

STUDIO DRAGON CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2022 and 2021

(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, 2022 and 2021, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies 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, 2022 and 2021, 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, 2022. 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 2.16. 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, 2022 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 revenue recognition of overseas content 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, 2022 on a sample basis to test the existence and timing of revenue recognition.



Impairment testing of goodwill

As of December 31, 2022, the Group has recognized goodwill in the amount of ₩83,129 million, which comprises 7.62% of total consolidated assets (Note 14). 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 flow, discount rate and revenue growth rate. The Group utilized independent external experts 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 specialist the Group hired 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 flow, discount rate and revenue growth rate used in determination of the value-in-use.
- We compared the discount rates used in the impairment testing to the discount rate calculated independently using observable market data.
- We tested the supporting documentation to evaluate the appropriateness of inputs used in determination of the value-in-use.

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.

The engagement partner on the audit resulting in this independent auditors' report is Won Seok Kim.



KPMG Samjory Accounting Corp.

Seoul, Korea
March 16, 2023

This report is effective as of March 16, 2023, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying 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, 2022 and 2021

(In won)	Note	2022	2021
Assets			
Cash and cash equivalents	4,6,7 ₩	123,683,665,358	64,613,454,283
Financial assets at FVTPL	4,7	-	2,038,468,675
Trade receivables	4,7,8,30	141,741,123,525	123,629,712,862
Advance payments	9,30	122,084,300,047	35,278,688,164
Other current financial assets	4,7,8,30	4,888,407,924	3,303,211,705
Other current assets	10	14,014,992	837,001,196
Prepaid value added tax		7,720,852,300	2,806,314,074
Current assets		400,132,364,146	232,506,850,959
Financial assets at FVOCI	7,11	126,284,520,577	229,135,384,658
Investment in associates	15	12,631,086,432	-
Long-term financial assets at FVTPL	4,7	9,491,714,150	9,285,912,500
Long-term trade receivables	4,7,8	31,680,370,126	13,671,527,563
Long-term advance payments	9,30	80,386,077,145	81,681,382,724
Property and equipment	12	10,943,863,209	7,742,822,795
Right-of-use assets	13	5,275,306,358	7,325,682,906
Intangible assets	14,30	377,835,439,955	298,028,251,868
Employee benefits	19	2,446,388,994	757,307,444
Other non-current financial assets	4,7,8,30	1,686,187,851	2,380,055,711
Other non-current assets	10	-	124,990,868
Deferred tax assets	27	31,873,065,795	1,388,163,748
Non-current assets		690,534,020,592	651,521,482,785
Total assets	₩	1,090,666,384,738	884,028,333,744
Liabilities			
Trade payables	4,7,30 ₩	16,186,103,818	16,963,677,251
Other payables	4,7,30	68,029,158,438	57,696,107,810
Short-term borrowings	4,7,16,23,29	170,000,000,000	-
Income tax payable		8,628,284,790	2,227,880,762
Unearned revenue	18,30	141,990,231,840	94,468,484,224
Other current financial liabilities	4,7,29	3,388,624,911	3,955,365,202
Other current liabilities	17,19	8,040,138,114	8,327,072,386
Current liabilities		416,262,541,911	183,638,587,635
Long-term unearned revenue	18,30	1,600,000,000	7,851,616,256
Other non-current financial liabilities	4,7,29	9,286,224,088	7,126,884,987
Other non-current liabilities	17,19,21	1,549,870,084	322,590,435
Restoration provisions	18	1,236,572,088	1,224,167,717
Non-current liabilities		13,672,666,260	16,525,259,395
Total liabilities		429,935,208,171	200,163,847,030
Equity			
Share capital	1,20	15,029,249,000	15,007,092,500
Share premium	20	473,362,845,073	470,386,693,473
Other components of equity	11,15,21	(40,222,594,690)	36,734,716,982
Retained earnings	22	212,561,677,184	161,735,983,759
Total equity		660,731,176,567	683,864,486,714
Total liabilities and equity	₩	1,090,666,384,738	884,028,333,744

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, 2022 and 2021

(In won)	Note	2022	2021
Revenue	5,30 ₩	697,945,822,981	487,113,525,190
Cost of sales	24,30	(597,944,062,824)	(407,348,249,008)
Gross profit		100,001,760,157	79,765,276,182
Selling, general and administrative expenses	24,30	(34,782,286,691)	(27,188,472,249)
Operating profit		65,219,473,466	52,576,803,933
Finance income	25	21,228,352,971	14,357,322,238
Finance costs	25	(19,001,303,641)	(10,102,485,153)
Other non-operating income	26	397,898,059	189,301,888
Other non-operating expenses	26	(9,280,730,941)	(5,012,500,485)
Share of profit of equity-accounted investees	14	56,179,732	-
Profit before income tax		58,619,869,646	52,008,442,421
Income tax expense	27	(8,054,872,979)	(12,960,272,803)
Profit for the year		50,564,996,667	39,048,169,618
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss:			
Gain (loss) on valuation of financial assets at FVOCI	11,27	(79,742,421,258)	34,129,829,280
Remeasurements of the defined benefit plan	19,27	260,696,758	(225,378,119)
Items that are or may be reclassified to profit or loss:			
Foreign operations – foreign currency translation differences		2,814,133,331	1,294,881,001
Share of OCI of equity-accounted investees	15	(84,223,300)	-
Other comprehensive income (loss)		(76,751,814,469)	35,199,332,162
Total comprehensive income (loss)	₩	(26,186,817,802)	74,247,501,780
Profit attributable to:			
Owners of the Parent Company	₩	50,564,996,667	39,048,169,618
Non-controlling interests		-	-
Total comprehensive income (loss) attributable to:			
Owners of the Parent Company		(26,186,817,802)	74,247,501,780
Non-controlling interests		-	-
Earnings per share			
Basic earnings per share	28	1,684	1,301
Diluted earnings per share	28	1,684	1,301

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, 2022 and 2021

<i>(In won)</i>	Share Capital	Share Premium	Other Components of Equity	Retained earnings	Total	Non- Controlling Interests	Total Equity
Balance at January 1, 2021	₩ 15,002,172,500	470,027,046,296	1,404,867,878	122,913,192,260	609,347,278,934	-	609,347,278,934
Total comprehensive income							
Profit for the year	-	-	-	39,048,169,618	39,048,169,618	-	39,048,169,618
Remeasurements of the defined benefit plan	-	-	-	(225,378,119)	(225,378,119)	-	(225,378,119)
Changes in fair values of equity investments at FVOCI	-	-	34,129,829,280	-	34,129,829,280	-	34,129,829,280
Foreign operations – foreign currency translation differences	-	-	1,294,881,001	-	1,294,881,001	-	1,294,881,001
Transactions with shareholders directly recognized in equity							
Exercise of share options	4,920,000	359,647,177	(94,861,177)	-	269,706,000	-	269,706,000
Balance at December 31, 2021	₩ 15,007,092,500	470,386,693,473	36,734,716,982	161,735,983,759	683,864,486,714	-	683,864,486,714
Balance at January 1, 2022	₩ 15,007,092,500	470,386,693,473	36,734,716,982	161,735,983,759	683,864,486,714	-	683,864,486,714
Total comprehensive income							
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
Changes in fair values of equity investments 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)
Transactions with shareholders 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
Balance at December 31, 2022	₩ 15,029,249,000	473,362,845,073	(40,222,594,690)	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 Cash Flows

For the years ended December 31, 2022 and 2021

(In won)

	2022	2021
Cash flows from operating activities		
Cash provided by operating activities (Note 29)	₩ (53,101,645,227)	2,700,465,246
Income taxes paid	(9,810,028,239)	(11,075,724,200)
Net cash used in operating activities	<u>(62,911,673,466)</u>	<u>(8,375,258,954)</u>
Cash flows from investing activities		
Interest received	637,413,510	115,556,038
Decrease of financial assets at FVTPL	23,574,731,961	79,342,792,628
Decrease of short-term loans	300,000,000	-
Proceeds from disposals of property and equipment	636,306,949	486,937,999
Proceeds from disposals of intangible assets	172,727,272	-
Decrease of deposits	2,179,976,720	2,838,881,140
Dividends received	746,073,000	210,471,120
Acquisition of financial assets at FVTPL	(22,807,500,374)	(39,204,648,000)
Acquisition of financial assets at FVOCI	-	(11,849,000,000)
Acquisitions of investment in associates	(12,659,130,000)	-
Acquisition of subsidiary, net of cash acquired	(27,692,604,521)	-
Increase of short-term loans	-	(300,000,000)
Acquisition of property and equipment	(4,485,783,780)	(2,329,360,863)
Acquisition of construction-in-progress (property and equipment)	(49,546,000)	-
Acquisition of intangible assets	(2,575,212,739)	(751,185,168)
Acquisition of construction-in-progress (intangible assets)	(117,366,549)	(7,644,267)
Increase of deposits	(1,214,600,900)	(2,030,955,000)
Net cash provided by (used in) investing activities	<u>(43,354,515,451)</u>	<u>26,521,845,627</u>
Cash flows from financing activities		
Exercise of share options	-	270,600,000
Issue of ordinary shares	2,999,990,100	-
Proceeds from short-term borrowings	250,000,000,000	50,000,000,000
Interest paid	(3,891,013,637)	-
Interest portion of lease payments paid	(303,529,959)	(334,875,506)
Payment of lease liabilities	(1,659,391,565)	(1,903,868,127)
Stock issuance costs	(1,682,000)	(894,000)
Decrease of financial liabilities at FVTPL	(1,000,000,000)	(1,000,000,000)
Repayment of short-term borrowings	(80,000,000,000)	(50,000,000,000)
Repayment of long-term borrowings	(800,000,000)	-
Net cash provided by (used in) financing activities	<u>165,344,372,939</u>	<u>(2,969,037,633)</u>
Net increase in cash and cash equivalents	59,078,184,022	15,177,549,040
Cash and cash equivalents at January 1	64,613,454,283	49,092,547,607
Effect of movements in exchange rates on cash held	(7,972,947)	343,357,636
Cash and cash equivalents at December 31	<u>₩ 123,683,665,358</u>	<u>64,613,454,283</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, 2022 and 2021

1. Reporting Entity

1.1 Description of the Parent Company

Studio Dragon Corporation ("the Parent Company") was established on May 3, 2016 when CJ E&M Corporation 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, 2022. The largest shareholder of the Parent Company is CJ E&M Corporation, 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"). The Group renders services and operates drama production, programming, provision and entertainment management business.

1.2 List of subsidiaries

The list of subsidiaries as of December 31, 2022 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
Culturedpot Co., Ltd.	Korea	December	TV program production and provision, entertainment management service	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, 2022 and 2021

1. Reporting Entity, Continued

1.3 Changes in consolidation scope

(1) Overview of business combination

The Group acquired 100% shares of Gill Pictures Co., Ltd. during the year ended December 31, 2022. The Group aims to strengthen the relationship with creators and establish a long-term collaboration structure, resulting in strengthening competitiveness in both domestic and international drama market and maximizing profit.

The consolidated financial statements include the financial performance of Gill Pictures Co., Ltd. from the acquisition date to December 31, 2022.

If the acquisition had occurred on January 1, 2022, the management estimates that consolidated revenue would have been ₩15,423 thousand, and consolidated profit and total comprehensive profit for the year would have been ₩741 thousand.

(2) Consideration transferred

Details of consideration transferred at the acquisition date are as follows:

<i>(In thousands of won)</i>		Amount
Cash	₩	31,999,818

(3) Identifiable assets acquired and liabilities assumed

Details of the fair value of the assets acquired and liabilities assumed at the acquisition date are as follows:

<i>(In thousands of won)</i>		Amount
Cash and cash equivalents	₩	4,307,214
Advance payments		14,587,313
Property and equipment, Intangible assets (*)		10,605,302
Other assets		736,799
Trade and other payables		-28,552
Deferred income		(15,518,917)
Deferred tax liabilities		(2,342,478)
Long-term borrowings		(800,000)
Other liabilities		(279,105)
Total identifiable net assets acquired		11,267,576

(*) The multi-period excess earnings method was used to measure the fair value of intangible assets acquired.

(4) Goodwill

Goodwill arising from the acquisition has been recognized as follows:

<i>(In thousands of won)</i>		Amount
Consideration transferred	₩	31,999,818
Fair value of identifiable net assets		11,267,576
Goodwill		20,732,242

STUDIO DRAGON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

1. Reporting Entity, Continued

1.4 Condensed financial information of subsidiaries

Condensed financial information of the subsidiaries as of and for the years ended December 31, 2022 and 2021 are as follows.

(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

(In thousands of won)

		2021				
		Assets	Liabilities	Revenue	Profit (loss)	Total comprehensive income (loss)
Hwa&dam pictures, Inc	₩	36,265,445	10,945,612	23,354,601	1,747,638	1,747,638
Culturedepot Co., Ltd.		35,585,257	27,690,766	31,143,991	1,118,619	1,118,619
KPJ Co., Ltd.		8,887,914	9,150,631	-	(472,957)	(472,957)
GTist Co., Ltd.		45,991,391	43,818,352	12,296,814	2,082,964	2,068,423
Studio Dragon Investments, LLC		23,766,789	18,494	-	(39,250)	(39,250)
Studio Dragon Productions, LLC		712,723	21,339	-	(356,258)	(356,258)
Studio Dragon International, Inc.		1,380,866	287,762	2,146	(853,290)	(853,290)

STUDIO DRAGON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

2. Significant Accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise.

2.1 Basis of Preparation

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.

2.2 Changes in Accounting Policy and Disclosures

The Group initially applied the following new and amended standard from January 1, 2022, it does not have a material effect on the Group's consolidated financial statements:

- Interest Rate Benchmark Reform – Phase 2 (amendments to K-IFRS No. 1109 '*Financial Instruments*,' K-IFRS No. 1039 '*Financial Instruments: Recognition and Measurement*,' K-IFRS No. 1107 '*Financial Instruments: Disclosures*,' K-IFRS No. 1104 '*Insurance Contracts*' and K-IFRS No. 1116 '*Leases*')

2.3 Foreign Currency Translation

(1) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates (the "functional currency"). The consolidated financial statements are presented in Korean won, which is the Parent Company's functional and presentation currency.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognized in other comprehensive income.

2.4 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments. Equity investments are excluded from cash equivalents unless they are, in substance, cash equivalents, for example in the case of preferred shares when it has a short maturity with a specified redemption date.

STUDIO DRAGON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

2. Significant Accounting policies, Continued

2.5 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

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

STUDIO DRAGON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

2. Significant Accounting policies, Continued

2.5 Non-derivative financial assets, continued

(3) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as a profit margin.

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).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

(4) Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

STUDIO DRAGON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

2. Significant Accounting policies, Continued

2.5 Non-derivative financial assets, continued

(5) Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters transactions whereby it transfers assets recognized in its statement of financial position but retains either all or substantially all the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(6) 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.

(7) Impairment

The Group recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held)

STUDIO DRAGON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

2. Significant Accounting policies, Continued

2.5 Non-derivative financial assets, continued

(7) Impairment, continued

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

① Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

② 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 being more than 90 days 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 reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

③ 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.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI.

④ 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, 2022 and 2021

2. Significant Accounting policies, Continued

2.6 Derivatives

The Group holds derivative financial instruments to hedge its foreign currency exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

2.7 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. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.

(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.

STUDIO DRAGON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

2. Significant Accounting policies, Continued

2.8 Consolidation

The Group has prepared the consolidated financial statements in accordance with K-IFRS No. 1110 '*Consolidated Financial Statements*'.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. All other non-controlling interests are measured at fair values, unless otherwise required by other standards. Acquisition-related costs are expensed as incurred.

The excess of consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in the profit or loss as a bargain purchase.

Intra-group balances and transactions, and any unrealized income and expenses 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.

2.9 Equity Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

When the Group repurchases its share capital, the amount of the consideration paid is recognized as a deduction from equity and classified as treasury shares. The profits or losses from the purchase, disposal, reissue, or retirement of treasury shares are not recognized as current profit or loss.

STUDIO DRAGON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

2. Significant Accounting policies, Continued

2.10 Property and Equipment

Items of property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditures that is directly attributable to the acquisition of the items. 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	5
Broadcasting equipment	5, 8
Tools and office equipment	5
Vehicles	5

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

2.11 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. Copyrights related to drama production are amortized over its estimated useful lives that reflects the pattern in which the economic benefits of the copyrights are consumed.

The Group amortizes the following intangible assets with a limited useful life, except copyrights, using the straight-line method over the following periods:

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

STUDIO DRAGON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

2. Significant Accounting policies, Continued

2.12 Impairment of Non-Financial Assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets, other than contract assets, assets arising from employee benefits, inventories, deferred tax assets and non-current assets held for sale to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

The Group estimates the recoverable amount of an individual asset, if it is impossible to measure the individual recoverable amount of an asset, then the Group estimates the recoverable amount of cash-generating unit ("CGU"). The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value less costs of disposal. The value-in-use is estimated by applying a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Except for impairment losses in respect of goodwill which are never reversed, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Goodwill and intangible assets with indefinite useful life are tested annually for impairment at the end of each reporting period. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount (higher of its fair value less costs of disposal and value-in-use). Impairment loss on non-financial assets other than goodwill are evaluated for reversal at the end of each reporting period.

2.13 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation because of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows.

STUDIO DRAGON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

2. Significant Accounting policies, Continued

2.14 Current and Deferred Income Tax

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

The Group determines interest and penalties related to income tax whether it is an income tax or not. If it is a corporation tax, it applies K-IFRS No. 1012, '*Income tax*'. If it is not, applies K-IFRS No. 1037 '*Provisions, contingent liabilities, contingent assets*.'

(1) Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit (tax loss) of future periods, and non-taxable or non-deductible items from the accounting profit.

Current tax assets and current tax liabilities are offset only if all the following conditions are met:

- Has a legally enforceable right to offset for the recognized amount
- It is intended to settle the net amount or settle the liability at the same time as realizing the asset

(2) Deferred tax

Deferred tax is recognized, using the asset-liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, for debt instruments measured at fair value, temporary differences are determined between the carrying amount of debt instruments and the tax base regardless of the expected recovery method (sold or held).

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

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

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

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis. The Group recognizes additional tax arising from dividends payment upon recognition of dividends payable.

STUDIO DRAGON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

2. Significant Accounting policies, Continued

2.15 Employee Benefits

(1) Short-term employee benefits

Short-term employee benefits are employee benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

(2) Defined contribution plans

When an employee has rendered service to the Group during a period, the Group recognizes the contribution payable to a defined contribution plan in exchange for that service as a liability (accrued expense), after deducting any contribution already paid.

(3) Defined benefit plans

Generally, post-employment benefits are payable after the completion of employment, and the benefit amount depends on the employee's age, periods of service or salary levels. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Remeasurements of net defined benefit liability are recognized in other comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized in profit or loss as past service costs.

(4) Other long-term employee benefits

Other long-term employee benefits include employee benefits that are settled beyond 12 months after the end of the period in which the employees render the related service and are calculated at the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, less the fair value of any related assets. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

(5) Share-based payment

Equity-settled share-based payment is recognized at fair value of equity instruments granted, and employee benefit expense is recognized over the vesting period. At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. Net proceeds from issuing new shares at the exercise of stock options less direct transaction cost are recognized as share capital and additional paid in capital.

STUDIO DRAGON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

2. Significant Accounting policies, Continued

2.16 Revenue Recognition

The Group applies K-IFRS No. 1115 'Revenue from Contracts with Customers'. Under K-IFRS No. 1115, revenues are recognized using the 5-step revenue recognition model (① Identification of contracts → ② Identification of performance obligations → ③ Determination of transaction price → ④ Allocation of transaction price to performance obligations → ⑤ Recognition of revenue upon satisfaction of performance obligation) for all contract types.

(1) Drama production and sales of license

The Group produces and provides drama contents and recognizes revenue when promised goods or services are provided to customer. The Group provides customers the rights to use the drama contents. This contract provides a customer a right to access the entity's intellectual property at the point in time at which the license is granted, and therefore the related revenue is recognized at the point at which the customer can benefit from the good or service.

The Group is engaged in the business of production of drama under consignment. The Group's obligation is to produce and provide a content available for broadcast to the customer. As the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced, revenue is recognized over time and progress is determined based on the output method. The progress is measured based on the drama contents delivered which control is transferred to the customer relative to those undelivered based on the contract.

(2) Entertainment management services

The Group is engaged in entertainment management services which its entertainers provide service such as advertising or broadcasting. Revenue is recognized over the contract term as the promised services are provided.

2.17 Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- the net gain or loss on financial assets at FVTPL;
- the foreign currency gain or loss on financial assets and financial liabilities;

Interest income or expense is recognized using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

STUDIO DRAGON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

2. Significant Accounting policies, Continued

2.18 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 components.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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 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.

STUDIO DRAGON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

2. Significant Accounting policies, Continued

2.18 Leases, continued

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 including cameras. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.19 Earnings per share

The Group presents basic and diluted earnings per share (the “EPS”) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. 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 dilutive potential ordinary shares.

2.20 Operating segment

Operating segment disclosures are consistent with the information reviewed by the chief operating decision maker (see Note 5). The Group’s chief operating decision maker, the CEO, is responsible for allocating resources and evaluating the results of each segment.

2.21 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized and included in the cost of that asset, while other borrowing costs are recognized as expenses. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Financial assets, and inventories that are manufactured, or otherwise produced, over a short period of time, are not qualifying assets. Assets that are ready for their intended use or sale when acquired are not qualifying assets.

To the extent that the Group borrows funds specifically for the purpose of obtaining a qualifying asset, the Group shall determine the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on the borrowing less any investment income on the temporary investment of those borrowings.

To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Group shall determine the amount of borrowing costs eligible for capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to all borrowings of the Group that are outstanding during the period. The amount of borrowing costs that the Group capitalizes during a period shall not exceed the amount of borrowing costs it incurred during that period.

2.22 Investments in Associates

Associates are entities over which the Group has significant influence. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. If there is objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its carrying amount as impairment loss.

STUDIO DRAGON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

2. Significant Accounting policies, Continued

2.23 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, 2022 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:

- K-IFRS No.1012 'Income Taxes' – Deferred tax related to assets and liabilities arising from a single transaction
- K-IFRS No.1001 'Presentation of Financial Statements' – Classification of liabilities as current or non-current
- K-IFRS No.1117 'Insurance Contracts' and its amendments
- K-IFRS No.1001 'Presentation of Financial Statements' - Disclosures of accounting policies
- K-IFRS No.1008 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimate

2.24 Approval of the Consolidated Financial Statements

The consolidated financial statements were authorized for issue by the board of directors on February 9, 2023, which will be submitted for final approval to the shareholders' meeting to be held on March 28, 2023.

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.

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 (i.e., as prices) or indirectly (i.e., derived from price)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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For the years ended December 31, 2022 and 2021

3. Critical Accounting Estimates and Assumptions, Continued

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 7: Categories of financial instruments
- Note 19: 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 8: Credibility of financial assets
- Note 14: Intangible assets
- Note 17: Defined benefit obligations; and
- Note 25: 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 13: Lease term

STUDIO DRAGON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

4. Financial Risk Management

(1) Risk management framework

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, stock price risk and interest rate 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 principles for overall risk management.

1) Market risk

(i) 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 won against foreign currencies on the profit or loss (after Income tax expense) for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)

		2022		2021	
		10% strengthening	10% weakening	10% strengthening	10% weakening
USD	₩	14,155,934	(14,155,934)	5,967,803	(5,967,803)
JPY		31,108	(31,108)	53,878	(53,878)
EUR		9,485	(9,485)	55,305	(55,305)

(ii) Interest rate risk

Interest rate risk is defined as the risk that the fair value of statement of financial position item and cash flows from investing and financing activities (interest income and expenses) fluctuate due to changes in market interest rate. Cash flows interest rate risk mainly arises from floating rate borrowings and the Group is operating a risk management program to minimize financial costs and uncertainty arose from fluctuation of interest rate.

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss (after income tax expense) by the amounts shown below. This analysis assumes that all other variables remain constant.

(In thousands of won)

		Profit or loss	Equity, net of tax
100 bp increase	₩	(1,000,000)	(1,000,000)
100 bp decrease		1,000,000	1,000,000

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For the years ended December 31, 2022 and 2021

4. Financial Risk Management, Continued

(1) Risk management framework, continued

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.

The carrying amount of financial assets represents the maximum credit exposure. Maximum exposure to credit risk of the Group as of December 31, 2022 and 2021 are as follows:

<i>(In thousands of won)</i>		2022	2021
Cash and cash equivalents	₩	123,683,665	64,613,454
Financial assets at FVTPL		9,491,714	11,324,381
Trade receivables		141,741,124	123,629,713
Other current financial assets		4,888,408	3,303,212
Long-term trade receivables		31,680,370	13,671,528
Other non-current financial assets		1,686,188	2,380,056
Financial guarantee contracts (*)		2,400,000	2,400,000
	₩	<u>315,571,469</u>	<u>221,322,344</u>

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

STUDIO DRAGON CORPORATION AND SUBSIDIARIES

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For the years ended December 31, 2022 and 2021

4. Financial Risk Management, Continued

(1) Risk management framework, continued

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 cash flow requirements with the extended plans and short-term strategies. The Group ensures that it has sufficient cash on demand to meet expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

Maturity analysis of financial liabilities as of December 31, 2022 and 2021 is as follows:

(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 assets		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>

(In thousands of won)

		2021				
		Less than 3 months	3~12 months	1~2 years	More than 2 years	Total
Trade payables	₩	16,963,677	-	-	-	16,963,677
Other payables		57,811,860	-	-	-	57,811,860
Current portion of lease liabilities		561,455	1,570,763	-	-	2,132,218
Lease liabilities		-	-	1,523,946	4,124,899	5,648,845
Long-term other payables		-	-	2,024,430	115,111	2,139,541
Financial guarantee contracts		2,400,000	-	-	-	2,400,000
Derivative assets		2,117,587	-	-	-	2,117,587
	₩	<u>79,854,579</u>	<u>1,570,763</u>	<u>3,548,376</u>	<u>4,240,010</u>	<u>89,213,728</u>

The amounts are gross and undiscounted and include contractual interest payments. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

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For the years ended December 31, 2022 and 2021

4. Financial Risk Management, Continued

(2) Capital 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>		2022	2021
Total liabilities (A)	₩	429,935,208	200,163,847
Total equity (B)		660,731,177	683,864,487
Borrowings and debentures (C)		170,000,000	-
Cash and cash equivalents and short-term financial instruments(D)		123,683,665	64,613,454
Net borrowings (C-D)		46,316,335	(64,613,454)
Liabilities to equity ratio (A/B)		65.07%	29.27%
Net debt to equity ratio ((C-D)/B) (*)		7.01%	-

(*) As of December 31, 2021, the net borrowings were negative amount, thus, net borrowings to equity ratio was not calculated.

STUDIO DRAGON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

5. 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 liabilities.

(1) Geographical information

The following table provides information on revenue by country for the years ended December 31, 2022 and 2021.

<i>(In thousands of won)</i>		2022	2021
Korea	₩	329,369,628	304,185,838
Overseas		368,576,195	182,927,687
	₩	<u>697,945,823</u>	<u>487,113,525</u>

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

(2) Major customers

The information of major customers which comprise 10% or more of the Group's total revenue for the years ended December 31, 2022 and 2021 are as follows:

<i>(In thousands of won)</i>		2022	2021
A	₩	244,008,896	217,912,531
B		177,437,885	69,160,634

(3) Revenue by business line

The revenue by business line of the Group for the years ended December 31, 2022 and 2021 are as follows:

<i>(In thousands of won)</i>		2022	2021
Drama contents	₩	672,770,494	436,824,917
Entertainment management services and others		25,175,329	50,288,608
	₩	<u>697,945,823</u>	<u>487,113,525</u>

6. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2022 and 2021 are as follows:

<i>(In thousands of won)</i>		2022	2021
Demand deposits	₩	123,683,665	64,613,454

As of December 31, 2022, there is no restricted financial assets.

STUDIO DRAGON CORPORATION AND SUBSIDIARIES

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For the years ended December 31, 2022 and 2021

7. Categories of Financial Instruments

(1) Carrying amounts of financial instruments by categories as of December 31, 2022 are as follows:

(In thousands of won)

	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.

STUDIO DRAGON CORPORATION AND SUBSIDIARIES

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For the years ended December 31, 2022 and 2021

7. Categories of Financial Instruments, Continued

(2) Carrying amounts of financial instruments by categories as of December 31, 2021 are as follows:

(In thousands of won)

	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	₩ -	-	11,324,381	-	-	11,324,381	-	9,285,912	2,038,469
Financial assets at FVOCI (*1)	-	229,135,385	-	-	-	229,135,385	198,167,460	-	201,925
Subtotal	-	229,135,385	11,324,381	-	-	240,459,766	198,167,460	9,285,912	2,240,394
Financial assets not measured at fair value (*2)									
Cash and cash equivalents	64,613,454	-	-	-	-	64,613,454	-	-	-
Trade receivables	137,301,240	-	-	-	-	137,301,240	-	-	-
Other receivables	1,308,148	-	-	-	-	1,308,148	-	-	-
Deposits	4,075,120	-	-	-	-	4,075,120	-	-	-
Short term loans	300,000	-	-	-	-	300,000	-	-	-
Subtotal	207,597,962	-	-	-	-	207,597,962	-	-	-
Total	₩ 207,597,962	229,135,385	11,324,381	-	-	448,057,728	198,167,460	9,285,912	2,240,394
Financial liabilities									
Financial liabilities measured at fair value									
Derivative liabilities	₩ -	-	-	-	2,117,587	2,117,587	-	2,117,587	-
Financial liabilities not measured at fair value (*2)									
Trade payables	-	-	-	16,963,677	-	16,963,677	-	-	-
Lease liabilities	-	-	-	6,843,460	-	6,843,460	-	-	-
Other payables	-	-	-	59,817,311	-	59,817,311	-	-	-
Subtotal	-	-	-	83,624,448	-	83,624,448	-	-	-
Total	₩ -	-	-	83,624,448	2,117,587	85,742,035	-	2,117,587	-

(*1) As equity investments amounting to ₩30,766,000 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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7. Categories of Financial Instruments, Continued

- (3) 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.

<i>(In thousands of won)</i>	<u>Fair value</u>	<u>Level</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>
Financial assets at FVTPL (*)	₩ 9,491,714	2	Discounted cash flows	Exchange rates, inherent volatility, remaining maturity, discount rate, etc.
Financial assets at FVOCI	26,094,696	3	Income approach	Growth rate, discount rate, etc.
Financial assets at FVOCI	201,925	3	Net asset value	Net asset value
Derivative liabilities	1,744,810	2	Discounted cash flows	Exchange rates, inherent volatility, remaining maturity, discount rate, etc.

(*) Due to the COVID-19, the fund amounting to ₩6,192 million run by Gen2 Partners are frozen at the reporting date. As a result, this would have an adverse impact on the Group's financial position and financial performance.

8. Credibility of Financial Assets

- (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, 2022 and 2021 are as follows:

<i>(In thousands of won)</i>	<u>2022</u>			<u>2021</u>		
	<u>Weighted-average loss rate</u>	<u>Carrying amount</u>	<u>Impairment</u>	<u>Weighted-average loss rate</u>	<u>Carrying amount</u>	<u>Impairment</u>
Not past due	0.09%	₩ 174,371,529	156,288	0.10%	₩ 132,752,440	130,133
Past due less than 6 months	0.05%	2,848,727	1,329	0.08%	5,868,119	4,700
Past due 6 ~ 12 months	0.06%	1,045,825	620	0.38%	1,075,218	4,088
More than one year	65.83%	5,526,630	3,638,384	56.73%	7,921,850	4,494,199
		₩ <u>183,792,711</u>	<u>3,796,621</u>		₩ <u>147,617,627</u>	<u>4,633,120</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% number of receivables as allowances for receivables that are objectively proven to be uncollectible.

- (2) Changes in allowance for doubtful accounts of financial assets measured at amortized cost for the years ended December 31, 2022 and 2021 were as follows:

<i>(In thousands of won)</i>	<u>2022</u>	<u>2021</u>
Beginning balance	₩ 4,633,120	4,748,078
Accrual	46,663	47,388
Write-off	(883,162)	(162,346)
Ending balance	₩ <u>3,796,621</u>	<u>4,633,120</u>

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9. Advance Payments

- (1) Advance payments are presented on a net basis after deducting related allowance. Advance payments and related allowance as of December 31, 2022 and 2021 are as follows:

		2022		2021	
		Current	Non-current	Current	Non-current
(In thousands of won)					
Advance payments	₩	122,269,100	80,386,077	35,518,488	81,681,383
Allowance for advance payments		(184,800)	-	(239,800)	-
Advance payments, net	₩	122,084,300	80,386,077	35,278,688	81,681,383

- (2) Changes of allowance for advance payments for the years ended December 31, 2022 and 2021 were as follows:

		2022	2021
<i>(In thousands of won)</i>			
Beginning balance	₩	(239,800)	(239,800)
Impairment loss		25,000	-
Write-off		30,000	-
Ending balance	₩	<u>(184,800)</u>	<u>(239,800)</u>

- (3) Costs to fulfill contracts with customers that are recognized as advance payments as of December 31, 2022 and 2021 are as follows:

		2022	2021
<i>(In thousands of won)</i>			
Advance payments	₩	197,142,085	108,798,466

10. Other Assets

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

		2022		2021	
		Current	Non-current	Current	Non-current
(In thousands of won)					
Prepaid expenses	₩	14,015	-	837,001	124,991

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11. Financial Assets at FVOCI

(1) Financial assets at FVOCI as of December 31, 2022 and 2021 are as follows:

(In thousands of won)

	Ownership	2022		2021
		Acquisition cost	Book value	Book value
Naver Corp.	0.32%	₩ 148,167,480	92,931,900	198,167,460
Mega Monster Corporation	5.86%	1,500,000	201,925	201,925
Movie Rock 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	26,094,696	23,710,000
		₩ 180,798,480	126,284,521	229,135,385

(*) During the year ended December 31, 2021, the Group additionally acquired 339 shares. The difference of ₩1,271 million between the acquisition cost and book value as of December 31, 2022 is due to the effect of movements in exchange rates.

(2) Changes in financial assets at FVOCI for the years ended December 31, 2022 and 2021 were as follows:

(In thousands of won)

	2022	2021
Balance on January 1	₩ 229,135,385	171,279,225
Acquisitions	-	11,849,000
Gain (loss) on valuation of financial assets included in OCI	(104,486,864)	45,026,160
Effect of movements in exchange rates	1,636,000	981,000
Balance on December 31	₩ 126,284,521	229,135,385

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12. Property and Equipment

(1) Changes in property and equipment for the year ended December 31, 2022 were as follows:

<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

(2) Changes in property and equipment for the year ended December 31, 2021 were as follows:

<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	1,860,975	4,358,121	1,328,383	103,892	-	-	9,721,791
Acquisitions		-	-	987,458	21,750	187,522	5,044	889,587	238,000	2,329,361
Disposals		-	-	(1,674,829)	-	(679,876)	(128,118)	-	-	(2,482,823)
Reclassification		-	-	889,587	-	-	65,117	(889,587)	-	65,117
Ending balance		1,396,584	673,836	2,063,191	4,379,871	836,029	45,935	-	238,000	9,633,446
Accumulated depreciation and impairment losses:										
Beginning balance		-	(9,827)	(1,183,995)	(393,661)	(480,575)	(29,632)	-	-	(2,097,690)
Depreciation		-	(16,600)	(294,644)	(619,040)	(203,740)	(3,657)	-	-	(1,137,681)
Disposals		-	-	1,175,030	-	147,306	22,412	-	-	1,344,748
Ending balance		-	(26,427)	(303,609)	(1,012,701)	(537,009)	(10,877)	-	-	(1,890,623)
Carrying amounts:										
Beginning balance	₩	1,396,584	664,009	676,980	3,964,460	847,808	74,260	-	-	7,624,101
Ending balance	₩	1,396,584	647,409	1,759,582	3,367,170	299,020	35,058	-	238,000	7,742,823

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13. Right-of-use Assets

(1) Changes in right-of-use assets for the year ended December 31, 2022 were as follows:

<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

(2) Changes in right-of-use assets for the year ended December 31, 2021 are as follows:

<i>(In thousands of won)</i>		Land	Rental facilities	Broadcasting equipment	Vehicles	Total
Acquisition costs:						
Beginning balance	₩	1,047,752	6,482,349	582,932	1,894,022	10,007,055
Acquisitions		-	2,538,574	588,027	871,340	3,997,941
Disposals		-	(1,315,978)	(582,932)	(187,553)	(2,086,463)
Changes in terms and conditions		-	36,584	-	(24,720)	11,864
Ending balance		1,047,752	7,741,529	588,027	2,553,089	11,930,397
Accumulated depreciation:						
Beginning balance		(261,938)	(1,340,833)	(534,355)	(785,696)	(2,922,822)
Depreciation		(523,876)	(1,125,324)	(293,588)	(723,523)	(2,666,311)
Disposals		-	195,765	582,932	184,652	963,349
Changes in terms and conditions		-	-	-	21,070	21,070
Ending balance		(785,814)	(2,270,392)	(245,011)	(1,303,497)	(4,604,714)
Carrying amounts:						
Beginning balance	₩	785,814	5,141,516	48,577	1,108,326	7,084,233
Ending balance	₩	261,938	5,471,137	343,016	1,249,592	7,325,683

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13. Right-of-use Assets, Continued

(3) Amounts recognized in profit or loss

(In thousands of won)

	2022	2021
Interest on lease liabilities	₩ 303,530	334,876
Expenses relating to short-term leases	18,994,177	5,727,429
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	53,989	43,688
	₩ <u>19,351,697</u>	<u>6,105,993</u>

(4) Amounts recognized in statement of cash flow

(In thousands of won)

	2022	2021
Total cash outflow for leases	₩ 21,011,088	8,008,713

(5) 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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14. Intangible Assets

(1) Changes in intangible assets for the year ended December 31, 2022 were as follows:

(In thousands of won)	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 losses	(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.

(2) Changes in intangible assets for the year ended December 31, 2021 are as follows:

(In thousands of won)	Goodwill	Trademark rights	Copyrights	Others	Software	Member -ship	Construction in-progress	Total
Acquisition costs:								
Beginning balance	₩ 77,909,377	211,715	631,122,515	33,745,533	220,143	2,479,063	99,588,542	845,276,888
Acquisitions	-	16,976	185,144,781	-	368,219	365,990	156,516,425	342,412,391
Reclassification	-	12,263	83,926,215	-	1,606,361	15,900	(89,505,072)	(3,944,333)
Others (*)	-	-	(171,707,097)	-	-	-	-	(171,707,097)
Ending 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
Accumulated amortization and impairment losses:								
Beginning balance	(3,259,297)	-	(596,238,150)	(15,190,451)	(172,070)	-	-	(614,859,968)
Amortization and impairment losses	(3,882,338)	-	(91,206,848)	(3,692,575)	(367,868)	-	-	(99,149,629)
Ending balance	(7,141,635)	-	(687,444,998)	(18,883,026)	(539,938)	-	-	(714,009,597)
Carrying amounts:								
Beginning balance	₩ 74,650,080	211,715	34,884,365	18,555,082	48,073	2,479,063	99,588,542	230,416,920
Ending balance	₩ 70,767,742	240,954	41,041,416	14,862,507	1,654,785	2,860,953	166,599,895	298,028,252

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

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14. Intangible Assets, Continued

(3) Goodwill impairment test

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 carrying amount of goodwill allocated to the Group's CGUs for the purposes of impairment testing as of December 31, 2022 and 2021 are as follows:

<i>(In thousands of won)</i>		2022	2021
Hwa&dam pictures, Inc	₩	22,587,214	22,587,214
Culturedpot Co., Ltd.		12,867,359	21,238,081
KPJ Co., Ltd.		10,627,242	10,627,242
GTist Co., Ltd.		16,315,205	16,315,205
Gill Pictures Co., Ltd.		20,732,242	-
	₩	<u>83,129,262</u>	<u>70,767,742</u>

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

<i>(In percent)</i>	Discount rate		Terminal Growth rate	
	2022	2021	2022	2021
Hwa&dam pictures, Inc	14.7	14.8	1.0	1.0
Culturedpot Co., Ltd.	14.7	14.7	1.0	1.0
KPJ Co., Ltd.	14.7	14.8	1.0	1.0
GTist Co., Ltd.	14.7	14.8	1.0	1.0
Gill Pictures Co., Ltd.	14.6	-	1.0	-

The discount rate was a post-tax 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 2022 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 permanent growth rate.

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15. Investment in Associates

(1) Details of investment in associates as of December 31, 2022 are as follows:

Company	Business activities	Country	Ownership	Settlement date
Nextscene Co., Ltd (*1)	Production and supply of broadcast programs	Korea	19.98%	December
Studio Dragon Japan CO., LTD. (*2)	Production and supply of broadcast programs	Japan	30.00%	December

(*1) During the year ended December 31, 2022, the Group acquired shares of Nextscene Co., Ltd. for ₩3,996 million. The Group classified the interests as an investment in associates as the Group has the right to appoint one of the three directors of Nextscene Co., Ltd.

(*2) During the year ended December 31, 2022, the Group, CJ E&M Corporation and LINE Digital Frontier invested together and newly established Studio Dragon Japan CO., LTD. The Group invested 900 million yen.

(2) Changes in investment in associates for the year ended December 31, 2022 are as follows:

(In thousands of won)	Beginning balance	Acquisition	Share of profit (loss) of associates	Changes in equity of associates	Ending balance
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

(3) Summarized financial information of the associates as of and for the year ended December 31, 2022 are as follows:

(In thousands of won)	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)

(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.

(In thousands of won)	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

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16. Short-term borrowings

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

(In thousands of won)	Interest rate(%)		Maturity		2022
	Min	Max			
Export-Import Bank of Korea	3.03	3.03	2023.07.06	₩	50,000,000
Korea Development Bank	3.00	4.27	2023.07.07		100,000,000
Kookmin Bank	5.47	5.47	2023.09.24		20,000,000
				₩	<u>170,000,000</u>

17. Other Liabilities

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

(In thousands of won)	2022		2021	
	Current	Non-current	Current	Non-current
Liabilities for employee benefits	₩ 5,138,438	1,549,870	4,943,992	322,590
Accrued expenses	54,054	-	547,811	-
Advance received	120,858	-	376,434	-
Value added tax withheld	1,662,460	-	1,090,684	-
Withholdings	1,064,327	-	1,368,151	-
	<u>₩ 8,040,137</u>	<u>1,549,870</u>	<u>8,327,072</u>	<u>322,590</u>

18. Contract Liabilities and Provisions

(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, 2022 and 2021 are as follows:

(In thousands of won)	2022	2021
Contract liabilities:		
Deferred income	₩ 143,590,232	102,320,100

The amount of ₩87,768 million included in contract liabilities on December 31, 2021 has been recognized as revenue in 2022.

(2) Restoration Provisions

Changes in restoration provision for the years ended December 31, 2022 and 2021 were as follows:

(In thousands of won)	2022	2021
Balance at January 1	₩ 1,224,168	575,082
Provisions made	-	637,056
Unwind of discount	12,404	12,030
Balance at December 31	<u>₩ 1,236,572</u>	<u>1,224,168</u>

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19. Employee Benefits

(1) Employee benefits expenses for the years ended December 31, 2022 and 2021 are as follows:

<i>(In thousands of won)</i>		2022	2021
Wages and salaries	₩	30,343,305	24,670,408
Contributions to defined contribution plans		1,057,667	953,675
Expenses related to defined benefit plans		314,785	241,462
Expenses related to share-based payments		112,059	-
Social security contributions		1,894,816	1,466,564
	₩	<u>33,722,632</u>	<u>27,332,109</u>

(2) Total employee benefit liabilities (assets) as of December 31, 2022 and 2021 are as follows:

<i>(In thousands of won)</i>		2022	2021
Present value of defined benefit obligations	₩	5,114,091	5,377,605
Fair value of plan assets		<u>(7,560,480)</u>	<u>(6,134,912)</u>
Net defined benefit asset		(2,446,389)	(757,307)
Liabilities for paid absence		1,042,769	897,488
Liabilities for employee benefits		<u>5,645,540</u>	<u>4,369,094</u>
	₩	<u><u>4,241,920</u></u>	<u><u>4,509,275</u></u>

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19. Employee Benefits, Continued

- (3) The Group operates defined benefit and defined contribution pension plans for qualified employees. With respect to defined contribution 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.

Movement in net defined benefit liabilities for the years ended December 31, 2022 and 2021 were as follows:

(In thousands of won)	Defined benefit obligations		Fair value of plan assets		Net defined benefit liability	
	2022	2021	2022	2021	2022	2021
Balance at January 1	₩ 5,377,605	4,465,640	(6,134,912)	(4,546,963)	(757,307)	(81,323)
Included in profit or loss:						
Current service cost	1,087,238	956,394	-	-	1,087,238	956,394
Interest cost (income)	201,139	143,575	(230,710)	(146,294)	(29,571)	(2,719)
	<u>1,288,377</u>	<u>1,099,969</u>	<u>(230,710)</u>	<u>(146,294)</u>	<u>1,057,667</u>	<u>953,675</u>
Included in other comprehensive income or loss:						
Remeasurements loss (gain):						
- Actuarial loss (gain) arising from:						
- demographic assumptions	-	-	-	-	-	-
- financial assumptions	(1,281,865)	(418,024)	-	-	(1,281,865)	(418,024)
- experience adjustment	769,021	599,594	-	-	769,021	599,594
- Return on plan assets excluding interest cost	-	-	148,170	115,221	148,170	115,221
	<u>(512,844)</u>	<u>181,570</u>	<u>148,170</u>	<u>115,221</u>	<u>(364,674)</u>	<u>296,791</u>
Other:						
Contribution paid	-	-	(2,424,500)	(1,989,319)	(2,424,500)	(1,989,319)
Benefits paid	(1,071,925)	(450,765)	1,071,925	450,765	-	-
Transfer from (to) affiliated companies	32,878	81,191	9,547	(18,322)	42,425	62,869
	<u>(1,039,047)</u>	<u>(369,574)</u>	<u>(1,343,028)</u>	<u>(1,556,876)</u>	<u>(2,382,075)</u>	<u>(1,926,450)</u>
Balance at December 31	₩ <u>5,114,091</u>	<u>5,377,605</u>	<u>(7,560,480)</u>	<u>(6,134,912)</u>	<u>(2,446,389)</u>	<u>(757,307)</u>

- (4) Details of plan assets as of December 31, 2022 and 2021 are as follows:

(In thousands of won)	2022	2021
Cash and deposits	₩ 7,560,480	6,134,912

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19. Employee Benefits, Continued

(5) Defined benefit obligations

(i) Actuarial assumptions

	2022	2021
Discount rate	6.28%~6.33%	3.90%~3.96%
Future salary growth rate	3.31%~3.47%	3.45%~3.60%

Assumptions regarding future mortality have been based on published statistics and mortality tables. On December 31, 2022, the weighted-average duration of the defined benefit obligation was 9.95~11.21 years.

(ii) 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)		2022		2021	
		1% decrease	1% increase	1% decrease	1% increase
Discount rate	₩	451,722	(393,175)	530,461	(457,145)
Future salary growth rate		(415,170)	470,926	(471,878)	538,852

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.

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

(In thousand won)	Benefits paid
Less than one year	₩ 527,062
One to two years	582,135
Two to five years	2,062,038
More than five years	5,226,690
	₩ <u>8,397,925</u>

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20. Share Capital and Share Premium

(1) Share capital as of December 31, 2022 and 2021 are as follows:

<i>(In won, except share data)</i>	2022	2021
Number of shares authorized (In shares)	500,000,000	500,000,000
Par value per share	₩ 500	500
Number of shares issued (In shares)	30,058,498	30,014,185
Share capital (In thousand won)	₩ 15,029,249	15,007,093

(2) Changes in share capital and share premium for the years ended December 31, 2021 and 2020 were as follows:

<i>(In thousand won, except share data)</i>	Number of shares (In shares)	Share capital	Share premium	Total
Balance at December 31, 2020	30,004,345	₩ 15,002,173	470,027,046	485,029,219
Exercise of share options	9,840	4,920	359,647	364,567
Balance at December 31, 2021	30,014,185	15,007,093	470,386,693	485,393,786
Exercise of share options	44,313	22,156	2,976,152	2,998,308
Balance at December 31, 2022	30,058,498	₩ 15,029,249	473,362,845	488,392,094

21. Share-based Payment

(1) Share option

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

	Grant date	Granted employees	Vesting conditions	Exercisable period
Equity-settled share option	June 30, 2016	Executives and staffs	2 years' service	7 years
Restricted Stock Unit (*)	March 1, 2022	Executives and staffs	3 years' service	3 years

(*) Through a resolution of the board of directors during the year ended December 31, 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.

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21. Share-based Payments, Continued

(2) Assumptions and methodology for measurement of the fair values at grant date

i) Share option granted on June 30, 2016

The fair value at grant date is measured on the basis of binominal option price model and the inputs used in the measurement of fair value at grant date are as follows:

(In won)		June 30, 2016
Fair value at grant date (*1)	₩	96,404
Share price at grant date (*1)		273,279
Expected volatility (*2)		26.6%
Expected dividend yield		0%
Expected exercise date (*3)		9 years
Risk free rate		1.47%

(*1) The fair value and share price at grant date are the amounts prior to stock split.

(*2) Expected volatility has been based on the standard deviation of the compound daily investment return, calculated based on the analysis of the daily index for the past 1 year of the entertainment sector in the KOSDAQ market.

(*3) 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.

ii) Share option granted on March 31, 2022

(In won)		March 31, 2022	
		Share grant	Cash linked to share value
Fair value at grant date	₩	85,300	82,833
Share price at grant date		85,300	85,300
Expected volatility (*1)		34.4%	34.4%
Expected dividend yield		0%	0%
Expected exercise date (*2)		3 years	2.2 years
Risk free rate		2.25%	3.78%

(*1) 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.

(*2) 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.

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21. Share-based Payments, Continued

- (3) Changes in the number and the weighted-average exercise prices of the share options for the years ended December 31, 2022 and 2021 were as follows:

i) Share option granted on June 30, 2016

(In won, except option data)

	2022		2021	
	Number of options (In shares)	Weighted- average exercise price	Number of options (In shares)	Weighted- average exercise price
Balance on January 1	- ₩	27,500	10,210 ₩	27,500
Exercised	-	27,500	(9,840)	27,500
Forfeited	-	27,500	(370)	27,500
Balance on December 31	- ₩	-	- ₩	-

ii) Share option granted on March 31, 2022

(In shares)

	2022	
	Share grant	Cash linked to share value
Balance on January 1	-	-
Granted	3,162	3,239
Transfer in	325	344
Transfer out	(46)	(47)
Forfeited	(690)	(698)
Balance on December 31	2,751	2,838

- (4) Share-based payment expenses recognized for the year ended December 31, 2022 were as follows:

(In thousands of won)

	2022
Equity-settled share based payment	₩ 55,200
Cash settled link to share value	56,859
	112,059

22. Retained Earnings

Retained earnings as of December 31, 2022 and 2021 comprises all unappropriated retained earnings.

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23. Commitments and Contingencies

- (1) Detail of payment guarantees for employees which the Group has provided as of December 31, 2022 and 2021 are as follows:

(In thousands of won)

	Financial institution	2022		2021	
		Credit limit	Borrowed amount	Credit limit	Borrowed amount
Loans for employee living stabilization fund (*)	KEB Hana Bank	₩ 2,000,000	221,217	2,000,000	253,937

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

- (2) As of December 31, 2022, the Group has been provided a guarantee of ₩110 million (2021: ₩536 million) by Seoul Guarantee Insurance Co., Ltd. in relation to the performance of contracts.
- (3) As of December 31, 2022, the Group has made a loan agreement of total commitment amounting to ₩170,000 million with Export-Import Bank of Korea, Korea Development Bank and Kookmin Bank.
- (4) As of December 31, 2022, the Group has entered a currency forward contract with the aim of avoiding risks from changes in the exchange rate.

Details of the currency forward contracts (TRF) as of December 31, 2022 are as follows:

(In USD, thousands of won)

Financial institution	Contract date	Maturity date	Exercise price (won)	Contract amount (USD)	Remaining amount (USD)	Gain (loss) on valuation
Kyongnam Bank	2021.02.24	2023.02.24	1,167.80	21,000,000	2,000,000 ₩	234,975
	2021.06.09	2023.06.30	1,153.00	42,000,000	12,000,000	431,960
Nomura Securities			1,163.00			
	2022.09.29	2023.09.25	1,250.00	21,000,000	15,000,000	(344,457)
			1,260.00			
				84,000,000	29,000,000 ₩	322,478

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.

Gain (loss) on transaction of derivatives for the years ended December 31, 2022 and 2021 were as follows:

(In thousands of won)

		2022		2021	
		Transaction gain	Transaction loss	Transaction gain	Transaction loss
TRF	₩	212,324	(5,369,450)	611,480	(73,600)

- (5) As of December 31, 2022, the Group is involved in 1 lawsuit as a defendant for alleged damages of ₩50 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.

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24. Nature of Expenses

(1) Details of nature of expenses for the year ended December 31, 2022 are as follows:

<i>(In thousands of won)</i>		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>

(2) Details of nature of expenses for the year ended December 31, 2021 are as follows:

<i>(In thousands of won)</i>		Cost of sales	Selling, general and administrative expenses	Total
Cost of production	₩	226,704,098	-	226,704,098
Employee benefits		13,375,345	12,490,200	25,865,545
Employee fringe benefits		786,738	2,060,253	2,846,991
Depreciation		1,899,039	1,904,953	3,803,992
Amortization		94,899,423	367,868	95,267,291
Fees and charges		40,205,254	5,964,545	46,169,799
Advertisement		-	357,230	357,230
Bad debt expenses		-	47,388	47,388
Other expenses		29,478,352	3,996,035	33,474,387
	₩	<u>407,348,249</u>	<u>27,188,472</u>	<u>434,536,721</u>

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For the years ended December 31, 2022 and 2021

25. Finance Income and Finance Costs

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

<i>(In thousands of won)</i>		2022	2021
Finance income:			
Interest income under the effective interest method on:			
Cash and cash equivalents	₩	637,414	115,556
Trade receivables		1,687,445	1,279,983
Total interest income arising from financial assets at amortized cost		2,324,859	1,395,539
Gain on dividends received		746,073	210,471
Gain on transaction of derivatives		212,324	611,480
Gain on valuation of derivatives		322,478	-
Gain on disposal of financial assets at FVTPL		252,277	658,313
Gain on valuation of financial assets at FVTPL		1,351,959	490,835
Gain on foreign currency transactions		13,976,368	9,431,769
Gain on foreign exchange translations		2,042,014	1,558,915
Subtotal		21,228,352	14,357,322
Finance costs:			
Interest expense		(4,932,320)	(777,932)
Loss on valuation of derivatives		-	(2,117,587)
Loss on transaction of derivatives		(5,369,450)	(73,600)
Loss on disposal of financial assets at FVTPL		-	(63,055)
Loss on valuation of financial assets at FVTPL		(576,131)	(2,361,531)
Loss on foreign currency transactions		(2,073,164)	(4,613,996)
Loss on foreign exchange translations		(6,050,238)	(94,784)
Subtotal		(19,001,303)	(10,102,485)
Net finance income recognized in profit or loss	₩	2,227,049	4,254,837

26. Other Non-operating Income and Expenses

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

<i>(In thousands of won)</i>		2022	2021
Gain on disposals of property and equipment	₩	123,827	41,294
Rent income		1,400	-
Miscellaneous income		247,671	148,008
Reversal of other bad debt allowance		25,000	-
	₩	397,898	189,302

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

<i>(In thousands of won)</i>		2022	2021
Loss on disposals of property and equipment	₩	43,068	692,432
Loss on disposals of intangible assets		8,176	-
Impairment losses on intangible assets		8,976,222	3,882,338
Donations		224,510	396,400
Miscellaneous loss		28,755	41,330
	₩	9,280,731	5,012,500

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27. Income Tax Expense

- (1) The component of income tax expense for the years ended December 31, 2022 and 2021 are as follows:

<i>(In thousands of won)</i>		2022	2021
Current income tax expense	₩	17,352,241	11,370,094
Adjustment for prior period		(1,110,452)	(917,077)
Change in deferred tax due to temporary difference		(32,827,381)	13,332,174
Income tax recognized directly in equity		24,640,465	(10,824,918)
Total income tax expense	₩	<u>8,054,873</u>	<u>12,960,273</u>

- (2) Reconciliation of effective tax rate for the years ended December 31, 2022 and 2021 are as follows:

<i>(In thousands of won)</i>		2022	2021
Profit before income taxes	₩	58,619,870	52,008,442
Income tax using the Group's statutory tax rate		13,535,994	12,157,242
Adjustments:			
- Non-taxable income, net of non-deductible expense		311,476	125,840
- Tax credits		(8,608,195)	824,015
- Changes in estimates related to prior years		(1,110,454)	(917,077)
- Others		3,926,052	770,253
Income tax income	₩	<u>8,054,873</u>	<u>12,960,273</u>
Average effective tax rate		<u>13.74%</u>	<u>24.92%</u>

- (3) Income taxes recognized directly in other comprehensive income for the years ended December 31, 2022 and 2021 are as follows:

<i>(In thousands of won)</i>		2022			2021		
		Before tax	Tax benefit (expense)	Net of tax	Before tax	Tax benefit (expense)	Net of tax
Remeasurements of defined benefit plan	₩	364,674	(103,978)	260,696	(296,791)	71,413	(225,378)
Gain (loss) on valuation of financial assets at FVOCI		(104,486,864)	24,744,443	(79,742,421)	45,026,160	(10,896,331)	34,129,829

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For the years ended December 31, 2022 and 2021

27. Income Tax Expense, Continued

- (4) Changes in deferred tax assets (liabilities) for the years ended December 31, 2022 and 2021 are summarized as follows:

(In thousands of won)

(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

(In thousands of won)

		2021			
		Beginning balance	Recognized in profit or loss	Recognized in OCI	Ending balance
Remeasurements of defined benefit liability	₩	860,157	115,229	71,413	1,046,799
Remeasurements of defined benefit asset		(859,797)	(193,304)	-	(1,053,101)
Allowance for doubtful accounts		811,074	(94,506)	-	716,568
Accrued expenses		198,448	47,248	-	245,696
Intangible assets		13,796,145	(3,276,924)	-	10,519,221
Financial assets at FVOCI		(889,530)	-	(10,896,331)	(11,785,861)
Financial assets at FVTPL		133,512	398,955	-	532,467
Property and equipment		(83,385)	(28,415)	-	(111,800)
Restoration provision		139,170	157,079	-	296,249
Others		614,543	367,382	-	981,925
	₩	14,720,337	(2,507,256)	(10,824,918)	1,388,163

- (5) The aggregate amounts of deferred tax assets and liabilities as of December 31, 2022 and 2021 are as follows:

(In thousands of won)

		2022	2021
Deferred tax assets:			
Recovered after more than 12 months	₩	49,577,534	18,675,191
Recovered within 12 months		1,103,382	958,343
Deferred tax liabilities:			
Settled after more than 12 months		(18,042,655)	(18,066,655)
Settled within 12 months		(765,196)	(178,716)
Net deferred tax assets	₩	<u>31,873,065</u>	<u>1,388,163</u>

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27. Income Tax Expense, Continued

(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. Earnings per Share

(1) Basic earnings per share

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

(In thousands of won, except earnings per share)

	2022	2021
Profit attributable to ordinary shareholders	₩ 50,564,997	39,048,170
Weighted average number of ordinary shares (basic) (In shares) (*)	30,019,770	30,007,364
Basic earnings per share (won)	₩ 1,684	1,301

(*) Basic weighted average number of shares for the years ended December 31, 2022 and 2021 are calculated as follows:

(In shares)	2022	2021
Issued ordinary shares on January 1	30,014,185	30,004,345
Effect of share options exercised	-	3,019
Effect of shares issued	5,585	-
Weighted-average number of ordinary shares outstanding (basic)	30,019,770	30,007,364

(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, 2022 and 2021 are calculated as follows:

(In thousands of won, except earnings per share)

	2022	2021
Profit attributable to ordinary shareholders	₩ 50,564,997	39,048,170
Weighted average number of ordinary shares (diluted) (In shares) (*)	30,022,076	30,012,404
Diluted earnings per share (won)	₩ 1,684	1,301

(*) Diluted weighted average number of ordinary shares for the years ended December 31, 2022 and 2021 are calculated as follows:

(In shares)	2022	2021
Weighted-average number of ordinary shares outstanding (basic)	30,019,770	30,007,364
Effect of share options	2,306	5,040
Weighted-average number of ordinary shares outstanding (diluted)	30,022,076	30,012,404

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29. Statement of Cash Flows

- (1) Cash flows from (used in) operating activities for the years ended December 31, 2022 and 2021 are summarized as follows:

(In thousands of won)

	2022	2021
Net income	₩ 50,564,997	39,048,170
Adjustments for:		
Income tax expense	8,054,873	12,960,273
Interest expense	4,932,320	777,932
Severance & retirement benefits	1,057,667	953,675
Share-based payments expense	110,781	-
Depreciation	1,154,900	1,137,681
Depreciation of right-of-use assets	2,182,020	2,666,311
Amortization	149,969,282	95,267,291
Impairment losses on intangible assets	8,976,222	3,882,338
Loss on disposals of intangible assets	8,176	-
Bad debt expense	46,663	47,388
Foreign currency translations loss	6,050,238	94,784
Loss on valuation of derivative financial assets	-	2,117,587
Loss on disposals of property and equipment	43,068	692,432
Loss on valuation of financial assets at FVTPL	576,131	2,361,531
Loss on disposal of financial assets at FVTPL	-	63,055
Interest income	(2,324,859)	(1,395,539)
Gain on valuation of financial assets at FVTPL	(1,351,959)	(490,835)
Gain on disposal of financial assets at FVTPL	(252,277)	(658,313)
Gain on disposal of property and equipment	(123,827)	(41,294)
Reversal of other bad debt allowance	(25,000)	-
Foreign currency translations gain	(2,042,014)	(1,558,915)
Gain on dividends received	(746,073)	(210,471)
Gain on valuation of derivative financial assets	(322,478)	-
Share of profit of equity-accounted investees	(56,180)	-
Other non-cash income	(13,322)	(69,587)
Changes in assets and liabilities:		
Trade receivables	(37,339,069)	(2,533,850)
Other receivables	2,102,866	4,696,258
Prepaid value added taxes	(4,824,887)	(1,931,245)
Advance payments	(81,509,595)	(31,430,497)
Prepaid expenses	947,977	30,431
Copyrights	(195,404,128)	(169,946,465)
Derivative assets	-	177,515
Trade payables	(806,125)	9,908,131
Other payables	9,324,349	9,931,399
Deferred income	25,653,622	29,113,655
Advance received	(157,847)	332,854
Accrued expenses	250,283	703,408
Withholdings	257,771	(973,444)
Other financial liabilities	(50,299)	-
Long-term other payables	3,194,465	(1,118,778)
Long-term employee benefit liabilities	1,171,698	22,051
Payment of retirement and severance benefits	(2,382,075)	(1,926,451)
	₩ <u>(53,101,645)</u>	<u>2,700,466</u>

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29. Statement of Cash Flows, Continued

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

<i>(In thousands of won)</i>		<u>2022</u>	<u>2021</u>
Gain (loss) on valuation of financial assets at FVOCI	₩	(104,486,864)	45,026,160
Reclassification of construction-in-progress to copyrights		125,598,035	83,708,715
Reclassification of advance payments to construction-in-progress		32,275,221	33,382,965
Reclassification of advance payments to current portion		17,362,678	1,875,000
Reclassification of deferred income to current portion		4,680,840	4,680,840

(3) Reconciliation of movements of liabilities to cash flows arising from financing activities are as follows:

<i>(In thousands of won)</i>		<u>2022</u>	<u>2021</u>
		<u>Lease liabilities</u>	<u>Short-term borrowings</u>
Balance on January 1	₩	6,843,460	-
Changes in terms and conditions		3,511	-
Increase		357,565	250,000,000
Decrease		(467,000)	(80,800,000)
Interest expenses		303,530	-
Change in consolidation scope		229,734	800,000
Interest paid		(303,530)	-
Payment of lease liabilities		(1,659,392)	-
Balance at December 31		<u>5,307,878</u>	<u>170,000,000</u>

30. Related Parties

(1) The Group's Parent Company is CJ E&M Corporation which owns 54.38%, and the Group's ultimate controlling company as of December 31, 2022 is CJ Corp. The associates as of December 31, 2022 are as follows:

<u>Relationship</u>	<u>Name</u>
Associates	Nextscene Co., Ltd Studio Dragon Japan CO., LTD.

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30. Related Parties, Continued

- (2) Significant transactions which occurred in the normal course of business with related parties for the years ended December 31, 2022 and 2021 are summarized as follows:

(In thousands of won)

Relationship	Name	2022			2021		
		Revenue	Cost of sales	Selling, general and administrative expenses	Revenue	Cost of sales	Selling, general and administrative expenses
Parent Company	CJ E&M Corporation	₩ 176,431,015	54,434,141	352,672	165,573,534	37,348,005	307,658
Associates	Nextscene Co., Ltd	-	8,831,005	-	-	-	-
Other related companies	JS Pictures Inc.	-	3,948	-	50,964	12,160,049	-
	Bon Factory Co., Ltd.	54,170	21,652,135	-	26,047	28,031,114	-
	CJ Cheiljedang Corp.	400,000	-	2,419,006	-	-	2,321,962
	CJ CGV Co., Ltd.	6,971	103,123	500	5,650	-	1,100
	CJ OliveNetworks Co., Ltd.	120,065	11,790	1,159,362	21,390	27,339	1,036,511
	CJ Olive Young Co., Ltd.	390,000	-	-	490,000	-	-
	Tving Co., Ltd.	63,170,160	4,013,869	-	49,195,509	2,192,511	-
	CJ E&M America, Inc	-	221,145	-	1,038	242,666	-
	CJ E&M Hong Kong Limited	2,631,622	-	-	1,557,508	-	-
	CJ E&M JAPAN	-	-	26,756	270,000	-	-
	TRUE CJ Creations	535,119	-	-	324,725	-	-
	YLAB Corp.	-	10,664,752	-	-	-	-
	CJ ENM Studios Co., Ltd.	213,735	47,021	-	-	-	-
	Others	56,039	9,841	153,283	62,390	17,701	57,433
		₩ 244,008,896	99,992,770	4,111,579	217,578,755	80,019,385	3,724,664

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30. Related Parties, Continued

(3) Account balances with related parties as of December 31, 2022 are summarized as follows:

Relationship	Name	2022							
		Receivables and others				Payables and others			
		Trade receivables	Advance payments	Other receivables	Deposits	Construction in-progress	Trade payables	Other Payables	Unearned revenue
Parent Company	CJ E&M Corporation	₩ 12,998,523	535,923	11,254	13,139	3,905,574	1,213,931	36,794,896	12,346,075
Other related companies	JS Pictures Inc.	1,706,352	225,000	3,114,035	-	-	-	8,399	-
	CJ OliveNetworks Co., Ltd.	6,523	53,366	-	-	-	-	133,527	-
	Tving Co., Ltd.	2,656,663	-	-	-	-	-	5,658,088	10,000,000
	CJ E&M Hong Kong Limited	24,290	-	-	-	-	-	-	257,183
	TRUE CJ Creations	-	-	-	-	-	-	-	6,021
	YLAB Corp.	-	1,200,000	-	-	-	-	80,423	-
	CJ ENM Studios Co., Ltd.	-	-	-	-	-	-	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

STUDIO DRAGON CORPORATION AND SUBSIDIARIES
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For the years ended December 31, 2022 and 2021

30. Related Parties, Continued

(4) Account balances with related parties as of December 31, 2021 are summarized as follows:

(In thousands of won)

		2021								
		Receivables and others				Payables and others				
Relationship	Name	Trade receivables	Advance payments	Other receivables	Deposits	Construction in-progress	Financial assets at FVTPL	Trade payables	Other Payables	Unearned revenue
Parent Company Other related companies	CJ E&M Corporation	₩ 17,165,562	1,895,562	-	13,203	-	-	1,021,764	25,118,696	67,523,449
	JS Pictures Inc.	3,419,429	225,000	400,000	-	-	2,038,469	-	8,399	-
	Bon Factory Co., Ltd.	-	-	-	-	8,378,459	-	5,817,584	2,554,263	-
	CJ OliveNetworks Co., Ltd.	13,860	3,820	-	-	-	-	-	171,605	-
	Tving Co., Ltd.	4,488,411	-	-	-	-	-	-	2,192,541	-
	CJ E&M Hong Kong Limited	125,379	-	-	-	-	-	-	-	-
	TRUE CJ Creations	115,832	-	-	-	-	-	-	-	-
	Eccho Rights AB	284,988	-	-	-	-	-	-	-	-
	Key management personnel	-	2,819,445	-	-	-	-	-	-	-
	YLAB Corp.	-	-	-	-	11,334,337	-	-	-	-
	Others	744,199	-	-	-	-	-	-	-	778,122
₩	26,357,660	4,943,827	400,000	13,203	19,712,796	2,038,469	6,839,348	30,823,626	68,523,449	

STUDIO DRAGON CORPORATION AND SUBSIDIARIES
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For the years ended December 31, 2022 and 2021

30. Related Parties, Continued

- (5) The details of fund transactions with related parties for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)

Relationship	Name	2022		2021
		Cash contribution	Acquisition of shares	Acquisition of shares
Associates	Nextscene Co., Ltd	₩ -	3,996,000	-
	Studio Dragon Japan CO., LTD.	8,663,130	-	-
Others	SKYDANCE MEDIA, LLC	-	-	11,849,000
		₩ 8,663,130	3,996,000	11,849,000

- (6) Key management personnel compensation for the years ended December 31, 2022 and 2021 are as follows:

(In thousands of won)

	2022	2021
Short-term employee benefits	₩ 3,074,387	2,267,076
Costs related to defined benefit plan	508,403	267,461
Other long-term employee benefits	565,355	195,234
	₩ 4,148,145	2,729,771

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.

- (7) As of December 31, 2022, the Group provides payment guarantees to employees in relation to loans of living stabilization fund. (See Note 23.)