approved
		3-1. Appointment of inside director Sung Jae Jung	Approved
		3-2. Appointment of inside director Kim Dong-seok	Approved
		3-3. Appointment of inside director Chang Ho Choi	Approved
		3-4. Appointment of inside director Kwang Taek Jung	Approved
		3-5. Appointment of outside director Dae Sung Kim	Approved
		3-6. Appointment of outside director Woo Sung Jo	Approved
		3-7. Appointment of outside director Jung Hyun Lim	Approved
		4. Appointment of audit committee members	Approved
		4-1. Appointment of audit committee member Dae Sung Kim	Approved
		4-2. Appointment of audit committee member Woo Sung Jo	Approved
		4-3. Appointment of audit committee member Jung Hyun Lim	Approved
		5. Approval of the remuneration cap of directors	Approved
		6. Approval of the remuneration cap of auditors	Approved
7. Amendment to regulations on the payment of bonus for executives	Approved		

## VI. Matters Regarding Shareholders

### 1. Stocks held by the largest shareholder and related parties

(As of December 31, 2022)

(Unit: share, %)

Name	Relationship	Class of stock	No. of shares and ratio				Remarks
			Beginning of the period		End of the period		
			No. of shares	Share ratio	No. of shares	Share ratio	
BCPE Centur Investments, LP	Largest shareholder	Common stock	0	0	39,407,057	60.84	-
Sung Jae Jung	Former largest shareholder	Common stock	32,983,847	50.97	6,433,489	9.93	-
Yon Ju Lee	Related party with the former largest shareholder	Common stock	6,000,000	9.27	1,943,301	3.00	-
Seok-won Jung	Related party with the former largest shareholder	Common stock	4,400,000	6.80	0	0	(Note1)
Seo-yoon Jung	Related party with the former largest shareholder	Common stock	4,400,000	6.80	0	0	(Note 1)
Chang Ho Choi	Related party with the former largest shareholder	Common stock	48,982	0.08	0	0	(Note 1)
Kwang Taek Jung	Related party with the former largest shareholder	Common stock	6,647	0.01	0	0	(Note 1)
Total		Preferred stock	0	0	0	0	-
		Common stock	47,839,476	73.85	47,783,847	73.77	-

(Note 1) As additional 59,838 stock options were exercised on January 13, 2022, the total number of shares outstanding is 64,776,702.

(Note 2) The related party with the former largest shareholder changed due to the share purchase contract that leads to the change of the largest shareholder which was concluded on January 27, 2022.

(Note 3) The largest shareholder changed to BCPE Centur Investments, LP on April 4, 2022. For more information, refer to the 'Change of the largest shareholder' disclosure as of April 4, 2022.

### 2. Matters regarding the largest shareholder

#### 1) Overview of the largest shareholder

##### (1) Basic information of the largest shareholder (corporation or group)

Name	No. of investors	CEO (Representative partner)		Manager of the partnership affairs (General partner)		Largest shareholder (largest investor)	
		Name	Share (%)	Name	Share (%)	Name	Share (%)
BCPE Centur Investments, LP	2	BCPE Centur GP, LLC (General Partner)	0.00	BCPE Centur GP, LLC (General Partner)	0.00	BCPE Centur GP, LLC (General Partner)	0.00
		-	-	-	-	-	-

##### (2) Financial status of the largest shareholder (corporation or group) at the latest settlement period

(Unit: million won)

Classification	
Name of corporation or group	BCPE Centur Investments, LP
Total assets	726,022
Total liabilities	323,058
Total shareholders' equity	402,964



Sales	0
Operating profit	-21,097
Net income	38,228

(Note 1) BCPE Centur Investments, LP was newly established in Cayman Islands on January 10, 2022 and the financial status at the latest settlement period above was prepared as of December 31, 2022.

(3) Major matters that may affect stability of company management such as business status, etc. BCPE Centur Investments, LP was newly established in Cayman Islands on January 10, 2022 and assigns its asset operation to BCPE Centur GP, LLC which is the manager of the partnership affairs. BCPE Centur GP, LLC nearly owns it.

BCPE Centur Investments, LP, the largest shareholder, concluded loan contracts with KEB Hana Bank and Samsung Securities in order to secure finances to acquire stocks, and signed the agreement to set the right of pledge in stock account and the agreement to set the right of pledge in bank account in order to provide security for the loans.

(4) Status of major investors in groups such as investment partnership

Legal basis of establishment	Total value of property	Main investors (≥ 10%)		Remarks
		Name	Share (%)	
-	-	-	-	-

(5) Career of executive officers of other companies such as a representative partner of groups including investment partnership is not applicable.

(6) Career of the largest shareholders of other companies such as a representative partner of groups including investment partnership is not applicable.

### 3. Overview of the largest shareholder (corporation or group) of the largest shareholder

(1) Basic information of the largest shareholder (corporation or group) of the largest shareholder

Name	No. of investors	CEO (Representative partner)		Manager of the partnership affairs (General partner)		Largest shareholder (largest investor)	
		Name	Share (%)	Name	Share (%)	Name	Share (%)
BCPE Centur GP, LLC	1	Bain Capital Investors Asia IV, LLC (General Partner)	0.00	Bain Capital Investors Asia IV, LLC (General Partner)	0.00	Bain Capital Investors Asia IV, LLC (General Partner)	0.00
		-	-	-	-	-	-

(2) Financial status of the largest shareholder (corporation or group) of the largest shareholder at the latest settlement period

(Unit: million won)

Classification	
Name of corporation or group	BCPE Centur GP, LLC

Total assets	0
Total liabilities	0
Total shareholders' equity	0
Sales	0
Operating profit	0
Net income	0

(Note 1) BCPE Centur Investments, LP was established in January 2022 and the information above is as of December 31, 2022.

#### 4. Change of the largest shareholder

(As of December 31, 2022)

(Unit: share, %)

Date	Largest shareholder	No. of shares held	Share ratio	Reason	Remarks
2022.04.04	BCPE Centur Investments, LP	39,407,057	60.84	The largest shareholder changed as a stock purchase agreement is concluded.	-

#### 5. Distribution of shares

(1) Status of stocks held by shareholders

(As of December 31, 2022)

(Unit: share)

Category	Shareholder	No. of shares held	Share ratio (%)	Remarks
Shareholders with over 5% ownership	BCPE Centur Investments, LP	39,407,057	60.84	-
	Sung Jae Jung	6,433,489	9.93	-
Employee stock ownership association		-	-	-

(2) Minority shareholders

(As of December 31, 2022)

(Unit: share)

Category	Shareholders			Shares held			Remarks
	No. of minority shareholders	Total No. of shareholders	Ratio (%)	No. of low-value shares	Shares outstanding	Ratio (%)	
Minority shareholders	29,204	29,209	99.98	15,592,230	64,776,702	24.07	-

(Note 1) The status of stocks held by shareholders were prepared as of December 31, 2022, so it may differ from the current status of stocks held by shareholders as of the date on which the disclosure documents are submitted.

#### 6. Share price and stock trading performance

(Unit: share, won)

Category		2022.07	2022.08	2022.09	2022.10	2022.11	2022.12
Share price	Highest	16,450	16,900	15,850	16,150	19,950	20,000
	Lowest	14,000	13,750	13,200	13,800	14,950	17,600
	Daily avg.	15,124	15,268	14,335	15,211	17,957	18,812
Trading volume	Daily highest	571,440	576,475	955,573	479,752	2,181,067	504,856
	Daily lowest	138,810	103,556	110,219	122,750	110,866	102,219
	Monthly	5,549,418	6,055,560	6,819,772	4,464,306	9,784,092	4,650,329

## VII. Matters Regarding Executives and Employees

### 1. Executives and Employees

#### 1. Executives

##### 1) Board of director members

(As of December 31, 2022)

(Unit: share)

Name	Sex	Date of birth	Title	Status of director position	Executive status	Job	Career	No. of shares held		Relation with the largest shareholder	Term of service (month)	Termination of term
								With voting rights	Without voting rights			
Seung Han Baek	M	1972.08	CEO	Inside director	Full-time	General mgmt.	BS, College of Health Science, Yonsei University MBA, Helsinki School of Economics 2017~2022 CEO of BeckmanCoulter Korea 2017~2022 Director of Danaher Korea 2019~2021 Chairperson of IVD Committee, Korea Medical Devices Industry Association 2022~present CEO and president of CLASSYS Inc.			Executive	9	2024.03.29
Lee Jung Woo	M	1977.03	Non-executive director	Non-executive director	Part-time	Overall mgmt.	BE in Industrial Engineering, Seoul National University MBA, Wharton School, University of Pennsylvania, USA 2010~2015 Executive Director of Morgan Stanley Private Equity Asia (Seoul, Korea) 2015~present Managing director of Bain Capital Private Equity (Asia), LLC (Hong Kong) 2022~present Non-executive director of CLASSYS Inc.			Executive	9	2024.03.29
Kim, Dong Wook	M	1976.10	Non-executive director	Non-executive director	Part-time	Overall mgmt.	BE in Electrical Engineering, Seoul National University MBA, Columbia Business School 2005~2006 Consultant, Bain & Company 2006~2020 General manager of Citigroup Global Market Security 2020~present Senior executive director of Bain Capital Private Equity 2022~present Non-executive director of CLASSYS Inc.			Executive	9	2024.03.29
Kim, Hyunseung	M	1979.11	Non-executive director	Non-executive director	Part-time	Overall mgmt.	BE in Industrial Engineering, Seoul National University 2006~2014 Director of Bain & Company 2014~2018 Executive director of Unison Capital 2018~present Executive director of Bain Capital Private Equity 2022~present Non-executive director of CLASSYS Inc.			Executive	9	2024.03.29
Park, Wan Jin	M	1990.08	Non-executive director	Non-executive director	Part-time	Overall mgmt.	BA in Economics, MS in Management Science & Engineering, Stanford University 2014~2016 Morgan Stanley Investment Banking Division 2016~present Director of Bain Capital Private Equity 2022~present Non-executive director of CLASSYS Inc.			Executive	9	2024.03.29
Hyuk Jin Kwon	M	1966.10	Director	Outside director	Part-time	Audit	BA in Economics, College of Social Science, Seoul National University MA in Financial Management, Business School, Seoul National University Ph.D in Finance & Accounting, Business School, Dongguk University 1993~2015 Partner, Samil PwC 2015~2019 CEO of consulting unit, NamuCorp Co., Ltd 2020~2021 Director/Vice president of Jungjin Accounting Corp. 2021~present Standing auditor of Kolon Life Science; 2021~present Adjunct Prof. at Dongguk Univ. (Dept. of Accounting) 2022~present Outside director and chairperson of audit committee of CLASSYS Inc.			Executive	9	2024.03.29
Park, Jun Hong	M	1965.11	Director	Outside director	Part-time	Audit	BA in Management, Seoul National University MA, Business School, Seoul National University Ann Arbor MBA, University of Michigan 2011~2016 Managing director/Vice president of Janssen Cilag Taiwan 2017~2020 Managing director/Vice president of Johnson & Johnson, Vietnam 2021~present Outside director of Ildong Holdings Co., Ltd 2022~present Outside director and audit committee member of CLASSYS Inc.			Executive	9	2024.03.29
Kim, Dong Ju	F	1973.10	Director	Outside director	Part-time	Audit	MA in Psychology, Yonsei University MBA, Wharton School, University of Pennsylvania, USA 2013~2017 Country manager of Aesop Korea 2017~2018 General manager of Channel Korea, Fragrance & Beauty 2018~2021 Country general manager of Sephora Korea 2021~present Founder and CEO of LAVOIR 2022~present Outside director and audit committee member of CLASSYS Inc.			Executive	9	2024.03.29

## 2) C-suite executives except the BOD

(As of December 31, 2022)

(Unit: month)

Name	Sex	Date of birth	Title	Executive status	Job	Career	Relation with the largest shareholder	Term of service (month)
Park Su-man	M	1962.01	Senior managing director	Full-time	Director of R&D	BE in Mechanical Engineering, Inha University 2003~2017 CTO and vice president of ultrasound business unit, Siemens 2017~2022 CTO and vice president of ultrasound business unit, Siemens Healthineers 2022~present CTO and senior managing director of CLASSYS Inc.	Executive	4
Yoon Tae-su	M	1969.12	Senior managing director	Full-time	Director of production	BE in Mechanical Engineering, Sungkyunkwan University MBA, Chungbuk National University Graduate School 2013~2022 Managing director of AP Lean, Parker Hannifin 2022~present CPO and managing director of CLASSYS Inc.	Executive	5
Kang Gi-ho	M	1971.06	Managing director	Full-time	Director of quality certification	BE in Medical Engineering, Yonsei University 2010~2017 Group manager of medical device business unit and QRA, Samsung Electronics Co., Ltd. 2019~2023 Head of QRA division and managing director of Siemens Healthineers 2023~present Head of QRA and managing director of CLASSYS Inc.	Executive	-
Yoonseok Choi	M	1977.01	Managing director	Full-time	Director of business mgmt.	BE in Industrial Engineering, Yonsei University MBA, KAIST Business School 2016~2020 CFO of business planning and managing director of Gong Cha Korea 2020~2021 CFO of strategic planning and managing director of ESG Co., Ltd. 2022~present CFO and managing director of business management of CLASSYS Inc.	Executive	11
Park Young-jin	M	1977.11	Managing director	Full-time	Director of overseas business	BE in Life Sciences, Kyunghee University 2009~2022 Director of SEA, Bio-Rad Laboratories 2022~present Managing director of overseas business division of CLASSYS Inc.	Executive	4
Choi Chang Ho	M	1966.12	Managing director	Full-time	Manager of licensing strategy	BE in Electronic Engineering, Incheon University 2014~present Managing director of licensing strategy of CLASSYS Inc.	Executive	102
Jung Kwang Taek	M	1966.03	Managing director	Full-time	Production	BE in Electronic Engineering, Yuhan University 2014~2023.02 Managing director of production of CLASSYS Inc.	Executive	108
Han Seung-woo	M	1974.08	Director	Full-time	Director of domestic business	BS in Chemistry, Hanyang University 2015~2017 Manager of sales team, Philips Korea Ltd. 2017~2018 Director of domestic business division, Hironic Co., Ltd. 2018~2021 Director of domestic business, Viol Co., Ltd. 2021~2022 Director of sales business, Huons Medical Co., Ltd. 2022~present Director of domestic business division of CLASSYS Inc.	Executive	4
Shin Min-jeong	F	1977.07	Director	Full-time	Director of marketing	BA, College of Arts at Sungshin Women's University 2016~2021 Marketing director of luxury business, Coty Korea Ltd. 2021~2022 Marketing director of Solta Medical, Bausch Health Companies Inc. 2022~present Director of marketing division of CLASSYS Inc.	Executive	1
Kim Hye-jin	F	1982.01	Director	Full-time	Manager of customer innovation	BS in Nursing, Kyunghee University 2014~present Director of customer innovation of CLASSYS Inc.	Executive	99

(Note 1) C-suite executive officer Kwang Taek Jung resigned for personal reason on February 28, 2023.

## 2. Interlocking directors

(As of December 31, 2022)

Director		Company			
Name	Title	Company name	Service period	Title & position	Business purpose
Lee, Jung Woo	Non-executive director	ST Unitas Co., Ltd.	2020~present	Director	Educational contents development & education business, provision of online education program
Kim, Dong Wook	Non-executive director	Douzone/Douzone Holdings Co., Ltd.	2021~present	Non-executive director	Software sales & services
Kim Hyunseung	Non-executive director	ST Unitas Co., Ltd.	2020~present	Non-executive director	Educational contents development & education business, provision of online education program
Park, Wan Jin	Non-executive director	ST Unitas Co., Ltd.	2020~present	Auditor	Educational contents development & education business, provision of online education program
Hyuk Jin Kwon	Outside director	Kolon Life Science	2021~present	Auditor	Manufacturing of medicines
Park, Jun	Outside director	Ildong Holdings Co., Ltd.	2021~present	Outside director	Pharmaceutical group holding company

Hong		Clecell Co., Ltd.	2021~present	Advisor	Medical devices venture company
Kim, Dong Ju	Outside director	Won & Co	2021~present	CEO	Manufacturing of daily supplies

### 3. Employees, Etc.

(As of December 31, 2022)

(Unit: million won)

Employee										Other workers			Remarks
Biz. unit	Sex	No. of employees					Avg. Length of service (yrs.)	Gross annual salary	Per capital avg. salary	M	F	Total	
		Regular worker		Fixed-term worker		Total							
		All	(part-time)	All	(part-time)								
Corporate	M	210	-	9	-	219	2.9	13,228	60				-
Corporate	F	129	-	2	-	131	2.1	5,222	40				-
Total		339	-	11	-	350	2.6	18,450	53				-

### 4. Compensation of C-suite executives except the BOD

(As of December 31, 2022)

(Unit: million won)

Category	No. of persons	Gross annual salary	Per capital avg. salary	Remarks
C-suite executives	8	833	104	-

(Note 1) The compensation of C-suite executives is based on the executive officers in service as of December 31, 2022.

## 2. Compensation of the Board, Etc.

<Compensation of directors and auditors>

### 1. Approved remuneration cap by the general meeting of shareholders

(Unit: million won)

Category	No. of persons	Approved remuneration cap by the general meeting of shareholders	Remarks
Directors	8	3,000	Outside directors included

(Note 1) The Company pays severance pay to its registered executives in accordance with the Regulation on Severance Pay for Registered Executives approved at the 2017 extraordinary meeting of shareholders. The severance pay for registered executives is not included in this remuneration cap.

### 2. Compensation paid

#### 2-1. Compensation of all directors and auditors

(Unit: million won)

No. of persons	Gross compensation	Per capita avg. compensation	Remarks
8	584	73	-

#### 2-2. Compensation by type of directors

(Unit: million won)

Category	No. of persons	Gross compensation	Per capita avg. compensation	Remarks
Directors (excl. outside director, audit committee members)	5	474	95	-
Outside directors (excl. audit committee members)	-	-	-	-
Audit committee members	3	110	37	-
Auditors	-	-	-	-

(Note 1) The number of persons above is the total number of directors in service as of December 31, 2022. Gross compensation includes the compensations of executives who resigned during 2022.

### 3. Criteria for directors' compensation

The Company pays compensation to directors within the cap of directors' remuneration approved at the general meeting of shareholders.

Category	Criteria for directors' compensation
Directors (excl. outside directors and audit committee members)	<ul style="list-style-type: none"> <li>- Basic salary is determined by collectively considering task, title, years of service, leadership, professionalism, other contributions, etc.</li> <li>- Incentive is determined by the resolution of the board of directors according to the procedures of executive incentive payment regulations, collectively evaluating measurable indicators including sales, operating income, and current net income as well as non-measurable indicators including task, title, years of services, leadership, professionalism, other contributions, etc., and does not exceed 200% of basic annual salary.</li> <li>- Stock option is granted by collectively considering performance and contributions according to the procedures of stock option grant regulations.</li> </ul>
Audit committee members	- Salary is determined by considering the characteristics of assigned tasks.

### <Individual compensation of CEO>

#### 1. Individual compensation paid

(Unit: million won)

Name	Title	Gross compensation	Compensation not included in total compensation
Seung Han Baek	CEO	202	-

#### 2. Calculation criteria and method

(Unit: million won)

Name	Type of compensation	Total amount	Calculation criteria and method
Seung Han Baek	Earned income Salary	202	The basic salary is determined based on factors such as task (supervising sales, marketing, clinical trials, R&D, etc.), position (CEO), years of service, leadership, professionalism, other contributions, etc.

		Incentive	-	-
		Stock option execution profit	-	-
		Other earned income	-	-
	Retirement income		-	-
	Other incomes		-	-

<Grant and exercise of stock option>

<Table 1>

(Unit: million won)

Category	No. of persons granted with stock option	Total fair value of stock options	Remarks
Directors (excl. outside director, audit committee members)	5	-	-
Outside directors (excl. audit committee members)	-	-	-
Audit committee members or auditors	3	-	-
Manager of the partnership affairs, etc.	-	-	-
Total	8	-	-

(Note 1) The number of persons above is the total number of directors in service as of December 31, 2022.

<Table 2>

(As of December 31, 2022)

(Unit : won, share)

Grantee	Relation	Grant date	Grant method	Class of stock	Initial volume granted	Current changes		Total changes		Ending volume unexercised	Exercise period	Exercise price	Retention required	Required period of retention
						Exercise	Cancel	Exercise	Cancel					
Kim OO	Employee	2017.08.30	New shares issue	Common stock	329,838	59,838	-	329,838	-	-	19.08.30~26.08.29	1,819	X	X

(Note 1) The stock option is initially granted on December 20, 2016 and re-granted on August 30, 2017 after changing the conditions.

(Note 2) The number of stock options and exercise price are adjusted according to the exchange ratio on December 13, 2017.

(Note 3) Closing price of common stock on December 31, 2022: 18,400 won.



## VIII. Matters Regarding Affiliates, Etc.

### 1. Status of affiliates

#### (1) Summary of affiliates

(As of December 31, 2022)

(Unit: company)

Name of business group	No. of affiliates		
	Listed	Unlisted	Total
-	-	2	2

※ For detailed information, refer to XI. Detailed Information – 2. Status of affiliates (detailed)

#### (2) Interlocking directorate

Name	Title	
	HQ	Skederm Shanghai co., Ltd.
Seung Han Baek	CEO (full-time)	CEO (part-time)

### 2. Summary of investments in other companies

(As of December 31, 2022)

(Unit: thousand won)

Purpose	No. of companies			Total amount of investment			
	Listed	Unlisted	Total	Beginning book value	Increase (decrease)		Ending book value
					Acquisition (disposal)	Gain (loss) on valuation	
Participation in management	-	2	2	437,516	-	-	437,516
General investment	-	-	-	-	-	-	-
Simple investment	-	-	-	-	-	-	-
Total	-	2	2	437,516	-	-	437,516

※ For detailed information, refer to XI. Detailed Information – 3. Status of investments in other companies (detailed)

## IX. Transactions with Major Shareholders, Etc.

### 1. Credit granting to major shareholders, etc.

No direct or indirect transactions accompanying a credit risk in transactions occurred such as provisional payment, lending (including lending of securities), provision of collateral, guarantee, endorsement, or fulfillment of other promises like guarantees with or for major shareholders including related parties during the period from the start date of the business year in which the disclosure documents are prepared until December 31, 2022.

### 2. Asset purchase agreements with major shareholders

No transactions such as purchase (acquisition) of assets (sales), sale (transfer), exchange, and bestowal with or for major shareholders during the period from the start date of the business year in which the disclosure documents are prepared until December 31, 2022.

### 3. Business transactions with major shareholders

No business transactions with major shareholders in which the transaction amount of items (assets) or services exceeds 5/100 of sales of the latest business year occurred other than credit granting to shareholders and asset purchases and sales with major shareholders, and no long-term supply (purchase) contracts for a year or longer and exceeding the transaction amount above or changes took place during the period from the start date of the business year in which the disclosure documents are prepared until December 31, 2022.

### 4. Transactions with stakeholders other than major shareholders

No credit granting, asset purchases and sales, and business transactions with stakeholders other than major shareholders including the company's shareholders and employees.

## X. Other Information for Investor Protection

### 1. Progress and Change of Disclosure

Report date	Title	Details	Progress of reported events
2022.09.15	Report on material facts (decision to conclude to treasury stock purchase trust agreement)	- Agreement party: Samsung Securities - Purpose: To improve shareholder's value and stabilize share price - Trust size: 20 billion won - Agreement period: 2022.09.22~2023.09.22	- Acquisition cost: 5.42 billion won - Decision to acquire: 2022.09.15 - Decision to extend: 2023.03.13

(Note 1) The start date of the contract period above is the date when the trust agreement was initially concluded and the agreement was extended by six months after December 31, 2022. For more information, refer to the [Extension Decision] Report on material facts (decision to conclude to treasury stock purchase trust agreement) disclosure as of March 13, 2022.

### 2. Contingent Liabilities, Etc.

Not applicable

### 3. Matters Relating to Sanctions

#### 1. Sanctions by investigation and judicial agencies

Not applicable

#### 2. Sanctions by administrative agencies

##### (1) Sanctions by financial supervisory authorities

Not applicable

##### (2) Sanctions by other public administrative agencies

Date	Agency	Target	Details	Reason and applicable laws	Respond to punishment and disciplinary actions taken	The Company's measure to prevent recurrence
2020.10.28	Ministry of Food and Drug Safety, Seoul	CLASSYS Inc. (cosmetics responsible seller)	- 4-month advertising suspension of the items (2023.1.13 ~ 2023.5.12) * SKEDERM Lifting Patch Hyaluron * SKEDERM Lifting Patch Peptide * SKEDERM Lifting Patch Cica	- Reason: The advertisement delivers information beyond the scope of cosmetics and may cause customers to misrecognize the products as medicines - Applicable law: Article 13 of Cosmetics Act and Article 22 of the Enforcement Rule of Cosmetics Act [Attached Form 5] Clause 2. Items A and H	Punishment being implemented	CLASSYS Inc. strives to prevent the recurrence of the issue by reinforcing the monitoring of administrative measures related to the cosmetics and advertisements and improving related education and job process for executives and employees.

## 4. Other Matters Arising after the Specific Date for Preparation

### 1. Standard investigation of small and medium enterprises

Issue No. 0010-2021-87271

## Certificate of Small and Medium Enterprise [Medium Enterprise]

Company Name:	CLASSYS Inc.
Business Registration No.:	107-88-39288
Corporation Registration No.:	11011-5618355
Name of CEO:	Seung Han Baek
Address:	208, CLASSYS, Teheran-ro, Gangnam-gu, Seoul, Republic of Korea
Effective Period:	2022.04.01~2023.03.31
Use:	Bidding for public institution

We certify that the company above is a small and medium enterprise pursuant to Article 2 of the Framework Act on Small and Medium Enterprises.

April 7, 2022

Minister of SMEs and Startups

Changes such as issuance and cancellation of issuance can be checked on the website of Korea Small and Medium Enterprises ([sminfo.mss.go.kr](http://sminfo.mss.go.kr)). Even during the validity period, the status of a small and medium enterprise may be lost in the event of a merger, spin-off, or change of associates after the issuance date. If this certificate is issued with false documents, an administrative fine of not more than five million won shall be imposed pursuant to Article 28 of the Framework Act on Small and Medium Enterprise

## 2. Post-event information such as merger, etc.

### (1) Basic information on asset purchases and sales

#### 1) Detailed information

Category	Sale of property	
Counterparty	Name	Byeon Sang-guk
	Location	Unjung-dong, Bundang-gu, Seongnam-si, Gyeonggi-do, Republic of Korea
Purpose	Strengthen the efficient operation of assets through the sale of real estate	
- Asset to be sold	Land and building located in 720-6, Yeoksam-dong, Gangnam-gu, Seoul, Republic of Korea	
Contract date	2022.08.30	
Termination date	2022.10.11	
Contract price	60 billion won	
- Payment terms	- 2022.08.30 Down payment 6 billion won (10%) - 2022.10.11 Balance 54 billion won (90%)	
Effects on the financial statements	Some of non-current assets that correspond to disposal proceeds were transferred to current assets (cash and cash equivalents) and some was used to repay non-current liabilities (borrowings).	
Submission date of disclosure documents	- 2022.08.30 Report on material facts (decision to sell the property) - 2022.10.11 Closure report on merger, etc. (asset sale/purchase)	

(Note 1) The contract price above is the amount exclusive of incidental costs of acquisition such as value added tax and taxes and the public utilities' charge.

#### ② Timetable

Category	Date	Remarks
External evaluation period	2022.08.12 ~ 2022.08.30	AnSe Accounting Corporation
Resolution date of the BOD	2022.08.30	-
Date of the sale/purchase contract signed	2022.08.30	-
Date of down payment paid	2022.08.30	-
Date of report on material facts submitted	2022.08.30	-
Date of change contract signed	2022.10.07	Balance payment date changed
Date of report on material facts revised	2022.10.07	-
Date of balance payment and asset sale/purchase completed	2022.10.11	-

(Note 1) For more information, refer to the report on material facts (decision to sell the property) (submitted on August 30, 2022 and revised on October 7, 2022) and the closure report on merger, etc. (submitted on October 11, 2022).

## XI. Detailed Information

### 1. Status of the Consolidated Subsidiaries (Detailed)

(Unit: thousand won)

Company Name	Date of foundation	Address	Main business	Total amount of assets as of the end of the latest business year	Basis of controlling relation	Status of main subsidiaries
Skederm, Inc.	2015.08.20	1140 Avenue of the Americas, Fl 9, New York, NY 10036, USA	Sales of cosmetics	357,650	Corporate voting rights 100% (IFRS No.1110)	N
Skederm Shanghai Co., Ltd.	2017.05.26	I, F6, No.1235, Ujung-ro, Minhang-gu, Shanghai, China	Sales of cosmetics	378,263	Corporate voting rights 100% (IFRS No. 1110)	N

### 2. Status of Affiliates (Detailed)

(As of December 31, 2022)

(Unit: company)

Status	No. of company	Name of company	Corporation registration number
Listed	-	-	-
		-	-
Unlisted	2	Skederm, Inc.	-
		Skederm Shanghai co., Ltd.	-

### 3. Status of Investments in Other Companies (Detailed)

(As of December 31, 2022)

(Unit: thousand won, share, %)

Name	Status	Date of initial acquisition	Purpose of investment	Amount of initial acquisition	Beginning balance			Increase (decrease)			Ending balance			Financial status of the latest business year	
					Qty.	Share ratio	Book value	Acquisition (disposal)		Gain (loss) on evaluation	Qty.	Share ratio	Book value	Total assets	Current net income or loss
								Qty.	Amt.						
Skederm, Inc.	Unlisted	2017.03.17	Local sales increase, customer services (participate in management)	208,880	200	100	208,880	-	-	-	200	100	208,880	357,650	9,986
Skederm Shanghai Co., Ltd.	Unlisted	2017.07.20	Local sales increase, customer services (participate in management)	228,636	-	100	228,636	-	-	-	-	100	228,636	378,263	23,695
Total					200	-	437,516	-	-	-	200	-	437,516	735,913	33,681

## 【Confirmation by Expert】

### 1. Confirmation by Expert

Not applicable

### 2. Expert's Relations

Not applicable

