

STUDIO DRAGON CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2023 and 2022

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders

Studio Dragon Corporation:

Opinion

We have audited the consolidated financial statements of Studio Dragon Corporation and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, the statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as of and for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition of overseas contents sales

The Group sells drama contents to the customers as explained in Note 6. The recent increase in the popularity of K-drama abroad has led to a rapid increase in revenue, and as a result its impact on the consolidated financial statements is becoming important. Furthermore, regarding the overseas contents sales, non-standardized performance obligations are identified due to the execution of various forms of contractual arrangements with different customers, leading to an increasing complexity and diversity.

Due to the significance of these overseas contents sales and the complexity and diversity of revenue recognition, there is a potential risk that the amount of revenue recognized may not be appropriate, and significant risks have been identified regarding the occurrence and timing of revenue recognition. As such, we determined revenue recognition of overseas contents sales as a key audit matter.



The primary audit procedures we performed to address this key audit matter included the following:

- We obtained an understanding of the Group's accounting policy related to overseas contents revenue recognition and ascertained that revenue is recognized in accordance with K-IFRS No. 1115 'Revenue from Contracts with Customers'.
- We inspected the supporting documentation including contracts for the overseas contents revenue generated during the year ended December 31, 2023 on a sample basis to verify the terms and conditions.
- We obtained an understanding and evaluated the Group's internal controls which states that the overseas content revenue recognition is reviewed and approved by the appropriate approver to ensure the amount and the timing of revenue recognition.
- We inspected the supporting documentation for the overseas contents revenue generated during the year ended December 31, 2023 on a sample basis to test the timing of revenue recognition.

Impairment testing of goodwill

As of December 31, 2023, the Group has recognized goodwill in the amount of ₩69,825 million, which comprises 6.39% of total consolidated assets (Note 15). Goodwill is tested annually for impairment by comparing the carrying amount to the recoverable amount of the goodwill, which is based on its value-in-use, estimated using discounted cash flows.

The model uses key assumptions including estimates of future cash flows, discount rates and revenue growth rates. The Group utilized independent external expert to estimate the recoverable amounts.

As the process of impairment testing is complex, and significant management's judgement is involved with respect to the revenue growth rate and discount rate when measuring the recoverable amounts, we determined the impairment testing of goodwill as a key audit matter.

The primary audit procedures we performed to address this key audit matter included the following:

- We obtained an understanding and evaluated the Group's internal control which states financial information and key assumptions used in the impairment testing is reviewed and approved by the appropriate approver.
- We evaluated the competency and independence of external expert the Group utilized to determine the value-in-use.
- We evaluated the appropriateness of the valuation model used by the Group to determine the value-in-use.
- We evaluated the appropriateness of the key assumptions such as future cash flows, discount rates and revenue growth rates used in determination of the value-in-use.
- We compared the discount rates used in the impairment testing to the discount rates calculated independently using observable market data.
- We inspected the supporting documentation to evaluate the appropriateness of inputs used in determination of the value-in-use.
- Involved our internal valuation specialists to assess the appropriateness of the revenue growth rate and operating margin reflected in the estimates of future cashflows of cash-generating units are consistent with historical performance and market conditions, and to assess the reasonableness of the discount rates using observable information.

Other matter

The procedures and practices utilized 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 KSAs 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used in the preparation of the consolidated financial statements 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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 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 consolidated financial statements of the current period and are therefore the key audit matter. We describe these matters in our auditors' 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 auditors' report is Seung Hun Yeom.

KPMG Samjony Accounting Corp.

Seoul, Korea
March 18, 2024

This report is effective as of March 18, 2024, 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 consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

STUDIO DRAGON CORPORATION AND SUBSIDIARIES
Consolidated Statements of Financial Position

As of December 31, 2023 and 2022

<i>(In won)</i>	<u>Note</u>	<u>2023</u>	<u>2022</u>
Assets			
Cash and cash equivalents	5,7,8 ₩	158,381,170,621	123,683,665,358
Trade receivables	5,8,9,31	149,071,832,354	141,741,123,525
Advance payments	10,31	88,977,277,698	122,084,300,047
Other current financial assets	5,8,9,31	2,998,739,347	4,888,407,924
Other current assets	11	5,093,211,867	7,734,867,292
Current assets		<u>404,522,231,887</u>	<u>400,132,364,146</u>
Financial assets at FVOCI	8,12	148,803,761,505	126,284,520,577
Investment in associates	16	12,365,296,707	12,631,086,432
Long-term financial assets at FVTPL	5,8	5,990,590,463	9,491,714,150
Long-term trade receivables	5,8,9	12,071,413,293	31,680,370,126
Long-term advance payments	10,31	84,220,387,053	80,340,258,963
Property and equipment	13	12,396,105,770	10,943,863,209
Right-of-use assets	14	6,927,344,108	5,275,306,358
Intangible assets	15,31	358,885,372,768	377,835,439,955
Employee benefits	20	1,766,333,140	2,446,388,994
Long-term financial instruments	5,8	3,500,000,000	-
Other non-current financial assets	5,8,9,31	4,365,687,250	1,686,187,851
Other non-current assets	11	32,242,424	45,818,182
Deferred tax assets	28	36,379,267,410	31,873,065,795
Non-current assets		<u>687,703,801,891</u>	<u>690,534,020,592</u>
Total assets	₩	<u>1,092,226,033,778</u>	<u>1,090,666,384,738</u>
Liabilities			
Trade payables	5,8,31 ₩	11,122,351,064	16,186,103,818
Other payables	5,8,31	58,363,892,498	68,029,158,438
Short-term borrowings	5,8,17,24,30	170,000,000,000	170,000,000,000
Income tax payable	28	3,023,433,306	8,628,284,790
Unearned revenue	19,31	119,035,531,043	141,990,231,840
Other current financial liabilities	5,8,30	2,015,299,766	3,388,624,911
Other current liabilities	18,20	4,425,704,073	8,040,138,114
Current liabilities		<u>367,986,211,750</u>	<u>416,262,541,911</u>
Long-term unearned revenue	19,31	4,861,934,770	1,600,000,000
Other non-current financial liabilities	5,8,30	9,652,472,137	9,286,224,088
Other non-current liabilities	18,20,22	1,245,103,858	1,549,870,084
Restoration provisions	19	710,288,010	1,236,572,088
Non-current liabilities		<u>16,469,798,775</u>	<u>13,672,666,260</u>
Total liabilities	₩	<u>384,456,010,525</u>	<u>429,935,208,171</u>
Equity			
Share capital	1,21	15,029,249,000	15,029,249,000
Share premium	21	473,362,845,073	473,362,845,073
Other components of equity	22	(317,207,687)	(432,279,959)
Accumulated other comprehensive income	12,16	(22,347,228,711)	(39,790,314,731)
Retained earnings	23	242,042,365,578	212,561,677,184
Equity attributable to owners of the Parent Company		<u>707,770,023,253</u>	<u>660,731,176,567</u>
Non-controlling interests		-	-
Total equity	₩	<u>707,770,023,253</u>	<u>660,731,176,567</u>
Total liabilities and equity	₩	<u>1,092,226,033,778</u>	<u>1,090,666,384,738</u>

See accompanying notes to the consolidated financial statements.

STUDIO DRAGON CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Loss)

For the years ended December 31, 2023 and 2022

<i>(In won)</i>	<u>Note</u>	<u>2023</u>	<u>2022</u>
Revenue	6,31	₩ 753,145,749,935	697,945,822,981
Cost of sales	25,31	<u>(665,278,132,968)</u>	<u>(597,944,062,824)</u>
Gross profit		87,867,616,967	100,001,760,157
Selling, general and administrative expenses	25,31	<u>(31,996,561,275)</u>	<u>(34,782,286,691)</u>
Operating profit		55,871,055,692	65,219,473,466
Finance income	26	14,988,636,489	21,228,352,971
Finance costs	26	(17,602,003,666)	(19,001,303,641)
Other non-operating income	27	172,567,635	397,898,059
Other non-operating expenses	27	(16,310,287,162)	(9,280,730,941)
Share of profit of equity-accounted investees	16	96,353,471	56,179,732
Profit before income tax		<u>37,216,322,459</u>	<u>58,619,869,646</u>
Income tax expense	28	<u>(7,133,401,360)</u>	<u>(8,054,872,979)</u>
Profit for the year		<u>30,082,921,099</u>	<u>50,564,996,667</u>
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss:			
Gain (loss) on valuation of financial assets at FVOCI	12,28	16,871,710,735	(79,742,421,258)
Remeasurements of the defined benefit plan	20,28	(602,232,705)	260,696,758
Items that are or may be reclassified to profit or loss:			
Foreign operations – foreign currency translation differences		933,518,481	2,814,133,331
Share of OCI of equity-accounted investees	16	<u>(362,143,196)</u>	<u>(84,223,300)</u>
Other comprehensive income (loss) for the year, net of tax		<u>16,840,853,315</u>	<u>(76,751,814,469)</u>
Total comprehensive income (loss) for the year		<u>₩ 46,923,774,414</u>	<u>(26,186,817,802)</u>
Profit attributable to:			
Owners of the Parent Company		₩ 30,082,921,099	50,564,996,667
Non-controlling interests		-	-
Total comprehensive income (loss) attributable to:			
Owners of the Parent Company		46,923,774,414	(26,186,817,802)
Non-controlling interests		-	-
Earnings per share to the owners of the Parent Company			
Basic earnings per share	29	1,001	1,684
Diluted earnings per share	29	1,001	1,684

See accompanying notes to the consolidated financial statements.

STUDIO DRAGON CORPORATION AND SUBSIDIARIES
Consolidated Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

	Attributable to owners of the Parent Company						Non-controlling interests	Total equity
	Share capital	Share premium	Other components of equity	Accumulated other comprehensive income	Retained earnings	Total		
<i>(In won)</i>								
Balance at January 1, 2022	₩ 15,007,092,500	470,386,693,473	(487,479,514)	37,222,196,496	161,735,983,759	683,864,486,714	-	683,864,486,714
Comprehensive income (loss)								
Profit for the year	-	-	-	-	50,564,996,667	50,564,996,667	-	50,564,996,667
Remeasurements of the defined benefit plan	-	-	-	-	260,696,758	260,696,758	-	260,696,758
Gain (loss) on valuation of financial assets at FVOCI	-	-	-	(79,742,421,258)	-	(79,742,421,258)	-	(79,742,421,258)
Foreign operations – foreign currency translation differences	-	-	-	2,814,133,331	-	2,814,133,331	-	2,814,133,331
Share of OCI of equity-accounted investees	-	-	-	(84,223,300)	-	(84,223,300)	-	(84,223,300)
Total comprehensive income (loss) for the year	-	-	-	(77,012,511,227)	50,825,693,425	(26,186,817,802)	-	(26,186,817,802)
Transactions with owners directly recognized in equity								
Issue of ordinary shares	22,156,500	2,976,151,600	-	-	-	2,998,308,100	-	2,998,308,100
Share-based payments	-	-	55,199,555	-	-	55,199,555	-	55,199,555
Total transactions with owners directly recognized in equity	22,156,500	2,976,151,600	55,199,555	-	-	3,053,507,655	-	3,053,507,655
Balance at December 31, 2022	₩ 15,029,249,000	473,362,845,073	(432,279,959)	(39,790,314,731)	212,561,677,184	660,731,176,567	-	660,731,176,567

See accompanying notes to the consolidated financial statements.

STUDIO DRAGON CORPORATION AND SUBSIDIARIES
Consolidated Statements of Changes in Equity, Continued

For the years ended December 31, 2023 and 2022

	Attributable to owners of the Parent Company							
	Share capital	Share premium	Other components of equity	Accumulated other comprehensive income	Retained earnings	Total	Non-controlling interests	Total equity
<i>(In won)</i>								
Balance at January 1, 2023	₩ 15,029,249,000	473,362,845,073	(432,279,959)	(39,790,314,731)	212,561,677,184	660,731,176,567	-	660,731,176,567
Comprehensive income (loss)								
Profit for the year	-	-	-	-	30,082,921,099	30,082,921,099	-	30,082,921,099
Remeasurements of the defined benefit plan	-	-	-	-	(602,232,705)	(602,232,705)	-	(602,232,705)
Gain (loss) on valuation of financial assets at FVOCI	-	-	-	16,871,710,735	-	16,871,710,735	-	16,871,710,735
Foreign operations – foreign currency translation differences	-	-	-	933,518,481	-	933,518,481	-	933,518,481
Share of OCI of equity-accounted investees	-	-	-	(362,143,196)	-	(362,143,196)	-	(362,143,196)
Total comprehensive income for the year	-	-	-	17,443,086,020	29,480,688,394	46,923,774,414	-	46,923,774,414
Transactions with owners directly recognized in equity								
Share-based payments	-	-	115,072,272	-	-	115,072,272	-	115,072,272
Total transactions with owners directly recognized in equity	-	-	115,072,272	-	-	115,072,272	-	115,072,272
Balance at December 31, 2023	₩ 15,029,249,000	473,362,845,073	(317,207,687)	(22,347,228,711)	242,042,365,578	707,770,023,253	-	707,770,023,253

See accompanying notes to the consolidated financial statements.

STUDIO DRAGON CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(In won)

	2023	2022
Cash flows from operating activities		
Cash provided by (used in) operating activities (Note 29)	₩ 67,018,462,160	(53,101,645,227)
Income taxes paid	(22,273,764,993)	(9,810,028,239)
Net cash provided by (used in) operating activities	<u>44,744,697,167</u>	<u>(62,911,673,466)</u>
Cash flows from investing activities		
Interest received	1,184,806,241	637,413,510
Decrease of financial assets at FVTPL	-	23,574,731,961
Decrease of Long-term financial assets at FVTPL	8,738,599,710	-
Decrease of short-term loans	-	300,000,000
Proceeds from disposals of property and equipment	13,248,729	636,306,949
Proceeds from disposals of intangible assets	958,398,909	172,727,272
Decrease of deposits	1,263,192,000	2,179,976,720
Dividends received	1,329,326,155	746,073,000
Acquisition of financial assets at FVTPL	-	(22,301,960,374)
Acquisition of Long-term financial assets at FVTPL	(5,780,500,000)	(505,540,000)
Acquisition of long-term financial instruments	(3,500,000,000)	-
Acquisitions of investment in associates	-	(12,659,130,000)
Acquisition of subsidiary, net of cash acquired	-	(27,692,604,521)
Acquisition of property and equipment	(2,862,412,910)	(4,485,783,780)
Acquisition of construction-in-progress (property and equipment)	-	(49,546,000)
Acquisition of intangible assets	(661,564,810)	(2,575,212,739)
Acquisition of construction-in-progress (intangible assets)	(124,148,332)	(117,366,549)
Increase of deposits	(1,305,655,600)	(1,214,600,900)
Net cash used in investing activities	<u>(746,709,908)</u>	<u>(43,354,515,451)</u>
Cash flows from financing activities		
Issue of ordinary shares	-	2,999,990,100
Proceeds from short-term borrowings	20,000,000,000	250,000,000,000
Interest paid	(7,220,857,511)	(3,891,013,637)
Interest portion of lease payments paid	(443,268,460)	(303,529,959)
Payment of lease liabilities	(1,271,502,261)	(1,659,391,565)
Stock issuance costs	-	(1,682,000)
Decrease of financial liabilities at FVTPL	-	(1,000,000,000)
Repayment of short-term borrowings	(20,000,000,000)	(80,000,000,000)
Repayment of long-term borrowings	-	(800,000,000)
Net cash provided by (used in) financing activities	<u>(8,935,628,232)</u>	<u>165,344,372,939</u>
Net increase in cash and cash equivalents	35,062,359,027	59,078,184,022
Cash and cash equivalents at January 1	123,683,665,358	64,613,454,283
Effect of movements in exchange rates on cash held	(364,853,764)	(7,972,947)
Cash and cash equivalents at December 31	<u>₩ 158,381,170,621</u>	<u>123,683,665,358</u>

See accompanying notes to the consolidated financial statements.

STUDIO DRAGON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

1. Reporting Entity

Studio Dragon Corporation (“the Parent Company”) was established on May 3, 2016 when CJ ENM CO., Ltd. spun off its drama division, and the Parent Company listed its shares on the Korean Securities Dealers’ Automated Quotations stock market on November 24, 2017.

The Parent Company is authorized to issue 500 million shares of ordinary shares with par value of ₩500, and has issued 30,014,185 shares (₩15,002 million) as of December 31, 2023. The largest shareholder of the Parent Company is CJ ENM CO., Ltd., which owns 54.38% of the Parent Company’s shares.

The consolidated financial statements are composed of the Parent Company and its subsidiaries (together referred to as the “Group”), and the interests of associates. The Group renders drama production, programming, sales business.

1.1 List of subsidiaries

The list of subsidiaries as of December 31, 2023 are as follows:

Name of subsidiaries	Location	Closing month	Primary business	Ownership (%)
Hwa&dam pictures, Inc	Korea	December	TV program production and provision	100.00
Culturedepot Co., Ltd.	Korea	December	TV program production and provision	100.00
KPJ Co., Ltd.	Korea	December	TV program production and provision	100.00
GTist Co., Ltd.	Korea	December	TV program production and provision	100.00
Gill Pictures Co., Ltd.	Korea	December	TV program production and provision	100.00
Studio Dragon Investments, LLC	USA	December	Overseas investment and management	100.00
Studio Dragon Productions, LLC	USA	December	TV program production and provision	100.00
Studio Dragon International, Inc.	USA	December	TV program production and provision	100.00

STUDIO DRAGON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

1. Reporting Entity, Continued

1.2 Condensed financial information of subsidiaries

Condensed financial information of the subsidiaries as of and for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of won)

		2023				
		Assets	Liabilities	Revenue	Profit (loss)	Total comprehensive income (loss)
Hwa&dam pictures, Inc	₩	35,648,475	6,790,517	17,840,030	(1,382,961)	(1,382,961)
Culturedepot Co., Ltd.		15,727,001	11,943,173	120,849	(72,780)	(72,780)
KPJ Co., Ltd.		7,421,967	8,181,654	9,474,585	(15,786)	(15,786)
GTist Co., Ltd.		15,094,199	12,147,624	18,079,633	(2,501,597)	(2,519,898)
Gill Pictures Co., Ltd.		4,581,597	1,144,371	813,113	(600,045)	(600,045)
Studio Dragon Investments, LLC		25,266,030	24,640	-	681,496	(678,642)
Studio Dragon Productions, LLC		567,738	10,960	-	(91,883)	(79,658)
Studio Dragon International, Inc.		36,297,610	174,727	38,422,732	4,504,193	4,991,826

(In thousands of won)

		2022				
		Assets	Liabilities	Revenue	Profit (loss)	Total comprehensive income (loss)
Hwa&dam pictures, Inc	₩	51,656,596	21,415,677	46,517,274	4,921,087	4,921,087
Culturedepot Co., Ltd.		10,657,188	6,800,580	10,686,430	(1,037,883)	(1,037,883)
KPJ Co., Ltd.		12,312,264	13,056,165	23,231	(481,183)	(481,183)
GTist Co., Ltd.		26,820,755	21,354,282	46,589,526	3,280,347	3,293,434
Gill Pictures Co., Ltd.		6,199,310	2,162,040	14,419,917	847,942	847,942
Studio Dragon Investments, LLC		26,105,851	185,819	-	(59,511)	531,959
Studio Dragon Productions, LLC		649,996	13,560	-	(104,650)	(104,650)
Studio Dragon International, Inc.		32,952,570	1,821,514	37,234,729	4,060,349	4,060,349

STUDIO DRAGON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

2. Basis of Preparation

2.1 Basis of preparation of consolidated financial statements

The consolidated financial statements of the Group have been prepared in accordance with Korean International Financial Reporting Standards (“K-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.

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with K-IFRS. The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not acquired for a fair presentation of the Group’s financial position, financial performance or cash flows, is not presented in the accompanying consolidated financial statements.

The consolidated financial statements were authorized for issue by the board of directors on February 7, 2024, which will be submitted for final approval to the shareholders’ meeting to be held on March 26, 2024.

2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternate basis on each reporting period.

- Derivative financial instruments measured at fair value
- Financial instruments at Fair value through profit or loss (FVTPL)
- Financial instruments at Fair value through other comprehensive income (FVOCI)
- Liabilities for cash-settled shared-based payments arrangements measured at fair value
- Net defined benefit liability measured at fair value of plan assets less the present value of the defined benefit obligation,

2.3 Critical accounting estimates and assumptions

In preparing these consolidated financial statements in conformity with K-IFRS, management has made judgments, estimates and assumptions that affect the application of the Group’s accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period prospectively.

(1) Fair value measurement

A number of the Group’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group has an established control framework with respect to the measurement of fair values.

STUDIO DRAGON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

2. Basis of Preparation, Continued

2.3 Critical accounting estimates and assumptions, continued

(1) Fair value measurement, continued

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team measures the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of K-IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group 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 or indirectly
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognized transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in following notes;

- Note 8: Categories of financial instruments
- Note 22: Share-based payments

(2) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the next financial year is included in the following notes:

- Note 9: Credibility of financial assets
- Note 15: Intangible assets
- Note 20: Defined benefit obligations
- Note 28: Deferred tax assets

(3) Judgments

Information about critical judgments in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included in the following note:

- Note 14: Right-of-use assets

STUDIO DRAGON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

3. Changes in Accounting Policies and Disclosure

3.1 Material accounting policy information

The Group adopted Disclosure of accounting policies (K-IFRS No. 1001 'Presentation of Financial Statements) from January 1, 2023. Although the amendment did not result in any changes to the accounting policies themselves, it impacted the accounting policy information disclosed in the financial statements. The amendment requires the disclosure of 'material', rather than 'significant', accounting policies. The amendment also provides guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 4. 'Material accounting policies' in certain instances in line with the amendment.

3.2 The Group does not expect the following new and amended accounting standards and interpretations will have a significant impact on the consolidated financial statements.

- Definition of accounting estimate (K-IFRS No.1008 'Accounting Policies, Changes in Accounting Estimates and Errors')
- Deferred tax related to assets and liabilities arising from a single transaction (K-IFRS No.1012 'Income Taxes')
- Temporary exemption from deferred tax accounting for Pillar Two Model Rules, additional disclosure about the Group's exposure information and current income tax expense (K-IFRS No.1012 'Income Taxes')
- Disclosure of gain or loss on valuation of financial liabilities with adjustable exercise price (K-IFRS No.1001 'Presentation of Financial Statements')
- K-IFRS No.1117 'Insurance Contracts' and its amendments

4. Material Accounting Policies

The Group adopted Disclosure of accounting policies (K-IFRS No. 1001 'Presentation of Financial Statements) from January 1 2023. The amendment requires the disclosure of 'material', rather than 'significant', accounting policies. This amendment did not result in any changes to the accounting policies themselves, it impacted the accounting policy information disclosed in the financial statements.

The material accounting policies applied by the Group in the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (K-IFRS) are as follows. The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except for changes in accounting policies described in Note 3.

Certain comparative amounts in the consolidated financial statements of the prior period were reclassified or re-presented for consistency.

STUDIO DRAGON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

4. Material Accounting Policies, Continued

4.1 Non-derivative financial assets

(1) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(2) Classification and subsequent measurement

The group makes an assessment of the objective of the business model in which a financial asset is held as reflects the way the business is managed. Business model classifies the financial asset as held for collect, held to collect and sell and held for trading.

Business model assessments for financial assets of the Group are as follows:

- ① Held for collect: The Group holds financial assets which arise from its drama production business. The objective of the business model for these financial instruments is to collect the amounts due from the Group's receivables and to earn contractual interest income on the amounts collected. These financial assets are measured at amortized cost.
- ② Held to collect and sell: The Group holds equity investments that are not held for trading. On initial recognition, the Group has made an irrevocable election to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Also, The Group holds financial instruments that are not measured at amortized cost or FVOCI for the purpose of cash operation management. These financial assets are measured at FVTPL.
- ③ Held for trading: The Group does not hold financial assets for the purpose of trading.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers;

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g., non-recourse features).

(3) Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

STUDIO DRAGON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

4. Material Accounting Policies, Continued

4.1 Non-derivative financial assets, continued

(4) Impairment

The Group recognizes loss allowances for expected credit losses (ECLs) on following financial assets. Loss allowance for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets:

- financial assets measured at amortized cost; and
- contract assets.

The Group measures loss allowance of the financial assets at an amount equal to lifetime ECLs, except for the bank balances for which credit risk has not increased significantly since initial recognition are measured at 12-month ECLs. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without resource by the Group to actions such as realising security.

1) Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or another financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

2) Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

3) Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group writes off the gross carrying amount based on historical experience of recoveries of similar assets. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities to comply with the Group's procedures for recovery of amounts due.

STUDIO DRAGON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

4. Material Accounting Policies, Continued

4.2 Non-derivative financial liabilities

The Group classifies non-derivative financial liabilities into financial liabilities at fair value through profit or loss or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The Group recognizes financial liabilities in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the financial liability.

(1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value, using unobservable inputs exchange rates, inherent volatility, remaining maturity, discount rate.

(2) Other financial liabilities

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

(3) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

4.3 Consolidation

Intra-group balances and transactions, and any unrealized income and expenses (except for foreign currency transaction gain or loss) arising from intra-group transactions, are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

4.4 Property and Equipment

Depreciation of all property and equipment, except for land, is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

	Useful lives (years)
Buildings	40
Rental facilities, Tools and office equipment	5
Broadcasting equipment	5, 8

STUDIO DRAGON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

4. Material Accounting Policies, Continued

4.5 Intangible Assets

Intangible assets, except for goodwill, are initially recognized at its historical cost, and carried at cost less accumulated amortization and accumulated impairment losses. However, as there are no foreseeable limits to the periods over which certain intangible assets are expected to be available for use, trademark rights and membership are determined as having indefinite useful lives and not amortized. Software is amortized with five years using the straight-line method. Copyright related to drama production is amortized over its estimated useful lives that reflects the pattern in which the economic benefits of the copyrights are consumed. Copyrights are presented in the financial statements as related to main operating activities considering the business of the Group.

	Useful lives (years)
Software	5
Other intangible assets	4~14

Goodwill is tested annually for impairment. 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.

4.6 Impairment of Non-Financial Assets

The Group paid advance payments for drama production. At each reporting date, the Group reviews the carrying amounts of advance payments to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amounts are individually estimated considering the remaining contract period, drama production status, etc.

4.7 Revenue Recognition

The Group render drama planning, production and selling business. The Group grants customers the right to use the drama content that was created by the Group. The drama contract provides the customer with the right to use intellectual property that exists at the time the license is granted, and therefore the related revenue is recognized on at a point in time when the customer has the ability to direct the use of the license and obtain the benefits from its use.

When the production of drama content is entrusted, the performance obligation of the Group is to produce the content in a broadcastable state and provide it to the customer. As the Group produces content, the value of assets controlled by the customer increases, revenue is recognized over time. Progress is calculated based on the portion of drama content output specified in a contract over which control has been transferred to the customer.

STUDIO DRAGON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

4. Material Accounting Policies, Continued

4.8 Leases

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component based on their relative stand-alone prices. However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The Group presents right-of-use assets that do not meet the definition of investment property as 'right-of-use assets' and lease liabilities as 'other financial liabilities' in the statements of financial position.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension, or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected to use practical expedient and not recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

4.9 Foreign Currency Translation

If the functional currency of the foreign operation is not the currency of a hyperinflationary economy, the assets and liabilities in the statements of financial position of foreign operations are translated into Korean won at the exchange rates at each reporting date. The income and expenses in the statements of comprehensive income(loss) are translated into at the average exchange rates over reporting period. Foreign currency differences arising from the translation are recognized in other comprehensive income.

4.10 New and amended standards not yet adopted by the Group

New standards, interpretations and amendments to existing standards that have been enacted and published but are not effective for annual periods beginning after January 1, 2023 are as follows and the Group has not early adopted them. The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- Classification of liabilities as current or non-current and loan agreements of non-current liabilities (K-IFRS No.1001 'Presentation of Financial Statements')
- Disclosures of supplier financial arrangements (K-IFRS No. 1007 'Cash Flow Statement' and K-IFRS No. 1107 'Financial Instruments: Disclosure')
- Measurement of lease liabilities in a sale-and-leaseback (K-IFRS No. 1116 'Lease')
- Disclosure of virtual assets (K-IFRS No. 1001 'Presentation of Financial Statements')

STUDIO DRAGON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

5. Financial Risk Management

5.1 Risk management framework

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and stock price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize any adverse effects on the financial performance of the Group.

Risk management is carried out under policies approved by the Group's board of directors. The Board reviews and approves documented policies on overall risk management and those on specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investments in excess of liquidity.

5.1.1 Market risk

(1) Currency risk

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, assets, and liabilities are denominated and the functional currency of the Group. The currencies which these transactions are primarily denominated are USD and JPY.

Assuming that other variables do not change, the impact of changes in exchange rates of the Korean won against foreign currencies by 10% on the profit or loss (after income tax expense) and on equity for the years ended December 31, 2023 and 2022 are as follows:

<i>(In thousands of won)</i>			<u>Impact on post-tax profit</u>		<u>Impact on equity</u>	
			<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
USD	Strengthened	₩	15,423,098	14,155,934	15,423,098	14,155,934
	Weakened		(15,423,098)	(14,155,934)	(15,423,098)	(14,155,934)
JPY	Strengthened		43,309	31,108	43,309	31,108
	Weakened		(43,309)	(31,108)	(43,309)	(31,108)
EUR	Strengthened		3,963	9,485	3,963	9,485
	Weakened		(3,963)	(9,485)	(3,963)	(9,485)

(2) Interest rate risk

Interest rate risk is defined as the risk that the interest income and expenses related with deposits and borrowings fluctuate due to changes in future market interest rate. Interest rate risk mainly arises from floating rate deposits and borrowings. The Group is operating a risk management program to minimize financial costs and uncertainty arose from fluctuation of interest rate.

Assuming that other variables do not change, the impact of changes in interest rate by 1% on the profit or loss (after income tax expense) and on equity for the years ended December 31, 2023 and 2022 are as follows:

<i>(In thousands of won)</i>			<u>Impact on post-tax profit</u>	<u>Impact on equity</u>
Increased	₩		(1,307,300)	(1,307,300)
Decreased			1,307,300	1,307,300

STUDIO DRAGON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

5. Financial Risk Management, Continued

5.1 Risk management framework, continued

5.1.2 Credit risk

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group's management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered and re-examines the credit rating of customers on a regular basis. The Group sets allowances for estimated losses from accounts receivable and investment assets. In addition, the Group reports present conditions and countermeasures of delayed recovery for the financial assets and take reasonable steps depending on the reasons for delay to manage the credit risk at quarterly basis.

The carrying amount of financial assets represents the maximum credit exposure. Maximum exposure to credit risk of the Group as of December 31, 2023 and 2022 are as follows:

<i>(In thousands of won)</i>		<u>2023</u>	<u>2022</u>
Cash and cash equivalents	₩	158,381,171	123,683,665
Financial assets at FVTPL		5,990,590	9,491,714
Trade receivables		149,071,832	141,741,124
Other current financial assets		2,998,739	4,888,408
Long-term trade receivables		12,071,413	31,680,370
Other non-current financial assets		7,865,687	1,686,188
Financial guarantee contracts (*)		2,400,000	2,400,000
	₩	<u>338,779,432</u>	<u>315,571,469</u>

(*) The Group provides payment guarantees to its employees.

5.1.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. The Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

STUDIO DRAGON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

5. Financial Risk Management, Continued

5.1 Risk management framework, continued

5.1.3 Liquidity risk, continued

Maturity analysis of financial liabilities as of December 31, 2023 and 2022 is as follows:

(In thousands of won)

	2023				
	Less than 3 months	3~12 months	1~2 years	More than 2 years	Total
Trade payables	₩ 11,122,351	-	-	-	11,122,351
Other payables	58,363,892	-	-	-	58,363,892
Short-term borrowings	-	170,515,677	-	-	170,515,677
Current portion of lease liabilities	490,530	1,480,437	-	-	1,970,967
Lease liabilities	-	-	1,943,755	5,327,605	7,271,360
Long-term other payables	-	-	1,942,540	2,021,552	3,964,092
Financial guarantee contracts	2,400,000	-	-	-	2,400,000
Derivative liabilities	16,054	-	-	-	16,054
	₩ <u>72,392,827</u>	<u>171,996,114</u>	<u>3,886,295</u>	<u>7,349,157</u>	<u>255,624,393</u>

(In thousands of won)

	2022				
	Less than 3 months	3~12 months	1~2 years	More than 2 years	Total
Trade payables	₩ 16,186,104	-	-	-	16,186,104
Other payables	68,424,315	-	-	-	68,424,315
Short-term borrowings	-	170,412,663	-	-	170,412,663
Current portion of lease liabilities	468,139	1,209,727	-	-	1,677,866
Lease liabilities	-	-	1,339,775	3,734,388	5,074,163
Long-term other payables	-	-	4,481,213	852,793	5,334,006
Financial guarantee contracts	2,400,000	-	-	-	2,400,000
Derivative liabilities	1,744,810	-	-	-	1,744,810
	₩ <u>89,223,368</u>	<u>171,622,390</u>	<u>5,820,988</u>	<u>4,587,181</u>	<u>271,253,927</u>

The amounts are gross and undiscounted and include contractual interest payments. The financial guarantee contracts allocated the maximum amounts of the guarantee for the earliest period that the guarantee could require.

STUDIO DRAGON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

5. Financial Risk Management, Continued

5.2 Capital risk management

The Group's policy is to maintain sustainability of going concern and the objective of the Group's capital management is to maximize the shareholders' profit by minimizing the cost of capital financing. The Group uses financial ratios such as debt ratio and net borrowings ratio as a capital management indicator to achieve the optimum capital structure. The Group's management periodically reviews the capital structure.

The Group's liabilities to equity ratios at the end of the reporting period are as follows:

<i>(In thousands of won, except ratio)</i>		<u>2023</u>	<u>2022</u>
Total liabilities (A)	₩	384,456,011	429,935,208
Total equity (B)		707,770,023	660,731,177
Borrowings and debentures (C)		170,000,000	170,000,000
Cash and cash equivalents (D)		158,381,171	123,683,665
Net borrowings (C-D)		<u>11,618,829</u>	<u>46,316,335</u>
Liabilities to equity ratio (A/B)		54.32%	65.07%
Net debt to equity ratio ((C-D)/B)		1.64%	7.01%

6. Operating Segment

The Group has a single reportable segment based on the goods and service provided to generate revenue. Therefore, the Group does not disclose information about reportable segments such as segment revenue, segment profit before tax, segment assets and segment liabilities.

6.1 Geographic information on revenue by country for the years ended December 31, 2023 and 2022 were as follows:

<i>(In thousands of won)</i>		<u>2023</u>	<u>2022</u>
Korea	₩	300,159,416	329,369,628
Overseas		452,986,334	368,576,195
	₩	<u>753,145,750</u>	<u>697,945,823</u>

Revenue by country is determined based on the location of the customers.

6.2 Timing of revenue recognition for the years ended December 31, 2023 and 2022 were as follows:

<i>(In thousands of won)</i>		<u>2023</u>	<u>2022</u>
Products and services transferred at a point in time	₩	546,166,235	559,364,553
Products and services transferred over time		206,979,515	138,581,270
	₩	<u>753,145,750</u>	<u>697,945,823</u>

STUDIO DRAGON CORPORATION AND SUBSIDIARIES
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For the years ended December 31, 2023 and 2022

6. Operating Segment, Continued

6.3 Major customers

The information of major customers which comprise 10% or more of the Group's revenue for the years ended December 31, 2023 and 2022 were as follows:

<i>(In thousands of won)</i>	<u>2023</u>	<u>2022</u>
A	₩ 236,492,297	244,008,896
B	197,625,519	177,437,885

6.4 The revenue by business line of the Group for the years ended December 31, 2023 and 2022 were as follows:

<i>(In thousands of won)</i>	<u>2023</u>	<u>2022</u>
Drama contents	₩ 743,000,938	672,770,494
Entertainment management services and others	10,144,812	25,175,329
	<u>₩ 753,145,750</u>	<u>697,945,823</u>

7. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2023 and 2022 are as follows:

<i>(In thousands of won)</i>	<u>2023</u>	<u>2022</u>
Demand deposits	₩ 158,381,171	123,683,665

As of December 31, 2023, there is no restricted financial assets.

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8. Categories of Financial Instruments

8.1 Financial assets and financial liabilities

The carrying amounts and fair values of financial instruments by category as of December 31, 2023 and 2022 are as follows:

(In thousands of won)

	2023									
	Carrying amount					Fair value				
	Financial assets at amortized cost	Financial assets at FVOCI	Financial assets at FVTPL	Financial liabilities at amortized cost	Financial liabilities at FVTPL	Total	Level 1	Level 2	Level 3	
Financial assets:										
Financial assets measured at fair value										
Financial assets at FVTPL	₩	-	-	5,990,590	-	-	5,990,590	-	-	5,990,590
Financial assets at FVOCI (*1)		-	148,803,762	-	-	-	148,803,762	117,277,440	-	24,470,322
Subtotal		-	148,803,762	5,990,590	-	-	154,794,352	117,277,440	-	30,460,912
Financial assets not measured at fair value (*2)										
Cash and cash equivalents		158,381,171	-	-	-	-	158,381,171	-	-	-
Accrued income		51,311	-	-	-	-	51,311	-	-	-
Trade receivables		161,143,246	-	-	-	-	161,143,246	-	-	-
Other receivables		3,896,643	-	-	-	-	3,896,643	-	-	-
Deposits		3,416,472	-	-	-	-	3,416,472	-	-	-
Long-term financial instruments		3,500,000	-	-	-	-	3,500,000	-	-	-
Subtotal		330,388,843	-	-	-	-	330,388,843	-	-	-
Total	₩	330,388,843	148,803,762	5,990,590	-	-	485,183,195	117,277,440	-	30,460,912
Financial liabilities:										
Financial liabilities measured at fair value										
Derivative liabilities	₩	-	-	-	-	16,054	16,054	-	16,054	-
Financial liabilities not measured at fair value (*2)										
Trade payables		-	-	-	11,122,351	-	11,122,351	-	-	-
Lease liabilities		-	-	-	7,225,481	-	7,225,481	-	-	-
Other payables		-	-	-	62,274,452	-	62,274,452	-	-	-
Accrued expenses		-	-	-	555,648	-	555,648	-	-	-
Short-term borrowings		-	-	-	170,000,000	-	170,000,000	-	-	-
Subtotal		-	-	-	251,177,932	-	251,177,932	-	-	-
Total	₩	-	-	-	251,177,932	16,054	251,193,986	-	16,054	-

(*1) As equity investments amounting to ₩7,056,000 thousand do not have a quoted market price in an active market and their fair value cannot be reliably measured, they are measured at cost.

(*2) As the carrying amounts of financial assets and liabilities are a reasonable approximation of fair values, their fair values are not disclosed.

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8. Categories of Financial Instruments, Continued

8.1 Financial assets and financial liabilities, continued

The carrying amounts and fair values of financial instruments by category as of December 31, 2023 and 2022 are as follows, continued:

(In thousands of won)

	2022								
	Carrying amount					Fair value			
	Financial assets at amortized cost	Financial assets at FVOCI	Financial assets at FVTPL	Financial liabilities at amortized cost	Financial liabilities at FVTPL	Total	Level 1	Level 2	Level 3
Financial assets:									
Financial assets measured at fair value									
Financial assets at FVTPL	₩ -	-	9,491,714	-	-	9,491,714	-	9,491,714	-
Financial assets at FVOCI (*1)	-	126,284,521	-	-	-	126,284,521	92,931,900	-	26,296,621
Subtotal	-	126,284,521	9,491,714	-	-	135,776,235	92,931,900	9,491,714	26,296,621
Financial assets not measured at fair value (*2)									
Cash and cash equivalents	123,683,665	-	-	-	-	123,683,665	-	-	-
Trade receivables	173,421,494	-	-	-	-	173,421,494	-	-	-
Other receivables	3,183,710	-	-	-	-	3,183,710	-	-	-
Deposits	3,390,886	-	-	-	-	3,390,886	-	-	-
Subtotal	303,679,755	-	-	-	-	303,679,755	-	-	-
Total	₩ 303,679,755	126,284,521	9,491,714	-	-	439,455,990	92,931,900	9,491,714	26,296,621
Financial liabilities:									
Financial liabilities measured at fair value									
Derivative liabilities	₩ -	-	-	-	1,744,810	1,744,810	-	1,744,810	-
Financial liabilities not measured at fair value (*2)									
Trade payables	-	-	-	16,186,104	-	16,186,104	-	-	-
Lease liabilities	-	-	-	5,307,878	-	5,307,878	-	-	-
Other payables	-	-	-	73,238,656	-	73,238,656	-	-	-
Accrued expenses	-	-	-	412,663	-	412,663	-	-	-
Short-term borrowings	-	-	-	170,000,000	-	170,000,000	-	-	-
Subtotal	-	-	-	265,145,301	-	265,145,301	-	-	-
Total	₩ -	-	-	265,145,301	1,744,810	266,890,111	-	1,744,810	-

(*1) As equity investments amounting to ₩7,056,000 thousand do not have a quoted market price in an active market and their fair value cannot be reliably measured, they are measured at cost.

(*2) As the carrying amounts of financial assets and liabilities are a reasonable approximation of fair values, their fair values are not disclosed.

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8. Categories of Financial Instruments, Continued

8.2 Valuation techniques and the inputs of fair value

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used as of December 31, 2023.

<i>(In thousands of won)</i>	Fair value	Level	Valuation technique	Significant unobservable inputs
Financial assets at FVTPL	₩ 523,541	3	Net asset value	Net asset value
Financial assets at FVTPL (*)	5,467,049	3	Present value method	Exchange rates, inherent volatility, remaining maturity, discount rate, etc.
Financial assets at FVOCI	24,268,397	3	Income approach	Growth rate, discount rate, etc.
Financial assets at FVOCI	201,925	3	Net asset value	Net asset value
Derivative liabilities	16,054	2	Present value method	Exchange rates, inherent volatility, remaining maturity, discount rate, etc.

(*) Due to the COVID-19, the fund amounting to ₩5,467 million run by Gen2 Partners are frozen at the reporting date. As a result, this could have an adverse impact on the Group's financial position and financial performance.

9. Credibility of Financial Assets

9.1 The aging of impairment of financial assets measured at amortized cost except for cash and cash equivalents, long-term and short-term financial instruments as of December 31, 2023 and 2022 are as follows:

<i>(In thousands of won)</i>	2023			2022		
	Weighted-average loss rate	Carrying amount	Impairment	Weighted-average loss rate	Carrying amount	Impairment
Not past due	0.40%	₩ 158,937,132	635,365	0.09%	174,371,529	156,288
Past due less than 6 months	0.00%	8,263,577	245	0.05%	2,848,727	1,329
Past due 6 ~ 12 months	0.01%	322,670	17	0.06%	1,045,825	620
More than one year	69.91%	5,384,310	3,764,390	65.83%	5,526,630	3,638,384
		₩ <u>172,907,689</u>	<u>4,400,017</u>		<u>183,792,711</u>	<u>3,796,621</u>

The Group recognizes allowances for financial assets measured at amortized cost through an aging analysis and individual analysis on collectability performed on the basis of expected loss model. The allowances are based on historical experience of recoveries of similar financial assets. Regardless of aging of receivables, the Group recognizes 100% amount of receivables as allowances for receivables that are objectively proven to be uncollectible.

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9. Credibility of Financial Assets, Continued

9.2 Changes in allowance for doubtful accounts of financial assets measured at amortized cost for the years ended December 31, 2023 and 2022 were as follows:

<i>(In thousands of won)</i>		<u>2023</u>	<u>2022</u>
Beginning balance	₩	3,796,621	4,633,120
Accrual		603,396	46,663
Write-off		-	(883,162)
Ending balance	₩	<u>4,400,017</u>	<u>3,796,621</u>

10. Advance Payments

10.1 Advance payments are presented on a net basis after deducting related allowance. Advance payments and related allowance as of December 31, 2023 and 2022 are as follows:

<i>(In thousands of won)</i>		<u>2023</u>		<u>2022</u>	
		<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Advance payments	₩	89,162,078	84,220,387	122,269,100	80,340,259
Allowance for advance payments		(184,800)	-	(184,800)	-
Advance payments, net	₩	<u>88,977,278</u>	<u>84,220,387</u>	<u>122,084,300</u>	<u>80,340,259</u>

10.2 Changes of allowance for advance payments for the years ended December 31, 2023 and 2022 were as follows:

<i>(In thousands of won)</i>		<u>2023</u>	<u>2022</u>
Beginning balance	₩	(184,800)	(239,800)
Impairment loss		-	25,000
Write-off		-	30,000
Ending balance	₩	<u>(184,800)</u>	<u>(184,800)</u>

10.3 Costs to fulfill contracts with customers that are recognized as advance payments as of December 31, 2023 and 2022 are as follows:

<i>(In thousands of won)</i>		<u>2023</u>	<u>2022</u>
Advance payments	₩	172,461,769	197,142,085

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11. Other Assets

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

(In thousands of won)

	2023		2022	
	Current	Non-current	Current	Non-current
Prepaid expenses	₩ 6,604	32,242	14,015	45,818
Prepaid value added tax	5,086,608	-	7,720,852	-
	₩ 5,093,212	32,242	7,734,867	45,818

12. Financial Assets at FVOCI

12.1 Financial assets at FVOCI as of December 31, 2023 and 2022 are as follows:

(In thousands of won)

	Ownership	2023		2022
		Acquisition cost	Book value	Book value
Naver Corporation	0.32%	₩ 148,167,480	117,277,440	92,931,900
Mega Monster Corporation	5.86%	1,500,000	201,925	201,925
MovieRock Co., Ltd.	19.83%	3,050,000	3,050,000	3,050,000
Merrycow Co., Ltd.	19.00%	4,006,000	4,006,000	4,006,000
SKYDANCE MEDIA, LLC (*)	0.66%	24,075,000	24,268,397	26,094,696
		₩ 180,798,480	148,803,762	126,284,521

(*) The difference of ₩1,713 million between the acquisition cost and book value as of December 31, 2023 is due to the effect of movements in exchange rates.

12.2 Changes in financial assets at FVOCI for the years ended December 31, 2023 and 2022 were as follows:

(In thousands of won)

	2023	2022
Beginning balance	₩ 126,284,521	229,135,385
Gain (loss) on valuation of financial assets included in OCI	22,077,241	(104,486,864)
Effect of movements in exchange rates	442,000	1,636,000
Ending balance	₩ 148,803,762	126,284,521

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13. Property and Equipment

Changes in property and equipment for the years ended December 31, 2023 and 2022 were as follows:

		2023								
<i>(In thousands of won)</i>		Land	Buildings	Rental facilities	Broad-casting equipment	Tools and office equipment	Vehicles	Construction -in-progress	Others	Total
Acquisition costs:										
Beginning balance	₩	3,824,820	2,206,349	2,328,047	4,497,238	801,873	-	49,546	140,000	13,847,873
Acquisitions		-	-	1,739,860	1,046,694	74,458	1,401	-	-	2,862,413
Reclassification		-	-	49,546	-	-	16,856	(49,546)	-	16,856
Disposals		-	-	-	-	(2,816)	(18,257)	-	-	(21,073)
Others		-	-	-	-	(193)	-	-	-	(193)
Ending balance		3,824,820	2,206,349	4,117,453	5,543,932	873,322	-	-	140,000	16,705,876
Accumulated depreciation and impairment losses:										
Beginning balance		-	(61,769)	(657,270)	(1,630,230)	(554,741)	-	-	-	(2,904,010)
Depreciation		-	(56,065)	(600,030)	(667,047)	(83,094)	(609)	-	-	(1,406,845)
Disposals		-	-	-	-	476	609	-	-	1,085
Ending balance		-	(117,834)	(1,257,300)	(2,297,277)	(637,359)	-	-	-	(4,309,770)
Carrying amounts:										
Beginning balance	₩	3,824,820	2,144,580	1,670,777	2,867,008	247,132	-	49,546	140,000	10,943,863
Ending balance		3,824,820	2,088,515	2,860,153	3,246,655	235,963	-	-	140,000	12,396,106
		2022								
<i>(In thousands of won)</i>		Land	Buildings	Rental facilities	Broad-casting equipment	Tools and office equipment	Vehicles	Construction -in-progress	Others	Total
Acquisition costs:										
Beginning balance	₩	1,396,584	673,836	2,063,191	4,379,871	836,029	45,935	-	238,000	9,633,446
Acquisitions		2,428,236	1,532,513	325,000	117,367	51,041	31,627	49,546	-	4,535,330
Disposals		-	-	(60,144)	-	(119,533)	(429,390)	-	(98,000)	(707,067)
Reclassification		-	-	-	-	-	351,828	-	-	351,828
Changes in consolidation scope		-	-	-	-	34,336	-	-	-	34,336
Ending balance		3,824,820	2,206,349	2,328,047	4,497,238	801,873	-	49,546	140,000	13,847,873
Accumulated depreciation and impairment losses:										
Beginning balance		-	(26,427)	(303,609)	(1,012,701)	(537,009)	(10,877)	-	-	(1,890,623)
Depreciation		-	(35,342)	(405,787)	(617,529)	(91,568)	(4,674)	-	-	(1,154,900)
Disposals		-	-	52,126	-	83,842	15,551	-	-	151,519
Changes in consolidation scope		-	-	-	-	(10,006)	-	-	-	(10,006)
Ending balance		-	(61,769)	(657,270)	(1,630,230)	(554,741)	-	-	-	(2,904,010)
Carrying amounts:										
Beginning balance	₩	1,396,584	647,409	1,759,582	3,367,170	299,020	35,058	-	238,000	7,742,823
Ending balance		3,824,820	2,144,580	1,670,777	2,867,008	247,132	-	49,546	140,000	10,943,863

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14. Right-of-use Assets

14.1 Changes in right-of-use assets for the years ended December 31, 2023 and 2022 were as follows:

		2023		
<i>(In thousands of won)</i>		Rental facilities	Vehicles	Total
Acquisition costs:				
Beginning balance	₩	7,626,115	1,357,277	8,983,392
Acquisitions		2,942,165	272,249	3,214,414
Disposals		(676,483)	(599,768)	(1,276,251)
Changes in terms and conditions		510,685	-	510,685
Ending balance		10,402,482	1,029,758	11,432,240
Accumulated depreciation:				
Beginning balance		(3,033,952)	(674,134)	(3,708,086)
Depreciation		(1,311,658)	(313,883)	(1,625,541)
Disposals		253,751	574,980	828,731
Ending balance		(4,091,859)	(413,037)	(4,504,896)
Carrying amounts:				
Beginning balance	₩	4,592,163	683,143	5,275,306
Ending balance		6,310,623	616,721	6,927,344

		2022				
<i>(In thousands of won)</i>		Land	Rental facilities	Broadcasting equipment	Vehicles	Total
Acquisition costs:						
Beginning balance	₩	1,047,752	7,741,529	588,027	2,553,089	11,930,397
Acquisitions		-	-	-	357,565	357,565
Disposals		(1,047,752)	(360,000)	(588,027)	(1,553,314)	(3,549,093)
Changes in terms and conditions		-	3,575	-	(63)	3,512
Changes in consolidation scope		-	241,011	-	-	241,011
Ending balance		-	7,626,115	-	1,357,277	8,983,392
Accumulated depreciation:						
Beginning balance		(785,814)	(2,270,392)	(245,011)	(1,303,497)	(4,604,714)
Depreciation		(261,938)	(1,106,793)	(171,508)	(641,781)	(2,182,020)
Disposals		1,047,752	360,000	416,519	1,271,144	3,095,415
Changes in consolidation scope		-	(16,767)	-	-	(16,767)
Ending balance		-	(3,033,952)	-	(674,134)	(3,708,086)
Carrying amounts:						
Beginning balance	₩	261,938	5,471,137	343,016	1,249,592	7,325,683
Ending balance		-	4,592,163	-	683,143	5,275,306

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14. Right-of-use Assets, Continued

14.2 Amounts recognized in profit or loss for the years ended December 31, 2023 and 2022 were as follows:

(In thousands of won)

		<u>2023</u>	<u>2022</u>
Interest expense on lease liabilities	₩	443,268	303,530
Expenses relating to short-term leases		16,719,785	18,994,177
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets		38,051	53,989
	₩	<u>17,201,104</u>	<u>19,351,696</u>

14.3 Amounts recognized in statement of cash flow for the years ended December 31, 2023 and 2022 were as follows:

(In thousands of won)

		<u>2023</u>	<u>2022</u>
Total cash outflow for leases	₩	18,472,606	21,011,088

14.4 Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

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15. Intangible Assets

15.1 Changes in intangible assets for the years ended December 31, 2023 and 2022 were as follows:

	2023							
	Goodwill	Trademark rights	Copyrights	Others	Software	Member-ship	Construction in-progress	Total
Acquisition costs:								
Beginning balance	₩ 98,641,619	267,121	878,827,889	42,102,261	2,382,941	5,052,835	221,515,876	1,248,790,542
Acquisitions	-	59,731	196,873,337	-	5,948	595,886	164,749,757	362,284,659
Disposals	-	-	-	-	-	(986,567)	-	(986,567)
Reclassification	-	77,921	181,674,500	-	-	-	(164,513,533)	17,238,888
Others (*)	-	-	(200,017,346)	-	-	-	-	(200,017,346)
Ending balance	98,641,619	404,773	1,057,358,380	42,102,261	2,388,889	4,662,154	221,752,100	1,427,310,176
Accumulated amortization and impairment losses:								
Beginning balance	(15,512,357)	-	(831,087,597)	(23,396,919)	(958,229)	-	-	(870,955,102)
Amortization and impairment	(13,304,385)	-	(176,226,295)	(7,257,215)	(434,022)	(247,784)	-	(197,469,701)
Ending balance	(28,816,742)	-	(1,007,313,892)	(30,654,134)	(1,392,251)	(247,784)	-	(1,068,424,803)
Carrying amounts:								
Beginning balance	₩ 83,129,262	267,121	47,740,292	18,705,342	1,424,712	5,052,835	221,515,876	377,835,440
Ending balance	69,824,877	404,773	50,044,488	11,448,127	996,638	4,414,370	221,752,100	358,885,373

	2022							
	Goodwill	Trademark rights	Copyrights	Others	Software	Member-ship	Construction in-progress	Total
Acquisition costs:								
Beginning balance	₩ 77,909,377	240,954	728,486,414	33,745,533	2,194,723	2,860,953	166,599,895	1,012,037,849
Acquisitions	-	14,210	233,520,675	-	188,218	2,372,785	170,786,223	406,882,111
Disposals	-	-	-	(2,000,000)	-	(180,903)	-	(2,180,903)
Reclassification	-	11,957	125,606,203	-	-	-	(115,870,242)	9,747,918
Changes in consolidation scope	20,732,242	-	-	10,356,728	-	-	-	31,088,970
Others (*)	-	-	(208,785,403)	-	-	-	-	(208,785,403)
Ending balance	98,641,619	267,121	878,827,889	42,102,261	2,382,941	5,052,835	221,515,876	1,248,790,542
Accumulated amortization and impairment losses:								
Beginning balance	(7,141,635)	-	(687,444,998)	(18,883,026)	(539,938)	-	-	(714,009,597)
Amortization and impairment	(8,370,722)	-	(143,642,599)	(6,513,892)	(418,291)	-	-	(158,945,504)
Disposals	-	-	-	1,999,999	-	-	-	1,999,999
Ending balance	(15,512,357)	-	(831,087,597)	(23,396,919)	(958,229)	-	-	(870,955,102)
Carrying amounts:								
Beginning balance	₩ 70,767,742	240,954	41,041,416	14,862,507	1,654,785	2,860,953	166,599,895	298,028,252
Ending balance	83,129,262	267,121	47,740,292	18,705,342	1,424,712	5,052,835	221,515,876	377,835,440

(*) Others are due to effects of reclassification to other accounts.

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15. Intangible Assets, Continued

15.2 Impairment tests of goodwill

(1) The Group annually performs impairment tests on goodwill and evaluates recoverable amounts of CGUs. Recoverable amounts of goodwill are determined based on value-in-use which is determined by discounting expected future cash flows arising from continuous use of assets.

Key assumptions used to estimate value-in-use reflects the management's assessments on future trends of the industry, and such assumptions were determined in the consideration of external information and internal information (historical information).

The goodwill has been allocated to CGU or group of CGUs, which are the units by management of the Group manages goodwill. The carrying amount of goodwill allocated to CGU or group of CGUs for the purposes of impairment testing as of December 31, 2023 and 2022 are as follows:

(In thousands of won)

		<u>2023</u>	<u>2022</u>
Hwa&dam pictures, Inc	₩	9,282,829	22,587,214
Culturedepot Co., Ltd.		12,867,359	12,867,359
KPJ Co., Ltd.		10,627,242	10,627,242
GTist Co., Ltd.		16,315,205	16,315,205
Gill Pictures Co., Ltd.		<u>20,732,242</u>	<u>20,732,242</u>
	₩	<u>69,824,877</u>	<u>83,129,262</u>

The key assumptions used in the estimation of the recoverable amounts are set out below.

(In percent)

	<u>Discount rate</u>		<u>Terminal Growth rate</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Hwa&dam pictures, Inc	14.73	17.04	1.0	1.0
KPJ Co., Ltd.	15.85	16.96	1.0	1.0
GTist Co., Ltd.	15.57	17.02	1.0	1.0
Culturedepot Co., Ltd.	15.78	17.91	1.0	1.0
Gill Pictures Co., Ltd.	15.67	18.84	1.0	1.0

The discount rate was a measure estimated based on the rate of government bonds issued by the government in the relevant market and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the specific CGU.

The cash flow projections were estimated for five years after 2023 based on the nature of industry in which the Group entities belong and each entity's business plan. The cash flow projections were estimated based on the past experiences, actual performances and business plan of each entity. The cash flow projections thereafter were estimated applying the terminal growth rate.

During the year ended December 31, 2023, the Group recognized impairment loss on intangible assets as a result of impairment test on goodwill amounting to ₩13,304 million because the recoverable amount of cash-generating units was lower than the carrying amount.

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15. Intangible Assets, Continued

15.2 Impairment tests of goodwill, continued

(2) Assuming that other variables do not change, the impact of changes in discount rate used for future cash inflow related to estimation of each entity's value-in-use by 1% on value-in-use as of December 31, 2023 are as follows:

(In millions of won)		Hwa&dam pictures, Inc	Culturedepot Co., Ltd.	KPJ Co., Ltd.	GTist Co., Ltd	Gill Pictures Co., Ltd.
1% Decrease	₩	3,113	2,117	1,877	1,882	3,220
1% Increase		(2,647)	(1,800)	(1,597)	(1,605)	(2,740)

16. Investment in Associates

16.1 Details of investment in associates as of December 31, 2023 are as follows:

Company	Business activities	Country	Ownership	Year end
Nextscene Co., Ltd (*)	Production and supply of broadcast programs	Korea	19.98%	December
Studio Dragon Japan CO., LTD.	Production and supply of broadcast programs	Japan	30.00%	December

(*) As the Group has the right to appoint one of the three members of Board of Directors of Nextscene Co., Ltd. and has considered having significant influence on the investment, classified the investment as an associate.

16.2 Changes in investment in associates for the years ended December 31, 2023 and 2022 were as follows:

	2023				
	Beginning balance	Share of profit (loss) of associates	Changes in equity of associates	Ending balance	
(In thousands of won)					
Nextscene Co., Ltd	₩ 4,073,029	179,688	-	4,252,717	
Studio Dragon Japan CO., LTD.	8,558,058	(83,335)	(362,143)	8,112,580	
	₩ 12,631,087	96,353	(362,143)	12,365,297	
	2022				
	Beginning balance	Acquisition	Share of profit (loss) of associates	Changes in equity of associates	Ending balance
(In thousands of won)					
Nextscene Co., Ltd	₩ -	3,996,000	77,029	-	4,073,029
Studio Dragon Japan CO., LTD.	-	8,663,130	(20,849)	(84,223)	8,558,058
	₩ -	12,659,130	56,180	(84,223)	12,631,087

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16. Investment in Associates, Continued

16.3 Summarized financial information of the associates as of and for the years ended December 31, 2023 and 2022 are as follows:

<i>(In thousands of won)</i>	2023				
	Assets	Liabilities	Equity	Revenue	Profit (loss)
Nextscene Co., Ltd	₩ 1,535,772	250,966	1,284,806	18,037,163	899,339
Studio Dragon Japan CO., LTD.	27,860,514	818,582	27,041,932	-	(277,782)

<i>(In thousands of won)</i>	2022				
	Assets	Liabilities	Equity	Revenue	Profit (loss)
Nextscene Co., Ltd	₩ 7,521,504	7,136,038	385,466	6,805,468	381,832
Studio Dragon Japan CO., LTD.	28,566,065	39,207	28,526,858	-	(69,498)

16.4 The table below provides a reconciliation of the summarized financial information of the associates to the carrying amount of the Group's investments in the associates.

<i>(In thousands of won)</i>	2023				
	Net Assets at the year (A)	Ownership interest (B)	Group' share of net assets (A x B)	Difference	Carrying amount
Nextscene Co., Ltd	₩ 1,284,806	19.98%	256,704	3,996,013	4,252,717
Studio Dragon Japan CO., LTD.	27,041,932	30.00%	8,112,580	-	8,112,580

<i>(In thousands of won)</i>	2022				
	Net Assets at the year (A)	Ownership interest (B)	Group' share of net assets (A x B)	Difference	Carrying amount
Nextscene Co., Ltd	₩ 385,466	19.98%	77,016	3,996,013	4,073,029
Studio Dragon Japan CO., LTD.	28,526,858	30.00%	8,558,058	-	8,558,058

17. Short-term borrowings

Short-term borrowings as of December 31, 2023 and 2022 are as follows:

<i>(In thousands of won)</i>	Interest rate(%)				2023	2022
	Min	Max	Maturity			
Export-Import Bank of Korea	4.55	4.63	2024.07.06	₩	50,000,000	50,000,000
Korea Development Bank	4.88	4.88	2024.07.07		100,000,000	100,000,000
Woori Bank	4.93	4.96	2024.09.23		20,000,000	-
Kookmin Bank	5.47	5.47	2023.09.24		-	20,000,000
				₩	<u>170,000,000</u>	<u>170,000,000</u>

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18. Other Liabilities

Other liabilities as of December 31, 2023 and 2022 are as follows:

(In thousands of won)

		2023		2022	
		Current	Non-current	Current	Non-current
Liabilities for employee benefits	₩	2,797,983	1,245,104	5,138,438	1,549,870
Accrued expenses		39,971	-	54,054	-
Advance received		13,796	-	120,858	-
Value added tax withheld		6,284	-	1,662,460	-
Withholdings		1,567,670	-	1,064,327	-
	₩	<u>4,425,704</u>	<u>1,245,104</u>	<u>8,040,137</u>	<u>1,549,870</u>

19. Contract Liabilities and Provisions

19.1 Contract Liabilities

The Group recognizes the advance consideration received based on the consideration specified in a contract with a customer before the satisfaction of performance obligation as contract liabilities. Contract liabilities from contracts with customers as of December 31, 2023 and 2022 are as follows:

(In thousands of won)

		2023	2022
Unearned revenue	₩	123,897,466	143,590,232

The amount of ₩132,067 million included in contract liabilities balance at the beginning of the year has been recognized as revenue in 2023.

19.2 Restoration Provisions

Changes in restoration provision for the years ended December 31, 2023 and 2022 were as follows:

(In thousands of won)

		2023	2022
Balance at January 1	₩	1,236,572	1,224,168
Provisions made		44,517	-
Unwind of discount		11,109	12,404
Decrease		(581,910)	-
Balance at December 31	₩	<u>710,288</u>	<u>1,236,572</u>

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20. Employee Benefits

20.1 Employee benefits expenses for the years ended December 31, 2023 and 2022 were as follows:

<i>(In thousands of won)</i>	<u>2023</u>	<u>2022</u>
Wages and salaries	₩ 24,618,706	30,343,305
Expenses related to defined benefit plans	2,963,348	1,057,667
Contributions to defined contribution plans	204,511	314,785
Expenses related to share-based payments	173,348	112,059
Social security contributions	2,254,081	1,894,816
	<u>₩ 30,213,994</u>	<u>33,722,632</u>

20.2 Total employee benefit liabilities (assets) as of December 31, 2023 and 2022 are as follows:

<i>(In thousands of won)</i>	<u>2023</u>	<u>2022</u>
Present value of defined benefit obligations	₩ 6,667,621	5,114,091
Fair value of plan assets	(8,433,954)	(7,560,480)
Net defined benefit asset	(1,766,333)	(2,446,389)
Liabilities for paid absence	1,163,739	1,042,769
Liabilities for employee benefits	3,132,280	5,645,540
Total employee liabilities	<u>₩ 2,529,686</u>	<u>4,241,920</u>

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20. Employee Benefits, Continued

20.3 Defined benefit plan

The Group operates defined benefit and defined benefit pension plans for qualified employees. With respect to defined benefit pension plans, employees who have worked for more than a year, receive a lump sum payment of 30 days of average salaries for each year. The most recent actuarial valuation of plan assets and defined benefit obligation was performed by Samsung Fire and Marine Insurance Company. The present value of defined benefit obligation, related current service costs and past service costs are measured using projected unit credit method.

(1) Movement in net defined benefit liabilities for the years ended December 31, 2023 and 2022 were as follows:

<i>(In thousands of won)</i>	Defined benefit obligations		Fair value of plan assets		Net defined benefit liability	
	2023	2022	2023	2022	2023	2022
Balance at January 1	₩ 5,114,091	5,377,605	(7,560,480)	(6,134,912)	(2,446,389)	(757,307)
Included in profit or loss:						
Current service cost	3,035,693	1,087,238	-	-	3,035,693	1,087,238
Interest cost (income)	304,575	201,139	(458,198)	(230,710)	(153,623)	(29,571)
	3,340,268	1,288,377	(458,198)	(230,710)	2,882,070	1,057,667
Included in other comprehensive income or loss:						
Remeasurements loss (gain):						
- demographic assumptions	-	-	-	-	-	-
- financial assumptions	571,883	(1,281,865)	-	-	571,883	(1,281,865)
- experience adjustment	83,040	769,021	-	-	83,040	769,021
Return on plan assets	-	-	125,460	148,170	125,460	148,170
	654,923	(512,844)	125,460	148,170	780,383	(364,674)
Other:						
Contribution paid	-	-	(942,237)	(2,424,500)	(942,237)	(2,424,500)
Benefits paid	(2,894,842)	(1,071,925)	854,682	1,071,925	(2,040,160)	-
Transfer from (to) related parties	453,181	32,878	(453,181)	9,547	-	42,425
	(2,441,661)	(1,039,047)	(540,736)	(1,343,028)	(2,982,397)	(2,382,075)
Balance at December 31	₩ 6,667,621	5,114,091	(8,433,954)	(7,560,480)	(1,766,333)	(2,446,389)

(2) Details of plan assets as of December 31, 2023 and 2022 are as follows:

<i>(In thousands of won)</i>	2023	2022
Cash and deposits	₩ 8,433,953	7,560,480

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20. Employee Benefits, Continued

20.3 Defined benefit plan, continued

(3) Defined benefit obligations

- Actuarial assumptions

	<u>2023</u>	<u>2022</u>
Discount rate	5.51%~5.57%	6.28%~6.33%
Future salary growth rate	3.55%~3.73%	3.31%~3.47%

Assumptions regarding future mortality have been based on published statistics and mortality tables. As of December 31, 2023, the weighted-average duration of the defined benefit obligation was 9.11~9.47 years.

- Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

(In thousand won)

	<u>2023</u>		<u>2022</u>	
	1% decrease	1% increase	1% decrease	1% increase
Discount rate	₩ 620,420	(537,536)	451,722	(393,175)
Future salary growth rate	(562,236)	639,882	(415,170)	470,926

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

(4) Effect of defined benefit obligations on future cash flows

The Group has a policy to annually review the funding level and compensate if deficits occurred in the fund. The expected maturity analysis of undiscounted pension benefits as of December 31, 2023, are as follows:

(In thousand won)

	<u>Benefits paid</u>
Less than one year	₩ 615,083
One to two years	670,328
Two to five years	2,362,781
More than five years	5,967,168
	<u>₩ 9,615,360</u>

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21. Share Capital and Share Premium

21.1 Share capital as of December 31, 2023 and 2022 are as follows:

(In won, except share data)

	<u>2023</u>	<u>2022</u>
Number of shares authorized (in shares)	500,000,000	500,000,000
Par value per share	₩ 500	500
Number of shares issued (in shares)	<u>30,058,498</u>	<u>30,058,498</u>
Share capital	<u>₩ 15,029,249,000</u>	<u>15,029,249,000</u>

21.2 Changes in share capital and share premium for the years ended December 31, 2023 and 2022 were as follows:

<i>(In thousand won, except share data)</i>	<u>Number of shares (in shares)</u>	<u>Share capital</u>	<u>Share premium</u>	<u>Total</u>
Balance at December 31, 2021	30,014,185	₩ 15,007,093	470,386,693	485,393,786
Exercise of share options	<u>44,313</u>	<u>22,156</u>	<u>2,976,152</u>	<u>2,998,308</u>
Balance at December 31, 2022	<u>30,058,498</u>	<u>15,029,249</u>	<u>473,362,845</u>	<u>488,392,094</u>
Balance at December 31, 2023	<u>30,058,498</u>	<u>₩ 15,029,249</u>	<u>473,362,845</u>	<u>488,392,094</u>

22. Share-based Payment

22.1 Share option

The Group granted share options to key management personnel and details are as follows:

(In thousands of won)

	<u>Share grant</u>	<u>Cash linked to share value</u>
Grant date	March 31, 2022 / March 31, 2023	
Vesting condition	Exercise in sequence after 3 years since the grant date	
The total granted quantities	6,229 shares	6,369 shares
Share-based payments during the year	₩ 115,072	58,276

(*1) Through a resolution of the board of directors for the years ended December 31, 2023 and 2022, the Group granted a Restricted Stock Unit ("RSU") to its executives and employees on condition of providing service during the contracted period. 50% of the grant is paid in each company's shares, and the rest is paid in each company's stock value-linked cash.

(*2) As of December 31, 2023, the Group recognized the liabilities relating to cash linked to stock value payments amounting to ₩107 million.

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22. Share-based Payments, Continued

22.2 Assumptions and variables to measure the fair value of share option

The Group applied a fair value approach using binominal option model to measure the fair value of the share options granted. The related assumptions and variables are as follows:

<i>(In won)</i>	March 31, 2023		March 31, 2022	
	Share grant	Cash linked to share value	Share grant	Cash linked to share value
Assumption used in fair value measurement		Option pricing model		Option pricing model
Fair value per share	₩ 76,400	49,927	85,300	50,771
Share price at grant date	76,400	76,400	85,300	85,300
Expected maturity (*1)	3 years	2.2 years	3 years	1.2 years
Risk free rate	3.81%	3.22%	2.25%	3.40%
Dividend yield	0%	0%	0%	0%
Stock price volatility (*2)	36.2%	36.1%	35.6%	37.1%

(*1) The expected term of the instruments has been based on the management's estimation considering the impact of factors such as transfer restrictions and exercise limitations.

(*2) Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term.

22.3 Changes in the number of the share options for the years ended December 31, 2023 and 2022 were as follows:

<i>(In shares)</i>	2023		2022	
	Share grant	Cash linked to share value	Share grant	Cash linked to share value
Balance on January 1	3,076	3,182	-	-
Granted	3,887	3,945	3,162	3,239
Transfer in	157	163	325	344
Transfer out/ Forfeited	(891)	(921)	(411)	(401)
Balance on December 31	6,229	6,369	3,076	3,182

23. Retained Earnings

Retained earnings as of December 31, 2023 and 2022 comprises all unappropriated retained earnings.

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24. Commitments and Contingencies

24.1 Payment guarantees for employees

(In thousands of won)

	Financial institution	2023		2022	
		Credit limit	Borrowed amount	Credit limit	Borrowed amount
Loans for employee living stabilization fund (*)	KEB Hana Bank ₩	2,000,000	139,235	2,000,000	221,217

(*) The Group provides payment guarantees of ₩2.4 billion in relation to loans for employee living stabilization fund.

24.2 As of December 31, 2023, the Group has been provided a guarantee of ₩385 million (2022: ₩110 million) by Seoul Guarantee Insurance Co., Ltd. in relation to the performance of contracts.

24.3 Loan agreements with financial institutions as of December 31, 2023 and 2022, are as follow:

(In thousands of won, USD)

	Financial institution	Limit		Used	
General loans	Woori Bank	₩	20,000,000		20,000,000
General loans	Export-Import Bank of Korea		50,000,000		50,000,000
General loans	Korea Development Bank		100,000,000		100,000,000
The currency forward	Kyongnam Bank		4,900,000		-
The currency futures	Nomura Financial Investment		USD 31,000,000		USD 11,000,000

24.4 Derivatives

As of December 31, 2023, the Group has entered a currency forward contract with the aim of avoiding risks from changes in the exchange rate. Details of the currency futures contracts as of December 31, 2023 are as follows:

(In thousands of won, USD)

Financial institution	Type	Contract date	Maturity date	Exercise price (WON)	Contract amount (USD)	Remaining amount (USD)	Gain (loss) on valuation
Nomura Financial Investment	TRF (*)	2022.02.17	2024.03.29	1,250.00	21,000,000	3,000,000 ₩	240,317
				1,260.00			
		2023.10.16	2024.10.31	1,329.00	10,000,000	8,000,000	88,086
					<u>31,000,000</u>	<u>11,000,000 ₩</u>	<u>328,403</u>

(*) For TRF (Target Risk Fund) contracts, gains and losses occur every month according to the fluctuations in the exchange rate against the contract rate. Once the target profit is achieved, it is repaid early.

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24. Commitments and Contingencies, Continued

24.4 Derivatives, continued

Gain (loss) on transaction of derivatives for the years ended December 31, 2023 and 2022 were as follows:

<i>(In thousands of won)</i>	2023		2022	
	Transaction gain	Transaction loss	Transaction gain	Transaction loss
TRF	₩ 66,700	1,210,947	212,324	5,369,450

24.5 The Group exchanged stocks to reinforce and maintain the strategic business alliance with NAVER Corporation. The Group has entered into mutual rights of first refusal and sale claim right for the exchanged stocks.

24.6 The Group acquired ordinary shares to reinforce and maintain the business alliance with entity. In relation to this contract, disposal of shares acquired by the Group is restricted for a certain period of time. The Group has entered into an agreement to have a right to purchase additional shares as the fair value price of the at the date of 3 years after the acquisition date.

24.7 As of December 31, 2023, the Group is involved in 1 lawsuit as a defendant for alleged damages of ₩30 million. The Group believes that outcome of this legal action does not result in a material unfavorable effect on the Group's consolidated financial statements

25. Nature of Expenses

Details of nature of expenses for the years ended December 31, 2023 and 2022 were as follows:

<i>(In thousands of won)</i>	2023		
	Cost of sales	Selling, general and administrative expenses	Total
Cost of production	₩ 398,320,491	-	398,320,491
Employee benefits	13,434,643	14,525,270	27,959,913
Employee fringe benefits	1,843,560	2,819,306	4,662,866
Depreciation	1,225,988	1,806,399	3,032,387
Amortization	182,648,416	434,022	183,082,438
Fees and charges	65,436,355	8,231,339	73,667,694
Advertisement	-	333,011	333,011
Bad debt expenses	-	103,396	103,396
Other expenses	2,368,680	3,743,818	6,112,498
	₩ 665,278,133	31,996,561	697,274,694

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25. Nature of Expenses, Continued

Details of nature of expenses for the years ended December 31, 2023 and 2022 were as follows, continued:

(In thousands of won)	2022		
	Cost of sales	Selling, general and administrative expenses	Total
Cost of production	₩ 361,542,187	-	361,542,187
Employee benefits	15,030,617	16,797,199	31,827,816
Employee fringe benefits	1,544,866	3,330,191	4,875,057
Depreciation	1,546,615	1,790,305	3,336,920
Amortization	149,550,991	418,291	149,969,282
Fees and charges	57,037,864	7,256,218	64,294,082
Advertisement	-	383,403	383,403
Bad debt expenses	-	46,663	46,663
Other expenses	11,690,923	4,760,017	16,450,940
	₩ <u>597,944,063</u>	<u>34,782,287</u>	<u>632,726,350</u>

26. Finance Income and Finance Costs

Details of finance income and finance costs for the years ended December 31, 2023 and 2022 were as follows:

(In thousands of won)	2023	2022
Finance income:		
Interest income under the effective interest method on:		
Cash and cash equivalents	₩ 1,279,517	637,414
Trade receivables	3,264,658	1,687,445
Other receivables	331	-
Interest income arising from financial assets at amortized cost	<u>4,544,506</u>	<u>2,324,859</u>
Gain on dividends received	1,329,326	746,073
Gain on transaction of derivatives	66,700	212,324
Gain on valuation of derivatives	328,403	322,478
Gain on disposal of financial assets at FVTPL	348,928	252,277
Gain on valuation of financial assets at FVTPL	4,212	1,351,959
Gain on foreign currency transactions	7,856,724	13,976,368
Gain on foreign exchange translations	509,837	2,042,014
Sub-total	<u>14,988,636</u>	<u>21,228,352</u>
Finance costs:		
Interest expense	(8,758,688)	(4,932,320)
Loss on transaction of derivatives	(1,210,947)	(5,369,450)
Loss on valuation of financial assets at FVTPL	(896,164)	(576,131)
Loss on foreign currency transactions	(4,559,686)	(2,073,164)
Loss on foreign exchange translations	(2,176,519)	(6,050,238)
Sub-total	<u>(17,602,004)</u>	<u>(19,001,303)</u>
Net finance income (loss) recognized in profit or loss	₩ <u>(2,613,368)</u>	<u>2,227,049</u>

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27. Other Non-operating Income and Expenses

Details of other non-operating income and other non-operating expenses for the years ended December 31, 2023 and 2022 were as follows:

<i>(In thousands of won)</i>	<u>2023</u>	<u>2022</u>
Other Non-operating Income:		
Gain on disposals of property and equipment	₩ -	123,827
Gain on disposals of intangible assets	2,804	-
Rent income	-	1,400
Miscellaneous income	169,764	247,671
Reversal of other bad debt allowance	-	25,000
	<u>₩ 172,568</u>	<u>397,898</u>
Other Non-operating Expenses:		
Loss on disposals of property and equipment	₩ 6,740	43,068
Loss on disposals of intangible assets	30,972	8,176
Impairment losses on intangible assets	14,387,263	8,976,222
Other bad debt expense	500,000	-
Donations	757,400	224,510
Miscellaneous loss	627,912	28,755
	<u>₩ 16,310,287</u>	<u>9,280,731</u>

28. Income Tax Expense

28.1 The component of income tax expense for the years ended December 31, 2023 and 2022 were as follows:

<i>(In thousands of won)</i>	<u>2023</u>	<u>2022</u>
Current income tax expense	₩ 16,618,470	17,352,241
Adjustment for prior period	48,513	(1,110,452)
Change in deferred tax due to temporary difference	(4,506,202)	(32,827,381)
Income tax recognized directly in equity	(5,027,380)	24,640,465
Total income tax expense	<u>₩ 7,133,401</u>	<u>8,054,873</u>

28.2 Reconciliation of effective tax rate for the years ended December 31, 2023 and 2022 were as follows:

<i>(In thousands of won, except ratio)</i>	<u>2023</u>	<u>2022</u>
Profit before income taxes	₩ 37,216,322	58,619,870
Tax rates applicable to profit	31.27%	23.09%
Income tax using the Group's statutory tax rate	11,638,556	13,535,994
Adjustments:		
- Non-taxable income, net of non-deductible expense	(176,770)	311,476
- Foreign tax credits and others	(6,126,633)	(8,608,195)
- Adjustment for prior period	48,513	(1,110,454)
- Changes in unrecognized temporary difference	363,667	-
- Others	1,386,068	3,926,052
Income tax income	<u>₩ 7,133,401</u>	<u>8,054,873</u>
Average effective tax rate	19.17%	13.74%

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28. Income Tax Expense, Continued

28.3 Income taxes recognized directly in other comprehensive income for the years ended December 31, 2023 and 2022 were as follows:

(In thousands of won)

	2023			2022		
	Before tax	Tax benefit (expense)	Net of tax	Before tax	Tax benefit (expense)	Net of tax
Remeasurements of defined benefit plan	₩ (780,383)	178,150	(602,233)	364,674	(103,978)	260,696
Gain (loss) on valuation of financial assets at FVOCI	22,077,241	(5,205,530)	16,871,711	(104,486,864)	24,744,443	(79,742,421)

28.4 Changes in deferred tax assets (liabilities) for the years ended December 31, 2023 and 2022 were summarized as follows:

(In thousands of won)

	2023			
	Beginning balance	Recognized in profit or loss	Recognized in OCI	Ending balance
Remeasurements of defined benefit liability	₩ 780,563	43,366	178,150	1,002,079
Remeasurements of defined benefit asset	(1,083,568)	(127,271)	-	(1,210,839)
Allowance for doubtful accounts	263,195	269,617	-	532,812
Accrued expenses	239,537	29,317	-	268,854
Long-term accrued expenses	183,113	22,770	-	205,883
Intangible assets	17,820,501	7,197,922	-	25,018,423
Financial assets at FVOCI	12,958,582	-	(5,205,530)	7,753,052
Financial assets at FVTPL	39,577	81,730	-	121,307
Property and equipment	(70,520)	175,113	-	104,593
Restoration provision	286,885	(133,284)	-	153,601
Others	455,200	1,974,302	-	2,429,502
	₩ 31,873,065	9,533,582	(5,027,380)	36,379,267

(In thousands of won)

	2022				
	Beginning balance	Change in consolidation scope	Recognized in profit or loss	Recognized in OCI	Ending balance
Remeasurements of defined benefit liability	₩ 1,046,799	-	(162,258)	(103,978)	780,563
Remeasurements of defined benefit asset	(1,053,101)	-	(30,467)	-	(1,083,568)
Allowance for doubtful accounts	716,568	-	(453,373)	-	263,195
Accrued expenses	214,876	3,280	21,381	-	239,537
Long-term accrued expenses	30,820	-	152,293	-	183,113
Intangible assets	10,519,221	(2,278,480)	9,579,760	-	17,820,501
Financial assets at FVOCI	(11,785,861)	-	-	24,744,443	12,958,582
Financial assets at FVTPL	532,467	-	(492,890)	-	39,577
Property and equipment	(111,800)	(67,278)	108,558	-	(70,520)
Restoration provision	296,249	-	(9,364)	-	286,885
Others	981,925	-	(526,725)	-	455,200
	₩ 1,388,163	(2,342,478)	8,186,915	24,640,465	31,873,065

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For the years ended December 31, 2023 and 2022

28. Income Tax Expense, Continued

28.5 The aggregate amounts of deferred tax assets and liabilities as of December 31, 2023 and 2022 are as follows:

<i>(In thousands of won)</i>		<u>2023</u>	<u>2022</u>
Deferred tax assets:			
Recovered after more than 12 months	₩	56,815,268	49,577,534
Recovered within 12 months		2,217,404	1,103,382
Deferred tax liabilities:			
Settled after more than 12 months		(21,880,970)	(18,042,655)
Settled within 12 months		(772,435)	(765,196)
Net deferred tax assets	₩	<u>36,379,267</u>	<u>31,873,065</u>

28.6 Uncertainty over income tax treatments

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax law and prior experience.

28.7 Details of unrecognized deferred tax assets (liabilities) as of December 31, 2023 are as follows:

<i>(In thousands of won)</i>		<u>2023</u>	<u>Carried forward period</u>
Tax loss carryforwards	₩	3,999,529	Expiry on 2027~2028
Tax credit		1,607,912	Expiry on 2027~2032
Deductible temporary differences		40,331,770	

29. Earnings per Share

29.1 Basic earnings per share

Basic earnings per share for the years ended December 31, 2023 and 2022 were calculated as follows:

<i>(In won, except share data)</i>		<u>2023</u>	<u>2022</u>
Profit attributable to owners of the Parent Company	₩	30,082,921,099	50,564,996,667
Basic weighted average number of ordinary shares outstanding (in shares) (*)		30,058,498	30,019,770
Basic earnings per share	₩	<u>1,001</u>	<u>1,684</u>

(*) Basic weighted average number of ordinary shares outstanding for the years ended December 31, 2023 and 2022 were calculated as follows:

<i>(In shares)</i>		<u>2023</u>	<u>2022</u>
Issued ordinary shares on January 1		30,058,498	30,014,185
Effect of shares issued		-	5,585
Weighted-average number of ordinary shares outstanding (basic)		<u>30,058,498</u>	<u>30,019,770</u>

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29. Earnings per Share, Continued

29.2 Diluted earnings per share

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all of the Group's dilutive potential ordinary shares, which comprise share options granted to employees.

Diluted earnings per share for the years ended December 31, 2023 and 2022 were calculated as follows:

<i>(In won, except share data)</i>	2023	2022
Profit attributable to owners of the Parent Company	₩ 30,082,921,099	50,564,996,667
Diluted weighted average number of ordinary shares outstanding (in shares) (*)	30,058,498	30,022,076
Diluted earnings per share	₩ 1,001	1,684

(*) Diluted weighted average number of ordinary shares for the years ended December 31, 2023 and 2022 were calculated as follows:

<i>(In shares)</i>	2023	2022
Weighted-average number of ordinary shares outstanding (basic)	30,058,498	30,019,770
Effect of share options	-	2,306
Weighted-average number of ordinary shares outstanding (diluted)	30,058,498	30,022,076

30. Statement of Cash Flows

30.1 Cash flows provided by (used in) operating activities for the years ended December 31, 2023 and 2022 were summarized as follows:

<i>(In thousands of won)</i>	2023	2022
Net income	₩ 30,082,921	50,564,997
Adjustments for:		
Income tax expense	7,133,401	8,054,873
Interest expense	8,758,688	4,932,320
Severance & retirement benefits	2,882,071	1,057,667
Share-based payments expense	167,340	110,781
Depreciation	1,406,845	1,154,900
Depreciation of right-of-use assets	1,625,541	2,182,020
Amortization	183,082,438	149,969,282
Impairment losses on intangible assets	14,387,263	8,976,222
Loss on disposals of intangible assets	30,972	8,176
Bad debt expense	103,396	46,663
Other bad debt expense	500,000	-
Foreign currency translations loss	2,176,519	6,050,238
Loss on disposals of property and equipment	6,740	43,068
Loss on valuation of financial assets at FVTPL	896,164	576,131
Fees and charges	(225)	-

30. Statement of Cash Flows, Continued

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For the years ended December 31, 2023 and 2022

30.1 Cash flows provided by (used in) operating activities for the years ended December 31, 2023 and 2022 were summarized as follows, continued:

<i>(In thousands of won)</i>	<u>2023</u>	<u>2022</u>
Adjustments for, continued:		
Interest income	₩ (4,544,507)	(2,324,859)
Gain on valuation of financial assets at FVTPL	(4,212)	(1,351,959)
Gain on disposal of financial assets at FVTPL	(348,928)	(252,277)
Gain on disposal of property and equipment	-	(123,827)
Gain on disposal of intangible assets	(2,804)	-
Reversal of other bad debt allowance	-	(25,000)
Foreign currency translations gain	(509,837)	(2,042,014)
Gain on dividends received	(1,329,326)	(746,073)
Gain on valuation of derivative financial assets	(328,403)	(322,478)
Share of profit of equity-accounted investees	(96,353)	(56,180)
Other non-cash income	(43,956)	(13,322)
Changes in assets and liabilities:		
Trade receivables	14,642,622	(37,339,069)
Other receivables	5,828	2,102,866
Prepaid value added taxes	2,634,244	(4,824,887)
Advance payments	34,766,411	(56,449,873)
Prepaid expenses	7,411	822,986
Copyrights	(161,481,599)	(195,404,128)
Long-term advance payments	(23,960,830)	(25,059,722)
Long-term prepaid expenses	9,333	124,991
Trade payables	(4,512,708)	(806,125)
Other payables	(12,473,921)	9,324,349
Deferred income	(22,595,173)	26,933,622
Long-term deferred income	3,000,000	(1,280,000)
Advance received	(204,655)	(157,847)
Accrued expenses	(1,006,031)	250,283
Withholdings	(1,152,834)	257,771
Restoration provision	(581,910)	-
Derivative assets	(1,400,353)	(50,299)
Long-term other payables	(1,369,914)	3,194,465
Long-term employee benefit liabilities	(357,034)	1,171,698
Payment of retirement and severance benefits	(2,982,173)	(2,382,075)
	₩ <u>67,018,462</u>	<u>(53,101,645)</u>

30.2 Significant non-cash transactions for the years ended December 31, 2023 and 2022 were as follows:

<i>(In thousands of won)</i>	<u>2023</u>	<u>2022</u>
Gain (loss) on valuation of financial assets at FVOCI	₩ 22,077,241	-104,486,864
Reclassification of construction-in-progress to copyrights	181,674,500	125,598,035
Reclassification of advance payments to construction-in-progress	17,238,889	32,275,221
Reclassification of advance payments to current portion	2,090,068	17,362,678
Reclassification of unearned revenue to current portion	261,935	4,680,840

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30. Statement of Cash Flows, Continued

30.3 Reconciliation of movements of liabilities to cash flows arising from financing activities are as follows:

(In thousands of won)

	2023		2022	
	Lease liabilities	Short-term borrowings	Lease liabilities	Short-term borrowings
Balance on January 1	₩ 5,307,878	170,000,000	6,843,460	-
Changes in terms and conditions	510,684	-	3,511	-
Increase	3,169,897	20,000,000	357,565	250,000,000
Decrease	(491,476)	(20,000,000)	(467,000)	(80,800,000)
Interest expenses	443,268	-	303,530	-
Change in consolidation scope	-	-	229,734	800,000
Interest paid	(443,268)	-	(303,530)	-
Payment of lease liabilities	(1,271,502)	-	(1,659,392)	-
Balance at December 31	<u>7,225,481</u>	<u>170,000,000</u>	<u>5,307,878</u>	<u>170,000,000</u>

31. Related Parties

31.1 Parent company and ultimate controlling company

The Group's Parent Company is CJ ENM CO., Ltd. which owns 54.38%, and the Group's ultimate controlling company as of December 31, 2023 is CJ Corporation. The associates and other related parties as of December 31, 2023 are as follows:

Relationship	Name
Associates	Nextscene Co., Ltd Studio Dragon Japan CO., LTD.
Other related parties (*)	Subsidiaries, associates and joint ventures of CJ Corporation, that are not listed above

(*) The entities are not included in the scope of related parties in accordance with K-IFRS No.1024, but are included in the scope of Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act.

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31. Related Parties, Continued

31.2 Significant transactions which occurred in the normal course of business with related parties for the years ended December 31, 2023 and 2022 were summarized as follows:

Relationship	Name	2023				2022			
		Revenue	Cost of sales	Selling, general and administrative expenses	Dividend Received	Revenue	Cost of sales	Selling, general and administrative expenses	
Parent Company	CJ ENM CO., Ltd.	₩ 155,153,490	54,162,533	509,992	-	176,431,015	54,434,141	352,672	
Associates	Nextscene Co., Ltd	1,500	10,284,362	-	-	-	8,831,005	-	
Other related companies (*1)	JS PICTURES CO., LTD.	-	4,775	1,000	-	-	3,948	-	
	Bon Factory Co., Ltd.	-	-	-	-	54,170	21,652,135	-	
	CJ CHEILJEDANG CORP.	140,000	2,845	3,293,659	-	400,000	-	2,419,006	
	CJ CGV Co., Ltd.	6,540	3,191	-	-	6,971	103,123	500	
	CJ OliveNetworks Co., Ltd.	70,683	10,394	1,664,102	-	120,065	11,790	1,159,362	
	CJ Olive Young Corporation	-	-	-	-	390,000	-	-	
	Tving Co., Ltd.	78,592,202	480,816	-	-	63,170,160	4,013,869	-	
	CJ ENM America, Inc	-	-	49,439	-	-	221,145	-	
	CJ ENM Hong Kong Limited	2,104,860	-	-	-	2,631,622	-	-	
	CJ ENM JAPAN	56	-	-	-	-	-	26,756	
	TRUE CJ Creations Co., Ltd.	405,416	-	-	-	535,119	-	-	
	YLAB Corporation (*2)	-	3,926,496	-	-	-	10,664,752	-	
	CJ ENM Studios Co., Ltd.	17,550	1,167,643	-	-	213,735	47,021	-	
	SKYDANCE MEDIA, LLC	-	-	-	1,112,049	-	-	-	
	Key managements personnel (*3)	-	-	315,649	-	-	-	-	
	Others	-	65,900	33,716	-	56,039	9,841	153,283	
		₩ 236,492,297	70,108,955	5,867,557	1,112,049	244,008,896	99,992,770	4,111,579	

(*1) The entities are included in the scope of Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act.

(*2) Transactions with the related party are the amounts before excluded from the scope of related party during the year ended December 31, 2023.

(*3) The transaction is a lease contract with a related party and disclosed the total amount under the contract without considering the joint ownership ratio.

31. Related Parties, Continued

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31.3 Account balances with related parties as of December 31, 2023 and 2022 are summarized as follows:

Relationship	Name	2023									
		Receivables and others					Payables and others				
		Trade receivables	Advance payments	Other receivables	Deposits	Construction in-progress (intangible assets)	Trade payables	Other Payables	Unearned revenue	Lease liabilities	
Parent Company	CJ ENM CO., Ltd.	₩ 11,878,812	183,219	2,685	13,118	-	664,290	24,015,637	11,471,608	-	
Other related companies (*1)	JS PICTURES CO., LTD. CJ OliveNetworks Co., Ltd. Tving Co., Ltd. CJ ENM Hong Kong Limited CJ ENM Studios Co., Ltd. Key management personnel (*2) Others	1,689,216 2,849 5,802,840 125,243 1,650 - 701,076	600,000 - - - - - -	2,842,913 - - - - - 97	- - - - - 400,000 -	25,967,342 - - - - - -	- 10,129 - - - - 3,510	267,333 3,846,638 - - 2,625,332 - 888,420	- - - 62,518 - - 4,360,000	- - - - - 2,802,521 -	
		₩ 20,201,686	783,219	2,845,695	413,118	25,967,342	667,800	31,653,489	15,894,126	2,802,521	

(*1) The entities are included in the scope of Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act.

(*2) The transaction is a lease contract with a related party and disclosed the total amount under the contract without considering the joint ownership ratio.

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31. Related Parties, Continued

31.3 Account balances with related parties as of December 31, 2023 and 2022 are summarized as follows, continued:

Relationship	Name	2022									
		Receivables and others					Payables and others				
		Trade receivables	Advance payments	Other receivables	Deposits	Construction in-progress (intangible assets)	Trade payables	Other Payables	Unearned revenue		
Parent Company	CJ ENM CO., Ltd.	₩ 12,998,523	535,923	11,254	13,139	3,905,574	1,213,931	36,794,896	12,346,075		
Other related companies (*1)	JS PICTURES CO., LTD.	1,706,352	225,000	3,114,035	-	-	-	8,399	-		
	CJ OliveNetworks Co., Ltd. Tving Co., Ltd.	6,523	53,366	-	-	-	-	133,527	-		
	CJ ENM Hong Kong Limited	2,656,663	-	-	-	-	-	5,658,088	10,000,000		
	TRUE CJ Creations Co., Ltd.	24,290	-	-	-	-	-	-	257,183		
	YLAB Corporation	-	1,200,000	-	-	-	-	80,423	-		
	CJ ENM Studios Co., Ltd. (*2)	-	-	-	-	-	-	2,696,264	-		
	Key management personnel	-	1,666,667	-	-	-	-	-	-		
	Others	720,723	-	105	-	-	-	1,062,164	1,100,000		
		₩ 18,113,074	3,680,956	3,125,394	13,139	3,905,574	1,213,931	46,433,761	23,709,279		

(*1) The entities are included in the scope of Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act.

(*2) During the year ended December 31, 2022, Bon Factory Co., Ltd. was merged with CJ ENM Studios Co., Ltd. Accordingly, the account balances of Bon Factory Co., Ltd. were included in the account balances of CJ ENM Studios Co., Ltd.

As of December 31, 2023, the Group recognized the allowances for receivables amounting to ₩1,327 million (2022: ₩798 million) among the receivables of related parties. During the year ended December 31, 2023, the Group recognizes the bad debt expense amounting to ₩530 million.

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31. Related Parties, Continued

31.4 The details of fund transactions with related parties for the year ended December 31, 2022 were as follows:

<i>(In thousands of won)</i>		2022	
Relationship	Name	Cash contribution	Acquisition of shares
Associates	Nextscene Co., Ltd	₩ -	3,996,000
	Studio Dragon Japan CO., LTD.	8,663,130	-
		<u>₩ 8,663,130</u>	<u>3,996,000</u>

31.5 Key management personnel compensation for the years ended December 31, 2023 and 2022 were as follows:

<i>(In thousands of won)</i>	2023	2022
Short-term employee benefits	₩ 1,575,240	3,074,387
Costs related to defined benefit plan	143,883	508,403
Other long-term employee benefits	(120,839)	565,355
	<u>₩ 1,598,284</u>	<u>4,148,145</u>

The Group defines key management personnel as officers that perform key management roles in planning, operating, and controlling with significant rights and obligations in each business unit.

31.6 As of December 31, 2023, the Group provides payment guarantees to employees in relation to loans of living stabilization fund. (See Note 24.)