

AJ Networks Co., Ltd.
Separate Financial Statements
December 31, 2022 and 2021

AJ Networks Co., Ltd.
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December 31, 2022 and 2021

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
AJ Networks Co., Ltd.

Opinion

We have audited the accompanying separate financial statements of AJ Networks Co., Ltd. (the Company), which comprise the separate statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of AJ Networks Co., Ltd. as at December 31, 2022 and 2021, and its separate financial performance and its separate cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

We also have audited, in accordance with Korean Standards on Auditing, the Company's Internal Control over Financial Reporting as of December 31, 2022, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*, and our report dated March 21, 2023 expressed an unqualified opinion.

Basis for Opinion

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

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(a) Occurrence of rental revenue

Why it is determined to be a Key Audit Matter

As described in Note 2 to the separate financial statements, revenue arising from the lease of rental assets is recognized as revenue on a straight-line basis over the lease term under the rental contract.

Rental revenue, which accounts for 65% of the Company's total revenues, is determined by the operating system, which calculates and stores the amount of revenue recognized according to the billing schedule generated based on the contract information. The processing results of the operating system are periodically transferred and recorded in a separate financial system in order to be reflected in the financial statements. There is a potential risk in the Company's revenue recognition process that the amount of revenue recognition might be inappropriate due to manual input of contract information and automated processing of a large volume of data. As a result, we determined that there is a significant risk in relation to the occurrence of rental revenue and focused on this area.

How our audit addressed the Key Audit Matter

The audit procedures we have performed to address this key audit matter include the following:

- Obtained an understanding of and assessed the Company's rental revenue recognition process, accounting policies and related controls.
- Performed a test for the effectiveness of general controls of the related systems including the operating system and the financial system.
- Performed a test to verify that the revenue calculation, billing and collection information in the operating system are accurately reflected in the financial system.
- Performed a substantive procedure for conclusion of contracts, customer information input/creation, revenue calculation/determination, billing/collection and related accounting for the contracts extracted on a sampling basis.

(b) Impairment testing of investments in associates

Why it is determined to be a Key Audit Matter

As described in Note 7 to the separate financial statements, the Company has investments in associates of ₩ 66,899 million as at December 31, 2022. The Company reviews whether there are any impairment indicators of investments in associates and performs an impairment test when it is determined that there is an impairment indicator on annual basis. The Company determines the amount of impairment related to investments in associates requiring impairment as the difference between their carrying amount and the greater of their value in use and their fair value. We focused on this area because the estimation of the 'value in use' of investments in associates involves management's significant judgments about the key assumptions such as sales growth rate, discount rate and permanent growth rate. In particular, we focused our audit effort on Darae Parktech Co., Ltd., an associate, in consideration of business performance and size of related investments in associates.

The Company acquired the equity shares of Darae Parktech Co., Ltd. in 2017, but performance has been deteriorated due to changes in the business environment. As a result of the impairment test, the Company recognized impairment loss of ₩ 4,288 million for the investments in associates of Darae Parktech Co., Ltd.

How our audit addressed the Key Audit Matter

The audit procedures we have performed to address this key audit matter include the following:

- Assessed the qualifications and competence of external experts employed by the Company to evaluate the value in use of the CGUs subject to impairment test.
- Performed inquiry and reviewed the valuation model used by the Company's management.
- Obtained an understanding of the future cash flows of the CGUs, and reviewed the reasonableness of future estimates, including comparison with the management's business plans and others.
- Evaluated the appropriateness of estimated business forecast of the CGUs by performing a retrospective review of the actual results against past business plans.
- Assessed the reasonableness of the other assumptions such as discount rate and permanent growth rate used in the valuation model.
- Evaluated the results of a sensitivity analysis on discount rate and perpetual growth rate performed by management to assess the impact of changes in key assumptions on the impairment assessment.

Other Matter

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Yong Song, Certified Public Accountant.

Seoul, Korea
March 21, 2023

This report is effective as of March 21, 2023, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

AJ Networks Co., Ltd.
Separate Statements of Financial Position
December 31, 2022 and 2021

<i>(in Korean won)</i>	Notes	2022	2021
Assets			
Current assets			
Cash and cash equivalents	4,35	₩ 99,647,782,619	₩ 15,573,060,373
Trade receivables	8,35,36	62,887,128,733	54,073,698,498
Inventories	5	19,999,591,332	8,754,240,693
Other current financial assets	14,35,36	40,298,967,129	22,698,149,726
Other current assets	15,36	10,950,547,607	26,144,186,315
Financial assets at fair value through profit or loss	6,35	3,848,586,865	3,213,923,145
		<u>237,632,604,285</u>	<u>130,457,258,750</u>
Non-current assets			
Financial assets at fair value through other comprehensive income	6,35	4,122,983,496	5,848,865,466
Financial assets at fair value through profit or loss		21,828,606,699	20,939,287,850
Investments in subsidiaries	7	197,476,878,771	223,520,791,124
Investments in associates	7	66,899,171,649	72,239,256,443
Rental assets	8,9	692,113,527,763	615,028,941,276
Property, plant and equipment	10	61,017,187,499	57,692,877,872
Intangible assets	13	5,865,355,042	4,443,273,727
Other non-current financial assets	14,35	33,471,268,018	30,724,726,635
Other non-current assets	15	3,375,320,816	2,989,790,083
Right-of-use assets	11	18,318,421,910	13,386,860,810
Investment properties	12	17,336,498,956	20,082,064,662
Deferred tax assets	30	12,604,832,277	855,316,948
		<u>1,134,430,052,896</u>	<u>1,067,752,052,896</u>
Total assets		<u>₩ 1,372,062,657,181</u>	<u>₩ 1,198,209,311,646</u>
Liabilities			
Current liabilities			
Trade payables	35,36	₩ 42,857,596,634	₩ 31,243,339,043
Short-term borrowings	16,19,35	193,971,100,000	42,500,000,000
Current portion of long-term borrowings	16,19,35	222,292,082,507	144,147,523,037
Current portion of long-term bonds	16,35	230,556,881,567	141,922,058,703
Other current financial liabilities	17,35	59,695,397,221	26,064,268,382
Other current liabilities	17	6,366,193,602	4,129,602,400
Current tax liabilities		12,588,180,379	1,303,274,141
Current lease liabilities	11	7,628,631,700	6,687,557,748
		<u>775,956,063,610</u>	<u>397,997,623,454</u>
Non-current liabilities			
Bonds	16,35	65,447,736,112	197,671,055,559
Long-term borrowings	16,19,35	134,129,692,140	192,689,541,203
Other non-current financial liabilities	17,35	3,281,746,224	9,179,670,797
Other non-current liabilities	17	456,711,179	451,519,857
Non-current lease liabilities	11	29,131,173,950	27,431,560,925
		<u>232,447,059,605</u>	<u>427,423,348,341</u>
Total liabilities		<u>1,008,403,123,215</u>	<u>825,420,971,795</u>
Equity			
Share capital	1,21	46,822,295,000	46,822,295,000
Capital surplus	21	103,717,305,904	103,717,305,904
Capital adjustments	22	(33,509,100,008)	(33,509,100,008)
Other capital	22,23	(2,597,756,378)	(654,673,467)
Accumulated other comprehensive income	22	6,491,327,692	156,047,867
Retained earnings	24	242,735,461,756	256,256,464,555
Total equity		<u>363,659,533,966</u>	<u>372,788,339,851</u>
Total liabilities and equity		<u>₩ 1,372,062,657,181</u>	<u>₩ 1,198,209,311,646</u>

The above separate statements of financial position should be read in conjunction with the accompanying notes.

AJ Networks Co., Ltd.
Separate Statements of Comprehensive Income
Years Ended December 31, 2022 and 2021

<i>(in Korean won)</i>	Notes	2022		2021	
Operating revenue	8,33	₩	591,933,997,862	₩	485,523,715,929
Operating expenses	26,31		518,457,669,367		429,050,138,500
Operating profit	8		<u>73,476,328,495</u>		<u>56,473,577,429</u>
Other income	28		2,464,336,632		10,429,183,115
Other expenses	28		14,036,586,493		1,912,311,151
Share of net profit (loss) of subsidiaries and associates accounted for using the equity method	7,29		(12,864,132,062)		36,040,772,941
Finance income	27		7,694,821,792		5,402,985,428
Finance costs	27		56,284,991,649		32,810,788,939
Gain on disposal of non-current assets held for sale			-		16,055,272,530
Profit before income tax	30		<u>449,776,715</u>		<u>89,678,691,353</u>
Income tax expense	30		1,883,469,203		15,615,439,072
Profit (loss) for the year	25		<u>₩ (1,433,692,488)</u>		<u>₩ 74,063,252,281</u>
Other comprehensive income					
<i>Items that will not be reclassified to profit or loss</i>					
Gain (loss) on valuation of financial assets at fair value through other comprehensive income		₩	(1,339,423,572)	₩	646,148,080
Share of other comprehensive income of subsidiaries and associates			615,371,889		42,369,295
<i>Items that may be subsequently reclassified to profit or loss</i>					
Share of other comprehensive income of subsidiaries and associates			<u>7,059,331,508</u>		<u>10,825,397,327</u>
Other comprehensive income for the year, net of tax			6,335,279,825		11,513,914,702
Total comprehensive income for the year			<u>₩ 4,901,587,337</u>		<u>₩ 85,577,166,983</u>
Earnings (losses) per share					
Basic earnings (losses) per share	25		₩ (32)	₩	1,646
Diluted earnings (losses) per share			(32)		1,646

The above separate statements of comprehensive income should be read in conjunction with the accompanying notes.

AJ Networks Co., Ltd.
Separate Statements of Changes in Equity
Years Ended December 31, 2022 and 2021

(in Korean won)

	Share capital	Capital surplus	Capital adjustments	Other capital	Accumulated other comprehensive income (loss)	Retained earnings	Total Equity
Balance at January 1, 2021	₩ 46,822,295,000	₩ 103,725,389,530	₩ (32,268,402,083)	₩ -	₩ (11,357,866,835)	₩ 191,523,291,062	₩ 298,444,706,674
Total comprehensive income							
Profit for the year	-	-	-	-	-	74,063,252,281	74,063,252,281
Dividends paid	-	-	-	-	-	(9,562,861,560)	(9,562,861,560)
Share of other comprehensive income (loss) of subsidiaries and associates	-	-	-	(672,556,917)	10,867,766,622	161,664,146	10,356,873,851
Stock option	-	-	-	17,883,450	-	-	17,883,450
Gain on valuation of financial assets at fair value through other comprehensive income	-	-	-	-	646,148,080	63,035,000	709,183,080
Acquisition of treasury shares	-	-	(1,240,697,925)	-	-	-	(1,240,697,925)
Revaluation surplus	-	(8,083,626)	-	-	-	8,083,626	-
Balance at December 31, 2021	<u>₩ 46,822,295,000</u>	<u>₩ 103,717,305,904</u>	<u>₩ (33,509,100,008)</u>	<u>₩ (654,673,467)</u>	<u>₩ 156,047,867</u>	<u>₩ 256,256,464,555</u>	<u>₩ 372,788,339,851</u>
Balance at January 1, 2022	₩ 46,822,295,000	₩ 103,717,305,904	₩ (33,509,100,008)	₩ (654,673,467)	₩ 156,047,867	₩ 256,256,464,555	₩ 372,788,339,851
Total comprehensive income							
Loss for the year	-	-	-	-	-	(1,433,692,488)	(1,433,692,488)
Dividends paid	-	-	-	-	-	(12,087,310,311)	(12,087,310,311)
Share of other comprehensive income (loss) of subsidiaries and associates	-	-	-	(2,099,813,542)	7,674,703,397	-	5,574,889,855
Financial assets at fair value through other comprehensive income	-	-	-	-	(1,339,423,572)	-	(1,339,423,572)
Stock option	-	-	-	156,730,631	-	-	156,730,631
Balance at December 31, 2022	<u>₩ 46,822,295,000</u>	<u>₩ 103,717,305,904</u>	<u>₩ (33,509,100,008)</u>	<u>₩ (2,597,756,378)</u>	<u>₩ 6,491,327,692</u>	<u>₩ 242,735,461,756</u>	<u>₩ 363,659,533,966</u>

The above separate statements of changes in equity should be read in conjunction with the accompanying notes.

AJ Networks Co., Ltd.
Separate Statements of Cash Flows
Years Ended December 31, 2022 and 2021

<i>(in Korean won)</i>	Note	2022	2021
Cash flows from operating activities			
Cash generated from operations	32	₩ 22,586,583,455	₩ 18,727,884,747
Interest received		1,602,621,846	1,242,105,110
Interest paid		(31,014,094,406)	(27,932,937,699)
Dividends received		2,300,905,254	5,116,094,300
Income taxes paid		(1,356,270,992)	(705,865,800)
Net cash outflow from operating activities		<u>(5,880,254,843)</u>	<u>(3,552,719,342)</u>
Cash flows from investing activities			
Increase of short-term loans		(75,735,540,000)	(43,960,000,000)
Decrease of short-term loans		46,105,560,000	63,246,745,425
Increase of deposit		(1,980,000,000)	(3,398,298,517)
Decrease of deposit		303,033,624	1,412,618,395
Increase of long-term loans		(5,461,650,000)	-
Increase in short-term financial instruments		(43,487,110,000)	(27,522,177,391)
Decrease in short-term financial instruments		43,300,000,000	35,658,892,281
Increase of financial assets at fair value through profit or loss		(4,641,307,175)	(4,917,416,869)
Decrease of financial assets at fair value through profit or loss		371,597,719	1,427,029,833
Decrease in financial assets at amortized cost		5,000,000,000	-
Acquisition of investments in associates		-	(8,205,769,260)
Acquisition of investments in subsidiaries		(2,782,032,400)	(35,692,032,183)
Disposal of investments in subsidiaries		30,040,980,000	22,041,161,931
Acquisition of property, plant and equipment		(6,926,912,947)	(3,815,957,060)
Disposal of property, plant and equipment		61,708,616	192,450,225
Acquisition of intangible assets		(2,454,991,636)	(1,695,250,982)
Disposal of intangible assets		-	181,788,292
Disposal of non-current assets held for sale		-	87,185,791,553
Disposal of financial assets at fair value through other comprehensive income		-	146,055,000
Collection of lease receivables		-	40,917,400
Cash inflow due to merger		-	3,627,067,484
Net cash inflow (outflow) from investing activities		<u>(18,286,664,199)</u>	<u>85,953,615,557</u>
Cash flows from financing activities			
Proceeds from short-term borrowings		457,755,400,000	201,500,000,000
Repayment of short-term borrowings		(305,200,000,000)	(319,000,000,000)
Proceeds from bonds		97,993,315,000	105,690,210,553
Repayment of bonds		(142,000,000,000)	(115,000,000,000)
Repayment of current portion of long-term borrowings		(225,638,622,173)	(137,017,410,390)
Proceeds from long-term borrowings		245,000,000,000	200,000,000,000
Repayment of lease liabilities		(7,579,875,666)	(7,062,138,526)
Decrease in leasehold deposits received		-	(375,000,000)
Increase in leasehold deposits received		30,506,000	2,036,237,000
Acquisition of treasury shares		-	(1,240,697,925)
Dividends paid		(12,087,310,311)	(9,562,861,560)
Net cash inflow (outflow) from financing activities		<u>108,273,412,850</u>	<u>(80,031,660,848)</u>
Net increase in cash and cash equivalents		84,106,493,808	2,369,235,367
Cash and cash equivalents at the beginning of the financial year		15,573,060,373	13,201,292,466
Effects of exchange rate changes on cash and cash equivalents		(31,771,562)	2,532,540
Cash and cash equivalents at the end of the year		<u>₩ 99,647,782,619</u>	<u>₩ 15,573,060,373</u>

The above separate statements of cash flows should be read in conjunction with the accompanying notes.

AJ Networks Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2022 and 2021

1. General Information

AJ Networks Co., Ltd. (the “Company”) was incorporated on February 10, 2000 to engage in the business of long-and short-term lease and sale of information appliances and special industrial equipment. The Company acquired and merged with “AJU L&F holdings”, which was its parent company, on December 30, 2013, as the date of merger, and changed the Company name from AJU Rental Co., Ltd to AJ Networks Co., Ltd. In addition, the Company has been listed on the Korea Stock Exchange since August 21, 2015.

The Company’s initial capital was ₩ 10,000 million and, after a number of capital increases, our paid-in capital is ₩ 46,822 million as at December 31, 2022. The Company's major stockholders as at December 31, 2022, are as follows:

	Number of shares	Percentage of ownership (%)
Moon Duck Young	11,760,923	25.12
Moon Jee Whe	6,596,593	14.09
Moon Sun Woo	6,596,588	14.09
Ascenta III private equity partnership	5,298,445	11.32
Treasury shares	2,054,479	4.39
Others	14,515,267	30.99
	46,822,295	100.00

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

The Company maintains its accounting records in Korean won and prepares statutory separate financial statements in the Korean language (Hangul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying separate financial statements have been condensed, restructured, and translated into English from the Korean language separate financial statements.

Certain information attached to the Korean language separate financial statements, but not required for a fair presentation of the Company's financial position, financial performance, or cash flows, is not presented in the accompanying separate financial statements.

The separate financial statements of the Company have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea.

AJ Networks Co., Ltd.

Notes to the Separate Financial Statements

December 31, 2022 and 2021

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

- Certain financial assets and liabilities (including derivative instruments), certain classes of property, plant and equipment and investment property – measured at fair value
- assets held for sale – measured at fair value less costs to sell, and
- defined benefit pension plans – plan assets measured at fair value

The preparation of separate financial statements requires the use of critical accounting estimates. Management also needs to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 3.

2.2 Changes in Accounting Policies and Disclosures

2.2.1 New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2022.

(a) Amendment to Korean IFRS 1116 Leases - Covid-19 - Related Rent Concessions beyond June 30, 2021

The application of the practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, is extended to lease payments originally due on or before June 30, 2022. A lessee shall apply the practical expedient consistently to eligible contracts with similar characteristics and in similar circumstances. The amendment does not have a significant impact on the financial statements.

(b) Amendment to Korean IFRS 1103 Business Combination – Reference to the Conceptual Framework

The amendments update a reference of definition of assets and liabilities to be recognized in a business combination in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korea IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS 2121 *Levies*. The amendments also clarify that contingent assets should not be recognized at the acquisition date. The amendment does not have a significant impact on the financial statements.

(c) Amendments to Korean IFRS 1016 Property, Plant and Equipment - Proceeds before intended use

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment does not have a significant impact on the financial statements.

AJ Networks Co., Ltd.

Notes to the Separate Financial Statements

December 31, 2022 and 2021

(d) Amendments to Korean IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts : Cost of Fulfilling a Contract

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendment does not have a significant impact on the financial statements.

(e) Annual improvements to Korean IFRS 2018-2020

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

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

2.2.2 New standards and interpretations not yet adopted by the Company

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2022 reporting periods and have not been early adopted by the Company.

(a) Amendments to Korean IFRS 1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

(b) Korean IFRS 1001 Presentation of Financial Statements - Disclosure of Accounting Policies

The amendments to Korean IFRS 1001 define and require entities to disclose their material accounting policies. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company is in review for the impact of these amendments on the financial statements.

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(c) Korean IFRS 1008 Accounting policies, changes in accounting estimates and errors - Definition of Accounting Estimates

The amendments define accounting estimates and clarify how to distinguish them from changes in accounting policies. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

(d) Korean IFRS 1012 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments include an additional condition to the exemption to initial recognition of an asset or liability that a transaction does not give rise to equal taxable and deductible temporary differences at the time of the transaction. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

(e) Korean IFRS 1001 Presentation of Financial Statements - Disclosure of gain or loss on valuation of financial liabilities subject to adjustment of exercise price

If the entire or a part of financial instrument, whose exercise price is subject to change due to the issuer's share price, is classified as a financial liability, the carrying amount of the financial liability and related gains and losses shall be disclosed. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

2.3 Investments in Subsidiaries

The separate financial statements of the Company are the separate financial statements prepared in accordance with Korean IFRS 1027 *Separate Financial Statements*. Investments in subsidiaries are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Company and its subsidiaries are eliminated to the extent of the Company's interest in the subsidiaries. If there is objective evidence of impairment for the investment in the subsidiary, the Company recognizes the difference between the recoverable amount of the subsidiary and its book amount as impairment loss.

2.4 Investments in Associates

Associates are entities over which the Company has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. If there is objective evidence of impairment for the investment in the associate, the Company recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss.

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2.5 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the separate financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The separate financial statements are presented in Korean won, which is the Company’s functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in other comprehensive income if they relate to qualifying cash flow hedges and qualifying effective portion of net investment hedges, or are attributable to monetary part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other income or other expenses’.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities held at fair value through other comprehensive income are recognized in other comprehensive income.

2.6 Financial Assets

(a) Classification

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

- those to be measured at fair value through profit or loss
- those to be measured at fair value through other comprehensive income, and
- those to be measured at amortized cost

The classification depends on the Company’s business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt securities, this will depend on the business

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model in which the investment is held. The Company reclassifies debt investments when, and only when its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. Changes in fair value of non-designated equity investment are recognized in profit or loss.

(b) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

A. Debt securities

Subsequent measurement of debt securities depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies its debt securities into one of the following three measurement categories:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'finance income' using the effective interest rate method.
- **Fair value through other comprehensive income:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'finance income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'other income' or 'other expenses' and impairment losses are presented in 'other expenses'.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented

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net in the statement of comprehensive income within 'other income' or 'other expenses' in the year in which it arises.

B. Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments, which held for long-term investment or strategic purpose, in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividend income from such investments continue to be recognized in profit or loss as 'finance income' when the right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'other income' or 'other expenses' in the statement of comprehensive income as applicable. Impairment loss (reversal of impairment loss) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(c) Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its debt securities carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and lease receivables, the Company applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables.

(d) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized or derecognized on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

If a transfer does not result in derecognition because the Company has retained substantially all the risks and rewards of ownership of the transferred asset, the Company continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The Company classified the financial liability as "borrowings" in the statement of financial position.

(e) Offsetting of financial instruments

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

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2.7 Derivative Instruments

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss within 'finance income (costs)' based on the nature of transactions.

2.8 Trade Receivables

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognized at fair value. Trade receivables are measured, less loss allowance.

2.9 Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is determined based on the specific identification method. The amount of any write-down of inventories to net realizable value and all losses of inventories shall be recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, shall be recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

2.10 Non-current Assets (or Disposal Company) Held for sale

Non-current assets (or disposal company) are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. The assets are measured at the lower amount between their carrying amount and the fair value less costs to sell.

2.11 Property, Plant and Equipment (including Rental Assets)

Property, plant and equipment are initially measured at cost. The cost of property, plant and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent to initial recognition, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

The costs of the replaced part are recognized in the carrying amount of property, plant and equipment or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Property, plant and equipment, except for land, 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

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expected to be consumed.

The estimated useful lives of the Company's property, plant and equipment and rental assets are as follows:

	Useful lives
Property, plant and equipment	
Buildings	20 , 40 years
Structures	8
Furniture and fixture	2 – 5
Vehicles	4, 8
Machinery	4 – 10
Facilities	4
Rental assets	
OA rental assets	1 – 6
Construction equipment	1 – 12
Pallets	3 – 10

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other income or expenses' in the separate statement of comprehensive income.

For rental assets, when the rental contract is terminated and held for sale, the carrying amount of rental assets is transferred to inventories.

2.12 Intangible Assets

Intangible assets are measured initially at cost and, subsequently, are carried at cost less accumulated amortization and accumulated impairment losses.

Amortization of intangible assets except for goodwill is calculated on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for intended use. The residual value of intangible assets is zero. However, as useful lives of intangible assets are not foreseeable to the periods over which memberships are expected to be available for use, this intangible asset is determined as having indefinite useful lives and not amortized.

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The estimated useful lives of the Company's intangible assets for the current period are as follows:

	Useful lives
Software	1 – 5 years
Other intangible assets	2 – 5

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. The useful lives of intangible assets that are not being amortized are reviewed at the end of each reporting period to determine whether events and circumstances continue to support indefinite useful life assessments for those assets. Changes are accounted for as changes in accounting estimates.

Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and The Company intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

Subsequent expenditures

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, are not recognized as assets but expensed as incurred.

2.13 Investment Property

Investment property is property held to earn rentals or for capital appreciation or both. An investment property is measured initially at its cost. An investment property is measured after initial measurement at depreciated cost (less any accumulated impairment losses). After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses. The Company depreciates investment properties, except for land, using the straight-line method over their useful lives.

2.14 Impairment of Non-financial Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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2.15 Financial Liabilities

(a) Classification and measurement

The Company's financial liabilities at fair value through profit or loss are financial instruments held for trading. A financial liability is held for trading if it is incurred principally for the purpose of repurchasing in the near term. A derivative that is not a designated as hedging instruments and an embedded derivative that is separated are also classified as held for trading.

The Company classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost and present as 'trade and other payables', and 'borrowings' in the statement of financial position.

Preferred shares that require mandatory redemption on a specific date are classified as liabilities. Interest expenses on these preferred shares using the effective interest method are recognized in the statement of comprehensive income as 'finance costs', together with interest expenses recognized from other financial liabilities.

(b) Derecognition

Financial liabilities are removed from the statement of financial position when it is extinguished; for example, when the obligation specified in the contract is discharged or cancelled or expired or when the terms of an existing financial liability are substantially modified. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

2.16 Provisions

Provisions for service warranties, make good obligation, and legal claims are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period, and the increase in the provision due to the passage of time is recognized as interest expense.

2.17 Current and Deferred Tax

The tax expense for the period consists of current and deferred tax. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax expense is measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Management periodically evaluates positions taken in tax returns with

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respect to situations in which applicable tax regulation is subject to interpretation, and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit or loss.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

The Company recognizes a deferred tax liability all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, The Company recognizes a deferred tax asset for all deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset when the Company has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the assets and settle the liability simultaneously.

2.18 Employee Benefits

(a) The Company operates a defined contribution plan. For defined contribution plans, the Company pays contribution to publicly or privately administered pension insurance plans on mandatory, contractual or voluntary basis. The Company has no further payment obligation once the contribution has been paid. The contribution is recognized as employee benefit expense when they are due.

(b) Share-based payments

Equity-settled share-based payment is recognized at fair value of equity instruments granted, and employee benefit expense is recognized over the vesting period. At the end of each period, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received, net of any directly attributable transaction costs, are recognized as share capital (nominal value) and share premium.

Certain entities within the Company provide long-term employee benefits that are entitled to

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employees with service period for ten years and above. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The Company recognizes service cost, net interest on other long-term employee benefits and remeasurements as profit or loss for the year. These liabilities are valued annually by an independent qualified actuary.

2.19 Revenue Recognition

(a) Revenue from contracts with customers

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow into the Company and when specific criteria have been met for each of the Company's activities as described below.

- Sale of goods: Revenue on sales of goods is recognized when the products have been delivered to the customer.

(b) Interest income

Interest income is recognized using the effective interest method according to the time passed. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognized using the original effective interest rate.

(c) Dividend income

Dividend income is recognized when the right to receive payment is established.

2.20 Leases

(a) Lessor

The Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company, a manufacturer or dealer lessor, recognizes the following for each of its finance leases:

- revenue being the fair value of the underlying asset, or, if lower, the present value of the lease payments accruing to the lessor, discounted using a market rate of interest; and
- the cost of sale being the cost, or carrying amount if different, of the underlying asset less the present value of the unguaranteed residual value; and

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of

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the leases. In case of financial lease receivables of which credit is impaired, however, finance income is calculated by referring to amortized cost (that is, the amount net of provision for impairment)

In case where the Company is an intermediate lessor, the Company accounts for the head lease and sublease as two separate contracts. The Company classifies the sublease as a finance lease or an operating lease depending on the right-of-use assets arising from the head lease, not an underlying asset.

The Company recognizes lease payments from operating leases as income on either a straight-line basis or another systematic basis. The Company applies another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The Company adds initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognizes those costs as an expense over the lease term on the same basis as the lease income.

After initial recognition, the Company reviews the estimated non-guaranteed residual value on a regular basis and recognizes the expected credit loss of lease receivables as loss allowance by applying the requirements for derecognition and impairment of Korean IFRS 1109.

The Company allocates the promised amount of consideration to each component by applying Korean IFRS 1115 in case where lease and non-lease components are included in contracts.

(b) Lessee

The Company leases various offices, warehouses, retail stores, equipment and cars. Lease contracts are typically made for fixed periods, but may have extension options.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The Company determines the lease term as the non-cancellable period of a lease, together with both (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. When the lessee and the lessor each has the right to terminate the lease without permission from the other party, the Company should consider a termination penalty in determining the period for which the contract is enforceable.

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

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable

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- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the Company (the lessee) under residual value guarantees
- The exercise price of a purchase option if the Company (the lessee) is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the Company (the lessee) exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by OO, a subsidiary of the Company, which does not have recent third-party financing, and
- makes adjustments specific to the lease, for example term, country, currency and security.

If a readily observable amortizing loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Company uses that rate as a starting point to determine the incremental borrowing rate.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received

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- any initial direct costs, and
- restoration costs

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The Company elected not to apply the revaluation model to buildings held by the Company that are presented in the right-of-use assets.

Payments associated with short-term leases of all equipment and vehicles and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT-equipment and small items of office furniture.

(c) Variable lease payments

Variable payment terms are used for a variety of reasons, including minimizing the fixed costs. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

(d) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Company. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

2.21 Earnings per share

The Company presents basic earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

Diluted earnings per share is calculated by dividing profit for the period by sum of weighted average number of ordinary shares outstanding and weighted average number of potential dilutive ordinary shares. The potential dilutive shares are reflected in the calculation for dilutive earnings per share when there are dilutive effects.

2.22 Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of reporting period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities, unless payment is not due within 12 months [or the normal operating cycle of the Company] after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method

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2.23 Financial Guarantee Contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under Korean IFRS 1109 *Financial Instruments* and
- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with Korean IFRS 1115 *Revenue from Contracts with Customers*

The fair value of a financial guarantee contract is determined based on the market price of similar financial instruments, comparing the interest rates of borrowings with and without financial guarantees, or based on the amount to be paid for financial guarantees.

The related liability is recognized as 'other financial liabilities' in the statement of financial position.

2.24 Segment reporting

Information of each operating segment is reported in a manner consistent with the internal business segment reporting provided to the chief operating decision-maker (Note 8). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions.

2.25 Business Combination of Entities under a Common Control

The Company applies the book amount method to account for business combinations of entities under a common control. Identifiable assets acquired and liabilities assumed in a business combination are measured at their book amounts on the consolidated financial statements of the Ultimate Parent Company. However, if the consolidated financial statements are not available, the Company applies the carrying amount of assets and liabilities accounted on acquiree's separate financial statements. In addition, the difference between the sum of consolidated book amounts of the assets and liabilities transferred and accumulated other comprehensive income; and the consideration paid is recognized as capital surplus.

2.26 Approval of issuance of the separate financial statements

The separate financial statements 2022 were approved for issue by the Board of Directors on February 17, 2023 and are subject to change with the approval of shareholders at their Annual General Meeting.

AJ Networks Co., Ltd.
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3. Critical Accounting Estimates and Assumptions

The preparation of separate financial statements requires the Company to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Company's accounting policies. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As the resulting accounting estimates will, by definition, seldom equal the related actual results, it can contain a significant risk of causing a material adjustment.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Additional information of significant judgement and assumptions of certain items are included in relevant notes.

(a) Income taxes

The Company's taxable income generated from these operations are subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain.

If certain portion of the taxable income is not used for investments or increase in wages or dividends in accordance with the *Tax System for Recirculation of Corporate Income*, the Company is liable to pay additional income tax calculated based on the tax laws. The new tax system is effective for three years from 2015. Accordingly, the measurement of current and deferred income tax is affected by the tax effects from the new tax system. As the Company's income tax is dependent on the investments, increase in wages and dividends, there is an uncertainty measuring the final tax effects.

(b) Fair value of financial instruments

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

(c) Impairment of financial assets

The provisions for impairment for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(d) Impairment of non-financial assets

The recoverable amount of non-financial assets(including rental assets, tangible assets, intangible assets, and etc.) to test for impairment has been determined as the higher of an asset's fair value less costs of disposal and value in use.

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4. Cash and Cash Equivalents

Cash and cash equivalents as at December 31, 2022 and 2021, consist of:

<i>(in thousands of Korean won)</i>	2022		2021	
Cash on hand	₩	-	₩	-
Bank deposits and others		99,647,783		15,573,060
	₩	<u>99,647,783</u>	₩	<u>15,573,060</u>

Financial instruments which are restricted in use as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	Financial institutions	2022		2021		Description
Short-term financial instruments	Shinhan bank	₩	-	₩	1,000,000	Collaterals for performance guarantee of share purchase agreement
			626,210		-	Collaterals for sub-lease deposit
Long-term financial instruments	Shinhan bank		1,000,000		-	Collaterals for performance guarantee of share purchase agreement
			351,500		790,600	Collaterals for sub-lease deposit
	Hana bank		2,500		2,500	Collaterals for deposit for check account
	Citibank Korea Inc		2,000		2,000	
			2,500		2,500	
		₩	<u>1,984,710</u>	₩	<u>1,797,600</u>	

5. Inventories

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

<i>(in thousands of Korean won)</i>	2022		2021	
Merchandises	₩	16,529,493	₩	6,754,228
Allowance for valuation of merchandises		(104,993)		(1,000,976)
Supplies		3,575,091		3,000,989
	₩	<u>19,999,591</u>	₩	<u>8,754,241</u>

AJ Networks Co., Ltd.
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6. Financial Assets at Fair Value

6.1 Financial Assets at Fair Value through Other Comprehensive Income

Financial assets at fair value through other comprehensive income as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022		2021	
	Acquisition cost	Carrying amount	Acquisition cost	Carrying amount
Marketable equity securities				
K-Top Self-managed REITs Co., Ltd.	₩ 3,866,966	₩ 3,244,488	₩ 3,866,966	₩ 4,970,370
Non-marketable equity securities				
Others	878,496	878,496	878,496	878,496
	<u>₩ 4,745,462</u>	<u>₩ 4,122,984</u>	<u>₩ 4,745,462</u>	<u>₩ 5,848,866</u>

Changes in financial assets at fair value through other comprehensive income for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Balance at January 1	₩ 5,848,865	₩ 4,915,012
Acquisition	-	-
Disposal	-	(146,055)
Impairment loss	-	-
Gains and losses on valuation	(1,725,882)	828,395
Others	-	251,513
Balance at December 31	<u>₩ 4,122,983</u>	<u>₩ 5,848,865</u>

AJ Networks Co., Ltd.
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6.2 Financial Assets at Fair Value through Profit or Loss

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

<i>(in thousands of Korean won)</i>	2022	2021
Current		
Debt securities	₩ 1,168,328	₩ -
Trust investment	2,680,258	3,213,923
	<u>3,848,586</u>	<u>3,213,923</u>
Non-current		
Debt securities	549,723	1,604,309
Equity securities	21,278,883	19,334,979
	<u>21,828,606</u>	<u>20,939,288</u>
	<u>₩ 25,677,192</u>	<u>₩ 24,153,211</u>

Change in financial assets at fair value through profit or loss for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Balance at January 1	₩ 24,153,211	₩ 4,276,982
Acquisition	4,700,026	4,917,417
Disposal	(436,204)	(1,427,030)
Gains and losses on valuation, impairment loss	(2,802,511)	(47,966)
Others ¹	62,670	16,433,808
Balance at December 31	<u>₩ 25,677,192</u>	<u>₩ 24,153,211</u>

¹ In 2021, as the Company merged with investment business segment for Modu Rental Co., Ltd., of AJ Capital Partners Co., Ltd., a wholly owned subsidiary of the Company, equity investment to Modu Rental Co., Ltd. which was classified as investments in subsidiaries before 2021, amounting to ₩ 16,380 million was transferred to financial assets at fair value through profit or loss.

AJ Networks Co., Ltd.
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7. Interests in Subsidiaries and Associates

Investment in subsidiaries and associates as at December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)	2022							
	Ownership	Acquisition cost	Beginning balance	Acquisition (Disposal)	Share of profit or loss of subsidiaries and associates	Others	Impairment loss	Ending balance
Subsidiaries								
AJ Total Co., Ltd. ¹	100.00%	₩ 13,052,736	₩ 57,760,342	₩ (30,040,980)	₩ (2,815,490)	₩ -	₩ -	₩ 24,903,872
AJ Energy Co., Ltd.	100.00%	15,000,000	19,184,260	-	1,870,473	-	-	21,054,733
AJ Maintenance Partners Co., Ltd.	100.00%	5,633,519	2,680,149	-	240,754	-	-	2,920,903
World Rent-A-Car Co., Ltd.	100.00%	650,000	570,567	-	12,745	-	-	583,312
Four season Rent-A-Car Co., Ltd.	100.00%	500,000	-	-	-	-	-	-
Ryu Ga Hyoung Golf Academy Co., Ltd.	100.00%	200,000	102,721	-	(102,721)	-	-	-
AJ Auto Parking Systems Co., Ltd. ²	100.00%	20,064,515	-	6,564,515	(6,564,515)	-	-	-
AJ Daewon Co., Ltd.	100.00%	13,256,229	11,406,465	-	(232,077)	-	-	11,174,388
AJ ICT Co., Ltd.	99.83%	2,202,562	5,477,562	-	(38,865)	-	-	5,438,697
AJ Total Vietnam Co., Ltd.	100.00%	24,039,481	24,039,481	-	(2,778,956)	777,565	-	22,038,090
AJ TOTAL HANOI Co., Ltd.	100.00%	6,970,424	6,970,424	-	(312,645)	273,979	-	6,931,758
AJ Rental Inc.	100.00%	87,105,510	81,929,323	-	(2,028,414)	3,695,469	-	83,596,378
AJ Rental Service Co., Ltd.	100.00%	439,555	282,451	-	190,612	-	-	473,063
AJ JEONGUK SKY Co., Ltd.	100.00%	6,000,000	3,903,117	-	372,616	-	-	4,275,733
AJ Rental Co., Ltd	100.00%	11,542,477	9,190,786	-	541,051	268,503	-	10,000,340
AJ Rental Arabia, Ltd.	100.00%	160,820	23,142	-	15,599	1,245	-	39,986
AJ POLSKA SP.z.o.o. ³	100.00%	996,015	-	996,015	(263,577)	1,187	-	733,625
TS GLOBAL CO. ⁴	70.00%	3,422,485	-	3,422,485	(118,767)	-	-	3,303,718
AJ LogisValue Hungary Kft. ⁵	100.00%	10,260	-	10,260	(1,912)	(65)	-	8,283
		<u>211,246,588</u>	<u>223,520,790</u>	<u>(19,047,705)</u>	<u>(12,014,089)</u>	<u>5,017,883</u>	<u>-</u>	<u>197,476,879</u>
Associates								
Tcha Partners Public Mobility No. 1 private equity partnership	49.38%	7,900,000	6,135,183	-	1,335,113	(156,932)	-	7,313,364
Tcha Partners Public Mobility No. 2 private equity partnership	49.38%	7,900,000	3,328,777	-	2,097,109	(474,000)	-	4,951,886
Tcha Partners Public Mobility No. 3 private equity partnership	49.50%	9,900,000	7,605,557	-	256,775	(5,768)	-	7,856,564

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Auto Gallery Holdings, Inc.	49.98%	18,087,600	10,395,950	-	(1,351,758)	(62,262)	-	8,981,930
Modu Rental Co., Ltd.	10.53%	9,078,712	10,337,853	-	(141,434)	491,416	-	10,687,835
A2 PARTNERS RHINOS								
No. 1 private equity partnership	33.22%	18,503,407	21,352,954	-	(2,436,276)	(75,546)	-	18,841,132
Darae Parktech Co., Ltd. ⁶	37.30%	8,205,769	8,280,419	-	(227,220)	81,453	(4,288,404)	3,846,248
Junsymall.com co.,Ltd	33.33%	23,428,955	4,802,566	-	(382,351)	-	-	4,420,215
		<u>103,004,443</u>	<u>72,239,259</u>	-	<u>(850,042)</u>	<u>(201,639)</u>	<u>(4,288,404)</u>	<u>66,899,174</u>
		<u>₩ 314,251,031</u>	<u>₩ 295,760,049</u>	<u>₩ (19,047,705)</u>	<u>₩ (12,864,131)</u>	<u>₩ 4,816,244</u>	<u>₩ (4,288,404)</u>	<u>₩ 264,376,053</u>

¹ In 2022, the subsidiary executed capital reduction, and the Company offset the borrowings from the subsidiary amounting to ₩ 30,000 million against ₩ 30,041 million of considerations from capital reduction.

² In 2022, the Company acquired 0.16% of shares, and the Company converted ₩ 6,500,000 thousand of loans to the subsidiary into equity investment.

³ In 2022, the entity was newly invested and established.

⁴ In 2022, 70% of the shares were acquired.

⁵ In 2022, the entity was newly invested and established.

⁶ In 2022, the Company performed an impairment test on investments in associates and ₩ 4,288,404 thousand of impairment loss was recognized.

(in thousands of
Korean won)

	Ownership	2021						
		Acquisition cost	Beginning balance	Acquisition (Disposal)	Share of profit or loss of subsidiaries and associates	Others	Ending balance	
Subsidiaries								
AJ Total Co., Ltd. ¹	100.00%	₩ 26,912,857	₩ 71,460,408	₩ (50,000,000)	₩ 34,694,054	₩ 1,605,880	₩ 57,760,342	
AJ Energy Co., Ltd.	100.00%	15,000,000	17,441,220	-	1,743,040	-	19,184,260	
AJ Park Co., Ltd. ²	-	-	36,709,255	-	(4,648,383)	(32,060,872)	-	
AJ Capital Partners Co., Ltd. ³	-	-	26,997,763	-	24,212	(27,021,975)	-	
AJ International Traders Co., Ltd. ⁴	-	-	41,190	(41,190)	-	-	-	
AJ Junsymall Co., Ltd. ⁵	-	-	286,713	-	(3,541,105)	3,254,392	-	
AJ Maintenance Partners Co., Ltd. ⁶	100.00%	5,633,519	542,136	-	138,013	2,000,000	2,680,149	
World Rent-A-Car Co., Ltd.	100.00%	650,000	569,144	-	1,424	-	570,568	
Four season Rent-A-Car Co., Ltd.	100.00%	500,000	-	-	-	-	-	
AJ Networks America,	-	-	12,092,839	-	-	(12,092,839)	-	

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Inc. ⁷								
AJ M. Co., Ltd. ⁸	-	-	10,118,975	-	(772,069)	(9,346,906)	-	
AJ Ens Co., Ltd. ⁸	-	-	8,171,605	-	(102,546)	(8,069,059)	-	
Ryu Ga Hyoung Golf Academy Co., Ltd.	100.00%	200,000	128,880	-	(26,159)	-	102,721	
AJ Auto Parking Systems Co., Ltd.	99.84%	13,500,000	-	-	-	-	-	
AJ Daewon Co., Ltd. ⁹	100.00%	13,256,229	-	2,479,565	(448,227)	9,375,127	11,406,465	
AJ ICT Co., Ltd. ¹⁰	99.83%	2,202,562	-	2,202,562	3,275,000	-	5,477,562	
AJ Total Vietnam Co., Ltd. ¹¹	100.00%	24,039,481	-	24,039,481	-	-	24,039,481	
AJ TOTAL HANOI Co., Ltd. ¹²	100.00%	6,970,424	-	6,970,424	-	-	6,970,424	
AJ Rental Inc. ⁷	100.00%	87,105,510	65,532,879	-	(2,587,535)	18,983,979	81,929,323	
AJ Rental Service Co., Ltd.	100.00%	439,555	-	-	282,451	-	282,451	
AJ JEONGUK SKY Co., Ltd.	100.00%	6,000,000	3,793,120	-	109,997	-	3,903,117	
AJ Rental Co., Ltd	100.00%	11,542,477	7,916,588	-	415,478	858,720	9,190,786	
AJ Rental Arabia, Ltd.	100.00%	160,820	69,046	-	(50,279)	4,375	23,142	
		<u>214,113,434</u>	<u>261,871,761</u>	<u>(14,349,158)</u>	<u>28,507,366</u>	<u>(52,509,178)</u>	<u>223,520,791</u>	
Associates								
LinkDotz Inc. ¹³	14.56%	246,100	234,387	-	(42,133)	(192,254)	-	
Tcha Partners Public Mobility No. 1 private equity partnership	49.38%	7,900,000	6,652,170	-	621,883	(1,138,870)	6,135,183	
Tcha Partners Public Mobility No. 2 private equity partnership	49.38%	7,900,000	6,159,685	-	(306,457)	(2,524,451)	3,328,777	
Tcha Partners Public Mobility No. 3 private equity partnership	49.50%	9,900,000	8,982,687	-	(246,278)	(1,130,852)	7,605,557	
Auto Gallery Holdings, Inc.	49.98%	18,087,600	6,660,700	-	2,861,269	873,981	10,395,950	
Modu Rental Co., Ltd. ^{3,14}	10.53%	9,078,712	-	-	(1,148,529)	11,486,382	10,337,853	
A2 PARTNERS RHINOS No. 1 private equity partnership ¹⁵	33.20%	18,503,407	-	-	6,470,689	14,882,265	21,352,954	
Darae Parktech Co., Ltd. ¹⁶	37.30%	8,205,769	-	8,205,769	85,408	(10,758)	8,280,419	
AJ Junsymall Co., Ltd. ⁵	33.33%	23,428,955	-	-	(762,444)	5,565,010	4,802,566	
		<u>103,250,543</u>	<u>28,689,629</u>	<u>8,205,769</u>	<u>7,533,408</u>	<u>27,810,453</u>	<u>72,239,259</u>	
		<u>₩ 317,363,977</u>	<u>₩ 290,561,390</u>	<u>₩ (6,143,389)</u>	<u>₩ 36,040,774</u>	<u>₩ (24,698,725)</u>	<u>₩ 295,760,050</u>	

¹ In 2021, gains from the transfer of the refrigerating storage business and meat processing business of AJ Total Co., Ltd. were reflected as share of profit or loss of subsidiaries and associates. The Company offset the borrowings with ₩ 28,000 million out of ₩ 50,000 million due to capital reduction of AJ Total Co., Ltd.

² In 2021, it was disposed of after being transferred to held for sale during 2021, and ₩ 23,473 million is included in others.

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³ In 2021, the Company merged with the divided segment of AJ Capital Partners Co., Ltd., which held the investment business of Modu Rental Co., Ltd., and investment assets of Modu Rental Co., Ltd. were classified as investment in associates.

⁴ In 2021, it was liquidated.

⁵ In 2021, the percentage of ownership was changed from 100% to 33.33%, and it was classified as investment in associates from investment in subsidiaries.

⁶ In 2021, the company name was changed from AJ Carian Service Co., Ltd.

⁷ In 2021, shares of AJ Networks America Inc. owned by the Company were contributed in kind to AJ Rental Inc.

⁸ In 2021, the Company merged with AJ M. Co., Ltd.

⁹ In 2021, the Company merged with AJ Ens Co., Ltd. and AJ Daewon Co., Ltd, which had been a subsidiary of AJ Ens Co., Ltd., was classified as investment in subsidiaries.

¹⁰ In 2021, 99.83% of the shares were acquired.

¹¹ In 2021, 100% of the shares were acquired.

¹² In 2021, 100% of the shares were acquired.

¹³ In 2021, it was excluded from associates as the percentage of ownership was changed from 21.5% to 14.5%.

¹⁴ In 2021, the Company merged with the divided segment of AJ Capital Partners Co., Ltd., and the percentage of ownership considering only ordinary share is 23.66% and is classified as an associate because it has a right to appoint the Board of Directors.

¹⁵ In 2021, the Company merged with AJ M. Co., Ltd. and classified it as investment in associates.

¹⁶ In 2021, 37.3% of the shares were acquired.

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Financial information of investment in subsidiaries and associates as at December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)	2022						
	Location	Closing month	Assets	Liabilities	Operating revenue	Profit (loss) for the year	Total comprehensive income (loss)
AJ Total Co., Ltd. ¹	Korea	December	₩ 33,130,824	₩ 7,558,685	₩ 51,199,517	₩ (2,815,490)	₩ (2,815,490)
AJ Energy Co., Ltd.	Korea	December	46,312,735	25,019,741	417,708,694	1,854,385	1,854,385
AJ Rental Inc. ¹	USA	December	99,197,058	15,673,714	22,442,677	(2,207,632)	3,585,161
AJ Maintenance Partners Co., Ltd. ¹	Korea	December	8,905,003	5,984,099	38,155,163	240,754	240,754
World Rent-A-Car Co., Ltd.	Korea	December	583,741	429	-	12,745	12,745
Four season Rent-A-Car Co., Ltd	Korea	December	173,776	327,600	-	(14,677)	(14,677)
Ryu Ga Hyoung Golf Academy Co., Ltd.	Korea	December	45,211	75,765	473,603	(133,276)	(133,276)
AJ Auto Parking Systems Co., Ltd.	Korea	December	33,956,140	42,951,222	39,082,632	(1,939,339)	(1,660,594)
AJ Networks First Limited Company	Korea	March	15,372,302	15,369,302	1,050,198	-	-
AJ Daewon Co., Ltd.	Korea	December	8,006,483	3,652,927	26,571,079	623,574	623,574
AJ ICT Co., Ltd.	Korea	December	13,866,612	9,258,458	43,283,812	304,266	304,266
AJ Total Vietnam Co., Ltd.	Vietnam	December	68,528,658	47,509,797	7,986,195	(2,778,956)	(2,001,391)
AJ TOTAL HANOI CO., Ltd.	Vietnam	December	8,698,036	78,783	-	(312,493)	(38,666)
AJ Rental Service Co., Ltd.	Korea	December	7,904,802	7,431,740	65,367,688	190,612	190,612
AJ JEONGUK SKY Co., Ltd.	Korea	December	5,254,832	979,099	5,379,748	372,616	372,616
AJ Rental Co., Ltd	Vietnam	December	16,176,747	6,175,969	6,717,493	540,066	808,636
AJ Rental Arabia, Ltd.	Saudi	December	42,827	2,840	156,324	15,599	16,845
AJ POLSKA SP.z.o.o.	Poland	December	5,792,407	5,058,782	10,441,827	(263,577)	(262,390)
AJ LogisValue Hungary Kft.	Hungary	December	10,019	1,736	-	(1,912)	(1,977)
TS GLOBAL CO.	Korea	December	3,192,090	1,893,607	1,377,588	(157,543)	(157,543)
Tcha Partners Public Mobility No. 1 private equity partnership ¹	Korea	December	67,663,661	52,583,061	91,050,666	2,667,394	2,910,884
Tcha Partners Public Mobility No. 2 private equity partnership ¹	Korea	December	78,752,838	66,956,662	93,361,825	2,453,891	2,453,891
Tcha Partners Public Mobility No. 3 private equity partnership ¹	Korea	December	77,123,394	51,425,056	55,292,617	1,545,947	3,303,737
Auto Gallery Holdings, Inc. ¹	USA	December	80,884,276	60,427,866	188,226,415	(2,665,027)	(2,789,608)
Modu Rental Co., Ltd. ¹	Korea	December	147,324,106	90,415,818	65,695,134	537,276	662,646

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A2 PARTNERS RHINOS

No. 1 private equity partnership ¹	Korea	December	137,253,212	83,101,726	127,119,298	(3,391,345)	(3,618,755)
Darae Parktech Co., Ltd.	Korea	December	15,913,227	14,496,577	25,250,981	(239,517)	(239,517)
Junsymall.com co.,Ltd.	Korea	December	26,153,040	12,774,862	64,623,109	(2,401,058)	(2,401,058)

¹ It is summarized financial information of the consolidated financial statements.

(in thousands of
Korean won)

	Location	Closing month	2021		Operating revenue	Profit (loss) for the year	Total comprehensive income (loss)
			Assets	Liabilities			
AJ Total Co., Ltd. ¹	Korea	December	₩ 82,108,723	₩ 23,680,115	₩ 57,427,648	₩ 26,548,936	₩ 28,834,893
AJ Energy Co., Ltd.	Korea	December	46,056,672	26,618,062	330,445,294	1,726,952	1,726,952
AJ Rental Inc. ¹	USA	December	86,683,637	3,733,215	17,964,100	(2,517,874)	3,850,590
AJ Maintenance Partners Co., Ltd. ¹	Korea	December	8,028,735	5,348,586	29,730,356	138,013	138,013
World Rent-A-Car Co., Ltd.	Korea	December	570,587	19	-	1,424	1,424
Four season Rent-A-Car Co., Ltd	Korea	December	174,653	313,800	-	(15,688)	(15,688)
Ryu Ga Hyoung Golf Academy Co., Ltd.	Korea	December	137,710	34,988	457,033	(26,159)	(26,159)
AJ Auto Parking Systems Co., Ltd.	Korea	December	36,034,540	49,834,787	45,626,927	(3,932,818)	(3,871,492)
AJ Networks First Limited Company	Korea	March	29,612,770	29,609,770	1,328,569	-	-
AJ Daewon Co., Ltd.	Korea	December	6,717,738	2,987,757	28,942,121	575,787	572,368
AJ ICT Co., Ltd.	Korea	December	23,770,270	19,466,382	37,918,804	(18,124)	(18,124)
AJ Total Vietnam Co., Ltd.	Vietnam	December	60,438,713	37,418,461	-	-	-
AJ TOTAL HANOI CO., Ltd.	Vietnam	December	8,659,743	1,824	-	-	-
AJ Park Co., Ltd. ¹	Korea	December	-	-	18,517,961	(4,276,522)	(4,276,522)
AJ Capital Partners Co., Ltd. ¹	Korea	December	-	-	3,521,330	366,343	366,343
AJ International Traders Co., Ltd.	Korea	December	-	-	-	-	-
AJ Networks America, Inc. ¹	Korea	December	12,333,894	308,466	1,680,068	(1,193,521)	(1,193,521)
AJ M. Co., Ltd. ¹	Korea	December	-	-	-	(772,069)	(772,069)
AJ Ens Co., Ltd. ¹	Korea	December	-	-	-	(55,126)	(55,126)
Tcha Partners Public Mobility No. 1 private equity partnership ¹	Korea	December	63,577,054	50,070,409	82,457,916	1,932,279	1,688,789
Tcha Partners Public Mobility No. 2 private equity partnership ¹	Korea	December	73,990,016	63,644,473	73,462,701	436,491	436,491
Tcha Partners Public Mobility No. 3 private	Korea	December	68,873,555	51,572,509	48,908,299	477,439	477,439

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equity partnership ¹								
Auto Gallery Holdings, Inc. ¹	USA	December	73,703,922	50,457,904	149,756,864	5,725,187	7,339,304	
Modu Rental Co., Ltd. ¹	Korea	December	139,559,609	108,795,001	88,978,108	1,079,190	1,051,525	
A2 PARTNERS RHINOS No. 1 private equity partnership ¹	Korea	December	102,129,439	39,815,643	130,991,689	7,287,010	7,287,010	
Darae Parktech Co., Ltd.	Korea	December	19,648,206	18,210,419	25,661,986	(2,225,907)	(2,225,907)	
AJ Junsymall Co., Ltd.	Korea	December	22,056,147	6,276,911	46,638,207	(4,820,805)	(4,820,805)	
AJ Rental Co., Ltd	Vietnam	December	13,308,098	4,115,956	5,194,330	416,777	1,275,554	
AJ Rental Service Co., Ltd.	Korea	December	6,843,274	6,560,823	55,480,641	598,297	598,297	
AJ JEONGUK SKY Co., Ltd.	Korea	December	4,852,527	949,411	4,382,106	109,997	109,997	
AJ Rental Arabia, Ltd.	Saudi	December	23,142	-	117,579	(50,279)	(45,904)	

¹ It is summarized financial information of the consolidated financial statements.

The tables below provide unrecognized share of losses of subsidiaries or associates, both for the reporting period and cumulatively, because the Company has stopped recognizing its share of losses of the subsidiaries or associates when applying the equity method as at December 31, 2022 and 2021, is as follows:

	<i>(in thousands of Korean won)</i>			
	2022		2021	
	Unrecognized loss	Unrecognized changes	Unrecognized loss	Unrecognized changes
AJ Auto Parking Systems Co., Ltd.	₩ -	₩ -	₩ (13,778,166)	₩ -
Four season Rent-A-Car Co., Ltd	(153,824)	-	(139,147)	-
Ryu Ga Hyoung Golf Academy Co., Ltd.	(30,555)	-	-	-

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The tables below provide a reconciliation of the summarized financial information presented to the carrying amount of its interest in the subsidiaries and associates as at December 31, 2022 and 2021, is as follows:

(in thousands of
Korean won

	2022					
	Net assets	Goodwill	Fair value difference	Intergroup transactions	Others	Book amount
AJ Total Co., Ltd.	₩ 25,572,139	₩ -	₩ -	₩ (668,266)	₩ -	₩ 24,903,873
AJ Energy Co., Ltd.	21,292,994	-	-	(238,261)	-	21,054,733
AJ Rental Inc.	83,523,344	-	-	-	73,033	83,596,377
AJ Maintenance Partners Co., Ltd.	2,920,903	-	-	-	-	2,920,903
World Rent-A-Car Co., Ltd.	583,313	-	-	-	-	583,313
Four season Rent-A-Car Co., Ltd	(153,824)	144,826	-	-	8,998	-
Ryu Ga Hyoung Golf Academy Co., Ltd.	(30,555)	-	-	-	30,555	-
AJ Auto Parking Systems Co., Ltd. ¹	(8,995,082)	-	-	-	8,995,082	-
AJ Daewon Co., Ltd.	4,353,556	3,578,181	2,161,067	-	1,081,584	11,174,388
AJ ICT Co., Ltd.	4,600,320	-	1,157,117	(318,741)	-	5,438,697
AJ Total Vietnam Co., Ltd.	21,018,861	-	-	-	1,019,229	22,038,090
AJ TOTAL HANOI CO., Ltd.	8,619,253	-	-	-	(1,687,495)	6,931,758
Tcha Partners Public Mobility No. 1 private equity partnership	7,446,046	-	-	-	(132,682)	7,313,364
Tcha Partners Public Mobility No. 2 private equity partnership	5,824,361	-	-	-	(872,475)	4,951,886
Tcha Partners Public Mobility No. 3 private equity partnership	12,720,677	-	-	-	(4,864,114)	7,856,563
Auto Gallery Holdings, Inc.	10,223,472	-	-	-	(1,241,542)	8,981,929
Modu Rental Co., Ltd.	8,577,568	2,003,447	380,831	-	(274,012)	10,687,834
A2 PARTNERS RHINOS No. 1 private equity partnership	17,989,124	-	-	-	852,008	18,841,132
Darae Parktech Co., Ltd.	528,394	2,773,322	544,532	-	-	3,846,249

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Junsymall.com co.,Ltd.	4,458,947	-	-	(38,732)	-	4,420,215
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¹ The Company has recognized loss of ₩23.5 billion related to investments for AJ Auto Parking Systems Co., Ltd. during the year ended December 31, 2022 (Note 37).

*(in thousands of
Korean won*

	2021					
	Net assets	Goodwill	Fair value difference	Intergroup transactions	Others	Book amount
AJ Total Co., Ltd.	₩ 58,428,608	₩ -	₩ -	₩ (668,266)	₩ -	₩ 57,760,342
AJ Energy Co., Ltd.	19,438,609	-	-	(254,349)	-	19,184,260
AJ Rental Inc.	82,950,421	-	-	-	(1,086,473)	81,863,948
AJ Daewon Co., Ltd.	3,729,982	3,578,181	3,016,718	-	1,081,584	11,406,465
AJ ICT Co., Ltd.	4,296,572	-	1,180,990	-	-	5,477,562
AJ Total Vietnam Co., Ltd.	23,020,252	-	-	-	1,019,229	24,039,481
AJ TOTAL HANOI CO., Ltd.	8,598,464	-	-	-	(1,628,040)	6,970,424
Tcha Partners Public Mobility No. 1 private equity partnership	6,668,906	-	-	-	(533,723)	6,135,183
Tcha Partners Public Mobility No. 2 private equity partnership	5,108,112	-	-	-	(1,779,335)	3,328,777
Tcha Partners Public Mobility No. 3 private equity partnership	8,564,018	-	-	-	(958,461)	7,605,557
Auto Gallery Holdings, Inc.	11,617,630	-	-	-	(1,221,681)	10,395,949
AJ Junsymall Co., Ltd.	5,259,219	-	-	(456,654)	-	4,802,565
Modu Rental Co., Ltd.	6,971,237	3,080,614	286,001	-	-	10,337,852
A2 PARTNERS RHINOS No. 1 private equity partnership	20,688,180	-	-	-	664,773	21,352,953
Darae Parktech Co., Ltd.	536,278	7,061,726	682,416	-	-	8,280,420

Impairment of investments in associates

The Company performed impairment tests considering Darae Parktech Co., Ltd., an associate, as individual Cash Generating Unit (CGU) during the year ended December 31, 2022. The recoverable

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amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on management's business plan.

The Company recognized the difference between the recoverable amount and its book amount as impairment loss amounting to ₩ 4,288 million for Darae Parktech Co., Ltd., an associate, as at valuation date. Pre-tax discount rate used for major CGUs and the permanent growth rate for the period exceeding these are as follows. The growth rate does not exceed the long-term average growth rates for the industry in which the CGU operates.

	Permanent growth rate	Pre-tax discount rate¹
Darae Parktech Co., Ltd.	1.00%	13.00%

¹ Applied to the expected cash flow.

8. Operating Segments

Sales are mostly composed of rental revenues, revenue from the sale of goods and others. The operating division is identified on the basis of organization and the type of revenue-creating service. As at the end of the reporting period, the operating segment consists of pallets, rental (IT, Construction equipment), and holdings.

The information on profit or loss by each operating segment reported to the management as at December 31, 2022 and 2021, is as follows:

(in thousands of Korean won)

	2022									
		Rental								
		Pallets	Construction equipment	IT	Holdings		Total			
Operating revenue	₩	234,812,120	₩	100,817,352	₩	248,895,792	₩	7,408,734	₩	591,933,998
Depreciation		55,570,814		23,848,005		56,390,085		4,036,052		139,844,956
Amortization		93,484		163,791		178,338		317,447		753,060
Operating profit (loss)		37,938,810		21,718,596		22,715,826		(8,896,904)		73,476,328

(in thousands of Korean won)

	2021									
		Rental								
		Pallets	Construction equipment	IT	Holdings		Total			
Operating revenue	₩	199,798,714	₩	83,713,540	₩	193,089,605	₩	8,921,857	₩	485,523,716
Depreciation		52,292,988		28,317,911		50,301,994		4,141,149		135,054,042
Amortization		115,035		174,623		428,799		347,260		1,065,717
Operating profit (loss)		42,361,140		10,665,614		14,788,858		(11,342,035)		56,473,577

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The information on assets by each operating segment reported to the management as at December 31, 2022 and 2021, is as follows:

(in thousands of
Korean won)

	2022				
	Pallets	Rental		Holdings	Total
		Construction equipment	IT		
Rental assets	₩ 301,512,005	₩ 232,866,777	₩ 157,734,746	₩ -	₩ 692,113,528
Trade receivables	29,162,748	14,067,376	18,813,603	843,401	62,887,128

(in thousands of
Korean won)

	2021				
	Pallets	Rental		Holdings	Total
		Construction equipment	IT		
Rental assets	₩ 281,052,426	₩ 199,795,799	₩ 134,179,799	₩ 917	₩ 615,028,941
Trade receivables	25,835,572	12,494,161	14,913,321	830,644	54,073,698

The information on assets and revenues by each operating segment reported to the management as at and for the years ended December 31, 2022 and 2021, is as follows:

(in thousands of
Korean won)

	Revenue from external customers¹		Non-current assets²	
	2022	2021	2022	2021
Korea	₩ 589,115,127	₩ 483,795,579	₩ 1,062,402,362	₩ 1,009,383,856
Philippines	59,340	621,935	-	-
Saudi	1,750,226	1,106,202	-	-
Hungary	918,000	-	-	-
Vietnam	75,607	-	-	-
Japan	15,698	-	-	-
	<u>₩ 591,933,998</u>	<u>₩ 485,523,716</u>	<u>₩ 1,062,402,362</u>	<u>₩ 1,009,383,856</u>

¹ Revenue is attributed to the country based on the customer's location.

² The amount excludes financial instruments, deferred tax assets and net defined benefit asset.

The customer that the customer revenue exceeds 10% of the Company's total revenue for the year is a IT related customer. Revenue to the customer amounts to ₩ 64,910 million (2021: ₩ 10,399 million). There is no customer that the customer revenue exceeds 10% of the Company's total revenue for the year ended December 31, 2021.

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9. Rental Assets

Details of rental assets as at December 31, 2022 and 2021, are as follows:

(in thousands of
Korean won)

	2022			2021		
	Cost	Accumulated depreciation ¹	Book amount	Cost	Accumulated depreciation ¹	Book amount
IT	₩ 297,500,980	₩ (139,790,027)	₩ 157,710,953	₩ 263,109,417	₩ (131,661,989)	₩ 131,447,428
Pallets	591,650,698	(290,138,693)	301,512,005	536,386,831	(255,334,406)	281,052,425
Construction equipment	183,561,830	(87,368,552)	96,193,278	174,500,105	(79,087,702)	95,412,403
Pick-Pick	-	-	-	21,572	(20,655)	917
Forklift truck	209,817,138	(77,258,103)	132,559,035	166,760,378	(63,054,600)	103,705,778
Assets in transit	23,793	-	23,793	257,456	-	257,456
Others	4,114,464	-	4,114,464	3,152,534	-	3,152,534
	<u>₩ 1,286,668,903</u>	<u>₩ (594,555,375)</u>	<u>₩ 692,113,528</u>	<u>₩ 1,144,188,293</u>	<u>₩ (529,159,352)</u>	<u>₩ 615,028,941</u>

¹ Accumulated impairment losses are included.

Changes in rental assets for the years ended December 31, 2022 and 2021, are as follows:

(in thousands of
Korean won)

	2022							Total
	IT	Pallets	Construction equipment	Pick-Pick	Forklift truck	Assets in transit	Others	
Beginning balance	₩ 131,447,428	₩ 281,052,426	₩ 95,412,403	₩ 917	₩ 103,705,778	₩ 257,456	₩ 3,152,534	₩ 615,028,942
Acquisition	95,756,295	67,398,286	14,124,689	-	43,815,564	23,793	4,114,464	225,233,091
Disposal	(13,619,288)	(2,127,935)	(1,737,855)	(237)	(1,318,800)	-	-	(18,804,115)
Depreciation	(55,261,035)	(44,262,658)	(11,605,959)	(680)	(16,703,609)	-	-	(127,833,941)
Impairment loss ¹	(577)	(548,114)	-	-	(88,492)	-	-	(637,183)
Transfer	(611,870)	-	-	-	3,148,594	(257,456)	(3,152,534)	(873,266)
Ending balance	<u>₩ 157,710,953</u>	<u>₩ 301,512,005</u>	<u>₩ 96,193,278</u>	<u>₩ -</u>	<u>₩ 132,559,035</u>	<u>₩ 23,793</u>	<u>₩ 4,114,464</u>	<u>₩ 692,113,528</u>

¹ An impairment loss is recognized for assets that are not used or sold for a long period after the term of the rental.

(in thousands of
Korean won)

	2021							Total
	IT	Pallets	Construction equipment	Pick-Pick	Forklift truck	Assets in transit	Others	
Beginning balance	₩ 130,526,609	₩ 253,259,277	₩ 93,558,781	₩ 10,333	₩ 92,735,886	₩ -	₩ 9,566,402	₩ 579,657,288
Acquisition	81,166,139	71,652,480	19,123,979	-	29,892,900	3,286,408	3,152,534	208,274,440
Disposal	(8,643,639)	(1,395,199)	(3,896,650)	-	(517,684)	-	-	(14,453,172)
Depreciation	(49,282,467)	(41,028,020)	(15,847,910)	(9,415)	(17,698,080)	-	-	(123,865,892)

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Impairment loss ¹	(4,692,363)	(782,640)	-	-	-	-	-	(5,475,003)
Transfer	(17,626,852)	(653,473)	2,474,203	-	(707,244)	(3,028,952)	(9,566,402)	(29,108,720)
Ending balance	₩ 131,447,427	₩ 281,052,425	₩ 95,412,403	₩ 918	₩ 103,705,778	₩ 257,456	₩ 3,152,534	₩ 615,028,941

¹ An impairment loss is recognized for assets that are not used or sold for a long period after the term of the rental.

The Company has entered into an agreement to provide operating leases with a number of customers for rental assets. Future lease payments expected to be received by the Company through operating lease contracts for rental assets at the end of the reporting period are as follows.

<i>(in thousands of Korean won)</i>	2022	2021
Within one year	₩ 122,878,702	₩ 115,136,523
Between 1 and 2 years	70,362,045	58,741,936
Between 2 and 3 years	29,865,801	29,091,402
Between 3 and 4 years	7,505,295	6,496,172
Between 4 and 5 years	915,938	399,691
Over 5 years	192,085	109,842
	<u>₩ 231,719,866</u>	<u>₩ 209,975,566</u>

Future lease payments for the pallet business expected at the end of the reporting period were excluded due to the nature of the agreement for which the contract period has not been determined.

10. Property, Plant and Equipment

Details of property, plant and equipment as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022			2021		
	Cost	Accumulated depreciation¹	Book amount	Cost	Accumulated depreciation¹	Book amount
Land	₩ 29,774,777	₩ -	₩ 29,774,777	₩ 29,774,777	₩ -	₩ 29,774,777
Buildings	20,332,674	(3,487,616)	16,845,058	20,459,548	(3,009,924)	17,449,624
Structures	1,326,932	(755,500)	571,432	1,149,817	(631,132)	518,685
Furniture and fixture	6,739,471	(4,764,670)	1,974,801	5,818,739	(4,125,761)	1,692,978
Machinery	11,411,965	(7,951,445)	3,460,520	9,778,755	(6,774,952)	3,003,803
Vehicles	7,656,411	(4,026,216)	3,630,195	7,345,495	(3,309,034)	4,036,461
Others	132,095	-	132,095	117,617	-	117,617
Construction-in progress	4,628,310	-	4,628,310	1,098,932	-	1,098,932
	<u>₩ 82,002,635</u>	<u>₩ (20,985,447)</u>	<u>₩ 61,017,188</u>	<u>₩ 75,543,680</u>	<u>₩ (17,850,803)</u>	<u>₩ 57,692,877</u>

¹ Accumulated impairment losses are included.

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Changes in property, plant and equipment for the years ended December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

	2022									
	Land	Buildings	Structures	Furniture and fixture	Machinery	Vehicles	Others	Construction-in progress	Total	
Beginning balance	₩ 29,774,777	₩ 17,449,624	₩ 518,685	₩ 1,692,978	₩ 3,003,803	₩ 4,036,461	₩ 117,617	1,098,932	₩ 57,692,877	
Acquisition	-	128,189	177,115	810,335	1,296,438	101,064	14,478	4,563,510	7,091,129	
Disposal	-	(222,649)	-	(69,094)	(7,685)	-	-	-	(299,428)	
Depreciation	-	(510,106)	(124,368)	(1,200,091)	(1,375,937)	(711,271)	-	-	(3,921,773)	
Transfer	-	-	-	740,673	543,900	203,941	-	(1,034,132)	454,382	
Ending balance	₩ 29,774,777	₩ 16,845,058	₩ 571,432	₩ 1,974,801	₩ 3,460,519	₩ 3,630,195	₩ 132,095	4,628,310	₩ 61,017,187	

(in thousands of Korean won)

	2021									
	Land	Buildings	Structures	Furniture and fixture	Machinery	Vehicles	Facilities	Others	Construction-in progress	Total
Beginning balance	₩ 29,774,777	₩ 17,861,732	₩ 522,686	₩ 2,217,414	₩ 2,003,977	₩ 4,618,623	₩ 1	₩ 110,378	₩ 116,100	₩ 57,225,688
Acquisition	-	99,954	105,477	244,712	1,918,656	265,732	-	7,239	1,098,932	3,740,702
Disposal	-	-	-	(74,417)	(12)	(159,935)	-	-	-	(234,364)
Depreciation	-	(512,062)	(109,478)	(1,211,327)	(1,034,918)	(711,341)	-	-	-	(3,579,126)
Transfer	-	-	-	516,596	116,100	23,382	(1)	-	(116,100)	539,977
Ending balance	₩ 29,774,777	₩ 17,449,624	₩ 518,685	₩ 1,692,978	₩ 3,003,803	₩ 4,036,461	₩ -	₩ 117,617	₩ 1,098,932	₩ 57,692,877

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11. Leases

- Leases as lessee

Right-of-use assets as at December 31, 2022 and 2021, consist of:

(in thousands of Korean won)

	2022		
	Land and buildings	Vehicles	Total
Acquisition amount	₩ 22,242,334	₩ 5,315,448	₩ 27,557,782
Accumulated depreciation	(6,660,095)	(2,579,265)	(9,239,360)
Net carrying amount	₩ 15,582,239	₩ 2,736,183	₩ 18,318,422

(in thousands of Korean won)

	2021		
	Land and buildings	Vehicles	Total
Acquisition amount	₩ 14,790,641	₩ 4,593,335	₩ 19,383,976
Accumulated depreciation	(4,044,764)	(1,952,351)	(5,997,115)
Net carrying amount	₩ 10,745,877	₩ 2,640,984	₩ 13,386,861

Changes in the right-of-use assets for the years ended December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

	2022					
	Beginning balance	Acquisition	Depreciation	Termination of lease contract	Replacement	Ending balance
Land and buildings	₩ 10,745,877	₩ 8,966,070	₩ (4,093,439)	₩ (36,269)	₩ -	₩ 15,582,239
Vehicles	2,640,984	1,373,461	(1,250,237)	(28,025)	-	2,736,183
	₩ 13,386,861	₩ 10,339,531	₩ (5,343,676)	₩ (64,294)	₩ -	₩ 18,318,422

(in thousands of Korean won)

	2021					
	Beginning balance	Acquisition	Depreciation	Termination of lease contract	Replacement	Ending balance
Land and buildings	₩ 9,746,001	₩ 6,344,941	₩ (3,215,986)	₩ (288,624)	₩ (1,840,455)	₩ 10,745,877
Vehicles	2,869,080	1,439,980	(1,447,366)	(220,710)	-	2,640,984
	₩ 12,615,081	₩ 7,784,921	₩ (4,663,352)	₩ (509,334)	₩ (1,840,455)	₩ 13,386,861

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Lease liabilities as at December 31, 2022 and 2021, consist of:

<i>(in thousands of Korean won)</i>	2022	2021
Current	₩ 7,628,632	₩ 6,687,558
Non-current	<u>29,131,174</u>	<u>27,431,561</u>
	<u>₩ 36,759,806</u>	<u>₩ 34,119,119</u>

Changes in the lease liabilities for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022						
	Beginning balance	Acquisition	Replacement to liquidity lease liabilities	Lease payment	Interest expense	Termination of lease contract	Ending balance
Current	₩ 6,687,558	₩ 946,082	₩ 8,787,336	₩ (9,056,984)	₩ 310,913	₩ (46,274)	₩ 7,628,631
Non-current	<u>27,431,561</u>	<u>9,339,814</u>	<u>(8,787,336)</u>	<u>-</u>	<u>1,166,195</u>	<u>(19,059)</u>	<u>29,131,175</u>
	<u>₩ 34,119,119</u>	<u>₩ 10,285,896</u>	<u>₩ -</u>	<u>₩ (9,056,984)</u>	<u>₩ 1,477,108</u>	<u>₩ (65,333)</u>	<u>₩ 36,759,806</u>

<i>(in thousands of Korean won)</i>	2021						
	Beginning balance	Acquisition	Replacement to liquidity lease liabilities	Lease payment	Interest expense	Termination of lease contract	Ending balance
Current	₩ 6,326,409	₩ 996,416	₩ 7,725,728	₩ (8,359,708)	₩ 251,909	₩ (253,197)	₩ 6,687,557
Non-current	<u>27,701,539</u>	<u>6,675,213</u>	<u>(7,725,728)</u>	<u>-</u>	<u>1,045,661</u>	<u>(265,124)</u>	<u>27,431,561</u>
	<u>₩ 34,027,948</u>	<u>₩ 7,671,629</u>	<u>₩ -</u>	<u>₩ (8,359,708)</u>	<u>₩ 1,297,570</u>	<u>₩ (518,321)</u>	<u>₩ 34,119,118</u>

Expiration date information of the lease liabilities as at December 31, 2022 and 2021, is as follows:

<i>(in thousands of Korean won)</i>	2022					
	Less than one month	One month to three months	Three months to one year	One year to five years	Over five years	Total
Buildings	₩ 674,185	₩ 1,340,870	₩ 5,698,670	₩ 25,692,669	₩ 5,500,209	₩ 38,906,603
Vehicles	<u>121,604</u>	<u>243,207</u>	<u>1,023,361</u>	<u>1,584,732</u>	<u>-</u>	<u>2,972,904</u>
	<u>₩ 795,789</u>	<u>₩ 1,584,077</u>	<u>₩ 6,722,031</u>	<u>₩ 27,277,401</u>	<u>₩ 5,500,209</u>	<u>₩ 41,879,507</u>

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	2021					
	Less than one month	One month to three months	Three months to one year	One year to five years	Over five years	Total
Buildings	₩ 591,370	₩ 1,173,340	₩ 4,965,744	₩ 22,009,454	₩ 6,576,861	₩ 35,316,769
Vehicles	111,712	211,382	828,699	1,671,544	-	2,823,337
	<u>₩ 703,082</u>	<u>₩ 1,384,722</u>	<u>₩ 5,794,443</u>	<u>₩ 23,680,998</u>	<u>₩ 6,576,861</u>	<u>₩ 38,140,106</u>

The separate statement of profit or loss shows the following amounts relating to leases:

(in thousands of Korean won)

	2022	2021
Depreciation of right-of-use assets		
Properties	₩ 4,093,439	₩ 3,215,986
Vehicles	<u>1,250,237</u>	<u>1,447,366</u>
	<u>₩ 5,343,676</u>	<u>₩ 4,663,352</u>
Interest expense relating to lease liabilities	₩ 1,477,108	₩ 1,297,570
Expense relating to short-term leases	1,055,281	730,569
Expense relating to leases of low-value assets that are not short-term leases	79,104	72,622
Expense relating to variable lease payments not included in lease liabilities	747,183	678,787

The total cash outflow for leases in 2022 was ₩ 10,939 million (2021: ₩ 9,842 million).

- Leases as lessor

Lease receivables as at December 31, 2022 and 2021, consist of:

(in thousands of Korean won)

	2022	2021
Current	₩ 7,914,336	₩ 7,467,510
Non-current	13,763,314	11,273,147
Provisions for impairment	<u>(85,414)</u>	<u>(59,522)</u>
	<u>₩ 21,592,236</u>	<u>₩ 18,681,135</u>

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The gross investment in the lease and present value of minimum lease payments for finance lease receivables as at December 31, 2022, are as follows:

<i>(in thousands of Korean won)</i>	Gross investment in the lease	Present value of minimum lease payments
Within one year	₩ 9,133,641	₩ 7,914,336
Between 1 and 2 years	7,922,103	6,388,993
Between 2 and 3 years	4,879,148	3,790,269
Between 3 and 4 years	3,230,527	2,362,953
Between 4 and 5 years	2,051,525	1,208,158
Over 5 years	16,065	12,941
	<u>₩ 27,233,009</u>	<u>₩ 21,677,650</u>

The income related to variable lease payments that are not included in the net investment in the lease for the year ended December 31, 2022 amounted to ₩ 6 million (2021: ₩ 0 million). Sales and costs for lease receivables for the year ended December 31, 2022, amounted to ₩ 11,211 million and ₩ 10,619 million (2021: ₩10,022 million and ₩10,298 million), and interest income was ₩ 2,400 million (2021: ₩ 1,830 million).

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12. Investment Properties

The Company provides some of the right-of-use assets as sub-lease, of which operating leases are classified as investment properties.

Details of investment properties as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022		2021	
Acquisition amount	₩	26,781,269	₩	26,781,269
Accumulated depreciation		<u>(9,444,770)</u>		<u>(6,699,204)</u>
Net carrying amount	₩	<u>17,336,499</u>	₩	<u>20,082,065</u>

Changes in investment properties for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022				
	Beginning balance	Acquisition	Depreciation	Replacement	Ending balance
Investment properties	₩ 20,082,065	₩ -	₩ (2,745,566)	₩ -	₩ 17,336,499

In 2022, operating income from investment properties is ₩ 5,438 million, and operating expenses from investment properties are ₩ 1,753 million.

<i>(in thousands of Korean won)</i>	2021				
	Beginning balance	Acquisition	Depreciation	Replacement¹	Ending balance
Investment properties	₩ 21,955,820	₩ 60,497	₩ (2,945,671)	₩ 1,011,419	₩ 20,082,065

¹ ₩ 1,011 million was transferred from right-of-use assets to investment properties.

In 2021, operating income from investment properties is ₩ 4,930 million, and operating expenses from investment properties are ₩ 1,630 million.

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The investment properties are leased to tenants under operating leases with rentals payable monthly. The future minimum lease payments expected to be received in relation to the above operating lease agreement for investment properties as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022		2021	
Within one year	₩	1,658,009	₩	2,569,870
Between 1 and 2 years		521,718		1,474,516
Between 2 and 3 years		304,613		525,210
Between 3 and 4 years		31,250		308,080
Between 4 and 5 years		-		33,333
Later than five years		-		-
	₩	<u>2,515,590</u>	₩	<u>4,911,009</u>

13. Intangible Assets

Intangible assets as at December 31, 2022 and 2021, consist of:

<i>(in thousands of Korean won)</i>	2022			2021		
	Cost	Accumulated amortization	Book amount	Cost	Accumulated amortization	Book amount
Software	₩ 6,136,591	₩ (3,249,550)	₩ 2,887,041	₩ 4,111,482	₩ (2,674,256)	₩ 1,437,226
Others	3,516,285	(537,971)	2,978,314	3,989,535	(983,487)	3,006,048
	<u>₩ 9,652,876</u>	<u>₩ (3,787,521)</u>	<u>₩ 5,865,355</u>	<u>₩ 8,101,017</u>	<u>₩ (3,657,743)</u>	<u>₩ 4,443,274</u>

Changes in intangible assets for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022			2021		
	Software	Others	Total	Software	Others	Total
Beginning balance	₩ 1,437,226	₩ 3,006,048	₩ 4,443,274	₩ 1,509,417	₩ 2,120,413	₩ 3,629,830
Acquisition	2,082,877	327,114	2,409,991	250,768	1,421,978	1,672,746
Amortization	(575,294)	(177,765)	(753,059)	(544,772)	(520,945)	(1,065,717)
Disposal	-	-	-	(168,187)	(17,337)	(185,524)
Impairment loss	-	(177,083)	(177,083)	390,000	1,939	391,939
Replacement	(57,768)	-	(57,768)	-	-	-
Ending balance	<u>₩ 2,887,041</u>	<u>₩ 2,978,314</u>	<u>₩ 5,865,355</u>	<u>₩ 1,437,226</u>	<u>₩ 3,006,048</u>	<u>₩ 4,443,274</u>

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14. Other Financial Assets

Other financial assets as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Current		
Other receivables	₩ 3,817,181	₩ 1,888,080
Provision for impairment	(265,233)	(265,233)
Accrued income	287,738	65,793
Short-term financial instruments	626,210	1,000,000
Short-term loans	36,770,770	2,800,000
Provision for impairment	(8,870,509)	-
Current portion of long-term loans	-	4,742,000
Derivative assets (current)	18,475	-
Financial assets at amortized cost (current)	-	5,000,000
Current portion of finance lease receivable	7,914,336	7,467,510
	<u>₩ 40,298,968</u>	<u>₩ 22,698,150</u>
Non-current		
Long-term other receivables	₩ 536,094	₩ 1,092,236
Deposits received	14,558,955	12,949,602
Derivative assets	3,339,818	4,671,664
Long-term financial instruments	1,358,500	797,600
Finance lease receivable	13,763,314	11,273,147
Provision for impairment	(85,414)	(59,523)
	<u>₩ 33,471,267</u>	<u>₩ 30,724,726</u>

Changes in provisions for impairment for other financial assets for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Beginning balance	₩ 324,756	₩ 265,233
Impairment loss	53,391	59,523
Other impairment loss	8,870,509	-
Write-off	(27,500)	-
Ending balance	<u>₩ 9,221,156</u>	<u>₩ 324,756</u>

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15. Other Assets

Other assets as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Other current assets		
Advance payments	₩ 5,336,782	₩ 23,163,112
Provision for impairment	(32,260)	(32,260)
Prepaid expenses	5,646,026	3,013,334
Income tax refund receivables	-	-
	<u>10,950,548</u>	<u>26,144,186</u>
Other non-current assets		
Long-term advance payments	3,309,763	2,914,998
Long-term prepaid expenses	65,558	74,792
	<u>3,375,321</u>	<u>2,989,790</u>
	<u>₩ 14,325,869</u>	<u>₩ 29,133,976</u>

Changes in provisions for impairment for other assets for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Current:		
Beginning balance	₩ 32,260	₩ 32,260
Other impairment loss	-	-
Write-off	-	-
Ending balance	<u>₩ 32,260</u>	<u>₩ 32,260</u>

Provision for impaired receivables and amounts reversed have been included in the statement of profit or loss within 'other income (expenses)'.

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16. Borrowings, etc.

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

(a) Short-term borrowings

<i>(in thousands of Korean won)</i>	Annual interest rate as at December 31, 2022	2022	2021
China Everbright Bank Co.Ltd. Seoul Branch	6.06%	₩ 30,000,000	₩ -
Kookmin Bank	-	-	4,000,000
THE DAEGU BANK LTD	6.41%	4,000,000	4,000,000
Shinhan bank	6.08%~6.58%	5,000,000	15,000,000
HANA Bank	5.68%	4,500,000	4,500,000
KDB	5.52%	10,000,000	10,000,000
Suhyup bank	-	-	5,000,000
Woori Bank	5.83%	1,000,000	-
AJ Rental Inc.	7.30%	8,871,100	-
HANA Savings Bank	8.50%	4,000,000	-
SHINYOUNG SECURITIES CO., LTD.	5.2%~8.2%	51,600,000	-
Korea Investment & Securities Co., Ltd.	8.50%	40,000,000	-
KYOBO SECURITIES CO.,LTD.	5.40%	30,000,000	-
KIWOOM SECURITIES Corp.	5.70%	5,000,000	-
		<u>₩ 193,971,100</u>	<u>₩ 42,500,000</u>

(b) Long-term borrowings

<i>(in thousands of Korean won)</i>	Annual interest rate as at December 31, 2022	2022	2021
Shinhan bank	5.21%~6.53%	₩ 16,319,444	₩ 5,000,000
HANA Bank	4.08%~6.96%	45,416,667	55,416,667
Kookmin Bank	4.16~7.25%	45,733,333	54,633,333
NongHyup Bank	4.05~5.82%	30,833,300	13,333,280
KDB	3.01%~6.17%	26,666,560	36,000,000
THE JEONBUK BANK LTD	5.76%~6.61%	2,833,532	1,333,328
Suhyup bank	4.01%~5.40%	5,500,000	1,916,667
Woori Bank	5.81%	3,000,000	-
THE DAEGU BANK LTD	-	-	1,000,000
AJ Networks First Limited	3.97%~4.82%	15,000,000	29,000,000

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Company ¹			
KIS Plus 1st Co., Ltd.	3.65%	20,000,000	20,000,000
KIS Plus 2nd Co., Ltd. ²	-	-	20,000,000
Net One Q First Co., Ltd.	-	-	6,720,000
AJU CO., LTD.	6.57%	40,000,000	-
IBK Capital Co., Ltd.	4.0%~4.80%	19,566,975	17,758,736
KB Capital	3.90%	1,317,914	10,414,242
Hana Capital Co., Ltd.	3.82%~9.80%	49,151,581	29,400,007
BNK Capital Co., Ltd.	4.10%	9,442,472	19,930,402
KDB Capital Co., Ltd.	5.52%~7.96%	18,235,294	2,887,407
KB Kookmin Card Co., Ltd.	3.50%	1,583,764	3,254,611
HANKOOKCAPITAL CO., LTD. and 1 other	3.70%	5,967,561	9,208,340
		<u>356,568,397</u>	<u>337,207,020</u>
Less: present value discounts account		(146,624)	(369,956)
Less: current portion of long-term borrowings		<u>(222,292,083)</u>	<u>(144,147,523)</u>
		<u>₩ 134,129,690</u>	<u>₩ 192,689,541</u>

¹ Securitization borrowings for trade receivables borrowed from Korea Development Bank by pledging a priority beneficiary right to trade receivables in the future as collateral are included.

² During the year ended December 31, 2022, ₩ 60 billion was repaid in advance in accordance with the covenant phrase of the debt agreement.

In relation to the above long-term and short-term borrowings, property, plant and equipment and rental assets are provided as collateral (Note 19.(4)).

Debentures outstanding as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	Latest maturity date	Annual interest rate		2022	2021
		as at	December 31,		
35-2nd unsecured privately placed debenture ¹	2022.05.29	-		₩ -	₩ 26,000,000
36-2nd unsecured privately placed debenture ¹	2022.07.22	-		-	31,000,000
37-1st unsecured privately placed debenture ¹	2022.01.21	-		-	35,000,000
37-2nd unsecured privately placed debenture ¹	2023.01.20	3.91%		22,000,000	22,000,000
38-1st unsecured privately placed debenture ¹	2022.01.28	-		-	20,000,000
38-2nd unsecured privately placed debenture ¹	2023.07.30	4.95%		30,000,000	30,000,000
40th unsecured privately placed debenture	2023.09.24	2.02%		60,000,000	60,000,000

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41st unsecured privately placed debenture	2022.11.27	-	-	5,000,000
42nd unsecured privately placed debenture	2022.11.30	-	-	5,000,000
43-1st unsecured privately placed debenture	2022.05.09	-	-	10,000,000
43-2nd unsecured privately placed debenture	2022.08.08	-	-	10,000,000
44th unsecured privately placed debenture	2023.03.15	4.20%	5,000,000	5,000,000
45th unsecured privately placed debenture	2024.03.29	2.11%	30,000,000	30,000,000
46th unsecured privately placed debenture	2023.02.26	3.80%	15,000,000	15,000,000
47th unsecured privately placed debenture ¹	2023.01.27	4.22%	30,000,000	30,000,000
48th unsecured privately placed debenture	2023.11.23	4.20%	6,000,000	6,000,000
49th unsecured privately placed debenture	2023.10.07	3.90%	16,000,000	-
50th unsecured privately placed debenture	2023.10.20	4.90%	12,000,000	-
51st unsecured privately placed debenture	2024.01.22	5.55%	3,500,000	-
52nd unsecured privately placed debenture	2024.03.13	5.50%	2,000,000	-
53rd unsecured privately placed debenture	2025.11.04	5.45%	30,000,000	-
54th unsecured privately placed debenture	2023.11.23	9.00%	30,000,000	-
55th unsecured privately placed debenture	2023.11.30	8.50%	5,000,000	-
			296,500,000	340,000,000
Less: discounts on debentures			(495,382)	(406,886)
Less: current portion of bonds			(230,556,882)	(141,922,059)
			₩ 65,447,736	₩ 197,671,055

¹ Public offering Debentures are subject to conditions such as maintaining the financial ratio, the restriction in provision of collateral, the restriction in disposal of assets, and the restriction in changing corporate governance.

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17. Other Financial Liabilities and Other Liabilities

Other financial liabilities as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Other current financial liabilities		
Other payables	₩ 16,145,981	₩ 11,759,943
Accrued expenses	14,902,057	8,497,070
Rental deposits	5,324,422	4,199,793
Financial guarantee liabilities	14,905,782	375,077
Financial derivative liabilities	6,971,882	2,248
Deposits (liabilities)	1,445,273	1,230,137
	<u>₩ 59,695,397</u>	<u>₩ 26,064,268</u>
Other non-current financial liabilities		
Long-term rental deposits	₩ 754,879	₩ 592,027
Financial guarantee liabilities	506,955	1,141,055
Rental deposits	794,500	2,011,100
Long-term accrued expenses	225,413	225,413
Deposits (liabilities)	1,000,000	-
Financial derivative liabilities	-	5,210,076
	<u>₩ 3,281,747</u>	<u>₩ 9,179,671</u>

Other liabilities as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Other current liabilities		
Advance from customers ¹	₩ 3,621,253	₩ 2,042,828
Withholdings	507,447	278,752
Withholding tax	2,237,494	1,808,022
	<u>₩ 6,366,194</u>	<u>₩ 4,129,602</u>
Other non-current liabilities		
Provision for restoration	₩ 456,711	₩ 451,520
	<u>₩ 6,822,905</u>	<u>₩ 4,581,122</u>

¹ Includes contract liabilities under Korean IFRS 1115.

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18. Post-employment Benefits

As the Company entered defined contribution pension plans, the Company recognized contributions as expenses during the year. The contributions are recognized as expenses are ₩ 2,737 million and ₩ 2,470 million for the years ended December 31, 2022 and 2021, respectively.

19. Contingencies and Commitments

Commitments and contingencies with financial institutions as at December 31, 2022 are as follows:

(in thousands of Korean won)

	Details	Credit line	Borrowings
Kookmin Bank	Facility fund	₩ 45,733,333	₩ 45,733,333
THE DAEGU BANK LTD	General fund	4,000,000	4,000,000
Shinhan bank	Facility fund	16,319,444	16,319,444
	General fund	11,500,000	5,000,000
THE JEONBUK BANK LTD	Facility fund	2,833,532	2,833,532
HANA Bank	Facility fund	45,416,667	45,416,667
	General fund	4,500,000	4,500,000
NongHyup Bank	Facility fund	30,833,300	30,833,300
Suhyup bank	Facility fund	5,500,000	5,500,000
	General fund	3,000,000	-
Woori Bank	General fund	4,000,000	4,000,000
KDB	Facility fund	26,666,560	26,666,560
	General fund	10,000,000	10,000,000
SHINYOUNG SECURITIES CO., LTD	Electronic short-term bonds, Commercial paper	51,600,000	51,600,000
KIWOOM SECURITIES Corp.	Commercial paper	5,000,000	5,000,000
KYOBO SECURITIES CO.,LTD.	Commercial paper	30,000,000	30,000,000
Korea Investment & Securities Co., Ltd.	Commercial paper	40,000,000	40,000,000
China Everbright Bank Co.Ltd. Seoul Branch	Facility fund	30,000,000	30,000,000
AJ Networks First Limited Company ¹	Loans secured by trade receivables	15,000,000	15,000,000
IBK Capital Co., Ltd.	Facility fund	19,566,975	19,566,975
KB Capital	Facility fund	1,317,914	1,317,914
Hana Capital Co., Ltd.	Facility fund	49,151,581	49,151,581
BNK Capital Co., Ltd.	Facility fund	9,442,472	9,442,472
KDB Capital Co., Ltd.	Facility fund	18,235,294	18,235,294
KB Kookmin Card Co., Ltd.	Facility fund	1,583,764	1,583,764
HANKOOKCAPITAL CO., LTD. and 1 other	Facility fund	5,967,561	5,967,561

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Hana Savings Bank	General fund	4,000,000	4,000,000
KIS Plus 1st Co., Ltd.	Facility fund	20,000,000	20,000,000
		<u>₩ 511,168,397</u>	<u>₩ 501,668,397</u>

¹ The Company has entered into a trust agreement with Korea Development Bank with the future rental receivables and other incidental rights as the trust principal and entered into a contract with AJ Networks First Limited Company to pledge the beneficiary rights acquired as collateral. In addition, the Company has agreed to assume an obligation to support funds in the event of shortfalls of funds for AJ Networks First Limited Company (Note 36).

Commitments and contingencies with financial institutions as at December 31, 2021, are as follows:

(in thousands of Korean won)

	Details	Credit line	Borrowings
Kookmin Bank	Facility fund	₩ 54,633,333	₩ 54,633,333
	General fund	4,000,000	4,000,000
THE DAEGU BANK LTD	Facility fund	1,000,000	1,000,000
	General fund	8,000,000	4,000,000
Shinhan bank	Facility fund	5,000,000	5,000,000
	General fund	21,500,000	15,000,000
THE JEONBUK BANK LTD	Facility fund	1,333,328	1,333,328
HANA Bank	Facility fund	55,416,667	55,416,667
	General fund	4,500,000	4,500,000
NongHyup Bank	Facility fund	13,333,280	13,333,280
Suhyup bank	Facility fund	1,916,667	1,916,667
	General fund	5,000,000	5,000,000
KDB	Facility fund	36,000,000	36,000,000
	General fund	10,000,000	10,000,000
AJ Networks First Limited Company ¹	Loans secured by trade receivables	29,000,000	29,000,000
KIS Plus 1st Co., Ltd. and 1 other	Facility fund	40,000,000	40,000,000
Net One Q First Co., Ltd	Facility fund	6,720,000	6,720,000
IBK Capital Co., Ltd.	Facility fund	17,758,736	17,758,736
KB Capital	Facility fund	10,414,242	10,414,242
Hana Capital Co., Ltd.	Facility fund	29,400,007	29,400,007
BNK Capital Co., Ltd.	Facility fund	19,930,402	19,930,402
KDB Capital Co., Ltd.	Facility fund	2,887,407	2,887,407
KB Kookmin Card Co., Ltd.	Facility fund	3,254,611	3,254,611
HANKOOKCAPITAL CO., LTD. and 1 other	Facility fund	9,208,340	9,208,340
		<u>₩ 390,207,020</u>	<u>₩ 379,707,020</u>

¹ The Company has entered into a trust agreement with Korea Development Bank with the future rental receivables and other incidental rights as the trust principal and entered into a contract with AJ

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Networks First Limited Company to pledge the beneficiary rights acquired as collateral. In addition, the Company has agreed to assume an obligation to support funds in the event of shortfalls of funds for AJ Networks First Limited Company (Note 36).

Details of payment guarantees provided by third parties are as follows:

(in thousands of Korean won)

Guarantor	Details	2022	2021
Seoul Guarantee Insurance Co., Ltd.	Performance guarantees and others	₩ 12,542,235	₩ 11,431,776

Payment guarantee provided by the Company to others other than related parties is as follows:

(in thousands of Korean won)

Beneficiary		Guaranteed amount	
		2022	2021
Hiparking Co., Ltd. (former AJ Park Co., Ltd.)	Korea Parking Operation Co., Ltd.	₩ 5,348,894	₩ 7,944,940
Aju E-parking Nonhyeon III Co., Ltd.	Korea Private Concession Fund III	9,030,631	10,465,542
		<u>₩ 14,379,525</u>	<u>₩ 18,410,482</u>

Payment guarantees provided to related parties are disclosed in Note 36.

Assets pledged as collaterals as at December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

	2022		
	Collateral amount	Borrowing amount	Security right holders
Land, Buildings, Machinery and others	₩ 26,700,000	₩ 17,566,667	Shinhan bank
Rental assets ¹	244,079,137	216,418,418	Hana bank and others
Investments in subsidiaries ²	83,596,377	40,000,000	AJU CO., LTD.
Financial assets at fair value through profit or loss	1,718,052	90,000,000	Kodit 2020 the 15th Securitization Specialty Co., Ltd. and the others

(in thousands of Korean won)

	2021		
	Collateral amount	Borrowing amount	Security right holders
Land, Buildings, Machinery and others	₩ 26,700,000	₩ 21,050,000	Shinhan bank
Rental assets ¹	259,228,676	229,240,354	Hana bank and others
Investments in subsidiaries ²	-	-	AJU CO., LTD.
Financial assets at fair value	1,604,309	90,000,000	Kodit 2020 the 15th

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through profit or loss

Securitization Specialty Co.,
 Ltd. and the others

¹ The Company has entered into sales and leaseback contracts of rental assets with some financial institutions, such as IBK Capital, that include conditions for acquisition without considerations after the end of the lease period. The Company recognizes these contracts as collateralized borrowings based on their substance, and the amount secured by collateral for the above rental assets is set at 100% to 130% of balance of borrowings.

² The Company borrowed ₩ 40,000,000 thousand from AJU CO., LTD., and pledged all shares issued by AJ Rental Inc. as collateral for the loan with establishing AJU CO., LTD. as the first priority beneficiary.

Details of the capital supplement agreement entered into by the Company as at December 31, 2022 and 2021, are as follows:

	Guaranteed amount		Borrower
	2022	2021	
Net One Q First Co., Ltd. ¹	₩ -	₩ 6,720,000	AJ Networks First Limited Company

¹ Net One Q First Co., Ltd. is issuing securitized securities with loans to the Company as underlying assets. In the event that Net One Q First Co., Ltd. does not have sufficient funds to fulfill its obligations due to the issuance of the securitized securities, the Company has agreed to lend the shortfall funds to Net One Q First Co., Ltd.

Other than above, the supplementary agreements with related parties are specified in Note 36.

For six parking towers, including Eastern City Tower operated by AJ Park Co., Ltd., a subsidiary that was disposed during 2021, there is an agreement in which the Company assumes contractual obligations such as payment of a rental deposit and payment of rent and management expenses, to the lessor on condition that the lease is terminated before the expiration of the lease period. In this regard, the Company entered into an agreement with the buyer that Humax Mobility Co., Ltd. and HiParking, the buyers of AJ Park Co., Ltd., jointly guarantee the liability under the replacement lease agreement, and the Company will bear only supplementary liability.

Call-option and Drag-along

	Occurrence condition	Remarks
Call-option	The Company exercises the call-option against the RCPS ¹ held by Modu Rental Holdings Co., Ltd. for 5 years from 24 months after the closing date of the transaction	Exercise price: Amount that can achieve IRR 8% of the call-option
Drag-along	If the management performance of Modu Rental Co., Ltd. does not meet the performance target, the qualifying listing period (four years from the closing date of the transaction) has elapsed and	Condition that when an investor exercises an option, [Amount that can achieve IRR 8% of the target] is preferentially

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the target company does not meet the requirements for listing, so IPO is not made and the deadline for qualifying listing has passed

repaid to the investor up to the total proceeds, and the Company distributes an amount that can achieve an IRR of 8% for the acquisition cost of shares up to the remaining amount

¹ As at December 31, 2022, all RCPSs have been converted to ordinary shares, and the call-option is still effective on the ordinary shares.

On December 23, 2019, in accordance with the shareholders' agreement entered into between the AJ Capital Partners Co., Ltd. and Modu Rental Holdings Co., Ltd., AJ Capital Partners Co., Ltd. was granted a call option for all or part of the redeemable convertible preferred share of Modu Rental Co., Ltd. held by Modu Rental Holdings Co., Ltd. In addition, AJ Capital Partners Co., Ltd. has granted a right to request joint sale to Modu Rental Holdings Co., Ltd. if Modu Rental Holdings Co., Ltd. sells its shares of Modu Rental Co., Ltd. On March 31, 2021, as the Company merged with the investment business related to Modu Rental Co., Ltd., of AJ Capital Partners Co., Ltd., the subject of all contracts was transferred to the Company.

Call-option and right to acquire without consideration

	Occurrence condition	Remarks
Call-option	The Company exercises the call-option against the share held by the largest shareholder for 2 years from 3 years after the closing date of the transaction (2018.2.12)	The greater of 14,453 shares of Darae Parktech Co., Ltd. held by the largest shareholder and the number of shares corresponding to 6.0% of the total number of shares issued by Darae Parktech Co., Ltd. at the time of transfer
Right to acquire without consideration	If Darae Parktech Co., Ltd. does not acquire and retire the shares of the entity held by Park in Seoul within 3 years from the closing date of the transaction (2018.2.12) in accordance with the agreement between shareholders.	The greater of 17,915 shares of the entity shares held by the largest shareholder and the number of shares corresponding to 7.5% of the total number of shares issued by Darae Parktech Co., Ltd. at the time of transfer

As at December 31, 2022, the Company holds call-option and right to acquire without consideration on the shares of Darae Parktech Co., Ltd., that other shareholders held.

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Call-option and Put-options

	Occurrence condition	Remarks
Call-option	The Company exercises the call-option against 4,800 share of TS GLOBAL CO. held by Park Sejin for 2 years from 5 years after the closing date of the transaction	Exercise price is adjusted by the difference between the net asset value and profit for the previous fiscal year and the amount specified in the contract on the exercise date.
Put-option	Park Sejin exercises the put-option against the company with 4,800 share of TS GLOBAL CO. for 2 years from 5 years after the closing date of the transaction.	Exercise price is adjusted by the difference between the net asset value and profit for the previous fiscal year and the amount specified in the contract on the exercise date.

Call option and put option were granted to the company and the other shareholder respectively on 4,800 shares of TS Global Co., Ltd. through the shareholders contract signed by the shareholders of TS Global Co., Ltd. on October 6, 2022, and the transaction concluding agreement signed on November 15, 2022.

For these options, the Company has recognized derivative assets of ₩ 3,163 million (2021: ₩ 4,542 million) and derivative liabilities of ₩ 6,972 million (2021: ₩ 5,210 million).

As at December 31, 2022, 32,381 ordinary shares (acquisition cost of ₩ 9.1 billion) of Modu Rental Co., Ltd. among investment in associates held by the Company are provided as collateral to Mirae Asset Daewoo Co., Ltd. and Shinhan Capital Co., Ltd. of ₩ 42 billion (2021: ₩ 42 billion).

As at December 31, 2021, the Company was provided with the Anseong Auction House as collateral for subordinated bonds of AJ Sellcar of ₩ 5 billion acquired by the Company in 2020 (total collateral amount set at ₩ 32 billion, preferentially provided to the senior bonds of ₩ 18 billion).

As at December 31, 2022, the Company has 3 litigation (2021: 4 litigation) in which the Company is a defendant due to affirmation of the non-existence of rental fees, and the outcome of the litigation cannot be reasonably estimated. Total litigation amount is ₩ 1,248 million (2021: ₩ 1,266 million), of which ₩ 1,141 million (2021: ₩ 1,141 million) of impairment on trade receivables and rental assets and others was reflected in the separate financial statements for the year ended December 31, 2022.

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20. Derivative Financial Instruments

As at December 31, 2022, the Company has entered into an interest rate swap with a financial institution to hedge the interest rate risk.

Details of unsettled derivative instruments held by the Company as at December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

Type	Period	2022	2021	Financial institutions
Interest rate swap	2019.02.15~2022.02.15	₩ -	₩ 1,666,667	Hana bank
	2021.01.29~2024.01.29	10,416,667	18,750,000	
	2020.04.28~2023.04.28	3,333,320	13,333,280	Nonghyup bank

Details of derivative financial instrument contracts as at December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

Type	Financial institutions	2022		2021	
		Assets	Liabilities	Assets	Liabilities
Interest rate swap	Hana bank	₩ 176,501	₩ -	₩ 113,643	₩ 2,248
Interest rate swap	Nonghyup bank	18,475	-	15,615	-
Right to acquire without consideration ¹	Darae Parktech Co., Ltd.	615,980	-	-	-
Call-option ¹	Modu Rental	2,547,337	-	4,542,405	-
Drag-along ¹	Holdings Co., Ltd.	-	6,971,882	-	5,210,076
		<u>₩ 3,358,293</u>	<u>₩ 6,971,882</u>	<u>₩ 4,671,663</u>	<u>₩ 5,212,324</u>

For the year ended December 31, 2022, the Company recognized a loss on valuation of ₩ 3,073 million (2021: ₩ 1,938 million) in relation to derivatives.

¹ Refer to Note 19.

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21. Share Capital

As at December 31, 2022, the total number of shares issued, the number of issued shares and the amount per share are 100,000,000 shares, 46,822,295 shares and ₩ 1,000, respectively.

Changes in share capital and reserves for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won and in number of shares)</i>	2022			2021		
	Issued number of share	Share capital	Reserves	Issued number of share	Share capital	Reserves
Beginning balance	46,822,295	₩ 46,822,295	₩ 103,717,306	46,822,295	₩ 46,822,295	₩ 103,725,390
Revaluation surplus	-	-	-	-	-	(8,084)
Ending balance	<u>46,822,295</u>	<u>₩ 46,822,295</u>	<u>₩ 103,717,306</u>	<u>46,822,295</u>	<u>₩ 46,822,295</u>	<u>₩ 103,717,306</u>

22. Capital Adjustment, Other Comprehensive Income and Other Components of Equity

Capital adjustment, other components of equity and other comprehensive income as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Capital adjustment		
Treasury shares	₩ (6,992,178)	₩ (6,992,178)
Other capital adjustment	(26,516,922)	(26,516,922)
	<u>₩ (33,509,100)</u>	<u>₩ (33,509,100)</u>
Other comprehensive income		
Change in financial assets at fair value through other comprehensive income	₩ (1,695,104)	₩ (355,681)
Equity method changes in equity	8,186,432	511,729
	<u>₩ 6,491,328</u>	<u>₩ 156,048</u>
Other components of equity		
Share option	₩ 174,614	₩ 17,883
Others	(2,772,370)	(672,557)
	<u>₩ (2,597,756)</u>	<u>₩ (654,674)</u>

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23. Share-based Payments

Share-based payment arrangements

Share-based payment arrangements granted by the Company as at December 31, 2022, are as follows:

	1st Grant¹	2nd Grant¹
Grant date	March 30, 2021	March 29, 2022
Grant method	Issuance of shares, distributing treasury shares or payment of cash	
Vesting condition and exercisable period	<ul style="list-style-type: none"> - 1st-5th: The options are exercisable if the employees have been completed service for two years after the grant date. The options have a contractual option term of five years at the rate of 20% per annum - In the 5th year, the remaining unexercised options are collectively exercisable - The exercise period is from March 30, 2023 to March 29, 2028 	<ul style="list-style-type: none"> - 1st-2nd: The options are exercisable if the employees have been completed service for one year after the grant date. The options have a contractual option term of two years at the rate of 50% per annum - In the 2nd year, the remaining unexercised options are collectively exercisable - The exercise period is from March 29, 2024 to March 28, 2026
Number of shares to be issued	86,580 shares	287,910 shares
Exercise price	₩ 4,650	₩ 6,180

¹ The Company measured the cost of the share options granted during the years ended December 31, 2022 and 2021, by fair value approach using the binomial option pricing model approach.

Changes in the number of share options outstanding and their related weighted average exercise prices for the years ended December 31, 2022 and 2021, are as follows:

	2022		2021	
	Number of options (in shares)	Average exercise price per share option (in Korean won)	Number of options (in shares)	Average exercise price per share option (in Korean won)
Beginning balance	86,580	₩ 4,650	-	₩ -
Granted	287,910	6,180	187,250	4,650
Exercised	-	-	-	-
Canceled	-	-	(100,670)	(4,650)
Expired	-	-	-	-
Ending balance	<u>374,490</u>	<u>₩ 5,826</u>	<u>86,580</u>	<u>₩ 4,650</u>
Exercisable at the end of the reporting period	-	₩ -	-	₩ -

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Expiry dates and exercise prices of share options outstanding as at December 31, 2022 and 2021, are as follows:

Grant date	Exercisable period	Expiry date	Exercise price per share (in Korean won)	Number of shares (in shares)	
				2022	2021
2021-03-30	2023-03-30	2024-03-29	₩ 4,650	17,316	17,316
2021-03-30	2024-03-30	2025-03-29	4,650	17,316	17,316
2021-03-30	2025-03-30	2026-03-29	4,650	17,316	17,316
2021-03-30	2026-03-30	2027-03-29	4,650	17,316	17,316
2021-03-30	2027-03-30	2028-03-29	4,650	17,316	17,316
2022-03-29	2024-03-29	2025-03-28	6,180	143,955	-
2022-03-29	2025-03-29	2026-03-28	6,180	143,955	-
				374,490	86,580

Weighted average remaining period of share options outstanding at the end of the reporting period

	2.9	4.2
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The Company measured the cost of the share options granted during the year ended December 31, 2022 and 2021, by fair value using the binomial model approach. The related assumptions and variables to measure the cost of the share options granted are as follows:

(in Korean won)	2022 (2nd Grant)		2021 (1st Grant)	
Weighted average fair value of share options granted during the year	₩	1,133.92	₩	735.95
Weighted average share price at grant date	₩	6,180	₩	4,435
Price volatility		30.6%		31.1%
Dividend yield		4.37%		4.74%
Risk-free interest rate		2.95%		1.78%

Share-based payments recognized as expenses for the year ended December 31, 2022, amount to ₩ 156 million (2021: ₩ 18 million). All expenses are related to equity-settled share-based payments.

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24. Retained Earnings

Retained earnings as at December 31, 2022 and 2021, consist of:

<i>(in thousands of Korean won)</i>	2022	2021
Legal reserves ¹	₩ 6,421,514	₩ 5,212,783
Reserve for business rationalization ²	1,173,040	1,173,040
Retained earnings before appropriation	<u>235,140,907</u>	<u>249,870,641</u>
	<u>₩ 242,735,461</u>	<u>₩ 256,256,464</u>

¹ The Commercial Code of the Republic of Korea requires the Parent Company to appropriate for each financial period, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued share capital. The reserve is not available for cash dividends payment, but may be transferred to share capital or used to reduce accumulated deficit. When the accumulated legal reserves (the sum of capital reserves and earned profit reserves) are greater than 1.5 times the paid-in capital amount, the excess legal reserves may be distributed (in accordance with a resolution of the shareholders' meeting).

² The Company recorded tax credits from the Tax Reduction and Exemption Control Act as a business rationalization reserve until 2002. The reserve can only be used as a reserve for loss carry forwards or transfer to ordinary shares. However, on December 11, 2002, with amended Tax Reduction and Exemption Control Act, the related clause was removed, and the business rationalization reserves were changed to discretionary reserves.

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The appropriation of retained earnings for the year ended December 31, 2022, is expected to be appropriated at the shareholders' meeting on March 29, 2023. The appropriation date for the year ended December 31, 2021, was March 29, 2022.

The appropriation of retained earnings for the years ended December 31, 2022 and 2021, is as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Unappropriated retained earnings carried over from prior year	₩ 236,574,600	₩ 175,574,606
Share of other comprehensive income of associates and others ¹	-	232,783
Profit (loss) for the year	<u>(1,433,692)</u>	<u>74,063,252</u>
Retained earnings available for appropriation	<u>235,140,907</u>	<u>249,870,641</u>
Appropriation of retained earnings		
Cash dividends (Dividends (ratio) per share:		
Ordinary share: ₩ 270 (27%) in 2022,		
Ordinary share: ₩ 270 (27%) in 2021,	12,087,310	12,087,310
Earned profit reserves	<u>1,208,731</u>	<u>1,208,731</u>
	<u>13,296,041</u>	<u>13,296,041</u>
Unappropriated retained earnings to be carried forward	<u>₩ 221,844,866</u>	<u>₩ 236,574,600</u>

¹ Transfer of share of other comprehensive income(loss) of subsidiaries and associates due to discontinuation of the equity method and disposal of subsidiaries of approximately amounted to ₩ 162 million, transfer of gain or loss on disposal of financial assets at fair value through other comprehensive income of approximately amounted to ₩ 63 million and transfer of revaluation reserves of approximately amounted to ₩ 8 million.

Details of calculations of dividends for the years ended December 31, 2022 and 2021, are as follows: (dividend date: December 31, 2022 and 2021)

<i>(in thousands of Korean won)</i>	2022	2021
Ordinary shares		
Numbers of share for dividend (<i>in shares</i>)	44,767,816	44,767,816
Dividend rate (based on par value)	27%	27%
Dividend amount	₩ 12,087,310	₩ 12,087,310

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25. Earnings (Losses) per Share

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

<i>(in Korean won)</i>	2022	2021
Profit (loss) for the year	₩ (1,433,692,488)	₩ 74,063,252,281
Weighted average number of ordinary shares outstanding ¹ <i>(in shares)</i>	<u>44,767,816</u>	<u>44,994,826</u>
Basic earnings (losses) per share	<u>₩ (32)</u>	<u>₩ 1,646</u>

¹ Weighted average number of ordinary shares outstanding for the years ended December 31, 2022 and 2021, are as follows:

<i>(in shares and thousands of Korean won)</i>	Date	Number of ordinary shares outstanding	Number of days	Weighted average
2022				
Beginning balance	Carried over from prior year	<u>44,767,816</u>	365	₩ 16,340,252,840
Total		<u>44,767,816</u>		₩ 16,340,252,840
÷				<u>365</u>
Weighted average number of shares				<u>₩ 44,767,816</u>
2021				
Beginning balance	Carried over from prior year	45,537,436	365	₩ 16,621,164,140
Acquisition of treasury shares	Acquisition during the year	(769,620)	257	(198,052,585)
Total		<u>44,767,816</u>		₩ 16,423,111,555
÷				<u>365</u>
Weighted average number of shares				<u>₩ 44,994,826</u>

As the Company issued the share options with no dilutive effect, basic earnings per share is identical to diluted earnings per share. As at December 31, 2022, the number of potential ordinary shares without dilutive effect is 374,490 shares (2021: 86,580 shares).

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26. Selling and Administrative Expenses

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

<i>(in thousands of Korean won)</i>	2022	2021
Salaries	₩ 37,253,259	₩ 27,190,192
Retirement benefits	2,736,870	2,469,807
Other employee benefits	6,095,983	5,247,390
Service fees	998,306	369,350
Communications	375,191	332,800
Entertainment expense	1,757,633	1,804,386
Rent expense	10,197	1,229
Depreciation	4,150,468	4,127,869
Commissions and fees	12,947,788	12,386,602
Maintenance fee for vehicles	1,306,104	1,086,057
Advertisement	618,813	592,285
Amortization	594,153	569,524
Impairment loss	2,707,060	7,454,785
Others	2,033,763	1,944,804
	<u>₩ 73,585,588</u>	<u>₩ 65,577,080</u>

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27. Finance Income and Costs

Finance income and costs for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Finance income		
Interest income	₩ 2,053,131	₩ 1,519,153
Dividend income	758,905	282,007
Gain on foreign currency transaction	809,314	834,809
Gain on foreign currency translation	2,485,192	526,075
Financial guarantee income	546,327	542,556
Gain on valuation of financial assets at fair value through profit or loss	358,007	1,351,689
Gain on valuation of derivatives	683,945	346,696
	<u>₩ 7,694,821</u>	<u>₩ 5,402,985</u>
Finance costs		
Interest expenses	₩ 34,129,606	₩ 28,991,299
Loss on foreign currency transaction	536,202	118,413
Loss on foreign currency translation	67,416	12,668
Loss on valuation of derivatives	3,756,874	2,285,289
Financial guarantee expense	14,628,491	-
Loss on disposal of financial assets at fair value through profit or loss	5,886	3,465
Loss on valuation of financial assets at fair value through profit or loss	3,160,518	1,399,656
	<u>₩ 56,284,993</u>	<u>₩ 32,810,790</u>

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28. Other Income and Expenses

Other income and expenses for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Other income		
Gain on disposal of property, plant and equipment	₩ 37,908	₩ 15,784
Miscellaneous gain	1,937,870	1,169,449
Reversal of provision for restoration	-	10,584
Gain on disposal of intangible assets	-	1,450
Commission revenue	-	2,463
Gain on cancellation of right-of-use assets	1,039	8,987
Gain on disposal of investments in subsidiaries	-	6,833,855
Gain on disposal of investments in associates	487,518	2,386,611
	<u>₩ 2,464,335</u>	<u>₩ 10,429,183</u>
Other expenses		
Loss on disposal of property, plant and equipment	₩ 39,772	₩ 57,394
Loss on disposal of intangible assets	-	5,186
Other impairment loss	8,870,509	-
Donations	346,805	209,987
Miscellaneous loss	313,880	493,872
Impairment loss on property, plant and equipment	133	214
Loss on cancellation of right-of-use assets	-	358,250
Impairment loss on intangible assets	177,083	-
Loss on disposal of investments in associates	-	3,776
Impairment loss on equity method	4,288,404	-
Loss on disposal of investments in subsidiaries	-	783,632
	<u>₩ 14,036,586</u>	<u>₩ 1,912,311</u>

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29. Gain or Loss on Investments in Subsidiaries and Associates

Gain or loss on investments in subsidiaries and associates for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Share of profit of subsidiaries and associates	₩ 6,932,847	₩ 50,722,918
Share of loss of subsidiaries and associates	19,796,979	14,682,145
	<u>₩ (12,864,132)</u>	<u>₩ 36,040,773</u>

30. Income Tax Expense

Income tax expense for the years ended December 31, 2022 and 2021, consists of:

<i>(in thousands of Korean won)</i>	2022	2021
Current tax expense	₩ 13,183,717	₩ 1,562,486
Origination and reversal of temporary differences	(11,749,515)	13,474,825
Income tax expense directly reflected in capital	90,623	(5,743)
Additional income taxes	358,645	583,870
Income taxes refunds	-	-
Income tax expense	<u>₩ 1,883,470</u>	<u>₩ 15,615,438</u>

Reconciliation between profit before income tax and income tax expense for the years ended December 31, 2022 and 2021, is as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Profit before income tax expense	₩ 449,777	₩ 89,678,691
Tax at tax rates applicable to profits	74,203	21,240,243
Tax effects of:		
Non-deductible expense	2,100,376	5,900,253
Non-taxable income	(4,069,997)	(5,213,084)
Tax credits	79,715	79,032
Effect of unrecognized deferred income tax assets and others	7,270,797	(8,697,211)
Others	(3,571,625)	2,306,206
Income tax expense	<u>₩ 1,883,469</u>	<u>₩ 15,615,439</u>
Effective tax rate	418.76%	17.41%

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The aggregate current and deferred tax relating to items that are charged or credited directly to equity for the years ended December 31, 2022 and 2021, is as follows:

<i>(in thousands of Korean won)</i>	2022			2021		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	₩ (1,725,882)	₩ 386,458	₩ (1,339,424)	₩ 828,395	₩ (182,247)	₩ 646,148
Share of other comprehensive of associates	7,970,539	(295,836)	7,674,703	10,691,262	176,504	10,867,766
	₩ 6,244,657	₩ 90,622	₩ 6,335,279	₩ 11,519,657	₩ (5,743)	₩ 11,513,914

Major accumulated temporary differences and movements in deferred tax assets and liabilities for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022				
	Accumulated temporary differences			Deferred tax assets (liabilities)	
	Beginning balance	Increase (decrease)	Ending balance	Beginning balance	Ending balance
Investments accounted for using equity method	₩ (6,491,027)	₩ 25,116,987	₩ 18,625,960	₩ (1,428,026)	₩ 4,277,232
Gain on valuation of financial assets at fair value through other comprehensive income	(805,871)	1,725,882	920,011	(177,292)	206,008
Rental assets	14,748,881	(1,564,553)	13,184,328	3,244,754	2,952,226
Dividend income	6,317,313	1,542,000	7,859,313	1,389,809	1,759,852
Provision for land revaluation	(30,385,459)	-	(30,385,459)	(6,684,801)	(6,803,893)
Undefined expenses	5,513,743	5,138,180	10,651,923	1,213,024	2,385,172
Provisions for impairment	12,373,698	8,993,977	21,367,675	2,722,214	4,784,636
Derivative financial liabilities	854,662	1,759,558	2,614,220	188,026	585,375
Derivative financial assets	1,303,616	1,313,370	2,616,986	286,796	585,994
Interest income (tax investigations)	264,381	-	264,381	58,164	59,200
Special taxation for partnership firm	491,011	(464,626)	26,385	108,022	5,908
Loss on obsolescence of inventories	9,559,682	(1,279,069)	8,280,613	2,103,130	1,854,190
Financial assets at fair value through profit or loss	4,147,484	2,544,267	6,691,751	912,446	1,498,413
Financial guarantee	(122,777)	14,202,178	14,079,401	(27,011)	3,152,650
Treasury shares	2,486,259	-	2,486,259	546,977	556,722
Others	(22,034,147)	25,469,960	3,435,813	(4,847,513)	769,345

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	<u>₩ (1,778,551)</u>	<u>₩ 84,498,111</u>	<u>₩ 82,719,560</u>	<u>(391,281)</u>	<u>18,629,030</u>
Effect of exclusion of deferred tax recognition				<u>(1,246,598)</u>	<u>6,024,198</u>
Recognition of deferred tax assets (liabilities)				<u>₩ 855,317</u>	<u>₩ 12,604,832</u>

(in thousands of
Korean won)

	2021				
	Accumulated temporary differences			Deferred tax assets (liabilities)	
	Beginning balance	Increase (decrease)	Ending balance	Beginning balance	Ending balance
Investments accounted for using equity method	₩ 46,097,968	₩ (52,588,995)	₩ (6,491,027)	₩ 9,806,733	₩ (1,428,026)
Loss on valuation of financial assets at fair value through other comprehensive income	65,142	(871,013)	(805,871)	13,858	(177,292)
Rental assets	15,458,012	(709,131)	14,748,881	3,288,487	3,244,754
Dividend income	-	6,317,313	6,317,313	-	1,389,809
Provision for land revaluation	(30,385,459)	-	(30,385,459)	(6,464,104)	(6,684,801)
Undefined expenses	8,979,507	(3,465,764)	5,513,743	1,910,271	1,213,024
Provisions for impairment	7,733,372	4,640,326	12,373,698	1,645,173	2,722,214
Derivative financial liabilities	47,140,580	(46,285,918)	854,662	10,028,535	188,026
Derivative financial assets	(143,010)	1,446,626	1,303,616	(30,423)	286,796
Interest income	264,381	-	264,381	56,244	58,164
Special taxation for partnership firm	-	491,011	491,011	-	108,022
Loss on obsolescence of inventories	-	9,559,682	9,559,682	-	2,103,130
Financial assets at fair value through profit or loss	5,822,612	(1,675,128)	4,147,484	1,238,684	912,446
Financial guarantee	(103,367)	(19,410)	(122,777)	(21,990)	(27,011)
Treasury shares	-	2,486,259	2,486,259	-	546,977
Others	1,453,856	(23,488,003)	(22,034,147)	309,288	(4,847,513)
	<u>₩ 102,383,594</u>	<u>₩ (104,162,145)</u>	<u>₩ (1,778,551)</u>	<u>21,780,756</u>	<u>(391,281)</u>
Effect of exclusion of deferred tax recognition				<u>7,450,614</u>	<u>(1,246,598)</u>
Recognition of deferred tax assets (liabilities)				<u>₩ 14,330,142</u>	<u>₩ 855,317</u>

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Details of unrecognized deductible (taxable) temporary differences as deferred tax assets (liabilities) as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Investments accounted for using equity method and others ¹	₩ 27,060,676	₩ (5,870,824)
Payment guarantee commission ¹	6,059	6,059
Temporary reserves of overseas local entities ¹	20,567	20,567
Interest income ¹	264,381	264,381
Deemed acquisition tax ¹	100,834	36,239
Financial guarantee ²	(549,090)	(122,777)
	<u>₩ 26,903,427</u>	<u>₩ (5,666,355)</u>

¹ The Company does not recognize any deferred tax assets (liabilities), because the Company is able to control the timing of the reversal of taxable temporary differences on subsidiaries, and it is probable that the temporary difference will not reverse in the foreseeable future.

² As an undetermined asset related to the payment guarantee of affiliates, there will be no tax effect in the future, therefore, any deferred tax was not recognized.

The analysis of deferred tax assets and liabilities as at December 31, 2022 and 2021, is as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	₩ 17,097,682	₩ 13,154,472
Deferred tax asset to be recovered within 12 months	11,262,970	7,188,479
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	(14,082,027)	(17,697,593)
Deferred tax liability to be recovered within 12 months	(1,673,793)	(1,790,042)
Deferred tax assets, net	<u>₩ 12,604,832</u>	<u>₩ 855,316</u>

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31. Breakdown of Expenses by Nature

Details of expenses by nature (operating expenses in separate statements of comprehensive income) for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Good issued and use of stored goods, and others	₩ 195,989,410	₩ 134,628,561
Salaries	37,253,259	27,191,370
Post-employment benefits	2,736,870	2,469,807
Other employee benefits	6,095,983	5,247,390
Rent expenses	1,990,553	1,362,637
Depreciation	139,844,955	135,054,041
Amortization	753,059	1,065,717
Commissions and fees	102,153,594	82,676,318
Vehicle maintenance expenses	3,338,448	2,840,757
Advertisement expenses	618,813	592,285
Impairment loss	2,707,060	7,454,785
Freight expenses	6,461,391	5,908,674
Impairment loss on rental assets	637,183	5,475,003
Other expenses	17,877,091	17,082,794
	<u>₩ 518,457,669</u>	<u>₩ 429,050,139</u>

32. Cash Generated from Operations

Cash generated from operation for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Profit (loss) for the year	₩ (1,433,692)	₩ 74,063,252
Adjustments for:		
Share of loss of subsidiaries and associates	19,796,979	14,682,145
Depreciation	139,844,955	135,054,041
Amortization	753,059	1,065,717
Impairment loss	2,707,060	7,454,785
Loss on valuation of inventories	508,791	114,523
Interest expenses	34,129,606	28,991,299
Loss on valuation of financial assets at fair value through profit or loss	3,160,518	1,399,656
Loss on disposal of financial assets at fair value through profit or loss	5,886	3,465
Other impairment loss	8,870,509	-
Loss on valuation of derivatives	3,756,874	2,285,289

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<i>(in thousands of Korean won)</i>	2022	2021
Income tax expenses	1,883,469	15,615,439
Gain on valuation of financial assets at fair value through profit or loss	(358,007)	(1,351,689)
Share of profit of subsidiaries and associates	(6,932,847)	(50,722,918)
Interest income	(2,053,131)	(1,519,153)
Dividend income	(758,905)	(282,007)
Gain on valuation of derivatives	(683,945)	(346,696)
Gain on disposal of non-current assets held for sale	-	(16,055,273)
Gain on disposal of investments in subsidiaries	-	(6,833,855)
Gain on disposal of investments in associates	(487,518)	(2,386,611)
Impairment loss on rental assets	637,183	5,475,003
Financial guarantee expense	14,628,491	-
Gain on foreign currency translation	(2,485,192)	(526,075)
Others	4,571,539	709,393
	<u>221,495,373</u>	<u>132,826,478</u>
Change in operating assets and liabilities:		
Increase in trade receivables	(11,663,989)	(6,264,302)
Increase in other financial assets	(5,536,775)	(8,221,920)
Decrease (increase) in other assets	14,798,874	(174,016)
Increase in rental assets	(225,233,092)	(208,274,440)
Decrease in inventories	7,123,732	29,646,317
Increase in trade payables	12,210,137	4,217,681
Increase in other financial liabilities	8,466,240	772,272
Increase in other liabilities	2,359,776	136,562
	<u>(197,475,097)</u>	<u>(188,161,846)</u>
Cash generated from operations	₩ 22,586,585	₩ 18,727,884

Significant non-cash for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Transfer of long-term borrowings to current portion of borrowings	₩ 222,292,083	₩ 144,147,523
Transfer of debentures to current portion of debentures	230,556,882	142,000,000
Non-trade payables related to acquisition of property, plant and equipment	179,404	15,189
Non-trade payables related to acquisition of intangible assets	-	45,000
Debt-to-equity swap of loans to subsidiaries	6,500,000	2,000,000
Contribution in kind of subsidiaries	-	12,696,065
Reclassification of non-current assets held for sale	-	31,982,612

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<i>(in thousands of Korean won)</i>	2022	2021
Transfer of long-term loans to current portion of loans	10,772,050	4,742,000
Transfer of lease liabilities to current portion of lease liabilities	8,787,336	7,725,728
New increase in lease liabilities and right-of-use assets (investment properties)	10,285,896	7,671,630
Non-trade payables related to acquisition of investments in subsidiaries	1,711,242	-

Changes in liabilities arising from financial activities for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022			
	Beginning balance	Cash flows	Non-cash effects	Ending balance
Borrowings	₩ 379,337,064	₩ 171,916,778	₩ (860,967)	₩ 550,392,875
Debentures	339,593,114	(44,006,685)	418,188	296,004,617
Lease liabilities	34,119,119	(7,579,876)	10,220,563	36,759,806
	<u>₩ 753,049,297</u>	<u>₩ 120,330,217</u>	<u>₩ 9,777,784</u>	<u>₩ 883,157,298</u>

<i>(in thousands of Korean won)</i>	2021			
	Beginning balance	Cash flows	Non-cash effects	Ending balance
Borrowings	₩ 461,783,265	₩ (54,517,410)	₩ (27,928,790)	₩ 379,337,065
Debentures	348,347,486	(9,309,789)	555,418	339,593,115
Lease liabilities	34,027,948	(7,062,139)	7,153,309	34,119,118
	<u>₩ 844,158,699</u>	<u>₩ (70,889,338)</u>	<u>₩ (20,220,063)</u>	<u>₩ 753,049,298</u>

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33. Operating Revenue

Operating revenue for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022		2021	
Rental revenue	₩	382,263,300	₩	346,797,066
Revenue from sale of goods		189,707,520		123,731,309
Others		19,963,178		14,995,341
	₩	<u>591,933,998</u>	₩	<u>485,523,716</u>

The Company has recognized the following amounts relating to revenue in the statements of comprehensive income for the years ended December 31, 2022 and 2021:

<i>(in thousands of Korean won)</i>	2022		
	Lease components	Revenue from contracts with customers	Total
Over time			
Rental revenue	₩ 349,681,658	₩ 32,581,642	₩ 382,263,300
At a point in time			
Revenue from sale of goods	-	189,707,520	189,707,520
Others	-	19,963,178	19,963,178
	₩ 349,681,658	₩ 242,252,340	₩ 591,933,998

<i>(in thousands of Korean won)</i>	2021		
	Lease components	Revenue from contracts with customers	Total
Over time			
Rental revenue	₩ 320,631,510	₩ 26,165,556	₩ 346,797,066
At a point in time			
Revenue from sale of goods	-	123,731,309	123,731,309
Others	-	14,995,341	14,995,341
	₩ 320,631,510	₩ 164,892,206	₩ 485,523,716

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34. Financial Risk Management

The Company's activities are exposed to a variety of financial risks: market risk (comprised of foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company monitors and manages the financial risk arising from the Company's underlying operations in accordance with the risk management policies and programs.

Risk management is carried out under policies approved by the Board of Directors. The Board reviews and approves written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

Credit risk is borne by not only the credit risk arisen by customers with receivables and firm contracts but cash and cash equivalent, financial derivatives, financial institution deposit and financial guarantee liabilities. For customers, credit risk is assessed by considering customer's financial condition, past experience and other factors.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. To maintain adequate sources of liquidity, the Company manages liquidity risk by analyzing and adjusting expected cash outflows periodically.

(c) Market risk

Market risk is the risk of fluctuations in fair value of financial instrument and future cash flow by changes of market price. The purpose for managing market price is to optimize profits, while manage and control on exposure to market risk within acceptable limits.

a) Foreign exchange risk

The major currencies are denominated in dollars, yuan, yen and zloty, and the Company has established a policy to manage foreign exchange risk on functional currency.

b) Interest rate risk

The Company is exposed to interest rate. The risk is composed of the changes in amount of accounts including finance assets and liabilities, and changes in interest income (expense) from investment and borrowings. The interest rate risk is borne by the interest-bearing liabilities and assets, such as debentures or loan. The purpose of the Company's interest rate risk management is to mitigate the interest rate risk and minimize the net interest expense, further to optimize the enterprise value.

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c) Price risk

The Company's activities are exposed to price risk related to marketable securities by changes of market price. Stocks held by the Company are traded in public market.

(d) *Management of capital risk*

The objectives of the Company's capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. As for this to be maintained, the Company uses debt ratio as indicator of capital management. Net debts are the amount obtained by subtracting cash and cash equivalents from total borrowings (including short-term and long-term borrowings in the statement of financial position) and total capital consists with net debts and capital.

35. Risk Management of Financial Instruments

(a) *Credit risk*

a) Exposure to credit and counterparty risk

The carrying amount of financial assets means maximum exposure in respect of credit and counterparty risk. The maximum exposure as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won, in VND)</i>	2022		2021	
Cash and cash equivalents	₩	99,647,783	₩	15,573,060
Trade receivables		62,887,129		54,073,698
Financial assets at fair value through profit or loss (current)		3,848,587		3,213,923
Financial assets at fair value through profit or loss (non-current)		549,723		1,604,309
Other current financial assets		40,280,492		22,698,150
Other non-current financial assets		30,131,450		26,053,063
Derivative financial assets (current)		18,475		-
Derivative financial assets (non-current)		176,501		129,259
Financial guarantee contracts ¹		41,158,015		75,844,068
	VND	739,660,955,544	VND	763,502,821,573

¹ This amount represents the total amount that payments can be made in the future due to the financial guarantee contract.

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b) Impairment loss

The loss allowance as at December 31, 2022 and 2021, was determined as follows for trade receivables:

<i>(in thousands of Korean won)</i>	Current	More than 3 months past due	More than 6 months past due	More than 1 year past due	Total
December 31, 2022					
Expected loss rate	0.46%	19.08%	78.64%	100.00%	
Gross carrying amount – trade receivables	₩ 61,831,709	₩ 1,149,856	₩ 1,930,802	₩ 9,093,132	₩ 74,005,499
Loss allowance provision	287,468	219,406	1,518,364	9,093,132	11,118,370
December 31, 2021					
Expected loss rate	0.29%	14.10%	82.09%	100.00%	
Gross carrying amount – trade receivables	₩ 52,841,637	₩ 1,312,591	₩ 1,429,520	₩ 7,676,241	₩ 63,259,989
Loss allowance provision	151,547	185,075	1,173,427	7,676,241	9,186,290

Movements in the loss allowance provision for trade receivables for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Beginning balance	₩ 9,186,289	₩ 2,764,983
Impairment loss	2,653,669	7,395,262
Write-off	(721,588)	(973,956)
Ending balance	₩ 11,118,370	₩ 9,186,289

Impairment loss and reversal of provisions for impaired receivables are included in selling and administrative expenses in the separate statement of comprehensive income.

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(b) Liquidity risk

Aggregate maturities of the Company's financial liabilities, including estimated interest, as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won and in VND)</i>	2022			
	Within 1 year	1~2 years	Over 2 years	Total
Trade payables	₩ 42,857,597	₩ -	₩ -	₩ 42,857,597
Long and short-term borrowings	434,921,619	97,157,969	43,253,483	575,333,071
Debentures	239,605,333	37,327,682	31,379,671	308,312,686
Other financial liabilities	36,396,689	1,859,033	690,346	38,946,068
Financial guarantee contracts ¹	41,158,015	-	-	41,158,015
	VND 739,660,955,544	-	-	VND 739,660,955,544

¹ This amount represents the total amount that payments can be made in the future due to the financial guarantee contract, and the maximum amount of guarantee is allocated to earliest period in which the Company can be required to make payments.

Disclosed in Note 11 related to lease liabilities.

<i>(in thousands of Korean won And in VND)</i>	2021			
	Within 1 year	1~2 years	Over 2 years	Total
Trade payables	₩ 31,243,339	₩ -	₩ -	₩ 31,243,339
Long and short-term borrowings	197,597,774	141,567,410	57,196,073	396,361,257
Debentures	150,430,557	170,877,305	30,154,494	351,462,356
Other financial liabilities	25,689,192	1,498,013	1,330,527	28,517,732
Financial guarantee contracts ¹	75,844,068	-	-	75,844,068
	VND 763,502,821,573	-	-	VND 763,502,821,573

¹ This amount represents the total amount that payments can be made in the future due to the financial guarantee contract, and the maximum amount of guarantee is allocated to earliest period in which the Company can be required to make payments.

Disclosed in Note 11 related to lease liabilities.

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(c) Foreign exchange risk

If currency changes by 1% with all other variables held constant, profit after income taxes and equity would have been affected as at December 31, 2022 and 2021, as follows:

<i>(in thousands of Korean won)</i>	2022		2021	
	Increase	Decrease	Increase	Decrease
USD/won	₩ 29,408	₩ (29,408)	₩ 36,741	₩ (36,741)
CNY/won	(37,493)	37,493	-	-
JPY/won	3,556	(3,556)	3,968	(3,968)
PLN/won	41,294	(41,294)	-	-

(d) Interest rate risk

If interest rate changes by 100bp with all other variables held constant, profit after income taxes and equity would have been affected as at December 31, 2022 and 2021, as follows:

<i>(in thousands of Korean won)</i>	2022		2021	
	100bp increase	100bp decrease	100bp increase	100bp decrease
Interest expenses	₩ (3,502,340)	₩ 3,502,340	₩ (1,735,500)	₩ 1,735,500
Interest income	-	-	-	-

(e) Capital risk

Debt to equity percentage as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Total borrowings	₩ 883,157,298	₩ 753,049,297
Less: cash and cash equivalents	99,647,783	15,573,060
Net liabilities(a)	783,509,515	737,476,237
Equity	363,659,534	372,788,340
Total capital(b)	₩ 1,147,169,049	₩ 1,110,264,577
Equity ratio(a/b)	68.30%	66.42%

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(f) Fair value

a) Fair value and carrying amount

Details of fair value and carrying amount of financial assets and liabilities by category as at December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)	2022					
	Carrying amount					Fair value
	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Financial guarantee liabilities	Total	
Financial assets						
measured at fair value						
Financial assets at fair value through other comprehensive income	₩ -	₩ 4,122,983	₩ -	₩ -	₩ 4,122,983	₩ 4,122,983
Financial assets at fair value through profit or loss (current)	3,848,587	-	-	-	3,848,587	3,848,587
Financial assets at fair value through profit or loss	21,828,607	-	-	-	21,828,607	21,828,607
Derivative financial assets (other financial assets)	3,358,293	-	-	-	3,358,293	3,358,293
	<u>₩ 29,035,487</u>	<u>₩ 4,122,983</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 33,158,470</u>	<u>₩ 33,158,470</u>
Financial liabilities						
measured at fair value						
Derivative financial liabilities (other financial liabilities)	₩ 6,971,882	₩ -	₩ -	₩ -	₩ 6,971,882	₩ 6,971,882
Financial assets not measured at fair value						
Cash and cash equivalents	₩ -	₩ -	₩ 99,647,783	₩ -	₩ 99,647,783	1
Trade receivables	-	-	62,887,129	-	62,887,129	1
Other current financial assets (except for derivatives)	-	-	32,366,156	-	32,366,156	1
Other non-current financial assets (except for derivatives)	-	-	16,453,549	-	16,453,549	1
	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 211,354,617</u>	<u>₩ -</u>	<u>₩ 211,354,617</u>	
Financial liabilities not measured at fair value						
Trade payables	₩ -	₩ -	₩ 42,857,597	₩ -	₩ 42,857,597	1
Borrowings	-	-	550,392,875	-	550,392,875	₩ 543,395,398
Debentures	-	-	296,004,617	-	296,004,617	294,873,422
Other current financial	-	-	37,817,733	-	37,817,733	1

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	2022					Fair value
	Carrying amount					
	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Financial guarantee liabilities	Total	
liabilities (except for derivatives and financial guarantee liabilities)						
Other non-current financial liabilities (except for financial guarantee liabilities)	-	-	2,774,792	\	2,774,792	1
Financial guarantee liabilities	-	-	-	15,412,737	15,412,737	1
	₩ -	₩ -	₩ 929,847,614	₩ 15,412,737	₩ 945,260,351	

¹ The financial instruments whose carrying amount is a reasonable approximation of fair value are excluded from the fair value disclosures.

	2021					Fair value
	Carrying amount					
	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Financial guarantee liabilities	Total	
Financial assets measured at fair value						
Financial assets at fair value through other comprehensive income	₩ -	₩ 5,848,865	₩ -	₩ -	₩ 5,848,865	₩ 5,848,865
Financial assets at fair value through profit or loss (current)	3,213,923	-	-	-	3,213,923	3,213,923
Financial assets at fair value through profit or loss	20,939,288	-	-	-	20,939,288	20,939,288
Derivative financial assets (other financial assets)	4,671,664	-	-	-	4,671,664	4,671,664
	₩ 28,824,875	₩ 5,848,865	₩ -	₩ -	₩ 34,673,740	₩ 34,673,740
Financial assets not measured at fair value						
Cash and cash equivalents	₩ -	₩ -	₩ 15,573,060	₩ -	₩ 15,573,060	1
Trade receivables	-	-	54,073,698	-	54,073,698	1
Other current financial assets	-	-	22,698,150	-	22,698,150	1
Other non-current financial assets (except	-	-	26,053,063	-	26,053,063	1

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(in thousands of
Korean won)

	2021					
	Carrying amount					
	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Financial guarantee liabilities	Total	Fair value
for derivatives)	₩ -	₩ -	₩ 118,397,971	₩ -	₩ 118,397,971	
Financial liabilities measured at fair value						
Derivative financial liabilities (other financial liabilities)	₩ 5,212,324	₩ -	₩ -	₩ -	₩ 5,212,324	₩ 5,212,324
Financial liabilities not measured at fair value						
Trade payables	₩ -	₩ -	₩ 31,243,339	₩ -	₩ 31,243,339	1
Borrowings	-	-	379,337,064	-	379,337,064	380,310,442
Debentures	-	-	339,593,114	-	339,593,114	339,762,037
Other current financial liabilities (except for derivatives and financial guarantee liabilities)	-	-	25,686,944	-	25,686,944	1
Other non-current financial liabilities (except for derivatives and financial guarantee liabilities)	-	-	2,828,541	-	2,828,541	1
Financial guarantee liabilities	-	-	-	1,516,131	1,516,131	1
	₩ -	₩ -	₩ 778,689,002	₩ 1,516,131	₩ 780,205,133	

¹ The financial instruments whose carrying amount is a reasonable approximation of fair value are excluded from the fair value disclosures.

b) Fair value hierarchy

Fair value measurement classified by fair value hierarchy as at December 31, 2022 and 2021, are as follows:

	2022			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	₩ -	₩ -	₩ 25,677,194	₩ 25,677,194
Financial assets at fair value through other comprehensive income	3,244,488	-	878,496	4,122,984
Derivative financial assets	-	194,976	3,163,317	3,358,293
Derivative financial liabilities	-	-	6,971,882	6,971,882

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There are no material transfers between levels 1, 2 and 3.

(in thousands of Korean won)

	2021			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	₩ -	₩ -	₩ 24,153,211	₩ 24,153,211
Financial assets at fair value through other comprehensive income	4,970,370	-	878,496	5,848,866
Derivative financial assets	-	129,259	4,542,405	4,671,664
Derivative financial liabilities	-	2,248	5,210,076	5,212,324

There are no significant transfers between levels 1, 2 and 3.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The valuation techniques and the unobservable inputs used in measuring Level 2 fair values as at December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

	2022	2021	Valuation techniques	Inputs	Range of key inputs
Derivative financial assets	₩ 194,976	₩ 129,259	DCF model ¹	Discount rate ²	4.05%~4.08%
Derivative financial liabilities	-	2,248			

¹ The fair value of the interest rate swap is calculated as the present value of future cash flows estimated by observable yield curves.

² The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread.

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The valuation techniques and the unobservable inputs used in measuring Level 3 fair values as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	Fair value		Valuation techniques	Inputs	Range of key inputs
	2022	2021			
Financial assets at fair value through profit or loss	₩ 25,677,194	₩ 24,153,211	Net asset value method, DCF model and others	Weight average cost of capital	12.88%
Financial assets at fair value through other comprehensive income	878,496	878,496		Net asset value	-
Derivative financial assets	3,163,317	4,542,405	Binominal model	Weight average cost of capital	12.88%~13.00%
Derivative financial liabilities	6,971,882	5,210,076		Weight average cost of capital	12.88%

Changes in level 3 for recurring fair value measurements for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022			
	Financial assets			Financial liabilities
	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Derivatives	Derivatives
Beginning balance	₩ 878,496	₩ 24,153,211	₩ 4,542,405	₩ 5,210,076
Total profit or loss				
Amount recognized in profit or loss	-	(2,802,511)	(1,379,088)	1,761,806
Amount recognized in other comprehensive income	-	-	-	-
Purchases	-	4,700,027	-	-
Sales	-	(436,203)	-	-
Others	-	62,670	-	-
Transfer into level 3	-	-	-	-
Transfer out of level 3	-	-	-	-
Ending balance	₩ 878,496	₩ 25,677,194	₩ 3,163,317	₩ 6,971,882

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(in thousands of Korean won)

	2021			
	Financial assets			Financial liabilities
	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Derivatives	Derivatives
Beginning balance	₩ 773,037	₩ 4,276,982	₩ -	₩ -
Total profit or loss				
Amount recognized in profit or loss	-	(47,966)	(1,432,875)	852,414
Amount recognized in other comprehensive income	-	-	-	-
Purchases	-	4,917,417	-	-
Sales	(146,054)	(1,427,030)	-	-
Others	251,513	16,433,808	5,975,280	4,357,662
Transfer into level 3	-	-	-	-
Transfer out of level 3	-	-	-	-
Ending balance	₩ 878,496	₩ 24,153,211	₩ 4,542,405	₩ 5,210,076

The results of the sensitivity analysis for the effect on comprehensive income before income tax from changes in inputs for each financial instrument for the years ended December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

	2022		2021	
	Favorable changes (increase by 1%)	Unfavorable changes (decrease by 1%)	Favorable changes (increase by 1%)	Unfavorable changes (decrease by 1%)
Financial assets				
Financial assets at fair value through other comprehensive income ¹	₩ 8,785	₩ (8,785)	₩ 8,785	₩ (8,785)
Financial assets at fair value through profit or loss ¹	256,772	(256,772)	241,532	(241,532)
Derivative financial assets ²	118,278	(117,779)	175,011	(167,480)
Derivative financial liabilities ²	3,283	93,119	(54,583)	67,343

¹ Changes in their fair value are calculated by increasing or decreasing the growth rate, which are significant unobservable inputs, by 1%.

² Changes in their fair value are calculated by increasing or decreasing the underlying asset price, which are significant unobservable inputs, by 1%.

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c) Financial instruments not measured at fair value, and for which fair value is disclosed

Financial instruments recognized by amortized cost, but presented as fair value classified by fair value hierarchy as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022				
	Level 1	Level 2	Level 3	Total	
Borrowings	₩	- ₩	- ₩	543,395,398 ₩	543,395,398
Debentures		-	-	294,873,422	294,873,422

<i>(in thousands of Korean won)</i>	2021				
	Level 1	Level 2	Level 3	Total	
Borrowings	₩	- ₩	- ₩	380,310,442 ₩	380,310,442
Debentures		-	-	339,762,037	339,762,037

The Company has not disclosed the fair values for financial instruments, because their carrying amounts are a reasonable approximation of fair values.

The valuation techniques and the significant unobservable inputs used in measuring Level 3 fair values as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	Fair value		Valuation techniques	Inputs	Key valuation techniques
	2022	2021			
Borrowings	₩ 543,395,398	₩ 380,310,442	DCF model	Discount rate considering credit risk	6.96%
Debentures	294,873,422	339,762,037			

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(g) *Net gains or losses by category of financial instruments*

Net gains or losses on each category of financial instruments for the years ended December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

	2022		
	Finance income	Finance costs	Other comprehensive income
Assets at amortized cost	₩ 5,347,638	₩ -	₩ -
Financial assets at fair value through profit or loss	975,908	3,166,404	-
Financial assets at fair value through other comprehensive income	141,004	-	(1,339,424)
Liabilities at amortized cost	-	34,733,223	-
Financial guarantee liabilities	546,327	14,628,491	-
Derivatives	683,945	3,756,874	-
	<u>₩ 7,694,822</u>	<u>₩ 56,284,992</u>	<u>₩ (1,339,424)</u>

(in thousands of Korean won)

	2021		
	Finance income	Finance costs	Other comprehensive income
Assets at amortized cost	₩ 2,822,428	₩ -	₩ -
Financial assets at fair value through profit or loss	1,409,298	1,403,121	-
Financial assets at fair value through other comprehensive income	282,007	-	646,148
Liabilities at amortized cost	-	29,122,379	-
Financial guarantee liabilities	542,556	-	-
Derivatives	346,696	2,285,289	-
	<u>₩ 5,402,985</u>	<u>₩ 32,810,789</u>	<u>₩ 646,148</u>

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36. Related Party Transactions

Details of associates and other related parties as at December 31, 2022 and 2021, are as follows:

Type	2022
Subsidiaries	AJ Rental Service Co., Ltd. AJ Rental Co., Ltd. AJ JEONGUK SKY Co., Ltd. AJ Rental Dallas Inc. AJ Networks America Inc. AJ International TOGO. Inc. Auto Gallery international. Inc. AJ Rental Arabia, Ltd. AJ Networks First Limited Company TS GLOBAL CO. ³ AJ POLSKA SP.z.o.o. ¹ AJ LogisValue Hungary Kft. ¹ AJ Maintenance Partners Co., Ltd. Ryu Ga-Hyoung Golf Academy Co., Ltd. AJ ICT Co., Ltd. AJ TOTAL HANOI CO. Ltd. AJ Rental, Inc. AJ Energy Co., Ltd. World Rent-A-Car Co., Ltd. Four season Rent-A-Car Co., Ltd AJ Daewon Co., Ltd. AJ Auto Parking Systems Co., Ltd. AJ Total Co., Ltd. ² AJ Hanlock Co., Ltd. AJ Total Vietnam Co., Ltd. ACE INDUSTRIAL TECH CO., LTD. ⁴ AJ Retail Co., Ltd.
Associates	Modu Rental Co., Ltd. Darae Parktech Co., Ltd. Auto Gallery Holdings, Inc. Junsymall.com co.,Ltd. Tcha Partners Public Mobility No. 1 Private Equity Partnership Tcha Partners Public Mobility No. 2 Private Equity Partnership Tcha Partners Public Mobility No. 3 Private Equity Partnership A2 Partners Rhinos No.1 Limited Partnership
Others	Guro Hyeonju Motors Co., Ltd. AJ Fleet Link Co., Ltd. BNP INC. Songdo Trans Co., Ltd. AJU CO., LTD.

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¹ In 2022, the Company was newly established.

² AJ Total Co., Ltd. merged with Daul F & B Co., Ltd. and Seewoo Food Co., Ltd. during the year ended December 31, 2022.

³ 70% of the shares were acquired during the year ended December 31, 2022.

⁴ AJ Daewon Co., Ltd., a subsidiary, newly established the entity during the year ended December 31, 2022.

Type	2021
Subsidiaries	AJ Rental Service Co., Ltd. AJ Rental Co., Ltd. AJ JEONGUK SKY Co., Ltd. AJ Rental Dallas Inc. AJ Networks America Inc. AJ International TOGO. Inc. Auto Gallery international. Inc. AJ Rental Arabia, Ltd. AJ Networks First Limited Company AJ Rental, Inc. AJ Energy Co., Ltd. World Rent-A-Car Co., Ltd. Four season Rent-A-Car Co., Ltd AJ Daewon Co., Ltd. AJ Auto Parking Systems Co., Ltd. AJ Total Co., Ltd. AJ Hanlock Co., Ltd. AJ Total Vietnam Co., Ltd. Daul F & B Co., Ltd. Seewoo Food Co., Ltd. AJ Retail Co., Ltd. ¹ AJ Maintenance Partners Co., Ltd. ² Ryu Ga-Hyoung Golf Academy Co., Ltd. AJ ICT Co., Ltd. ³ AJ TOTAL HANOI CO. Ltd. ⁴
Associates	Tcha Partners Public Mobility No. 1 Private Equity Partnership Tcha Partners Public Mobility No. 2 Private Equity Partnership Tcha Partners Public Mobility No. 3 Private Equity Partnership A2 Partners Rhinos No.1 Limited Partnership ⁵ Modu Rental Co., Ltd. ⁶ Darae Parktech Co., Ltd. ⁷ Auto Gallery Holdings, Inc. AJ Junsymall Co., Ltd. ⁸
Others	Guro Hyeonju Motors Co., Ltd.

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AJ Fleet Link Co., Ltd.
 BNP INC.
 Songdo Trans Co., Ltd.⁹

¹ The entity was incorporated through split-off from Hiparking Co., Ltd. (formerly, AJ Park Co., Ltd.), which was disposed of during the year ended December 31 2021, as AJ Total Co., Ltd., a subsidiary of the Company, acquired this entity, the entity became a consolidated subsidiary of AJ Total Co., Ltd..

² The name of the entity was changed from AJ Carian Service Co., Ltd. during the year ended December 31, 2021.

³ 99.8% of the shares were newly acquired during the year ended December 31, 2021.

⁴ AJ Total Co., Ltd., a subsidiary, newly established the entity during the year ended December 31, 2021.

⁵ The entity was included in associates by merging with AJ M Co., Ltd. during the year ended December 31, 2021.

⁶ The entity was included in associates by merging assets related to Modu Rental Co., Ltd. of AJ Capital Partners Co., Ltd., which was disposed of during the year ended December 31, 2021.

⁷ The entity was included in associates by acquiring 37.3% of shares from Hiparking Co., Ltd. (formerly, AJ Park Co., Ltd.), which was disposed of during the year ended December 31, 2021.

⁸ As the Company's ownership was changed from 100% to 33.33% during the year ended December 31, 2021, the entity was classified from investments in subsidiaries to investments in associates.

⁹ A wholly owned subsidiary of Tcha Partners Public Mobility No. 2 Private Equity Partnership, an associate of the Company.

Sales and purchases with related parties for the years ended December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

		2022										
		Operating revenue	Non-operating revenue	Operating expenses	Non-operating expenses	Purchase of non-current assets	Disposal of non-current assets					
Subsidiaries												
AJ Total Co., Ltd.	₩	479,616	₩	10,334	₩	2,510	₩	208,953	₩	-	₩	-
AJ Hanlock Co., Ltd.		547,130		-		-		-		-		-
AJ Retail Co., Ltd.		11,209		-		-		-		-		-
AJ Energy Co., Ltd.		600,299		935		-		-		-		-
AJ Rental Service Co., Ltd.		180,000		-		64,429,434		-		-		-
AJ JEONGUK SKY Co., Ltd.		1,371,327		22,895		4,162		-		-		-

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AJ Maintenance Partners Co., Ltd.	464,568	9,333	874,559	-	-	-
AJ Daewon Co., Ltd.	490,747	-	1,835,748	14,619	-	-
ACE INDUSTRIAL TECH CO., LTD.	460	-	-	-	-	-
Ryu Ga-Hyoung Golf Academy Co., Ltd.	247,870	-	271,435	-	-	-
AJ Auto Parking Systems Co., Ltd.	387,809	406,135	-	-	-	-
AJ ICT Co., Ltd.	743,369	90,197	3,553,712	-	2,077,071	-
AJ Total Vietnam Co., Ltd.	16,418	372,957	-	-	-	-
AJ Total Hanoi Co., Ltd.	1,362	-	-	-	-	-
AJ RENTAL ARABIA	-	-	110,248	-	-	-
AJ Rental Co., Ltd.	-	46,753	-	-	-	-
AJ Rental Inc.	30,095	-	206,233	105,010	-	-
AJ POLSKA Sp.z.o.o.	-	88,104	-	-	-	-
TS GLOBAL CO.	1,641	-	46,210	-	-	-
AJ Networks First Limited Company	-	-	-	1,129,020	-	-
Associates						
Modu Rental Co., Ltd	2,362	-	-	-	-	-
Darae Parktech Co., Ltd.	17,891	-	-	-	-	-
Auto Gallery Holdings, Inc.	-	220,206	-	-	-	-
Junsymall.com co., Ltd	11,710,007	-	15,450	-	-	31,471
AJ Fleet Link Co., Ltd.	1,015	-	-	-	-	-
Others						
Songdo Trans Co., Ltd.	-	23,397	-	-	-	-
AJU CO., LTD.	117,993	-	-	295,200	-	-
	<u>₩ 17,423,188</u>	<u>₩ 1,291,246</u>	<u>₩ 71,349,701</u>	<u>₩ 1,752,802</u>	<u>₩ 2,077,071</u>	<u>₩ 31,471</u>

(in thousands of Korean won)

							2021			
		Operating revenue	Non-operating revenue	Operating expenses	Non-operating expenses	Purchase of non-current assets	Disposal of non-current assets			
Subsidiaries										
AJ Total Co., Ltd.	₩	735,135	₩	-	₩	28,600	₩	10,557	₩	-
AJ Park Co., Ltd. ¹		911,798		92,695		4,410		-		-
AJ Rental Service Co., Ltd.		2,145		-		54,730,967		-		-
Aju E-Parking Nonhyeon3 Co., Ltd. ¹		-		9,106		-		-		-
AJ Sellcar Co., Ltd. ²		165,548		38,198		-		-		-

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AJ Maintenance Partners Co., Ltd.	514,630	30,771	326,663	-	-	-
Ryu Ga Hyoung Golf Academy Co., Ltd.	222,347	-	145	-	-	-
AJ Safety Partners Co., Ltd. ³	4,580	5,345	-	-	-	-
AJ JEONGUK SKY Co., Ltd.	958,332	58,475	168,845	-	-	-
AJ Auto Parking Systems Co., Ltd.	646,673	294,112	-	-	-	-
AJ Hanlock Co., Ltd.	482,029	-	-	-	-	-
AJ Rental Inc. (formerly, Rental USA)	-	-	138,352	-	-	-
AJ Energy Co., Ltd	557,762	1,015	151,650	-	-	-
AJ M. Co., Ltd. ⁴	-	144,795	-	-	-	-
AJ Ens Co., Ltd. ⁵	2,494	24,267	-	-	-	-
AJ Daewon Co., Ltd. (formerly, Daewon General Management Co., Ltd.)	469,241	-	1,712,256	-	-	-
Daul F & B Co., Ltd.	41,309	-	-	-	-	-
Sewoo Food Co., Ltd.	5,700	-	-	-	-	-
AJ ICT Co., Ltd.	655,589	52,241	2,394,523	-	193,000	-
AJ Networks First Limited Company	-	-	-	1,394,115	-	-
AJ Rental Arabia, Ltd.	-	-	141,005	-	-	-
AJ Retail Co., Ltd.	2,002	-	-	-	-	-
AJ TOTAL VIETNAM CO. Ltd.	-	88,186	-	-	-	-
Associates						
Auto Gallery Holdings, Inc.	-	172,003	-	-	-	-
Darae Parktech Co., Ltd.	19,100	-	-	-	-	-
Modu Rental Co., Ltd.	3,662	-	-	-	-	-
AJ Junsyall Co., Ltd.	12,282,047	263,864	5,850	-	-	11,802
Others						
AJ Fleet Link Co., Ltd.	728	-	-	-	-	-
Songdo Trans Co., Ltd.	-	63,288	-	-	-	-
	<u>₩ 18,682,851</u>	<u>₩ 1,338,361</u>	<u>₩ 59,803,266</u>	<u>₩ 1,404,672</u>	<u>₩ 193,000</u>	<u>₩ 11,802</u>

¹ Transactions with AJ Park Co., Ltd. and Aju E-Parking Nonhyeon3 Co., Ltd. for the year ended December 31, 2021, include transactions occurred before disposal.

² Transactions with AJ Sellcar Co., Ltd. for the year ended December 31, 2021, are transactions occurred before disposal.

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³ Transactions with AJ Safety Partners Co., Ltd. for the year ended December 31, 2021, are transactions occurred before liquidation.

⁴ Transactions with AJ M. Co., Ltd. for the year ended December 31, 2021, are transactions occurred before merger.

⁵ Transactions with AJ Ens Co., Ltd. for the year ended December 31, 2021, are transactions occurred before merger.

⁶ The Company provides the sublease to related parties including AJ Park Co., Ltd. and others, which reside in the headquarters building. The rental income received by the sublease from related parties amounting to ₩ 3,145 million is included.

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Outstanding balances arising from sales/purchases of goods and services as at December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)	2022							
	Receivables				Payables			
	Trade receivables	Non-trade receivables	Loans	Prepayments	Accrued income and others	Trade payables and others	Borrowings and others	
Subsidiaries								
AJ Total Co., Ltd.	₩ 50,254	₩ 8,083	₩ -	₩ -	₩ -	₩ 50	₩ -	
AJ Hanlock Co., Ltd.	63,004	1,111	-	-	-	-	-	
AJ Retail Co., Ltd.	973	79	-	-	-	-	-	
AJ Energy Co., Ltd.	120,949	3,281	-	-	-	-	-	
AJ Rental Service Co., Ltd.	225,600	15,805	-	-	-	6,423,646	-	
AJ JEONGUK SKY Co., Ltd.	276,520	982	250,000	-	-	-	-	
AJ Maintenance Partners Co., Ltd.	88,530	14,262	-	-	-	105,133	4,113	
AJ Daewon Co., Ltd.	61,724	9,799	-	-	-	168,277	-	
Ryu Ga Hyoung Golf Academy Co., Ltd.	20,710	2,242	-	-	-	-	-	
AJ Auto Parking Systems Co., Ltd. ¹	70,291	98,977	19,200,000	-	-	-	24,736	
AJ ICT Co., Ltd.	104,728	13,139	1,000,000	-	-	306,992	-	
AJ Total Vietnam Co., Ttd.	10,867	672,105	5,702,850	-	22,280	37,461	539,852	
AJ Total Hanoi Co., Ltd.	1,362	-	-	-	-	-	-	
AJ Rental Co.,Ltd	-	24,719	506,920	-	383	12,171	25,256	
AJ Rental Inc.	30,095	1,681	-	-	-	102,517	8,871,100	
AJ POLSKA Sp.z.o.o.	-	-	4,041,800	-	87,613	-	-	
AJ Networks First Limited Company	-	-	-	3,430,210	150,000	-	14,853,376	
TS GLOBAL CO.	1,805	-	-	-	-	194,304	-	
Associates								
Modu Rental Co., Ltd.	205	-	-	-	-	-	-	
Darae Parktech Co., Ltd.	3,762	-	-	-	-	-	-	
Auto Gallery Holdings, Inc.	-	-	5,069,200	-	44,913	-	-	
Junsyall.com co.,Ltd.	1,031,723	108,532	-	-	440,000	2,150	-	
Others								
AJU CO., LTD.	9,527	-	-	-	-	265	40,000,000	
	<u>₩ 2,172,629</u>	<u>₩ 974,797</u>	<u>₩ 35,770,770</u>	<u>₩ 3,430,210</u>	<u>₩ 745,189</u>	<u>₩ 7,352,966</u>	<u>₩ 64,318,433</u>	

¹ The Company recognized ₩ 8,870,509 thousand of impairment loss related to loans and converted loans amounting to ₩ 6,500,000 thousand into equity during the year ended December 31, 2022.

AJ Networks Co., Ltd.
Notes to the Separate Financial Statements
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(in thousands of
Korean won)

	2021							
	Receivables				Accrued income and others	Payables		
	Trade receivables	Non-trade receivables	Loans	Prepayments		Trade payables and others	Borrowings and others	
Subsidiaries								
AJ Total Co., Ltd.	₩ 63,030	₩ 5,664	₩ -	₩ -	₩ -	₩ 23,920	₩ -	
AJ Rental Service Co., Ltd.	-	-	-	-	-	5,383,037	-	
AJ ICT Co., Ltd.	107,747	27,941	-	-	-	708,886	8,630	
AJ Maintenance Partners Co., Ltd. ¹	53,225	4,860	300,000	-	30	44,716	1,554	
Ryu Ga Hyoung Golf Academy Co., Ltd.	20,161	2,005	-	-	-	33,000	-	
AJ JEONGUK SKY Co., Ltd.	188,188	-	500,000	-	-	-	-	
AJ Auto Parking Systems Co., Ltd.	48,938	205,684	-	-	-	-	111,203	
AJ Hanlock Co., Ltd.	50,725	1,124	-	-	-	-	-	
AJ Energy Co., Ltd.	97,096	5,855	-	-	-	25,392	935	
AJ Daewon Co., Ltd.	6,842	-	-	-	-	7,579	-	
Daul F & B Co., Ltd.	15,852	2,234	-	-	-	-	-	
Seowoo Food Co., Ltd.	605	296	-	-	-	-	-	
AJ Networks First Limited Company	-	-	-	2,169,883	150,000	-	28,630,044	
AJ Retail Co., Ltd.	1,026	557	-	-	-	-	-	
AJ Networks America Inc	-	-	-	-	-	-	-	
AJ Total Vietnam Co., Ltd.	-	1,231,005	-	-	-	-	1,139,781	
AJ Rental Co., Ltd.	-	5,850	-	-	-	18,277	5,766	
Associates								
Auto Gallery Holdings, Inc.	-	87,228	4,742,000	-	15,103	-	-	
Darae Parktech Co., Ltd.	1,848	-	-	-	-	-	-	
Modu Rental Co., Ltd.	218	-	-	-	-	-	-	
AJ Junsymall Co., Ltd. ²	1,099,496	112,425	-	-	440,000	112,517	-	
Others								
AJ Fleet Link Co., Ltd.	67	-	-	-	-	-	-	
Songdo Trans Co., Ltd.	-	-	2,000,000	-	35,671	-	-	
	₩ 1,755,064	₩ 1,692,728	₩ 7,542,000	₩ 2,169,883	₩ 640,804	₩ 6,357,324	₩ 29,897,913	

¹ The Company converted ₩ 2,000 million of its loans into equity during the year ended December 31, 2021.

² The Company converted ₩ 2,003 million of its loans into equity during the year ended December 31, 2021.

AJ Networks Co., Ltd.
Notes to the Separate Financial Statements
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Fund transactions with related parties for the years ended December 31, 2022 and 2021, are as follows:

(in thousands of Korean won and in USD, PLN)	2022									
	Borrowing transactions				Loan transactions				Dividends	
	Borrowings		Repayments		Loans		Collections		Receipt	
Subsidiaries										
AJ Total Co., Ltd. ¹	₩	38,000,000	₩	38,000,000	₩	8,500,000	₩	8,500,000	₩	-
AJ JEONGUK SKY Co., Ltd.		-		-		500,000		750,000		-
AJ Maintenance Partners Co., Ltd.		-		-		4,680,000		4,980,000		-
AJ Auto Parking Systems Co., Ltd. ²		-		-		35,600,000		16,400,000		-
AJ ICT Co., Ltd.		-		-		20,500,000		19,500,000		-
AJ Total Vietnam Co., Ttd.	USD	-	USD	-	USD	4,500,000	USD	-	USD	-
AJ Rental Co., Ltd	USD	-	USD	-	USD	800,000	USD	400,000	USD	-
AJ Rental Inc.	USD	7,000,000	USD	-	USD	-	USD	-	USD	-
AJ POLSKA Sp.z.o.o.	PLN	-	PLN	-	PLN	14,000,000	PLN	-	PLN	-
AJ Networks First Limited Company	₩		₩	14,000,000	₩	-	₩	-	₩	-
AJ Daewon Co., Ltd.		2,000,000		2,000,000		-		-		-
Associates										
Tcha Partners Public Mobility No. 1 Private Equity Partnership		-		-		-		-		474,000
Tcha Partners Public Mobility No. 2 Private Equity Partnership		-		-		-		-		474,000
Tcha Partners Public Mobility No. 3 Private Equity Partnership		-		-		-		-		594,000
Others										
Songdo Trans Co., Ltd.		-		-		-		2,000,000		-
AJU CO., LTD. ³		40,000,000		-		-		-		-
	₩	80,000,000	₩	54,000,000	₩	69,780,000	₩	52,130,000	₩	1,542,000
	USD	7,000,000	USD	-	USD	5,300,000	USD	400,000	USD	-
	PLN	-	PLN	-	PLN	14,000,000	PLN	-	PLN	-

¹ The Company borrowed ₩ 30,000,000 thousand from AJ Total Co., Ltd. and the amount was offset with ₩ 30,000,000 thousand among the payments of capital reduction with consideration during the year ended December 31, 2022.

² Loans amounting to ₩ 6,500,000 thousand which were converted into equity during the year ended December 31, 2022, is included in collections.

³ The Company borrowed ₩ 40,000,000 thousand from AJU CO., LTD., and pledged all shares issued

AJ Networks Co., Ltd.
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by AJ Rental Inc. as collateral for the loan with establishing AJU CO., LTD. as the first priority beneficiary.

(in thousands of Korean won)	2021											
	Borrowing transactions		Loan transactions			Dividends						
	Borrowings	Repayments	Loans	Collections	Others ^{2,3}	Receipt						
Subsidiaries												
AJ JEONGUK SKY Co., Ltd.	₩	-	₩	-	₩	1,200,000	₩	-	₩	-		
AJ Sellcar Co., Ltd. ¹		-		-		14,000,000		-		-		
AJ Park Co., Ltd.		-		-	4,800,000	8,800,000		-		-		
AJ Ens Co., Ltd.		-		-	10,000	-		1,280,000		-		
AJ Maintenance Partners Co., Ltd.		-		-	1,350,000	1,050,000		-		-		
AJ Auto Parking Systems Co., Ltd.		-		-	6,600,000	6,600,000		-		-		
AJ Rental Inc.		-		-	-	-		-		-		
AJ ICT Co., Ltd.		-		-	6,300,000	6,300,000		-		-		
AJ M. Co., Ltd.		-		-	-	-		10,000,000		-		
AJ Total Co., Ltd. ⁴		28,000,000		28,000,000	-	-		-		-		
AJ Networks First Limited Company		-		75,000,000	-	-		-		-		
Associates												
AJ Junsyall Co., Ltd.		-		-	22,900,000	24,856,745		440,000		-		
Tcha Partners Public Mobility No. 1 Private Equity Partnership		-		-	-	-		-		1,282,763		
Tcha Partners Public Mobility No. 2 Private Equity Partnership		-		-	-	-		-		2,660,325		
Tcha Partners Public Mobility No. 3 Private Equity Partnership		-		-	-	-		-		891,000		
Others												
Songdo Trans Co., Ltd.		-		-	2,000,000	-		-		-		
	₩	28,000,000	₩	103,000,000	₩	43,960,000	₩	62,806,745	₩	11,720,000	₩	4,834,088

¹ Transactions with AJ Sellcar Co., Ltd. during the year ended December 31, 2021, are transactions occurred before disposal.

² As the Company merged with AJ M Co., Ltd., loans of the Company amounting to ₩ 10,000,000 thousand and borrowings were offset during the year ended December 31, 2021.

³ As the Company merged with AJ Ens Co., Ltd., loans of the Company amounting to ₩ 1,280,000 thousand and borrowings were offset during the year ended December 31, 2021.

⁴ The Company borrowed ₩ 28,000,000 thousand from AJ Total Co., Ltd. and the amount was offset with ₩ 28,000,000 thousand among the payments of capital reduction with consideration during the

AJ Networks Co., Ltd.
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year ended December 31, 2021.

Contribution and other transactions with related parties for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won and in PLN, HUF)</i>	2022							
	Contribution transactions				Equity securities			
	Contribution in cash and others		Collection		Acquisition		Disposal	
Subsidiaries								
AJ Total Co., Ltd. ¹	₩	-	₩	30,040,980	₩	-	₩	-
AJ POLSKA SP.z.o.o.	PLN	3,450,000	PLN	-	PLN	-	PLN	-
AJ Auto Parking Systems Co., Ltd. ^{2,3}	₩	6,500,000	₩	-	₩	64,515	₩	-
TS GLOBAL CO.		-		-		3,422,485		-
AJ LogisValue Hungary Kft. ²	HUF	3,000,000	HUF	-	HUF	-	HUF	-
	₩	6,500,000	₩	30,040,980	₩	3,487,000	₩	-
	PLN	3,450,000	PLN	-	PLN	-	PLN	-
	HUF	3,000,000	HUF	-	HUF	-	HUF	-

¹ The Company collected a total of ₩ 30,040,980 thousand through the capital reduction consideration of AJ Total Co., Ltd. and offset ₩ 30,000,000 thousand of borrowings and ₩ 40,980 thousand of interest expense.

² The Company acquired all the residual equity interest, and converted short-term loans into equity during the year ended December 31, 2022.

³ The Company converted ₩ 6,500,000 thousand of its loans into equity during the year ended December 31, 2022.

<i>(in thousands of Korean won and in USD)</i>	2021							
	Contribution transactions				Equity securities			
	Contribution in cash and others		Collection		Acquisition		Disposal	
Subsidiaries								
AJ Maintenance Partners Co., Ltd.	₩	2,000,000	₩	-	₩	-	₩	-
AJ Rental Inc. ¹	USD	11,207,709	USD	-	USD	-	USD	-
AJ ICT Co., Ltd.	₩	-	₩	-	₩	2,202,562	₩	-
AJ Total Co., Ltd. ²		-		50,000,000		-		-
AJ Networks Vietnam Co., Ltd. ³		-		-		-		1,725,945
AJ TOTAL VIETNAM CO. Ltd. ⁴		-		-		24,039,481		-

AJ Networks Co., Ltd.
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(in thousands of Korean won and in USD)	2021			
	Contribution transactions		Equity securities	
	Contribution in cash and others	Collection	Acquisition	Disposal
AJ TOTAL HANOI CO. Ltd. ⁴	-	-	6,970,424	-
Associates				
Darae Parktech Co., Ltd. ⁵	-	-	8,205,769	-
AJ Junsymall Co., Ltd.	2,003,255	-	-	-
	₩ 4,003,255	₩ 50,000,000	₩ 41,418,236	₩ 1,725,945
	USD 11,207,709	USD -	USD -	USD -

¹ The Company provided the shares of AJ Networks America Inc held by the Company through contribution in kind during the year ended December 31, 2021.

² The Company collected total of ₩ 50,000,000 thousand through the capital reduction with consideration of AJ Total Co., Ltd., of which ₩ 28,000,000 thousand was offset with borrowings and ₩ 22,000,000 thousand was received in cash.

³ The Company disposed of it to AJ Total Co., Ltd. and re-acquired after the merger with AJ TOTAL VIETNAM CO. Ltd during the year ended December 31, 2021.

⁴ The Company acquired the shares from AJ Total Co., Ltd. during the year ended December 31, 2021.

⁵ The Company acquired the shares from AJ Park Co., Ltd. during the year ended December 31, 2021.

The Company received ₩ 2,560 million of ordinary shares without consideration from the largest shareholder during the year ended December 31, 2021, and has a plan to provide them when stock options are exercise.

AJ Networks Co., Ltd.
Notes to the Separate Financial Statements
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Details of payment guarantees, and collateral provided by the Company for the related parties as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won and in VND)</i>	2022		
	Guaranteed amount	Executed amount	Guaranteed by
AJ Rental Co., Ltd.	VND 46,000,000,000	VND 46,000,000,000	Vietnam Pham Hung Branch of Shinhan Bank
	VND 67,100,000,000	VND 61,000,000,000	Kookmin Bank Hanoi
AJ Total Vietnam Co., Ltd.	VND 89,992,808,133	VND 89,992,808,133	Hana Bank Ho Chi Minh
	VND 89,992,808,130	VND 89,992,808,130	Shinhan Bank Vietnam
	VND 89,992,808,130	VND 89,992,808,130	Daegu Bank Ho Chi Minh
	VND 39,996,803,613	VND 39,996,803,613	Woori Bank Vietnam
	VND 39,996,803,613	VND 39,996,803,613	Busan Bank Ho Chi Minh
	VND 165,180,083,925	VND 165,180,083,925	Hana Bank Ho Chi Minh
	VND 111,408,840,000	VND 111,408,840,000	Hana Bank Hanoi
AJ Auto Parking Systems Co., Ltd.	₩ 1,000,000	₩ 1,000,000	Shinyoung Securities Co., Ltd
	9,000,000	9,000,000	KB Securities Co., Ltd
	443,050	378,675	Korea Export Insurance Corporation
	45,441		Hana Bank
	4,140,000	3,450,000	Korea Development Bank
	5,000,000	3,334,195	Korea Specialty Contractor Financial Cooperative
	6,000,000	368,729	Seoul Guarantee Insurance Co., Ltd.
AJ Maintenance Partners Co., Ltd.	600,000	500,000	Shinhan Bank
	550,000	500,000	Kookmin Bank
	₩ 26,778,491	₩ 18,531,599	
	VND 739,660,955,544	VND 733,560,955,544	

<i>(in thousands of Korean won and in VND)</i>	2021		
	Guaranteed amount	Executed amount	Guaranteed by
AJ Rental Co., Ltd.	VND 22,666,666,664	VND 22,666,666,664	Shinhan Bank Yeoksam-dong Corporate Finance Center
	VND 45,100,000,000	VND 36,900,000,000	Kookmin Bank Hanoi
AJ Total Vietnam Co., Ltd.	VND 90,000,000,000	VND 90,000,000,000	Hana Bank Ho Chi Minh
	VND 90,000,000,000	VND 90,000,000,000	Shinhan Bank Vietnam
	VND 90,000,000,000	VND 90,000,000,000	Daegu Bank Ho Chi Minh
	VND 40,000,000,000	VND 40,000,000,000	Woori Bank Vietnam
	VND 40,000,000,000	VND 40,000,000,000	Busan Bank Ho Chi Minh
	VND 206,475,104,909	VND 206,475,104,909	Hana Bank Ho Chi Minh

AJ Networks Co., Ltd.
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	VND	139,261,050,000	VND	139,261,050,000	Hana Bank Hanoi
AJ Auto Parking Systems Co., Ltd.	₩	5,200,000	₩	5,200,000	Shinyoung Securities Co., Ltd
		23,200,000		23,200,000	KB Securities Co., Ltd
		443,050		378,675	Korea Export Insurance Corporation
		45,441			Hana Bank
		1,359,653	1,359,653		Korea Specialty Contractor Financial Cooperative
		9,996,000		8,330,000	Korea Development Bank
		389,442	389,143		Seoul Guarantee Insurance Co., Ltd.
AJ Maintenance Partners Co., Ltd.		1,200,000		626,000	Shinhan Bank
AJ Energy Co., Ltd.		600,000		500,000	Hana Bank
AJ ICT Co., Ltd.		15,000,000		15,000,000	Shinyoung Securities Co., Ltd
	₩	57,433,586	₩	54,983,471	
	VND	763,502,821,573	VND	755,302,821,573	

Details of the capital supplement agreement entered into by the Company for the related parties as at December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)	Guaranteed amount		Borrower	Type
	2022	2021		
Net One Q First Co., Ltd.	₩ 15,000,000	₩ 29,000,000	AJ Networks Co., Ltd.	Capital supplement ¹

¹ AJ Networks First Limited Company. is issuing securitized securities with loans to the Company as underlying assets. In the event that AJ Networks First Limited Company. does not have sufficient funds to fulfill its obligations due to the issuance of the securitized securities, the Company have agreed to lend the shortfall funds to AJ Networks First Limited Company.

Executive compensation of the Company for each of the following categories for the years ended December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)	2022	2021
Short-term employee benefits	₩ 1,953,298	₩ 917,293
Post-employment benefits	506,248	231,438
Share-based payments	91,329	9,983
	₩ 2,550,875	₩ 1,158,714

AJ Networks Co., Ltd.
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37. Non-current Assets Held for Sale

The Company's management decided to sell the shares of AJ Auto Parking Systems Co., Ltd. as at December 31, 2022. According to this decision, the shares of AJ Auto Parking Systems Co., Ltd. were classified as non-current assets held for sale, but there is no book amount, so there is no amount presented separately. In relation to the disposal of AJ Automated Parking Systems Co., Ltd., loss amounting to ₩ 23,499 million was recognized during the year ended December 31, 2022.

38. Business Combination of Entities Under Common Control

On May 1, 2021, the Company merged AJ Ens Co., Ltd. and AJ M. Co., Ltd., which were 100% owned by the Company, at a merger ratio of 1:0. In addition, on April 1, 2021, the Company split off the business segment including assets related to Modu Rental Co., Ltd. of AJ Capital Partners Co., Ltd., which was 100% owned by the Company, and merged the divided segment at a merger ratio of 1:0. The Company applied the book amount method to account for the merger since the merger was a business combination among the entities under a common control. Details of the merger are as follows:

(a) Summary of merger

	Merged Company		
Name of company	AJ Ens Co., Ltd.	AJ M. Co., Ltd.	AJ Capital Partners Co., Ltd. ¹
Main business	Real estate comprehensive building management	Management consulting	Financial lease business

¹ Business segment including assets related to Modu Rental Co., Ltd. held by AJ Capital Partners Co., Ltd.

AJ Networks Co., Ltd.
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(b) Accounting treatments of mergers

The assets and liabilities acquired from the merger with the entities were recognized as the book amount on the financial statements of the Company, the Ultimate Parent Company, at the merger date. There is no consideration paid and the book amount of acquired net assets is equal to the amount of the Company's investments in subsidiaries. There is no cost incurred related to the merger. The following table summarizes the consideration paid for the entities, the book amount of assets acquired and liabilities assumed:

<i>(in thousands of Korean won)</i>	AJ Ens Co., Ltd.		AJ M. Co., Ltd.		AJ Capital Partners Co., Ltd.¹	
Consideration						
Investments in subsidiaries	₩	8,069,058	₩	9,346,906	₩	27,099,470
Recognized amounts of identifiable assets acquired and liabilities assumed						
Cash and cash equivalents		2,758		3,624,310		-
Other current financial assets		-		1,000,767		-
Other current assets		1,728		5,532		-
Investments in subsidiaries		9,378,546		-		-
Investments in associates		-		15,724,472		9,102,159
Financial assets at fair value through profit or loss		-		-		16,379,693
Derivative financial assets		-		-		5,975,280
Borrowings		(1,280,000)		(10,000,000)		-
Other liabilities		(33,973)		(1,008,175)		-
Derivative financial liabilities		-		-		(4,357,661)
Fair value of identifiable net assets		8,069,059		9,346,906		27,099,471
Difference	₩	-	₩	-	₩	-

¹ Business segment including assets related to Modu Rental Co., Ltd. held by AJ Capital Partners Co., Ltd.

39. Events After the Reporting Period

On February 3, 2023, the Company's Board of Directors decided to increase its capital of ₩ 23,500 million to improve the financial structure for the disposal of AJ Automated Parking Systems Co., Ltd., a subsidiary of the Company.

On November 3, 2020, the Company decided to split-off the pallet business division to strengthen the competitiveness of its core business, and disclosed the split-off date (March 1, 2023) and the split ratio on October 18, 2022, but the Company disclosed a correction notice as 'withdrawal' of the split-off on March 14, 2023.



Independent Auditor's Report on Internal Control over Financial Reporting

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
AJ Networks Co., Ltd.

Opinion on Internal Control over Financial Reporting

We have audited AJ Networks Co., Ltd.'s (the Company) Internal Control over Financial Reporting as at December 31, 2022, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as at December 31, 2022, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

We also have audited, in accordance with Korean Standards on Auditing, the separate financial statements of the Company, which comprise the separate statement of financial position as at December 31, 2022, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flow for the year then ended, and notes to the separate financial statements including a summary of significant accounting policies, and our report dated March 21, 2023 expressed an unqualified opinion.

Basis for Opinion on Internal Control over Financial Reporting

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

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

Management is responsible for designing, implementing and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on the Effectiveness of Internal Control over Financial Reporting.

Those charged with governance have the responsibilities for overseeing internal control over financial reporting.

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

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

An audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit includes obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

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

The engagement partner on the audit resulting in this independent auditor's report is Yong Song, Certified Public Accountant.

Samil PricewaterhouseCoopers

March 21, 2023

<p>This report is effective as at March 21, 2023, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the Company's internal control over financial reporting thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.</p>
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Management's Report on the Effectiveness of Internal Control over Financial Reporting

(English Translation of a Report Originally Issued in Korean)

To the Shareholders, Board of Directors and Auditor of
AJ Networks Co., Ltd.

We, as the Chief Executive Officer ("CEO") and the Internal Control over Financial Reporting ("ICFR") Officer of AJ Networks Co., Ltd. (the "Company"), assessed the effectiveness of the design and operation of the Company's Internal Control over Financial Reporting for the year ended December 31, 2022.

The Company's management, including ourselves, is responsible for designing and operating ICFR. We assessed the design and operating effectiveness of ICFR in the prevention and detection of an error or fraud which may cause material misstatements in the preparation and disclosure of reliable financial statements. We designed and operated ICFR in accordance with *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting* established by the Operating Committee of Internal Control over Financial Reporting in Korea (the ICFR Committee). And, we conducted an evaluation of ICFR based on *Best Practice Guideline for Evaluating and Reporting Effectiveness of Internal Control over Financial Reporting* established by the ICFR Committee.

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

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

February 7, 2023

Son Samdal,
Chief Executive Officer
Park Dae-Hyun,
Chief Executive Officer

Kim Young-il,
Internal Control over Financial Reporting Officer