

# **Samsung Electro-Mechanics Co., Ltd. and Subsidiaries**

**Consolidated Financial Statements  
As of and for the Years Ended  
December 31, 2025 and 2024**

**ATTACHMENT : INDEPENDENT AUDITOR'S REPORT**

**Samsung Electro-Mechanics Co., Ltd.**

**Samsung Electro-Mechanics Co., Ltd. and Subsidiaries**  
**Index**  
**December 31, 2025 and 2024**

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## INDEPENDENT AUDITOR'S REPORT

English Translation of Independent Auditor's Report Originally Issued in Korean on February 19, 2026

To the Shareholders and the Board of Directors of Samsung Electro-Mechanics Co., Ltd.

### Audit Opinion

We have audited consolidated financial statements of Samsung Electro-Mechanics Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2025 and 2024, respectively, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows, all expressed in Korean won, for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2025 and 2024, respectively, and its financial performance and its cash flows for the year then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

We have also audited, in accordance with the Korean Standards on Auditing ("KSAs"), the internal control over financial reporting of the Group as of December 31, 2025, based on the criteria established in 'Conceptual Framework for Design and Operation of Internal Control over Financial Reporting', and our report dated February 19, 2026 expressed an unqualified opinion.

### Basis for Audit Opinion

We conducted our audits in accordance with the KSAs. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated 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 consolidated financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Key Audit Matters

The key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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 cut-off related to sales of goods (export sales)

Reason why the matter was determined to be a key audit matter

As described in Note 2 to the consolidated financial statements, the Group is engaged in manufacturing and selling electronic components. Revenue from contracts with customers is recognized when control of the goods is transferred to the customer with the relevant consideration.

The timing of the transfer of control of the Group's products may vary depending on transaction agreements with customers and export terms and conditions, and management's judgement on the timing of revenue recognition is required. Considering the possibility of deliberate manipulation or potential error, we determined the revenue recognition cut-off related to sales of goods as a key audit matter.

How our audit addressed the key audit matter

Key audit procedures we have performed in relation to the Group's revenue recognition cut-off are as follows:

- Evaluated reasonableness of the Group's accounting policy and standard for revenue recognition cut-off.
- Obtained an understanding of controls over sales and accounting systems and evaluated the design and operational effectiveness of those controls.
- Examined the relevant transaction agreements and evidences through audit sampling at transaction level from sales records that occurred before and after the end of the reporting period.
- Determined whether there are any unusual changes by analyzing monthly sales trend of major customers.
- Examined the cause of cancellation and the relevant evidences through audit sampling from sales records canceled within a short period after the end of the reporting period.

### **Other Matters**

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

The accompanying consolidated financial statements as of and for the years ended December 31, 2025 and 2024, have been translated into the U.S. dollars solely for the convenience of the reader and have been translated on the basis set forth in Note 2 to the consolidated financial statements.

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

Management is responsible for the preparation of the accompanying consolidated financial statements in accordance with K-IFRS, and for such internal control as they determine 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 of the Group 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.



## **Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditor's 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 auditor's 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.

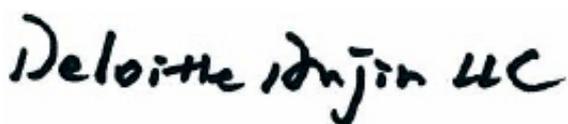
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

# Deloitte.

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

The engagement partner on the audit resulting in this independent auditor's report is Dong Hwui Ahn.

A handwritten signature in black ink that reads "Deloitte Idunjin LLC". The signature is written in a cursive, slightly slanted style.

February 19, 2026

## Notice to Readers

This report is effective as of February 19, 2026, the auditor's report date. Certain subsequent events or circumstances may have occurred between the auditor's report date and the time the auditor's report is read. Such events or circumstances could significantly affect the consolidated financial statements and may result in modifications to the auditor's report.

**Samsung Electro-Mechanics Co., Ltd. and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**December 31, 2025 and 2024**

	Notes	Korean won		U.S. dollar (Note 2)	
		2025	2024	2025	2024
<b>Assets</b>					
<b>Current assets:</b>					
Cash and cash equivalents	4,27	₩ 2,701,205,916,236	₩ 2,013,326,031,516	\$ 1,882,504,646	\$ 1,403,112,434
Other current financial assets	5,27	31,816,881,891	21,665,273,589	22,173,588	15,098,804
Trade and other receivables	6,24,27	1,855,270,443,262	1,484,142,850,415	1,292,961,491	1,034,317,967
Short-term loans	27	4,269,529,654	171,703,956	2,975,489	119,663
Advanced payments		11,561,244,746	25,537,835,363	8,057,178	17,797,641
Prepaid expenses		59,678,579,679	53,011,842,556	41,590,759	36,944,625
Prepaid income tax	22	5,143,037,171	24,804,621,912	3,584,248	17,286,655
Inventories, net	7	2,412,996,843,057	2,250,799,628,678	1,681,648,089	1,568,610,794
Right of return assets	15	15,680,191,726	18,286,700,320	10,927,724	12,744,233
		<u>7,097,622,667,422</u>	<u>5,891,746,488,305</u>	<u>4,946,423,212</u>	<u>4,106,032,816</u>
<b>Non-current assets:</b>					
Investment in associates	8	62,167,547,879	64,797,099,713	43,325,352	45,157,920
Financial assets measured at fair value	9,18,27	503,571,231,150	272,406,342,311	350,945,175	189,843,433
Long-term loans	27	5,085,197,525	4,884,230,260	3,543,939	3,403,882
Property, plant and equipment	10,18	6,221,642,021,592	5,933,216,998,733	4,335,941,196	4,134,934,141
Right-of-use assets	12	119,543,508,336	115,073,555,125	83,311,386	80,196,219
Intangible assets, net	11	152,388,328,978	145,642,951,741	106,201,358	101,500,419
Net employee defined benefit assets	16	280,753,879,535	189,691,166,273	195,660,938	132,198,178
Other non-current financial assets	5,27	72,334,132,024	75,886,212,317	50,410,574	52,886,063
Long-term advanced payments and prepaid expenses		48,231,678,294	49,845,359,003	33,613,268	34,737,863
Deferred tax assets	22	32,555,062,733	49,212,517,103	22,688,036	34,296,827
		<u>7,498,272,588,046</u>	<u>6,900,656,432,579</u>	<u>5,225,641,221</u>	<u>4,809,154,946</u>
<b>Total assets</b>		<u>₩ 14,595,895,255,468</u>	<u>₩ 12,792,402,920,884</u>	<u>\$ 10,172,064,433</u>	<u>\$ 8,915,187,763</u>

**Samsung Electro-Mechanics Co., Ltd. and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**December 31, 2025 and 2024**

	Notes	Korean won		U.S. dollar (Note 2)	
		2025	2024	2025	2024
<b>Liabilities</b>					
<b>Current liabilities:</b>					
Trade and other payables	13,24,27	₩ 1,412,015,464,234	₩ 1,156,563,946,583	\$ 984,051,477	\$ 806,024,076
Short-term borrowings	6,14,27	2,003,354,614,634	1,313,774,794,793	1,396,163,227	915,586,309
Advances received	18	206,822,055,569	200,572,952,181	144,136,912	139,781,833
Income tax payables		82,823,784,053	32,607,131,197	57,720,945	22,724,323
Current portion of long-term borrowings	14,27	-	244,127,399,380	-	170,135,479
Current lease liabilities	12,27	24,700,071,387	22,246,262,544	17,213,793	15,503,702
Provisions for product warranties	17	6,040,250,631	3,749,485,089	4,209,527	2,613,064
Refund liabilities	15	20,075,101,229	20,259,307,872	13,990,593	14,118,968
Other current liabilities	5,27	63,666,017,929	62,959,578,382	44,369,655	43,877,328
		<u>3,819,497,359,666</u>	<u>3,056,860,858,021</u>	<u>2,661,856,129</u>	<u>2,130,365,083</u>
<b>Non-current liabilities:</b>					
Long-term borrowings	14,27	188,444,338,601	-	131,329,248	-
Long-term other payables	13	137,381,549,015	84,335,247,043	95,742,943	58,774,303
Net employee defined benefit liabilities	16	40,496,038,601	26,358,068,446	28,222,203	18,369,272
Long-term advances received	18	525,827,838,960	551,428,051,615	366,456,087	384,297,200
Long-term lease liabilities	12,27	60,691,854,670	55,859,009,358	42,296,923	38,928,852
Deferred tax liabilities	22	26,212,393,092	1,707,654,631	18,267,749	1,190,086
		<u>979,054,012,939</u>	<u>719,688,031,093</u>	<u>682,315,153</u>	<u>501,559,712</u>
<b>Total liabilities</b>		<u>4,798,551,372,605</u>	<u>3,776,548,889,114</u>	<u>3,344,171,282</u>	<u>2,631,924,796</u>
<b>Equity</b>					
Issued capital	19	388,003,400,000	388,003,400,000	270,404,488	270,404,488
Share premium	19	1,053,516,215,437	1,053,516,215,437	734,208,806	734,208,806
Other components of equity	19	(146,701,455,500)	(146,701,455,500)	(102,238,104)	(102,238,104)
Accumulated other comprehensive income	19	1,181,945,954,959	1,003,947,273,489	823,713,119	699,663,582
Other capital reserves	19	4,282,765,257,472	3,965,465,257,472	2,984,713,400	2,763,583,008
Retained earnings		<u>2,782,232,181,588</u>	<u>2,524,929,947,839</u>	<u>1,938,972,877</u>	<u>1,759,655,689</u>
<b>Equity attributable to owners of the parent</b>		<u>9,541,761,553,956</u>	<u>8,789,160,638,737</u>	<u>6,649,774,586</u>	<u>6,125,277,468</u>
Non-controlling interests		<u>255,582,328,907</u>	<u>226,693,393,033</u>	<u>178,118,565</u>	<u>157,985,499</u>
<b>Total equity</b>		<u>9,797,343,882,863</u>	<u>9,015,854,031,770</u>	<u>6,827,893,151</u>	<u>6,283,262,967</u>
<b>Total liabilities and equity</b>		<u>₩ 14,595,895,255,468</u>	<u>₩ 12,792,402,920,884</u>	<u>\$ 10,172,064,433</u>	<u>\$ 8,915,187,763</u>

The U.S. dollar figures are provided for information purpose only and do not form part of the audited consolidated financial statements. See Note 2.

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

**Samsung Electro-Mechanics Co., Ltd. and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**December 31, 2025 and 2024**

	Notes	Korean won		U.S. dollar (Note 2)	
		2025	2024	2025	2024
<b>Continuing operations</b>					
Sales	3,20,24	₩ 11,314,459,238,100	₩ 10,294,102,976,435	\$ 7,885,190,075	\$ 7,174,090,861
Cost of sales	20,24	9,037,090,943,877	8,334,880,175,421	6,298,063,241	5,808,683,654
<b>Gross profit</b>		<b>2,277,368,294,223</b>	<b>1,959,222,801,014</b>	<b>1,587,126,834</b>	<b>1,365,407,207</b>
Selling and administrative expenses	20	1,364,037,115,666	1,224,216,944,019	950,614,758	853,172,307
<b>Operating profit</b>		<b>913,331,178,557</b>	<b>735,005,856,995</b>	<b>636,512,076</b>	<b>512,234,899</b>
Financial income	21,27	72,464,555,588	72,006,051,126	50,501,467	50,181,930
Financial costs	21,27	76,417,737,680	72,690,315,725	53,256,490	50,658,803
Share of profit of associates	8,21	689,918,141	(952,114,882)	480,813	(663,541)
Other income	21,27	298,419,226,923	417,051,368,952	207,972,142	290,648,386
Other expenses	21,27	312,655,768,725	353,124,800,416	217,893,769	246,097,150
<b>Profit before tax from continuing operations</b>		<b>895,831,372,804</b>	<b>797,296,046,050</b>	<b>624,316,240</b>	<b>555,645,722</b>
Income tax expense	22	163,599,365,428	132,345,904,678	114,014,472	92,233,539
<b>Profit for the year from continuing operations</b>		<b>732,232,007,376</b>	<b>664,950,141,372</b>	<b>510,301,768</b>	<b>463,412,183</b>
<b>Discontinued operations</b>					
Profit (loss) for the year from discontinued operations	28	(1,242,490,158)	38,265,495,710	(865,907)	26,667,709
<b>Profit for the year</b>		<b>₩ 730,989,517,218</b>	<b>₩ 703,215,637,082</b>	<b>\$ 509,435,861</b>	<b>\$ 490,079,892</b>
<b>Other comprehensive income:</b>					
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods (net of tax):</i>					
Net gains (loss) on valuation of financial assets measured at fair value through OCI					
	9	173,185,109,339	49,663,520,851	120,694,898	34,611,137
Remeasurement gains (loss) on defined benefit plans					
	16	4,616,795,999	25,210,770,685	3,217,504	17,569,706
Capital changes in equity method					
	8	(2,287,777,481)	(547,622,849)	(1,594,381)	(381,645)
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods (net of tax):</i>					
Exchange differences on translation of foreign operations					
		12,694,432,380	296,566,334,751	8,846,911	206,680,838
<b>Other comprehensive income (loss), net of tax</b>		<b>188,208,560,237</b>	<b>370,893,003,438</b>	<b>131,164,932</b>	<b>258,480,036</b>
<b>Total comprehensive income, net of tax</b>		<b>₩ 919,198,077,455</b>	<b>₩ 1,074,108,640,520</b>	<b>\$ 640,600,793</b>	<b>\$ 748,559,928</b>

	Notes	Korean won		U.S. dollar (Note 2)	
		2025	2024	+J60	+M60
<b>Profit for the year from continuing operations attributable to:</b>					
Equity holders of the parent		₩ 707,355,655,608	₩ 640,864,573,913	\$ 492,965,123	\$ 446,626,646
Non-controlling interests		24,876,351,768	24,085,567,459	17,336,645	16,785,537
<b>Profit for the year attributable to:</b>					
Equity holders of the parent		₩ 706,113,165,450	₩ 679,130,069,623	\$ 492,099,216	\$ 473,294,355
Non-controlling interests		24,876,351,768	24,085,567,459	17,336,645	16,785,537
<b>Total comprehensive income for the year attributable to:</b>					
Equity holders of the parent		₩ 888,728,642,919	₩ 1,028,470,309,944	\$ 619,366,258	\$ 716,753,997
Non-controlling interests		30,469,434,536	45,638,330,576	21,234,535	31,805,931
<b>Earnings per share:</b>					
23					
Basic and diluted, profit for the year attributable to ordinary shareholders of the parent					
		₩ 9,345	₩ 8,988	\$ 6.51	\$ 6.26
Basic and diluted, profit for the year attributable to preferred shareholders of the parent					
		₩ 9,395	₩ 9,038	\$ 6.55	\$ 6.30
Basic and diluted, profit for the year from continuing operations attributable to ordinary shareholders of the parent					
		₩ 9,361	₩ 8,481	\$ 6.52	\$ 5.91
Basic and diluted, profit for the year from continuing operations attributable to preferred shareholders of the parent					
		₩ 9,411	₩ 8,531	\$ 6.56	\$ 5.95

The U.S. dollar figures are provided for information purpose only and do not form part of the audited consolidated financial statements. See Note 2.  
The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

**Samsung Electro-Mechanics Co., Ltd. and Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**December 31, 2025 and 2024**

(in Korean won)

	Attributable to equity holders of the parent								Non-controlling interests	Total equity
	Issued capital	Share premium	Other components of equity	Accumulated other comprehensive income	Other capital reserves	Retained earnings	Sub-total			
<b>January 1, 2024</b>	₩ 388,003,400,000	₩ 1,053,516,215,437	₩ (146,701,455,500)	₩ 679,817,803,853	₩ 3,842,665,257,472	₩ 2,030,411,122,731	₩ 7,847,712,343,993	₩ 182,612,631,455	₩ 8,030,324,975,448	
Profit for the year	-	-	-	-	-	679,130,069,623	679,130,069,623	24,085,567,459	703,215,637,082	
Other comprehensive income:										
Remeasurement gains on defined benefit plans	-	-	-	-	-	25,210,770,685	25,210,770,685	-	25,210,770,685	
Net gains on valuation of										
financial assets measured at fair value	-	-	-	49,663,520,851	-	-	49,663,520,851	-	49,663,520,851	
Capital changes in equity method	-	-	-	(547,622,849)	-	-	(547,622,849)	-	(547,622,849)	
Foreign currency translation adjustments	-	-	-	275,013,571,634	-	-	275,013,571,634	21,552,763,117	296,566,334,751	
<b>Total comprehensive income</b>	-	-	-	324,129,469,636	-	704,340,840,308	1,028,470,309,944	45,638,330,576	1,074,108,640,520	
Dividends	-	-	-	-	-	(87,022,015,200)	(87,022,015,200)	(1,564,678,998)	(88,586,694,198)	
Appropriation of retained earnings	-	-	-	-	122,800,000,000	(122,800,000,000)	-	-	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	7,110,000	7,110,000	
<b>December 31, 2024</b>	₩ 388,003,400,000	₩ 1,053,516,215,437	₩ (146,701,455,500)	₩ 1,003,947,273,489	₩ 3,965,465,257,472	₩ 2,524,929,947,839	₩ 8,789,160,638,737	₩ 226,693,393,033	₩ 9,015,854,031,770	
<b>January 1, 2025</b>	₩ 388,003,400,000	₩ 1,053,516,215,437	₩ (146,701,455,500)	₩ 1,003,947,273,489	₩ 3,965,465,257,472	₩ 2,524,929,947,839	₩ 8,789,160,638,737	₩ 226,693,393,033	₩ 9,015,854,031,770	
Profit for the year	-	-	-	-	-	706,113,165,450	706,113,165,450	24,876,351,768	730,989,517,218	
Other comprehensive income:										
Remeasurement gains on defined benefit plans	-	-	-	-	-	4,616,795,999	4,616,795,999	-	4,616,795,999	
Net gains on valuation of										
financial assets measured at fair value	-	-	-	173,185,109,339	-	-	173,185,109,339	-	173,185,109,339	
Capital changes in equity method	-	-	-	(2,287,777,481)	-	-	(2,287,777,481)	-	(2,287,777,481)	
Foreign currency translation adjustments	-	-	-	7,101,349,612	-	-	7,101,349,612	5,593,082,768	12,694,432,380	
<b>Total comprehensive income</b>	-	-	-	177,998,681,470	-	710,729,961,449	888,728,642,919	30,469,434,536	919,198,077,455	
Dividends	-	-	-	-	-	(136,127,727,700)	(136,127,727,700)	(1,590,368,662)	(137,718,096,362)	
Appropriation of retained earnings	-	-	-	-	317,300,000,000	(317,300,000,000)	-	-	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	9,870,000	9,870,000	
<b>December 31, 2025</b>	₩ 388,003,400,000	₩ 1,053,516,215,437	₩ (146,701,455,500)	₩ 1,181,945,954,959	₩ 4,282,765,257,472	₩ 2,782,232,181,588	₩ 9,541,761,553,956	₩ 255,582,328,907	₩ 9,797,343,882,863	

**Samsung Electro-Mechanics Co., Ltd. and Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**December 31, 2025 and 2024**

(in U.S. dollars (Note 2))

	Attributable to equity holders of the parent								Non-controlling interests	Total equity
	Issued capital	Share premium	Other components of equity	Accumulated other comprehensive income	Other capital reserves	Retained earnings	Sub-total			
<b>January 1, 2024</b>	\$ 270,404,488	\$ 734,208,806	\$ (102,238,104)	\$ 473,773,645	\$ 2,678,002,131	\$ 1,415,019,251	\$ 5,469,170,217	\$ 127,265,058	\$ 5,596,435,275	
Profit for the year	-	-	-	-	-	473,294,355	473,294,355	16,785,537	490,079,892	
Other comprehensive income:										
Remeasurement gains on defined benefit plans	-	-	-	-	-	17,569,706	17,569,706	-	17,569,706	
Net gains on valuation of financial assets measured at fair value	-	-	-	34,611,137	-	-	34,611,137	-	34,611,137	
Capital changes in equity method	-	-	-	(381,645)	-	-	(381,645)	-	(381,645)	
Foreign currency translation adjustments	-	-	-	191,660,444	-	-	191,660,444	15,020,394	206,680,838	
<b>Total comprehensive income</b>	-	-	-	225,889,936	-	490,864,060	716,753,997	31,805,931	748,559,928	
Dividends	-	-	-	-	-	(60,646,746)	(60,646,746)	(1,090,445)	(61,737,190)	
Appropriation of retained earnings	-	-	-	-	85,580,877	(85,580,877)	-	-	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	4,955	4,955	
<b>December 31, 2024</b>	<b>\$ 270,404,488</b>	<b>\$ 734,208,806</b>	<b>\$ (102,238,104)</b>	<b>\$ 699,663,582</b>	<b>\$ 2,763,583,008</b>	<b>\$ 1,759,655,689</b>	<b>\$ 6,125,277,468</b>	<b>\$ 157,985,499</b>	<b>\$ 6,283,262,967</b>	
<b>January 1, 2025</b>	\$ 270,404,488	\$ 734,208,806	\$ (102,238,104)	\$ 699,663,582	\$ 2,763,583,008	\$ 1,759,655,689	\$ 6,125,277,468	\$ 157,985,499	\$ 6,283,262,967	
Profit for the year	-	-	-	-	-	492,099,216	492,099,216	17,336,645	509,435,861	
Other comprehensive income:										
Remeasurement gains on defined benefit plans	-	-	-	-	-	3,217,504	3,217,504	-	3,217,504	
Net gains on valuation of financial assets measured at fair value	-	-	-	120,694,898	-	-	120,694,898	-	120,694,898	
Capital changes in equity method	-	-	-	(1,594,381)	-	-	(1,594,381)	-	(1,594,381)	
Foreign currency translation adjustments	-	-	-	4,949,021	-	-	4,949,021	3,897,890	8,846,911	
<b>Total comprehensive income</b>	-	-	-	124,049,538	-	495,316,720	619,366,258	21,234,535	640,600,793	
Dividends	-	-	-	-	-	(94,869,139)	(94,869,139)	(1,108,346)	(95,977,487)	
Appropriation of retained earnings	-	-	-	-	221,130,392	(221,130,392)	-	-	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	6,879	6,879	
<b>December 31, 2025</b>	<b>\$ 270,404,488</b>	<b>\$ 734,208,806</b>	<b>\$ (102,238,104)</b>	<b>\$ 823,713,119</b>	<b>\$ 2,984,713,400</b>	<b>\$ 1,938,972,877</b>	<b>\$ 6,649,774,586</b>	<b>\$ 178,118,565</b>	<b>\$ 6,827,893,151</b>	

The U.S. dollar figures are provided for information purpose only and do not form part of the audited consolidated financial statements. See Note 2.

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

**Samsung Electro-Mechanics Co., Ltd. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**December 31, 2025 and 2024**

	Notes	Korean won		U.S. dollar (Note 2)	
		2025	2024	2025	2024
<b>Cash flows from operating activities</b>					
Cash generated from operations	25	₩ 1,539,062,432,845	₩ 1,440,782,149,573	\$ 1,072,592,120	\$ 1,004,099,345
Interest received		66,745,582,335	70,782,853,763	46,515,842	49,329,468
Income tax paid		(115,717,132,129)	(81,745,996,616)	(80,644,736)	(56,969,821)
<b>Net cash inflow from operating activities</b>		<b>1,490,090,883,051</b>	<b>1,429,819,006,720</b>	<b>1,038,463,226</b>	<b>996,458,991</b>
<b>Cash flows from investing activities</b>					
Decrease in other financial assets		10,186,926,532	14,190,087,872	7,099,398	9,889,252
Increase in other financial assets		(12,103,232,408)	(30,885,176,639)	(8,434,896)	(21,524,271)
Increase in short-term loans		(4,216,295,100)	-	(2,938,390)	-
Disposal of financial assets measured at fair value		230,815,114	164,335,218	160,858	114,527
Acquisition of financial assets measured at fair value		(708,134,815)	(191,746,940)	(493,508)	(133,631)
Proceeds from disposal of property, plant and equipment		1,472,711,845	4,042,672,900	1,026,352	2,817,390
Acquisition of property, plant and equipment		(1,192,112,995,578)	(775,986,403,809)	(830,798,659)	(540,794,762)
Receipt of government grant		27,978,795,000	33,080,994,019	19,498,777	23,054,564
Proceeds from disposal of intangible assets		24,582,389	-	17,132	-
Acquisition of intangible assets		(54,210,548,833)	(50,654,755,607)	(37,780,019)	(35,301,941)
Dividends received		579,726,000	371,951,200	404,018	259,218
<b>Net cash outflow to investing activities</b>		<b>(1,222,877,649,854)</b>	<b>(805,868,041,786)</b>	<b>(852,238,936)</b>	<b>(561,619,654)</b>
<b>Cash flows from financing activities</b>					
Proceeds from short-term borrowings		3,597,794,142,655	3,228,530,987,463	2,507,348,347	2,250,004,173
Repayment of short-term borrowings		(2,884,978,825,313)	(3,076,139,286,441)	(2,010,578,316)	(2,143,800,464)
Repayment of current portion of long-term borrowings		(109,860,543,943)	(257,056,813,032)	(76,563,206)	(179,146,152)
Proceeds from long-term borrowings		58,788,376,165	7,854,445,302	40,970,365	5,473,863
Repayment of lease liabilities		(21,059,307,189)	(26,309,698,653)	(14,676,498)	(18,335,563)
Interest paid		(84,925,214,835)	(97,424,136,340)	(59,185,459)	(67,896,116)
Dividends paid		(137,716,643,092)	(88,584,145,458)	(95,976,474)	(61,735,414)
Increase (decrease) in non-controlling interests		8,070,000	7,110,000	5,624	4,955
<b>Net cash inflow from (outflow to) financing activities</b>		<b>418,050,054,448</b>	<b>(309,121,537,159)</b>	<b>291,344,382</b>	<b>(215,430,718)</b>
Net increase (decrease) in cash and cash equivalents		685,263,287,645	314,829,427,775	477,568,672	219,408,619
Effects of exchange rate changes on cash and cash equivalents		2,616,597,075	29,307,006,603	1,823,540	20,424,424
Cash and cash equivalents at January 1		2,013,326,031,516	1,669,189,597,138	1,403,112,434	1,163,279,390
<b>Cash and cash equivalents at December 31</b>		<b>₩ 2,701,205,916,236</b>	<b>₩ 2,013,326,031,516</b>	<b>\$ 1,882,504,646</b>	<b>\$ 1,403,112,434</b>

**Samsung Electro-Mechanics Co., Ltd. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2025 and 2024**

**1. Organization and business**

**1.1 The Company**

Samsung Electro-Mechanics Co., Ltd. (the "Company") was incorporated on August 8, 1973 under the laws of the Republic of Korea to engage in manufacture and sales of various electronic components. The ordinary shares of the Company have been publicly traded on the Korea Exchange since 1979.

As of December 31, 2025, the Company's manufacturing plants are located in Suwon, Sejong and Busan. The Company maintains its overseas business operations through 13 direct subsidiaries and one indirect subsidiary located in the Americas, Europe and Asia.

**1.2 Consolidated subsidiaries**

Details of consolidated subsidiaries as of December 31, 2025 are as follows (Korean won in thousands):

Subsidiary	Issued capital	Number of shares	Equity interest	Principal activities	Domicile
Tianjin Samsung Electro-Mechanics Co., Ltd. (*1)	331,501,389	-	81.76%	Passive component manufacturing	China
Samsung Electro-Mechanics Philippines, Corp.	53,917,212	4,046,711	100.00%	Passive component manufacturing	Philippines
Samsung High-Tech Electro-Mechanics(Tianjin) Co., Ltd. (*1)	38,972,998	-	95.00%	Camera module manufacturing	China
Samsung Electro-Mechanics Vietnam Co., Ltd. (*1)	112,840,500	-	100.00%	Camera module Manufacturing, Semiconductor PKG board manufacturing	Vietnam
Samsung Electro-Mechanics America, Inc.	3,420,160	5,000	100.00%	Trading	USA
Samsung Electro-Mechanics GmbH (*1)	3,089,662	-	100.00%	Trading	Germany
Calamba Premier Realty Corporation (*2)	3,383	398	39.80%	Real estate	Philippines
Samsung Electro-Mechanics Pte, Ltd.	1,215,800	1,760,200	100.00%	Trading	Singapore
Samsung Electro-Mechanics (Shenzhen) Co., Ltd. (*1)	2,368,283	-	100.00%	Trading	China
Samsung Electro-Mechanics Japan Co., Ltd.	4,696,119	330,000	100.00%	Trading	Japan
Batino Realty Corporation	2,704	1,000	39.80%	Real estate	Philippines
Samsung Electro-Mechanics Software India Bangalore Private Limited	16,790	100,000	100.00%	Software development	India
Samsung Electro-Mechanics Mexico S.A. de C.V. (*1)	54,831,708	-	100.00%	Camera module manufacturing	Mexico
SVIC#47 (*1)	27,103,000	-	99.00%	Investment	Korea

The fiscal year for all the subsidiaries ends on December 31.

(\*1) These subsidiaries are limited liability entities that do not issue shares in accordance with local law.

(\*2) The subsidiary owns 100% of Batino Realty Corporation, an indirect subsidiary.

Although the Company's equity interests in Calamba Premier Realty Corporation and Batino Realty Corporation are less than 50%, it is assessed that the Group holds *de facto* control over these entities as they have rights arising from contractual agreements.

**Samsung Electro-Mechanics Co., Ltd. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2025 and 2024**

**1.2 Consolidated subsidiaries (cont'd)**

The summary of the consolidated subsidiaries' financial position as of December 31, 2025 and the results of their financial performance for the year then ended, which have been included in the accompanying consolidated financial statements are as follows (Korean won in thousands):

Subsidiary	Total assets	Total liabilities	Sales	Profit (loss) for the year
Tianjin Samsung Electro-Mechanics Co., Ltd.	₩ 2,143,180,016	₩ 842,632,500	₩ 3,041,080,847	₩ 129,722,369
Samsung Electro-Mechanics Philippines, Corp.	1,474,207,967	924,427,240	1,646,189,377	38,341,993
Samsung High-Tech Electro-Mechanics (Tianjin) Co., Ltd.	685,111,787	324,707,092	1,201,500,684	44,345,225
Samsung Electro-Mechanics Vietnam Co., Ltd.	2,645,959,527	1,677,156,660	2,978,407,785	47,677,568
Samsung Electro-Mechanics America, Inc.	153,583,769	105,797,393	425,139,102	7,628,024
Samsung Electro-Mechanics GmbH	155,338,155	74,147,062	375,255,546	7,303,427
Calamba Premier Realty Corporation	10,693,806	8,131,449	-	(187,951)
Samsung Electro-Mechanics Pte, Ltd.	117,839,727	64,539,975	329,599,102	5,011,769
Samsung Electro-Mechanics (Shenzhen) Co., Ltd.	1,052,900,006	711,213,650	3,301,494,848	44,519,628
Samsung Electro-Mechanics Japan Co., Ltd.	25,710,473	16,458,716	83,712,079	1,402,021
Batino Realty Corporation	10,599,371	8,253,375	-	(52,082)
Samsung Electro-Mechanics Software India Bangalore Private Limited	12,254,557	5,431,318	14,890,076	1,785,960
Samsung Electro-Mechanics Mexico S.A. de C.V.	60,090,547	8,686,712	-	(1,496,518)
SVIC#47	13,910,891	144,615	-	(5,707,281)
	<u>₩ 8,561,380,599</u>	<u>₩ 4,771,727,757</u>	<u>₩ 13,397,269,446</u>	<u>₩ 320,294,152</u>

**Profit or loss attributable to non-controlling interests**

Details of profit or loss attributable to non-controlling interests for the year ended December 31, 2025 are as follows (Korean won in thousands):

Subsidiary	Non-controlling ownership	Profit or loss allocated to non-controlling interests	Dividends paid to non-controlling interests	Remaining non-controlling interests
Tianjin Samsung Electro-Mechanics Co., Ltd.	18.24%	₩ 22,845,591	₩ 1,249,927	₩ 236,679,996
Samsung High-Tech Electro-Mechanics (Tianjin) Co., Ltd.	5.00%	2,232,335	340,442	17,735,068
Calamba Premier Realty Corp.	60.20%	(113,147)	-	(76,290)
Batino Realty Corporation	60.20%	(31,354)	-	1,321,532
SVIC#47	1.00%	(57,073)	-	(77,977)
		<u>₩ 24,876,352</u>	<u>₩ 1,590,369</u>	<u>₩ 255,582,329</u>

## **2. Significant Accounting Policies**

### **2.1 Basis of consolidated financial statements preparation**

Samsung Electro-Mechanics Co., Ltd. and its subsidiaries (collectively referred to as the “Group”) prepare statutory consolidated financial statements in the Korean language in accordance with Korean International Financial Reporting Standards (“K-IFRS”) enacted by the *Act on External Audit of Stock Companies*.

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value and when otherwise noted. The consolidated financial statements are presented in Korean won (KRW) with all values rounded to the nearest thousands, except when otherwise indicated. The accompanying consolidated financial statements have been condensed, restructured, and translated into English from the Korean language financial statements.

#### **United States dollar amounts**

The U.S. dollar amounts provided herein represent supplementary information solely for the convenience of the reader. All Korean won amounts of the 2025 and 2024 consolidated financial statements are translated to U.S. dollars at US\$1:₩1,434.90, the exchange rates in effect on December 31, 2025. Such presentation is not in accordance with Korean International Financial Reporting Standards and should not be construed as a representation that the Korean won amounts shown could be readily converted, realized or settled in U.S. dollars at this or at any other rate.

### **2.2 Principles of consolidation**

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as of December 31, 2025. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group’s voting rights and potential voting rights

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (“OCI”) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

## **2.2 Principles of consolidation (cont'd)**

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest, and other components of equity while any related gain or loss is recognized in profit or loss. Any remaining investment is recognized at fair value.

## **2.3 Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as of the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be measured at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of Korean IFRS 1109 *Financial Instruments*, is measured at fair value with the changes in fair value recognized in the consolidated statements of comprehensive income in accordance with Korean IFRS 1109. Other contingent consideration that is not within the scope of Korean IFRS 1109 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost, that is, the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

## **2.4 Investment in associates and joint arrangements**

### **Investment in associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

## **2.4 Investment in associates and Joint arrangements (cont'd)**

The Group's investments in its associate are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statements of comprehensive income reflects the share of the results of financial performance of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statements of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of profit of associates is shown on the face of the consolidated statements of comprehensive income. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associates.

The consolidated financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associates. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated statements of comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

### **Joint arrangements**

A joint arrangement, wherein two or more parties have joint control, is classified as either a joint operation or a joint venture. A joint operator recognizes its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. Interests in joint ventures are accounted for using the equity method, after initially being recognized at cost in the consolidated statements of financial position.

## **2.5 Current versus non-current classification**

The Group presents assets and liabilities in the consolidated statements of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within 12 months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as non-current.

## **2.5 Current versus non-current classification (cont'd)**

A liability is current when it is:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within 12 months after the reporting period
- It does not have the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period

The Group classifies all other liabilities as non-current.

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

## **2.6 Foreign currency translation**

The Group's consolidated financial statements are presented in Korean won, which is also its functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

### **Transactions and balances**

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

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

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

### **Foreign operations**

The assets and liabilities of foreign operations are translated into Korean won at the rate of exchange prevailing at the reporting date and their consolidated statements of comprehensive income are translated at average exchange rate during the applicable period. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the gain or loss on translation of foreign operations recorded in other comprehensive income is reclassified to the consolidated statements of comprehensive income. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

## **2.7 Cash and cash equivalents**

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which represent cash and cash equivalents on the consolidated statements of cash flows.

## **2.8 Financial instruments: Initial recognition and subsequent measurement**

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

### **Financial assets**

#### **Initial recognition and measurement**

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

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

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

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

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

#### **Subsequent measurement**

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

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

## **2.8 Financial instruments: Initial recognition and subsequent measurement (cont'd)**

### ***Financial assets measured at amortised cost (debt instruments)***

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

### ***Financial assets measured at fair value through OCI (debt instruments)***

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

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

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

### ***Financial assets measured at fair value through OCI (equity instruments)***

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

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

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

## **2.8 Financial instruments: Initial recognition and subsequent measurement (cont'd)**

### ***Financial assets measured at fair value through profit or loss***

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

Financial assets measured at fair value through profit or loss are carried in the consolidated statements of financial position at fair value with net changes in fair value recognized in the consolidated statements of comprehensive income.

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

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

### **Derecognition**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

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

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

## **2.8 Financial instruments: Initial recognition and subsequent measurement (cont'd)**

### **Impairment of financial assets**

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

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

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

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

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

### **Financial liabilities**

#### **Initial recognition and measurement**

Financial liabilities within the scope of Korean IFRS 1039 are classified at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

#### **Subsequent measurement**

The measurement of financial liabilities depends on their classification.

#### ***Financial liabilities at fair value through profit or loss***

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by Korean IFRS 1109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the consolidated statements of comprehensive income.

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

## **2.8 Financial instruments – impairment of financial assets (cont'd)**

### ***Loans and borrowings***

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR.

### **Derecognition**

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

### **Offsetting of financial instruments**

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

## **2.9 Fair value measurement**

The Group measures financial instruments, at fair value at each financial position date. Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

	<u>Notes</u>
Quantitative disclosures of fair value measurement hierarchy	27
Investment in unquoted equity shares	9
Financial instruments (including those carried at amortised cost)	27

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

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

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

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

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

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

## **2.9 Fair value measurement (cont'd)**

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

## **2.10 Inventories**

Inventories are valued at the lower of cost or net realizable value. Purchase costs, transfer costs and costs incurred in bringing each product to its present location and conditions are accounted for initial cost of inventories. Unit costs of inventories are measured by weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

## **2.11 Property, plant and equipment**

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Depreciation of property, plant and equipment are calculated by using the straight-line method over the estimated useful life of the assets as follows:

	<u>Estimated useful life</u>
Buildings	17 – 52
Structures	20 – 40
Machinery	4 – 5
Equipment	4 – 5
Vehicles	4 – 5

## **2.12 Leases**

The Group assesses whether the contract contains lease when the contract is settled, by considering if the right to control the use of the identified asset is transferred in exchange for price.

### **Group as lessee**

The Group applies a single approach on identification and measurement, except for short-term leases and leases of low-value assets. The Group identifies lease liability, as obligation to pay for the lease, and right-of-use asset, as right to control the underlying asset.

At the commencement date, the day that the underlying asset of the lease becomes available, the Group identifies the right-of-use asset. The right-of-use asset is measured as cost initially, and as cost model in subsequent measurements. Besides accumulated depreciation and impairment loss being deducted, adjustments from remeasurement of lease liability are reflected in the cost model. The cost of right-of-use assets includes the amount of the recognized lease liability, the initial direct cost, and the lease fee paid on lease commencement date or before, less the incentive received. Right-of-use assets are depreciated on a straight-line basis over a short period of the lease term and the estimated useful life of the following assets:

If the ownership on the underlying asset is transferred to the Group when the lease is terminated, or the exercise price of a purchase option is reflected on the cost of right-of-use asset, depreciation will be calculated based on estimated useful life of the underlying asset.

Rights-of-use assets are also susceptible to impairment. See Note 2.15, accounting policy on the impairment of non-financial assets.

On the commencement date, the Group measures the lease liability with the present value of the lease payments to be made during the lease term. The lease payments consist of fixed payments (including in-substance fixed payments), less lease incentives receivable, variable payments that depend on an index or a rate and amounts expected to be payable under residual value guarantees. Lease payments also contain exercise price, when it is reasonably certain that the purchase option will be exercised, and penalties for terminating lease when the lease term reflects the Group's exercise of an option to terminate the lease.

The variable payments that do not depend on an index or a rate will be recognized as expense in the period in which the event or condition that triggers those payments occurs, unless the payments are accrued in regard of manufacturing the inventory assets.

The Group utilizes incremental borrowing rate on the commencement date as the interest rates implicit in the lease are cannot be readily determined to calculate the present value of the lease payment. After the commencement date, lease liability will be increased by the interests accrued and decreased by payments made. Additionally, book value of lease liability will be remeasured with the change in lease term, lease payments (e.g., fluctuation of unpaid lease payments occurred by an index or a rate) or reassessment on exercise of purchase option on underlying asset.

The Group's lease liabilities are included in interest bearing debts (See Note 27).

The Group applies recognition exemption on short-term leases of machineries and equipment. It is same on lease of low-value assets, furniture and fixtures. Lease payments on those leases will be recognized on a straight-line basis.

## **2.13 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur.

## **2.14 Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statements of comprehensive income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognized in the consolidated statements of profit or loss and other comprehensive income in the expense category consistent with the function of the intangible asset.

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

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

### **Research and development costs**

Expenditures on research activities are recognized as expense in the period in which they incur. Expenditures on development activities are capitalized as intangible assets (development costs) when the assets become ready to use (development activities for the project are finished). The expenditures on specific projects are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

### **Goodwill**

Goodwill is accounted for as an intangible asset and is initially measured consideration paid which exceeds the cost of the investment over the Company's share of the fair value of the subsidiary's net identifiable assets.

### **Patents, licenses, software, and membership**

The patents have been granted for a period of 7~10 years by the relevant government agency with the option of renewal at the end of this period. Licenses for the use of intellectual property and software are granted for periods 5 and 4~5 years, respectively. Memberships for usage rights that are not kept for investment purposes, are regarded to have indefinite useful lives and are not amortised.

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

	<u>Estimated useful life</u>
Patents	7~10 years
Industrial property rights	5 years
Other intangible assets	5 years
Software	4 ~ 5 years

## **2.15 Impairment of non-financial assets**

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net fair value costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

Impairment losses from continuing operations are recognized in the consolidated statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for property previously revalued when the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

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

The following criteria are also applied in assessing impairment of specific assets:

### **Intangible assets**

Intangible assets with indefinite useful lives are tested for impairment annually as of December 31 either individually or at the cash generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

## **2.16 Trade and Other Payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of reporting period which are unpaid. Trade and other payables are presented as current liabilities, unless payment is not due within 12 months after the reporting period.

## **2.17 Provisions**

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

### **Provision for product warranties**

The Group accrues provision for warranty corresponding to the estimated costs of future repairs and returns, based on the past experience. The provision for product warranties is charged to selling and administrative expenses when the goods covered by warranties are sold to customers.

### **Asset (allowance) and liability (emission obligation)**

The Group is allocated with emission allowances free of charge by the government in accordance with the Act on Allocation and Trading of Emission Allowances in the Republic of Korea. The allowances are allocated to the Group every year for planned periods, and the Group should submit the equivalent number of emission allowances for actual emissions.

The Group measures the emission allowances that it receives from the government free of charge at nil, and measures any purchased emission allowances at cost. In addition, emission allowances are derecognized in the consolidated financial statements when they are delivered to the government or sold.

A liability (emission obligation) is recognized only where actual emissions exceed the allocated emission allowances, and the cost of emissions is recognized as an operating cost. The liability is measured by adding the following (1) and (2).

- (1) The carrying value of emission allowances for the year to be delivered to the government
- (2) The best estimate of expenditures, as of the end of a reporting period, in performing emission obligations exceeding the above emission allowances

## **2.18 Employee benefits**

### **Post employment benefits**

The Group operates both defined contribution and defined benefit pension plans.

For defined contribution plans, the Group pays contribution to publicly or privately administered pension insurance plans on mandatory, contractual or voluntary basis. The Group has no further payment obligation once the contribution has been paid. The contribution is recognized as employee benefit expense when it is due.

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

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

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

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under 'Cost of sales' and 'Selling and administrative expenses' in the consolidated statement of comprehensive income.

### **Other long-term employee benefits**

The Group provides long-term employee benefits that are entitled to employees with service period of 10 years and above. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The Group recognizes service cost, net interest on other long-term employee benefits and remeasurements as profit or loss for the year. These liabilities are valued annually by an independent qualified actuary.

## **2.19 Treasury shares**

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statements of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognized in other capital reserves.

## **2.20 Cash dividend**

The Company recognizes a liability to pay a dividend when the distribution is authorized and the distribution is no longer at the discretion of the Company. A distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

## **2.21 Revenue recognition**

### **Sale of goods**

The Group is in the business of manufacturing and selling electronics equipment. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue from sale of equipment is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment.

### **Royalty revenue**

The Group is obligated to provide know-how to customers over the service period; therefore, the Group will recognize a certain amount of the allocated transaction price for each performance obligation over the service period as revenue.

### **Warranty obligations**

The Group typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for under Korean IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*. See the Note 16 on warranty provisions.

### **Assets and liabilities arising from rights of return**

Right of return asset represents the Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. See above accounting policy on variable consideration.

## **2.22 Taxes**

### **Current income tax**

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

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

### **Deferred tax**

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

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

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

## **2.22 Taxes (cont'd)**

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

## **2.23 Government grants**

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants related to assets are presented in the consolidated statements of financial position by deducting the grant in arriving at the carrying amount of the asset, and government grants related to income are deferred and later deducted from the related expense.

## **2.24 Greenhouse Gas Emission Permits and Obligations**

### **Emission permits and emission obligations for compliance**

With enforcement of The Act on the Allocation and Trading of Greenhouse Gas Emission Permits, emission permits that are allocated free of charge from the government are measured at zero, and emission permits purchased are recognized at acquisition cost by including any directly attributable costs incurred during the normal course of business. Emission permits are carried at cost less accumulated impairment losses, and those to be submitted to the government within one year from the end of reporting period are classified as current assets.

## **2.24 Greenhouse Gas Emission Permits and Obligations (cont'd)**

Emission obligation is a present obligation of submitting the allowances to the government. Emissions obligations are measured as the sum of the carrying amount of the allocated allowances that will be submitted to the government and the best estimate of expenditure required to settle the obligation at the end of reporting period for any excess emission. The emission obligations to be settled within one year from the end of the reporting period are classified as current liabilities.

The Group derecognizes the emission permits when the emission allowance is disposed or submitted to the government or becomes unable to be disposed or submitted, and accordingly, the future economic benefits are no longer expected to be probable. The Group derecognizes the emission obligations when the Group submits the emission permits to the government. The emission permits and emission obligations are classified as intangible assets and provisions, respectively, in the consolidated statements of financial position.

### **Emission permits held for trading**

Emission permits held for trading are classified as current assets and measured at fair value, and changes in fair value are recognized as profit or loss for the year. Changes in fair value and gain (loss) on disposal are recognized as other income and other expenses, respectively.

## **2.25 New and amended standards adopted by the Group**

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2025.

### ***K-IFRS 1021 Exchange Rate Fluctuation Effect and K-IFRS 1101 Lack of Exchangeability (Amendment)***

These amendments define the situations in which a currency is considered exchangeable for other currencies for accounting purposes, clarify the evaluation of exchangeability with other currencies, and specify the estimation of spot exchange rates and disclosure requirements when exchangeability is lacking. If a currency is not exchangeable with other currencies, it is required to estimate the spot exchange rate as of the measurement date, using observable exchange rates without adjustment or employing other estimation techniques. The amendments to this standard do not have any significant impact on the consolidated financial statements.

### ***K-IFRS 1117 'Insurance Contracts' - Disclosures Related to Lapse Rates for Non- or Low-Surrender Value Insurance Products (Amendment)***

A paragraph has been added to require disclosure of the differences and their impact on the financial statements, provided they are deemed relevant and material to users, in cases where the estimation techniques for input variables used to measure insurance contracts differ from the standard techniques required by insurance regulations. This amendment will take effect on December 31, 2025, and will apply starting from the first fiscal year ending after the effective date. The amendment will remain in effect until the fiscal year including December 31, 2029. This revision to the standard has no material impact on the consolidated financial statements.

## **2.26 New standards and interpretations not yet adopted by the Group**

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2025 reporting periods and have not been early adopted by the Group.

### ***K-IFRS 1109 'Financial Instruments' and K-IFRS 1107 'Financial Instruments: Disclosures' - Classification and Measurement of Financial Instruments (Amendments)***

#### **Derecognition of Financial Liabilities Settled through Electronic Transfer**

These amendments permit an entity to deem a financial liability (or a part of it) settled through an electronic payment system as extinguished (and thus derecognized) before the settlement date, provided specific criteria are met. If this accounting policy is elected, it must be applied consistently to all settlements made through the same electronic payment system.

#### **Classification of Financial Assets**

##### ➤ **Contractual Terms Consistent with a Basic Lending Arrangement**

These amendments provide guidance on how to assess whether the contractual cash flows of a financial asset are consistent with a basic lending arrangement. This is intended to assist entities in applying the contractual cash flow characteristics assessment requirements to financial assets with features linked to Environmental, Social, and Governance (ESG) factors.

##### ➤ **Non-Recourse Financial Assets**

These amendments supplement the explanation of the term 'non-recourse,' clarifying that a financial asset has non-recourse features particularly when the entity's ultimate right to receive cash flows is contractually limited to the cash flows generated by specific assets.

##### ➤ **Contractually Linked Instruments**

These amendments clarify the characteristics that distinguish contractually linked instruments from other transactions. Specifically, they emphasize that the priority of payments to holders of multiple contractually linked instruments (tranches) is established through a waterfall payment structure, which results in the concentration of credit risk and the disproportionate allocation of losses among different tranche holders. Furthermore, the amendments explain that not all transactions involving multiple debt instruments meet the requirements of contractually linked instrument transactions and clarify that the underlying pool of assets may include financial assets that are not within the scope of the classification requirements of this standard.

#### **Disclosures**

##### ➤ **Investments in Equity Instruments Designated at Fair Value Through Other Comprehensive Income (FVOCI)**

The requirements of K-IFRS 1107 have been amended to require the disclosure of fair value gains or losses presented in other comprehensive income during the reporting period. This includes separately presenting the fair value gains or losses related to investments derecognized during the period and those related to investments held at the end of the reporting period.

##### ➤ **Contractual Terms That Can Change the Timing or Amount of Contractual Cash Flows**

These amendments require the disclosure of contractual terms that could change the timing or amount of contractual cash flows based on the occurrence (or non-occurrence) of contingent events not directly related to changes in basic lending risks and costs. This requirement applies to each class of financial assets measured at amortized cost or FVOCI, as well as each class of financial liabilities measured at amortized cost.

The amendments are effective for fiscal years beginning on or after January 1, 2026, with early adoption permitted. If an entity chooses to early adopt these amendments, it is required to apply one of the following:

- Apply all amendments simultaneously and disclose that fact.
- Early adopt only the amendments regarding the classification of financial assets and disclose that fact.

Except for specified exceptions, these amendments must be applied retrospectively in accordance with K-IFRS 1008. The Group is currently reviewing the impact of these amendments on its consolidated financial statements.

## **2.26 New standards and interpretations not yet adopted by the Group (cont'd)**

### ***K-IFRS 1101 'First-Time Adoption of K-IFRS'(Amendments) - Application of Hedge Accounting***

These amendments specify that the conditions for applying hedge accounting must refer to specific paragraphs within K-IFRS 1109 'Financial Instruments', and align related terminology. The amendments are effective for fiscal years beginning on or after January 1, 2026, with early adoption permitted. The Group is currently reviewing the impact of these amendments on its consolidated financial statements.

### ***K-IFRS 1107 'Financial Instruments: Disclosures' (Amendments)***

#### **Gains and Losses on Derecognition**

These amendments require a reference to K-IFRS 1113 'Fair Value Measurement' regarding fair value measurement and align the related terminology.

#### **Disclosure When the Difference Between Fair Value and Transaction Price is Not Recognized in Profit or Loss at Initial Recognition**

These amendments improve the consistency of terms within the standard by aligning the terminology between paragraphs of the Implementation Guidance for K-IFRS 1107.

#### **Credit Risk Disclosures**

These amendments clarify that the Implementation Guidance does not explain every requirement of the standard and streamline the content related to credit risk disclosures.

These amendments are effective for fiscal years beginning on or after January 1, 2026, with early adoption permitted. The Group is currently reviewing the impact of these amendments on its consolidated financial statements.

### ***K-IFRS 1109 'Financial Instruments' - Accounting for Derecognition of Lease Liabilities and Definition of Transaction Price (Amendments)***

These amendments clarify that gains or losses arising from the derecognition of lease liabilities must be recognized in profit or loss. Additionally, the definition of transaction price has been amended to be consistent with K-IFRS 1115. These amendments are effective for fiscal years beginning on or after January 1, 2026, with early adoption permitted. The Group is currently reviewing the impact of these amendments on its consolidated financial statements.

### ***K-IFRS 1110 'Consolidated Financial Statements' - Determining a De Facto Agent (Amendment)***

These amendments resolve inconsistencies between paragraphs within K-IFRS 1110 by revising the wording related to the assessment of a de facto agent, clarifying that a de facto agency relationship is merely one example requiring judgment. These amendments are effective for fiscal years beginning on or after January 1, 2026, with early adoption permitted. The Group is currently reviewing the impact of these amendments on its consolidated financial statements.

### ***K-IFRS 1007 'Statement of Cash Flows' - Cost Method (Amendment)***

This amendment removes the term 'cost method' and replaces it with 'cost'. These amendments are effective for fiscal years beginning on or after January 1, 2026, with early adoption permitted. The Group is currently reviewing the impact of these amendments on its consolidated financial statements.

## **2.26 New standards and interpretations not yet adopted by the Group (cont'd)**

### ***K-IFRS 1109 'Financial Instruments' and K-IFRS 1107 'Financial Instruments: Disclosures' - Contracts for Electricity from Weather-Related Sources (Amendments)***

#### **K-IFRS 1109 'Financial Instruments' (Amendment)**

The own-use requirements of K-IFRS 1109 have been amended to include factors that must be considered when applying the standard to contracts for the purchase and delivery of renewable electricity where the source of power is weather-related.

The hedge accounting requirements of K-IFRS 1109 have been amended to allow the following when using contracts for weather-related renewable electricity that meet specified characteristics as hedging instruments:

- Designating a variable volume of forecast electricity transactions as a hedged item if specific conditions are met.
- Measuring the hedged item using the same volume assumptions as those used for the hedging instrument.

#### **K-IFRS 1107 'Financial Instruments: Disclosures' and K-IFRS 1119 'Subsidiaries without Public Accountability: Disclosures' (Amendments)**

K-IFRS 1107 and K-IFRS 1119 have been amended to introduce disclosure requirements regarding electricity contracts from weather-related sources that meet specified characteristics.

These amendments are effective for fiscal years beginning on or after January 1, 2026, with early adoption permitted. The amendments to the own-use exemption are applied retrospectively in accordance with K-IFRS 1008, reflecting the facts and circumstances at the date of initial application. The amendments to the hedge accounting requirements are applied prospectively to new hedging relationships designated after the initial application date. The Group is currently reviewing the impact of these amendments on its consolidated financial statements.

#### ***K-IFRS 1118 'Presentation and Disclosure in Financial Statements' (Issuance)***

K-IFRS 1118 replaces K-IFRS 1001. K-IFRS 1118 carries forward many of the requirements of K-IFRS 1001 unchanged and adds new requirements. Some paragraphs of K-IFRS 1001 have been moved to K-IFRS 1008 and K-IFRS 1107, and K-IFRS 1007 and K-IFRS 1033 have been partially amended.

K-IFRS 1118 introduces the following new requirements:

- Presentation of specific categories and defined subtotals in the statement of profit or loss.
- Provision of disclosures regarding Management-defined Performance Measures (MPMs) in the notes to the financial statements.
- Improvements to aggregation and disaggregation.

The new standard is effective for fiscal years beginning on or after January 1, 2027, with early adoption permitted. The amendments to K-IFRS 1007 and K-IFRS 1033, and the amended K-IFRS 1008 and K-IFRS 1107, are effective when K-IFRS 1118 is applied. K-IFRS 1118 requires retrospective application and provides specific transitional provisions. The Group is currently reviewing the impact of this issuance on its consolidated financial statements.

## **2.27 Significant accounting judgments, estimates and assumptions**

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

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

### **Impairment of non-financial assets**

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. Goodwill and intangible assets with indefinite useful lives are tested for impairment annually, or when circumstances indicate that the carrying value may be impaired. Other non-financial assets are tested for impairment when circumstances indicate that its carrying amount may not be recoverable. In determining a value in use, management estimates future cash flows to be derived from the asset or CGU and applies the appropriate discount rate to those future cash flows.

### **Deferred tax assets**

Deferred tax assets are recognized for unused tax losses in the extent that it is probable that future taxable income will be available for tax losses. Management of the associate makes key judgments to determine the amount of deferred tax assets that are recognized based on the timing and level of future tax strategy and tax benefits.

### **Net defined benefit liabilities**

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

### **Fair value of financial instruments**

When the fair values of financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

## **2.28 Approval of the financial statements**

Approval of the consolidated financial statements of the Group for the year ended December 31, 2025 were approved by the Board of Directors' meeting on January 23, 2026 for submission to the general shareholders' meeting.

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**3. Operating segment information**

The Group has three reportable operating segments, which are organized based on each segment's products and sales.

- Component: Passive components (MLCC, inductors, chip resistors and others)
- Package Solution: Semiconductor PKG board
- Optics Solution: Camera module

Sales to Samsung Electronics Co., Ltd. and its subsidiaries(including discontinued operations) are more than 10% of its total sales, amounted to ₩3,094 billion (2024: ₩2,986 billion) for the year ended December 31, 2025

The following table summarizes the results of financial performance of the Group by operating segment for the years ended December 31, 2025 and 2024 (Korean won in millions):

	2025			
	Component	Package Solution	Optics Solution	Consolidated
Sales	₩ 5,198,501	₩ 2,301,753	₩ 3,814,205	₩ 11,314,459
Depreciation	439,241	372,662	51,311	863,214
Amortisation	14,160	15,453	11,517	41,130
Depreciation of right-of use assets	12,252	3,436	5,725	21,413
Operating profit	609,359	135,226	168,746	913,331
	2024			
	Component	Package Solution	Optics Solution	Consolidated
Sales	₩ 4,462,050	₩ 2,034,657	₩ 3,797,396	₩ 10,294,103
Depreciation	424,286	267,314	72,289	763,889
Amortisation	19,882	13,138	17,290	50,310
Depreciation of right-of use assets	15,971	3,410	6,654	26,035
Operating profit	439,744	157,642	137,620	735,006

Geographic information is as follows:

	Major products	Major customers
Korea	Passive component, camera module, semiconductor package substrate, and others	Samsung Electronics, TSMC, Google, and others
China and Southeast Asia	Passive component, camera module and others	Samsung Electronics, Xiaomi, Tesla, and others
Japan	Passive component, semiconductor package substrate and others	Shinko, Sony, and others
America	Passive component, semiconductor package substrate and others	Intel, Future, Bosch and others
Europe	Passive component and others	Bosch, Continental, Rutronik and others

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**3. Operating segment information (cont'd)**

The results of financial performance of the Group by geographic segment for the years ended December 31, 2025 and 2024 are as follows (Korean won in millions):

	Korea		2025 Overseas					Adjustment	Consolidated
	Domestic	Export	China	Southeast Asia	America	Europe	Japan		
	Sales(*1)	₩ 425,509	3,021,268	₩ 4,441,764	₩ 2,368,787	₩ 422,280	₩ 371,139		
Non-current assets(*2)	2,248,270		1,340,305	2,640,708	54,151	3,233	895	38,103	6,289,665

	Korea		2024 Overseas					Adjustment	Consolidated
	Domestic	Export	China	Southeast Asia	America	Europe	Japan		
	Sales(*1)	₩ 445,707	3,022,024	₩ 4,054,406	₩ 1,990,016	₩ 363,763	₩ 328,321		
Non-current assets(*2)	2,302,131		1,315,145	2,582,058	4,991	925	400	(11,716)	6,193,934

(\*1) This amount excludes internal sales within the Group.

(\*2) This amount excludes financial assets, deferred tax assets, investment in associates and others.

**4. Cash and cash equivalents**

Cash and cash equivalents as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025	2024
Cash on hand	₩ 10,588	₩ 33,154
Short-term deposits	2,701,195,328	2,013,292,878
	<u>₩ 2,701,205,916</u>	<u>₩ 2,013,326,032</u>

**5. Other assets and liabilities**

Other assets as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025		2024	
	Current	Non-current	Current	Non-current
Other assets:				
Long-term financial instruments	₩ -	₩ 55,019,237	₩ -	₩ 55,019,407
Government and public bonds	-	745,500	-	-
Accrued income	11,862,094	-	7,357,502	-
Business guarantee deposits	203,256	-	1,861,334	-
Lease guarantee deposits	19,751,532	16,569,395	12,446,438	20,866,805
	<u>₩ 31,816,882</u>	<u>₩ 72,334,132</u>	<u>₩ 21,665,274</u>	<u>₩ 75,886,212</u>

Other liabilities as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025		2024	
	Current	Non-current	Current	Non-current
Other liabilities:				
Withholdings	₩ 51,426,181	₩ -	₩ 51,446,511	₩ -
Withholding deposits	5,549,418	-	4,348,198	-
Unearned income	6,690,419	-	7,164,869	-
	<u>₩ 63,666,018</u>	<u>₩ -</u>	<u>₩ 62,959,578</u>	<u>₩ -</u>

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**5. Financial assets and liabilities (cont'd)**

Restricted deposits as of December 31, 2025 and 2024 consist of the following (Korean won in thousands):

	Financial institution	2025		2024		Description
Long-term financial instruments	Woori Bank and 1 other bank	₩	55,000,000	₩	55,000,000	Financial support reserve for strategic alliances
Long-term financial instruments	Woori Bank and 6 other banks		19,237		19,407	Checking account security deposit
		₩	<u>55,019,237</u>	₩	<u>55,019,407</u>	

**6. Trade and other receivables**

Trade and other receivables as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025		2024	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 1,792,567,378	₩ -	₩ 1,390,503,186	₩ -
Other receivables	62,857,791	150,820	93,793,968	150,820
Allowance for doubtful accounts	(154,726)	(150,820)	(154,304)	(150,820)
	<u>₩ 1,855,270,443</u>	<u>₩ -</u>	<u>₩ 1,484,142,850</u>	<u>₩ -</u>

The changes in allowance for doubtful accounts for the years ended December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025	2024
As of January 1	₩ 305,124	₩ 432,657
Allowance (reversal) for doubtful accounts - others	-	(130,000)
Write-off	422	2,467
As of December 31	<u>₩ 305,546</u>	<u>₩ 305,124</u>

As of December 31, 2025, and 2024, the aging analysis of trade and other receivables are as follows (Korean won in thousands):

	2025	2024
Neither past due nor impaired	₩ 1,821,484,658	₩ 1,450,173,913
Past due but not impaired:		
Within 30 days	21,047,195	25,717,461
31 - 180 days	12,402,256	3,010,560
181 - 365 days	574,164	5,542,645
More than 365 days	67,716	3,395
	<u>34,091,331</u>	<u>34,274,061</u>
	<u>₩ 1,855,575,989</u>	<u>₩ 1,484,447,974</u>

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**6. Trade and other receivables (Cont'd)**

The Group disposed of its trade receivables in accordance with a factoring agreement entered into with various financial institutions. The Group did not derecognize the trade receivables, as the financial institutions hold recourse rights, and the Group retains the related risk and rewards. The financial liability was recognized as short-term borrowings in the consolidated statements of financial position for the years ended December 31, 2025 and 2024 (Note 14).

Trade receivables factored with recourse as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025	2024
Book value of trade receivables disposed(*)	₩ 1,213,903,625	₩ 708,294,579
Book value of related borrowings	1,213,903,625	708,294,579

(\*) Trade receivables disposed include inter-company trade-receivables.

**7. Inventories**

Inventories as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025			2024		
	Acquisition cost	Valuation allowance	Book value	Acquisition cost	Valuation allowance	Book value
Finished goods and merchandise	₩ 831,556,681	₩ (94,080,940)	₩ 737,475,741	₩ 772,037,651	₩ (63,412,673)	₩ 708,624,978
Work-in-process	1,036,406,842	(41,021,994)	995,384,848	996,986,455	(37,503,824)	959,482,631
Raw materials	523,848,256	(9,930,993)	513,917,263	436,958,819	(10,639,465)	426,319,354
Supplies	102,130,062	-	102,130,062	94,102,720	-	94,102,720
Materials in-transit	64,088,929	-	64,088,929	62,269,945	-	62,269,945
	<u>₩ 2,558,030,770</u>	<u>₩ (145,033,927)</u>	<u>₩ 2,412,996,843</u>	<u>₩ 2,362,355,590</u>	<u>₩ (111,555,962)</u>	<u>₩ 2,250,799,628</u>

Changes in inventories included in cost of sales and loss on valuation of inventories included in cost of sales for the years ended December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025	2024
Inventories recognized as an expense(*)	₩ 9,011,277,222	₩ 8,324,562,124
Loss on valuation of inventories(*)	32,680,993	37,441,791
	<u>₩ 9,043,958,215</u>	<u>₩ 8,362,003,915</u>

(\*) Includes profit (loss) for the year from discontinued operations.

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**8. Investments in associates**

Investments in associates as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

	Stemco Co., Ltd.		Samsung Global Research	
	2025	2024	2025	2024
Number of shares	1,440,000	1,440,000	2,856,000	2,856,000
Equity interest	30.00%	30.00%	23.80%	23.80%
Acquisition cost	₩ 7,200,000	₩ 7,200,000	₩ 14,280,000	₩ 14,280,000
Shareholder portion	₩ 45,720,506	₩ 46,182,887	₩ 16,447,042	₩ 18,614,213
Book value	₩ 45,720,506	₩ 46,182,887	₩ 16,447,042	₩ 18,614,213
Domicile	Korea	Korea	Korea	Korea
Fiscal year end	December 31	December 31	December 31	December 31
Principal activities	Manufacturing and trading of semiconductor parts	Manufacturing and trading of semiconductor parts	Research and development, human resource development	Research and development, human resource development

The following table summarizes the financial position of associates as of December 31, 2025 and 2024, and the results of their financial performance for the years then ended (Korean won in thousands):

	Stemco Co., Ltd.		Samsung Global Research	
	2025	2024	2025	2024
Current assets	₩ 82,592,862	₩ 66,200,551	₩ 151,642,168	₩ 154,084,270
Non-current assets	250,431,783	215,087,175	48,610,661	68,967,296
Total assets	₩ 333,024,645	₩ 281,287,726	₩ 200,252,829	₩ 223,051,566
Current liabilities	₩ 135,234,243	₩ 63,972,500	₩ 113,498,116	₩ 128,896,368
Non-current liabilities	45,388,715	63,372,271	17,649,495	15,944,218
Total liabilities	₩ 180,622,958	₩ 127,344,771	₩ 131,147,611	₩ 144,840,586
Total equity	₩ 152,401,687	₩ 153,942,955	₩ 69,105,218	₩ 78,210,980

	Stemco Co., Ltd.		Samsung Global Research	
	2025	2024	2025	2024
Sales	₩ 242,496,628	₩ 204,601,246	₩ 245,776,475	₩ 250,271,043
Profit (loss) for the year	2,142,704	(3,692,883)	197,929	654,412
Other comprehensive income (expense)	(2,786,973)	(66,101)	-	(2,984,595)
Total comprehensive income (expense)	(644,269)	(3,758,984)	197,929	(2,330,183)

Details of changes in the carrying amount of equity method investments (Korean won in thousands):

	Jan. 1, 2025	Share of profit or loss in investee	Equity adjustments of investment in associates	Dividends received	Dec. 31, 2025
	Stemco Co., Ltd.	₩ 46,182,887	₩ 642,811	₩ (836,092)	₩ (269,100)
Samsung Global Research	18,614,213	47,107	(2,214,278)	-	16,447,042
	₩ 64,797,100	₩ 689,918	₩ (3,050,370)	₩ (269,100)	₩ 62,167,548

	Jan. 1, 2024	Share of profit in investee	Equity adjustments of investment in associates	Dec. 31, 2024
	Stemco Co., Ltd.	₩ 47,310,582	₩ (1,107,865)	₩ (19,830)
Samsung Global Research	19,168,797	155,750	(710,334)	18,614,213
	₩ 66,479,379	₩ (952,115)	₩ (730,164)	₩ 64,797,100

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**8. Investment in associates (cont'd)**

Details of changes in the book value of investment in associates based on their net assets as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025			
	Net assets (A)	Ownership (B)	Shareholder portion (A*B)	Book value
Stemco Co., Ltd.	₩ 152,401,687	30.00%	₩ 45,720,506	₩ 45,720,506
Samsung Global Research	69,105,218	23.80%	16,447,042	16,447,042
	<u>₩ 221,506,905</u>		<u>₩ 62,167,548</u>	<u>₩ 62,167,548</u>

	2024			
	Net assets (A)	Ownership (B)	Shareholder portion (A*B)	Book value
Stemco Co., Ltd.	₩ 153,942,955	30.00%	₩ 46,182,887	₩ 46,182,887
Samsung Global Research	78,210,980	23.80%	18,614,213	18,614,213
	<u>₩ 232,153,935</u>		<u>₩ 64,797,100</u>	<u>₩ 64,797,100</u>

**9. Financial assets measured at fair value**

Details of financial assets measured at fair value as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025	
	Acquisition cost	Book value
Marketable securities	₩ 111,775,522	₩ 442,268,031
Non-marketable securities	39,401,486	61,303,200
	<u>₩ 151,177,008</u>	<u>₩ 503,571,231</u>

	2024	
	Acquisition cost	Book value
Marketable securities	₩ 111,775,522	₩ 210,010,678
Non-marketable securities	38,948,442	62,395,664
	<u>₩ 150,723,964</u>	<u>₩ 272,406,342</u>

**Marketable securities**

Marketable securities as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025				
	Number of shares	Equity interest	Acquisition cost	Book value	Domicile
Samsung Heavy Industries Co., Ltd.	18,150,855	2.06%	₩ 111,468,896	₩ 437,435,605	Korea
iMarketkorea Inc.	613,252	1.83%	306,626	4,832,426	Korea
			<u>₩ 111,775,522</u>	<u>₩ 442,268,031</u>	

	2024				
	Number of shares	Equity interest	Acquisition cost	Book value	Domicile
Samsung Heavy Industries Co., Ltd.	18,150,855	2.06%	₩ 111,468,896	₩ 205,104,662	Korea
iMarketkorea Inc.	613,252	1.83%	306,626	4,906,016	Korea
			<u>₩ 111,775,522</u>	<u>₩ 210,010,678</u>	



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**9. Financial assets measured at fair value (cont'd)**

Details of changes in accumulated other comprehensive income arising from the valuation of financial instruments measured at fair value for the years ended December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025			
	January 1	Increase	Current year tax effect	December 31
Marketable securities	₩ 73,676,365	₩ 232,257,354	₩ (61,369,264)	₩ 244,564,455
Non-marketable securities	27,250,961	3,573,575	(1,276,555)	29,547,981
	<u>₩ 100,927,326</u>	<u>₩ 235,830,929</u>	<u>₩ (62,645,819)</u>	<u>₩ 274,112,436</u>

	2024			
	January 1	Increase	Current year tax effect	December 31
Marketable securities	₩ 25,621,078	₩ 64,073,716	₩ (16,018,429)	₩ 73,676,365
Non-marketable securities	25,642,728	2,144,311	(536,078)	27,250,961
	<u>₩ 51,263,806</u>	<u>₩ 66,218,027</u>	<u>₩ (16,554,507)</u>	<u>₩ 100,927,326</u>

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**10. Property, plant and equipment**

Property, plant and equipment as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025			2024		
	Acquisition cost	Accumulated depreciation(*)	Book value	Acquisition cost	Accumulated depreciation(*)	Book value
Land	₩ 249,814,116	₩ -	₩ 249,814,116	₩ 207,645,880	₩ -	₩ 207,645,880
Buildings	3,491,420,759	(1,141,760,081)	2,349,660,678	3,366,409,191	(1,033,519,017)	2,332,890,174
Structures	182,358,817	(101,147,558)	81,211,259	179,747,261	(94,286,123)	85,461,138
Machinery	9,622,806,592	(7,405,233,643)	2,217,572,949	8,768,424,529	(6,879,578,298)	1,888,846,231
Vehicles	13,114,118	(6,726,622)	6,387,496	11,277,965	(5,450,450)	5,827,515
Equipment	588,346,197	(487,896,603)	100,449,594	558,957,047	(448,053,038)	110,904,009
Construction-in-progress and others	1,216,545,930	-	1,216,545,930	1,301,642,052	-	1,301,642,052
	<u>₩ 15,364,406,529</u>	<u>₩ (9,142,764,507)</u>	<u>₩ 6,221,642,022</u>	<u>₩ 14,394,103,925</u>	<u>₩ (8,460,886,926)</u>	<u>₩ 5,933,216,999</u>

(\*) Accumulated impairment losses and government grants are included.

Changes in the book value of property, plant and equipment for the years ended December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025						
	January 1	Additions	Disposals and scrap	Transfers	Depreciation	Others (*)	December 31
Land	₩ 207,645,880	₩ -	₩ -	₩ 42,739,407	₩ -	₩ (571,171)	₩ 249,814,116
Buildings	2,332,890,174	101,694	(1,492,876)	140,581,904	(107,507,321)	(14,912,897)	2,349,660,678
Structures	85,461,138	13,620	(123,421)	2,916,907	(7,077,419)	20,434	81,211,259
Machinery	1,888,846,231	44,478,759	(1,853,039)	1,011,848,536	(691,315,377)	(34,432,161)	2,217,572,949
Vehicles	5,827,515	633,246	(197,400)	1,879,986	(1,634,982)	(120,869)	6,387,496
Equipment	110,904,009	24,125,670	(177,000)	21,483,871	(54,601,449)	(1,285,507)	100,449,594
Construction-in-progress and others	1,301,642,052	1,148,234,281	-	(1,221,450,611)	-	(11,879,792)	1,216,545,930
	<u>₩ 5,933,216,999</u>	<u>₩ 1,217,587,270</u>	<u>₩ (3,843,736)</u>	<u>₩ -</u>	<u>₩ (862,136,548)</u>	<u>₩ (63,181,963)</u>	<u>₩ 6,221,642,022</u>

	2024						
	January 1	Additions	Disposals and scrap	Transfers	Depreciation	Others (*)	December 31
Land	₩ 206,484,586	₩ -	₩ -	₩ -	₩ -	₩ 1,161,294	₩ 207,645,880
Buildings	1,913,367,736	125,503	(422,795)	342,383,015	(98,255,640)	175,692,355	2,332,890,174
Structures	89,708,412	19,464	(4)	-	(7,224,600)	2,957,866	85,461,138
Machinery	1,538,065,716	24,582,364	(8,678,056)	839,110,679	(604,435,996)	100,201,524	1,888,846,231
Vehicles	1,786,131	6,204	(81)	4,218,351	(679,438)	496,348	5,827,515
Equipment	117,145,295	15,081,900	(72,325)	23,977,365	(53,292,840)	8,064,614	110,904,009
Construction-in-progress and others	1,736,779,685	651,045,638	-	(1,209,689,410)	-	123,506,139	1,301,642,052
	<u>₩ 5,603,337,561</u>	<u>₩ 690,861,073</u>	<u>₩ (9,173,261)</u>	<u>₩ -</u>	<u>₩ (763,888,514)</u>	<u>₩ 412,080,140</u>	<u>₩ 5,933,216,999</u>

(\*) Others represent transfer to another account foreign exchange rate adjustments and others.

Line items including depreciation in the consolidated statements of comprehensive income for the years ended December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025	2024
Cost of sales	₩ 807,064,241	₩ 710,251,428
Selling and administrative expenses	55,072,307	53,637,086
Total amount(*)	<u>₩ 862,136,548</u>	<u>₩ 763,888,514</u>

(\*) Includes expenses for the year from discontinued operations.

**10. Property, plant and equipment (cont'd)**

If a tangible asset is acquired at a price less than its fair value due to government subsidies, the acquisition cost of the tangible asset is the fair value at the acquisition date. Government subsidies are deducted when calculating the book value of the asset and are depreciated over the useful life of the asset. The amount offset by depreciation is ₩20,776,253 thousand (2024: ₩21,596,725 thousand).

Borrowing costs incurred amounting to ₩10,481,662 thousand (2024: ₩26,059,249 thousand) for the year ended December 31, 2025, which were directly attributable to the acquisition and construction of qualifying property, plant and equipment, are capitalized as part of the cost of those assets. The capitalization interest rate used to calculate the borrowing costs is 4.46% (2024: 5.39%).

The Group revalued certain property, plant and equipment in accordance with the *Korean Asset Revaluation Act* on January 1, 1981 and July 1, 1998. The revalued amounts are recorded as deemed cost at the revaluation date in accordance with Korean IFRS 1101. The difference between the revaluation amount and the book value prior to revaluation is recorded as a revaluation surplus in retained earnings and may not be utilized for cash dividends.

Property, plant and equipment are insured against fire and other casualty losses for up to ₩16,311,401,331 thousand (2024: ₩15,759,990,172 thousand).

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**11. Intangible assets**

Intangible assets as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025			2024		
	Acquisition cost	Accumulated amortisation(*)	Book value	Acquisition cost	Accumulated amortisation(*)	Book value
Patent/industrial proprietary rights	₩ 101,399,260	₩ (57,254,922)	₩ 44,144,338	₩ 92,114,338	₩ (49,431,634)	₩ 42,682,704
Software and others	350,768,938	(292,259,550)	58,509,388	334,420,219	(265,151,913)	69,268,306
Construction in progress	21,693,090	-	21,693,090	5,647,379	-	5,647,379
Membership	30,758,106	(2,716,593)	28,041,513	30,761,156	(2,716,593)	28,044,563
	<u>₩ 504,619,394</u>	<u>₩ (352,231,065)</u>	<u>₩ 152,388,329</u>	<u>₩ 462,943,092</u>	<u>₩ (317,300,140)</u>	<u>₩ 145,642,952</u>

(\*) Accumulated impairment losses are included.

Changes in the book value of intangible assets for the years ended December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025						December 31
	January 1	Additions	Disposals and scrap	Transfers	Amortisation	Others (*)	
Patent/industrial proprietary rights	₩ 42,682,704	₩ 13,430,764	₩ (486,915)	₩ -	₩ (11,482,215)	₩ -	₩ 44,144,338
Software and others	69,268,306	14,288,000	(31,696)	4,349,895	(29,647,370)	282,253	58,509,388
Construction in progress	5,647,379	20,625,366	-	(4,349,895)	-	(229,760)	21,693,090
Membership	28,044,563	-	-	-	-	(3,050)	28,041,513
	<u>₩ 145,642,952</u>	<u>₩ 48,344,130</u>	<u>₩ (518,611)</u>	<u>-</u>	<u>₩ (41,129,585)</u>	<u>₩ 49,443</u>	<u>₩ 152,388,329</u>

(\*) Others represent transfer to another account foreign exchange rate adjustments and others.

	2024						December 31
	January 1	Additions	Disposals and scrap	Transfers	Amortisation	Others (*)	
Patent/industrial proprietary rights	₩ 41,261,267	₩ 12,395,252	₩ (176,480)	₩ -	₩ (10,797,335)	₩ -	₩ 42,682,704
Software and others	56,051,476	13,928,673	(22)	36,734,155	(39,512,362)	2,066,386	69,268,306
Construction in progress	26,072,523	16,309,011	-	(36,734,155)	-	-	5,647,379
Membership	27,982,880	-	-	-	-	61,683	28,044,563
	<u>₩ 151,368,146</u>	<u>₩ 42,632,936</u>	<u>₩ (176,502)</u>	<u>-</u>	<u>₩ (50,309,697)</u>	<u>₩ 2,128,069</u>	<u>₩ 145,642,952</u>

(\*) Others represent transfer to another account foreign exchange rate adjustments and others.

**11. Intangible assets (cont'd)**

Line items including Amortisation in the consolidated statements of comprehensive income for the years ended December 31, 2025 and 2024 are as follows (Korean won in thousands):

	<u>2025</u>	<u>2024</u>
Cost of Sales(*)	₩ 18,248,008	₩ 27,294,081
Selling and administrative expenses(*)	22,881,577	23,015,616
	<u>₩ 41,129,585</u>	<u>₩ 50,309,697</u>

(\*) Includes expenses for the year from discontinued operations.

Details of expensed research and development costs incurred in 2025 and 2024 are as follows (Korean won in thousands):

	<u>2025</u>	<u>2024</u>
Cost of Sales(*)	₩ 128,051,916	₩ 91,906,667
Selling and administrative expenses(*)	659,122,772	589,203,510
	<u>₩ 787,174,688</u>	<u>₩ 681,110,177</u>

(\*) Includes expenses for the year from discontinued operations.

Impairment tests for intangible assets with indefinite useful lives

The Group conducted impairment tests on membership and facility use rights, which are intangible assets with non-limited years of content, and did not recognize any impairment loss in 2025.

The recoverable amount of a membership and facility use rights are the higher of a membership's fair value costs of disposal and its value in use. The Group uses net fair value if it is available. If it is not available, the Group estimates value in use and determines the recoverable amount.

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**12. Leases**

Changes in book value of right-of-use assets and lease liabilities for the years ended December 31, 2025 and 2024 are as follows (Korean Won in thousands):

	2025				
	Right-of-use assets				Lease Liability
	Land and Buildings	Vehicles and transportation equipment	Other equipment	Total	
As of January 1, 2025	₩ 104,396,224	₩ 10,121,234	₩ 556,097	₩ 115,073,555	₩ 78,105,272
New and renewal of contract	21,134,527	18,488,832	210,412	39,833,771	38,918,360
Write-off due to early termination of contract	(5,463,618)	-	(23,663)	(5,487,281)	(5,687,299)
Depreciation	(13,552,706)	(7,665,557)	(195,019)	(21,413,282)	-
Interest cost	-	-	-	-	2,809,435
Payment	-	-	-	-	(21,059,307)
Others(*)	(5,642,254)	(2,591,327)	(229,674)	(8,463,255)	(7,694,535)
As of December 31, 2025	₩ 100,872,173	₩ 18,353,182	₩ 318,153	₩ 119,543,508	₩ 85,391,926

(\*) Including effect of foreign currency transaction and translation.

	2024				
	Right-of-use assets				Lease Liability
	Land and Buildings	Vehicles and transportation equipment	Other equipment	Total	
As of January 1, 2024	₩ 90,906,741	₩ 15,820,768	₩ 427,584	₩ 107,155,093	₩ 74,999,623
New and renewal of contract	25,837,064	3,587,210	276,121	29,700,395	28,268,936
Write-off due to early termination of contract	(2,641,532)	(18,112)	(61,330)	(2,720,974)	(2,821,708)
Depreciation	(15,645,076)	(10,240,856)	(149,120)	(26,035,052)	-
Interest cost	-	-	-	-	2,495,656
Payment	-	-	-	-	(26,309,699)
Others(*)	5,939,027	972,224	62,842	6,974,093	1,472,464
As of December 31, 2024	₩ 104,396,224	₩ 10,121,234	₩ 556,097	₩ 115,073,555	₩ 78,105,272

(\*) Including effect of foreign currency transaction and translation.

In 2025, the Group recognized ₩8,332,878 thousand (2024: ₩9,238,442 thousand) and ₩1,851,881 thousand (2024: ₩1,728,332 thousand) from short-term leases and leases of low-value assets, respectively.

The total cash outflow for leases in 2025 was ₩31,244,066 thousand (2024: ₩37,276,473 thousand).

**13. Trade and other payables**

Trade and other payables as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025		2024	
	Current	Non-current	Current	Non-current
Trade payables	₩ 641,025,486	₩ -	₩ 502,147,822	₩ -
Other payables	299,391,847	3,554,166	248,295,258	3,440,923
Accrued expenses	471,579,198	133,827,383	406,103,387	80,894,324
Dividends payables	18,933	-	17,480	-
	<u>₩ 1,412,015,464</u>	<u>₩ 137,381,549</u>	<u>₩ 1,156,563,947</u>	<u>₩ 84,335,247</u>

The Group enters into a supplier financial agreement to facilitate early settlement by the supplier, and the financial liabilities related to the supplier financial agreement are included in the trade and other payables in the consolidated statement of financial position. As of the end of the current year, out of the amount of trade and other payables, the financial liabilities related to the supplier financial agreement are ₩48,204 million(2024: ₩24,815 million), and the amount that the supplier has already received from the financial institution as of the end of the current year is ₩30,589 million(2024: ₩19,793 million). There is no significant difference between the payment date of the financial liabilities corresponding to the supplier financial agreement and the financial liabilities not corresponding to the supplier financial agreement.

The Group determines that the amount to be paid to financial institutions under the supplier financial agreement is part of the working capital used during the Group's normal business cycle and has similar characteristics and functions to Trade and other payables, and classifies the relevant cash flows as operating cash flows in the cash flow statement.

The Group analyzes liquidity risk by including the amount to be paid under the supplier's financial agreement in Trade and other payables, such as the Group's general Trade and other payables.

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**14. Borrowings**

Short-term borrowings as of December 31, 2025 and 2024 consist of the following (Korean won in thousands):

Financial institution	Description	Annual interest rate (%) as of Dec. 31, 2025	2025	2024
Shinhan Bank and 3 other banks	Discount of commercial paper	SOFR + 0.24~0.43	₩ 1,213,903,625	₩ 708,294,579
Shinhan Bank and 3 other banks	General borrowings	SOFR - 0.75~+0.50	440,514,300	255,780,000
Mizuho and 2 other banks	General borrowings	LPR - 1.70~-1.45(*)	109,308,390	102,740,216
Vietcom bank	General borrowings	3.15~3.50	239,628,300	246,960,000
			<u>₩ 2,003,354,615</u>	<u>₩ 1,313,774,795</u>

(\*) LPR refers to the Loan Prime Rate informed by the People's Bank of China.

The Group entered into factoring agreements with recourse for its trade receivables with Woori Bank and others. Factored receivables that are not overdue as of December 31, 2025 are accounted for as short-term borrowings (Note 6).

Long-term borrowings as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

Financial institution	Description	Annual interest rate (%) as of Dec. 31, 2025	2025	2024
Metro bank	General borrowings	SOFR+ 0.39~+0.45	₩ 188,444,339	₩ 132,300,000
HSBC	General borrowings	-	-	111,827,399
Less current portion of borrowings			-	(244,127,399)
			<u>₩ 188,444,339</u>	<u>₩ -</u>

## 15. Refund liabilities and Right of return assets

Details of refund liabilities and right of return assets are follows (Korean won in thousands):

	2025	2024
Refund liabilities	₩ 20,075,101	₩ 20,259,308
Right of return assets	15,680,192	18,286,700

Refund liabilities are estimated obligation to refund some or all of the consideration received from customers and are measured at the amount the Group estimates. Rights of return assets show the right of the Group to receive return assets when customers exercise their rights.

## 16. Defined benefit liabilities

The Group has a defined benefit pension plan for its employees, for which the present value of defined benefits liabilities is calculated using the projected unit credit method by an independent actuary firm.

Details of net defined benefit assets recognized in the consolidated statements of financial position as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025	2024
Present value of funded defined benefit obligations	₩ (882,591,263)	₩ (908,679,631)
Fair value of plan assets (*)	1,122,849,104	1,072,012,729
Net defined benefit assets	₩ 240,257,841	₩ 163,333,098

(\*) The contributions to the National Pension Fund of ₩171,792 thousand are included in the fair value of plan assets as of December 31, 2025 (2024: ₩211,280 thousand).

Changes in defined benefit assets for the years ended December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025	2024
Changes in defined benefit assets:		
At January 1	₩ 163,333,098	₩ 104,846,658
Contributions by employer	110,226,614	80,311,135
Retirement benefits paid	23,900,689	14,817,756
Pension cost charged to profit or loss	(63,503,168)	(66,509,487)
Succession of defined benefit liabilities	(1,116,500)	(2,174,408)
Re-measurement losses in OCI	5,950,541	33,923,928
Exchange differences	1,466,567	(1,882,484)
At December 31	240,257,841	163,333,098
Defined benefit liabilities in the consolidated statement of financial position:		
Present value of defined benefit obligation	(882,591,263)	(908,679,631)
Fair value of plan assets	1,122,849,104	1,072,012,729
	₩ 240,257,841	₩ 163,333,098

Remeasurement gains on defined benefit plans (net of tax) amounting to ₩4,616,796 thousand (2024: ₩25,210,770 thousand) were recognized as other comprehensive income.

**16. Defined benefit liabilities (cont'd)**

Expenses recorded in relation to the defined benefit pension plan for the years ended December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025	2024
Current service cost	₩ 70,389,630	₩ 71,006,072
Interest cost on benefit obligation	42,751,358	43,773,879
Expected return on plan assets	(49,637,820)	(48,270,464)
	<u>₩ 63,503,168</u>	<u>₩ 66,509,487</u>

Changes in the present value of the defined benefit obligation for the years ended December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025	2024
At January 1	₩ 908,679,631	₩ 905,438,929
Benefits paid	(120,304,384)	(70,770,451)
Current service cost	70,389,630	71,006,072
Interest cost	42,751,358	43,773,879
Succession of defined benefit obligation	1,116,500	2,174,408
Remeasurement losses (gains) based on changes of demographic assumptions	-	(716,584)
Remeasurement losses (gains) based on changes of financial assumptions	(40,833,916)	(59,217,983)
Remeasurement losses based on changes of experience adjustments	22,171,291	15,087,157
Exchange differences	(1,378,847)	1,904,204
At December 31	<u>₩ 882,591,263</u>	<u>₩ 908,679,631</u>

The weighted average duration of the defined benefit obligation is 8.55 years (2024: 8.78 years). Separately, the Group is assessing the potential impact of the Supreme Court of Korea's rulings regarding the scope of average wages on its defined benefit obligations and other related matters.

Changes in the fair value of plan assets for the years ended December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025	2024
At January 1	₩ 1,072,012,729	₩ 1,010,285,588
Contributions by employer	110,226,614	80,311,135
Benefits paid	(96,403,695)	(55,952,695)
Expected return on plan assets	49,637,820	48,270,464
Re-measurement losses	(12,712,085)	(10,923,481)
Exchange differences	87,721	21,718
At December 31	<u>₩ 1,122,849,104</u>	<u>₩ 1,072,012,729</u>

The Group has funded 127% of its defined benefit obligation with Samsung Life Insurance Co., Ltd as of December 31, 2025. The Group's employees are individually nominated as the vested beneficiaries of the defined benefit plan assets. Contributions related to the defined benefit obligation are expected to be ₩96,673 million for the next fiscal year.

**16. Defined benefit liabilities(cont'd)**

The major categories of the fair value of total plan assets as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025	2024
Cash and cash equivalents	₩ 1,121,673,962	₩ 1,071,095,055
Others	1,175,142	917,674
	<u>₩ 1,122,849,104</u>	<u>₩ 1,072,012,729</u>

The principal assumptions used in actuarial calculation as of December 31, 2025 and 2024 are as follows:

	2025	2024
Discount rate	2.10% - 6.85%	1.30% - 6.95%
Future salary increases	1.80% - 8.00%	1.90% - 8.00%

The following table demonstrates a sensitivity analysis on the effect of changes in the principal assumptions used in actuarial calculation on the present value of defined benefit obligation as of December 31, 2025 and 2024, respectively (Korean won in thousands):

*Effect of changes in the discount rate (Korean won in thousands):*

	2025		2024	
	1% point decrease	1% point increase	1% point decrease	1% point increase
Impact on defined benefit liabilities	₩ 83,151,435	₩ (72,095,539)	₩ 87,095,597	₩ (75,368,658)

*Effect of changes in future salary increases. (Korean won in thousands):*

	2025		2024	
	1% point decrease	1% point increase	1% point decrease	1% point increase
Impact on defined benefit liabilities	₩ (73,775,206)	₩ 83,601,601	₩ (76,715,815)	₩ 87,070,049

The Group also operates a defined contribution pension plan for its employees. The Group's liabilities consist of fixed contributions to be made to a separate pension fund. Future retirement benefits are based on the contributions of the Group and investment gains from plan assets. Plan assets are managed in a separate fund by independent trustees. For the years ended December 31, 2025 and 2024, defined contribution pension plan expenses amounted to ₩23,263,808 thousand and ₩19,215,197 thousand, respectively.

## 17. Provisions

Details of provisions for the years ended December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025	2024
Provisions for product warranties	₩ 5,688,758	₩ 3,686,415
Emission liabilities	351,493	63,071
	<u>₩ 6,040,251</u>	<u>₩ 3,749,486</u>

### Provisions for product warranties

Provisions for warranty-related costs are recognized when the product is sold to the customers. Initial recognition is based on past experience on the level of repairs and returns. It is expected that most of these costs will be incurred in the next financial year.

### Emission liabilities

The quantities of emission permits allocated free of charge for the 3rd planning period (2021-2025) are as follows.

<i>(in KAU)</i>	2021	2022	2023	2024	2025	Total
Allocated emission permits	458,946	458,946	458,433	454,139	454,139	2,284,603

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**17. Provisions (cont'd)**

Changes in emission permits quantities and the carrying amounts for the years ended December 31, 2025 and 2024, are as follows.

	2025								
	2024		2025		Total				
	Quantity	Amount	Quantity	Amount	Quantity	Amount			
<i>(in KAU)</i>									
At January 1 and allocation	454,139	₩ -	454,139	₩ -	908,278	₩ -			
Carry forward from prior period	5,448	-	2,445	-	7,893	-			
Additional allocation and Cancellation of allocation	-	-	-	-	-	-			
Surrendered to the government	(456,652)	-	-	-	(456,652)	-			
Sales	(490)	-	-	-	(490)	-			
Borrowing/Carry forward	(2,445)	-	-	-	(2,445)	-			
At December 31	-	₩ -	456,584	₩ -	456,584	₩ -			

	2024								
	2023		2024		2025		Total		
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount	
<i>(in KAU)</i>									
At January 1 and allocation	458,433	₩ -	454,139	₩ -	454,139	₩ -	1,366,711	₩ -	
Carry forward from prior period	(65)	-	-	-	-	-	(65)	-	
Additional allocation and Cancellation of allocation	513	-	-	-	-	-	513	-	
Surrendered to the government	(451,100)	-	-	-	-	-	(451,100)	-	
Sales	(2,333)	-	-	-	-	-	(2,333)	-	
Borrowing/Carry forward	(5,448)	-	5,448	-	-	-	-	-	
At December 31	-	₩ -	459,587	₩ -	454,139	₩ -	913,726	₩ -	

## 17. Provisions (cont'd)

Changes in emission liabilities for the years ended December 31, 2025 and 2024 are as follows (Korean won in thousands)

	2025	2024
Beginning	₩ 63,071	₩ 30,515
Addition	288,422	32,556
Ending	<u>₩ 351,493</u>	<u>₩ 63,071</u>

A liability (emission obligation) is recognized only when actual emissions exceed the allocated emission allowances, and the cost of emissions is recognized as a debt. Estimated emissions of the Group during 2025 are expected as 485,484KAU.

## 18. Commitments and contingencies

### Significant lines of credit

Significant lines of credit with financial institutions as of December 31, 2025 are as follows (Korean won in thousands and U.S. dollar and Euro):

	Credit line (USD, EUR)	Credit line (₩)	Description
Woori Bank and 5 other banks	USD 36,000,000	₩ 68,000,000	Overdraft
	EUR 21,700,000		
	(Equivalent to ₩88,236,524)		
Shinhan Bank and 1 other bank	USD 7,000,000		- Import letter of credit
	(Equivalent to ₩10,044,300)		
Woori Bank and 4 other banks	USD 1,493,000,000		- Receivables factoring
	(Equivalent to ₩2,142,305,700)		

The Group provided security deposits for its bank overdraft facilities (Note 5).

In addition, the Group has loan facilities with accounts receivable pledged as collateral related to purchase payments with Woori Bank of Korea and 3 other banks (up to ₩100,600,000 thousand and USD 71 million) and the Group entered into agreement for a general loan and others up to USD 2,166 million and RMB 3,912 million with BoA and other financial institutions.

In addition, the Group entered into a performance guarantee agreement amounting to ₩853,329,096 thousand with JPMorgan Chase Bank and others for product supply contracts and performance guarantee related to the license and deposit (Note 18).

### Long-term supply contracts

As of the end of the reporting period, the total amount of advances received in relation to long-term supply contracts entered into by the Group with major customers is USD 520 million. The Group is provided with payment guarantee from JPMorgan Chase Bank and others (Note 18).

### Contractual obligations related to acquisition of property, plant and equipment and others

Contractual obligations to purchase property, plant and equipment as of December 31, 2025 are ₩359,327,588 thousand.

### **Litigation**

As of the end of the reporting period, the Group is involved in 9 pending lawsuits as a defendant. The ultimate outcome of these lawsuits cannot be reasonably predicted as of the reporting date.

### **Investment agreement**

As of the end of the reporting period, the Group has signed an investment agreement with SVIC#76 New Technology Business Investment Association, and the investment agreement amount and investment amount are as follows (Korean won in thousands):

	currency	Amount of investment agreement	Amount of investment
SVIC#76 New Technology Business Investment Association	KRW	20,000,000	100,000

## 19. Issued capital

The Company is authorized to issue 200 million ordinary shares with a par value per share of ₩5,000. As of December 31, 2025, the Company holds 77,600,680 ordinary shares (including 2,906,984 preferred shares) amounting to ₩388,003,400 thousand, which were issued through a series of stock issuances since the Company's incorporation in 1973.

Under the Articles of Incorporation, the Company is authorized to issue 20 million shares of non-voting preferred shares. The Company may issue cumulative, participating and non-voting preferred shares with a dividend rate of more than 1% of par value of ordinary shares. As of December 31, 2025, 2,906,984 of non-cumulative and non-voting preferred shares have been issued and outstanding.

The Company's share premium as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025	2024
Paid-in capital in excess of par value	₩ 931,477,700	₩ 931,477,700
Consideration for stock warrants	12,160,470	12,160,470
Gains on disposal of treasury stock	16,769,322	16,769,322
Exercise of stock option	1,201,580	1,201,580
Others	91,907,143	91,907,143
	<u>₩ 1,053,516,215</u>	<u>₩ 1,053,516,215</u>

Other components of equity as of December 31, 2025 and 2024 consist solely of treasury stock.

As of December 31, 2025, the Group's treasury stock comprising 2,000,000 ordinary shares and 53,430 preferred shares were repurchased by the Company to stabilize its stock price.

Accumulated other comprehensive income as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025	2024
Fair value loss and gain on financial assets measured at FVOCI	₩ 274,112,436	₩ 100,927,326
Disposal loss and gain on financial assets measured at FVOCI	527,862,899	527,862,899
Equity adjustments of investment in associates	(709,413)	1,578,364
Exchange differences on translations of foreign operations	380,680,033	373,578,684
	<u>₩ 1,181,945,955</u>	<u>₩ 1,003,947,273</u>

Other capital reserves of the Company as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025	2024
Legal reserve (*)	₩ 176,820,491	₩ 163,120,491
Business rationalization reserve	31,537,766	31,537,766
Capital expenditure reserve	7,895,000	7,895,000
Others	4,066,512,000	3,762,912,000
	<u>₩ 4,282,765,257</u>	<u>₩ 3,965,465,257</u>

(\*) In accordance with the Korean Commercial Code, an amount equal to at least 10% of cash dividends is required to be appropriated as a legal reserve until the reserve equals 50% of Issued Capital. The legal reserve may not be utilized for cash dividends but may only be used to offset a deficit, if any, or be transferred to capital.

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**19. Issued capital (cont'd)**

Details of dividends declared for the years ended December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025	2024
Attributable to ordinary shares (2025: ₩2,350 per share, 2024: ₩1,800 per share)	₩ 170,830,185	₩ 130,848,653
Attributable to preferred shares (2025: ₩2,400 per share, 2024: ₩1,850 per share)	6,848,530	5,279,075
	<u>₩ 177,678,715</u>	<u>₩ 136,127,728</u>

**20. Operating profit**

Revenue from contracts with customers. The Group's sales division was identified based on the organization and the type of revenue-generating product and consisted of Component, Package Solution, and Optics Solution as of the end of the reporting period.

Details of revenue from contracts with customers are as follows (Korean won in millions):

	2025			
	Component	Package Solution	Optics Solution	Total
Sales of Goods	₩ 5,194,938	₩ 1,999,104	₩ 3,785,921	₩ 10,979,963
Others	3,563	302,649	28,284	334,496
Total revenue from contracts with customers	<u>₩ 5,198,501</u>	<u>₩ 2,301,753</u>	<u>₩ 3,814,205</u>	<u>₩ 11,314,459</u>
	2024			
	Component	Package Solution	Optics Solution	Total
Sales of Goods	₩ 4,443,098	₩ 1,680,718	₩ 3,747,133	₩ 9,870,949
Others	18,952	353,939	50,263	423,154
Total revenue from contracts with customers	<u>₩ 4,462,050</u>	<u>₩ 2,034,657</u>	<u>₩ 3,797,396</u>	<u>₩ 10,294,103</u>

Details of cost of sales and operating expenses for the years ended December 31, 2025 and 2024 by nature of expense are as follows (Korean won in thousands):

	2025	2024
Changes in finished goods and work in progress and others	₩ (64,752,981)	₩ (150,175,369)
Use of raw materials and supplies	4,449,221,988	4,350,044,035
Employee benefit expense	2,445,829,559	2,243,518,187
Depreciation(*) and amortisation	924,679,415	840,233,262
Outsourcing expenses	374,326,644	318,798,223
Commissions	247,069,993	208,511,370
Other expenses	2,032,405,799	1,792,604,292
Less: classified as profit (loss) from discontinued operation	(7,652,357)	(44,436,881)
	<u>₩ 10,401,128,060</u>	<u>₩ 9,559,097,119</u>

(\*) Includes depreciation of right-of-use assets.

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**20. Operating profit (cont'd)**

Details of employee benefit expenses for the years ended December 31, 2025 and 2024 are as follows (Korean won in thousands):

	<u>2025</u>	<u>2024</u>
Salaries expenses	₩ 1,932,646,464	₩ 1,782,439,363
Pension costs	87,509,191	87,483,546
Employee welfare benefits	425,673,904	373,595,278
	<u>₩ 2,445,829,559</u>	<u>₩ 2,243,518,187</u>

(\* ) Includes expenses for the year from discontinued operation.

Depreciation of property, plant and equipment and amortisation of intangible assets for the years ended December 31, 2025 and 2024 are as follows (Korean won in thousands):

	<u>2025</u>	<u>2024</u>
Depreciation (*1)(*2)	₩ 883,549,830	₩ 789,923,565
Amortisation(*2)	41,129,585	50,309,697
	<u>₩ 924,679,415</u>	<u>₩ 840,233,262</u>

(\*1) Includes depreciation of right-of-use assets.

(\*2) Includes expenses for the year from discontinued operation.

Details of selling and administrative expenses for the years ended December 31, 2025 and 2024 are as follows (Korean won in thousands):

	<u>2025</u>	<u>2024</u>
Salaries and bonuses	₩ 295,737,238	₩ 237,821,091
Post-employment benefits	16,571,090	20,547,387
Employee welfare benefits	75,709,140	72,630,269
Commissions	67,122,271	56,967,056
Depreciation(*) and amortisation	44,969,857	43,507,673
Education and training expenses	11,026,804	12,676,118
Utilities expenses	7,219,805	8,440,727
Sample expenses	10,884,406	7,606,806
Travel expenses	12,352,009	10,484,005
Research and development expense	658,671,668	580,404,031
IT expenses	48,625,593	42,311,118
Other expenses	115,147,235	130,820,663
	<u>₩ 1,364,037,116</u>	<u>₩ 1,224,216,944</u>

(\* ) Includes depreciation of right-of-use assets.

## 21. Non-operating profit and expenses

### 21.1 Finance income

Finance income consists solely of interest income and details for the years ended December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025		2024
Financial assets at amortised cost:			
Cash and cash equivalents	₩ 71,185,440	₩	70,766,500
Other financial assets	1,192,366		1,191,588
Loans	25,017		24,996
Financial assets measured at FVPL:			
Long-term financial instruments	61,733		22,967
	<u>₩ 72,464,556</u>	<u>₩</u>	<u>72,006,051</u>

### 21.2 Finance costs

Finance costs consist solely of interest costs and details for the years ended December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025		2024
Financial liabilities at amortised cost:			
Borrowings	₩ 32,882,706	₩	40,862,542
Other financial liabilities:			
Borrowings	40,725,597		29,332,118
Lease liabilities	2,809,435		2,495,656
	<u>₩ 76,417,738</u>	<u>₩</u>	<u>72,690,316</u>

### 21.3 Share of profit (loss) in associates

Details of share of profit (loss) in associates for the years ended December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025		2024
Share of profit (loss) in associates	₩ 689,918	₩	(952,115)

### 21.4 Other income

Details of other income for the years ended December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025		2024
Dividend income	₩ 310,614	₩	371,951
Gain on disposal of financial assets at fair value through PL	7,835		-
Gain on valuation of financial assets at fair value through PL	-		1,827,507
Gain on disposal of property, plant and equipment	825,094		927,764
Gain on disposal of intangible assets	-		-
Gain on disposal of investment in subsidiaries	-		-
Reversal of allowance for other doubtful accounts	-		130,000
Gain on foreign currency translation	53,290,138		199,759,339
Gain on foreign currency transactions	210,849,230		203,406,573
Commissions received	-		1,209,069
Others	33,136,316		9,419,166
	<u>₩ 298,419,227</u>	<u>₩</u>	<u>417,051,369</u>

## 21. Non-operating profit and expenses (cont'd)

### 21.5 Other expenses

Details of other expenses for the years ended December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025	2024
Loss on disposal of property, plant and equipment	₩ 3,238,158	₩ 6,034,928
Loss on disposal of intangible assets	492,325	163,305
Loss on disposal of financial assets at fair value through OCI	-	200
Loss on disposal of financial assets at fair value through PL	-	4,655
Loss on valuation of financial assets at fair value through PL	5,151,194	6,445,498
Loss on disposal of trade receivables	2,917,779	12,373,428
Allowance for doubtful accounts - others	20,343	-
Loss on foreign currency translation	102,701,912	59,599,105
Loss on foreign currency transaction	190,585,383	228,412,051
Donations	2,662,086	2,633,115
Others	4,886,589	37,458,515
	<u>₩ 312,655,769</u>	<u>₩ 353,124,800</u>

## 22. Income tax expenses

The major components of income tax expense for the years ended December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025	2024
Current income tax	₩ 183,534,194	₩ 107,224,547
Adjustments in respect of prior years	797,380	(18,671,592)
Deferred income tax from temporary differences and tax credits	(20,751,296)	46,620,317
Income tax expense	<u>₩ 163,580,278</u>	<u>₩ 135,173,272</u>
Income tax expense from continuing operations	₩ 163,599,365	₩ 132,345,905
Income tax expense from discontinued operations	(19,087)	2,827,367

The tax effect relating to components of other comprehensive income (expenses) for the years ended December 31, 2025 and 2024 is as follows (Korean won in thousands):

	2025			2024		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Gains on valuation of financial assets measured at fair value through OCI	₩ 235,830,928	₩ (62,645,819)	₩ 173,185,109	₩ 66,218,028	₩ (16,554,507)	₩ 49,663,521
Re-measurement losses on net defined benefit plans	5,950,541	(1,333,745)	4,616,796	33,923,928	(8,713,158)	25,210,770
Capital changes in equity method	(3,050,370)	762,592	(2,287,778)	(730,164)	182,541	(547,623)
Foreign currency translation adjustments	7,790,013	(688,663)	7,101,350	283,209,172	(8,195,600)	275,013,572
	<u>₩ 246,521,112</u>	<u>₩ (63,905,635)</u>	<u>₩ 182,615,477</u>	<u>₩ 382,620,964</u>	<u>₩ (33,280,724)</u>	<u>₩ 349,340,240</u>

**22. Income tax expenses (cont'd)**

A reconciliation of profit before tax at the Korea statutory tax rate to income tax expenses at the effective tax rate of the Group are summarized as follows (Korean won in thousands):

	<u>2025</u>	<u>2024</u>
Profit before tax	₩ 894,569,795	₩ 838,388,909
Tax at domestic tax rates applicable to profits in the respective countries	200,090,600	203,323,744
Adjustments:		
Income not taxable for tax purposes	(3,104,428)	(1,843,847)
Expenses not deductible for tax purposes	12,009,394	10,624,421
Tax effects of investment in subsidiaries and associates	17,832,487	7,645,158
Tax credits	(61,231,363)	(61,278,856)
Adjustment in respect of prior years	797,380	(18,671,592)
Changes in deferred taxes due to tax rate changes	(1,968,359)	-
Others	(845,433)	(4,625,756)
Income tax expenses	<u>₩ 163,580,278</u>	<u>₩ 135,173,272</u>
Effective income tax rate	18.29%	16.12%

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**22. Income tax expenses (cont'd)**

Significant changes in tax credit carryforwards, cumulative temporary differences and deferred income tax assets and liabilities for the years ended December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025				
	January 1	Recognized to income	Recognized to OCI	Effects of exchange rate changes	December 31
Inventories	₩ 21,937,076	₩ 10,792,914	₩ -	₩ 79,352	₩ 32,809,342
Property, plant and equipment	20,998,669	(1,560,801)	-	52,437	19,490,305
Defined benefit liabilities	(17,043,693)	(43,866,786)	(1,333,745)	(340)	(62,244,564)
Accrual expenses	64,137,247	37,398,089	-	(10,362)	101,524,974
Investment securities	(30,904,184)	93,611	(62,645,819)	-	(93,456,392)
Unused tax credit carry forwards from prior years	97,899,477	37,976,446	-	-	135,875,923
Investment in subsidiaries and associates	(117,379,290)	(7,254,619)	73,929	-	(124,559,980)
Others	7,859,560	(12,827,558)	-	1,871,060	(3,096,938)
	<u>₩ 47,504,862</u>	<u>₩ 20,751,296</u>	<u>₩ (63,905,635)</u>	<u>₩ 1,992,147</u>	<u>₩ 6,342,670</u>
	2024				
	January 1	Recognized to income	Recognized to OCI	Effects of exchange rate changes	December 31
Inventories	₩ 17,823,112	₩ 3,460,296	₩ -	₩ 653,668	₩ 21,937,076
Property, plant and equipment	20,553,235	256,596	-	188,838	20,998,669
Defined benefit liabilities	(27,752,102)	19,422,228	(8,713,158)	(661)	(17,043,693)
Accrual expenses	51,665,529	12,062,706	-	409,012	64,137,247
Investment securities	(14,349,677)	-	(16,554,507)	-	(30,904,184)
Unused tax credit carry forwards from prior years	50,457,035	47,442,442	-	-	97,899,477
Investment in subsidiaries and associates	20,288,388	(129,654,619)	(8,013,059)	-	(117,379,290)
Others	6,158,363	390,034	-	1,311,163	7,859,560
	<u>₩ 124,843,883</u>	<u>₩ (46,620,317)</u>	<u>₩ (33,280,724)</u>	<u>₩ 2,562,020</u>	<u>₩ 47,504,862</u>

Deferred tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the temporary differences are expected to reverse.

On the other hand, the Group did not recognize deferred tax assets due to the uncertainty over the reversal of the deductible temporary difference of ₩116,177,025 thousand to be deducted in connection with the investment of subsidiaries and associates in the foreseeable future.

Based on the Group's assessment of future taxable income, the Group's management concluded that it is probable that the recognized deferred tax assets will be realized in future periods.

**22. Income tax expenses (cont'd)**

The analysis of deferred tax assets and liabilities as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

	<u>2025</u>	<u>2024</u>
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	₩ 421,731,964	₩ 312,209,739
Deferred tax asset to be recovered within 12 months	<u>131,362,342</u>	<u>150,422,979</u>
	<u>553,094,306</u>	<u>462,632,718</u>
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	(543,403,953)	(413,013,080)
Deferred tax liability to be recovered within 12 months	<u>(3,347,684)</u>	<u>(2,114,776)</u>
	<u>(546,751,637)</u>	<u>(415,127,856)</u>
Deferred tax assets, net	<u>₩ 6,342,669</u>	<u>₩ 47,504,862</u>

The Group has applied the exception to the recognition and disclosure of deferred tax related to the Pillar 2 rule. There is no current corporate tax expense related to Pillar 2 recognized by the Group during the reporting period. In addition, a Qualified Domestic Minimum Top-up Tax (QDMTT) arising from the Pillar Two rules will be introduced in Korea effective 1 January 2026, and the Group is currently assessing the potential impact of its implementation.

### 23. Earnings per share

Earnings per share was calculated by dividing net profit by the number of ordinary shares, and diluted earnings per share was calculated by dividing net profit by the weighted average number of dilutive potential ordinary shares. Preferred shares are participating preferred shares, having the right to participate in division of profits, therefore their earning per share was computed as well. No dilutive features exist for the years ended December 31, 2025 and 2024 thus basic earnings per share is equivalent to diluted earnings per share.

The Group's basic (diluted) earnings per share for the years ended December 31, 2025 and 2024 are computed as follows (Korean won in thousands, except per share amounts):

	2025	
	Net profit for the year	Profit for the year from continuing operations
Profit for the year attributable to equity holders of the parent	₩ 706,113,165	₩ 707,355,656
Preferred shares dividend	(6,848,530)	(6,848,530)
Additional dividends attributable to preferred shares	(19,959,909)	(20,006,840)
Profit for the year attributable to ordinary equity holders of the parent	679,304,726	680,500,286
Weighted-average number of shares of ordinary shares outstanding (*)	72,693,696	72,693,696
Basic (diluted) earnings per share	₩ 9,345	₩ 9,361

(\*) There is no change in the number of shares.

	2024	
	Net profit for the year	Profit for the year from continuing operations
Profit for the year attributable to equity holders of the parent	₩ 679,130,070	₩ 640,864,574
Preferred shares dividend	(5,279,075)	(5,279,075)
Additional dividends attributable to preferred shares	(20,510,164)	(19,064,809)
Profit for the year attributable to ordinary equity holders of the parent	653,340,831	616,520,690
Weighted-average number of shares of ordinary shares outstanding (*)	72,693,696	72,693,696
Basic (diluted) earnings per share	₩ 8,988	₩ 8,481

(\*) There is no change in the number of shares.

**23. Earnings per share (cont'd)**

The Group's basic (diluted) earnings per share attributable to preferred shares for the years ended December 31, 2025 and 2024 are computed as follows (Korean won in thousands, except per share amounts):

	2025	
	Net profit for the year	Profit for the year from continuing operations
Profit for the year attributable to preferred shares holders of the parent	₩ 26,808,439	₩ 26,855,370
Weighted-average number of shares of ordinary shares outstanding (*)	2,853,554	2,853,554
Basic (diluted) earnings per share	₩ 9,395	₩ 9,411

(\*) There is no change in the number of shares.

	2024	
	Net profit for the year	Profit for the year from continuing operations
Profit for the year attributable to preferred shares holders of the parent	₩ 25,789,239	₩ 24,343,883
Weighted-average number of shares of ordinary shares outstanding (*)	2,853,554	2,853,554
Basic (diluted) earnings per share	₩ 9,038	₩ 8,531

(\*) There is no change in the number of shares.

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**24. Related party transactions**

Samsung Electronics Co., Ltd. has significant influence on the Group. Related parties of the Group as of December 31, 2025 are as follows:

Related party	Category
Samsung Electronics Co., Ltd.	Company with significant influence
Samsung Global Research	Associate
Stemco Co., Ltd.	Associate
Samsung Electronics Vietnam THAINGUYEN Co., Ltd.	Others
Samsung Electronics Vietnam Co., Ltd.	Others
Samsung C&T Corporation	Others
Samsung E&A Co., Ltd.	Others
Samsung SDS Co., Ltd.	Others
Samsung Welstory Inc.	Others
Samsung E&A Vietnam Co., Ltd.	Others
Vista Contracting and Investment Global Pte. Ltd.	Others
Samsung Life Insurance Co., Ltd. and other affiliates (*)	Others

(\*) Includes subsidiaries and associates of Samsung Electronics Co., Ltd.

Outstanding balances resulted from the transactions among the Group and its related parties as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025		2024	
	Receivables	Payables (*)	Receivables	Payables (*)
Company with significant influence:				
Samsung Electronics Co., Ltd.	₩ 59,838,340	₩ 136,323,966	₩ 69,011,768	₩ 134,020,159
Associates:				
Samsung Global Research	-	393,887	-	308,072
Stemco Co., Ltd.	458,334	378,547	1,375,002	2,042,628
Others:				
Samsung Electronics Vietnam THAINGUYEN Co., Ltd.	149,347,237	11,397,067	104,179,816	14,326,100
Samsung Electronics Vietnam Co., Ltd.	43,781,922	7,391	28,790,714	-
Samsung C&T Corporation	19,089,009	126,500	19,089,009	93,610
Samsung E&A Co., Ltd.	-	-	-	16,576,670
Samsung SDS Co., Ltd.	1,105	18,958,953	648	10,499,329
Samsung Welstory Inc.	22	3,631,733	22	3,584,300
Samsung E&A Vietnam Co., Ltd.	-	-	-	-
Others	46,499,541	38,589,756	48,120,864	30,598,850
	<u>₩ 319,015,510</u>	<u>₩ 209,807,800</u>	<u>₩ 270,567,843</u>	<u>₩ 212,049,718</u>

(\*) Includes lease liabilities.

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**24. Related party transactions (cont'd)**

The Group operated defined benefit plan with Samsung Life Insurance Co., Ltd. The fair value of the plan as of December 31, 2025 amounts to ₩101,439 million (2024: ₩193,542 million); and interest income recognized amounts to ₩9,542 million for the year ended December 31, 2025 (2024: ₩12,838 million).

Significant transactions among the Group and its related parties for the years ended December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025			
	Sales	Purchases	Acquisition of assets	Cash dividends
Company with significant influence:				
Samsung Electronics Co., Ltd.	₩ 719,387,754	₩ 696,977,592	₩ -	₩ -
Associates:				
Samsung Global Research	-	7,110,742	-	-
Stemco Co., Ltd.	-	23,510,582	-	269,100
Others:				
Samsung Electronics Vietnam THAINGUYEN Co., Ltd.	1,120,482,853	9,476,533	-	-
Samsung Electronics Vietnam Co., Ltd.	418,339,956	2,157,806	-	-
Samsung C&T Corporation	12,607	1,682,148	237,900	-
Samsung E&A Co., Ltd.	-	-	2,961,718	-
Samsung SDS Co., Ltd.	9,946	74,995,511	17,634,843	-
Samsung Welstory Inc.	240	40,611,539	-	-
Samsung E&A Vietnam Co., Ltd.	-	-	4,420,799	-
Vista Contracting and Investment Global Pte. Ltd.	-	-	207,416,317	-
Others	592,237,554	298,748,679	9,949,924	-
	<u>₩ 2,850,470,910</u>	<u>₩ 1,155,271,132</u>	<u>₩ 242,621,501</u>	<u>₩ 269,100</u>

	2024			
	Sales	Disposal of assets	Purchases	Acquisition of assets
Company with significant influence:				
Samsung Electronics Co., Ltd.	₩ 817,138,909	₩ -	₩ 634,491,299	₩ -
Associates:				
Samsung Global Research	-	-	6,607,904	-
Stemco Co., Ltd.	-	1,459,600	14,478,157	-
Others:				
Samsung Electronics Vietnam THAINGUYEN Co., Ltd.	1,006,132,785	-	7,591,894	-
Samsung Electronics Vietnam Co., Ltd.	356,075,075	-	1,783,412	-
Samsung C&T Corporation	12,637	-	1,739,052	-
Samsung E&A Co., Ltd.	-	-	1,673,122	46,359,911
Samsung SDS Co., Ltd.	8,133	-	76,415,636	21,332,200
Samsung Welstory Inc.	100	-	28,256,944	-
Samsung E&A Vietnam Co., Ltd.	-	-	-	17,748,949
Others	540,356,225	-	224,830,194	1,209,661
	<u>₩ 2,719,723,864</u>	<u>₩ 1,459,600</u>	<u>₩ 997,867,614</u>	<u>₩ 86,650,721</u>

Dividend paid to Samsung Electronics Co., Ltd. amounts to ₩31,848 million (2024: ₩20,347 million).

**24. Related party transactions (cont'd)**

The Group has no collateral or guarantees provided to or received from related parties as of December 31, 2025.

In accordance with lease agreements entered with related parties, the Group has recognized rights-of-use assets and lease liabilities of ₩1,617 million (2024: ₩3,493 million), respectively. The repayment of lease liabilities paid to related parties amounts to ₩4,204 million (2024: ₩4,020 million) and interest expense recognized amounts to ₩462 million (2024: ₩300 million) for the year ended December 31, 2025.

In relation to key management compensation for the year ended December 31, 2025, the Group recognized expenses for short-term benefits, including short-term incentives of ₩ 3,691 million (2024: ₩3,285 million) and long-term benefits, including other long-term employee benefits and pension benefits of ₩2,118 million (2024: ₩2,015 million).

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**25. Supplementary consolidated cash flow information**

Cash flows from operating activities for the years ended December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025	2024
Profit for the year	₩ 730,989,517	₩ 703,215,637
Adjustments to reconcile profit before tax to net cash flows:		
Valuation of inventories (reversal)	32,680,993	37,441,791
Loss on scrap of inventories	191,743,959	132,624,073
Loss on valuation of return assets (reversal)	211,663	(343,753)
Pension costs	63,503,168	66,509,487
Long-term employee benefits	72,569,455	14,431,282
Depreciation	862,136,548	763,888,514
Depreciation of right-of-use assets	21,413,282	26,035,052
Amortisation of intangible assets	41,129,585	50,309,697
Provision for product warranties	670,070	2,230,417
Gain on foreign exchange translation	(53,382,121)	(200,124,265)
Gain (loss) on disposal of financial asset at FV through PL	(7,835)	4,655
Gain on disposal of financial asset at FV through PL	5,151,194	4,617,991
Loss on disposal of financial asset at FV through OCI	-	200
Loss on disposal of trade receivables	2,917,779	12,373,428
(Reversal of) allowance for doubtful accounts - other receivables	20,342	(130,000)
Gain on disposal of property, plant and equipment	(1,069,930)	(929,299)
Gain on disposal of intangible assets	(7,730)	-
Loss on foreign currency translation	102,854,974	59,578,623
Loss on disposal of property, plant and equipment	3,440,954	6,059,886
Loss on disposal of intangible assets	501,759	176,502
Finance income	(72,493,603)	(73,200,994)
Finance costs	76,441,105	72,778,373
Dividend income	(310,626)	(371,951)
Share of profit in associates	(689,918)	952,115
Income tax expense	163,580,278	135,173,272
(Reversal of) refund liabilities	2,229,944	(1,043,730)
(Reversal of) provision for emission liabilities	288,422	32,556
Gain on disposal of investment in subsidiaries	-	(52,235,249)
	1,515,523,711	1,056,838,673

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**25. Supplementary consolidated cash flow information (cont'd)**

	<u>2025</u>	<u>2024</u>
Working capital adjustments:		
Other financial assets	₩ 63,521	₩ (47,866)
Trade and other receivables	(385,604,752)	(37,755,026)
Advance payments	15,576,117	(2,383,487)
Prepaid expenses	(5,355,793)	(316,248)
Inventories	(386,402,949)	(129,777,008)
Long-term advance payments and prepaid expenses	8,958,876	124,786
Short-term and long-term loans	(260,159)	(186,766)
Trade and other payables	209,441,578	(260,185,811)
Short-term and long-term advances received	(19,868,176)	196,139,399
Other financial liabilities	1,054,642	14,032,951
Long-term other payables	(12,042,899)	(5,962,601)
Net defined benefit liabilities	<u>(133,010,801)</u>	<u>(92,954,483)</u>
	<u>(707,450,795)</u>	<u>(319,272,160)</u>
Net cash flows from operating activities	<u>₩ 1,539,062,433</u>	<u>₩ 1,440,782,150</u>

Significant transactions not involving cash flows for the years ended December 31, 2025 and 2024 are as follows (Korean won in thousands):

	<u>2025</u>	<u>2024</u>
Reclassification of construction-in-progress and others	₩ 1,225,800,506	₩ 1,246,423,565
Transfer of current portion of long-term borrowings	128,019,600	235,657,621
Acquisition of PPE with account payables and advance payments	14,992,611	(111,184,580)

**25. Supplementary consolidated cash flow information (cont'd)**

Changes in liability arising from financial activities as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025			
	January 1	Net cash flows from financing activities	Others (*)	December 31
Short-term borrowings	₩ 1,313,774,795	₩ 712,815,317	₩ (23,235,497)	₩ 2,003,354,615
Current portion of long-term borrowings	244,127,399	(109,860,544)	(134,266,855)	-
Long-term borrowings	-	58,788,376	129,655,963	188,444,339
Lease liability	78,105,272	(21,059,307)	28,345,962	85,391,927
Dividends payables	17,480	(137,716,643)	137,718,096	18,933
	<u>₩ 1,636,024,946</u>	<u>₩ 502,967,199</u>	<u>₩ 138,217,669</u>	<u>₩ 2,277,209,814</u>

(\*) Others represent effect of foreign currency transaction and translation, non-cash transactions and others.

	2024			
	January 1	Net cash flows from financing activities	Others (*)	December 31
Short-term borrowings	₩ 1,067,870,754	₩ 152,391,701	₩ 93,512,340	₩ 1,313,774,795
Current portion of long-term borrowings	237,120,413	(257,056,813)	264,063,799	244,127,399
Long-term borrowings	216,522,310	7,854,445	(224,376,755)	-
Lease liability	74,999,623	(26,309,699)	29,415,348	78,105,272
Dividends payables	17,294	(88,584,145)	88,584,331	17,480
	<u>₩ 1,596,530,394</u>	<u>₩ (211,704,511)</u>	<u>₩ 251,199,063</u>	<u>₩ 1,636,024,946</u>

(\*) Others represent effect of foreign currency transaction and translation, non-cash transactions and others.

**26. Financial risk management objectives and policies**

The Group's principal financial liabilities, comprise borrowings, trade and other payables, and lease liabilities and other liabilities. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. Also, the Group has various financial assets including trade receivables, cash and short-term deposits that arrive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

**26.1 Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk.

The sensitivity analyses in the following sections are related to the position as of December 31, 2025 and 2024.

### 26.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

Borrowings with floating interest rates amounts to ₩738,267,028 thousand (2024: ₩602,647,615 thousand) as of December 31, 2025. The following table demonstrates a sensitivity analysis to a reasonably possible change in interest rates on that portion of borrowings. With all other variables held constant, the effect of changes in interest rates of floating rate borrowings on profit before tax is as follows (Korean won in thousands):

	2025		2024	
	100bp increase	100bp decrease	100bp increase	100bp decrease
Impact on interest costs	₩ (7,382,670)	₩ 7,382,670	₩ (6,026,476)	₩ 6,026,476

### 26.1.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities and the Group's net investments in foreign subsidiaries. The book values of monetary assets and liabilities which are not presented in functional currency as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025		2024	
	Assets	Liabilities	Assets	Liabilities
USD	₩ 3,647,849,689	₩ 3,048,638,818	₩ 3,063,249,089	₩ 2,067,028,806
EUR	10,127,726	3,321,796	69,072,236	55,219,377
JPY	3,281,228	74,666,940	12,669,579	50,430,488
PHP	12,286,560	97,752,385	11,699,277	57,232,256
MXN	1,859,733	-	332,534	-
VND	3,713,829	31,828,560	4,465,401	23,011,775
SGD	1,019,020	2,924,311	977,759	3,470,629
TWD	316,298	4,390,673	41,820	2,880,037
Others	10,978	12,244	15,043	355,015
	<u>₩ 3,680,465,061</u>	<u>₩ 3,263,535,727</u>	<u>₩ 3,162,522,738</u>	<u>₩ 2,259,628,383</u>

The Group manages its foreign currency risk periodically. The following table demonstrates a sensitivity analysis of a reasonably possible change in the foreign currency exchange rates, with all other variables held constant, on the Group's profit before tax as of December 31, 2025 and 2024. (Korean won in thousands):

	2025		2024	
	5% increase	5% decrease	5% increase	5% decrease
USD	₩ 29,960,543	₩ (29,960,543)	₩ 49,811,014	₩ (49,811,014)
EUR	340,296	(340,296)	692,643	(692,643)
JPY	(3,569,285)	3,569,285	(1,888,045)	1,888,045
PHP	(4,273,291)	4,273,291	(2,276,649)	2,276,649
MXN	92,987	(92,987)	16,627	(16,627)
VND	(1,405,737)	1,405,737	(927,319)	927,319
SGD	(95,265)	95,265	(124,643)	124,643
TWD	(203,719)	203,719	(141,911)	141,911
Others	(63)	63	(16,999)	16,999
	<u>₩ 20,846,466</u>	<u>₩ (20,846,466)</u>	<u>₩ 45,144,718</u>	<u>₩ (45,144,718)</u>

### 26.1.2 Foreign currency risk (cont'd)

The sensitivity analyses were conducted on monetary assets and liabilities which are presented in foreign currency other than functional currency as of the reporting date.

### 26.1.3 Other price risk

The Group's marketable equity securities are susceptible to market price risk arising from the fluctuation in the price of the securities. The following table demonstrates a sensitivity analysis of a reasonably possible change in the price of marketable equity securities on the consolidated financial statements of the Group as of December 31, 2025 (Korean won in thousands):

	5% increase	5% decrease
Other comprehensive income before tax	₩ 22,113,402	₩ (22,113,402)
Income tax effect	(5,749,484)	5,749,484
Other comprehensive income after tax	₩ 16,363,918	₩ (16,363,918)

## 26.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss for the Group. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities.

### 26.2.1 Trade receivables and other receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control related to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored. The maximum exposure to credit risk at the reporting date is as follows (Korean won in thousands):

	2025	2024
Trade receivables	₩ 1,792,567,378	₩ 1,390,503,186
Other receivables and Loans	27,369,805	42,104,621

The Group assesses the expected credit losses at the end of every reporting period based on a forward-looking information. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and other receivables, the Group applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables. In addition, the Group entered into guarantee insurance contracts with Korea Trade Insurance Corporation and other insurance corporations for the credit risk of foreign customers.

### 26.2.2 Other assets

Credit risks associated with the Group's other assets which consist of cash, short-term deposits arise from the default by the counterparties. Maximum exposure to credit risks will be the book value of the related assets. The Group deposits its surplus funds in Woori Bank and other financial institutions whose credit ratings are high, therefore credit risk related to financial institutions is considered limited.

## 26.3 Liquidity risk

Liquidity risk refers to the risk that the Group may default on the contractual obligations that become due. The Group manages its risk to a shortage of funds using a recurring liquidity planning tool. The Group matches the financial liabilities with the financial assets taking into account the maturity dates and cash flow from operating activities of those financial assets.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (Korean won in thousands):

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**26.3 Liquidity risk (cont'd)**

The future cash flows of financial liabilities are nominal amounts but not discounted. The remaining maturities indicate the earliest timing when the creditors can request repayments.

	2025				
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Trade and other payables	₩ 1,031,714,713	₩ 25,228,229	₩ 1,440	₩ -	₩ 1,056,944,382
Short-term borrowings	1,608,096,325	403,940,392	-	-	2,012,036,717
Long-term borrowings	1,958,426	5,984,080	194,898,603	-	202,841,109
Lease liability	7,855,497	20,580,235	58,602,085	10,276,828	97,314,645
Other financial liabilities	-	5,549,418	-	-	5,549,418
	<u>₩ 2,649,624,961</u>	<u>₩ 461,282,354</u>	<u>₩ 253,502,128</u>	<u>₩ 10,276,828</u>	<u>₩ 3,374,686,271</u>

	2024				
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Trade and other payables	₩ 843,345,208	₩ 8,923,333	₩ 4,745	₩ -	₩ 852,273,286
Short-term borrowings	1,049,148,342	272,368,285	-	-	1,321,516,627
Current portion of long-term borrowings	2,381,386	248,362,386	-	-	250,743,772
Lease liability	7,333,063	17,270,677	54,691,736	15,184,499	94,479,975
Other financial liabilities	-	4,348,198	-	-	4,348,198
	<u>₩ 1,902,207,999</u>	<u>₩ 551,272,879</u>	<u>₩ 54,696,481</u>	<u>₩ 15,184,499</u>	<u>₩ 2,523,361,858</u>

**26.4 Capital management**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder's value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain the sound capital structure, the Group may adjust the dividend payment to shareholders, reduce capital stock, or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2025 and 2024.

The Group monitors a gearing ratio, which is net debt divided by total capital (sum of total equity and net debt). Net debt refers to trade and other payables, borrowings and other liabilities, less cash and cash equivalents.

The gearing ratios as of the reporting date are computed as follows (Korean won in thousands):

	2025	2024
Trade and other payables	₩ 1,549,397,013	₩ 1,240,899,194
Borrowings	2,191,798,954	1,557,902,194
Other liabilities	63,666,018	62,959,578
Less: Cash and cash equivalent	<u>(2,701,205,916)</u>	<u>(2,013,326,032)</u>
Net debt	1,103,656,069	848,434,934
Total equity	<u>9,797,343,883</u>	<u>9,015,854,032</u>
Total capital (Net debt and shareholder's equity)	<u>₩ 10,900,999,952</u>	<u>₩ 9,864,288,966</u>
Gearing ratio	10.12%	8.60%

## 27. Fair value

### 27.1 Fair value of financial instruments

Details of book values and fair values of financial assets and liabilities as of December 31, 2025 and 2024 are as follows (Korean won in thousands):

	2025		2024	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Financial assets at amortised cost				
Cash and cash equivalents	₩ 2,701,205,916	(*1)	₩ 2,013,326,032	(*1)
Trade and other receivables	1,453,203,880	(*1)	1,285,781,657	(*1)
Short-term and long-term loans	9,354,727	(*1)	5,055,934	(*1)
Other financial assets	49,151,014	(*1)	42,551,486	(*1)
Financial assets measured at FVOCI				
Trade and other receivables(*2)	377,375,473	(*1)	158,639,587	(*1)
Listed equity investments	442,268,031	₩ 442,268,031	210,010,678	₩ 210,010,678
Non-listed equity investments	47,584,659	47,584,659	43,911,085	43,911,085
Financial assets measured at FVPL				
Non-listed equity investments	13,718,541	13,718,541	18,484,579	18,484,579
Long-term financial instruments and others	55,000,000	55,000,000	55,000,000	55,000,000
Total financial assets	<u>₩ 5,148,862,241</u>		<u>₩ 3,832,761,038</u>	
Financial liabilities:				
Financial liabilities at amortised cost:				
Trade and other payables	₩ 1,060,558,722	(*1)	₩ 852,273,286	(*1)
Other liabilities	5,549,418	(*1)	4,348,198	(*1)
Short-term borrowings	789,450,990	(*1)	605,480,216	(*1)
Current portion of long-term borrowings	-	(*1)	244,127,399	(*1)
Long-term borrowings	188,444,339	(*1)	-	(*1)
Other financial liabilities:				
Borrowings	1,213,903,625	(*1)	708,294,579	(*1)
Lease liability	85,391,926	(*1)	78,105,272	(*1)
Total financial liabilities	<u>₩ 3,343,299,020</u>		<u>₩ 2,492,628,950</u>	

(\*1) Book value is a reasonable approximation of fair value excluded from the fair value disclosures.

(\*2) The Group transfers some of its accounts receivable to a particular client and transfers most of its risks and compensations, removing them from its consolidated financial statements on the date of transfer and recognizing gains and losses on the disposal of accounts receivable.

### 27.2 Fair value measurement

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

## 27.2 Fair value measurement (cont'd)

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

There have been no other significant transfers between Level 1, Level 2 and Level 3.

## 27.3 Fair value in the consolidated statement of financial position:

As of December 31, 2025 and 2024, the Group held the following assets and liabilities carried at fair value on the consolidated statement of financial position (Korean won in thousands):

	2025			
	Level 1	Level 2	Level 3	Total
Financial assets measured at FVOCI				
Trade and other receivables	₩ -	₩ 377,375,473	₩ -	₩ 377,375,473
Listed equity investment	442,268,031	-	-	442,268,031
Non-listed equity investment	-	-	47,584,659	47,584,659
Financial assets measured at FVPL				
Non-listed equity investments	-	-	13,718,541	13,718,541
Long-term financial instruments and others	-	-	55,000,000	55,000,000
2024				
	Level 1	Level 2	Level 3	Total
Financial assets measured at FVOCI				
Trade and other receivables	₩ -	₩ 158,639,587	₩ -	₩ 158,639,587
Listed equity investment	210,010,678	-	-	210,010,678
Non-listed equity investment	-	-	43,911,085	43,911,085
Financial assets measured at FVPL				
Non-listed equity investments	-	-	18,484,579	18,484,579
Long-term financial instruments and others	-	-	55,000,000	55,000,000

## 27.4 Valuation Techniques and Inputs

(1) The valuation techniques and input variables for assets and liabilities classified as level 3 are as follows (Korean won in thousands)

Classification	Fair value	Valuation technique	2025	
			Input variables	Range of Input variables (weighted average)
Financial assets measured at FVOCI				
Samsung Venture Investment Co., Ltd.	₩ 41,300,820	Discounted Cash flow model	Growth rate Discount rate(WACC)	-1.00%-1.00% (0%) 11.71%-13.71%(12.71%)
IMA	6,160,825	Discounted Cash flow model	Growth rate Discount rate(WACC)	0.00%-1.00% (0.50%) 9.19%-11.19%(10.19%)
SVIC#76	83,014	Net asset value method	Fair value of net asset	-

**Samsung Electro-Mechanics Co., Ltd. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
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**27.4 Valuation Techniques and the Inputs (cont'd)**

Classification	Fair value	Valuation method	2024	
			Input variables	Range of Input variables (weighted average)
Financial assets measured at FVOCI				
Samsung Venture Investment Co., Ltd.	₩ 37,732,860	Discounted Cash flow model	Growth rate Discount rate(WACC)	-1.00%-1.00% (0%) 13.54%-15.54%(14.54%)
IMA	6,138,225	Discounted Cash flow model	Growth rate Discount rate(WACC)	0.00%-1.00% (0.50%) 9.42%-11.42%(10.42%)

(2) Changes in financial instruments classified as level 3 are as follows (Korean won in thousands):

	2025			
	Beginning	Acquisition	Valuation	Ending
Financial assets measured at FVOCI				
Samsung Venture Investment Co., Ltd	₩ 37,732,860	₩	₩ 3,567,960	₩ 41,300,820
IMA	6,138,225		22,600	6,160,825
SVIC#76	-	100,000	(16,986)	83,014

	2024			
	Beginning	Valuation	Ending	
Financial assets measured at FVOCI				
Samsung Venture Investment Co., Ltd.	₩ 33,603,900	₩ 4,128,960	₩ 37,732,860	
IMA	8,122,874	(1,984,649)	6,138,225	

**27.5 Sensitivity analysis of fair value measurement classified as level 3 of the fair value hierarchy**

Sensitivity analysis of financial instrument is based on changes in financial instrument's value accordance with changes in unobservable input variables derived from statistical method

Impact of changes in unobservable input variables are as follows (Korean won in thousands):

	2025			
	Favorable changes		Unfavorable changes	
	gain and loss	Equity	gain and loss	Equity
Financial assets measured at FVOCI(*)	₩ -	₩ 2,228,325	₩ -	₩ (2,657,282)

(\*) Fair value changes of equity securities in Samsung Venture Investment Co., Ltd. were measured by increasing or decreasing of correlation between two main unobservable variable input, the growth rate (-1.00%-1.00%) and discount rate (11.71%-13.71%). Also, the fair value changes of equity securities in IMA were measured by increasing or decreasing of correlation between two main unobservable inputs, the growth rate (0.00%-1.00%) and discount rate (9.19%-11.19%).

**27.5 Sensitivity analysis of fair value measurement classified as level 3 of the fair value hierarchy (cont'd)**

	2024			
	Favorable changes		Unfavorable changes	
	gain and loss	Equity	gain and loss	Equity
Financial assets measured at FVOCI(*)	₩ -	₩ 1,662,644	₩ -	₩ (2,188,054)

(\*) Fair value changes of equity securities in Samsung Venture Investment Co., Ltd. were measured by increasing or decreasing of correlation between two main unobservable variable input, the growth rate (-1.00%-1.00%) and discount rate (13.54%-15.54%). Also, the fair value changes of equity securities in IMA were measured by increasing or decreasing of correlation between two main unobservable inputs, the growth rate (0.00%-1.00%) and discount rate (9.42%-11.42%).

**27.6 Details of gain and losses by categories**

Details of gains and losses arising from financial instruments by categories for the year ended December 31, 2025 are as follows (Korean won in thousands):

	Financial assets at amortised cost	Financial assets measured at FVOCI	Financial assets measured at FVPL	Financial liabilities at amortised cost	Other financial liabilities	Total
Interest income	₩ 72,402,823	₩ -	₩ 61,733	₩ -	₩ -	₩ 72,464,556
Dividend income	-	310,614	-	-	-	310,614
Gain on foreign currency transactions	86,623,388	-	-	124,225,842	-	210,849,230
Gain on foreign currency translation	9,248,899	-	-	23,892,400	20,148,839	53,290,138
Loss on foreign currency transactions	(73,900,391)	-	-	(116,684,992)	-	(190,585,383)
Loss on foreign currency translation	(95,178,496)	-	-	(2,151,189)	(5,372,227)	(102,701,912)
Interest expenses	-	-	-	(32,882,706)	(43,535,032)	(76,417,738)
Loss on disposal of trade receivables	-	(2,917,779)	-	-	-	(2,917,779)
Other bad debt expenses	(20,343)	-	-	-	-	(20,343)
Gain or loss on valuation of financial assets measured at fair value through OCI	-	173,185,109	-	-	-	173,185,109
Gain or loss on valuation of FVPL	-	-	(5,151,194)	-	-	(5,151,194)
Gain or loss on disposal of FVPL	-	-	7,835	-	-	7,835

**Samsung Electro-Mechanics Co., Ltd. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2025 and 2024**

**27.6 Details of gain and losses by categories (cont'd)**

Details of gains and losses arising from financial instruments by categories for the year ended December 31, 2024 are as follows (Korean won in thousands):

	Financial assets at amortised cost	Financial assets measured at FVOCI	Financial assets measured at FVPL	Financial liabilities at amortised cost	Other financial liabilities	Total
Interest income	₩ 71,983,084	₩ -	₩ 22,967	₩ -	₩ -	₩ 72,006,051
Dividend income	-	371,951	-	-	-	371,951
Gain on foreign currency transactions	86,309,145	-	-	117,097,428	-	203,406,573
Gain on foreign currency translation	194,145,229	-	-	2,913,815	2,700,295	199,759,339
Loss on foreign currency transactions	(50,862,016)	-	-	(177,550,035)	-	(228,412,051)
Loss on foreign currency translation	(2,712,154)	-	-	(20,763,350)	(36,123,601)	(59,599,105)
Interest expenses	-	-	-	(40,862,542)	(31,827,774)	(72,690,316)
Loss on disposal of trade receivables	-	(12,373,428)	-	-	-	(12,373,428)
Other bad debt expenses(reversal)	130,000	-	-	-	-	130,000
Loss on disposal of FVOCI	-	(200)	-	-	-	(200)
Gain or loss on valuation of financial assets measured at fair value through OCI	-	49,663,521	-	-	-	49,663,521
Gain or loss on valuation of FVPL	-	-	(4,617,991)	-	-	(4,617,991)
Gain or loss on disposal of FVPL	-	-	(4,655)	-	-	(4,655)

## 28. Discontinued operations

On December 12, 2019, Kunshan Samsung Electro-Mechanics Co., Ltd. decided to discontinue its operations. Accordingly, related assets and liabilities are classified as held for sale, and related gains or losses are classified as profit (loss) from discontinued operation.

The board of Directors of the Group decided to discontinue production and sales of Network modules on September 30, 2024, and the related gains (losses) were classified as profit (loss) from discontinued operations.

The consolidated statements of profit or loss for the years ended December 31, 2025 and 2024, included in the comprehensive income statement, are as follows (Korean won in thousands):

	2025	2024
Sales	₩ 6,401,463	₩ 31,089,590
Cost of sales	6,867,271	27,123,739
Gross profit(loss)	(465,808)	3,965,851
Selling and administrative expenses	785,086	17,313,142
Operating profit(loss)	(1,250,894)	(13,347,291)
Non-operating profit(loss)	(10,684)	54,440,154
Profit(loss) before tax	(1,261,578)	41,092,863
Income tax expense(benefit)	(19,087)	2,827,367
Profit(loss) for the year from discontinued operation after tax	₩ (1,242,491)	₩ 38,265,496
Basic and diluted, profit(loss) for the year from discontinued operations attributable to ordinary shareholders of the parent (Korean won)	₩ (16)	₩ 507
Basic and diluted, profit(loss) for the year from discontinued operations attributable to preferred shareholders of the parent (Korean won)	(16)	507

Cashflows from discontinued operations are as follows (Korean won in thousands):

	2025	2024
Net cash flows from (for) operating activities	₩ 2,881,532	₩ (6,870,800)
Net cash flows from (for) investing activities	577,306	(53,728)
Effects of exchange rate changes on cash and cash equivalents	-	121,622
Net increase (decrease) in cash and cash equivalents	3,458,838	(6,802,906)

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING for Consolidation Purpose**

English Translation of Independent Auditor's Report on Internal Control over Financial Reporting Originally Issued in Korean on February 19, 2026

To the Shareholders and the Board of Directors of Samsung Electro-Mechanics Co., Ltd.

### **Audit Opinion on Internal Control over Financial Reporting for Consolidation Purpose**

We have audited the internal control over financial reporting for consolidation purposes of Samsung Electro-Mechanics Co., Ltd. and its subsidiaries (the "Group") as of December 31, 2025, based on 'Conceptual Framework for Design and Operation of Internal Control over Financial Reporting'.

In our opinion, the Group's internal control over financial reporting for consolidation purposes is designed and operated effectively as of December 31, 2025, in all material respects, in accordance with the 'Conceptual Framework for Design and Operation of Internal Control over Financial Reporting'.

We have also audited, in accordance with the Korean Standards on Auditing ("KSAs"), the consolidated financial statements of the Group, which comprise the consolidated statement of financial position as of December 31, 2025, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, for the year then ended, and notes to the consolidated financial statements, including material accounting policy information, and our report dated February 19, 2026, expressed an unqualified opinion.

### **Basis for Audit Opinion on Internal Control over Financial Reporting for Consolidation Purposes**

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

### **Responsibilities of Management and Those Charged with Governance for the Internal Control over Financial Reporting for Consolidation Purposes**

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

# Deloitte.

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

## **Auditor's Responsibilities for the Audit of the Internal Control over Financial Reporting for Consolidation Purposes**

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

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

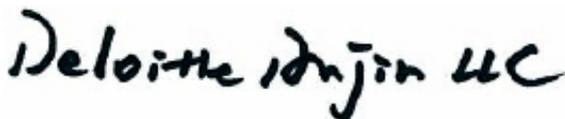
## **Definition and Limitations of Internal Control over Financial Reporting for Consolidation Purposes**

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

Because of its inherent limitations, internal control over financial reporting for consolidation purposes may not prevent or detect material misstatements in the consolidated financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that evaluation of and projections to the future periods may change as internal control over financial reporting becomes inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The engagement partner on the audit resulting in this independent auditor's report is Dong Hwui Ahn.

February 19, 2026



### Notice to Readers

This report is effective as of February 19, 2026, the auditor's report date. Certain subsequent events or circumstances may have occurred between the auditor's report date and the time the auditor's report is read. Such events or circumstances could significantly affect the Group's internal control over financial reporting for consolidation purposes and may result in modifications to the auditor's report.

# Report on the Effectiveness of the Group's Internal Control over Financial Reporting

(English Translation of a Report Originally Issued in Korean)

To the Shareholders and the Board of Directors and  
Audit Committee of Samsung Electro-Mechanics Co., Ltd.

We, as the Chief Executive Officer ("CEO") and the Internal Control over Financial Reporting Officer of Samsung Electro-Mechanics Co., Ltd. and its subsidiaries (the "Group"), assessed the effectiveness of the design and operation of the Group's Internal Control over Financial Reporting ("ICFR") for the year ended December 31, 2025.

The Group's management, including ourselves, is responsible for designing and operating Group's ICFR.

We assessed the design and operating effectiveness of the Group's ICFR in the prevention and detection of an error or fraud which may cause material misstatements in the preparation and disclosure of reliable consolidated financial statements. We designed and operated the Group's ICFR in accordance with Conceptual Framework for Designing and Operating Internal Control over Financial Reporting established by the Operating Committee of Internal Control over Financial Reporting in Korea (the "ICFR Committee"). And, we conducted an evaluation of the Group's ICFR based on 「Enforcement regulations on external audit and accounting」 Appendix 6 'Standards for evaluation and reporting of Internal Control over Financial Reporting'.

Based on the assessment results, we believe that the Group's ICFR, as at December 31, 2025, is designed and operating effectively, in all material respects, in accordance with Conceptual Framework for Designing and Operating Internal Control over Financial Reporting.

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

(Attachment) Internal Control Activities Performed by the Company to Address Fraud Risks Related to Embezzlement and Other Misappropriation of Funds

February 12, 2026

Chang Duckhyun  
Chief Executive Officer

Kim Sungjin  
Internal Control over Financial Reporting Officer

(Attachment) Internal Control Activities Performed by the Company to Address Fraud Risks Related to Embezzlement and Other Misappropriation of Funds

Process	Control Activity	Entity	Test Result
ELC	<Operation of Anti-Fraud Program> Management operates an anonymous whistleblowing channel and anti-fraud monitoring program and regularly communicates its commitment to compliance through company-wide announcements to all employees.	Samsung Electro-Mechanics Co., Ltd. and 9 affiliates	No material weakness was found(ICFR Team, Feb 2026)
	<Fraud Risk Assessment> Management updates identification and assessment of potential fraud risks considering process changes and reflects them in controls.	Samsung Electro-Mechanics Co., Ltd. and 9 affiliates	No material weakness was found(ICFR Team, Feb 2026)
	<Segregation of Duties Management> Management considers segregation of duties and access rights (including restrictions) in designing new or modified transaction-level control activities in accordance with the ICFR guidelines. The dedicated ICFR organization ensures that the segregation-of-duties designed for these controls is kept up to date and appropriately maintained, taking into account changes in business processes.	Samsung Electro-Mechanics Co., Ltd. and 9 affiliates	No material weakness was found(ICFR Team, Feb 2026)
	<Monitoring> Management operates a “continuous monitoring system” that automatically reviews transactions that deviate from normal pattern according to predefined scenarios which may indicate irregular or non-routine activity.	Samsung Electro-Mechanics Co., Ltd. and 9 affiliates	No material weakness was found(ICFR Team, Feb 2026)
Treasury	<Account Registration/Modification> The Head of the Treasury Group reviews and approves reasons for account registration or changes.	Samsung Electro-Mechanics Co., Ltd. and 5 affiliates	No material weakness was found(ICFR Team, May 2025, Aug 2025, Nov 2025, Feb 2026)
	<Account Status Management> The Head of the Treasury Group reviews and approves purpose and closure status of accounts registered in ERP.	Samsung Electro-Mechanics Co., Ltd. and 5 affiliates	No material weakness was found(ICFR Team, May 2025, Aug 2025, Nov 2025, Feb 2026)
	<Account Completeness Review> The Treasury team member performs bank confirmations and subsequently prepares the Headquarters Deposit Status and Overseas Account Deposit Status files (Global Account Reconciliation Report). The authorized approver reviews and approves the completed report.	Samsung Electro-Mechanics Co., Ltd. and 5 affiliates	No material weakness was found(ICFR Team, May 2025, Aug 2025, Nov 2025, Feb 2026)
	<Seal Usage Control> The Head of the Accounting Group restricts physical access to the corporate seal and, after reviewing the purpose of the seal impression and the approval request submitted by the requesting department, records the relevant details in the seal usage log, signs it, and then proceeds with the seal impression.	Samsung Electro-Mechanics Co., Ltd. and 4 affiliates	No material weakness was found(ICFR Team, May 2025, Aug 2025, Nov 2025, Feb 2026)
	<Restriction on Fund Disbursement – Firm Banking> Electronic fund transfers are configured so that payments cannot be processed to any bank account other than those pre-registered in the Vendor Master within the ERP system.	Samsung Electro-Mechanics Co., Ltd. and 5 affiliates	No material weakness was found(ICFR Team, Feb 2026)
	<Review of Funds Disbursement> The Head of the Accounting Group(or the Head of the Treasury Group for foreign currency payments) reviews and approves the payment request after verifying the consistency among the payment approval documents and confirming that key details in the supporting documents—such as the payee identifier and bank account information—are consistent.	Samsung Electro-Mechanics Co., Ltd. and 5 affiliates	No material weakness was found(ICFR Team, May 2025, Aug 2025, Nov 2025, Feb 2026)
	<Segregation in Payment Voucher Approval> Creator and approver for payments are segregated; payment approver and processor for payment journal entries are segregated.	Samsung Electro-Mechanics Co., Ltd. and 5 affiliates	No material weakness was found(ICFR Team, May 2025, Aug 2025, Nov 2025, Feb 2026)
	<Daily Cash In/Out Management> The Head of the Treasury Group reviews whether the ERP balances and transaction details agree with the bank inquiry records. If discrepancies exist, the approver examines the adequacy of the explanations provided and then approves the reconciliation.	Samsung Electro-Mechanics Co., Ltd. and 5 affiliates	No material weakness was found(ICFR Team, May 2025, Aug 2025, Nov 2025, Feb 2026)
Process	Control Activity	Entity	Test Result

Treasury	<Review of Financing> The Head of the Treasury Group reviews and approves the key terms and conditions outlined in the borrowing and bond issuance approval documents. If the transaction requires a resolution of the Board of Directors, the matter is submitted to the Board for approval.	Samsung Electro-Mechanics Co., Ltd. and 5 affiliates	No material weakness was found(ICFR Team, May 2025, Aug 2025, Nov 2025, Feb 2026)
	<Review of Vendor Master Creation/Modification> The Head of the Procurement Group reviews and approves the Vendor Master creation/modification request after verifying that key information—such as the business registration number and address—matches the supporting documents.	Samsung Electro-Mechanics Co., Ltd. and 5 affiliates	No material weakness was found(ICFR Team, May 2025, Aug 2025, Nov 2025, Feb 2026)
Other	<Review of Customer Master Creation/Modification> The Head of the Accounting Group reviews and approves the Customer Master creation/modification request after verifying that key information—such as the business registration number and address—matches the supporting documents.	Samsung Electro-Mechanics Co., Ltd. and 9 affiliates	No material weakness was found(ICFR Team, May 2025, Aug 2025, Nov 2025, Feb 2026)
	<Inventory Physical Count> The Head of the Accounting Group receives the inventory physical count report and reviews it to confirm proper authorization, identify any deficiencies in the count procedures, and assess the appropriateness of the explanations for discrepancies between the physical count results and the pre-count ERP quantities. Based on this review, the approver authorizes the corresponding adjustments in the ERP system.	Samsung Electro-Mechanics Co., Ltd. and 5 affiliates	No material weakness was found(ICFR Team, Aug 2025, Feb 2026)
	<Restriction on Sales Inventory Release> The ERP system is configured so that Sales Orders can be created only for customers registered in the Customer Master.	Samsung Electro-Mechanics Co., Ltd. and 9 affiliates	No material weakness was found(ICFR Team, Feb 2026)