

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

**Consolidated Financial Statements
As of December 31, 2023 and 2022**

(With Independent Auditors' Report Thereon)

LOTTE SHOPPING CO.,LTD.

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Independent Auditors' Report

Based on a report originally issued in Korean

To the Shareholders and Board of Directors of
Lotte Shopping Co., Ltd.

Opinion

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

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

We also have audited, in accordance with Korean Standards on Auditing (KSAs), the Group's Internal Control over Financial Reporting ("ICFR") for consolidation purposes as of December 31, 2023 based on the criteria established in Conceptual Framework for Designing and Operating Internal Control over Financial Reporting issued by the Operating Committee of Internal Control over Financial Reporting in the Republic of Korea, and our report dated March 15, 2024 expressed an unmodified opinion on the effectiveness of the Group's internal control over financial reporting for consolidation purposes.

Basis for Opinion

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

Key Audit Matter

Key audit matter is that matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements as of and for the year ended December 31, 2023. This matter was 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 this matter.

(1) Assessment of goodwill impairment in the consumer electronics retail CGUs.

As described in Note 15 to the consolidated financial statements, as of December 31, 2023, the carrying amount of goodwill in consolidated financial statements is ₩886,961 million and the carrying amount of goodwill of consumer electronics retail segment in the consolidated financial statements is ₩463,738 million, which is 52.3% of total carrying amount of goodwill.

The Group conducts impairment tests by estimating the recoverable amount of CGUs including goodwill once a year and whenever there are indications of impairment. If the recoverable amount of the CGUs is less than the carrying amount, the carrying amount of the CGUs is reduced to the recoverable amount and the decrease is recognized as an impairment loss. Management's judgment is involved in assumptions such as sales growth rate, discount rate, and terminal growth rate that have a significant impact on the estimation of recoverable amount. Considering significant degree of judgment in estimating recoverable amount, we identified assessment of goodwill impairment of consumer electronics retail CGUs as a key audit matter.



Our primary audit procedures to address this key audit matter included the followings.

- We have understood the Group's goodwill impairment test process and assessed the design and operating effectiveness of the management review control related to impairment assessment;
- We compared the forecast estimated in prior year with current year's actual performance to assess the Group's ability to accurately forecast;
- We assessed the competence, qualification and objectivity of external experts engaged by the Group to assess recoverable amount;
- We compared the financial forecast used in the impairment assessment to the business plan approved by management;
- We engaged our valuation specialists to assist us in evaluating discount rate, assumptions and methodology used in the valuation of value-in-use;
- We obtained sensitivity analysis of the discount rate and terminal growth rate which used in the Group's forecasts for future cash flows and assessed how changes in key assumptions would affect the results of valuation and whether there were any indicators for management's bias; and
- We tested the mathematical accuracy of valuation model used by the Group.

Other matter

The procedures and practices utilized in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures



that are appropriate in the circumstances..

- Evaluate the appropriateness of accounting policies used in the preparation of the consolidated financial statements and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG Samjory Accounting Corp.

Seoul, Korea
March 15, 2024

This report is effective as of March 15, 2024, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Consolidated Statements of Financial Position
As of December 31, 2023 and 2022

(In Korean won)	<u>Notes</u>	<u>2023</u>	<u>2022</u>
Assets			
Current assets			
Cash and cash equivalents	6,7,35,41	₩ 1,589,717,984,770	1,800,809,705,742
Trade and other receivables	5,7,40,41	1,004,437,154,315	805,183,467,950
Other financial assets	6,7,23,41	1,392,954,691,989	1,657,441,323,468
Inventories	8	1,269,197,362,458	1,386,063,156,288
Income tax refund receivables	34	10,514,332,841	80,878,162,609
Other non-financial assets	9	129,550,369,176	125,567,443,110
Assets held for sale	10	167,431,223,807	323,570,816,646
		<u>5,563,803,119,356</u>	<u>6,179,514,075,813</u>
Non-current assets			
Trade and other receivables	5,7,40,41	96,107,321,835	100,200,264,439
Investments in associates and joint ventures	11,12	1,502,950,310,211	1,439,010,264,830
Other financial assets	6,7,23,41	1,684,223,027,629	1,848,380,049,705
Property, plant and equipment, net	13,40	15,006,693,253,365	14,325,423,742,352
Right-of-use assets	42	3,633,004,248,992	4,059,086,447,812
Investment property, net	14	1,549,605,624,913	2,071,590,199,293
Goodwill	15	886,960,999,704	886,804,557,650
Intangible assets, net	15	271,810,021,844	253,944,751,840
Defined benefit assets	21	181,240,416,603	261,888,456,786
Deferred tax assets	34	140,121,296,588	96,970,974,210
Other non-financial assets	9	128,179,055,497	180,762,088,340
		<u>25,080,895,577,181</u>	<u>25,524,061,797,257</u>
Total assets		₩ <u>30,644,698,696,537</u>	<u>31,703,575,873,070</u>

See accompanying notes to the consolidated financial statements.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Consolidated Statements of Financial Position, continued
As of December 31, 2023 and 2022

(In Korean won)	Notes	2023	2022
Liabilities			
Current liabilities			
Borrowings and debentures, net of issuance costs	7,17,38,40,41	₩ 5,145,975,765,763	4,894,848,443,231
Trade and other payables	7,16,40,41	2,624,928,137,200	2,566,310,260,103
Other financial liabilities	7,23,41	588,316,201,974	398,857,687,825
Lease liabilities	7,40,42	672,388,913,675	756,903,350,340
Current tax liabilities	34	579,788,425	7,236,536,663
Unearned revenues	18	226,803,111,848	207,553,830,946
Provisions	19	31,234,466,019	40,667,918,446
Other non-financial liabilities	20	1,613,189,659,931	1,628,562,454,687
Liabilities held for sale	10	-	121,645,158,580
		<u>10,903,416,044,835</u>	<u>10,622,585,640,821</u>
Non-current liabilities			
Borrowings and debentures, net of issuance costs	7,17,38,40,41	4,266,225,219,340	4,866,439,908,187
Other payables	7,16,40,41	4,266,030,908	19,454,583,649
Other financial liabilities	7,23,41	84,107,471,459	155,470,722,811
Lease liabilities	7,40,42	4,173,403,498,164	4,623,897,610,671
Defined benefit liabilities and other long-term employee benefits	21	34,040,509,229	32,628,098,887
Deferred tax liabilities	34	184,933,543,951	189,548,681,053
Unearned revenues	18	23,890,971,971	26,694,353,609
Provisions	19	133,965,687,869	131,739,487,380
		<u>8,904,832,932,891</u>	<u>10,045,873,446,247</u>
Total liabilities		<u>19,808,248,977,726</u>	<u>20,668,459,087,068</u>
Equity			
Share Capital	1,24	141,443,775,000	141,443,775,000
Capital Surplus	24	3,574,349,413,965	3,574,349,413,965
Hybrid securities	22	178,660,241,553	169,454,021,553
Capital adjustments	25	(3,019,674,385,605)	(3,019,418,222,294)
Retained earnings	26	8,630,122,588,229	8,641,202,573,997
Accumulated other comprehensive income (loss)	27	(11,380,255,108)	60,622,372,023
Stockholders' equity attributable to owners of the Company		<u>9,493,521,378,034</u>	<u>9,567,653,934,244</u>
Non-controlling interests		<u>1,342,928,340,777</u>	<u>1,467,462,851,758</u>
Total equity		<u>10,836,449,718,811</u>	<u>11,035,116,786,002</u>
Total liabilities and equity		<u>₩ 30,644,698,696,537</u>	<u>31,703,575,873,070</u>

See accompanying notes to the consolidated financial statements.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Loss
For the years ended December 31, 2023 and 2022

(In Korean won)	Notes	2023	2022
Sales	29,37,40	₩ 14,555,863,880,290	15,476,035,656,554
Cost of sales	8,32,40	<u>(7,781,158,641,115)</u>	<u>(8,662,606,266,375)</u>
Gross profit		<u>6,774,705,239,175</u>	<u>6,813,429,390,179</u>
Selling, general and administrative expenses	30,32,40,42	(6,263,902,178,344)	(6,424,519,191,456)
Bad debt expense	30,32	<u>(2,398,329,191)</u>	<u>(2,684,604,113)</u>
Operating profit		<u>508,404,731,640</u>	<u>386,225,594,610</u>
Other income	31,40	181,663,076,883	158,255,691,886
Other expenses	31,40	(334,285,246,831)	(783,081,950,287)
Other bad debt expense (recovery)	31,40	8,731,679,390	(2,848,833,912)
Finance income - Interest income calculated using the effective interest method	33	161,344,494,960	117,380,869,303
Finance income - Others	33	250,813,592,206	225,426,480,608
Finance costs	33	(739,852,713,061)	(798,363,441,370)
Equity method income on instruments in associates and joint ventures	11,12	<u>147,141,129,778</u>	<u>129,663,282,129</u>
Profit (Loss) before income tax		<u>183,960,744,965</u>	<u>(567,342,307,033)</u>
Income tax revenue (expense)	34	<u>(14,780,308,584)</u>	248,649,866,000
Profit (Loss) for the year		<u>169,180,436,381</u>	<u>(318,692,441,033)</u>
Other comprehensive income (loss)			
Items that will never be reclassified to profit or loss			
Fair value gain (loss) through other comprehensive income on equity instruments		(45,362,191,962)	(539,972,751,942)
Remeasurements of net defined benefit liabilities	21	(103,280,920,891)	79,496,575,275
Net changes in equity of equity method investments		(2,971,010,429)	6,302,128,729
Income tax effect		<u>39,810,503,747</u>	<u>153,876,877,647</u>
Total items that will never be reclassified to profit or loss		<u>(111,803,619,535)</u>	<u>(300,297,170,291)</u>
Items that will be subsequently reclassified to profit or loss			
Fair value gain (loss) through other comprehensive income on debt instruments		207,084,539	(184,535,373)
Exchange rate differences on translating foreign operations		(13,698,435,835)	(40,651,741,083)
Gain (loss) on valuations of derivatives	23	(40,863,852,082)	(7,945,025,644)
Net changes in equity of equity method investments		(12,226,732,340)	4,521,531,484
Income tax effect		<u>1,604,840,784</u>	<u>13,870,923,047</u>
Total items that will be subsequently reclassified to profit or loss		<u>(64,977,094,934)</u>	<u>(30,388,847,569)</u>
Other comprehensive income (loss) for the year, net of tax	27	<u>(176,780,714,469)</u>	<u>(330,686,017,860)</u>
Total comprehensive income (loss) for the year		<u>₩ (7,600,278,088)</u>	<u>(649,378,458,893)</u>

See accompanying notes to the consolidated financial statements.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Loss, continued
For the years ended December 31, 2023 and 2022

(In Korean won)	<u>Notes</u>	<u>2023</u>	<u>2022</u>
Profit (loss) attributable to:			
Owners of the Company	₩	174,403,554,447	(324,570,885,303)
Non-controlling interests		<u>(5,223,118,066)</u>	<u>5,878,444,270</u>
		<u>169,180,436,381</u>	<u>(318,692,441,033)</u>
Total comprehensive income (loss) attributable to:			
Owners of the Company		20,820,499,101	(474,546,050,277)
Non-controlling interests		<u>(28,420,777,189)</u>	<u>(174,832,408,616)</u>
	₩	<u>(7,600,278,088)</u>	<u>(649,378,458,893)</u>
Earnings (loss) per share	28		
Basic earnings (loss) per share	₩	5,794	(11,772)
Diluted earnings (loss) per share		5,794	(11,772)

See accompanying notes to the consolidated financial statements.

LOTTE SHOPPING CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended December 31, 2023 and 2022

(In Korean won)	Share capital	Capital Surplus	Hybrid securities	Capital adjustments	Retained earnings	Accumulated other comprehensive income (loss)	Non-controlling interests	Total equity
₩	141,443,775,000	3,574,211,671,439	139,574,341,553	(3,032,430,491,251)	8,996,636,841,881	264,056,073,938	1,713,514,464,376	11,797,006,676,936
Balance at January 1, 2022								
Comprehensive income (loss) for the year:								
Profit (loss) for the year	-	-	-	-	(324,570,885,303)	-	5,878,444,270	(318,692,441,033)
Other comprehensive income (loss):								
Fair value gain (loss) through other comprehensive income on financial instruments	-	-	-	-	(262,871,537)	(184,277,916,602)	(182,888,728,753)	(367,429,516,892)
Exchange rate differences on translating foreign operations	-	-	-	-	-	(23,332,467,871)	(8,012,361,844)	(31,344,829,715)
Gain (loss) on valuations of derivatives	-	-	-	-	-	(6,286,612,824)	184,833,130	(6,101,779,694)
Remeasurements of defined benefit liabilities	-	-	-	-	51,678,537,626	-	9,375,126,790	61,053,664,416
Interest in other comprehensive income (loss) for investments in associates	-	-	-	-	5,118,743,330	7,387,422,904	630,277,791	13,136,444,025
Subtotal	-	-	-	-	56,534,409,419	(206,509,574,393)	(180,710,852,886)	(330,686,017,860)
Total comprehensive income(loss) for the year	-	-	-	-	(268,036,475,884)	(206,509,574,393)	(174,832,408,616)	(649,378,458,893)
Transactions with owners of the company recognized directly in equity:								
Issuance of hybrid securities	-	-	29,879,680,000	-	-	-	-	29,879,680,000
Interest paid of hybrid securities	-	-	-	-	(8,240,000,000)	-	-	(8,240,000,000)
Dividends	-	-	-	-	(79,157,792,000)	-	(68,840,104,975)	(147,997,896,975)
Interest in capital changes for investments in associates	-	137,742,526	-	(3,427,068,729)	-	3,075,872,478	(101,919,863)	(315,373,588)
Subsidiary's paid-in capital increase etc.	-	-	-	16,439,337,686	-	-	(2,277,179,164)	14,162,158,522
₩	141,443,775,000	3,574,349,413,965	169,454,021,553	(3,019,418,222,294)	8,641,202,573,997	60,622,372,023	1,467,462,851,758	11,035,116,786,002
Balance at December 31, 2022								

See accompanying notes to the consolidated financial statements.

LOTTE SHOPPING CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity, continued
For the years ended December 31, 2023 and 2022

(In Korean won)	Share capital	Capital Surplus	Hybrid securities	Capital adjustments	Retained earnings	Accumulated other comprehensive income (loss)	Non-controlling interests	Total equity
₩	141,443,775,000	3,574,349,413,965	169,454,021,553	(3,019,418,222,294)	8,641,202,573,997	60,622,372,023	1,467,462,851,758	11,035,116,786,002
Balance at January 1, 2023								
Comprehensive income (loss) for the year:								
Profit (loss) for the year	-	-	-	-	174,403,554,447	-	(5,223,118,066)	169,180,436,381
Other comprehensive income (loss):								
Fair value gain (loss) through other comprehensive income on financial instruments	-	-	-	-	-	(11,362,645,510)	(17,741,947,949)	(29,104,593,459)
Exchange rate differences on translating foreign operations	-	-	-	-	-	(12,438,447,413)	(1,345,789,281)	(13,784,236,694)
Gain (loss) on valuations of derivatives	-	-	-	-	-	(36,717,977,653)	(3,220,876,883)	(39,938,854,536)
Remeasurements of defined benefit liabilities	-	-	-	-	(78,719,853,318)	-	(922,091,954)	(79,641,945,272)
Interest in other comprehensive income (loss) for investments in associates	-	-	-	-	(2,860,574,897)	(11,483,556,555)	33,046,944	(14,311,084,508)
Subtotal	-	-	-	-	(81,580,428,215)	(72,002,627,131)	(23,197,659,123)	(176,780,714,469)
Total comprehensive income(loss) for the year					92,823,126,232	(72,002,627,131)	(28,420,777,189)	(7,600,278,088)
Transactions with owners of the company recognized directly in equity:								
Issuance of hybrid securities	-	-	149,206,220,000	-	-	-	-	149,206,220,000
Repayment of hybrid securities	-	-	(140,000,000,000)	-	-	-	-	(140,000,000,000)
Interest paid of hybrid securities	-	-	-	-	(10,610,000,000)	-	-	(10,610,000,000)
Dividends	-	-	-	-	(93,293,112,000)	-	(56,225,588,589)	(149,518,700,589)
Changes in the scope of consolidation	-	-	-	-	-	-	(39,991,175,475)	(39,991,175,475)
Interest in capital changes for investments in associates	-	-	-	(181,416,214)	-	-	28,283,175	(153,133,039)
Subsidiary's paid-in capital increase etc.	-	-	-	(74,747,097)	-	-	74,747,097	-
Balance at December 31, 2023	₩	141,443,775,000	3,574,349,413,965	178,660,241,553	(3,019,674,385,605)	8,630,122,588,229	1,342,928,340,777	10,836,449,718,811

See accompanying notes to the consolidated financial statements.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended December 31, 2023 and 2022

(In Korean won)	<u>Notes</u>	<u>2023</u>	<u>2022</u>
Cash flows from operating activities			
Profit (Loss) for the year	₩	169,180,436,381	(318,692,441,033)
Adjustments	35	1,564,731,126,429	2,070,473,447,199
Changes in operating assets and liabilities	35	(137,412,735,440)	(97,986,160,304)
Income tax refunded (paid)		43,314,150,556	(25,956,615,041)
Net cash provided by operating activities		<u>1,639,812,977,926</u>	<u>1,627,838,230,821</u>
Cash flows from investing activities			
Decrease of short-term financial instruments		2,739,176,001,649	2,125,192,688,656
Collection of short-term loans		231,782,667,570	114,782,526,860
Decrease of long-term financial instruments		13,438,076,383	-
Collection of long-term loans		343,350,000	-
Proceeds from sale of debt instruments at fair value through other comprehensive income		388,493,532	703,361,492
Proceeds from sale of equity instruments at fair value through other comprehensive income		-	5,260,107
Proceeds from sale of debt instruments at fair value through profit or loss		6,860,466,086	2,300,429,741
Decrease of leasehold deposits provided		48,457,209,871	67,101,876,197
Proceeds from sale of investments in associates and joint ventures		12,958,715,462	100,162,750,398
Proceeds from disposal of assets held for sale		3,386,086,750	-
Proceeds from disposal of right-of-use assets		19,267,672,382	-
Advances received		32,500,000,000	4,019,235,462
Proceeds from disposal of property, plant and equipment		93,289,629,712	6,274,032,291
Proceeds from disposal of intangible assets		1,246,940,000	3,955,709,426
Collection of lease receivable		35,431,601,926	25,495,856,735
Cash inflows from settlement of derivatives		28,804,315,840	22,364,008,366
Decrease of long-term advance payments		5,439,257,683	-
Cash inflows from purchase/disposal of subsidiaries		6,975,442,428	4,084,719,756
Cash inflows from other investing activities		-	417,252,609
Increase of short-term financial instruments		(2,413,164,989,193)	(1,610,725,878,086)
Increase of long-term financial instruments		(10,000,000,000)	(27,011,692,043)
Increase in short-term loans		(238,220,448,350)	(100,000,000,000)
Increase in long-term loans		(4,844,900,000)	(1,562,800,000)
Purchase of debt instrument at fair value through profit or loss		(14,068,312,805)	(17,110,711,840)
Purchase of equity instruments at fair value through other comprehensive income		(435,200,000)	-
Increase of leasehold deposits provided		(7,720,243,531)	(18,407,785,292)
Purchase of investments in associates and joint ventures		(42,900,000,000)	(636,720,329,900)
Acquisition of property, plant, and equipment		(816,045,561,520)	(556,073,539,459)
Acquisition of intangible assets		(47,225,233,044)	(19,543,500,891)
Acquisition of investment property		(82,503,911,525)	(239,587,367,189)
Increase of advance payments		(40,584,950,000)	-
Increase of long-term prepaid expenses		(41,815,508,360)	(66,401,505,610)
Cash outflows from changes in the scope of consolidation		-	(1,629,432,944)
Interest received		132,430,911,165	83,518,627,590
Dividends received		148,428,735,130	110,940,336,071
Net cash used in investing activities	₩	<u>(198,923,684,759)</u>	<u>(623,455,871,497)</u>

See accompanying notes to the consolidated financial statements.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Consolidated Statements of Cash Flows, continued
For the years ended December 31, 2023 and 2022

(In Korean won)	<u>Notes</u>	<u>2023</u>	<u>2022</u>
Cash flows from financing activities			
Proceeds from short-term borrowings	₩	2,408,860,313,617	1,261,768,415,151
Proceeds from long-term borrowings		1,254,446,461,692	781,570,205,981
Proceeds from issuance of debentures		1,309,704,590,553	946,962,024,673
Increase of leasehold deposits received		33,691,808,239	24,088,303,909
Capital contribution from subsidiaries		69,124,424	165,000,000
Issuance of hybrid securities		149,206,220,000	29,879,680,000
Cash inflows from other financing activities		11,316,109	14,546,006
Repayment of short-term borrowings		(2,046,529,452,926)	(1,213,600,638,059)
Repayment of current portion of long-term borrowing		(1,797,374,783,059)	(1,081,670,680,000)
Repayment of long-term borrowing		(12,300,766,120)	-
Redemption of debentures		(1,501,969,480,000)	(1,091,675,479,451)
Decrease of leasehold deposits received		(20,303,363,917)	(29,504,088,843)
Payment of hybrid securities interest		(10,610,000,000)	(8,240,000,000)
Repayment of lease liabilities		(582,140,398,819)	(595,155,035,984)
Repayment of hybrid securities		(140,000,000,000)	-
Decrease of non-controlling interest liabilities		(18,000,000)	-
Interest paid		(546,133,603,701)	(475,285,142,079)
Dividends paid		(149,518,700,589)	(147,997,896,975)
Net cash used in financing activities		<u>(1,650,908,714,497)</u>	<u>(1,598,680,785,671)</u>
Net decrease in cash and cash equivalents		(210,019,421,330)	(594,298,426,347)
Cash and cash equivalents as at the beginning of the year		1,800,809,705,742	2,398,788,978,689
Effect of exchange rate fluctuation on cash and cash equivalents		(3,673,184,308)	32,987,414,492
Reclassification of disposal group held for sale		2,600,884,666	(36,668,261,092)
Cash and cash equivalents at the end of the year	₩	<u>1,589,717,984,770</u>	<u>1,800,809,705,742</u>

See accompanying notes to the consolidated financial statements.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2023 and 2022

1. General Information of Reporting Entity

(a) Organization and description of the Company

LOTTE SHOPPING CO.,LTD. (the “Company” or the “Parent Company”) was established on July 2, 1970 in the Republic of Korea to engage in retail operations through department stores. The Company’s operations is comprised of 32 department stores (including 2 consignment operation locations), 22 outlet stores, 111 discount stores (including 1 consignment operation location), 185 supermarkets, and 6 shopping malls (including 1 consignment operation location) as of December 31, 2023. The consolidated financial statements are comprised of the interest of the Company, its subsidiaries (together referred to as the “Group”) and the Group’s associates and joint ventures.

The Company’s stock was listed on the Korea Exchange through an initial public offering on February 9, 2006. The shareholders of the Parent Company as of December 31, 2023, are as follows:

<i>(in thousands of Korean won, except number of shares)</i>	Number of shares (in shares)		Amount	Percentage of ownership (%)
Lotte Corporation	11,315,503	₩	56,577,515	40.00
Shin, Dong Bin	2,893,049		14,465,245	10.23
Hotel Lotte Co., Ltd.	2,507,158		12,535,790	8.86
Shin, Young Ja	297,653		1,488,265	1.05
Hotel Lotte Pusan Co., Ltd.	220,326		1,101,630	0.78
Treasury shares	18,115		90,575	0.06
Others	11,036,951		55,184,755	39.02
Total	28,288,755	₩	141,443,775	100.00

(b) Description of subsidiaries

(i) A summary of the subsidiaries of the Company as of December 31, 2023, is as follows:

Subsidiaries	December 31, 2023							
	Location	Main business	Fiscal year end	Capital (in millions of Korean won)	Percentage of ownership (%)			Total
					Parent Company	Subsidiary	Total	
Woori Home Shopping & Television Co., Ltd.	Korea	TV Home-shopping	Dec. 31	₩ 40,000	53.49	-	53.49	
Lotte GFR Co., Ltd.	Korea	Apparel manufacturing and sales	Dec. 31	41,337	99.99	-	99.99	
Lotte Gimhae Development Co., Ltd.	Korea	Building management service	Dec. 31	300	100.00	-	100.00	
Lotte Suwon Station Shopping Town Co., Ltd.	Korea	Real estate development	Dec. 31	100,000	100.00	-	100.00	
CS Mart Co., Ltd.	Korea	Distribution	Dec. 31	6,384	99.95	-	99.95	
LOTTE Himart Co., Ltd. (*1)	Korea	Consumer electronics retail	Dec. 31	118,039	65.25	-	65.25	
Lotte Ulsan Development Co., Ltd.	Korea	Real estate business, real estate lease	Dec. 31	25,200	96.83	-	96.83	
Lotte Cultureworks Co., Ltd. (*2)	Korea	Cinema	Dec. 31	24,366	86.37	-	86.37	

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2023 and 2022

1. General Information of Reporting Entity, continued

(b) Description of subsidiaries, continued

(i) A summary of the subsidiaries of the Company as of December 31, 2023, is as follows:, continued

Subsidiaries	Location	Main business	Fiscal year end	December 31, 2023				
				Capital (in millions of Korean won)	Percentage of ownership (%)			
					Parent Company	Subsidiary	Total	
LOTTE CINEMA VIETNAM CO., LTD.	Vietnam	Cinema	Dec. 31	₩ 33,440	-	90.00	90.00	
Lotte corporate venture fund No. 1	Korea	Investment on new technology	Dec. 31	2,130	18.78	79.81	98.59	
Lotte Homeshopping Innovation Fund No. 1	Korea	Investment on new technology	Dec. 31	8,932	-	98.52	98.52	
LOTTE Shopping Innovation Fund No. 1	Korea	Investment on new technology	Dec. 31	30,000	99.00	-	99.00	
SMART LOTTE SHOPPING INNOVATION FUND	Korea	Investment on new technology	Dec. 31	12,160	69.08	-	69.08	
IMM Heim Coinvestment I Private Equity Fund	Korea	Finance	Dec. 31	352,857	83.71	16.13	99.84	
Heim II Limited	Korea	Finance	Dec. 31	342,900	-	100.00	100.00	
Lotte DMC Development Co., Ltd.	Korea	Real estate business	Dec. 31	5,000	95.00	-	95.00	
LOTTE REIT Co., Ltd. (*3)	Korea	Real estate business	Dec. 31	121,484	50.00	-	50.00	
Lotte Incheon Town Co., Ltd	Korea	Real estate business	Dec. 31	65,000	100.00	-	100.00	
KC-K Contents Investment Association	Korea	Investment on movie production	Dec. 31	7,250	-	96.56	96.56	
LKH 1st., Co., Ltd. (*4)	Korea	Finance	Dec. 31	0	-	-	-	
New Star Gimpo Hangang 1st Co., Ltd. (*4)	Korea	Finance	Dec. 31	0	-	-	-	
KS 1st Co., Ltd. (*4)	Korea	Finance	Dec. 31	0	-	-	-	
JM 1st Co., Ltd. (*4)	Korea	Finance	Dec. 31	0	-	-	-	
Lotte Department Store (Chengdu) Co., Ltd.	China	Distribution	Dec. 31	87,706	100.00	-	100.00	
LOTTE PROPERTIES (CHENGDU) HK LIMITED	Hong Kong	Holding company	Dec. 31	217,888	73.46	-	73.46	
Lotte Properties (Chengdu) Limited	China	Real estate lease	Dec. 31	491,973	-	100.00	100.00	
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD.	Singapore	Holding company	Dec. 31	980,142	100.00	-	100.00	
LOTTE VIETNAM SHOPPING JOINT STOCK COMPANY	Vietnam	Distribution	Dec. 31	420,281	-	99.99	99.99	
PT. LOTTE SHOPPING INDONESIA	Indonesia	Distribution	Dec. 31	56,414	-	80.00	80.00	

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2023 and 2022

1. General Information of Reporting Entity, continued

(b) Description of subsidiaries, continued

(i) A summary of the subsidiaries of the Company as of December 31, 2023, is as follows:, continued

December 31, 2023							
Subsidiaries	Location	Main business	Fiscal year end	Capital (in millions of Korean won)	Percentage of ownership (%)		
					Parent Company	Subsidiary	Total
PT. LOTTE MART INDONESIA	Indonesia	Distribution	Dec. 31	₩ 174,400	-	100.00	100.00
PT. LOTTE Shopping Avenue Indonesia	Indonesia	Distribution	Dec. 31	94,145	-	100.00	100.00
Lotte Shopping India Private Limited	India	Distribution	Dec. 31	18	-	100.00	100.00
LOTTEMART C&C INDIA PRIVATE LIMITED	India	Distribution	Dec. 31	1,092	-	100.00	100.00
Lotte Shopping Plaza Vietnam Co., Ltd.	Vietnam	Distribution	Dec. 31	29,708	-	100.00	100.00
LOTTE E-COMMERCE VIETNAM CO., LTD	Vietnam	Distribution	Dec. 31	29,807	-	100.00	100.00
LOTTE PROPERTIES (HANOI) SINGAPORE PTE. LTD.	Singapore	Holding company	Dec. 31	316,634	90.00	-	90.00
LOTTE PROPERTIES HANOI CO., LTD.	Vietnam	Real estate development	Dec. 31	317,577	-	100.00	100.00

(*1) The Company repaid exchangeable bonds which are exchangeable for shares of LOTTE Himart Co., Ltd. upon maturity during 2023.

(*2) In accordance with the stock repurchase agreement (see Note 38), shares issued to non-controlling shareholders as of December 31, 2019 have been classified as financial liabilities. The legal ownership of the Company on Lotte Cultureworks Co., Ltd., is 86.37%. However, 100% ownership has been applied for the purpose of reporting the consolidated financial statements.

(*3) Although the voting rights of the shares held by the Company do not exceed 50%, the entity has been classified as a subsidiary considering the Company's control in substance. The business year starts on January 1 and ends on June 30, with the subsequent business year starting on July 1 and ending on December 31.

(*4) Although the Company do not hold any shares, the entities have been classified as subsidiaries considering the Company's control in substance in accordance with the fund supplementation agreement (see Note 39).

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2023 and 2022

1. General Information of Reporting Entity, continued

(b) Description of subsidiaries, continued

(ii) A summary of the subsidiaries of the Company as of December 31, 2022, is as follows:

Subsidiaries	Location	Main business	Fiscal year end	December 31, 2022				
				Capital (in millions of Korean won)	Percentage of ownership (%)			
					Parent Company	Subsidiary	Total	
Woori Home Shopping & Television Co., Ltd.	Korea	TV Home-shopping	Dec. 31	₩ 40,000	53.49	-	53.49	
Lotte GFR Co., Ltd.	Korea	Apparel manufacturing and sales	Dec. 31	18,060	99.97	-	99.97	
Lotte Gimhae Development Co., Ltd.	Korea	Building management service	Dec. 31	300	100.00	-	100.00	
Lotte Suwon Station Shopping Town Co., Ltd.	Korea	Real estate development	Dec. 31	100,000	100.00	-	100.00	
CS Mart Co., Ltd.	Korea	Distribution	Dec. 31	6,384	99.95	-	99.95	
LOTTE Himart Co., Ltd. (*1)	Korea	Consumer electronics retail	Dec. 31	118,039	65.25	-	65.25	
Lotte Ulsan Development Co., Ltd.	Korea	Real estate business, real estate lease	Dec. 31	25,200	96.83	-	96.83	
Lotte Cultureworks Co., Ltd. (*2)	Korea	Cinema	Dec. 31	24,366	86.37	-	86.37	
LOTTE CINEMA VIETNAM CO., LTD.	Vietnam	Cinema	Dec. 31	33,440	-	90.00	90.00	
Lotte corporate venture fund No. 1	Korea	Investment on new technology	Dec. 31	2,130	18.78	79.81	98.59	
Lotte Homeshopping Innovation Fund No. 1	Korea	Investment on new technology	Dec. 31	10,150	-	98.52	98.52	
LOTTE Shopping Innovation Fund No. 1	Korea	Investment on new technology	Dec. 31	30,000	99.00	-	99.00	
SMART LOTTE SHOPPING INNOVATION FUND	Korea	Investment on new technology	Dec. 31	12,160	69.08	-	69.08	
IMM Heim Coinvestment I Private Equity Fund	Korea	Finance	Dec. 31	310,000	83.71	16.13	99.84	
Heim II Limited	Korea	Finance	Dec. 31	300,000	-	100.00	100.00	
Lotte DMC Development Co., Ltd.	Korea	Real estate business	Dec. 31	5,000	95.00	-	95.00	
LOTTE REIT Co., Ltd. (*3)	Korea	Real estate business	Dec. 31	121,484	50.00	-	50.00	
Lotte Incheon Town Co.,Ltd	Korea	Real estate business	Dec. 31	65,000	100.00	-	100.00	
KC-K Contents Investment Association	Korea	Investment on movie production	Dec. 31	7,250	-	96.56	96.56	
LKH 1st., Co., Ltd. (*4)	Korea	Finance	Dec. 31	0	-	-	-	
New Star Gimpo Hangang 1st Co., Ltd. (*4)	Korea	Finance	Dec. 31	0	-	-	-	

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2023 and 2022

1. General Information of Reporting Entity, continued

(b) Description of subsidiaries, continued

(ii) A summary of the subsidiaries of the Company as of December 31, 2022, is as follows:, continued

December 31, 2022							
Subsidiaries	Location	Main business	Fiscal year end	Capital (in millions of Korean won)	Percentage of ownership (%)		
					Parent Company	Subsidiary	Total
Lotte Department Store (Shenyang) Co., Ltd.	China	Distribution	Dec. 31	₩ 98,682	100.00	-	100.00
Lotte Department Store (Chengdu) Co., Ltd.	China	Distribution	Dec. 31	83,692	100.00	-	100.00
LOTTE PROPERTIES (CHENGDU) HK LIMITED	Hong Kong	Holding company	Dec. 31	217,888	73.46	-	73.46
Lotte Properties (Chengdu) Limited	China	Real estate lease	Dec. 31	491,973	-	100.00	100.00
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD.	Singapore	Holding company	Dec. 31	871,903	100.00	-	100.00
LOTTE VIETNAM SHOPPING JOINT STOCK COMPANY	Vietnam	Distribution	Dec. 31	312,042	-	99.99	99.99
PT. LOTTE SHOPPING INDONESIA	Indonesia	Distribution	Dec. 31	56,414	-	80.00	80.00
PT. LOTTE MART INDONESIA	Indonesia	Distribution	Dec. 31	132,951	-	100.00	100.00
PT. LOTTE Shopping Avenue Indonesia	Indonesia	Distribution	Dec. 31	94,145	-	100.00	100.00
Lotte Shopping India Private Limited	India	Distribution	Dec. 31	18	-	100.00	100.00
LOTTEMART C&C INDIA PRIVATE LIMITED	India	Distribution	Dec. 31	1,092	-	100.00	100.00
Lotte Shopping Plaza Vietnam Co., Ltd.	Vietnam	Distribution	Dec. 31	29,708	-	100.00	100.00
LOTTE HOTEL & RETAIL VIETNAM PTE. LTD.	Singapore	Holding company	Dec. 31	69,209	20.00	40.00	60.00
Lotte Holdings Hong Kong Ltd.	Hong Kong	Holding company	Dec. 31	36,107	-	100.00	100.00
HAI THANH - LOTTE COMPANY LIMITED	Vietnam	Hotel Business	Dec. 31	51,581	-	70.00	70.00
LOTTE E-COMMERCE VIETNAM CO., LTD	Vietnam	Distribution	Dec. 31	29,807	-	100.00	100.00
LOTTE PROPERTIES (HANOI) SINGAPORE PTE. LTD.	Singapore	Holding company	Dec. 31	316,634	90.00	-	90.00
LOTTE PROPERTIES HANOI CO., LTD.	Vietnam	Real estate development	Dec. 31	317,577	-	100.00	100.00

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2023 and 2022

1. General Information of Reporting Entity, continued

(b) Description of subsidiaries, continued

(ii) A summary of the subsidiaries of the Company as of December 31, 2022, is as follows:, continued

(*1) The Company issued exchangeable bonds which are exchangeable for LOTTE Himart Co., Ltd., common stocks. If exchanged in full, the Company's ownership of LOTTE Himart Co., Ltd. may be reduced from 65.25% to 63.69%, however there is no influence on the controlling ability of the Company over LOTTE Himart Co., Ltd.

(*2) In accordance with the stock repurchase agreement (see Note 38), shares issued to non-controlling shareholders as of December 31, 2019 have been classified as financial liabilities. The legal ownership of the Company on Lotte Cultureworks Co., Ltd., is 86.37%. However, 100% ownership has been applied for the purpose of reporting the consolidated financial statements.

(*3) Although the voting rights of the shares held by the Company do not exceed 50%, the entity has been classified as a subsidiary considering the Company's control in substance. The business year starts on January 1 and ends on June 30, with the subsequent business year starting on July 1 and ending on December 31.

(*4) Although the Company do not hold any shares, the entities have been classified as subsidiaries considering the Company's control in substance in accordance with the fund supplementation agreement (see Note 39).

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2023 and 2022

1. General Information of Reporting Entity, continued

(c) Financial information of significant subsidiaries as of December 31, 2023 and 2022 are summarized as follows:

(i) December 31, 2023

		2023				
<i>(in thousands of Korean won)</i>						
<u>Subsidiaries (*)</u>		<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Sales</u>	<u>Profit (loss) for the year</u>
Woori Home Shopping & Television Co., Ltd.	₩	1,608,297,702	299,290,714	1,309,006,988	941,607,042	50,334,451
Lotte Suwon Station Shopping Town Co., Ltd.		385,506,472	366,292,964	19,213,508	33,157,812	(3,538,026)
CS Mart Co., Ltd.		159,052,978	46,884,304	112,168,674	297,052,546	1,963,169
LOTTE Himart Co., Ltd.		2,370,680,946	1,120,890,822	1,249,790,124	2,610,137,030	(35,368,735)
Lotte Cultureworks Co., Ltd.		882,541,521	798,088,999	84,452,522	517,278,881	(42,898,091)
LOTTE REIT Co., Ltd.		2,313,651,239	1,258,189,832	1,055,461,407	118,079,876	9,043,399
Lotte Incheon Town Co.,Ltd		373,652,314	327,289,834	46,362,480	120,000	(3,324,719)
IMM Heim Coinvestment I Private Equity Fund		101,869,042	1,529,519	100,339,523	-	(76,641,701)
Heim II Limited		443,461,579	346,908,756	96,552,823	-	(74,029,805)
LOTTE PROPERTIES (CHENGDU) HK LIMITED		258,443,986	439,471,580	(181,027,594)	-	(85,945,118)
Lotte Properties (Chengdu) Limited		347,546,726	98,538,102	249,008,624	441,699	(48,344,008)
LOTTE VIETNAM SHOPPING JOINT STOCK COMPANY		494,156,059	249,007,043	245,149,016	362,630,409	11,497,995
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD.		563,871,968	29,223	563,842,745	-	(27,820,732)
PT. LOTTE SHOPPING INDONESIA		331,185,942	216,771,134	114,414,808	888,964,162	11,280,063
PT. LOTTE MART INDONESIA		96,468,298	166,656,276	(70,187,978)	201,631,456	(8,998,791)
LOTTE PROPERTIES (HANOI) SINGAPORE PTE. LTD.		329,983,210	41,811	329,941,399	-	(21,761)
LOTTE PROPERTIES HANOI CO., LTD.		723,576,744	486,903,604	236,673,140	19,726,728	(34,122,423)
LOTTE CINEMA VIETNAM CO., LTD.		73,670,233	253,994,561	(180,324,328)	44,798,170	(10,529,004)
PT. LOTTE Shopping Avenue Indonesia		99,422,171	149,644,347	(50,222,176)	20,208,557	(10,334,082)

(*) This information does not reflect consolidated adjustments such as fair value adjustments and is based on the separate financial statements.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2023 and 2022

1. General Information of Reporting Entity, continued

(c) Financial information of significant subsidiaries as of December 31, 2023 and 2022 are summarized as follows, continued

(ii) December 31, 2022

(in thousands of Korean won)

Subsidiaries (*)	2022				
	Assets	Liabilities	Equity	Sales	Profit (loss) for the year
Woori Home Shopping & Television Co., Ltd.	₩ 1,771,917,840	424,589,754	1,347,328,086	1,077,774,067	74,082,517
Lotte Suwon Station Shopping Town Co., Ltd.	405,433,376	382,597,967	22,835,409	33,241,486	(13,302,025)
CS Mart Co., Ltd.	158,820,066	48,614,561	110,205,505	307,408,335	2,337,795
LOTTE Himart Co., Ltd.	2,464,219,074	1,168,922,512	1,295,296,562	3,336,820,851	(527,891,084)
Lotte Cultureworks Co., Ltd.	963,295,873	832,673,256	130,622,617	458,189,848	(38,427,683)
LOTTE REIT Co., Ltd.	2,363,862,067	1,256,138,684	1,107,723,383	115,399,822	33,143,413
Lotte Incheon Town Co.,Ltd	360,966,000	311,268,072	49,697,928	120,000	(3,402,257)
IMM Heim Coinvestment I Private Equity Fund	135,711,312	1,529,519	134,181,793	-	(175,349,713)
Heim II Limited	470,307,818	342,625,190	127,682,628	-	(165,565,896)
LOTTE PROPERTIES (CHENGDU) HK LIMITED	306,128,071	400,616,851	(94,488,780)	-	(141,869,399)
Lotte Properties (Chengdu) Limited	306,119,319	8,670,056	297,449,263	2,866,630	(93,288,449)
LOTTE VIETNAM SHOPPING JOINT STOCK COMPANY	484,235,981	348,846,665	135,389,316	326,131,314	7,348,032
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD.	476,534,564	26,389	476,508,175	-	(54,312,609)
PT. LOTTE SHOPPING INDONESIA	305,739,130	206,282,078	99,457,052	866,055,960	(41,705,608)
PT. LOTTE MART INDONESIA	93,208,030	192,066,422	(98,858,392)	197,949,006	(13,307,203)
LOTTE PROPERTIES (HANOI) SINGAPORE PTE. LTD.	324,342,123	34,713	324,307,410	-	7,139
LOTTE PROPERTIES HANOI CO., LTD.	530,742,280	228,147,868	302,594,412	-	(5,155,141)
LOTTE CINEMA VIETNAM CO., LTD.	74,392,170	244,340,497	(169,948,327)	39,156,394	(16,298,085)
PT. LOTTE Shopping Avenue Indonesia	112,361,666	151,273,482	(38,911,816)	16,345,523	(6,893,412)

(*) This information does not reflect consolidated adjustments such as fair value adjustments and is based on separate financial statements.

(d) Changes in the scope of consolidation

(i) Entities included in the subject of consolidated financial statements to subsidiaries in 2023 are as follows:

Subsidiaries	Description
KS 1st Co., Ltd.	Newly Incorporated
JM 1st Co., Ltd.	Newly Incorporated

(ii) Entities excluded from subsidiaries in 2023 are as follows:

Subsidiaries	Description
Lotte Department Store (Shenyang) Co., Ltd.	Liquidated
LOTTE HOTEL & RETAIL VIETNAM PTE. LTD.	Reclassified as associates
Lotte Holdings Hong Kong Ltd.	Reclassified as associates
HAI THANH - LOTTE COMPANY LIMITED	Reclassified as associates

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2023 and 2022

1. General Information of Reporting Entity, continued

(e) Non-controlling interests

Financial information relating to each of the Group's subsidiaries that has material non-controlling interest as of December 31, 2023 and 2022 are summarized as follows:

(i) December 31, 2023

(In thousands of Korean won)

Subsidiaries	LOTTE REIT Co., Ltd. (*2)	Woori Home Shopping & Television Co., Ltd. (*1,2)	LOTTE Himart Co., Ltd. (*2)
NCI percentage (*3)	50.00%	46.51%	33.42%
Current assets	₩ 47,216,378	868,695,008	660,763,364
Non-current assets	2,254,891,334	826,440,084	990,647,958
Current liabilities	685,431,754	184,162,051	698,332,509
Non-current liabilities	572,758,078	118,388,731	425,419,996
Net assets	1,043,917,880	1,392,584,310	527,658,817
Carrying amount of NCI	521,958,940	646,291,743	176,672,004
Dividends paid to NCI	30,652,687	23,253,150	2,319,731
Revenue	118,079,876	941,607,042	2,610,137,030
Profit (loss) for the year	9,043,399	47,549,906	(34,274,450)
Total comprehensive income	9,043,399	9,033,754	(37,372,267)
Profit (loss) attributable to NCI	4,521,699	22,113,702	(11,455,237)
Total comprehensive income attributable to NCI	4,521,699	4,201,265	(12,490,592)
Cash flows from operating activities	108,750,853	(44,194,655)	262,651,222
Cash flows from investing activities	(3,450,926)	(6,042,694)	(106,069,538)
Cash flows from financing activities	(119,205,054)	(61,719,992)	(111,894,755)
Effect due to changes in exchange rate	-	(3,005,354)	-
Net increase (decrease) in cash and cash equivalents	₩ (13,905,127)	(114,962,695)	44,686,929

(*1) The financial information for the subsidiaries is based on consolidated financial statements.

(*2) The information of the above subsidiaries has been adjusted to reflect fair value adjustments from business combination and others, but not intercompany transactions.

(*3) The NCI percentage is effective interest.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2023 and 2022

1. General Information of Reporting Entity, continued

(e) Non-controlling interests, continued

(ii) December 31, 2022

(In thousands of Korean won)

<u>Subsidiaries</u>	<u>LOTTE REIT Co., Ltd. (*2)</u>	<u>Woori Home Shopping & Television Co., Ltd. (*1,2)</u>	<u>LOTTE Himart Co., Ltd. (*2)</u>
NCI percentage (*3)	50.00%	46.51%	33.42%
Current assets	₩ 56,708,372	1,106,366,227	658,585,398
Non-current assets	2,295,610,168	769,333,734	1,090,385,309
Current liabilities	1,060,346,004	271,529,985	736,518,829
Non-current liabilities	195,792,680	174,456,827	432,236,701
Net assets	1,096,179,856	1,429,713,149	580,215,177
Carrying amount of NCI	548,089,928	667,517,151	193,792,610
Dividends paid to NCI	39,249,706	21,857,961	7,732,438
Revenue	115,399,822	1,077,774,067	3,336,820,851
Profit (loss) for the year	33,143,413	87,260,210	(67,211,856)
Total comprehensive income	33,143,413	(299,368,505)	(48,246,089)
Profit (loss) attributable to NCI	16,571,707	43,465,917	(22,463,606)
Total comprehensive income attributable to NCI	16,571,707	(136,340,793)	(16,124,850)
Cash flows from operating activities	106,928,012	(16,163,107)	56,516,993
Cash flows from investing activities	14,310,013	267,114,333	(29,536,054)
Cash flows from financing activities	(107,159,792)	(58,635,824)	10,015,945
Effect due to changes in exchange rate	-	9,873,586	-
Net increase (decrease) in cash and cash equivalents	₩ <u>14,078,233</u>	<u>202,188,988</u>	<u>36,996,884</u>

(*1) The financial information for the subsidiaries is based on consolidated financial statements.

(*2) The information of the above subsidiaries has been adjusted to reflect fair value adjustments from business combination and others, but not intercompany transactions.

(*3) The NCI percentage is effective interest.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2023 and 2022

1. General Information of Reporting Entity, continued

(f) Changes in the Company's ownership interest in subsidiaries

The changes in the Company's ownership interest in subsidiaries during the current period due to acquisition of additional shares and paid in capital increases are summarized as follows:

(In thousands of Korean won)

Subsidiaries	Type	Amount	The Parent Company's percentage of ownership		The Parent Company's portion in net assets	
			Before	After	Before	After
IMM Heim Coinvestment I Private Equity Fund	Capital increase	₩ 42,788,571	99.84%	99.84%	₩ 306,008,767	348,797,338
Heim II Limited	Capital increase	42,900,000	100.00%	100.00%	127,682,628	170,582,628
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD.	Capital increase	108,239,040	100.00%	100.00%	486,997,432	595,236,472
LOTTE VIETNAM SHOPPING JOINT STOCK COMPANY	Capital increase	108,239,040	99.99%	99.99%	141,018,016	249,257,056
PT. LOTTE MART INDONESIA	Capital increase	41,449,464	92.20%	92.20%	(103,663,991)	(65,446,991)
Lotte Department Store (Chengdu) Co., Ltd.	Capital increase	4,014,000	100.00%	100.00%	(49,974,034)	(45,960,034)
Lotte GFR Co., Ltd.	Capital increase	39,999,996	99.97%	99.99%	11,011,619	51,007,870

2. Basis of the Accounting

The following are the important accounting policies that have been applied to the preparation of consolidated financial statements. Unless otherwise stated, these policies will continue to be applied during the indicated accounting period.

The consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards (hereinafter referred to as "K-IFRS" or "K-IFRS"). The Korean International Financial Reporting Standards shall mean the contents being endorsed in Korea among the standard documents and interpretation documents announced by the International Accounting Standard Board ("IASB").

(a) Basis of measurement

The consolidated financial statements have been prepared based on historical cost except for the following.

- Specific financial assets and financial liabilities (including derivatives)
- Assets held for sale measured at fair value less costs to sell
- Defined benefit plans and plan assets measured at fair value

(b) Functional and presentation currency

The financial statements of the Parent Company and each subsidiary are prepared in functional currency of the respective operation. The consolidated financial statements are presented in Korean won, the Parent Company's functional currency.

K-IFRS permits the use of significant accounting estimates in preparing the consolidated financial statements and require management to make judgements in applying accounting policies. Refer to Note 4 for details of significant assumptions, estimates and application of complex, high levels of judgement.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2023 and 2022

3. Significant Accounting Policies and Changes in Disclosure

The following are significant accounting policies applied to the preparation of financial statements. These policies will continue to be applied in the period shown, unless otherwise mentioned.

3.1 Amendments and enactments of standards and interpretations applied by the Group

The Group applied the following enacted/amended standards and interpretations for the first time for the annual reporting period commencing on January 1, 2023:

(a) Amendments to K-IFRS 1001, Presentation of Financial Statements - Disclosure of accounting policies

The amendments define and require disclosure of material accounting policy information. The adoption of the amendments does not have a significant impact on the Company's consolidated financial statements.

(b) Amendments to K-IFRS 1001, Presentation of Financial Statements – Disclosure of gains or losses on valuation of financial liabilities subject to exercise price adjustment conditions

The amendments require disclosure of the carrying amount and related gains and losses of financial instruments whose exercise price is subject to change due to the issuer's share price if it has been entirely or partially classified as a financial liability. The adoption of the amendments does not have a significant impact on the Company's consolidated financial statements.

(c) Amendments to K-IFRS 1008, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of accounting estimates

The amendments clarify the definition of a change in accounting estimates and distinguish it from a change in accounting policies. The adoption of the amendments does not have a significant impact on the Company's consolidated financial statements.

(d) Amendments to K-IFRS 1012, Income Taxes - Deferred tax related to assets and liabilities arising from a single transaction

The amendments add to the initial recognition exemption that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The adoption of the amendments does not have a significant impact on the Company's consolidated financial statements.

(e) Amendments to K-IFRS 1117, Insurance Contract

K-IFRS 1117 replaces K-IFRS 1104 Insurance Contracts that was issued in 2005. All cash flows under the insurance contract are estimated, insurance liabilities are measured using a discount rate reflecting the assumptions and risks at the time of reporting, and profits are recognized as accrual by the services (insurance coverage) provided to the contractor every fiscal year. In addition, investment components (refunds due to termination/maturity) repaid to a policyholder even if an insured event does not occur, are excluded from insurance revenue, and insurance financial income or expense and the investment income or expense are presented separately to enable users of the information to understand the sources of income or expenses. The adoption of the amendments does not have a significant impact on the Company's consolidated financial statements.

(f) Amendments to K-IFRS 1012, Income Taxes - International tax reform – Pillar Two model rules

The revised standard temporarily eases the deferred tax accounting treatment resulting from the enactment of the Act that reflects the Pillar Two model rules for reforming international taxation of multinational corporations and requires disclosure of the effects of corporate tax for the reporting period. The Group is currently assessing the impact of the amendments on the consolidated financial statements.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2023 and 2022

3. Significant Accounting Policies and Changes in Disclosure, continued

3.2 Amendments and enactments of standards and interpretations not applied by the Group

The following are amendments to accounting standards and interpretations which have not been adopted the Group as it is not yet effective for the annual reporting period commencing on January 1, 2023:

- (a) Amendments to K-IFRS 1001 Presentation of Financial Statements - Classification of Liabilities as Current/Non-current, Non-current liabilities with covenants

The amendments to K-IFRS 1001 clarify the classification of liabilities as current or non-current based on rights that are in existence at the end of the reporting period, which is unaffected by management's intentions or expectations about whether an entity will exercise its right to defer settlement of a liability. The amendments introduce a definition of settlement to make clear that settlement includes the transfer to the counterparty of the entity's own equity instruments, however, it would be excluded if an option to settle the liability by the transfer of the entity's own equity instruments is recognized separately from the liability as an equity component of a compound financial instrument. In addition, covenants that an entity is required to comply with after the end of the reporting period would not affect classification of a liability as current or non-current at the reporting period. When an entity classifies a liability that is subject to the covenants requiring compliance within twelve months after the reporting period as non-current, the entity shall disclose information in the notes to explain the risk that the liability could become repayable within twelve months after the reporting period. The amendments are applied for annual periods beginning on or after January 1, 2024, with early application permitted. The Group is currently assessing the impact of the amendments on the consolidated financial statements.

- (b) Amendments to K-IFRS 1007, Statement of Cash Flows, and 1107, Financial Instruments: Presentation - Disclosure of information about supplier financing arrangements

The amendments add to the disclosure objectives in K-IFRS 1007, Statement of Cash Flows, that information about supplier financing arrangements should be disclosed to enable users of financial statements to assess the impact of those arrangements on the Company's liabilities and cash flows. The amendments also amend K-IFRS 1107, Financial Instruments: Presentation, to add supplier financing arrangements as an example of a requirement to disclose information about an entity's exposure to liquidity risk. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and include specific transitional provisions for the first annual period in which they are applied. Early application is permitted. The Company is currently assessing the impact of the amendments on the consolidated financial statements.

- (c) Amendments to K-IFRS 1116, Leases - Lease liability in a sale-and leaseback

The amendments add requirements for the subsequent measurement of sale-and-leaseback transactions that are accounted for as sales in accordance with K-IFRS 1115, Revenue from Contracts with Customers. The amendments require the seller-lessee to calculate the 'lease payments' or 'revised lease payments' in a way that does not result in the seller-lessee recognizing any gain or loss for the rights of use that the seller-lessee continues to retain after the lease commences. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early application permitted. The Company is currently assessing the impact of the amendments on the consolidated financial statements.

- (d) Amendments to K-IFRS 1001, Presentation of Financial Statements - Disclosures of crypto assets

The amendments prescribe additional disclosures for holding crypto assets, holding crypto assets on behalf of customers, and issuing crypto assets. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early application permitted. The adoption of the amendments does not have a significant impact on the Company's consolidated financial statements.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2023 and 2022

3. Significant Accounting Policies and Changes in Disclosure, continued

3.3 Basis of Consolidation

The Group has prepared the consolidated financial statements in accordance with K-IFRS 1110 Consolidated Financial Statements

(a) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The Group accounts for business combinations using the acquisition method. The consideration transferred is measured at fair value of acquisition date, and in case of identifiable assets / liabilities / contingent liability being acquired from business combination, it is initially measured at the fair value of acquisition date. The Group judges non-controlling interests, which provide a proportional share of net assets upon the liquidation, on each business combination, and measures with fair value or proportionate share among net assets of the acquiree. Unless required by other standards, other non-controlling interests are measured at fair value. Acquisition costs are recognized as a loss incurred in the reporting period.

Goodwill is measured as the excess amount arising from the difference between the aggregate value of the consideration transferred, the amount of any non-controlling interest (NCI), the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, and the net of the acquisition date fair value of the identifiable assets acquired and liability assumed. When the consideration transferred and other components mentioned above is less than the fair value amount of acquired net assets of subsidiaries, such difference is recognized as profits and losses for the current period.

Any bonds, outstanding liabilities, profit and expense, and unrealized gains, etc. arising from intercompany transactions within the Group is removed. Moreover, the accounting policy of subsidiaries are modified for the consistent application of the accounting policies adopted by the Group, in the case that differences exist.

Transactions with non-controlling interests that do not result in a loss of control are directly recognized as equity attributable to the owner of Parent Company as the difference between the adjustment amount of non-controlling interests and the fair value of consideration paid or received.

When the Group loses control over subsidiaries, the remaining shares are re-measured at fair value at the time of the event and the related difference is recognized as profits and losses for the current period.

(b) Associates

Associates are entities over which the Group has significant influence. Investment in associates are initially recognized at cost when acquired with equity method applied subsequently. Unrealized gains arising from transactions between the Group and its associates is removed according to the proportionate share held by the Group in associates. The equity method shall be discontinued if the Group's interest for the loss of associates equals or exceeds the investment interest in the associates (including the long-term investment interest that forms part of the net investment). However, if the Group has a legal obligation to the associates for additional losses or if the Group is obligated to make payments on behalf of the associates after the Group's interest is reduced to zero (0), only that amount shall be recognized as a loss and liability. Furthermore, if there are any objective indicators of impairment on the investment in associates, the difference between the recoverable amount of the investment and the carrying amount is recognized as an impairment loss. When using the financial statements of the associate to apply the equity method, the Group reviews whether the Group's accounting policies have been applied to the same transactions or events in similar circumstances and adjusts the financial statements of the associate if necessary.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2023 and 2022

3. Significant Accounting Policies and Changes in Disclosure, continued

3.3 Basis of Consolidation, continued

(c) Joint Arrangements

A joint arrangement whereby more than two contract parties own joint control, are categorized as joint operation or joint venture. Co-operators have rights and obligations regarding assets and liabilities of the joint operation, and recognizes its share of assets, liabilities, profits and expenses of the joint operation. Participants of joint ventures have rights to the net assets and the equity method is applied.

3.4 Cash and cash equivalents

The Group classifies investment assets with maturity of less than 3 months from the acquisition date as cash and cash equivalents. Equity investments are excluded from cash equivalents unless they are, in substance, cash equivalents, for example in the case of preferred stocks when it has a short maturity with a specified redemption date.

3.5 Foreign currency translation

(a) Functional and presentation currency

The Group measures the items included in the financial statements of individual entities within the Group by applying the currency in the main economic environment in which each business activity is conducted ("functional currency"). The functional currency of the parent company is Korean won, and the consolidated financial statements are prepared in Korean won.

(b) Foreign currency transaction and translation at the end of the reporting period

Foreign currency transactions are recognized as functional currencies with the exchange rate of the transaction date or, in case of items that are remeasured, the exchange rate of the evaluation date. Transactions made in currencies other than the functional currency (foreign currency) are recorded using the exchange rate of the transaction date. Foreign exchange differences arising from settlement of foreign currency transactions or translation of monetary foreign currency assets and liabilities are recognized in profit or loss. However, the gain or loss on monetary items related to the effective portion of the cash flow hedge or net investment that meets the conditions or that are part of the reporting entity's net investment in the foreign operation is recognized in other comprehensive income.

Foreign exchange differences related to borrowings are recognized in the income statement as financial expenses, whereas other foreign exchange differences are recognized in other income or other expenses.

Foreign exchange differences arising from non-monetary financial assets and liabilities are regarded as part of gain or loss from change in fair value. Foreign exchange differences arising from equity instruments measured at fair value through profit or loss are recognized in profit or loss, and foreign exchange differences arising from equity instruments measured at fair value through other comprehensive income are recognized in other comprehensive income.

3.6 Financial assets

(a) Classification

The Group classifies the financial assets in the following categories.

- ① Financial assets measured at fair value through profit or loss
- ② Financial assets measured at fair value through other comprehensive income
- ③ Financial assets measured at amortized cost

The classification depends on the Group's business model for managing the financial assets and the cash flows characteristics of financial assets according to its contract.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2023 and 2022

3. Significant Accounting Policies and Changes in Disclosure, continued

3.6 Financial assets, continued

(a) Classification, continued

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. Gains and losses from investments in debt instruments are recognized in profit or loss or other comprehensive income depending on the business model in which the investment is held. The Group reclassifies debt investments only when its business model for managing those assets changes.

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

(b) Measurement

At initial recognition, the Group measures a financial asset at fair value. For financial asset not measured at fair value through profit or loss, transaction costs directly attributable to the acquisition is added to its fair value. Transaction costs of financial assets measured at fair value through profit or loss are expensed through profit or loss.

Hybrid (combined) contracts with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(i) Debt instrument

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

- Financial assets measured at amortized cost

Gains and losses on financial assets measured at fair value are recognized in profit or loss or other comprehensive income. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'Finance income' using the effective interest rate method.

- Financial assets measured at fair value through other comprehensive income

Assets that are held for collection of contractual cash flows and for sale, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

- Financial assets measured at fair value through profit or loss

Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the statement of profit or loss within 'Finance income or expenses' in the year in which it arises.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2023 and 2022

3. Significant Accounting Policies and Changes in Disclosure, continued

3.6 Financial assets, continued

(b) Measurement, continued

(ii) Equity instrument

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividend income from such investments is recognized in profit or loss as 'Financial income' when the right to receive payments have been confirmed.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'Finance income or expenses' in the statement of profit or loss. The impairment loss (reversal) on equity instrument measured at fair value through other comprehensive income is not recognized.

(c) Impairment

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

(d) Recognition and derecognition

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

If the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the asset in its entirety and recognizes a financial liability for the consideration received.

(e) Offsetting of financial instruments

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

3.7 Derivatives

Derivatives are initially recognized at fair value and remeasured at fair value subsequently. Changes in the fair value of derivatives that do not meet the application requirements for hedge accounting are recognized in the income statement as 'finance income or finance expenses' depending on the nature of the transaction.

(a) Hedge accounting

The Group holds forward exchange contracts, interest rate swaps, currency swaps and other derivative contracts to manage interest rate risk and foreign exchange risk. The Group designated derivatives as hedging instruments to hedge the risk of changes in the fair value of assets, liabilities, or firm commitments (fair value hedge) and foreign currency risk of highly probable forecasted transactions or firm commitments (cash flow hedge).

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2023 and 2022

3. Significant Accounting Policies and Changes in Disclosure, continued

3.7 Derivatives, continued

(a) Hedge accounting, continued

On initial designation of the hedge, the Group formally documents the relationship between the hedging instruments and hedged items including the risk management objectives and strategy. The document includes risk management methods, related hedged items, commencement of the hedge relationship and the methods used to assess the effectiveness of the hedging instrument at offsetting the change in the fair value or cash flow of the hedged items due to hedging risk during subsequent periods.

(i) Fair value hedge

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profit and loss for the current period. The gain or loss from remeasuring the hedging instrument at fair value for a derivative hedging instrument and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss in the same line item of the consolidated statement of comprehensive income. The Group discontinues fair value hedge accounting if the hedge relationship is not designated or the hedging instrument expires, is sold, terminated, exercised, or the hedge no longer meets the criteria for hedge accounting. Any adjustment arising from gain or loss on the hedged item attributable to the hedged risk is amortized to profits and losses for the current period from the date the hedge accounting is discontinued.

(ii) Cash flow hedge

When a derivative is designated to hedge the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivatives is recognized in other comprehensive income, net of tax, and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivatives is recognized in profits and losses for the current period. If the hedging instrument no longer meets the criteria for hedge accounting, expires, or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss on hedging instrument that has been recognized in other comprehensive income is reclassified to profit or loss in the period during which the forecasted transaction occurs. However, if the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or losses for the current period.

(b) Other derivatives

Changes in the fair value of derivatives, excluding derivatives designated as a hedging instrument which effectively hedge risk, are recognized in profit or loss for the current period.

3.8 Trade receivables

Trade receivables are initially recognized as an amount of unconditional consideration if it does not include a significant financial component when it is recognized at fair value. The trade receivables are subsequently measured by deducting the allowance for doubtful accounts at amortized cost using the effective interest method.

3.9 Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

The cost of inventories is based on the total-weighted average method, moving average method and retail method except for goods-in-transit of which cost is determined by the specific identification method.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2023 and 2022

3. Significant Accounting Policies and Changes in Disclosure, continued

3.9 Inventories, continued

When inventories are sold, the carrying amount is recognized as cost of sales in the period in which the related revenue is recognized. Write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. Reversal of any write-down of inventories, arising from an increase in net realizable value, is deducted from cost of sales for the period in which the reversal occurs.

3.10 Non-current assets held for sale

Non-current assets are classified as held for sale when the carrying amount is primarily recovered through the sale transaction and is highly likely to be sold. Such assets are measured at the lower of the carrying amount and fair value less cost of sales.

3.11 Property, plant and equipment

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

Property, plant and equipment, excluding land, are depreciated over the estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed on a straight-line basis.

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

	<u>Useful lives (years)</u>
Buildings	5 – 50
Structures	7 – 40
Machinery	5 – 30
Tools and equipment	5
Vehicles	5 – 12
Display fixtures	5
Furniture and fixtures	3 – 8
Other property, plant and equipment (“Other PP&E”)	5 – 20

Depreciation methods, useful lives and residual values of property, plant and equipment are reviewed at the end of each reporting date and adjusted, if appropriate, as a change in accounting estimates.

A component of an asset with a cost significant in comparison to the total cost of property, plant and equipment, is depreciated individually.

Gains and losses on disposal of an item of property, plant and equipment are recognized in other non-operating profit or loss as the difference between the proceeds from disposal and the carrying amount of property, plant and equipment.

3.12 Borrowing costs

The borrowing costs incurred to acquire or construct a qualifying asset are capitalized during the period in which the asset is prepared for its intended use. Return on investment from the temporary operation of a special purpose loan to acquire the qualifying asset is deducted from the borrowing costs that are capitalizable during the period. Other borrowing costs are recognized as expenses in the period in which they occur.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2023 and 2022

3. Significant Accounting Policies and Changes in Disclosure, continued

3.13 Intangible assets

The goodwill is measured in the manner described in Note 3.3(a) and is presented at cost less accumulated impairment losses. Intangible assets other than goodwill are initially recognized at historical cost and are presented at cost less accumulated amortization and accumulated impairment losses.

Club membership is not amortized as there is no foreseeable limit to the available period. The following intangible assets with a limited useful life are amortized on a straight-line basis during the estimated useful life.

	<u>Useful lives (years)</u>
Industrial property rights	5
Rights to use facility	5 – 20
Other intangible assets (*)	4 – 10

(*) Among other intangible assets, film copyrights are expensed as cost of sales during the period when the related sales are realized. If uncertainties to the realization of related sales arise, intangible asset impairment losses are recognized.

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

Research and internally generated development cost during the research phase are recognized as an expense when incurred. Development costs are recognized as intangible assets when there is technical feasibility to complete the asset, the company has intention and exerts effort to complete the asset for sale or use, acquisition of required resources are probable, future benefits for the asset is demonstrated and the cost of the asset can be measured reliably. Other development costs are recognized as an expense when incurred.

3.14 Investment property

Property held for the purpose of rentals or benefiting from capital appreciation is classified as investment property. However, if the property held by the Company does not meet the requirements of investment property in accordance with K-IFRS No.1040, it is classified as property, plant and equipment. Whether investment property requirements are met is judged based on the degree of significant exposure to the risk of changes in cash flows arising from property use, and the significant service provision to property users. Investment property is measured at cost at initial recognition, including transaction costs incurred at acquisition, and presented at initial cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of investment property at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will arise and the cost of the item can be measured reliably. The carrying amount related to the item replaced by the subsequent cost is derecognized. The costs of regular repair and maintenance are recognized in profit or loss as incurred.

Investment property, excluding land, are depreciated on a straight-line basis over its estimated useful life between 5 to 50 years. Depreciation methods, useful lives and residual values of the investment property are reviewed at the end of each reporting date and adjusted, if appropriate, as a change in accounting estimates.

3.15 Impairment of non-financial assets

Non-financial assets, other than assets arising from employee benefits, inventories and deferred tax assets, are reviewed at the end of the reporting period for indication of impairment. If any indication exists, the asset's recoverable amount is estimated. Goodwill acquired from business combination, intangible assets that have indefinite useful lives or that are not yet available for use are tested for impairment annually by comparing their recoverable amount to their carrying amount, irrespective of any impairment indication.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2023 and 2022

3. Significant Accounting Policies and Changes in Disclosure, continued

3.15 Impairment of non-financial assets, continued

If the recoverable amount for the individual asset cannot be estimated, assets are grouped together into smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets (“CGU” or Cash Generating Unit). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. The value in use is estimated by applying a discount rate that reflect current market assessments of the time value of money and other risks specific to the asset or CGU for which estimated future cash flows have not been adjusted.

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

Goodwill acquired from a business combination is allocated to each CGU that is expected to benefit from the synergies arising from the business combination. Any impairment identified at the CGU level will first reduce the carrying value of goodwill and then be used to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Impairment loss for goodwill cannot be reversed in subsequent periods. Reversal of impairment losses are only allowed if there has been a change in the estimates used to determine the recoverable amount subsequent to the recognition of the loss after reviewing the assets (except goodwill) for existence of impairment losses recognized in previous periods or indications of decrease in value. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.16 Trade payables and other payables

Trade payables and other payables are liabilities relating to goods or services received before the end of the reporting period that have not been settled. Trade payables and other payables are presented as current liabilities unless the payment due is 12 months after the reporting period. The payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

3.17 Financial liabilities

(a) Classification and measurement

The financial liabilities measured at fair value through profit or loss are financial instruments held for trading. Financial liabilities incurred principally for the purpose of repurchasing in the near term are classified as short-term financial liabilities held for trading. In addition, an embedded derivative separated from a host contract or a derivative that is not designated as effective hedging instrument is classified as a short-term financial liability held for trading. In accordance with stock repurchase agreement (See Note 38.(h)), shares issued to non-controlling shareholders are classified as financial liabilities.

Non-derivative financial liabilities, excluding financial liabilities measured at fair value through profit or loss, financial guarantee contracts, and financial liabilities arising from a transfer of financial assets which do not qualify for derecognition, are classified as financial liabilities measured at amortized cost. It is represented as ‘payables’, ‘borrowings’ or ‘other financial liabilities’, etc. on the statement of financial position.

The preferred stock whose redemption is mandatory at a specific future date is classified as a liability. Along with interest expenses resulting from other financial liabilities, the interest expense incurred from the redemption of the preferred stock using effective interest method is recognized as a finance expense on the statement of comprehensive income.

(b) Derecognition

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

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2023 and 2022

3. Significant Accounting Policies and Changes in Disclosure, continued

3.18 Hybrid (combined) financial instruments

Hybrid (combined) financial instruments issued by the Group is an exchangeable bond that can be converted into an equity instrument at the determination of the holders.

The liability component of the hybrid (combined) financial instrument is initially recognized at the fair value of the financial liability that has the same condition except the right to exchange, and subsequently at amortized cost until the date of conversion or maturity. The equity component is initially recognized as a difference between the fair value of the hybrid (combined) financial instrument and the fair value of the liability component and is not subsequently remeasured. Transaction costs directly related to the issuance of hybrid (combined) financial instruments are allocated proportionately to the initial recognition amount of the liability and equity components.

3.19 Provisions

When the Group has a present legal or constructive obligation as a result of a past event, with a high probability that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation, sales return provisions, recovery provisions, litigation provisions, etc. are recognized. Provisions are measured at the present value of the expected expenditure amount to fulfil the obligation, and the increase in the provision due to passage of time is recognized as interest expenses.

3.20 Current and deferred income taxes

Income tax expense consists of current and deferred income taxes. Income tax directly attributable to other comprehensive income or equity is recognized in the relevant items. Other income tax are recognized in profit or loss.

The current income tax expense is measured based on tax laws enacted or substantially enacted as of the end of the reporting period. The management periodically assesses the tax policies applied by the Group when reporting taxes in situations in which applicable tax code regulations may vary depending on the interpretation. The Group recognizes current tax expenses based on the amount expected to be paid to the tax authorities.

Deferred income tax is recognized as the expected income tax effect of recovering or settling the carrying amount of assets and liabilities for temporary differences between the carrying amount and the tax base. However, deferred tax assets and liabilities arising from the initial recognition of assets and liabilities in transactions other than business combinations are not recognized if the transaction does not affect accounting or taxable income.

Deferred tax assets are recognized when there is a high probability of future taxable income where deductible temporary differences may be used.

Deferred tax liabilities are recognized excluding cases where the timing of reversal for the temporary differences to be added related to investment interests in subsidiaries, associates and joint ventures can be controlled and the temporary differences are highly unlikely to be reversed in the foreseeable future. Furthermore, deferred tax assets are recognized only when the deductible temporary differences arising from such assets are highly likely to be reversed in the foreseeable future and the taxable income is expected to arise where temporary differences can be used.

Deferred tax assets and liabilities are offset when the Group is legally entitled to offset current tax asset and current tax liability, and the deferred tax assets and liabilities are related to income taxes levied by the same taxation authority. The current tax assets and liabilities shall be offset if the Group retains the legal rights to offset, intends to settle the net amount and intends to settle the liability simultaneously upon the realization of the asset.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2023 and 2022

3. Significant Accounting Policies and Changes in Disclosure, continued

3.21 Employee benefits

(a) Retirement benefits

Retirement benefit plan of the Group is classified into defined contribution plan and defined benefit plan.

Defined contribution plan is a retirement pension plan in which the group pays a fixed amount of contributions to a separate fund, which is recognized as an expense when the employees provide employment service.

Defined benefit plan is all retirement pension plans other than the defined contribution plan. Generally, defined benefit plans determine the amount of retirement pension benefits to be paid when employees retire due to factors such as age, service period or salary level. The liabilities accounted for in the statement of financial position in relation to the defined benefit plan are the current value of the defined benefit obligation as of the end of the reporting period less the fair value of the plan assets. The defined benefit obligation is calculated according to the projected unit credit method by an independent actuary every year, and the present value of the defined benefit obligation is calculated by discounting the expected future cash outflow at the interest rate of the high-quality corporate bonds with a similar maturity to the payment date. The rereasurement component related to the net defined benefit liability is recognized in other comprehensive income.

In the event of a plan amendment, reduction or settlement, the gain or loss from past service cost or settlement is recognized in profit or loss.

(b) Short-term employee benefits

Short-term employee benefits which will be settled within 12 months from the end of the reporting period in which the employee provided the service are recognized in profit or loss at the time the service is provided. When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service. If an employee has a legal or constructive obligation to be paid as a result of past service and is able to reliably estimate the amount of debt, the amount expected to be paid as a profit distribution and bonus is recognized as a liability.

(c) Other long-term employee benefits

Other long-term employee benefits include employee benefits that are expected to be settled beyond 12 months after the end of the annual reporting period in which the employees have rendered the related service. The net obligation in respect of long-term employee benefits is the present value of future benefits that employees have earned in return for their service in the current and prior periods. Variables arising from rereasurements are recognized in profit or loss.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2023 and 2022

3. Significant Accounting Policies and Changes in Disclosure, continued

3.22 Revenue recognition

(a) Sales of goods and rendering of services

The Group operates department stores, outlet stores, discount stores, consumer electronic retailers, supermarkets, e-commerce, cinemas, etc. Sales of goods from contracts with customers are generally recognized when the goods are delivered to the customers. Under K-IFRS No.1115, revenue is recognized applying the following five-step process to contracts with customers:

- ① Identify contract with customers
- ② Identify the separate performance obligations
- ③ Determine the transaction price of the contract
- ④ Allocate the transaction price to each of the separate performance obligations, and
- ⑤ Recognize the revenue as each performance obligation is satisfied.

Under K-IFRS No.1115, in the case of certain specific sales where the Group acts as an agent, the Group recognizes net sales, after deducting the cost of specific sales, as revenue upon delivery to customers.

(b) Customer loyalty program

The Group operates customer loyalty programs. The customer can use the accumulated award credits (“points”) for discount for their future purchase of goods or services. The revenue from award credits is recognized when the points are redeemed or expired, and the related contractual liability is recognized until the points are redeemed or expired. The points provide the customers with benefits that they would not otherwise have if there were no contract entered. Accordingly, the obligation related to providing points to customers is a separate performance obligation. Transaction price for each performance obligation is allocated based on stand-alone selling price of goods and points. The management estimates the stand-alone selling price of points based on discounts to be provided when the points are redeemed and the probability of redemption from past experience.

(c) Commissions

When the Group acts as an agent for the principal in a transaction, the net amount of commission equal to the value generated by the Group is recognized as revenue.

(d) Rental income

Rental income from investment property, net of lease incentives granted, is recognized in profit or loss on a straight-line basis over the term of the lease, and other rental income is recognized in profit or loss as a certain proportion of the transaction amount.

(e) Self-sale Construction: apply to Korean Accounting Institute 2017-I-KQA015

Revenue from the self-sale construction is recognized as a progress criterion for contracts that meet the conditions of the 2017-I-KQA015 question and answer by the Korea Accounting Institute. This accounting treatment is effective only for K-IFRS.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2023 and 2022

3. Significant Accounting Policies and Changes in Disclosure, continued

3.23 Leases

(a) Lessor

If the Group is a lessor, the lease income from the operating lease is recognized on a straight-line basis over the lease term. Initial direct costs incurred while entering into the operation lease are added to the carrying amount of the underlying asset and is expensed over the lease term on the same basis as the lease income. Each lease asset is presented on the statement of financial position based on its characteristics.

Furthermore, when the Group subleases the underlying assets to a third party, the Group judges whether the lease is a finance lease or not based on the right-of-use assets of the main lease.

(b) Lessee

The Group leases multiple offices, warehouses, retail stores, equipment and vehicles. Lease contracts are generally for a fixed period, but there may be extension and termination options as described in (ii) below.

Lease terms are negotiated individually and include various terms and conditions. There are no other restrictions imposed under the lease agreements, but the leased asset cannot be provided as collateral for a loan.

The Group recognizes the right-of-use assets and its corresponding liability at the commencement of the lease on which the leased asset becomes available for use.

Assets and liabilities arising from leases are initially measured at present value. The lease liability includes the net present value of the following lease payments:

- i. Fixed lease payments (including in-substance fixed lease payment) less lease incentives to be received
- ii. Variable lease payments initially measured using indexes or rates at the commencement date
- iii. Expected payments to be made by the Group (lessee) according to the residual value guarantee
- iv. Exercise price of the purchase option if it is reasonably certain that the Group (lessee) will exercise the purchase option
- v. Amount paid to terminate the lease if the lease period reflects the exercise of the option to terminate the lease by the Group (lessee)

Furthermore, the measurement of lease liabilities includes lease payments to be made under the extension option which are reasonably certain.

The lease payment shall be discounted using the implicit interest rate of the lease if the calculation of the rate is simple. If not, the lessee shall use the lessee's incremental borrowing rate, which is the interest rate applied to borrow the funds necessary to acquire an asset of similar value as a right-of-use asset with similar collateral over a similar economic period.

The Group calculates the incremental borrowing rate as follows:

- i. If possible, changes in financial position after receiving third-party financing at the latest third-party financing interest rate received by individual lessees are reflected
- ii. For leases held by subsidiaries that have not recently received third-party financing, an upward approach is used to adjust credit risk to risk-free interest rates
- iii. Interest rates based on market-observed credit ratings are reflected

The Group is exposed to a potential future increase in variable lease payments which are not included in the lease liability until the index or rate is valid for variable lease payments subject to such index or rate. Lease liability is re-evaluated and right-of-use asset is adjusted when the adjustment amount of the lease payment subject to indexes or rates is valid.

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Notes to the Consolidated Financial Statements

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3. Significant Accounting Policies and Changes in Disclosure, continued

3.23 Leases, continued

(b) Lessee, continued

Each lease payment is allocated according to the repayment of the lease liability and the finance expenses. Finance expenses shall be recognized in profit or loss over the lease term to the amount calculated to yield an interest for a fixed period on the lease liability balance for each period.

Right-of-use assets are measured at cost including the following amounts.

- i. Initial measurement amount of the lease liability
- ii. Lease payments made on or before lease commencement date less lease incentive received
- iii. Lessee's direct cost of opening a lease
- iv. Estimated cost of restoration

Right-of-use assets are depreciated over the period from the commencement of the lease to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term. If it is reasonably certain that the Group will exercise the purchase option, right-of-use assets are depreciated over the useful life of the underlying asset. The assets are reviewed for the indication of impairment at the end of each reporting period, and if indication of impairment exists, the recoverable amount for those assets is estimated.

Recoverable amount is estimated by individual asset, or by its cash generating unit to which the asset belongs if the recoverable amount of individual asset cannot be estimated. The recoverable amount is determined to be the higher of the value in use and fair value less cost of disposal. Value in use is estimated by discounting the future cash flows expected to be generated by the asset or cash-generating unit at an appropriate discount rate that reflects the time value of money and the current market assessment of the specific risks of an asset which are not adjusted when estimating future cash flow.

Short-term leases for equipment and vehicles and lease payments related to all low value leases are recognized in profit or loss on a straight-line basis. Short-term lease is a lease with a lease term of 12 months or less, and low value lease assets consist of IT devices and low value office furniture.

(i) Variable lease payments

Some property leases include variable lease payment terms that subject to changes in indexes or rates, such as sales links generated by stores and the consumer price index. Individual stores may be subject to variable lease payment terms up to 100% of their lease payments. Variable lease payment terms are used for a variety of reasons, including minimizing the fixed cost of new stores. Variable lease payments linked to sales shall be recognized in profit or loss in the period in which the conditions for variability have occurred.

(ii) Extension option and termination option

There are multiple lease contracts, including property, of the Group which include extension and termination options. These conditions are used to maximize operational flexibility in terms of contract management.

3.24 Finance income and finance costs

Finance income includes interest income on funds invested (including financial instruments at fair value through profit or loss), dividend income and changes in the fair value of financial instruments at fair value through profit or loss and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established.

Finance cost includes interest expense on borrowings, changes in the fair value of financial assets recognized through profit or loss and impairment losses on hedging instruments recognized in profit or loss. Interest on borrowings is recognized in profit or loss using the effective interest method over the applied period.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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3. Significant Accounting Policies and Changes in Disclosure, continued

3.25 Operating segments

The Group divides segments based on internal reporting data periodically reviewed by the chief operating decision maker to make decisions on the resources to be allocated to and evaluate the performance of such segments. As explained in Note 37, the Group divides its operating segments into department stores, discount stores, consumer electronic retailers, TV home shopping, supermarkets, cinema, e-commerce and others.

3.26 Emission rights

The Group accounts for greenhouse gas emission rights and the related liability as below pursuant to the Act on Allocation and Trading of Greenhouse Gas Emission.

(i) Greenhouse gas emission right

Greenhouse gas emission rights consist of emission allowances allocated from the government free of charge and allowances purchased from the market. The cost includes any directly attributable costs incurred during the normal course of business.

Emission rights held for the purpose of executing obligations are classified as an intangible asset, initially measured at cost and are carried at cost less accumulated impairment losses after initial recognition. Emission rights held for short-term profits are classified as current asset, measured at fair value with any changes in fair value recognized as profit or loss in the respective reporting period. The Group derecognizes an emission right asset when the emission allowance is unusable, disposed of or submitted to government in which future economic benefits are no longer expected to be realized.

(ii) Emission liability

Emission liability is a present obligation of submitting emission rights to the government regarding emission of greenhouse gas. Emission liability is recognized when outflow of resources in performing the obligation is probable and the costs required to perform the obligation can be reliably estimated. Emission liability is the carrying amount of emission rights held by the Company to be submitted to the government for the performing period and the expenses expected to be incurred in complying with the obligations for emissions exceeding the quantity of emission rights held. Emission liabilities are removed upon submission to the government.

3.27 Government Grants

Grants from the government are recognized at fair value when there is reasonable assurance that the grant will be received and related conditions will be complied with. Government grants related to assets are presented in the statement of financial position as a deduction to the carrying amount of the asset. Grants related to profits are deferred as a deduction to expenses related to the purpose of the grant or as deferred revenue whereby recognition is made to 'other revenue' on a systematic basis over the period of the useful life of each associated asset and the costs to be subsidized by the government.

3.28 Authorization of financial statements

The consolidated financial statements have been authorized through the board of directors meeting held on March 6, 2024 and may be modified subsequent to the shareholders' meeting.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

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4. Significant Accounting Estimates and Assumptions

The preparation of financial statements requires assumptions and estimates of the future with management's judgment required to apply the accounting policies of the Group. Estimates and assumptions are continuously evaluated and are made in consideration of reasonably foreseeable future events taking in account past experience and current circumstances. The results of an accounting estimate will rarely be consistent as the actual results, posing a significant risk of material adjustments.

Estimates and assumptions regarding management's judgment and significant risks that may affect the adjustment of the carrying amount of assets and liabilities in the following fiscal year are as follows. Additional information about significant judgement and estimation of some items is included in the individual notes.

(a) Impairment of non-financial assets

The recoverable amount of the cash generating unit for the impairment assessment of assets held, such as right-of-use assets and goodwill, is determined based on the calculation of value in use and net fair value (see Note 13 and 15).

(b) Income taxes

The income tax on taxable income of the Group is determined by applying tax laws and judgment of taxation authorities in various countries. Therefore, uncertainty exists in determining the final tax effect (see Note 34).

The Group levies additional income taxes calculated according to the method provided by the tax law when certain amount of taxable income is not used for investment, wage increase, etc. for a specific period. Therefore, corresponding tax effects should be reflected when measuring current and deferred taxes. As a result, uncertainty exists in determining the final tax effect since the income tax levied on the Group varies on the level of investment and wage increase of each year.

(c) Fair value of financial instruments

In principle, the fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group makes judgment on the selection and assumptions of various valuation techniques based on important market conditions as of the end of the reporting period (see Note 7).

(d) Impairment of financial assets

The loss allowance for financial assets is measured based on assumptions about default risk and expected loss rates. The Group makes judgment for the application of these assumptions and the selection of input variables used for impairment models in consideration of the Group's experience, current market conditions and future forecast information as of the financial reporting date (see Note 5 and 41).

(e) Net defined benefit liability

The present value of the net defined benefit liability is affected by various factors determined by actuarial methods, especially changes in discount rates (see Note 21).

(f) Revenue recognition

The Group recognizes the refund liabilities and the right to the goods for the products expected to be returned by the customers after the sale. Based on experience accumulated at the portfolio level at the time of sale, the return rate is forecasted by the expected value method. The Group's revenue is affected by the estimated changes in the expected return rate.

(g) Provision for restoration cost

The Group considers past restoration experiences and current market restoration costs in determining the timing and amount of outflow of resources used as a variable in the measurement of provision for restoration costs.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

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4. Significant Accounting Estimates and Assumptions, continued

(h) Provision for restructuring cost

The Group recognizes restructuring provision when a detailed formal restructuring plan has been approved and the Group has raised a valid expectation in those affected that the plan will be implemented – either by starting to implement the plan or announcing its main features to those affected.

(i) Leases

In determining the lease term, management considers all relevant facts and circumstances which may initiate economic incentive to exercise the extension option or to not exercise the termination option. The duration of the extension option (or the duration of the termination option) is included in the lease term only if it is reasonably certain that the extension option will be exercised (or termination option not exercised).

Factors related to the exercise of the extension or termination option are as follows:

- i. If a payment of a significant penalty for terminating (not extending) is required, it is generally reasonably certain that the Group exercises the extension option (not exercise the termination option).
- ii. If the lease improvement is expected to have significant residual value, it is generally reasonably certain that the Group exercises the extension option (not exercise the termination option).
- iii. Other than the above, the Group considers other factors including the term and cost of the past lease and business disruptions expected to replace the leased asset.

The lease term is re-evaluated if the option is exercised (or not exercised) or if the Group bears the obligation to exercise (or not exercise) the option. The Group changes its judgment whether the exercise of extension option (or not) is reasonably certain only in circumstances that significant events or change of situation, that are within the scope of the lessee's control and which affect the determination of the lease term, occur.

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5. Trade and Other Receivables

(a) Trade and other receivables as of December 31, 2023 are as follows:

(in thousands of Korean won)

		Trade receivables	Other receivables	Lease receivables	Total
Current:					
Total carrying amount	₩	652,879,250	357,623,947	22,502,298	1,033,005,495
Reduction: allowance for doubtful accounts		(8,025,052)	(20,240,576)	(302,713)	(28,568,341)
Net carrying amount		<u>644,854,198</u>	<u>337,383,371</u>	<u>22,199,585</u>	<u>1,004,437,154</u>
Non-current:					
Total carrying amount		8,496,562	17,006,344	71,047,608	96,550,514
Reduction: allowance for doubtful accounts		-	(121,462)	(321,730)	(443,192)
Net carrying amount	₩	<u>8,496,562</u>	<u>16,884,882</u>	<u>70,725,878</u>	<u>96,107,322</u>

(b) Trade and other receivables as of December 31, 2022 are as follows:

(in thousands of Korean won)

		Trade receivables	Other receivables	Lease receivables	Total
Current:					
Total carrying amount	₩	565,807,586	250,683,879	26,265,753	842,757,218
Reduction: allowance for doubtful accounts		(9,005,704)	(28,373,603)	(194,443)	(37,573,750)
Net carrying amount		<u>556,801,882</u>	<u>222,310,276</u>	<u>26,071,310</u>	<u>805,183,468</u>
Non-current:					
Total carrying amount		1,988,179	20,515,133	78,892,984	101,396,296
Reduction: allowance for doubtful accounts		-	(504,106)	(691,925)	(1,196,031)
Net carrying amount	₩	<u>1,988,179</u>	<u>20,011,027</u>	<u>78,201,059</u>	<u>100,200,265</u>

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6. Restricted Deposits

Restricted deposits included in short-term and long-term financial instruments as of December 31, 2023 and 2022 are as follows:

(in thousands of Korean won)

Account	Description	Depository	2023	2022	Details
Cash and cash equivalents	Ordinary deposit	INDUSTRIAL BANK OF KOREA and others	₩ 538,671	300,471	Reserved for e-finance business
	Ordinary deposit	INDUSTRIAL BANK OF KOREA and others	7,028,488	2,336,657	Pledged assets, etc.
Other financial assets (current)	Special deposits	INDUSTRIAL BANK OF KOREA and others	230,800,000	238,319,000	Deposits for mutually beneficial cooperation fund, etc.
Other financial assets (non-current)	Ordinary deposit	Shinhan Bank and others	2,487,925	9,005,392	Pledged assets, etc.
	Other comprehensive income - Fair value	Busan city hall	10,865,095	9,891,193	Payment guarantee
			₩ <u>251,720,179</u>	<u>259,852,713</u>	

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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As of December 31, 2023 and 2022

7. Fair Value of Financial Instruments

(a) Carrying amount and fair value of financial assets as of December 31, 2023 and 2022 are summarized as follows:

<i>(in thousands of Korean won)</i>		<u>2023</u>	<u>2022</u>
Financial assets measured at fair value (*1):			
Fair value through profit or loss	Current assets:		
	Short-term financial instruments	₩ 230,500,000	238,000,000
	Current debt instruments	2,200,001	1,676,021
	Non-current assets:		
	Long-term financial instruments	10,583,849	20,024,460
	Non-current debt instruments	50,446,241	57,791,574
	Non-current derivatives assets held for trading	17,580,849	22,922,048
	Subtotal	<u>311,310,940</u>	<u>340,414,103</u>
Fair value through other comprehensive income	Current assets:		
	Current debt instruments	682,603	378,617
	Non-current assets:		
	Equity instruments	494,333,931	532,686,151
	Non-current debt instruments	4,181,376	4,643,268
Subtotal	<u>499,197,910</u>	<u>537,708,036</u>	
Derivatives assets	Current derivatives assets held for hedging	56,804,369	31,787,251
	Non-current derivatives assets held for hedging	8,552,019	49,514,169
	Subtotal	<u>65,356,388</u>	<u>81,301,420</u>
Financial assets not being measured at fair value:			
Financial assets at amortized cost (*2)	Current assets:		
	Cash and cash equivalents	1,589,717,985	1,800,809,706
	Trade and other receivables	1,004,437,154	805,183,468
	Short-term financial instruments	773,071,119	1,069,448,336
	Short-term loans	235,885,810	229,457,322
	Accrued income	10,759,755	9,413,818
	Current portion of lease deposits	83,051,035	77,279,958
	Non-current assets:		
	Long-term financial instruments	2,491,425	8,811,279
	Long-term loans	3,983,477	2,425,806
	Long-term accrued income	102,883	248,918
	Lease deposits	1,091,966,978	1,149,312,377
	Long-term trade and other receivables	96,107,322	100,200,264
	Subtotal	<u>4,891,574,943</u>	<u>5,252,591,252</u>
Total financial assets	<u>₩ 5,767,440,181</u>	<u>6,212,014,811</u>	

(*1) Marketable financial assets traded in the active market are measured at fair value based on the market prices at the end of the reporting period. Non-marketable financial assets that do not have a quoted market price in an active market are measured at fair value based on valuation of external appraiser at the end of the reporting period.

(*2) Differences between fair value and carrying amount of financial assets at amortized cost are immaterial.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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7. Fair Value of Financial Instruments, continued

(b) Other financial assets as of December 31, 2023 and 2022 are summarized as follows:

(in thousands of Korean won)

		<u>2023</u>	<u>2022</u>
Current:			
Short-term financial instruments	₩	1,003,571,119	1,307,448,336
Short-term loans		235,885,810	229,457,322
Accrued income		10,759,755	9,413,818
Current portion of lease deposits		83,051,035	77,279,958
Current debt instruments		2,882,604	2,054,638
Current derivatives assets held for hedging		56,804,369	31,787,251
Total		<u>1,392,954,692</u>	<u>1,657,441,323</u>
Non-current:			
Long-term financial instruments		13,075,274	28,835,739
Long-term loans		3,983,477	2,425,806
Long-term accrued income		102,883	248,918
Lease deposits		1,091,966,978	1,149,312,377
Non-current debt instruments		54,627,617	62,434,842
Non-current equity instruments		494,333,931	532,686,151
Non-current derivatives assets held for trading		17,580,849	22,922,048
Non-current derivatives assets held for hedging		8,552,019	49,514,169
Total	₩	<u>1,684,223,028</u>	<u>1,848,380,050</u>

(c) Financial assets at fair value through other comprehensive income as of December 31, 2023 and 2022 are summarized as follows:

(in thousands of Korean won, except number of shares)

			<u>2023</u>		<u>2022</u>
	<u>Number of shares (in shares)</u>	<u>Percentage of ownership</u>	<u>Acquisition cost</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Marketable equity instruments measured at fair value through other comprehensive income:					
BNK Financial Group Inc.	8,543,826	2.65%	₩ 56,179,407	61,002,918	55,534,869
Shinhan Financial Group Co., Ltd.	311,118	0.06%	2,247,354	12,491,388	10,951,354
momo.com Inc.	19,032,024	7.92%	1,259,429	406,672,863	458,418,133
Others	-	-	10,996,182	5,856,761	2,779,160
Subtotal			<u>70,682,372</u>	<u>486,023,930</u>	<u>527,683,516</u>
Non-marketable equity instruments measured at fair value through other comprehensive income:					
Rael	58,548	0.49%	567,950	1,574,707	1,680,093
PT. Lotte Capital Indonesia	250,000	15.63%	2,090,000	3,172,118	2,737,150
Others	-	-	127,698,664	3,563,176	585,392
Subtotal			<u>130,356,614</u>	<u>8,310,001</u>	<u>5,002,635</u>
Debt instruments measured at fair value through other comprehensive income:					
National housing bond	-	-	4,867,220	4,863,979	5,021,886
Total			<u>₩ 205,906,206</u>	<u>499,197,910</u>	<u>537,708,037</u>

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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7. Fair Value of Financial Instruments, continued

(d) Carrying amount and fair value of financial liabilities as of December 31, 2023 and 2022 are summarized as follows:

<i>(in thousands of Korean won)</i>		2023	2022
Financial liabilities measured at fair value:			
Fair value through profit or loss	Current financial liabilities	₩ 44,418,121	-
	Non-current financial liabilities	-	41,812,073
	Subtotal	<u>44,418,121</u>	<u>41,812,073</u>
Derivatives liabilities	Current derivatives liabilities held for hedging	664,209	2,412,613
	Non-current derivatives liabilities held for hedging	36,512,616	16,101,169
	Subtotal	<u>37,176,825</u>	<u>18,513,782</u>
Financial liabilities not being measured at fair value:			
Financial liabilities at amortized cost (*)			
Fair value through profit or loss	Current:		
	Trade payables and other payables	2,624,928,138	2,566,310,260
	Short-term borrowings	1,970,384,377	1,579,073,219
	Current portion of long-term borrowings	1,333,384,069	1,810,439,773
	Short-term debentures	9,990,314	199,988,670
	Current portion of long-term debentures	1,832,217,006	1,305,346,781
	Accrued expenses	329,418,697	229,434,482
	Current portion of rental deposits	213,787,621	164,187,513
	Others	-	633,650
	Non-current:		
	Other payables	4,266,031	19,454,584
	Long-term borrowings	1,648,014,467	1,715,884,660
	Long-term debentures	2,618,210,752	3,150,555,248
	Rental deposits	36,677,044	82,435,597
	Others	10,917,811	15,121,883
Subtotal	<u>12,632,196,327</u>	<u>12,838,866,320</u>	
Other financial liabilities	Current Lease liabilities	672,388,914	756,903,350
	Non-current lease liabilities	4,173,403,498	4,623,897,612
	Financial guarantee liabilities	27,554	2,189,430
Subtotal	<u>4,845,819,966</u>	<u>5,382,990,392</u>	
Total financial liabilities	₩	<u>17,559,611,239</u>	<u>18,282,182,567</u>

(*) Differences between fair value and carrying amount of financial liabilities at amortized cost are immaterial.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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As of December 31, 2023 and 2022

7. Fair Value of Financial Instruments, continued

(e) Other financial liabilities as of December 31, 2023 and 2022 are summarized as follows:

<i>(in thousands of Korean won)</i>		<u>2023</u>	<u>2022</u>
Current:			
Accrued expenses	₩	329,418,697	229,434,482
Current portion of rental deposits		213,787,621	164,187,513
Current derivatives liabilities held for hedging		664,209	2,412,613
Current financial liabilities		44,418,121	-
Others		27,554	2,823,080
Total	₩	<u>588,316,202</u>	<u>398,857,688</u>
Non-current:			
Rental deposits	₩	36,677,044	82,435,597
Non-current derivatives liabilities held for hedging		36,512,616	16,101,169
Non-current financial liabilities		-	41,812,073
Others		10,917,811	15,121,883
Total	₩	<u>84,107,471</u>	<u>155,470,722</u>

(f) Fair value hierarchy

Fair values are categorized into different levels in a fair value hierarchy based on the variables used in the valuation techniques as follows:

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

The fair value measurements of financial instruments that are measured at fair value, classified by fair value hierarchy as of December 31, 2023 and 2022 are as follows:

(i) December 31, 2023

<i>(in thousands of Korean won)</i>		<u>2023</u>			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit or loss	₩	-	-	311,310,940	311,310,940
Financial assets at fair value through other comprehensive income		486,023,930	4,863,979	8,310,001	499,197,910
Derivatives assets held for hedging		-	65,356,388	-	65,356,388
Total		<u>486,023,930</u>	<u>70,220,367</u>	<u>319,620,941</u>	<u>875,865,238</u>
Financial liabilities at fair value through profit or loss		-	-	44,418,121	44,418,121
Derivatives liabilities held for hedging		-	37,176,825	-	37,176,825
Total	₩	<u>-</u>	<u>37,176,825</u>	<u>44,418,121</u>	<u>81,594,946</u>

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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As of December 31, 2023 and 2022

7. Fair Value of Financial Instruments, continued

(f) Fair value hierarchy, continued

(ii) December 31, 2022

(in thousands of Korean won)

	2022			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	₩ 5,404,000	-	335,010,103	340,414,103
Financial assets at fair value through other comprehensive income	527,683,516	5,021,885	5,002,635	537,708,036
Derivatives assets held for hedging	-	81,301,420	-	81,301,420
Total	<u>533,087,516</u>	<u>86,323,305</u>	<u>340,012,738</u>	<u>959,423,559</u>
Financial liabilities at fair value through profit or loss	-	-	41,812,073	41,812,073
Derivatives liabilities held for hedging	-	18,513,782	-	18,513,782
Total	<u>₩ -</u>	<u>18,513,782</u>	<u>41,812,073</u>	<u>60,325,855</u>

In measuring Level 2 fair values, the Group used market price, etc. of the asset at the end of the reporting period.

In measuring Level 3 fair values, the Group used discounted cash flow model and net asset valuation model using variables such as forecasted annual revenue growth rate and risk-adjusted discount rate, capital cost, etc. Fair value of financial instruments at Level 3 included financial instruments that has a carrying value with a reasonable approximation of fair value.

(g) Level 3 Fair values

Changes in Level 3 fair values as of December 31, 2023 and 2022 are as follows:

(in thousands of Korean won)

	2023	2022
Beginning balance	₩ 298,200,665	304,192,767
Reclassification from Level 3	-	(5,000,200)
Total Gain or loss for the year	18,479,073	(27,272,926)
Gain (loss) included in profit and loss for the year	15,955,994	(17,055,840)
Gain (loss) included in OCI	2,523,079	(10,217,086)
Purchases	14,503,512	37,110,712
Disposal, etc.	(55,980,430)	(10,829,688)
Ending balance	<u>₩ 275,202,820</u>	<u>298,200,665</u>

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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7. Fair Value of Financial Instruments, continued

(h) Sensitivity analysis

For the fair value of Level 3 financial instruments, a change in one of the significant unobservable variables, assuming other variables are constant, would have the following effects on the fair values:

(i) Profit and losses- Financial assets measured at fair value

<i>(in thousands of Korean won)</i>		Discount rate	
		1%p Decrease	1%p Increase
Profit and losses- Financial assets measured at fair value	₩	63,762	(59,402)

(ii) Financial assets at fair value through other comprehensive income

<i>(in thousands of Korean won)</i>		Discount rate	
		1%p Decrease	1%p Increase
Financial assets at fair value through other comprehensive income	₩	184,609	(156,044)

(iii) Settlement agreement

<i>(in thousands of Korean won)</i>		Discount rate	
		5% Decrease	5% Increase
Settlement agreement	₩	46,987	(46,637)

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

<i>(in thousands of Korean won)</i>		Discount rate	
		1%p Decrease	1%p Increase
Financial liabilities at fair value through profit or loss	₩	16,189,782	(13,114,800)

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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8. Inventories

(a) Inventories as of December 31, 2023 and 2022 are summarized as follows:

(in thousands of Korean won)

		2023			2022		
		Acquisition cost	Valuation allowance	Book value	Acquisition cost	Valuation allowance	Book value
Merchandise	₩	930,891,031	(25,399,757)	905,491,274	1,068,715,257	(30,028,374)	1,038,686,883
Finished goods		21,723,860	(2,017,764)	19,706,096	21,208,055	(1,702,120)	19,505,935
Semi-finished goods		5	-	5	46,782	-	46,782
Work in process		446,980	-	446,980	474,820	-	474,820
Raw materials		12,411,369	(203,415)	12,207,954	8,980,132	(99,440)	8,880,692
Ingredients		1,213,556	-	1,213,556	1,217,946	-	1,217,946
Supplies		912,240	-	912,240	979,770	-	979,770
Materials-in-transit		22,339,732	-	22,339,732	18,603,840	-	18,603,840
Unsold building		76,756,999	(26,295,602)	50,461,397	77,126,207	(26,382,847)	50,743,360
Unfinished building		250,142,957	-	250,142,957	234,150,697	-	234,150,697
Land		6,275,171	-	6,275,171	12,772,431	-	12,772,431
Total	₩	<u>1,323,113,900</u>	<u>(53,916,538)</u>	<u>1,269,197,362</u>	<u>1,444,275,937</u>	<u>(58,212,781)</u>	<u>1,386,063,156</u>

(b) For the years ended December 31, 2023 and 2022, the amount of inventories recognized as cost of goods sold and changes in allowance for valuation losses of inventories are as follows:

(in thousands of Korean won)

		2023	2022
Cost of goods sold:			
Amount of inventories recognized as cost of goods sold	₩	7,444,938,800	8,340,967,348
Increase(decrease) in valuation allowance of inventories		(4,296,243)	5,486,718

9. Other Non-financial Assets

Other non-financial assets as of December 31, 2023 and 2022 are summarized as follows:

(in thousands of Korean won)

		2023	2022
Current:			
Advance payments	₩	62,235,367	37,808,166
Prepaid expenses		37,063,655	40,872,285
Prepaid value added tax		27,976,007	43,300,546
Other assets		2,275,340	3,586,446
Total		<u>129,550,369</u>	<u>125,567,443</u>
Non-current:			
Long-term advance payments		122,710,506	177,641,208
Long-term prepaid expenses		5,468,549	3,120,881
Total	₩	<u>128,179,055</u>	<u>180,762,089</u>

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10. Assets Held for Sale

Assets held for sale and liabilities as of December 31, 2023 and 2022 are summarized as follows:

<i>(in thousands of Korean won)</i>	<u>2023</u>	<u>2022</u>
Assets of disposal group held for sale	₩ -	145,370,643
Assets held for sale	<u>167,431,224</u>	<u>178,200,173</u>
Total	<u>167,431,224</u>	<u>323,570,816</u>
Liabilities of disposal group held for sale	-	121,645,159
Total	₩ <u>-</u>	<u>121,645,159</u>

- (a) The Group recognized assets and liabilities in Lotte Department Store (Chengdu) Co., Ltd., LOTTE HOTEL & RETAIL VIETNAM PTE. LTD., Lotte Holdings Hong Kong Ltd. and HAI THANH-LOTTE COMPANY LIMITED, as assets and liabilities of disposal group held for sale on the financial statement of the previous reporting period. During the current reporting period, LOTTE HOTEL & RETAIL VIETNAM PTE. LTD., Lotte Holdings Hong Kong Ltd. and HAI THANH-LOTTE COMPANY LIMITED . has been sold.

Assets and Liabilities of disposal asset group held for sale as of December 31,2022 are summarized as follows:

<i>(in thousands of Korean won)</i>	<u>2022</u>
Assets in Disposal assets	
Cash and cash equivalents	₩ 36,668,261
Trade receivable and other receivables	6,416,078
Other financial assets	8,417,905
Inventories	1,820,478
Other non-financial assets	10,420,966
Property, plant and equipment	21,257,179
Right-of-use assets	<u>60,369,776</u>
Total	<u>145,370,643</u>
Liabilities in Disposal assets	
Borrowings and debentures	18,144,000
Trade payables and other payables	6,417,866
Other financial liabilities	11,969,974
Lease liabilities	81,961,900
Provision	48,405
Other non-financial liabilities	<u>3,103,014</u>
Total	₩ <u>121,645,159</u>

Accumulated other comprehensive income related to disposal assets held for sale is summarized as follows:

<i>(in thousands of Korean won)</i>	<u>2022</u>
Foreign currency translation adjustments	₩ (8,158,561)

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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10. Assets Held for Sale, continued

(b) The details of assets held for sale as of December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>		<u>2023</u>	<u>2022</u>
Investment in associates (*1)	₩	-	30,046,918
Land and others (*2)		<u>167,431,224</u>	<u>148,153,255</u>
Total	₩	<u>167,431,224</u>	<u>178,200,173</u>

(*1) 12% of 40% interest (₩ 30,046,918 thousand) in LOTTE PROPERTIES HCMC COMPANY LIMITED classified as assets held for sale in 2021, has been reclassified to investments in associates due to the termination of agreement during 2023.

(*2) The Group classified ₩ 147,052,074 thousand of land, to which control will be transferred upon conversion to a management land trust in accordance with a joint agreement, as assets held for sale.

11. Investments in Associates

(a) The details of associates as of December 31, 2023 and 2022, are summarized as follows:

<i>(in thousands of Korean won)</i>		<u>2023</u>		
<u>Company</u>	<u>Location</u>	<u>Major operation</u>	<u>Percentage of ownership (%)</u>	<u>Book value</u>
FRL Korea Co., Ltd.	Korea	Import and selling of apparel	49.00	₩ 202,628,650
Zara Retail Korea Co.,Ltd	Korea	Import and selling of apparel	20.00	26,417,891
LOTTE CARD Co.,Ltd.	Korea	Credit finance business	20.00	479,181,114
LOTTE PROPERTIES HCMC COMPANY LIMITED (*1)	Vietnam	Real estate development	40.00	108,805,481
Eugene Unicorn Private Equity Fund	Korea	Trust and collective investment business	47.06	10,724,098
LOTTE-KDB Open Innovation Fund	Korea	Investment on new technology	41.47	26,202,557
INNOCEAN WORLDWIDE INC. (*2)	Korea	Advertising agency and advertisement production	5.15	62,375,113
HANSSEM CO., LTD	Korea	Home remodeling and home furnishing	15.19	432,515,117
Others	-	-	-	112,860,001
Total				₩ <u>1,461,710,022</u>

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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As of December 31, 2023 and 2022

11. Investments in Associates, continued

(a) The details of associates as of December 31, 2023 and 2022, are summarized as follows:, continued

(in thousands of Korean won)

Company	Location	Major operation	2022	
			Percentage of ownership (%)	Book value
FRL Korea Co., Ltd.	Korea	Import and selling of apparel	49.00	₩ 221,090,576
Zara Retail Korea Co.,Ltd	Korea	Import and selling of apparel	20.00	22,966,044
LOTTE CARD Co.,Ltd.	Korea	Credit finance business	20.00	435,388,020
LOTTE PROPERTIES HCMC COMPANY LIMITED (*1)	Vietnam	Real estate development	28.00	74,026,451
Eugene Unicorn Private Equity Fund	Korea	Trust and collective investment business	47.06	12,395,325
CHOROKBAEM MEDIA CO.,LTD. (*2)	Korea	Broadcasting program business and real estate rental business	3.98	9,495,359
LOTTE-KDB Open Innovation Fund	Korea	Investment on new technology	41.47	26,634,132
INNOCEAN WORLDWIDE INC. (*2)	Korea	Advertising agency and advertisement production	5.15	59,340,848
HANSSEM CO. LTD (*2)	Korea	Home remodeling and home furnishing	11.88	470,223,677
Others	-	-	-	63,374,017
Total				₩ <u>1,394,934,449</u>

(*1) 12% of 40% interest (₩ 30,046,918 thousand) in LOTTE PROPERTIES HCMC COMPANY LIMITED classified as assets held for sale in 2021, has been reclassified to investments in associates in 2023.

(*2) The group has less than 20% of the voting rights, however it is classified as an investment in Associates because it can exert a significant influence on major sales and financial policy decisions, by participating in the company's board of directors.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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As of December 31, 2023 and 2022

11. Investments in Associates, continued

(b) Changes in investments in associates for the years ended December 31, 2023 and 2022 are summarized as follows:

(in thousands of Korean won)

		2023								
		Beginning balance	Acquisition	Dividends	Profit (loss) accounted for by equity method	Changes in equity accounted for by equity method	Impairment	Disposal	Others (*1)	Ending balance
FRL Korea Co., Ltd.	₩	221,090,576	-	(88,200,000)	68,572,460	1,165,614	-	-	-	202,628,650
Zara Retail Korea Co.,Ltd		22,966,044	-	(4,000,000)	7,481,517	-	-	-	(29,670)	26,417,891
Lotte Card Co., Ltd.		435,388,020	-	(13,199,092)	70,956,488	(11,681,727)	-	-	(2,282,575)	479,181,114
LOTTE PROPERTIES HCMC COMPANY LIMITED		104,073,369	-	-	4,935,176	(203,064)	-	-	-	108,805,481
Eugene Unicom Private Equity Fund		12,395,325	-	(263)	(1,814,569)	-	-	-	143,605	10,724,098
CHOROKBAEM MEDIA CO.,LTD.		9,495,359	-	-	(433,618)	115	(4,348,233)	(4,814,548)	100,925	-
LOTTE-KDB Open Innovation Fund		26,634,132	-	-	(480,195)	48,620	-	-	-	26,202,557
INNOCEAN WORLDWIDE INC.		59,340,848	-	(2,214,501)	5,200,607	343,748	-	-	(295,589)	62,375,113
HANSSEM CO., LTD		470,223,677	42,900,000	(16,087,194)	(13,816,064)	(156,376)	(49,535,857)	-	(1,013,069)	432,515,117
Others (*2)		63,374,017	-	(654,387)	2,340,575	(1,599,692)	(4,710,532)	54,110,020		112,860,001
Total	₩	1,424,981,367	42,900,000	(124,355,437)	142,942,377	(12,082,762)	(53,884,090)	(9,525,080)	50,733,647	1,461,710,022

(*1) Others include changes in equity method-retained earnings and others.

(*2) Due to the sale of LOTTE HOTEL & RETAIL VIETNAM PTE.LTD. in 2023, which owned Lotte Holdings Hong Kong Ltd. and HAI THANH – LOTTE COMPANY LIMITED classified as assets held for sale, ₩ 54,321,732 thousand has been reclassified to associates.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2023 and 2022

11. Investments in Associates, continued

(b) Changes in investments in associates for the years ended December 31, 2023 and 2022 are summarized as follows;
continued

(in thousands of
Korean won)

		2022								
		Beginning balance	Acquisition	Dividends	Profit (loss) accounted for by equity method	Changes in equity accounted for by equity method	Impairment	Disposal	Others (*)	Ending balance
FRL Korea Co., Ltd.	₩	243,526,749	-	(68,600,000)	53,228,632	(7,064,805)	-	-	-	221,090,576
Zara Retail Korea Co.,Ltd		20,855,798	-	(2,185,314)	4,322,957	136,902	-	-	(164,299)	22,966,044
Lotte Card Co., Ltd.		387,736,195	-	(12,959,925)	53,331,682	5,392,386	-	-	1,887,682	435,388,020
LOTTE PROPERTIES HCMC COMPANY LIMITED		100,156,395	-	-	1,809,887	2,107,087	-	-	-	104,073,369
Eugene Unicom Private Equity Fund		29,701,611	-	-	(3,391,673)	-	(13,771,009)	-	(143,604)	12,395,325
CHOROKBAEM MEDIA CO.,LTD.		25,295,092	-	-	(1,234,555)	(115)	(14,183,727)	(2,636)	(378,700)	9,495,359
LOTTE-KDB Open Innovation Fund		17,391,873	7,800,000	-	1,447,255	(4,996)	-	-	-	26,634,132
INNOCEAN WORLDWIDE INC.		115,651,695	-	(3,708,000)	4,712,640	1,398,891	-	(59,039,811)	325,433	59,340,848
HANSSEM CO., LTD		-	617,713,330	(2,235,946)	(13,196,301)	(218,838)	(135,079,943)	-	3,241,375	470,223,677
Others		38,447,067	11,207,000	(249,803)	24,804,876	(184,265)	3,206,867	(13,697,724)	(160,001)	63,374,017
Total	₩	978,762,475	636,720,330	(89,938,988)	125,835,400	1,562,247	(159,827,812)	(72,740,171)	4,607,886	1,424,981,367

(*) Others include changes in equity method-retained earnings and others.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2023 and 2022

11. Investments in Associates, continued

(c) Financial information of significant associates as of and for the years ended December 31, 2023 and 2022, are summarized as follows:

(in thousands of Korean won)

		2023							
		Current asset	Non-current asset	Current liabilities	Non-current liabilities	Sales	Operating income (loss)	Other comprehensive income (loss) (*2)	Total comprehensive income (loss) (*2)
FRL Korea Co., Ltd.	₩	532,599,407	102,890,003	184,071,086	37,890,467	971,239,177	164,193,930	2,378,805	142,322,601
Zara Retail Korea Co.,Ltd		112,111,242	227,469,416	111,389,000	96,102,202	445,148,608	56,437,592	(148,348)	37,259,237
Lotte Card Co., Ltd. (*1)		22,557,105,479	-	19,449,568,998	-	2,546,443,827	231,960,911	(69,802,968)	297,362,659
LOTTE PROPERTIES HCMC COMPANY LIMITED		231,338,277	42,108,052	1,403,805	28,821	-	(3,065,886)	-	10,398,775
Eugene Unicorn Private Equity Fund		9,055,250	56,978,209	1,711,891	2,592,308	11,152,956	(6,408,107)	-	(3,856,515)
LOTTE-KDB Open Innovation Fund		5,995,117	57,425,849	232,492	-	10,287,748	(1,158,009)	105,200	(1,052,809)
INNOCEAN WORLDWIDE INC.		2,020,689,305	563,224,584	1,406,507,147	234,410,032	2,092,893,299	149,440,870	10,070,743	111,141,935
HANSSEM CO., LTD		370,351,535	681,081,968	522,859,213	185,887,852	1,966,947,034	1,946,609	(5,201,973)	(67,357,204)

(*1) All financial information is presented as current asset and current liabilities since Lotte Card Co., Ltd. is a finance company that does not classify asset and liabilities as current or non-current.

(*2) Other comprehensive income (loss) and total comprehensive income (loss) exclude amounts attributed to non-controlling shareholders.

(in thousands of Korean won)

		2022							
		Current asset	Non-current asset	Current liabilities	Non-current liabilities	Sales	Operating income (loss)	Other comprehensive income (loss) (*2)	Total comprehensive income (loss) (*2)
FRL Korea Co., Ltd.	₩	577,706,642	94,504,791	179,927,650	41,078,526	803,585,668	134,757,919	(14,417,970)	94,211,891
Zara Retail Korea Co.,Ltd		135,066,526	210,975,572	130,701,761	100,510,118	408,101,109	34,936,959	(136,986)	21,477,799
Lotte Card Co., Ltd. (*1)		21,313,946,823	-	18,399,665,296	-	2,317,054,734	339,694,135	36,895,368	309,543,237
LOTTE PROPERTIES HCMC COMPANY LIMITED		228,811,099	37,186,061	1,551,330	65,647	-	(1,902,007)	-	6,463,882
Eugene Unicorn Private Equity Fund		12,375,016	58,793,073	1,231,159	3,243,578	10,120,525	(12,553,364)	-	(6,646,415)
CHOROKBAEM MEDIA CO.,LTD.		145,583,186	353,343,686	127,285,755	35,248,900	187,860,990	3,917,441	(2,885)	(29,514,717)
LOTTE-KDB Open Innovation Fund		9,950,362	54,595,848	316,977	-	8,265,702	2,826,021	-	2,826,021
INNOCEAN WORLDWIDE INC.		1,800,117,414	489,795,308	1,219,530,539	186,364,990	1,753,985,919	136,892,580	22,379,491	93,036,116
HANSSEM CO., LTD		369,675,681	730,533,001	464,529,502	189,557,096	2,000,084,340	(21,701,773)	16,274,316	(54,881,361)

(*1) All financial information is presented as current asset and current liabilities since Lotte Card Co., Ltd. is a finance company that does not classify asset and liabilities as current or non-current.

(*2) Other comprehensive income (loss) and total comprehensive income (loss) exclude amounts attributed to non-controlling shareholders.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2023 and 2022

11. Investments in Associates, continued

(d) The reconciliation of the net assets of the significant associates to the carrying amount of the equity interest in the associate as of December 31, 2023 and 2022 are as follows:

(in thousands of Korean won)

		2023					
		Net assets (a) (*1)	Ownership % (b)	Group's share of net asset			Carrying amount
				(a*b)	Impairment	Goodwill	
FRL Korea Co., Ltd.	₩	413,527,858	49.00	202,628,650	-	-	202,628,650
Zara Retail Korea Co.,Ltd.		132,089,455	20.00	26,417,891	-	-	26,417,891
Lotte Card Co., Ltd.		3,107,536,481	20.00	621,507,203	(105,209,336)	-	479,181,114
LOTTE PROPERTIES HCMC COMPANY LIMITED		272,013,703	40.00	108,805,481	-	-	108,805,481
Eugene Unicorn Private Equity Fund		52,052,103	47.06	24,495,107	(13,771,009)	-	10,724,098
LOTTE-KDB Open Innovation Fund.		63,188,474	41.47	26,202,557	-	-	26,202,557
INNOCEAN WORLDWIDE INC.		915,555,336	5.15	47,151,100	-	10,471,877	62,375,113
HANSSEM CO., LTD (*3)		341,807,215	21.69	74,150,736	(184,615,799)	451,004,261	432,515,117

(*1) Net assets exclude non-controlling interests.

(*2) Others include unamortized amounts such as difference of fair values.

(*3) The effective ownership percentage is listed.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2023 and 2022

11. Investments in Associates, continued

(d) The reconciliation of the net assets of the significant associates to the carrying amount of the equity interest in the associate as of December 31, 2023 and 2022 are as follows:, continued

(in thousands of Korean won)

		2022					
		Net assets (a) (*1)	Ownership % (b)	Group's share of net asset			Carrying amount
				(a*b)	Impairment	Goodwill	
FRL Korea Co., Ltd.	₩	451,205,257	49.00	221,090,576	-	-	221,090,576
Zara Retail Korea Co.,Ltd.		114,830,219	20.00	22,966,044	-	-	22,966,044
Lotte Card Co., Ltd.		2,879,735,589	20.00	575,947,031	(105,209,336)	-	435,388,020
LOTTE PROPERTIES HCMC COMPANY LIMITED (*3)		264,380,182	28.00	74,026,451	-	30,046,918	104,073,369
Eugene Unicorn Private Equity Fund		55,603,460	47.06	26,166,334	(13,771,009)	-	12,395,325
CHOROKBAEM MEDIA CO.,LTD.		301,155,644	3.98	11,998,449	(14,183,727)	12,140,768	9,495,359
LOTTE-KDB Open Innovation Fund.		64,229,233	41.47	26,634,132	-	-	26,634,132
INNOCEAN WORLDWIDE INC.		856,618,145	5.15	44,115,834	-	10,471,877	59,340,848
HANSSEM CO., LTD (*4)		446,122,084	17.76	79,246,433	(135,079,943)	449,500,771	470,223,677

(*1) Net assets exclude non-controlling interests.

(*2) Others include unamortized amounts of difference of fair value and others.

(*3) The remaining percentage of ownership that is not classified as assets held for sale has been listed.

(*4) The effective ownership percentage is listed.

LOTTE SHOPPING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2023 and 2022

11. Investments in Associates, continued

- (e) Current and accumulated changes in equity of associates, unrecognized due to cessation of equity method as of December 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>		2023	
		<u>Unrecognized losses for the year</u>	<u>Unrecognized accumulated losses</u>
Prototype	₩	(25,242)	(188,284)
Shandong Longzhile Cinema Co., Ltd.		-	(4,925,196)

- (f) The fair value of the shares held by material marketable associates as of December 31, 2023 and 2022 are as follows.

(i) December 31, 2023

<i>(in thousands of Korean won, except for number of shares)</i>	<u>Number in shares</u>	<u>Market price per share (Korean Won)</u>	<u>Market value</u>	<u>Book value</u>
INNOCEAN WORLDWIDE INC.	2,060,000 ₩	21,400	44,084,000	62,375,113
HANSSEM CO., LTD	3,574,932	53,500	191,258,862	432,515,117

(ii) December 31, 2022

<i>(in thousands of Korean won, except for number of shares)</i>	<u>Number in shares</u>	<u>Market price per share (Korean Won)</u>	<u>Market value</u>	<u>Book value</u>
CHOROKBAEM MEDIA CO.,LTD.	891,583 ₩	10,650	9,495,359	9,495,359
INNOCEAN WORLDWIDE INC.	1,030,000	41,150	42,384,500	59,340,848
HANSSEM CO., LTD	2,794,932	44,600	124,653,967	470,223,677

LOTTE SHOPPING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2023 and 2022

12. Investments in Joint Venture

(a) The details of joint ventures as of December 31, 2023 and 2022 are summarized as follows:

(in thousands of Korean won)

Company	Location	Major operation	2023	
			Percentage of ownership (%)	Carrying amount
STL Co., Limited	Korea	Import and sales of apparel	50.00	₩ 3,807,831
International Business Center Company Limited	Vietnam	Distribution	50.00	37,432,457
LOTTE JTB Co., Ltd.	Korea	Travel business	50.00	-
Others	-	-	-	-
Total				₩ <u>41,240,288</u>

(in thousands of Korean won)

Company	Location	Major operation	2022	
			Percentage of ownership (%)	Carrying amount
STL Co., Limited	Korea	Import and sales of apparel	50.00	₩ 3,077,805
International Business Center Company Limited	Vietnam	Distribution	50.00	40,500,210
LOTTE JTB Co., Ltd.	Korea	Travel business	50.00	-
Others	-	-	-	497,802
Total				₩ <u>44,075,817</u>

LOTTE SHOPPING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2023 and 2022

12. Investments in Joint Venture, continued

(b) Changes in joint ventures for the years ended December 31, 2023 and 2022, are summarized as follows:

(in thousands of Korean won)

		2023						
		Beginning balance	Dividends	Share of profit (loss) of associates	Share of other comprehensive income (loss) of associates	Impairment	Others (*)	Ending balance
STL Co., Limited	₩	3,077,805	-	730,026	-	-	-	3,807,831
International Business Center Company Limited		40,500,210	(3,345,856)	3,984,563	(162,005)	(4,731,841)	1,187,386	37,432,457
LOTTE JTBC Co., Ltd.		-	-	-	-	-	-	-
Others		497,802	-	(515,836)	18,034	-	-	-
Total	₩	44,075,817	(3,345,856)	4,198,753	(143,971)	(4,731,841)	1,187,386	41,240,288

(*) Others include changes such as foreign currency translation.

(in thousands of Korean won)

		2022						
		Beginning balance	Dividends	Share of profit (loss) of associates	Share of other comprehensive income (loss) of associates	Impairment	Others (*)	Ending balance
STL Co., Limited	₩	2,556,635	-	521,170	-	-	-	3,077,805
International Business Center Company Limited		39,663,507	(3,331,618)	3,352,664	400,432	(3,979,714)	4,394,939	40,500,210
LOTTE JTBC Co., Ltd.		-	-	-	-	-	-	-
Others		526,419	-	(45,951)	17,334	-	-	497,802
Total	₩	42,746,561	(3,331,618)	3,827,883	417,766	(3,979,714)	4,394,939	44,075,817

(*) Others include changes such as foreign currency translation.

LOTTE SHOPPING CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2023 and 2022

12. Investments in Joint Venture, continued

(c) Financial information of material joint ventures as at and for the years ended December 31, 2023 and 2022 are summarized as follows:

(in thousands of Korean won)

		2023							
		Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Operating income (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)
STL Co., Limited	₩	8,812,357	1,022,854	1,348,812	156,673	20,044,381	1,239,624	-	1,460,053
International Business Center Company Limited		13,351,215	38,104,534	14,529,289	2,793,307	22,562,842	10,418,522	-	7,969,126
LOTTE JTB Co., Ltd.		142,697,002	46,085,740	173,915,935	6,086,930	17,466,462	1,252,044	(588,716)	4,902,490

(in thousands of Korean won)

		2022							
		Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Operating income (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)
STL Co., Limited	₩	8,029,150	674,998	1,549,167	285,308	20,352,021	1,061,733	-	1,042,340
International Business Center Company Limited		13,632,191	39,601,427	17,359,322	2,694,549	19,366,578	8,783,481	-	6,705,328
LOTTE JTB Co., Ltd.		126,461,673	50,544,542	169,103,232	4,025,598	4,776,164	(4,662,198)	158,831	(1,792,455)

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2023 and 2022

12. Investments in Joint Venture, continued

(d) The reconciliation of the net assets of the joint ventures to the carrying amount of the equity interest in the investment in associates as of December 31, 2023 and 2022 are summarized as follows:

(in thousands of Korean won)

		2023						
		Net assets (a)	Ownership % (b)	Group's share of net asset (a*b)	Goodwill	Impairment Loss	Others (*)	Carrying amount
STL Co., Limited	₩	8,329,727	50.00	4,164,863	-	(357,032)	-	3,807,831
International Business Center Company Limited		34,133,152	50.00	17,066,576	40,415,381	(30,267,272)	10,217,772	37,432,457
LOTTE JTBC Co., Ltd.		8,779,876	50.00	4,389,938	1,185,842	(6,220,942)	645,162	-

(*) Others include unrecognized amounts such as profit or loss and foreign currency differences arising from translation.

(in thousands of Korean won)

		2022						
		Net assets (a)	Ownership % (b)	Group's share of net asset (a*b)	Goodwill	Impairment Loss	Others (*)	Carrying amount
STL Co., Limited	₩	6,869,674	50.00	3,434,837	-	(357,032)	-	3,077,805
International Business Center Company Limited		33,179,747	50.00	16,589,873	40,415,381	(25,535,430)	9,030,386	40,500,210
LOTTE JTBC Co., Ltd.		3,877,385	50.00	1,938,693	1,185,842	(6,220,942)	3,096,407	-

(*) Others include unrecognized amounts such as profit or loss and foreign currency differences arising from translation.

(e) Unrecognized current and accumulated changes in equity of joint ventures due to cessation of equity method as of December 31, 2023 are summarized as follows:

(in thousands of Korean won)

		2023	
		Unrecognized losses for the year	Unrecognized accumulated losses
LOTTE JTBC Co., Ltd.	₩	2,451,245	(645,162)
LOTTE ENTERTAINMENT VIETNAM CO.,LTD		(260,604)	(260,604)

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2023 and 2022

13. Property, Plant and Equipment

(a) Details of property, plant and equipment as of December 31, 2023 and 2022 are summarized as follows:

(in thousands of Korean

won)

		2023				2022			
		Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩	8,204,889,382	-	(332,204)	8,204,557,178	8,061,440,752	-	(332,204)	8,061,108,548
Buildings		8,127,232,457	(2,929,241,352)	(38,208,535)	5,159,782,570	7,507,093,949	(2,746,921,607)	(36,546,209)	4,723,626,133
Structures		314,515,829	(152,844,025)	(27,937,638)	133,734,166	304,109,414	(141,262,396)	(27,927,733)	134,919,285
Machinery		387,294,894	(191,422,009)	(43,094,425)	152,778,460	251,211,332	(177,088,427)	(39,591,187)	34,531,718
Vehicles		6,496,601	(4,780,534)	(350,721)	1,365,346	6,510,507	(4,915,052)	(403,392)	1,192,063
Display fixtures		499,048,562	(433,069,034)	(26,744,657)	39,234,871	439,604,524	(376,825,358)	(26,951,467)	35,827,699
Furniture and fixtures		4,684,455,208	(3,708,342,678)	(274,562,175)	701,550,355	4,534,242,535	(3,544,323,772)	(254,286,815)	735,631,948
Tools and equipment		118,698,908	(97,404,580)	(4,434,835)	16,859,493	110,410,704	(91,371,129)	(4,484,729)	14,554,846
Other PP&E		41,882,644	(26,379,282)	(5,239,851)	10,263,511	46,501,367	(30,101,379)	(5,322,256)	11,077,732
Construction-in-progress		586,567,303	-	-	586,567,303	572,953,770	-	-	572,953,770
Total	₩	22,971,081,788	(7,543,483,494)	(420,905,041)	15,006,693,253	21,834,078,854	(7,112,809,120)	(395,845,992)	14,325,423,742

(b) Changes in property, plant and equipment for the year ended December 31, 2023 are as follows:

(in thousands of
Korean won)

		2023						
		Beginning balance	Acquisitions	Depreciation	Impairment	Disposals	Others (*)	Ending balance
Land	₩	8,061,108,548	103,959,455	-	-	(56,642,269)	96,131,444	8,204,557,178
Buildings		4,723,626,133	258,117,892	(206,604,046)	(3,375,164)	(9,014,938)	397,032,693	5,159,782,570
Structures		134,919,285	89,194	(8,879,264)	(9,905)	(426,816)	8,041,672	133,734,166
Machinery		34,531,718	9,311,410	(15,736,021)	(3,665,590)	(166,552)	128,503,495	152,778,460
Vehicles		1,192,063	734,837	(498,189)	(545)	(70,759)	7,939	1,365,346
Display fixtures		35,827,699	12,350,852	(16,221,441)	(2,362,566)	(622,089)	10,262,416	39,234,871
Furniture and fixtures		735,631,948	174,989,466	(253,347,732)	(26,591,759)	(5,645,019)	76,513,451	701,550,355
Tools and equipment		14,554,846	2,917,419	(6,453,173)	(115,084)	(20,257)	5,975,742	16,859,493
Other PP&E		11,077,732	150,353	(3,041,824)	(1,014,664)	(1,041,945)	4,133,859	10,263,511
Construction-in-progress		572,953,770	348,136,845	-	(845,943)	(1,123,734)	(332,553,635)	586,567,303
Total	₩	14,325,423,742	910,757,723	(510,781,690)	(37,981,220)	(74,774,378)	394,049,076	15,006,693,253

(*) Others include reclassification between accounts, changes in acquisition cost, effects of changes in foreign exchange rates, etc.

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13. Property, Plant and Equipment, continued

(c) Changes in property, plant and equipment for the year ended December 31, 2022 are as follows:

(in thousands of Korean won)

		2022						
		Beginning balance	Acquisitions	Depreciation	Impairment	Disposals	Others (*)	Ending balance
Land	₩	8,160,516,789	3,020,942	-	-	(1,141,215)	(101,287,968)	8,061,108,548
Buildings		4,911,510,868	37,641,120	(196,729,606)	(18,651,842)	(1,356,737)	(8,787,670)	4,723,626,133
Structures		145,380,463	104,053	(8,971,492)	(3,650,148)	(108)	2,056,517	134,919,285
Machinery		58,551,383	3,935,103	(14,377,781)	(18,442,350)	(102,960)	4,968,323	34,531,718
Vehicles		1,294,143	684,487	(568,196)	(74,863)	(113,400)	(30,108)	1,192,063
Display fixtures		38,775,926	9,642,840	(18,099,183)	(3,308,868)	(747,211)	9,564,195	35,827,699
Furniture and fixtures		748,476,363	258,398,458	(265,569,966)	(50,147,399)	(10,358,211)	54,832,703	735,631,948
Tools and equipment		15,206,744	1,374,030	(6,152,875)	(272,338)	(70,265)	4,469,550	14,554,846
Other PP&E		11,701,575	121,586	(931,195)	(4,108)	(490)	190,364	11,077,732
Construction-in-progress		487,112,005	228,174,218	-	(2,674,663)	(842,272)	(138,815,518)	572,953,770
Total	₩	14,578,526,259	543,096,837	(511,400,294)	(97,226,579)	(14,732,869)	(172,839,612)	14,325,423,742

(*) Others include reclassification between accounts, changes in acquisition cost, effects of changes in foreign exchange rates, etc.

(d) The Group performed impairment tests for cash-generating units of department stores, discount stores, consumer electronic retailers, supermarkets, cinemas, e-commerce, etc. that have indication of impairment. The details of impairment losses recognized for the year ended December 31, 2023 are summarized as follows:

(in thousands of Korean won)

		2023						
		Department Store	Discount store	Consumer electronic retailer	Supermarket	Cinema	Others	Total
Impairment loss on property, plant and equipment	₩	7,178,693	18,178,897	4,799,811	5,342,534	656,542	1,824,743	37,981,220
Impairment loss on intangible assets (excluding goodwill)		88,135	4,553,542	(123,939)	272,783	61,175	176,936	5,028,632
Impairment loss on right-of-use asset		43,422,183	48,370,330	3,886,721	7,434,779	2,934,944	225,300	106,274,257
Impairment loss on investment properties		-	-	-	-	-	23,431,759	23,431,759
Total	₩	50,689,011	71,102,769	8,562,593	13,050,096	3,652,661	25,658,738	172,715,868

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13. Property, Plant and Equipment, continued

(e) The Group performed impairment tests for cash-generating units of department stores, discount stores, consumer electronic retailers, supermarkets, cinemas, e-commerce, etc. that have indication of impairment. The details of impairment losses recognized for the year ended December 31, 2022 are summarized as follows:

(in thousands of Korean won)

	2022							
	Department Store	Discount store	Consumer electronic retailer	Supermarket	Cinema	E-Commerce	Others	Total
Impairment loss on property, plant and equipment	₩ 15,840,729	16,122,190	11,917,013	8,698,784	477,268	32,934,116	11,236,480	97,226,580
Impairment loss on intangible assets (excluding goodwill)	43,059	-	40,230	582,461	234,931	49,814,522	11,953,324	62,668,527
Impairment loss on goodwill	-	-	297,669,963	356,838	-	-	-	298,026,801
Impairment loss on right-of-use asset	62,925,747	54,280,680	15,989,840	10,875,971	9,906,245	18,518,347	684,112	173,180,942
Impairment loss on investment properties	-	-	-	-	-	-	89,300,321	89,300,321
Total	₩ 78,809,535	70,402,870	325,617,046	20,514,054	10,618,444	101,266,985	113,174,237	720,403,171

The valuation method and discount rate applied in calculating the recoverable amount of a cash-generating unit with signs of impairment are consistent with the assumptions applied in calculating the recoverable amount of a cash-generating unit with goodwill.

(f) Pledged property, plant and equipment provided by the Group as of December 31, 2023 are as follows:

(in thousands of Korean won)

Offered assets (*)	2023				
	Book amount	Guaranteed amount	Type of borrowings	Amount of borrowings	Guarantee recipient
Land and buildings	₩ 2,992,835,373	2,107,243,717	Secured Loan and others	1,407,923,742	Shinhan Bank and others

(*) Offered as collateral for borrowings, security deposit for lease, and provisional attachment on interests.

13. Property, Plant and Equipment, continued

(g) The capitalized borrowing costs and capitalization interest rates for the years ended December 31, 2023 and 2022 are as follows:

(in thousands of Korean won)

	2023	2022
Capitalized borrowing costs	₩ 43,915,550	20,964,238
Capitalization interest rates	3.19%~11.49%	1.63%~11.49%

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14. Investment Property

(a) Investment properties as of December 31, 2023 and 2022 are summarized as follows:

		2023				2022			
		Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩	827,022,418	-	(766,807)	826,255,611	846,419,404	-	(766,807)	845,652,597
Buildings		452,872,474	(154,611,882)	(1,803,098)	296,457,494	425,796,333	(143,066,045)	(742,707)	281,987,581
Others (*)		709,278,396	(93,555,896)	(188,829,980)	426,892,520	1,178,487,335	(75,657,966)	(158,879,348)	943,950,021
Total	₩	1,989,173,288	(248,167,778)	(191,399,885)	1,549,605,625	2,450,703,072	(218,724,011)	(160,388,862)	2,071,590,199

(*) Others include right-of-use assets reclassified as investment property.

(b) Changes in investment property for the year ended December 31, 2023 are as follows:

		2023				Ending balance
		Beginning balance	Acquisitions	Depreciation	Others (*2)	
Land	₩	845,652,597	43,832,233	-	(63,229,219)	826,255,611
Buildings		281,987,581	26,019,162	(12,799,763)	1,250,514	296,457,494
Others (*1)		943,950,021	11,929,059	(25,943,392)	(503,043,168)	426,892,520
Total	₩	2,071,590,199	81,780,454	(38,743,155)	(565,021,873)	1,549,605,625

(*1) Others include right-of-use assets reclassified as investment property.

(*2) Others include reclassification between accounts, impairment loss, changes in acquisition cost, the effects of changes in foreign exchange rates and others.

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

		2022				Ending balance
		Beginning balance	Acquisitions	Depreciation	Others (*2)	
Land	₩	725,497,701	-	-	120,154,896	845,652,597
Buildings		236,292,982	28,756	(17,789,399)	63,455,242	281,987,581
Others (*1)		804,412,350	239,331,974	(27,427,564)	(72,366,739)	943,950,021
Total	₩	1,766,203,033	239,360,730	(45,216,963)	111,243,399	2,071,590,199

(*1) Others include right-of-use assets reclassified as investment property.

(*2) Others include reclassification between impairment loss, accounts, changes in acquisition cost, the effects of changes in foreign exchange rates and others.

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14. Investment Property, continued

(d) Income and expense from investment property

The details of income and expense from investment property for the years ended December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>		2023	2022
Rental income	₩	174,440,923	167,243,408
Direct operating expense (including maintenance and repair expenses)		63,644,929	57,316,758

(e) Fair value of investment property as of December 31, 2023 is as follows:

<i>(in thousands of Korean won)</i>		Book value	Fair value
Land, buildings and others	₩	1,549,605,625	6,053,465,009

15. Goodwill and Intangible Assets

(a) Intangible assets as of December 31, 2023 and 2022 are summarized as follows:

<i>(in thousands of Korean won)</i>		2023				2022			
		Acquisition cost	Accumulated amortization	Accumulated impairment losses	Book value	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Book value
Goodwill	₩	2,568,679,561	-	(1,681,718,561)	886,961,000	2,571,690,307	-	(1,684,885,749)	886,804,558
Industrial property rights		146,925,499	(9,758,292)	(506,126)	136,661,081	146,687,584	(9,640,234)	(526,686)	136,520,664
Rights to use facility		39,330,752	(38,590,095)	(607,945)	132,712	39,342,174	(38,540,840)	(607,945)	193,389
Membership		29,909,860	-	(3,602,487)	26,307,373	29,419,954	-	(3,677,964)	25,741,990
Other intangible assets		512,553,157	(326,881,738)	(76,962,563)	108,708,856	487,208,038	(321,459,806)	(74,259,523)	91,488,709
Total	₩	<u>3,297,398,829</u>	<u>(375,230,125)</u>	<u>(1,763,397,682)</u>	<u>1,158,771,022</u>	<u>3,274,348,057</u>	<u>(369,640,880)</u>	<u>(1,763,957,867)</u>	<u>1,140,749,310</u>

(b) Changes in intangible assets for the year ended December 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>		2023						
		Beginning balance	Acquisition	Amortization	Impairment	Disposals	Others (*)	Ending Balance
Goodwill	₩	886,804,558	-	-	-	-	156,442	886,961,000
Industrial property rights		136,520,664	265,951	(228,019)	(1,451)	-	103,936	136,661,081
Rights to use facility		193,389	-	(60,570)	-	-	(107)	132,712
Membership		25,741,990	1,405,863	-	60,246	(900,726)	-	26,307,373
Other intangible assets		91,488,709	45,091,132	(122,805,760)	(5,087,427)	(8,536,025)	108,558,227	108,708,856
Total	₩	<u>1,140,749,310</u>	<u>46,762,946</u>	<u>(123,094,349)</u>	<u>(5,028,632)</u>	<u>(9,436,751)</u>	<u>108,818,498</u>	<u>1,158,771,022</u>

(*) Others include reclassification between accounts and foreign exchange effects.

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15. Goodwill and Intangible Assets, continued

(c) Changes in intangible assets for the year ended December 31, 2022 are as follows

(in thousands of Korean won)

		2022						
		Beginning balance	Acquisition	Amortization	Impairment	Disposals	Others (*)	Ending Balance
Goodwill	₩	1,185,880,116	-	-	(298,026,801)	(54,323)	(994,434)	886,804,558
Industrial property rights		136,743,094	130,317	(239,378)	(107,090)	(39,934)	33,655	136,520,664
Rights to use facility		610,596	-	(418,088)	-	-	881	193,389
Membership		27,086,936	1,533,000	-	(220,746)	(2,657,200)	-	25,741,990
Other intangible assets		169,480,906	16,542,588	(120,328,154)	(62,340,691)	(1,734,350)	89,868,410	91,488,709
Total	₩	1,519,801,648	18,205,905	(120,985,620)	(360,695,328)	(4,485,807)	88,908,512	1,140,749,310

(*) Others include reclassification between accounts and foreign exchange effects.

(d) Impairment testing for cash-generating units with goodwill

For purpose of impairment testing, goodwill is allocated to CGUs which are expected to create synergy within the Group.

Details of the goodwill allocated to the groups of cash-generating units as of December 31, 2023 and 2022 are as follows:

(in thousands of Korean won)

		2023	2022
Department store	₩	104,656,119	104,656,119
Discount store		37,804,937	36,584,496
Consumer electronic retailer		463,738,216	463,738,216
TV home shopping		273,296,452	273,296,452
Supermarket		1,808,961	2,872,960
E-Commerce		4,860,068	4,860,068
Others		796,247	796,247
Total	₩	886,961,000	886,804,558

Recoverable amount of the cash-generating unit for each operating segment above is measured at higher of value in use and net fair value. Net fair value is the amount obtainable from the estimated proceeds from the sales of the asset in an arm's length transaction between knowledgeable and willing parties, less estimated costs of disposal. The value in use of each cash-generating unit was determined by discounting its estimated future cash flows as relevant cash-generating units are continuously used. The approach used to determine value in use as of December 31, 2023 was consistent with those used in 2022. The calculation of value in use was based on the following key assumptions:

- Cash flows were estimated based on past experience, actual historical results of operations and a 5-year business plan.
- Revenue growth rate for the following five years is estimated using the past average growth rate and the objective estimation of an external specialist. The future cash flow in 5 years has been estimated with the assumption of 0%~2.0% (2022: 0%~2.0%) growth rate.

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15. Goodwill and Intangible Assets, continued

(d) Impairment testing for cash-generating units containing goodwill, continued

- The weighted average cost of capital from the Group's industry is applied as the discount rate in determining the recoverable amount of the cash-generating units. The weighted average costs of capital for each cash-generating unit are as follows:

	<u>2023</u>	<u>2022</u>
Department store	5.98% ~ 8.56%	6.69% ~ 8.53%
Discount store	5.98% ~ 9.88%	6.69% ~ 10.37%
Consumer electronic retailer	7.35%	7.92%
TV home shopping	9.83%	9.04%
Supermarket	5.98%	6.69%
Cinema	9.98% ~ 11.43%	10.40% ~ 11.01%
E-Commerce	9.61%	9.93%
Others	12.19%	5.55% ~ 13.05%

The values through major assumption represent the management's estimation of future trends for the distribution industry. As a result of impairment testing on basis of external and internal sources (historical data) as of December 31, 2023, impairment losses were recognized for department stores, discount stores, supermarkets, consumer electronic retailers and e-commerce for which the recoverable amounts of the cash-generating units are less than their book value.

The impairment losses recognized for cash-generating units for which book value exceeded the recoverable amount for the year ended December 31, 2023 are as follows (no impairment loss was recognized for goodwill):

(in thousands of Korean won)

	<u>2023</u>
Supermarket	₩ 356,838
Consumer electronic retailer	297,669,963
Total	<u>₩ 298,026,801</u>

(e) Impairment testing of other intangible assets with indefinite estimated useful lives

Details of intangible assets with indefinite estimated useful lives as of December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>	<u>2023</u>	<u>2022</u>
Department store	₩ 11,564,603	11,628,296
Discount store	1,447,834	1,447,834
Consumer electronic retailer	139,905,221	139,807,679
TV home shopping	6,520,844	6,117,673
Supermarket	1,606,465	1,606,465
Cinema	803,155	803,155
E-Commerce	534,608	406,245
Total	<u>₩ 162,382,730</u>	<u>161,817,347</u>

As a result of the Group's impairment test on indefinite intangible assets, ₩ 60,246 thousand was recognized as a reversal of impairment loss for 2023 and ₩ 220,746 thousand was recognized as impairment loss in 2022.

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16. Trade and Other Payables

Details of trade and other payables as of December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>		<u>2023</u>	<u>2022</u>
Current:			
Trade payables	₩	592,993,337	610,919,597
Other payables		2,031,934,801	1,955,390,662
Total		<u>2,624,928,138</u>	<u>2,566,310,259</u>
Non-current:			
Long-term other payables		4,266,031	19,454,584
Total	₩	<u>4,266,031</u>	<u>19,454,584</u>

17. Borrowings and Debentures

(a) Borrowings and debentures as of December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>		<u>2023</u>	<u>2022</u>
Current:			
Short-term borrowings	₩	1,970,384,377	1,579,073,219
Current portion of long-term borrowings		1,338,716,245	1,814,322,296
Current portion of discounts on borrowings		(5,332,176)	(3,882,523)
Short-term debentures		9,990,314	199,988,670
Current portion of debentures		1,833,525,000	1,306,060,000
Current portion of discount on debentures		(1,307,994)	(1,272,393)
Debentures redemption premium		-	799,480
Exchange right adjustment		-	(240,306)
Total		<u>5,145,975,766</u>	<u>4,894,848,443</u>
Non-current:			
Long-term borrowings		1,652,417,358	1,722,040,543
Discount on long-term borrowings		(4,402,891)	(6,155,883)
Long-term debentures		2,623,654,000	3,154,735,500
Discount on debentures		(5,443,248)	(4,180,252)
Total	₩	<u>4,266,225,219</u>	<u>4,866,439,908</u>

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17. Borrowings and Debentures, continued

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

(in thousands of Korean won)

<u>Lender</u>	<u>Details</u>	<u>Annual interest rate (%)</u>	<u>2023</u>	<u>2022</u>
Shinhan Bank and others (*1)	Commercial papers	91 days, interest rate of CD+0.9~5.55	₩ 726,200,000	245,406,990
Korea Development Bank and others (*1)	General loans of local currency	5.03 ~ 91days, interest rate of CD+3.14	426,443,645	660,667,065
KS 1st and others	Borrowings of local currency	-	-	80,000,000
KEB Hana Bank and others (*2, *3)	General loans of foreign currency	1Y LPR+0.15 ~ 3M SOFR+3.45	817,740,732	592,999,164
		Total	₩ <u>1,970,384,377</u>	<u>1,579,073,219</u>

(*1) As of December 31, 2023, 91days, interest rate of CD: 3.83%

(*2) As of December 31, 2023, 1Y LPR: 3.45%

(*3) As of December 31, 2023, 3M SOFR: 5.33%

(c) Long-term borrowings as of December 31, 2023 and 2022 are as follows:

(in thousands of Korean won)

<u>Lender</u>	<u>Details</u>	<u>Annual interest rate (%)</u>	<u>2023</u>	<u>2022</u>
Korea Investment & Securities Co., Ltd. and others	Commercial papers	3.53~5.20	₩ 200,000,000	300,000,000
Mizuho Corporate Bank, Ltd. and others (*1)	General loans of local currency	1.95~3M Financial Bonds I (Bank Bonds) AAA+6.15	1,518,894,523	1,156,928,236
S First L and others (*2)	Borrowings of local currency	2.48 ~ 91days, interest rate of CD+1.44	763,000,000	1,574,000,000
The Export-Import Bank of Korea and others (*3)	General loans of foreign currency	6.55 ~ 3M SOFR+1.95	509,239,080	505,434,603
	Subtotal		<u>2,991,133,603</u>	<u>3,536,362,839</u>
Less: Discount on long-term borrowings			<u>(9,735,067)</u>	<u>(10,038,406)</u>
	Subtotal		<u>2,981,398,536</u>	<u>3,526,324,433</u>
Less: Current portion of long-term borrowings, net of discount			<u>(1,333,384,069)</u>	<u>(1,810,439,773)</u>
	Total		₩ <u>1,648,014,467</u>	<u>1,715,884,660</u>

(*1) As of December 31, 2023, 3M Financial Bonds I (Bank Bonds) AAA: 3.88%

(*2) As of December 31, 2023, 91days, interest rate of CD: 3.83%

(*3) As of December 31, 2023, 3M SOFR: 5.33%

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17. Borrowings and Debentures, continued

(d) Debentures as of December 31, 2023 and 2022 are as follows:

(in thousands of Korean won)

Description	Maturity	Annual interest rate (%)		2023	2022
66-3rd (local currency)	2025-06-23	2.98	₩	140,000,000	140,000,000
70-3rd (local currency)	2026-04-04	2.48		70,000,000	70,000,000
73-3rd (local currency)	2024-06-15	2.69		100,000,000	100,000,000
75th (local currency)	2024-08-07	2.74		150,000,000	150,000,000
77-2nd (local currency)	2023-05-30	-		-	310,000,000
77-3rd (local currency)	2028-05-30	3.47		100,000,000	100,000,000
79th (local currency)	2033-08-07	3.55		70,000,000	70,000,000
80th (local currency)	2038-08-29	3.40		30,000,000	30,000,000
82-2nd (local currency)	2024-01-30	2.29		150,000,000	150,000,000
82-3rd (local currency)	2029-01-30	2.73		140,000,000	140,000,000
83-1st (local currency)	2024-08-29	1.59		100,000,000	100,000,000
83-2nd (local currency)	2026-08-28	1.67		70,000,000	70,000,000
83-3rd (local currency)	2029-08-29	1.80		110,000,000	110,000,000
85th (local currency)	2023-04-28	-		-	350,000,000
86-1st (local currency)	2025-07-18	2.20		30,000,000	30,000,000
86-2nd (local currency)	2030-07-19	2.58		20,000,000	20,000,000
87-1st (foreign currency)	2023-08-18	-		-	126,730,000
87-2nd (foreign currency)	2023-08-21	-		-	63,365,000
87-3rd (foreign currency)	2023-08-28	-		-	63,365,000
88-1st (local currency)	2025-09-23	2.07		135,000,000	135,000,000
88-2nd (local currency)	2030-09-23	2.55		60,000,000	60,000,000
89-1st (local currency)	2024-04-16	1.63		170,000,000	170,000,000
89-2nd (local currency)	2026-04-16	2.13		190,000,000	190,000,000
89-3rd (local currency)	2031-04-16	2.95		35,000,000	35,000,000
90-1st (foreign currency) (*1)	2024-05-21	3MSOFR +0.31		128,940,000	126,730,000
90-2nd (foreign currency)	2024-05-20	0.53		225,645,000	221,777,500
91st (foreign currency)	2024-08-19	0.86		128,940,000	126,730,000
92nd (foreign currency)	2025-03-25	2.54		206,304,000	202,768,000
93-1st (local currency)	2024-09-06	4.75		100,000,000	100,000,000
93-2nd (local currency)	2025-09-05	4.86		110,000,000	110,000,000
93-3rd (local currency)	2027-09-07	4.93		40,000,000	40,000,000
94th (foreign currency)	2025-11-28	4.87		128,940,000	126,730,000
95-1st (local currency)	2025-02-21	4.41		70,000,000	-
95-2nd (local currency)	2026-02-23	4.55		190,000,000	-
95-3rd (local currency)	2028-02-23	4.79		40,000,000	-
Exchangeable bonds (*2)	2023-04-04	-		-	31,600,000
96-1st (local currency)	2025-07-11	4.66		130,000,000	-

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17. Borrowings and Debentures, continued

(d) Debentures as of December 31, 2023 and 2022 are as follows:, continued

(in thousands of Korean won)

Description	Maturity	Annual interest rate (%)		2023	2022
96-2nd (local currency)	2026-07-10	4.82	₩	120,000,000	-
96-3rd (local currency)	2028-07-11	4.96		20,000,000	-
97-1st (foreign currency)	2026-08-18	SOFR + 1.20		128,940,000	-
97-2nd (foreign currency) (*1)	2026-08-21	3M SOFR + 1.00		64,470,000	-
2nd public bond (LOTTE REIT Co.,Ltd.)	2023-12-15	-		-	31,000,000
3-1st collateralized public bond (LOTTE REIT Co.,Ltd.)	2023-07-29	-		-	80,000,000
3-2nd collateralized public bond (LOTTE REIT Co.,Ltd.)	2024-07-29	4.67		90,000,000	90,000,000
3-3rd collateralized public bond (LOTTE REIT Co.,Ltd.)	2024-07-28	5.09		80,000,000	-
4th collateralized public bond (LOTTE REIT Co.,Ltd.)	2024-07-16	5.69		70,000,000	-
5-1st collateralized public bond (LOTTE REIT Co.,Ltd.)	2024-03-17	5.00		75,000,000	-
5-2nd collateralized public bond (LOTTE REIT Co.,Ltd.)	2024-09-17	5.20		125,000,000	-
Short-term bonds (LOTTE REIT Co.,Ltd.)	2023-01-17	-		-	200,000,000
7th corporate bond (LOTTE Himart Co., Ltd.)	2023-06-11	-		-	200,000,000
8th corporate bond (LOTTE Himart Co., Ltd.)	2024-06-28	1.97		140,000,000	140,000,000
9-1st corporate bond (LOTTE Himart Co., Ltd.)	2025-02-03	5.11		80,000,000	-
9-2nd corporate bond (LOTTE Himart Co., Ltd.)	2026-02-03	5.18		55,000,000	-
3rd (local currency) (Lotte Cultureworks Co., Ltd.)	2023-11-26	-		-	10,000,000
4th (local currency) (Lotte Cultureworks Co., Ltd.)	2023-03-03	-		-	40,000,000
8th (local currency) (Lotte Cultureworks Co., Ltd.)	2025-02-08	7.80		10,000,000	-
9th (local currency) (Lotte Cultureworks Co., Ltd.)	2026-02-27	5.66		20,000,000	-
10th (local currency) (Lotte Cultureworks Co., Ltd.)	2025-03-06	7.80		10,000,000	-
15th (local currency) (Lotte Cultureworks Co., Ltd.)	2024-12-15	6.70		10,000,000	-
Subtotal				4,467,179,000	4,660,795,500
Less: Discount on debentures				(6,760,928)	(5,463,975)
Debentures redemption premium				-	799,480
Less: Exchange rights adjustment				-	(240,306)
Total book value			₩	4,460,418,072	4,655,890,699
Less: Current portion of debentures(*3)				(1,842,207,320)	(1,505,335,451)
Total			₩	2,618,210,752	3,150,555,248

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17. Borrowings and Debentures, continued

(d) Debentures as of December 31, 2023 and 2022 are as follows:, continued

(*1) As of December 31,2023, 3M SOFR: 5.33%, SOFR: 5.38%

(*2) The Company repaid exchangeable bonds for the shares of its subsidiary, Lotte Himart Co., Ltd. upon maturity during 2023.

(*3) Current portion of debentures as of end of December 31, 2022 includes amount on debentures redemption premium.

(e) Annual repayment schedule of long-term borrowings and debentures as of December 31, 2023 is as follows:

(in thousands of Korean won)

		2023		
		Borrowings	Debentures	Total
2024.01.01 ~ 2024.12.31	₩	1,338,716,245	1,843,525,000	3,182,241,245
2025.01.01 ~ 2025.12.31		1,075,656,135	1,050,244,000	2,125,900,135
2026.01.01 ~ 2026.12.31		188,417,185	908,410,000	1,096,827,185
2027.01.01 ~ 2027.12.31		388,105,290	40,000,000	428,105,290
After 2028.01.01		238,748	625,000,000	625,238,748
Total	₩	<u>2,991,133,603</u>	<u>4,467,179,000</u>	<u>7,458,312,603</u>

18. Unearned Revenues

The details of unearned revenues as of December 31, 2023 and 2022 are as follows:

(in thousands of Korean won)

		2023	2022
Current:			
Membership points	₩	1,428,604	460,135
Other points		67,886,111	57,589,422
Unearned rental income		1,685,025	346,977
Others (*)		155,803,372	149,157,297
Total	₩	<u>226,803,112</u>	<u>207,553,831</u>
Non-current:			
Unearned rental income		23,890,972	26,694,354
Total	₩	<u>23,890,972</u>	<u>26,694,354</u>

(*) Others include contract liabilities described in Note 29.

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19. Provisions

(a) Changes in provisions for the year ended December 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>		Beginning balance	Increase	Utilization	Ending balance
Current:					
Provision for bonus payable	₩	-	26,726,096	(26,726,096)	-
Provision for sales return		8,390,254	2,757,990	(4,050,780)	7,097,464
Provision for restoration		4,306,185	975,257	(3,008,151)	2,273,291
Provision for litigation		9,507,619	70,785	(284,139)	9,294,265
Provision for restructuring (*1)		4,495,452	-	(4,042,202)	453,250
Other provisions (*2)		13,968,408	13,946,627	(15,798,839)	12,116,196
Total	₩	40,667,918	44,476,755	(53,910,207)	31,234,466
Non-current:					
Provision for restoration		131,739,487	9,048,643	(6,822,442)	133,965,688
Total	₩	131,739,487	9,048,643	(6,822,442)	133,965,688

(*1) The Group recognized the compensation cost for the store companies due to restructuring as a provision.

(*2) Other provisions include provision for broadcasting reserve fund and others.

(b) Changes in provisions for the year ended December 31, 2022 are as follows:

<i>(in thousands of Korean won)</i>		Beginning balance	Increase	Utilization	Ending balance
Current:					
Provision for bonus payable	₩	-	21,581,296	(21,581,296)	-
Provision for sales return		7,954,405	3,856,273	(3,420,424)	8,390,254
Provision for restoration		4,667,927	2,749,641	(3,111,383)	4,306,185
Provision for litigation		2,420,121	7,088,503	(1,005)	9,507,619
Provision for restructuring (*1)		5,760,033	528,960	(1,793,541)	4,495,452
Other provisions (*2)		9,933,504	42,322,196	(38,287,292)	13,968,408
Total	₩	30,735,990	78,126,869	(68,194,941)	40,667,918
Non-current:					
Provision for restoration		130,994,108	9,589,582	(8,844,203)	131,739,487
Provision for litigation		6,915,150	-	(6,915,150)	-
Total	₩	137,909,258	9,589,582	(15,759,353)	131,739,487

(*1) The Group recognized the compensation cost for the store companies due to restructuring as a provision.

(*2) Other provisions include provision for broadcasting reserve fund and others.

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20. Other Non-financial Liabilities

Other non-financial liabilities as of December 31, 2023 and 2022 are summarized as follows:

<i>(in thousands of Korean won)</i>		<u>2023</u>	<u>2022</u>
Current:			
Withholdings	₩	116,667,631	134,757,807
Withholdings of value added tax		70,294,891	56,356,663
Advances received		1,422,791,637	1,431,898,309
Other liabilities		3,435,501	5,549,676
Total	₩	<u>1,613,189,660</u>	<u>1,628,562,455</u>

21. Employee Benefits

(a) Details of defined benefit liabilities as of December 31, 2023 and 2022 are summarized as follows:

<i>(in thousands of Korean won)</i>		<u>2023</u>	<u>2022</u>
Present value of defined benefit obligations	₩	890,003,574	781,336,593
Fair value of plan assets		(1,064,563,799)	(1,036,331,267)
Net defined benefit assets		(174,560,225)	(254,994,674)
Defined benefit asset		181,240,417	261,888,457
Defined benefit liability	₩	<u>6,680,192</u>	<u>6,893,783</u>

(b) Details of present value of other long-term employee benefits as of December 31, 2023 and 2022 are summarized as follows:

<i>(in thousands of Korean won)</i>		<u>2023</u>	<u>2022</u>
Present value of other long-term employee benefits	₩	27,360,318	25,734,317

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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21. Employee Benefits, continued

(c) Changes in the defined benefit obligations for the years ended December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>		<u>2023</u>	<u>2022</u>
Beginning balance	₩	781,336,593	826,733,750
Current service costs		89,335,269	93,390,196
Past service costs		-	19,000,985
Interest costs		41,326,279	25,689,370
Remeasurements:			
Actuarial loss from change in demographic assumptions		(1,413,376)	(34,057)
Actuarial gain from change in financial assumptions		89,088,140	(113,419,773)
Actuarial gain from experience adjustments		5,098,656	21,253,404
Subtotal		<u>92,773,420</u>	<u>(92,200,426)</u>
Benefit payments		(107,457,848)	(83,541,288)
Others		<u>(7,310,139)</u>	<u>(7,735,994)</u>
Ending balance	₩	<u>890,003,574</u>	<u>781,336,593</u>

(d) Changes in the plan assets for the years ended December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>		<u>2023</u>	<u>2022</u>
Beginning balance	₩	1,036,331,267	940,333,338
Return on plan assets		56,128,440	29,564,311
Remeasurements		(10,507,500)	(12,703,851)
Employer contribution		91,989,239	154,915,610
Benefit payments		(96,788,284)	(73,660,342)
Others		<u>(12,589,363)</u>	<u>(2,117,799)</u>
Ending balance	₩	<u>1,064,563,799</u>	<u>1,036,331,267</u>

The estimated contribution to the plan for the next annual reporting period is ₩87,210,816 thousand.

(e) The components of plan assets as of December 31, 2023 and 2022 are summarized as follows:

<i>(in thousands of Korean won)</i>		<u>2023</u>	<u>2022</u>
Principal guaranteed insurance policies	₩	1,064,470,129	1,036,214,940
Contributions to the National Pension Fund		93,670	116,327
Total	₩	<u>1,064,563,799</u>	<u>1,036,331,267</u>

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21. Employee Benefits, continued

(f) Expenses recognized for the years ended December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>		<u>2023</u>	<u>2022</u>
Current service costs	₩	89,335,269	93,390,196
Past service costs		-	19,000,985
Interest costs		41,326,279	25,689,370
Return on plan assets		(56,128,440)	(29,564,312)
Contributions to defined contribution plans and others		17,612,172	21,563,372
Long-term employee benefits		5,628,190	3,762,449
Total	₩	<u>97,773,470</u>	<u>133,842,060</u>

(g) Defined benefit obligation

① Actuarial assumptions

The principal actuarial assumptions used as of December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Discount rate	4.02~7.14%	4.62~7.43%
Expected rate of promotion	1.43~2.76%	0.76~3.76%
Expected rate of increase in salaries	2.00~7.00%	0.50~7.00%

② Sensitivity analysis

Effects on defined benefit obligation from reasonably possible changes at the reporting date to each of the relevant actuarial assumptions are as follows:

<i>(in thousands of Korean won)</i>		<u>Increase</u>	<u>Decrease</u>
Discount rate (1%p movement)	₩	(57,805,167)	65,330,587
Expected rate of promotion (1%p movement)		59,010,061	(51,579,363)
Expected rate of salary increase (1%p movement)		65,644,567	(59,100,503)

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

(h) Information about the maturity profile of the defined benefit obligation as of December 31, 2023 is as follows:

<i>(in thousands of Korean won)</i>		<u>Less than 1 year</u>	<u>Between 1-2 years</u>	<u>Between 2-5 years</u>	<u>Between 5-10 years</u>	<u>Over 10 years</u>
Benefits payment	₩	98,221,037	105,742,478	327,069,042	567,821,711	1,461,387,885

The weighted average duration of the defined benefit obligation is 7.92 years.

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22. Hybrid securities

(a) Details of hybrid securities classified as equity as of December 31, 2023 are as follows:

(in thousands of Korean won)

	Issue date	Expiration date	Interest (%)	Amount
7th private bond type of hybrid securities	2022-02-25	2052-02-25	5.6	₩ 30,000,000
11th private bond type of hybrid securities	2023-04-20	2053-04-20	8.1	40,000,000
12th private bond type of hybrid securities	2023-06-29	2053-06-29	7.8	30,000,000
13th private bond type of hybrid securities	2023-12-14	2053-12-14	7.6	50,000,000
14th private bond type of hybrid securities	2023-12-15	2053-12-15	8.1	30,000,000
Subtotal				180,000,000
Issuance cost				(1,339,758)
Total				₩ 178,660,242

Details of hybrid securities classified as equity as of December 31, 2022 are as follows:

(in thousands of Korean won)

	Issue date	Expiration date	Interest (%)	Amount
5th private bond type of hybrid securities	2021-06-22	2051-06-22	-	₩ 40,000,000
6th private bond type of hybrid securities	2021-12-22	2051-12-22	-	100,000,000
7th private bond type of hybrid securities	2022-02-25	2052-02-25	5.6	30,000,000
Subtotal				170,000,000
Issuance cost				(545,978)
Total				₩ 169,454,022

(b) Condition for issuance of bond type hybrid securities are as follows:

(in thousands of Korean won)

	7th private bond type of hybrid securities	11th private bond type of hybrid securities	12th private bond type of hybrid securities
Amount	₩ 30,000,000	₩ 40,000,000	₩ 30,000,000
Expiration date	30 years (expiration may be extended at the Group's discretion at maturity)		
Interest	Issue date ~ 2024.02.25: 5.60 % 2.0% step-up interest rate applied after 2 years from issuance 0.5% increase per year after application of step-up interest rates	Issue date ~ 2025.04.20: 8.10 % 2.0% step-up interest rate applied after 2 years from issuance 0.5% increase per year after application of step-up interest rates	Issue date ~ 2025.06.29: 7.80 % 2.0% step-up interest rate applied after 2 years from issuance 0.5% increase per year after application of step-up interest rates
Condition of interest payment	May 25, 2022 for the first time, 3 months' interest is deferred on the 25th of every 3 months until the expiration date.	July 20, 2023 for the first time, 3 months' interest is deferred on the 20th of every 3 months until the expiration date.	September 29, 2023 for the first time, 3 months' interest is deferred on the 29th of every 3 months until the expiration date.
Others	Early repayment rights can be exercised every interest payment date after 2 years	Early repayment rights can be exercised every year after 2 years from issuance and	Early repayment rights can be exercised every year after 2 years from issuance and

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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from issuance and thereafter.	thereafter.	thereafter.
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22. Hybrid securities, continued

(b) Condition for issuance of bond type hybrid securities are as follows:, continued

(in thousands of Korean won)

	13th private bond type of hybrid securities	14th private bond type of hybrid securities
Amount	₩ 50,000,000	₩ 30,000,000
Expiration date	30 years (expiration may be extended at the Group's discretion at maturity)	
Interest	Issue date ~ 2025.06.14: 7.60 % 2.0% step-up interest rate applied after 1 year 6 months from issuance 0.5% increase per year after application of step-up interest rates	Issue date ~ 2025.06.15: 8.10 % 2.0% step-up interest rate applied after 1 year 6 months from issuance 0.5% increase per year after application of step-up interest rates
Condition of interest payment	March 14, 2024 for the first time, 3 months' interest is deferred on the 14th of every 3 months until the expiration date.	March 15, 2024 for the first time, 3 months' interest is deferred on the 15th of every 3 months until the expiration date.
Others	Early repayment rights can be exercised every interest payment date after 1 year 6 months from issuance and thereafter.	Early repayment rights can be exercised every interest payment date after 1 year 6 months from issuance and thereafter.

7th, 11th, 12th, 13th and 14th hybrid security's expiration can be extended at Lotte Cultureworks Co., Ltd.'s decision making at maturity. Furthermore, bond interest payment may be deferred by Lotte Cultureworks Co., Ltd.'s own right. If interest payment is deferred, dividends on common stock cannot be resolved or paid until the deferred interest is paid in full.

23. Derivatives

(a) Details of derivatives outstanding as of December 31, 2023 are as follows:

Purpose	Type	Description
Risk hedge	Currency swaps	At the maturity of the swap, the principal and the interest payments for debentures and borrowings in foreign currency based on floating rates are exchanged back with the principal and fixed interest rate payments in local currency.
	Interest swaps	Fixed interest is paid regarding variable interest of KRW and foreign currency borrowings.
Trade	Total return swap (*)	Cash flows of an investor in beneficiary are exchanged with contracted cash flows.
	Stock Options	The right to purchase stocks in stock market.

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23. Derivatives, continued

(a) Details of derivatives outstanding as of December 31, 2023 are as follows:, continued

(* Total return swap of the Group as of December 31, 2023 are as follows:

(in thousands of Korean won)

Name	Guaranteed Seller	Guaranteed Buyer	Conclusion date of agreement	Maturity date	Agreement Amount	Underlying assets	Purpose of agreement	Description of agreement and settlement method	Special relationship with contract party or issuance company of underlying assets	Collateral	Brokerage financial company	Special agreement	
TRS	LOTTE SHOPPING CO., LTD.	LOG No. 1 Co., Ltd.	2022-02-17	2025-02-17	₩ 40,000,000						KB Securities		
		LOG No. 3 Co., Ltd.			24,300,000								
		LOY No. 1 Co., Ltd.			57,000,000								
		LOY No. 2 Co., Ltd.	2023-06-15	2024-06-13	65,000,000							Korea Investment & Securities Co., Ltd.	
		LOY No. 3 Co., Ltd.			41,000,000								
		Kimpo Hangang Park No. 1 Co., Ltd.	2023-06-15	2024-06-13	29,800,000	Real estate investment trust related beneficiary certificates	Settlement of disposal of underlying assets	1. Settlement of differences between the selling price of underlying assets and the principal of investment	None	None		Korea Investment & Securities Co., Ltd.	-
		Kimpo Hangang Park No. 2 Co., Ltd.			120,000			2. Settlement of differences between the actual dividends and standard dividends on each dividend payment date					
		LEP No. 1 Co., Ltd.			30,000,000								
		LEP No. 2 Co., Ltd.	2021-04-29	2026-04-29	70,000,000							KB Securities	
		LEP No. 3 Co., Ltd.			50,000,000								
LEP No. 4 Co., Ltd.			73,000,000										

(b) Hedge Accounting

As of December 31, 2023, the Group entered into currency swap contracts to hedge fair value risk regarding debentures issued in foreign currency redeemed on the maturity date which are subject to changes in foreign currency. The gain or loss arising from changes in fair value of derivatives is recognized in profit or loss for the period since gain or loss on foreign currency translation from the debentures and the borrowings issued in foreign currency can be hedged through the currency swap.

Meanwhile, the Group entered into interest swap contracts for the purpose of hedging interest rate changes for certain debentures and borrowings issued in foreign currency and borrowings in Korean won. Effective portion of gain or loss on derivatives arising from the interest rate swaps is recognized in other comprehensive income and any ineffective portion is recognized in profit or loss for the period. The gain or loss on derivatives from the interest swap contracts are recognized in other comprehensive income as it is determined to be all effective.

Details of derivative contracts for hedging as of December 31, 2023 are as follows:

(in thousands of Korean won, full foreign currency)

Type	Description	Amount	Exchange Rate (KRW, VND)	Annual Interest Rate	Payable interest rate	Maturity	Remarks
Currency Swap	90-1st (foreign currency)	USD 100,000,000	KRW 1,129.5	3M SOFR+0.31%	1.64%	2024.05.21	MUFG Bank
	90-2nd (foreign currency)	USD 175,000,000	KRW 1,129.5	1.53%	1.61%	2024.05.20	SMBC Bank
	91st (foreign currency)	USD 100,000,000	KRW 1,159.0	0.86%	1.96%	2024.08.19	MUFG Bank
	92nd (foreign currency)	USD 160,000,000	KRW 1,212.0	2.54%	3.10%	2025.03.25	MUFG Bank
	94th (foreign currency)	USD 100,000,000	KRW 1,352.3	4.87%	5.77%	2025.11.28	MUFG Bank
	97-1st (foreign currency)	USD 100,000,000	KRW 1,341.6	SOFR+1.68%	4.74%	2026.08.18	Kookmin Bank

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97-2nd (foreign currency) USD 50,000,000 KRW 1,336.9 3M 4.19% 2026.08.21 KEB Hana Bank
SOFR+1.00%

23. Derivatives, continued

(b) Hedge Accounting, continued

(in thousands of Korean won, full foreign currency)

Type	Description	Amount	Exchange Rate (KRW, VND)	Annual Interest Rate	Payable interest rate	Maturity	Remarks
Currency Swap		USD 82,600,000	KRW 1,308.8	6.55%	5.30%	2026.03.03	The Export-Import Bank of Korea
		USD 75,000,000	VND 23,190	3M SOFR+1.95%	7.27%	2025.05.23	Woori Bank
		USD 40,000,000	VND 23,250	3M SOFR+1.95%	7.35%	2027.06.28	Woori Bank
		USD 30,000,000	VND 24,850	3M SOFR+1.95%	11.49%	2027.06.28	Woori Bank
	Long-term Borrowing	USD 30,000,000	VND 23,750	3M SOFR+1.95%	10.24%	2024.03.27	Woori Bank
		USD 25,000,000	VND 23,750	3M SOFR+1.95%	10.10%	2026.03.27	Woori Bank
		USD 30,000,000	VND 23,440	3M SOFR+1.95%	10.35%	2024.02.23	Standard Chartered Bank
		USD 40,000,000	VND 23,480	3M SOFR+1.95%	8.22%	2025.05.23	Woori Bank
		USD 40,000,000	VND 23,530	3M SOFR+1.95%	7.83%	2025.05.23	Woori Bank
		USD 10,000,000	VND 23,460	3M SOFR+1.20%	9.25%	2024.01.18	Standard Chartered Bank
		USD 4,000,000	VND 23,505	3M SOFR+2.00%	8.50%	2024.03.22	Woori Bank
		USD 20,000,000	VND 23,510	3M SOFR+1.20%	7.15%	2024.06.20	Shinhan Bank
		USD 10,000,000	VND 23,520	3M SOFR+1.30%	7.17%	2024.06.25	Shinhan Bank
		USD 10,000,000	VND 23,585	3M SOFR+1.30%	7.17%	2024.06.28	Shinhan Bank
	Short-term borrowing	USD 13,500,000	VND 24,250	3M SOFR+1.30%	6.45%	2024.09.13	Shinhan Bank
		USD 10,000,000	VND 24,290	3M SOFR+3.45%	8.15%	2024.09.16	Standard Chartered Bank
		USD 7,000,000	VND 24,398	3M SOFR+2.95%	7.76%	2024.10.04	Standard Chartered Bank
		USD 30,000,000	VND 24,096	3M SOFR+1.30%	5.86%	2024.09.05	Maritime Bank
		USD 50,000,000	VND 24,108	3M SOFR+1.30%	5.88%	2024.09.05	Shinhan Bank
		USD 20,000,000	VND 24,073	3M SOFR+1.30%	5.86%	2024.09.05	BNP Paribas Bank
Interest Swap		KRW 100,000,000	Not Applicable	91 days, interest rate of CD +1.20%	4.62%	2026.03.17	Shinhan Bank
	Short-term borrowing	KRW 70,000,000	Not Applicable	91 days, interest rate of CD +0.90%	3.99%	2025.04.15	Shinhan Bank

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23. Derivatives, continued

(c) Fair value of derivatives outstanding as of December 31, 2023 and 2022 are summarized as follows:

(in thousands of Korean won)

Description	Type		2023		2022	
			Assets	Liabilities	Assets	Liabilities
Risk hedge	Currency swaps	₩	65,064,483	36,733,652	79,800,011	18,513,782
	Interest swaps		291,905	443,173	1,501,409	-
Trade	Total return swap		17,580,849	-	22,903,928	-
	Stock options		-	-	18,120	-
Total		₩	<u>82,937,237</u>	<u>37,176,825</u>	<u>104,223,468</u>	<u>18,513,782</u>

(d) Gain or loss on valuation of derivatives for the year ended December 31, 2023 is as follows:

(in thousands of Korean won)

Purpose	Type		Amount	Note
Risk hedge	Currency swaps	₩	22,810,883	Profit or loss (*)
			(39,083,568)	Other comprehensive income
	Interest swaps		(1,780,284)	Other comprehensive income
Trade	Total return swap		1,301,626	Profit or loss
	Stock options		22,174,178	Profit or loss

(*) Fair value hedging is applied to the exchange rate swap portion of currency swaps.

24. Share Capital and Capital Surplus

(a) The share capital of the Company as of December 31, 2023 and 2022 are as follows:

(in thousands of Korean won, except for number of shares)

		2023	2022
Authorized shares(shares)		60,000,000	60,000,000
Par value per share (in thousands of Korean won)	₩	5	5
Number of shares issued(shares)		<u>28,288,755</u>	<u>28,288,755</u>
Share capital	₩	<u>141,443,775</u>	<u>141,443,775</u>

(b) Capital surplus as of December 31, 2023 and 2022 are as follows:

(in thousands of Korean won)

		2023	2022
Additional paid-in capital	₩	3,414,873,024	3,414,873,024
Others		<u>159,476,390</u>	<u>159,476,390</u>
Total	₩	<u>3,574,349,414</u>	<u>3,574,349,414</u>

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25. Capital Adjustments

Capital adjustments as of December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>	<u>2023</u>	<u>2022</u>
Treasury stocks	₩ 3,803,077	3,803,077
Other capital adjustments	3,015,871,309	3,015,615,145
Total	₩ <u>3,019,674,386</u>	<u>3,019,418,222</u>

26. Retained Earnings

Details of retained earnings as of December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>	<u>2023</u>	<u>2022</u>
Legal reserves	₩ 267,045,770	257,716,459
Voluntary reserves	8,120,052,125	8,520,052,125
Unappropriated retained earnings (deficit)	243,024,693	(136,566,010)
Total	₩ <u>8,630,122,588</u>	<u>8,641,202,574</u>

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27. Accumulated Other Comprehensive Income (loss)

Changes in accumulated other comprehensive income (loss) for the years ended December 31, 2023 and 2022 are as follows:

(in thousands of Korean won)

		2023			
		Beginning balance	Changes for the year	Tax effects for the year	Ending balance
Fair value gain (loss) through other comprehensive income	₩	76,475,424	(20,773,988)	9,411,343	65,112,779
Exchange rate differences on translating foreign operations		12,762,738	(12,352,646)	(85,801)	324,291
Cash flow hedge		(9,015,999)	(37,575,729)	857,751	(45,733,977)
Interests in the other comprehensive income in investment in associates		(19,599,791)	(12,297,371)	813,814	(31,083,348)
Total	₩	60,622,372	(82,999,734)	10,997,107	(11,380,255)

(in thousands of Korean won)

		2022			
		Beginning balance	Changes for the year	Tax effects for the year	Ending balance
Fair value gain (loss) through other comprehensive income	₩	260,753,341	(301,758,051)	117,480,134	76,475,424
Exchange rate differences on translating foreign operations		36,095,206	(30,163,784)	6,831,316	12,762,738
Cash flow hedge		(2,729,386)	(8,230,214)	1,943,601	(9,015,999)
Interests in the other comprehensive income in investment in associates		(30,063,087)	6,247,406	4,215,890	(19,599,791)
Total	₩	264,056,074	(333,904,643)	130,470,941	60,622,372

28. Earnings (losses) per Share

(a) Basic earnings (losses) per share and diluted earnings (losses) per share for the years ended December 31, 2023 and 2022 are as follows:

(in thousands Korean won, except for number of shares)

		2023	2022
Net earnings (loss) attributable to controlling interests	₩	174,403,554,447 ₩	(324,570,885,303)
Diluted net earnings (loss) attributable to common shareholders		174,403,554,447	(324,570,885,303)
Interest on hybrid securities		(10,610,000,000)	(8,240,000,000)
Weighted average number of common shares outstanding (in shares)		28,270,640	28,270,640
Weighted average number of common shares for diluted earnings per share (in shares)		28,270,640	28,270,640
Basic earnings (loss) per share	₩	5,794 ₩	(11,772)
Diluted net earnings (loss) per share		5,794	(11,772)

There are no potential dilutive common shares as the Company repaid the exchangeable bonds of LOTTE Himart Co., Ltd during 2023. As dilutive effect did not occur in 2022, basic loss per share and diluted loss per share are the same.

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28. Earnings (losses) per Share, continued

(b) Weighted average number of common shares outstanding

<i>(in number of shares)</i>	2023	2022
Initial number of common shares outstanding	28,288,755	28,288,755
Treasury share	(18,115)	(18,115)
Weighted average number of common shares outstanding	28,270,640	28,270,640

29. Sales

(a) Details of sales recognized in the consolidated comprehensive income statement for the years ended December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>		2023	2022
Sales of merchandise	₩	18,428,309,691	19,543,169,558
Sales of products		643,876,866	643,379,056
Other sales (*)		1,401,349,300	1,380,200,390
Total sales		20,473,535,857	21,566,749,004
Revenue from contracts with customers			
Sales discounts and sales returns		1,374,628,884	1,291,709,577
Provision for sales return and deferred sales		256,178,766	285,637,973
Cost of specific sales		5,898,242,477	6,052,679,510
Total sales deduction		7,529,050,127	7,630,027,060
Revenue from other sources: rental revenue		1,611,378,150	1,539,313,713
Total	₩	14,555,863,880	15,476,035,657

(*) Other sales include a government grant of ₩ 21,558,643 thousand (2022: ₩ 15,824,052 thousand) received in 2023 from Korea Agro-Fisheries & Food Trade Corporation and Korea Fisheries Association as part of an initiation to promote agricultural consumption and a government grant of ₩ 3,084,054 thousand received in 2022 from Korean Film Council for cinema promotion due to COVID-19.

(b) The contract assets and liabilities of the Group recognized related to the revenue from contracts with customers as of December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>		2023	2022
Contract assets			
Receivables from real estate sales	₩	23,015,905	-
Total contract assets		23,015,905	-
Contract liabilities			
Customer loyalty program		138,199,276	130,679,172
Gift vouchers		1,062,536,855	1,057,500,153
Advances from real estate sales		2,824,593	9,981,876
Others		154,911,977	155,681,450
Total contract liabilities	₩	1,358,472,701	1,353,842,651

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29. Sales, continued

(c) The amounts recognized as revenue and redemption of gift vouchers for the year ended December 31, 2023, in relation to contract liabilities carried forward from the year ended December 31, 2022 are as follows:

(in thousands of Korean won)

		<u>2023</u>	<u>2022</u>
Revenue			
Customer loyalty programs	₩	130,204,427	116,145,419
Others		<u>155,175,394</u>	<u>151,282,920</u>
Total		<u>285,379,821</u>	<u>267,428,339</u>
Collected			
Gift vouchers		<u>579,589,489</u>	<u>477,045,019</u>
Total	₩	<u>579,589,489</u>	<u>477,045,019</u>

(d) Expected satisfaction of performance obligation in relation to gift vouchers by period are as follows:

(in thousands of Korean won)

	<u>Book amount</u>	<u>1 year</u>	<u>Between 1-5 years</u>	<u>Over 5 years</u>
₩	1,062,536,855	631,361,886	426,315,222	4,859,747

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30. Selling, General and Administrative Expenses and Bad Debt Expenses

Details of selling, general and administrative expenses and bad debt expenses for the years ended December 31, 2023 and December 31, 2022 are as follows:

<i>(in thousands of Korean won)</i>		<u>2023</u>	<u>2022</u>
Salaries	₩	1,261,020,682	1,262,003,673
Retirement benefits		91,207,830	133,321,946
Long-term employee benefits		5,580,125	3,739,666
Employee benefits		253,037,478	265,658,835
Training expenses		12,300,324	14,610,986
Travel expenses		19,134,769	18,765,300
Vehicle maintenance expenses		2,292,983	2,574,514
Insurance premiums		10,660,156	11,853,048
Taxes and dues		199,770,321	223,847,596
Entertainment expenses		3,269,080	3,671,621
Supplies expenses		58,314,580	59,140,523
Publication expenses		1,159,823	1,387,132
Communication expenses		17,863,196	19,970,539
Utility expenses		353,210,068	295,746,827
Repairs and maintenance		48,401,282	63,061,371
Rental expenses		170,955,431	142,031,490
Depreciation		1,044,322,567	1,093,833,676
Amortization		28,870,791	46,751,602
Commission expenses		1,151,078,261	1,193,758,496
Service commission expenses		946,403,804	928,366,173
Advertising expenses		169,959,065	180,768,818
Samples expenses		245,305	383,987
Sales commissions		128,104,013	124,371,775
Sales promotion expenses		111,048,651	120,980,533
Decoration expenses		23,496,116	30,036,512
Bad debt expenses		2,398,329	2,684,604
Transportation expenses		142,579,198	176,375,941
Research and development expenses		298,443	242,409
Provisions (reversal)		590,105	(2,675,627)
Compensation expenses		5,642,360	7,900,491
Others		3,085,372	2,039,339
Total	₩	<u>6,266,300,508</u>	<u>6,427,203,796</u>

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31. Other Income and Expenses

Details of other income and expenses for the years ended December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>	<u>2023</u>	<u>2022</u>
Other income:		
Gain on foreign currency transactions	₩ 1,855,868	9,244,920
Gain on foreign currency translation	101,329	633,255
Gain on disposal of property, plant, and equipment	40,804,491	3,545,628
Reversal of impairment loss on property, plant, and equipment	-	978,246
Gain on disposal of intangible assets	368,154	-
Reversal of impairment loss on intangible assets	123,939	1,151,324
Gain on lease expiration	46,071,755	61,409,318
Gain on disposal of right-of-use assets	63,899,795	32,658,402
Reversal of impairment loss on right-of-use assets	-	4,304
Gain on disposal of assets and liabilities held for sale	2,433,472	-
Reversal of impairment losses on other non-current assets	4,375	7,075
Miscellaneous gains	25,999,899	48,623,220
Total	₩ <u>181,663,077</u>	<u>158,255,692</u>
Other expenses:		
Loss on foreign currency transactions	₩ 2,119,128	3,542,733
Loss on foreign currency translation	396,656	4,135,930
Impairment loss on investment in properties	23,431,759	89,300,321
Loss on disposal of property, plant and equipment	8,252,042	12,005,378
Impairment loss on property, plant and equipment	37,981,220	98,204,826
Loss on disposal of intangible assets	8,557,964	530,098
Impairment loss on intangible assets	5,152,571	361,846,652
Loss on lease expiration	67,551	578,857
Loss on disposal of right-of-use assets	17,195,930	6,859,420
Impairment loss on right-of-use assets	106,274,257	173,185,246
Donations	15,759,133	17,488,603
Other bad debt expenses (reversal)	(8,731,679)	2,848,834
Miscellaneous losses	109,097,035	15,403,884
Total	₩ <u>325,553,567</u>	<u>785,930,782</u>

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32. Nature of expenses

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

<i>(in thousands of Korean won)</i>		<u>2023</u>	<u>2022</u>
Purchase of inventories	₩	7,371,622,146	8,392,851,080
Changes in inventories		120,534,155	15,059,075
Employee benefits		1,624,190,539	1,682,817,801
Rental expenses		173,100,643	144,298,241
Depreciation and amortization		1,173,728,237	1,224,893,745
Sales commissions		128,104,013	124,371,775
Sales promotion expenses		111,340,218	129,794,380
Commission expenses		1,151,597,763	1,210,689,349
Service expenses		967,657,256	945,648,497
Advertising expenses		169,959,065	192,767,400
Utility expenses		357,678,789	301,284,654
Taxes and dues		200,016,434	224,123,014
Others		497,929,891	501,211,050
Total of costs of goods sold and selling, general and administration expenses	₩	<u>14,047,459,149</u>	<u>15,089,810,061</u>

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33. Finance Income and Finance Costs

(a) Details of finance income and finance costs for the years ended December 31, 2023 and 2022 are as follows:

(in thousands of Korean won)

		<u>2023</u>	<u>2022</u>
Finance income:			
Interest income according to the effective interest rate method	₩	161,344,495	117,380,869
Dividend income		20,786,863	17,541,379
Gain on foreign currency transactions		19,035,794	8,510,988
Gain on foreign currency translation		14,304,250	30,206,812
Gain on valuation of debt instrument measured at fair value through profit or loss		9,477,159	12,608,100
Gain on disposal of debt instrument measured at fair value through profit or loss		6,034,147	295,829
Gain on disposal of debt instrument measured at fair value through other comprehensive income		29,185	37,207
Reversal of impairment loss on investments in financial assets measured at amortized cost		73,503,780	-
Gain on changes in conditions of financial liabilities measured at amortized cost		2,492,010	-
Gain on valuation of derivatives held for hedging		32,005,845	75,166,311
Gain on valuation of derivatives held for trading		23,493,924	1,918,825
Gain on transaction of derivatives held for hedging		13,778,373	16,610,200
Gain on transaction of derivatives held for trading		8,422	19,500,567
Gain on disposal of investments in subsidiaries, associates		1,279,769	39,823,396
Reversal of impairment loss on investments in associates		-	3,206,866
Gain on disposal of assets and liabilities held for sale		34,584,071	-
Total	₩	<u>412,158,087</u>	<u>342,807,349</u>
Finance costs:			
Interest expense according to the effective interest rate method	₩	595,448,377	499,749,759
Loss on foreign currency transactions		16,697,431	23,165,942
Loss on foreign currency translation		35,881,775	71,112,491
Loss on valuation of debt instrument measured at fair value through profit or loss		17,148,300	10,807,777
Loss on valuation of derivatives held for hedging		9,194,962	8,533,556
Loss on valuation of derivatives held for trading		18,120	8,926,370
Loss on transaction of derivatives held for hedging		6,446,815	291,534
Loss on transaction of derivatives held for trading		21,109	801,793
Loss on disposal of investments in associates		379,893	7,959,826
Impairment loss on investments in associates		58,615,931	167,014,393
Total	₩	<u>739,852,713</u>	<u>798,363,441</u>

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33. Finance Income and Finance Costs, continued

(b) Details of finance income and finance costs by financial instruments category for the years ended December 31, 2023 and 2022 are as follows:

(in thousands of Korean won)

		2023							
		Cash and cash equivalents	Financial assets at amortized cost	Financial instruments at fair value through profit or loss	Financial instruments at fair value through other comprehensive income	Derivatives assets and liabilities held for trading	Derivatives assets and liabilities held for hedging	Financial liabilities at amortized cost	Total
Recognized in profit or loss :									
Interest income	₩	107,543,144	53,801,351	-	-	-	-	-	161,344,495
Interest expense(*1)		-	-	-	-	-	-	(595,448,377)	(595,448,377)
Dividend income		-	-	2,579,282	18,207,581	-	-	-	20,786,863
Valuation / Disposal		-	-	(1,636,994)	29,185	23,463,117	30,142,441	2,492,010	54,489,759
Reversal of impairment loss		-	73,503,780	-	-	-	-	-	73,503,780
Exchange differences		12,529,726	(1,634,377)	(49,418)	4,738	-	-	(30,089,831)	(19,239,162)
Subtotal		120,072,870	125,670,754	892,870	18,241,504	23,463,117	30,142,441	(623,046,198)	(304,562,642)
Recognized in other comprehensive income (loss)(*2)									
Fair value gain through other comprehensive income		-	-	-	(45,155,107)	-	-	-	(45,155,107)
Gain (loss) on valuation of derivatives		-	-	-	-	-	(41,401,260)	-	(41,401,260)
Subtotal		-	-	-	(45,155,107)	-	(41,401,260)	-	(86,556,367)
Total	₩	120,072,870	125,670,754	892,870	(26,913,603)	23,463,117	(11,258,819)	(623,046,198)	(391,119,009)

(*1) Interest expense includes interest on leases.

(*2) The gain or loss on valuation is amount before offsetting effect of income taxes.

(in thousands of Korean won)

		2022							
		Cash and cash equivalents	Financial assets at amortized cost	Financial instruments at fair value through profit or loss	Financial instruments at fair value through other comprehensive income	Derivatives assets and liabilities held for trading	Derivatives assets and liabilities held for hedging	Financial liabilities at amortized cost	Total
Recognized in profit or loss :									
Interest income	₩	72,020,689	45,358,564	1,616	-	-	-	-	117,380,869
Interest expense(*1)		(2,001,493)	(34,813,366)	-	-	-	-	(462,934,900)	(499,749,759)
Dividend income		-	-	5,594,828	11,946,551	-	-	-	17,541,379
Valuation / Disposal		-	-	2,096,152	37,207	11,691,229	82,951,421	-	96,776,009
Impairment		3,419,219	17,246,926	(76,203)	8,500,000	-	(4,802,044)	(79,848,531)	(55,560,633)
Subtotal		73,438,415	27,792,124	7,616,393	20,483,758	11,691,229	78,149,377	(542,783,431)	(323,612,135)
Recognized in other comprehensive income (loss)(*2)									
Fair value gain through other comprehensive income		-	-	-	(539,972,752)	-	-	-	(539,972,752)
Gain (loss) on valuation of derivatives		-	-	-	-	-	(7,945,026)	-	(7,945,026)
Subtotal		-	-	-	(539,972,752)	-	(7,945,026)	-	(547,917,778)
Total	₩	73,438,415	27,792,124	7,616,393	(519,488,994)	11,691,229	70,204,351	(542,783,431)	(871,529,913)

(*1) Interest expense of financial assets at amortized cost includes interest on leases.

(*2) The gain or loss on valuation is amount before offsetting effect of income taxes.

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34. Income Taxes

(a) Income tax expense for the years ended December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>	<u>2023</u>	<u>2022</u>
Current income taxes	₩ 21,239,130	14,299,652
Deferred tax due to temporary differences	(47,874,166)	(430,697,318)
Total income tax effect	(26,635,036)	(416,397,666)
Income tax charged directly to equity	41,415,345	167,747,800
Income tax revenue	₩ 14,780,309	(248,649,866)

(b) Details of income tax charged directly to equity for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<u>2023</u>	<u>2022</u>
Fair value gain (loss) through other comprehensive income	₩ 16,050,514	172,727,770
Exchange differences on translating foreign operations	(85,801)	9,306,911
Gain (loss) on valuation of derivatives	924,998	1,843,246
Remeasurements of defined benefit liabilities	23,638,976	(18,442,911)
Changes in equity of equity method investments	886,658	2,312,784
Income tax charged directly to equity	₩ 41,415,345	167,747,800

Income tax related to fair value gain (loss) through other comprehensive income, exchange differences on translating foreign operations, gain (loss) on valuation of derivatives, remeasurements of defined benefit liabilities and changes in equity of equity method investments are recognized in other comprehensive income (loss).

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34. Income Taxes, continued

(c) Income tax expense and related accounting benefits for the years ended December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>		<u>2023</u>	<u>2022</u>
Profit (loss) before income tax expense	₩	183,960,745	(567,342,307)
Income tax using statutory tax rate		42,956,932	(136,834,838)
Adjustment:			
Tax effects on non-taxable income		(31,651,223)	(14,038,101)
Tax effects on non-deductible expense		13,851,184	17,819,121
Tax credit		(1,592,772)	(2,198,492)
Adjustment for prior periods		3,419,606	3,907,164
Tax effects on share of profit (loss) of subsidiaries and associates		7,974,509	(76,902,218)
Changes in impracticable contemporary difference		(2,493,588)	(2,484,680)
Changes in deferred tax due to change in tax rate		29,493,291	4,686,686
Changes in deferred tax assets for loss carried forward		(53,362,903)	(81,974,063)
Others		6,185,273	39,369,555
Income tax expense (revenue)	₩	<u>14,780,309</u>	<u>(248,649,866)</u>
Effective tax rate(*)		8.03%	-

(*) The effective tax rates for 2022 has not been presented due to loss before income tax.

(d) As of December 31, 2023, deferred tax assets and liabilities are measured using the expected future tax rate to be applied for the year in which temporary differences are expected to be reversed.

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34. Income Taxes, continued

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

(in thousands of Korean won)

		2023			
		Beginning balance	Profit or loss	Equity	Ending balance
Buildings	₩	(1,101,042)	3,030,321	-	1,929,279
Depreciation		58,628,907	(24,181,973)	-	34,446,934
Allowance for doubtful accounts		3,565,716	754,134	-	4,319,850
Accrued income		(1,802,266)	(9,421)	-	(1,811,687)
Unearned revenues		629,117	4,238	-	633,355
Long-term prepaid expenses		(1,361,300)	1,252,893	-	(108,407)
Losses on valuation of inventories		3,227,875	(341,675)	-	2,886,200
Provision for sales return		1,039,282	(197,092)	-	842,190
Property, plant and equipment (capitalization of borrowing costs)		(9,603,197)	(3,766,805)	-	(13,370,002)
Land		(17,500,233)	(2,501,656)	-	(20,001,889)
Land (asset revaluation)		(918,271,590)	21,751,229	-	(896,520,361)
Provision for mileage program		238,577	(234,842)	-	3,735
Accrued expense		6,161,302	3,897,443	-	10,058,745
Gain (loss) on foreign currency translation		(11,027)	10,727	-	(300)
Construction-in-progress		(5,490,582)	(2,980,515)	-	(8,471,097)
Other intangible assets		(14,179,561)	(2,174,993)	-	(16,354,554)
Lease deposit		56,388,857	(5,596,087)	-	50,792,770
Goodwill		1,962,740	(163,749)	-	1,798,991
Exchangeable bonds		(55,751)	55,751	-	-
Investments in subsidiaries and associates		(44,212,623)	(7,008,240)	886,658	(50,334,205)
Fair value gain (loss) on equity instruments through other comprehensive income		(108,238,774)	-	16,050,514	(92,188,260)
Gain on valuation of derivatives		(1,578,458)	1,271,451	924,998	617,991
Salaries and retirement benefits		(36,778,681)	4,120,851	23,638,976	(9,018,854)
Translation difference of foreign subsidiaries		6,253,131	-	(85,801)	6,167,330
Right-of-use assets and lease liabilities		380,693,582	(54,724,335)	-	325,969,247
Loss carried forward		454,883,036	70,479,779	-	525,362,815
Others		93,935,255	3,711,387	-	97,646,642
Total	₩	<u>(92,577,708)</u>	<u>6,458,821</u>	<u>41,415,345</u>	<u>(44,703,542)</u>

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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34. Income Taxes, continued

(e) Changes in deferred tax assets (liabilities) for the years ended December 31, 2023 and 2022 are as follows:, continued

(in thousands of Korean won)

		2022			
		Beginning balance	Profit or loss	Equity	Ending balance
Buildings	₩	(16,024,370)	14,923,328	-	(1,101,042)
Depreciation		55,688,844	2,940,063	-	58,628,907
Allowance for doubtful accounts		13,739,980	(10,174,264)	-	3,565,716
Accrued income		(1,300,594)	(501,672)	-	(1,802,266)
Unearned revenues		767,007	(137,890)	-	629,117
Long-term prepaid expenses		(47,481,728)	46,120,428	-	(1,361,300)
Losses on valuation of inventories		3,626,774	(398,899)	-	3,227,875
Provision for sales return		1,054,428	(15,146)	-	1,039,282
Property, plant and equipment (capitalization of borrowing costs)		(9,914,125)	310,928	-	(9,603,197)
Land		35,019,024	(52,519,257)	-	(17,500,233)
Land (asset revaluation)		(953,074,299)	34,802,709	-	(918,271,590)
Provision for mileage program		387,752	(149,175)	-	238,577
Accrued expense		13,563,570	(7,402,268)	-	6,161,302
Gain (loss) on foreign currency translation		1,556,633	(1,567,660)	-	(11,027)
Construction-in-progress		347,701	(5,838,283)	-	(5,490,582)
Other intangible assets		(14,088,643)	(90,918)	-	(14,179,561)
Lease deposit		63,907,447	(7,518,590)	-	56,388,857
Goodwill		2,291,911	(329,171)	-	1,962,740
Exchangeable bonds		(284,573)	228,822	-	(55,751)
Investments in subsidiaries and associates		(149,239,113)	102,713,707	2,312,783	(44,212,623)
Fair value gain (loss) on equity instruments through other comprehensive income		(280,966,544)	-	172,727,770	(108,238,774)
Gain on valuation of derivatives		(9,234,996)	5,813,292	1,843,246	(1,578,458)
Salaries and retirement benefits		(2,367,453)	(15,968,317)	(18,442,911)	(36,778,681)
Translation difference of foreign subsidiaries		(3,053,781)	-	9,306,912	6,253,131
Right-of-use assets and lease liabilities		339,659,539	41,034,043	-	380,693,582
Loss carried forward		352,531,249	102,351,787	-	454,883,036
Others		79,613,334	14,321,921	-	93,935,255
Total	₩	<u>(523,275,026)</u>	<u>262,949,518</u>	<u>167,747,800</u>	<u>(92,577,708)</u>

(f) As of December 31, 2023 and 2022, the temporary differences related to investments in subsidiaries and associates for which deferred tax assets and liabilities were not recognized are as follows:

(in thousands of Korean won)

		2023	2022
Investments in associates	₩	329,613,279	244,727,159
Investments in subsidiaries		71,880,976	342,269
Total	₩	<u>401,494,255</u>	<u>245,069,428</u>

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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As of December 31, 2023 and 2022

35. Consolidated Statements of Cash Flows

(a) As of December 31, 2023 and 2022, the details of cash and cash equivalents are as follows:

<i>(in thousands of Korean won)</i>		<u>2023</u>	<u>2022</u>
Cash	₩	24,024,152	19,993,921
Deposits		340,101,221	185,021,682
Other cash equivalents		1,225,592,611	1,595,794,103
Total	₩	<u>1,589,717,984</u>	<u>1,800,809,706</u>

(b) Adjustments for cash flows from operating activities and changes in operating assets and liabilities for the years ended December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>		<u>2023</u>	<u>2022</u>
Retirement benefits	₩	74,533,107	108,516,240
Long-term employee benefits		5,628,190	3,762,449
Depreciation		1,050,633,888	1,103,908,124
Amortization		123,094,349	120,985,620
Loss on disposal of intangible assets		8,557,964	530,098
Impairment loss on intangible assets		5,152,571	361,846,652
Loss on foreign currency translation		36,278,431	75,248,422
Loss on foreign currency transactions		16,697,431	23,061,767
Loss on disposal of property, plant and equipment		8,252,042	12,005,378
Impairment loss on property, plant and equipment		37,981,220	98,204,826
Impairment loss on investment in properties		23,431,759	89,300,321
Loss on lease termination		67,551	578,857
Loss on disposal of right-of-use assets		17,195,930	6,859,420
Impairment loss on right-of-use assets		106,274,257	173,185,246
Bad debt expense		2,398,329	2,684,604
Other bad debt expense (reversal)		(8,731,679)	2,848,834
Contribution (reversal) to provisional liabilities		590,105	(2,675,627)
Loss on valuation of debt instrument at fair value through profit or loss		17,148,300	10,807,777
Loss on transactions of derivatives		6,467,924	1,093,327
Loss on valuation of derivatives		9,213,082	17,459,926
Equity method loss on instrument in associates and joint ventures		23,650,492	18,141,896
Loss on disposal of investments in associates, joint ventures and subsidiaries		379,893	7,959,826
Impairment loss on investments in associates and joint ventures		58,615,931	167,014,393
Other expenses without cash outflows		78,721,206	15,275,935
Interest expense		595,448,377	499,749,759
Income tax expense (revenue)		14,780,309	(248,649,866)
Gain on foreign currency translation		(14,405,578)	(30,840,065)
Gain on foreign currency transactions		(19,035,794)	(8,415,228)
Gain on disposal of property, plant and equipment		(40,804,491)	(3,545,628)
Gain on disposal of intangible assets		(368,154)	-
Gain on the disposal of assets and liabilities held for sale		(37,017,542)	-

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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35. Consolidated Statements of Cash Flows, continued

(b) Adjustments for cash flows from operating activities and changes in operating assets and liabilities for the years ended December 31, 2023 and 2022 are as follows:, continued

<i>(in thousands of Korean won)</i>		2023	2022
Gain on lease termination	₩	(46,071,755)	(61,409,318)
Gain on disposal of right-of-use assets		(63,899,795)	(32,658,402)
Gain on valuation of debt instrument at fair value through profit or loss		(9,477,159)	(12,608,100)
Gain on disposal of debt instrument at fair value through profit or loss		(6,034,147)	(295,829)
Gain on disposal of debt instrument at fair value through other comprehensive income		(29,185)	(37,207)
Gain on changes in conditions of financial liabilities measured at amortized cost		(2,492,010)	-
Gain on transactions of derivatives		(13,786,795)	(36,110,767)
Gain on valuation of derivatives		(55,499,769)	(77,085,136)
Equity method profit on instrument in associates and joint ventures		(170,791,622)	(147,805,178)
Gain on disposal of investments in associates, joint ventures and subsidiaries		(1,279,769)	(39,823,396)
Reversal of impairment loss on investments in financial assets measured at amortized cost		(73,503,780)	-
Other income without cash inflows		(11,101,130)	(13,674,255)
Interest income		(161,344,495)	(117,380,869)
Dividend income		(20,786,863)	(17,541,379)
Increase in trade receivables		(106,194,604)	(122,207,271)
Increase in other receivables		(90,442,055)	(57,455,212)
Decrease (increase) in other financial assets		1,132,107	(196,128)
Decrease in inventories		117,141,049	18,088,556
Decrease (Increase) in other non-financial assets		45,580,011	(20,871,676)
Increase (decrease) in trade payables		(24,311,986)	4,894,070
Increase (decrease) in other payables		(2,444,080)	173,093,364
Increase in other financial liabilities		56,199,407	13,261,076
Increase in unearned revenues		19,292,913	24,223,548
Increase (decrease) in provisions		(14,647,942)	2,833,394
Increase (decrease) in other non-financial liabilities		(35,897,223)	35,383,511
Payment of defined benefit liabilities		(106,849,283)	(83,028,692)
Payment of other long-term employee benefits		(4,051,788)	(4,749,432)
Decrease (increase) in plan assets		8,080,739	(81,255,268)
Total	₩	<u>1,427,318,391</u>	<u>1,972,487,287</u>

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35. Consolidated Statements of Cash Flows, continued

(c) Non-cash transactions for the years ended December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>		2023	2022
Payables for acquisition of property, plant and equipment	₩	71,712,161	(12,976,704)
Payables for acquisition of intangible assets		(462,287)	(1,337,596)
Acquisition of right-of-use assets		83,857,841	138,521,739
Reclassification of borrowings and debentures from non-current to current		3,170,601,075	3,315,775,224

(d) Adjustments in liabilities arising from financial activities for the years ended December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>		2023								
		Liabilities from financing activities								
					Non-current					
		Short-term	Long-term	financial						
		Leasehold	borrowings	borrowings	liabilities at fair	Lease	Derivatives			
		Deposits	and	and	value through	liabilities	for hedging			
		Received	debentures	debentures	profit or loss (*2)	liabilities	for hedging	Total		
Beginning balance	₩	246,695,716	4,789,441,453	4,866,439,908	41,812,073	5,380,800,961	(62,787,639)	15,262,402,472		
Net cash flow from financing activities		13,388,444	(2,937,013,402)	2,551,850,286	-	(772,495,501)	-	(1,144,270,173)		
Non-cash flows (*1)		(9,619,495)	3,293,547,715	(3,152,064,975)	2,606,048	237,486,952	34,608,076	406,564,321		
Ending balance	₩	250,464,665	5,145,975,766	4,266,225,219	44,418,121	4,845,792,412	(28,179,563)	14,524,696,620		

(*1) Gain (loss) on valuation and transaction of derivatives assets, interest expenses of borrowings and debentures, gain (loss) on foreign currency translation, reclassification from non-current portion to current portion and others are included.

(*2) Due to the conditional repurchase agreement of trading in-kind contributions of Lotte Cultureworks Co., Ltd, the estimated repurchase amount for the future were classified as current financial liabilities at fair value through profit or loss.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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35. Consolidated Statements of Cash Flows, continued

(d) Adjustment in liabilities arising from financial activities for the years ended December 31, 2023 and 2022 are as follows:, continued

(in thousands of Korean won)

	2022						
	Liabilities from financing activities						
	Leasehold Deposits Received	Short-term borrowings and debentures	Long-term borrowings and debentures	Non-current financial liabilities at fair value through profit or loss (*2)	Lease liabilities	Derivatives for hedging	Total
Beginning balance	₩ 252,215,138	3,564,742,247	6,388,234,344	37,507,098	5,946,128,713	(10,588,548)	16,178,238,992
Net cash flow from financing activities	(5,415,785)	(2,125,178,382)	1,728,532,231	-	(804,918,089)	-	(1,206,980,025)
Non-cash flows (*1)	(103,637)	3,349,877,588	(3,250,326,667)	4,304,975	239,590,337	(52,199,091)	291,143,505
Ending balance	₩ 246,695,716	4,789,441,453	4,866,439,908	41,812,073	5,380,800,961	(62,787,639)	15,262,402,472

(*1) Gain (loss) on valuation and transaction of derivatives assets, interest expenses of borrowings and debentures, gain (loss) on foreign currency translation, reclassification from non-current portion to current portion and others are included.

(*2) Due to the conditional repurchase agreement of trading in-kind contributions of Lotte Cultureworks Co., Ltd, the estimated repurchase amount for the future were classified as current financial liabilities at fair value through profit or loss.

36. Greenhouse Gases Emission Rights

(a) Emission Right

The Group has participated in the allocation and trading system of emissions since 2015. From year 2021 to 2025 is the third plan of the commitment period, and in December 2020, the emission rights for each implementation year of the plan period are 770,535 tCO₂-eq for year 2021, 2022, and 2023, and 748,998 tCO₂-eq for year 2024 and 2025 and allocated respectively.

Furthermore, the Group has carried forward emission right of 70,693 tCO₂-eq from the previous compliance period. As of December 31, 2023, there is no pledged emission, and the Group submitted emission right of 679,969 tCO₂-eq and 722,214 tCO₂-eq to the government in 2021 and 2022. The Group has 721,012 tCO₂-eq of emission rights as of December 31, 2023.

(b) Emission liabilities

The Group sold 22,110 tCO₂-eq of emission rights in 2022 and estimated 721,012 tCO₂-eq of emission in 2023.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

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37. Operating Segment

(a) The Group reports the business segments based on the nature of goods and services to aid the decision making of top management as follows:

Classification	Department store(*)	Discount store(*)	Consumer electronic retailer	Supermarket	TV home shopping	Cinema	E-Commerce	Others(*)
Main business	Retail stores for middle and high-end merchandise	Retail and whole-sale stores for middle and low price merchandise	Consumer electronics	Retail and whole-sale stores for middle and low price merchandise	Business using broadcast channel	Movie and video screening business	Retail industry under e-commerce regulation	Others
Main products or services	Sales of merchandise and leasing		Sales of home appliance	Sales of merchandise and leasing	Sales of merchandise, etc.	Operating movie theaters, etc.	Sales of merchandise, leasing, etc.	
Main Customers					General Consumers			

(*) Related information of previous year's reports were restated due to changes in business segments of LOTTE PROPERTIES (HANOI) SINGAPORE PTE. LTD., LOTTE PROPERTIES HANOI CO., LTD. from the opening of LOTTE MALL West Lake Hanoi shopping mall during the current period.

(b) Information about reportable segments as of and for the years ended December 31, 2023 and 2022 are as follows:

(in thousands of Korean won)

		2023								
		Department store	Discount store	Consumer electronic retailer	Supermarket	TV home shopping	Cinema	E-commerce	Others	Total
Revenue from customers	₩	3,303,254,862	5,734,660,104	2,610,137,030	1,306,319,293	941,607,042	562,077,051	135,136,009	276,192,295	14,869,383,686
Inter-segment sales		71,510,678	51,074,468	824,681	12,181,232	14,254,159	(458,024)	16,093,807	148,038,805	313,519,806
External sales		3,231,744,184	5,683,585,636	2,609,312,349	1,294,138,061	927,352,883	562,535,075	119,042,202	128,153,490	14,555,863,880

(in thousands of Korean won)

		2022								
		Department store	Discount store	Consumer electronic retailer	Supermarket	TV home shopping	Cinema	E-commerce	Others	Total
Revenue from customers	₩	3,231,877,493	5,904,325,478	3,336,820,851	1,343,175,647	1,077,774,067	497,346,242	113,134,868	288,409,808	15,792,864,454
Inter-segment sales		75,259,580	48,334,833	368,796	10,967,904	19,675,147	149,289	16,992,691	145,080,557	316,828,797
External sales		3,156,617,913	5,855,990,645	3,336,452,055	1,332,207,743	1,058,098,920	497,196,953	96,142,177	143,329,251	15,476,035,657

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37. Operating Segment, continued

(c) Segment sales and profit for the years ended December 31, 2023 and 2022 are as follows:

(in thousands of Korean won)

		Sales		Operating profit (loss)	
		2023	2022	2023	2022
Department store	₩	3,303,254,862	3,231,877,493	477,744,813	493,680,714
Discount store		5,734,660,104	5,904,325,478	87,258,730	48,375,216
Consumer electronic retailer		2,610,137,030	3,336,820,851	8,223,021	(52,011,444)
Supermarket		1,306,319,293	1,343,175,647	25,614,768	(5,499,107)
TV home shopping		941,607,042	1,077,774,067	8,253,833	78,021,446
Cinema		562,077,051	497,346,242	(8,384,115)	791,749
E-Commerce		135,136,009	113,134,868	(85,556,008)	(155,852,692)
Others		276,192,295	288,409,808	58,890,080	35,154,818
Segment total		14,869,383,686	15,792,864,454	572,045,122	442,660,700
Intercompany transaction adjustments		(313,519,806)	(316,828,797)	(63,640,390)	(56,435,105)
After consolidation adjustments	₩	14,555,863,880	15,476,035,657	508,404,732	386,225,595

(in thousands of Korean won)

		Depreciation and amortization		Net profit (loss) for the year	
		2023	2022	2023	2022
Department store	₩	633,907,962	631,831,523	739,614,289	700,956,126
Discount store		237,261,673	255,592,512	(168,842,088)	(265,121,663)
Consumer electronic retailer		123,908,816	137,892,821	(20,956,112)	(392,436,023)
Supermarket		44,693,467	46,589,676	(33,103,950)	(36,318,125)
TV home shopping		28,698,720	30,992,176	47,929,175	86,465,640
Cinema		168,572,766	153,796,973	(46,624,736)	(53,664,414)
E-Commerce		4,590,292	36,696,405	(98,365,940)	(190,998,839)
Others		66,230,559	74,054,886	(188,051,502)	(297,170,703)
Segment total		1,307,864,255	1,367,446,972	231,599,136	(448,288,001)
Intercompany transaction adjustments		(134,136,018)	(142,553,228)	(62,418,700)	129,595,560
After consolidation adjustments	₩	1,173,728,237	1,224,893,744	169,180,436	(318,692,441)

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As of December 31, 2023 and 2022

37. Operating Segment, continued

(d) Segment assets and liabilities as of December 31, 2023 and 2022 are as follows:

(in thousands of Korean won)

		Assets		Liabilities	
		2023	2022	2023	2022
Department store	₩	17,165,250,156	18,185,992,250	12,424,549,255	13,346,819,135
Discount store		7,434,969,813	7,624,585,533	2,520,569,785	2,889,986,822
Consumer electronic retailer		1,996,839,492	2,090,377,620	1,120,890,822	1,168,922,512
Supermarket		889,368,098	903,901,633	294,133,480	298,312,076
TV home shopping		1,968,342,904	2,152,413,624	302,579,799	446,025,186
Cinema		953,509,436	1,035,354,815	977,162,885	1,008,853,050
E-Commerce		349,867,728	206,728,131	243,404,864	260,943,680
Others		5,641,430,571	5,528,391,858	3,425,421,669	3,082,325,325
Segment total		36,399,578,198	37,727,745,464	21,308,712,559	22,502,187,786
Intercompany transaction adjustments		(5,754,879,501)	(6,024,169,591)	(1,500,463,581)	(1,833,728,699)
After consolidation adjustments	₩	30,644,698,697	31,703,575,873	19,808,248,978	20,668,459,087

(e) Sales, before consolidation adjustments, by geographical areas for the years ended December 31, 2023 and 2022 are as follows:

(in thousands of Korean won)

Region		2023	2022
Domestic	₩	13,284,134,156	14,299,269,470
China		20,631,162	22,548,696
Vietnam		453,814,193	390,695,799
Indonesia		1,110,804,175	1,080,350,489
Total	₩	14,869,383,686	15,792,864,454

(f) The Group has no external customers contributing to more than 10% of sales in 2023 and 2022.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2023 and 2022

38. Contingencies and Commitments

(a) As of December 31, 2023, the Group has the following credit commitments with financial institutions:

(in thousands of Korean won, full foreign currency)

	<u>Currency</u>	<u>Credit line</u>	<u>Amount used under credit facility</u>
General loan	KRW	2,059,272,273	1,942,290,795
	CNY	100,000,000	100,000,000
	VND	670,000,000,000	99,697,784,976
	USD	896,600,000	831,600,000
	IDR	2,290,000,000,000	1,418,000,000,000
Commercial paper	KRW	1,176,200,000	926,200,000
Buyer's credit	KRW	410,000,000	10,881,063
Bank overdraft	KRW	53,000,000	-
Letter of credit	USD	37,000,000	7,270,764

(b) Material operational contracts of the Group are as follows:

(i) LOTTE SHOPPING CO.,LTD.

In accordance with the management contracts with LOTTE STATION B/D.CO., Lotte Property & Development Co., Ltd. and CS MART CO., LTD, the Company is responsible for the operation of department stores, shopping malls and supermarkets. In return, the Company receives 10% of operating profits (before depreciation expenses) for department stores and supermarkets and 9% of operating profits (before depreciation expenses) for shopping malls as management fees which is recorded as other sales.

(ii) Woori Home Shopping & Television Co., Ltd.

Woori Home Shopping & Television Co., Ltd., a subsidiary of Group, has concluded a partnership card issuance agreement with Lotte Card Co., Ltd. and BC Card Co., Ltd. The agreement is renewed annually after the contract end date. Furthermore, Woori Home Shopping & Television Co., Ltd. has concluded an agreement with Lotte Global Logistics Co., Ltd., CJ Logistics Corporation and HANJIN CO., LTD for logistics services. Additionally, there are multiple supply contracts for broadcast programs with cable TV broadcasters.

(c) As of December 31, 2023, the Group currently has 49 ongoing lawsuits as a plaintiff with damage claims amounting to ₩ 40,670,070 thousand and 33 lawsuits as a defendant with damage claims amounting to ₩ 65,419,698 thousand. Regarding 44 lawsuits as a defendant, the Group recorded ₩ 9,294,265 thousand as provision.

The above includes 13 lawsuits as a defendant with damages related to victims of humidifier disinfectant amounting to ₩ 28,577,959 thousand. The Group has estimated the expected loss and has recognized a provision of ₩ 2,232,992 thousand in regard to the claim on victims of humidifier disinfectant as of December 31, 2023.

The Group management believes that the ultimate resolutions of other legal actions, excluding the abovementioned lawsuits, will not have a material impact on the financial position of the Group.

Furthermore, Woori Home Shopping & Television Co., Ltd., a subsidiary of the Group, has been subject to administrative disposition of 6 months suspension from the Ministry of Science and ICT for 6 hours (2AM~8AM) in accordance with article 18 clause 1 of the Broadcast Act. The lawsuit for cancellation of suspension was lost in the second trial on January 19, 2022. As the case was finalized by the Supreme Court on November 30, 2022, an administrative disposition of suspension of 6 hours (2AM~8AM) for 6 months from February 1, 2023 to July 31, 2023, has been executed.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

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As of December 31, 2023 and 2022

38. Contingencies and Commitments, continued

The lawsuit between Lotte Properties (Chengdu) Limited, a subsidiary of the Group, and the Chinese government is ongoing regarding land-raising payments. The subsidiary's funds were suspended by the Chinese government in relation to the lawsuit in 2021, but the suspension has since been terminated as of August 3, 2023.

(d) As of December 31, 2023, the commitment limit of the secured loan of credit sales the Group has entered with INDUSTRIAL BANK OF KOREA and others amounts to ₩ 799,900,000 thousand.

(e) As of December 31, 2023, LOTTE Himart Co., Ltd., a subsidiary of the Group, may issue short-term electronic bonds with a limit of ₩ 200,000,000 thousand. No related bond has been issued.

(f) Performance guarantees and others.

(i) LOTTE SHOPPING CO.,LTD.

As of December 31, 2023, the Company has been provided performance guarantees for its operation amounting to ₩ 223,568,827 thousand (108 cases) from Korea Housing & Urban Guarantee Corporation and Seoul Guarantee Insurance Company.

(ii) Woori Home Shopping Co., Ltd.

As of December 31, 2023, Woori Home Shopping Co., Ltd., a subsidiary of Group, has been provided payment guarantees for product sales from the INDUSTRIAL BANK OF KOREA (₩ 5,200,000 thousand) and agreement performance guarantee from Seoul Guarantee Insurance Company (₩ 1,706,300 thousand).

(iii) LOTTE Himart Co., Ltd.

As of December 31, 2023, LOTTE Himart Co., Ltd., a subsidiary of Group, has been provided guarantees from Seoul Guarantee Insurance Company in relation to a deposit for former CEO, requiring a guarantee and supply agreements with suppliers amounting to ₩ 6,929,234 thousand.

(g) Brand usage contract, etc.

The Group and some subsidiaries are in contracts with Lotte Corporation for the use of brand, management consulting, and management support service as of December 31, 2023. The cost for use of brand is 0.2% of sales less advertising expenses. Management consulting and management support service fees are allocated by Lotte Corporation, based on objective and reasonable allocation criteria, for the costs that have been incurred in the course of performing such relevant business plus 5% mark up of such allocated amount.

The Group is jointly liable for the debts of Lotte Corporation and consolidated company prior to spin-off, in accordance with Article 530-9, Paragraph 1 of the Commercial Act.

(h) Lotte Cultureworks Co., Ltd., a subsidiary of the Group, issued common shares of 7,687,456 and received 1,860,000 common stock shares of INNOCEAN WORLDWIDE INC. as contribution in kind in 2019. At the issuance date, Lotte Cultureworks Co., Ltd. agreed to purchase all shares issued to the new owner in cash if Lotte Cultureworks Co., Ltd does not hold an initial public offering (IPO) within a certain period based on agreement with the new owner. The Company will not oppose performance of such obligation unless it violates the law. The new owner cannot dispose the shares to the third party voluntarily nor provide it as pledged assets without consent from Lotte Cultureworks Co., Ltd. until the listing date. If the new owner wishes to sell the shares after the listing date, Lotte Cultureworks Co., Ltd. can exercise its preferential right to purchase directly or by designating the third party.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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38. Contingencies and Commitments, continued

(i) In accordance with stock trading agreement concluded on May 10, 2019 with the seller and contract takeover agreement on July 19, 2022, the common shares of 2,060,000 of INNOCEAN WORLDWIDE INC. cannot be disposed or provided as pledged assets without the prior consent from the seller until the fifth year from the date of contract takeover agreement or the IPO completion date of Lotte Cultureworks Co., Ltd. Furthermore, if the Group wishes to sell the shares of INNOCEAN WORLDWIDE INC. after the listing date to a third party, the seller can exercise its preferential right to purchase directly or by designating the third party.

(j) As of December 31, 2023, the Company has provided investment commitments (LOC, LOU) to Standard Chartered Bank Korea Ltd and others in relation to loan agreements for the following subsidiaries: LOTTE SHOPPING INDONESIA, LOTTE CINEMA VIETNAM CO., LTD., LOTTE VIETNAM SHOPPING JOINT STOCK COMPANY and Coralis S.A, an associate. However, the investment commitment is not considered a payment guarantee.

(k) Lotte Cultureworks Co., Ltd. has purchased ₩ 300,000 thousand of subordinate debentures issued by Kodit 2023 the 1st Securitization Specialty Co., Ltd. of the SPC who has the right of pledge for the debentures. In case of major changes to shareholders or decline of credit rating to below BBB0 for Lotte Cultureworks Co., Ltd, the early redemption of ₩ 10,000,000 thousand is agreed in relation to the 10th private equity bond. In relation to 8th private equity bond, the early redemption of ₩ 10,000,000 thousand is agreed in the case of decline in credit rating to below BBB0 or exclusion from the Lotte Group. In relation to 15th private equity bond, the early redemption of ₩ 10,000,000 thousand is agreed in the case of decline in credit rating to below BBB0 or exclusion from the Lotte Group.

(l) Lotte Incheon Town Co., LTD, a subsidiary, concluded a joint agreement with J&D Development Co., Ltd. on October 23, 2020 to conduct the development project of the Incheon Guwol Agricultural Products Wholesale Market. Under this agreement, J&D Development Co., Ltd. has paid ₩ 184 billion to Lotte Incheon Town Co., LTD, amounting to 40% of the designated price of the project site, to acquire the beneficiary rights of the managed land trust. Lotte Incheon Town Co., LTD, has accounted for this payment as advances. Lotte Incheon Town Co., LTD, has invested ₩ 276 billion, amounting to 60% of the recognized price of the business site, in this project. Lotte Incheon Town and J&D Development are promoting a joint project with a 60%:40% business stake respectively. Under the joint agreement, Lotte Incheon Town Co., LTD, owns a real estate located in Guwol-dong, Namdong-gu, Incheon, for the purpose of investment for sale after completion. Under this agreement, Lotte Incheon Town Co., LTD, as a business execution representative, provides supervision of the project, including business planning, licensing, financing, construction, completion and sale, and has 60% stake in profits from the sale and pays 60% of the joint costs.

(m) The Group has a call option to exercise 69.88% of its shares in Joonggonara Inc. held by affiliated companies, Eugene Unicorn Private Equity Fund and other investors from the date of first acquisition to the third year.

(n) The Group holds a preferential subscription right and a preferential purchase claim right that can be exercised after three years from the date of initial acquisition for shares in Hanssem CO., LTD owned by Heim CO., Ltd, Heim No.1 CO.,Ltd, and Heim No.2 CO., Ltd. In accordance with the loan agreement, 8,339,691 shares with voting rights in Hanssem CO., LTD, owned by Heim CO., Ltd, Heim No.1 CO.,Ltd, and Heim No.2 CO., Ltd are pledged to Korea Investment & Securities Co., Ltd and 18 others which is subject to loss in benefits of the deadline if financial criteria is not met. Financial criteria includes the maintenance of the net debt to EBITDA ratio related to Hanssem CO., LTD Investment below a certain level as of the end of June 2024 and annually from December 2024 and the quarterly LTV(Loan to Value Ratio) below 85% from September 2024. However, if Hanssem CO., LTD's EBITDA exceeds the standard amount, the LTV is not considered to be violated.

(o) Others

The Group disposed of land and buildings to structured entities and has been leasing back assets and operation of some stores has been discontinued following end of lease term. Details are as follows:

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

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38. Contingencies and Commitments, continued

(i) The Group disposed of land and buildings of 3 stores including Lotte mart Jeju store to KTB Confidence Private Real Estate Investment Trust No.29 for ₩ 220 billion in 2008. The Group has since been leasing back the Jeju branch from FL Jeju Nohyung Private Equity Investment Real Estate Investment Trust No.1(formerly, Hyundai Infiniti Specialized Private Equity Investment Real Estate Investment Trust No.1) and the Daeduk branch from Mirae Castle. The Group has the preemptive options to purchase the land and the building at fair value at the end of the lease. During 2020, the operation for Lotte mart Hangdong store was discontinued for which the Group does not have preemptive options to purchase.

(ii) The Group disposed of land and buildings of 6 stores including Lotte department store Bundang branch to Lotte Retail Real Estate Investment Trust No.1~4 for ₩ 594.9 billion in 2010 and 2011. The Group has since been leasing back Lotte department store Bundang branch from IGIS Specialized Investment Private Real Estate Investment Trust No.389 and Lotte mart Sasang store, Lotte mart Iksan store from KB Lotte Master Lease Specialized Investment Private Real Estate Investment Trust No.8. The Group has the preemptive options to purchase the land and the building at fair value at the end of the lease. During the 2019, the operation for Lotte mart Suji store was discontinued and during the year 2020, the operation for Lotte mart Guro, Dobong branch was discontinued for which the Group does not have preemptive options to purchase.

(iii) The Group has been leasing the building of Lotte outlet Esiapolis branch from KB Star Retail Private Real Estate Investment Trust No.1 since 2013. In accordance with the real estate sales contract concluded on June 25, 2018, Mastern Specialized Investment Private Real Estate Investment Trust No.31 took over the status as a lessor. The Group has the preferential right of negotiation to purchase the building.

(iv) In 2013, the Group sold the buildings of Lotte outlets store Gwang Myeong branch to KTB Confidence Private Real Estate Investment Trust No.55 for ₩ 146.9 billion for which the Group has been leasing the assets from Kiwoomcore Retail No. 1 Reit Co. Ltd.. The Group disposed of land and buildings of Lotte mart Yangdeok branch to KTB Confidence Private Real Estate Investment Trust No.81 for ₩ 55.1 billion for which the Group has been leasing back the assets from Koreit Masan Lottemart Specialized Investment Private Real Estate Investment Trust No.12. The Group has the preferential right of negotiation to purchase the land and the building at the end of the lease.

(v) In 2014, the Group sold land and buildings of 2 Lotte department stores including Ilsan branch and 5 Lotte mart stores including Bupyeong branch to KB Lotte Master Lease Private Real Estate Investment Trust No.1 for ₩ 601.7 billion for which the Group has been leasing back the assets. The Group sold land and buildings of 2 Lotte department stores including Dongrae branch and 3 Lotte mart stores including Sung Jung branch to Capstone Private Real Estate Investment Trust No.11 for ₩ 500.1 billion for which the Group has been leasing back the assets. The Group has the preferential right of negotiation to purchase the land and the building at the end of the lease.

(vi) During 2018, the land and buildings of Lotte Mart's Geumcheon branch were sold for ₩ 64.2 billion to the KORAMCO Specialty Investment Private Property Investment Trust No.82 for which the Group has been leasing back from KORAMCO. The Group has the preferential right of negotiation to purchase the land and the building at the end of the lease.

The Group does not consolidate these structured entities.

(p) As of December 31, 2023, the Group has concluded agreement, in regard to asset-backed loans and asset-backed commercial papers (₩ 195,000,000 thousand of par value, balance of amount to replenish debt: ₩ 173,000,000 thousand, maturity on May 28th, 2024), asset-backed commercial papers (₩ 193,000,000 thousand of par value, balance of amount to replenish debt: ₩ 192,920,000 thousand, maturity on June 13th, 2024) issued by Suwon Landmark 4th, Suwon Landmark 5th, LKH 2nd., Co., Ltd., New Star Gimpo Hangang 2nd Co., Ltd., to replenish funds in case of failures in repayment of principal and interests. Terms of the fund replenishment agreements with subsidiaries are detailed in Note 39 (c).

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38. Contingencies and Commitments, continued

(q) As of December 31, 2023, details of payment guarantees provided regarding foreign currency debentures issued by the Group are as follows.

Description	Advisor	Maturity	Guaranteed Amount (Full amount in USD)
90-1st (foreign currency)	MUFG Bank	2024.05.21	100,000,000
90-2nd (foreign currency)	SMBC Bank	2024.05.20	175,000,000
91st (foreign currency)	MUFG Bank	2024.08.19	100,000,000
92nd (foreign currency)	MUFG Bank	2025.03.25	160,000,000
94th (foreign currency)	MUFG Bank	2025.11.28	100,000,000
97-1st (foreign currency)	Kookmin Bank	2026.08.18	100,000,000
97-2nd (foreign currency)	KEB Hana Bank	2026.08.21	50,000,000

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39. Inter Company Transactions and Balances with Consolidated Companies

- (a) The Group has provided payment guarantees and collaterals for consolidated companies as of December 31, 2023 as follows:

(Full foreign Currency)

Consolidated company	Guarantee recipient	Guaranteed amount	Guarantee period	Remarks
Subsidiaries				
Lotte Department Store (Chengdu) Co., Ltd.	KEB Hana Bank	CNY 100,000,000	May 26, 2023 ~ May 24, 2024	
PT. LOTTE MART INDONESIA	Shinhan Bank	IDR 250,000,000,000	April 14, 2023 ~ April 14, 2024	
	KEB Hana Bank	IDR 420,000,000,000	February 25, 2023 ~ February 25, 2024	
Lotte Cinema Vietnam Co., Ltd.	The Export-Import Bank of Korea	USD 7,000,000	October 5, 2023 ~ October 7, 2024	
	Standard Chartered Bank Korea Ltd	USD 10,000,000	September 18, 2023 ~ September 16, 2024	
		Shinhan Bank	USD 13,500,000	September 15, 2023 ~ September 13, 2024
		USD 10,000,000	June 26, 2023 ~ June 26, 2024	
	Kookmin Bank	USD 10,000,000	June 30, 2023 ~ June 28, 2024	
	KEB Hana Bank	USD 10,000,000	January 19, 2023 ~ January 20, 2024	
		USD 4,800,000	March 24, 2023 ~ March 22, 2024	Payment guarantee for financing
		USD 20,000,000	June 21, 2023 ~ June 21, 2024	
LOTTE PROPERTIES (CHENGDU) HK LIMITED	Kookmin Bank	USD 165,000,000	March 10, 2023 ~ March 8, 2024	
	NH NongHyup Bank	USD 54,000,000	March 15, 2023 ~ March 15, 2024	
		Shinhan Bank	USD 30,000,000	November 14, 2023 ~ November 12, 2024
	Woori Bank	USD 30,000,000	November 14, 2023 ~ November 12, 2024	
			USD 30,000,000	March 10, 2023 ~ March 8, 2024
	KEB Hana Bank	USD 30,000,000	November 14, 2023 ~ November 12, 2024	
LOTTE PROPERTIES HANOI CO., LTD	Kookmin Bank and 3 others	USD 250,000,000	May 23, 2022 ~ May 23, 2025	
	The Export-Import Bank of Korea	USD 125,000,000	June 27, 2022 ~ June 28, 2027	

- (b) The Group has provided rent payment guarantees for Lotte Suwon Station Shopping Town Co., Ltd. during the term of the lease (20 years) from the beginning of the lease contract in 2014.
- (c) As of December 31, 2023, the Group is in agreement to jointly provide financial support for KS 1st Co., Ltd., JM 1st Co., Ltd., LKH 1st., Co., Ltd., New Star Gimpo Hangang 1st Co., Ltd. in default of the principal and interest on asset-backed commercial papers (₩ 80,000,000 thousand of par value, maturity on April 18, 2024), asset-backed commercial papers (₩ 140,000,000 thousand of par value, maturity on May 21, 2024), and asset-backed commercial papers (₩ 236,200,000 thousand of par value, maturity on June 13, 2024).

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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40. Related Party Transactions

(a) Details of the Company's major shareholders as of December 31, 2023 are as follows:

Related company	Percentage of ownership (%)
Lotte Corporation (*)	40.00
Hotel Lotte Co., Ltd.	8.86
Hotel Lotte Pusan Co., Ltd.	0.78

(*) Holds significant influence over the Company.

(b) Transactions which occurred in the normal course of business with related companies for the years ended December 31, 2023 and 2022 are as follows:

(in thousands of Korean won)

Name of related parties	2023				
	Sales	Purchase	Acquisition of property, plant and equipment and intangible assets	Other income (*2)	Other expenses (*2)
Shareholders:					
Lotte Corporation	₩ 3,332,130	-	131,687,101	-	45,097,228
Hotel Lotte Co., Ltd.	67,529,063	-	613,147	-	41,695,935
Hotel Lotte Pusan Co., Ltd.	5,578,869	-	3,136,790	-	9,377,596
Subtotal	76,440,062	-	135,437,038	-	96,170,759
Associates and Join ventures:					
FRL Korea Co., Ltd.	37,800,887	-	-	-	-
Zara Retail Korea Co., Ltd.	11,484,439	-	-	-	-
LOTTE CARD Co., Ltd.	3,754,803	-	-	264,062	188,089,658
HANSSEM Co., LTD.	8,291,895	95,019	28,585,980	277,996	7,436,222
Others	12,373,174	9,849,778	4,002,600	86,657	13,170,172
Subtotal	73,705,198	9,944,797	32,588,580	628,715	208,696,052
Others (*1):					
Lotte Engineering & Construction Co., Ltd.	1,482,113	-	175,151,114	-	667,970
Lotte Well food Co.,Ltd.(formerly, Lotte Confectionery Co., Ltd.)	2,169,571	111,276,262	72,162,900	8,832	10,841,426
Lotte Chilsung Beverage Co., Ltd.	9,177,726	51,385,295	-	-	87,703
Lotte Data Communication Company	1,190,165	-	25,959,945	159,694	151,475,885
DAEHONG COMMUNICATIONS INC.	370,872	-	-	-	22,399,539
Lotte Station B/D. Co., Ltd.	8,479,043	-	-	407,932	1,329,821
Lotte GRS Co., Ltd.	7,484,428	3,436,771	-	23,928	7,013,692
Lotte International Co., Ltd.	96,601	75,208,751	-	-	-
LOTTE ALUMINIUM CO., LTD.	152,775	5,217,699	53,737	867	3,969,618
Lotte Global Logistics Co., Ltd.	5,450,318	-	5,921	21,949	249,743,872
Korea Fuji Film Co., Ltd.	629,002	23,321	-	132	13,114
LOTTE Property&Development	8,380,380	-	-	-	35,271,067
LOTTE ASSET DEVELOPMENT CO.,LTD.	-	-	188,190	-	62,730
Korea Seven Co., Ltd.	9,194,360	-	-	-	2,193,868
Others	38,731,113	11,987,623	165,330,916	160,932	91,730,258
Subtotal	92,988,467	258,535,722	438,852,723	784,266	576,800,563
Total	₩ 243,133,727	268,480,519	606,878,341	1,412,981	881,667,374

(*1) Although the entities are not related parties under K-IFRS No.1024, the entities are considered to be part of the Large Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act and overseas affiliates.

(*2) The Group has is in lease agreements with related parties. As a result, interest income received in accordance with amortization of lease receivables and interest expense paid in accordance with amortization of lease liabilities for the year ended December 31, 2023 are included in other income and expenses.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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40. Related Party Transactions, continued

(b) Transactions which occurred in the normal course of business with related companies for the years ended December 31, 2023 and 2022 are as follows:, continued

(in thousands of Korean won)

Name of related parties	2022				
	Sales	Purchase	Acquisition of property, plant and equipment and intangible assets	Other income (*2,3)	Other expenses (*3)
Shareholders:					
Lotte Corporation	₩ 4,334,442	-	-	89,115	43,678,542
Hotel Lotte Co., Ltd.	59,298,919	3,805	590,077	-	37,199,972
Hotel Lotte Pusan Co., Ltd.	5,235,648	-	2,038,582	422,048	8,730,981
Subtotal	68,869,009	3,805	2,628,659	511,163	89,609,495
Associates and joint ventures:					
FRL Korea Co., Ltd.	34,799,880	-	-	-	-
Zara Retail Korea Co., Ltd.	11,081,892	-	-	2,185,314	-
LOTTE CARD Co., Ltd.	3,002,471	-	-	347,697	181,129,986
HANSSEM Co., LTD.	8,834,162	2,022,030	-	217,926	11,018
Others	3,085,380	8,972,267	-	473,675	13,947,372
Subtotal	60,803,785	10,994,297	-	3,224,612	195,088,376
Others (*1):					
Lotte Engineering & Construction Co., Ltd.	1,499,003	-	80,079,225	835,554	49,428,156
Lotte Confectionery Co., Ltd.	5,661,277	92,796,224	-	193	6,862,427
Lotte Chilsung Beverage Co., Ltd.	9,864,019	55,888,208	-	37,097	110,535
Lotte Data Communication Company DAEHONG	1,064,776	-	36,777,045	43,627	165,529,577
COMMUNICATIONS INC.	878,844	-	16,590	-	25,483,027
Lotte Station B/D. Co., Ltd.	10,484,473	-	-	16,656	1,772,290
Lotte GRS Co., Ltd.	8,239,469	1,979,211	-	18,341	4,481,134
Lotte International Co., Ltd.	310,346	94,657,347	-	-	435,863
LOTTE FOOD CO., LTD. (*4)	1,893,822	31,332,216	-	587	3,755,678
LOTTE ALUMINIUM CO., LTD.	113,394	7,607,596	190,409	7,437	6,318,903
Lotte Global Logistics Co., Ltd.	5,731,781	-	3,950	11,081	282,224,475
Korea Fuji Film Co., Ltd.	520,533	92,597	-	2,173	400
LOTTE Property&Development LOTTE ASSET DEVELOPMENT CO.,LTD	6,327,381	-	1,217,556	49,368,747	32,099,051
Korea Seven Co., Ltd.	8,004,156	19,206	-	-	1,341,716
Others	24,792,986	11,736,342	180,890,163	677,914	106,867,271
Subtotal	85,392,260	296,108,947	299,425,858	51,019,407	686,710,503
Total	₩ 215,065,054	307,107,049	302,054,517	54,755,182	971,408,374

(*1) Although the entities are not related parties under K-IFRS No.1024, the entities are considered to be part of the Large Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act and overseas affiliates.

(*2) Other income includes disposals of property, plant and equipment.

(*3) The Group has entered into lease agreements with related parties. As a result, interest income received in accordance with amortization of lease receivables and interest expense paid in accordance with amortization of lease liabilities for the year ended December 31, 2022 are included in other income and expenses.

(*4) Lotte Food Co., Ltd. has been acquired by Lotte Wellfood Co., Ltd. as of July 1, 2022.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
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40. Related Party Transactions, continued

(c) Fund transactions with related parties for the year ended December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>		2023				
Name of related parties		Cash Lending	Redemption	Sale of stock	Stock purchase	Return on Investment
Shareholders:						
Hotel Lotte Co., Ltd. (*1)	₩	-	-	9,897,155	-	-
Associates and joint ventures:						
HANSEM Co., LTD. (*2)		-	-	-	17,575,470	-
LOTTE-IMBC Contents Investment Association		-	-	-	-	999,600
Lotte start-up fund No. 1		-	-	-	-	360,000
Stonebridge Innovation quarter Investment Association		-	-	-	-	750,000
Hemisphere Film Investors III LLC		-	-	-	-	216,984
Others (*4):						
LOTTE Capital (*3)		32,000,000	80,318,331	-	-	-
Total	₩	<u>32,000,000</u>	<u>80,318,331</u>	<u>9,897,155</u>	<u>17,575,470</u>	<u>2,326,584</u>

(*1) The Group has sold 10% ownership and 1 share of LOTTE HOTEL & RETAIL VIETNAM PTE. LTD. to Hotel Lotte in 2023.

(*2) The Group has acquired 319,554 of treasury stocks of HANSEM CO., LTD during 2023.

(*3) Includes ₩ 50,000,000 thousand of redemptions made via L Incheon 1st Ltd during 2023.

(*4) Although the entities are not related parties under K-IFRS No.1024, the entities are considered to be part of the Large Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act and overseas affiliates.

<i>(in thousands of Korean won)</i>		2022					
Name of related parties		Cash Lending	Redemption	Cash contribution	Sale of stock	Return on Investment	Stock purchase
Shareholders:							
LOTTE Corporation (*2)	₩	-	-	-	46,556,000	-	-
Associates and joint ventures:							
LOTTE-KDB Open Innovation Fund.		-	-	7,800,000	-	-	-
Busan Lotte creative movie fund		-	-	-	-	950,000	-
Hemisphere Film Investors II LLC		-	-	-	-	1,272,581	-
Hemisphere Film Investors III LLC		-	-	-	-	1,003,436	-
IBK-ISU		-	-	-	-	350,000	-
LOTTE-IMBC Contents Investment Association		-	-	-	-	699,720	-
Others (*1):							
LOTTE Property & Development		-	60,698,250	-	-	-	-
LOTTE Engineering and Construction CO., LTD (*3)		100,000,000	100,000,000	-	-	-	-
LOTTE INTERNATIONAL CO., LTD (*4)		-	-	-	-	-	350,000
Total	₩	<u>100,000,000</u>	<u>160,698,250</u>	<u>7,800,000</u>	<u>46,556,000</u>	<u>4,275,737</u>	<u>350,000</u>

(*1) Although the entities are not related parties under K-IFRS No.1024, the entities are considered to be part of the Large Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act and overseas affiliates.

(*2) The Group has sold 5.15% of common shares of INNOCEAN WORLDWIDE INC. to LOTTE Corporation in 2022.

(*3) The Group has collected full amount on the loans related to LOTTE Engineering and Construction Co., LTD, which is one of other related parties during 2022.

(*4) The Group has purchased common shares amounting to ₩ 350,000 thousand, of MUJIKOREA CO.LTD from LOTTE INTERNATIONAL CO., LTD during 2022.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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40. Related Party Transactions, continued

(d) Account balances with related companies as of December 31, 2023 and 2022 are summarized as follows:

(in thousands of Korean won)

Name of related parties	2023						
	Receivables			Payables			
	Trade receivables	Financial lease receivables	Other receivables	Trade payables	Borrowings	Lease liabilities	Other payables
Shareholders:							
Lotte Corporation	₩ 5,500	-	911,835	-	-	29,721,204	3,183,663
Hotel Lotte Co., Ltd.	939,827	-	75,432,847	-	-	223,165,209	26,261,139
Hotel Lotte Pusan Co., Ltd.	-	-	17,165,731	-	-	17,247,069	3,032,178
Subtotal	<u>945,327</u>	<u>-</u>	<u>93,510,413</u>	<u>-</u>	<u>-</u>	<u>270,133,482</u>	<u>32,476,980</u>
Associates and joint ventures:							
FRL Korea Co., Ltd.	1,864,040	-	84	-	-	-	12,656,254
Zara Retail Korea Co.,Ltd	-	-	-	-	-	-	5,620,264
LOTTE CARD Co.,Ltd. (*2)	152,780,072	-	3,621,817	-	-	-	34,219,962
HANSSEM CO., LTD	507,922	7,649,210	-	124,051	-	-	6,855,197
Others	494,133	-	1,684,202	819,624	-	61,432,564	7,079,617
Subtotal	<u>155,646,167</u>	<u>7,649,210</u>	<u>5,306,103</u>	<u>943,675</u>	<u>-</u>	<u>61,432,564</u>	<u>66,431,294</u>
Others (*1):							
Lotte Engineering & Construction Co., Ltd.	5,504	-	71,758	-	-	1,462,449	56,391,072
Lotte Well food Co.,Ltd.(formerly, Lotte Confectionery Co., Ltd.)	1,123,285	-	1,381,326	9,940,222	-	619,892	21,756,035
Lotte Chilsung Beverage Co., Ltd.	239,451	-	182,039	4,065,664	-	-	11,225,321
Lotte Data Communication Company	-	3,164,923	1,409,846	-	-	3,805,464	37,526,577
DAEHONG COMMUNICATIONS INC.	1,241,483	-	30,160	-	-	-	8,408,853
Lotte Station B/D Co., Ltd.	3,121,444	-	12,934,084	-	-	5,339,278	7,188,187
Lotte GRS Co., Ltd.	457,192	901,796	305,173	170,130	-	-	5,271,584
Lotte International Co., Ltd.	876	-	11	3,287,113	-	-	68,508
LOTTE ALUMINIUM CO., LTD.	11,718	-	3,495	218,988	-	-	572,140
Lotte Global Logistics Co., Ltd.	431,638	-	1,276,704	-	-	10,477,591	28,605,082
Korea Fuji Film Co., Ltd.	14,216	-	66	10,137	-	-	644,058
LOTTE Property & Development	3,083,789	-	10,280,526	-	-	355,955,057	7,496,712
LOTTE ASSET DEVELOPMENT CO., LTD	-	-	-	-	-	-	23,001
Others (*3)	12,361,205	43,323	16,816,418	1,705,285	83,952,430	10,143,265	32,042,790
Subtotal	<u>22,091,801</u>	<u>4,110,042</u>	<u>44,691,606</u>	<u>19,397,539</u>	<u>83,952,430</u>	<u>387,802,996</u>	<u>217,219,920</u>
Total	₩ <u>178,683,295</u>	<u>11,759,252</u>	<u>143,508,122</u>	<u>20,341,214</u>	<u>83,952,430</u>	<u>719,369,042</u>	<u>316,128,194</u>

(*1) Although the entities are not related parties under K-IFRS No.1024, the entities are considered to be part of the Large Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act and overseas affiliates.

(*2) Trade receivables include receivables from consumer sales.

(*3) Other borrowings are from Lotte Capital including the tenth unguaranteed private bond of ₩ 10,000,000 thousand, facility rental agreement asset backed loans of ₩ 1,772,943 thousand, the 14th unguaranteed unsecured hybrid securities of ₩ 10,000,000 thousand, issued by the subsidiary, Lotte Cultureworks and borrowings of ₩ 40,000,000 thousand and ₩ 22,179,487 thousand, respectively generated via S-Bright Dongtan and Suwon Landmark the 4th.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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40. Related Party Transactions, continued

(d) Account balances with related companies as of December 31, 2023 and 2022 are summarized as follows:, continued

(in thousands of Korean won)

Name of related parties	2022						
	Receivables			Payables			
	Trade receivables	Financial lease receivables	Other receivables	Trade payables	Borrowings	Lease liabilities	Other payables
Shareholders:							
Lotte Corporation	₩ 5,500	-	21,383,326	-	-	88,628,545	2,054,400
Hotel Lotte Co., Ltd.	1,874,173	-	60,593,018	-	-	223,163,553	20,062,429
Hotel Lotte Pusan Co., Ltd.	-	-	17,150,930	-	-	18,436,337	2,364,201
Subtotal	1,879,673	-	99,127,274	-	-	330,228,435	24,481,030
Associates and joint ventures:							
FRL Korea Co., Ltd.	1,187,954	-	-	-	-	-	26,162,678
Zara Retail Korea Co.,Ltd	-	-	-	-	-	-	6,324,314
LOTTE CARD Co.,Ltd. (*2)	110,558,801	36,768	2,957,355	-	-	-	23,495,607
HANSSEM CO., LTD	975,343	7,327,513	-	431,546	-	-	1,722,256
Others	446,559	5,392,232	1,586,089	689,287	-	63,711,392	1,166,081
Subtotal	113,168,657	12,756,513	4,543,444	1,120,833	-	63,711,392	58,870,936
Others (*1):							
Lotte Engineering & Construction Co., Ltd. (*3)	1,512	-	13,817,525	-	-	1,772,761	45,705,593
Lotte Confectionery Co., Ltd.	415,451	44,256	2,668,250	23,668,848	-	4,179,464	2,695,862
Lotte Chilsung Beverage Co., Ltd.	282,541	-	216,252	4,126,942	-	-	11,564,607
Lotte Data Communication Company DAEHONG COMMUNICATIONS INC.	-	490,140	1,160,210	-	-	6,482,319	29,108,821
1,224,593	-	108,150	-	-	-	-	10,541,377
Lotte Station B/D Co., Ltd.	3,235,633	-	10,852,137	-	-	7,546,548	9,772,357
Lotte GRS Co., Ltd.	512,121	664,635	321,000	149,274	-	-	5,203,154
Lotte International Co., Ltd.	155,041	-	2,530	4,253,753	-	-	93,573
LOTTE ALUMINIUM CO., LTD.	10,226	-	8,399	594,877	-	-	763,167
Lotte Global Logistics Co., Ltd.	403,786	-	1,351,898	-	-	16,227,317	32,733,034
Korea Fuji Film Co., Ltd.	1,833	28,441	66	-	-	-	729,916
LOTTE Property & Development	3,028,810	2,997,667	10,405,354	-	-	402,580,659	7,099,581
LOTTE ASSET DEVELOPMENT CO., LTD	-	-	-	-	-	-	23,001
Others (*4)	11,346,900	159,617	12,222,666	1,568,044	133,589,744	9,564,864	23,392,351
Subtotal	20,618,447	4,384,756	53,134,437	34,361,738	133,589,744	448,353,932	179,426,394
Total	₩ 135,666,777	17,141,269	156,805,155	35,482,571	133,589,744	842,293,759	262,778,360

(*1) Although the entities are not related parties under K-IFRS No.1024, the entities are considered to be part of the Large Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act and overseas affiliates.

(*2) Trade receivables include receivables from consumer sales.

(*3) Other payables include down payment for the sale of shares in LOTTE PROPERTIES HCMC COMPANY LIMITED.

(*4) Other borrowings are from Lotte Capital including the fourth unguaranteed private bond of ₩ 20,000,000 thousand issued by the subsidiary, Lotte Cultureworks and borrowings generated via L Incheon 1st Co., Ltd, S-Bright Dongtan, and Suwon Landmark the 4th amounting to ₩ 50,000,000 thousand, ₩ 40,000,000 thousand, and ₩ 23,589,744 thousand respectively.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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40. Related Party Transactions, continued

(e) The amount of financial lease payment receivable collected and lease liability paid for the years ended December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>		2023	
Name of related parties		Collection of financial lease receivable (*2)	Payment of lease liabilities (*3)
Shareholders:			
Lotte Corporation	₩	-	9,251,950
Hotel Lotte Co., Ltd.		-	81,896,767
Hotel Lotte Pusan Co., Ltd.		-	13,681,731
Subtotal		-	104,830,448
Associates:			
Lotte Card Co, Ltd.		53,448	-
HANSSEM CO., LTD		2,254,384	-
Others		319,366	11,627,782
Subtotal		2,627,198	11,627,782
Others (*1):			
LOTTE Property & Development		-	58,045,384
Lotte Station B/D Co., Ltd.		-	2,375,529
Korea Seven Co., Ltd.		-	3,262,854
Korea Fuji Film Co., Ltd.		3,601	-
Lotte Engineering & Construction Co., Ltd.		-	350,658
Lotte Data Communication Company		466,347	3,624,715
Others		369,053	8,363,114
Subtotal		839,001	76,022,254
Total	₩	3,466,199	192,480,484

(*1) Although the entities are not related parties under K-IFRS No.1024, the entities are considered to be part of the Large Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act and overseas affiliates.

(*2) Includes interest income received for financial lease receivables.

(*3) Includes interest expense paid for lease liabilities.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2023 and 2022

40. Related Party Transactions, continued

(e) The amount of financial lease payment receivable collected and lease liability paid for the years ended December 31, 2023 and 2022 are as follows:, continued

<i>(in thousands of Korean won)</i>		2022	
Name of related parties		Collection of financial lease receivable (*2)	Payment of lease liabilities (*3)
Shareholders:			
Lotte Corporation	₩	-	8,958,311
Hotel Lotte Co., Ltd.		-	80,794,087
Hotel Lotte Pusan Co., Ltd.		-	13,619,673
Subtotal		-	103,372,071
Associates:			
Lotte Card Co, Ltd.		552,396	-
HANSSEM CO., LTD		1,956,330	-
Others		8,585	7,870,694
Subtotal		2,517,311	7,870,694
Others (*1):			
LOTTE Property & Development		-	56,844,496
Lotte Station B/D Co., Ltd.		-	2,382,635
Korea Seven Co.,Ltd.		-	2,669,949
Korea Fuji Film Co., Ltd.		34,332	-
Lotte Engineering & Construction Co., Ltd.		-	320,658
Lotte Data Communication Company		565,125	3,707,014
Others		259,512	8,367,963
Subtotal		858,969	74,292,715
Total	₩	3,376,280	185,535,480

(*1) Although the entities are not related parties under K-IFRS No.1024, the entities are considered to be part of the Large Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act and overseas affiliates.

(*2) Includes interest income received for financial lease receivables.

(*3) Includes interest expense paid for lease liabilities.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
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40. Related Party Transactions, continued

(f) Details of payment guarantees and collateral provided by the Group for the financial supports to related parties as of December 31, 2023 are as follows. No collateral or payment guarantees are provided by related parties:

(in USD)

<u>Name of company</u>	<u>Guaranteed by</u>	<u>Guaranteed amount</u>	<u>Guarantee period</u>	<u>Remarks</u>
Joint ventures				
International Business Center Company Limited	DBS	USD 4,000,000	April 6, 2023~ April 5, 2024	Payment guarantee for financing
	The Export-Import Bank of Korea	USD 4,000,000	April 3 2023~ April 3, 2024	Payment guarantee for financing
Lotte Entertainment Vietnam Co, Ltd.	Shinhan Bank	USD 3,060,000	October 12, 2023~ October 11, 2024	Payment guarantee for financing

(g) Details of purchase card transactions with Lotte Card Co., Ltd. as of December 31, 2023 are as follows:

(in thousands of Korean won)

<u>Classification</u>	<u>Name of corporation</u>	<u>Contractual amount</u>	<u>Used amount</u>	<u>Repayment</u>	<u>Outstanding balance</u>
In the perspective of user	LOTTE SHOPPING CO.,LTD.	₩ 240,000,000	2,542,558,001	2,536,917,488	7,048,903
	LOTTE Himart Co., Ltd.	150,000,000	1,156,297,484	1,156,297,484	-
	Lotte Cultureworks Co., Ltd.	20,000,000	25,175,604	22,978,828	3,832,160

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2023 and 2022

41. Risk Management

(a) Management of financial risks

(i) Objectives and policies of the Group

Risk management activities of the Group identify credit risk, liquidity risk, market risk and any other potential risk that may affect the Group's financial performance to reduce, eliminate and avoid the potential risk to a tolerable level. The management of the risk level will support a stable and consistent business performance, contributing to strengthening the Group's competitiveness by reducing finance costs through the improvement of the financial structure and efficiency of capital operations.

The Group has established risk management policies in an integrated perspective to implement the financial risk management system and is complying with the risk management policies and procedures by performing strict controls and reviews by management.

(ii) Credit risk

Credit risk is the risk of financial loss to the Group which may occur if a customer or counterparty to a financial instrument fails to meet its contractual obligations during ordinary transaction or investment activity.

Most of the Group's profit is generated from individual customers which carry low credit risk. Furthermore, the Group deposits cash and cash equivalents and short-term financial instruments with financial institutions with high credit ratings, limiting the Group's exposure to credit risk.

① Exposure to credit risk

The book value of financial assets represents the maximum exposure to credit risk. The Group's maximum exposure to credit risk as of December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>		<u>2023</u>	<u>2022</u>
Cash equivalents (*1)	₩	1,565,693,833	1,780,815,785
Trade and other receivables		1,100,544,477	905,383,732
Other financial assets (current)		1,392,954,692	1,657,441,323
Other financial assets (non-current) (*2)		1,189,889,098	1,309,940,813
Total	₩	<u>5,249,082,100</u>	<u>5,653,581,653</u>

(*1) Cash held by the Group are excluded as there is no exposure to credit risk.

(*2) Equity instruments at fair value through other comprehensive income are excluded as there is no exposure to credit risk.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2023 and 2022

41. Risk Management, continued

(a) Management of financial risks, continued

(ii) Credit risk, continued

② Credit risk exposure for overdue and impairment of financial assets

Aging and impairment of financial assets as of December 31, 2023 and 2022 are as follows:

(in thousands of Korean won)

	2023			2022		
	Total carrying amount	Probability of default	Allowance for doubtful accounts	Total carrying amount	Probability of default	Allowance for doubtful accounts
Trade and other receivables						
Not due	₩ 1,071,131,681	0.18%	1,917,205	885,457,473	0.49%	4,333,433
0 ~ 3 months overdue	22,629,792	2.14%	484,762	10,465,730	4.86%	508,413
3 ~ 6 months overdue	3,012,375	18.47%	556,418	2,419,563	68.75%	1,663,550
6 ~ 9 months overdue	1,841,826	11.52%	212,229	619,406	35.69%	221,081
9 ~ 12 months overdue	2,334,498	43.27%	1,010,122	1,963,684	75.21%	1,476,967
12 ~ 15 months overdue	2,961,520	10.60%	313,795	4,619,757	28.63%	1,322,557
More than 15 months overdue	25,644,318	95.60%	24,517,002	38,607,900	75.75%	29,243,780
Total	1,129,556,010		29,011,533	944,153,513		38,769,781
Other financial assets (current)						
Not due	1,394,932,692	0.14%	1,978,000	1,659,670,323	0.13%	2,229,000
15 months overdue	-	-	-	33,978	100.00%	33,978
Total	1,394,932,692		1,978,000	1,659,704,301		2,262,978
Other financial assets (non-current)						
Not due	1,189,889,098	-	-	1,309,940,813	-	-
More than 15 months overdue	1,678,190	100.00%	1,678,190	2,678,190	100.00%	2,678,190
Total	1,191,567,288		1,678,190	1,312,619,003		2,678,190

Changes in the allowance for doubtful accounts for trade and other receivables for the years ended December 31, 2023 and 2022 are as follows:

(in thousands of Korean won)

	2023	2022
Beginning balance	₩ 38,769,781	34,070,045
Provision (Reversal)	(6,634,650)	5,504,415
Write-off	(3,113,999)	(629,154)
Collection of write-off	105	-
Others	(9,704)	(175,525)
Ending balance	₩ 29,011,533	38,769,781

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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41. Risk Management, continued

(a) Management of financial risks, continued

(ii) Credit risk, continued

② Credit risk exposure for overdue and impairment of financial assets, continued

Changes in the allowance for doubtful accounts for other financial assets (current) for the years ended December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>		<u>2023</u>	<u>2022</u>
Beginning Balance	₩	1,899,978	33,978
Provision		112,000	-
Write-off		(33,978)	-
Others		-	1,866,000
Ending balance	₩	<u>1,978,000</u>	<u>1,899,978</u>

Changes in the allowance for doubtful accounts for other financial assets (non-current) for the years ended December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>		<u>2023</u>	<u>2022</u>
Beginning Balance	₩	2,678,190	2,678,190
Write-off		(1,000,000)	-
Ending balance	₩	<u>1,678,190</u>	<u>2,678,190</u>

③ Payment guarantees

As of December 31, 2023, the Group has provided financial guarantees to associates and joint ventures amounting to ₩ 14,260,764 thousand.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with its financial liabilities, requiring settlement by cash or other financial assets, due to adverse managerial or external environment.

The Group predicts and corresponds to potential liquidity risk in a timely manner through consistently analyzing the schedule of cash flows and establishing short and long-term capital management plans to systematically manage liquidity risk.

Furthermore, the Group deposits a reasonable amount with financial institutions with high credit ratings to make provisions for potential liquidity risks. The Group maintains a credit line for overdraft and general loans with various financial institutions and is able to raise funds through domestic and foreign financial markets based on high credit ratings. The management of the Group believes that it is possible to redeem liabilities using cash flows from operating activities and cash in-flow from financial assets.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
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41. Risk Management, continued

(a) Management of financial risks, continued

(iii) Liquidity risk, continued

Maturities of financial liability agreements as of December 31, 2023 are as follows:

(in thousands of Korean won)

	Book Value	2023				Contractual Cash Flow
		3 months or less	3 ~ 6 months	6 months ~ 1 year	More than 1 year	
Trade payables and other payables	₩ 2,629,194,168	2,609,422,117	9,073,860	6,432,160	4,821,838	2,629,749,975
Borrowings and debentures (*1,2)	9,412,200,985	984,210,382	2,409,060,241	1,985,546,435	4,491,662,011	9,870,479,069
Lease liabilities	4,845,792,412	180,145,975	168,638,817	345,106,922	5,323,137,376	6,017,029,090
Other financial liabilities	672,423,673	361,997,939	61,612,224	171,595,095	125,178,709	720,383,967
Financial guarantee contract (*2)	27,554	14,260,764	-	-	-	14,260,764
Total	₩ 17,559,638,792	4,150,037,177	2,648,385,142	2,508,680,612	9,944,799,934	19,251,902,865

(*1) Includes interest expenses.

(*2) Benefit of time may be forfeited if the Group fails to comply with the clause in agreements related to borrowings and debentures (maintenance of financial ratio and credit rating, etc.).

The Group does not expect that the cash flows included in the maturity analysis will vary significantly in terms of timing and amount.

(iv) Market risk

Market risk is the risk that fair values of financial instruments and future cash flow will vary due to uncertainties in market prices. The objective of market risk management is to manage and control market risk exposures within tolerable levels, whilst optimizing the Group's profits.

The Group buys and sells various derivatives to manage market risks. All such transactions are carried out under strict supervision of the internal management, and generally, the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

① Currency risk

The Group is exposed to currency risk on assets and liabilities that are denominated in currencies other than Korean won, the functional currency of the Group. Major currencies which generate exchange positions include USD, CNY and others. The objective of exchange risk management is to maintain stable financial activities by minimizing uncertainties from changes in exchange rate and profit and loss fluctuations. Foreign currency trade for speculation is strictly prohibited.

The Group hedges currency risks of foreign currency denominated borrowings and debentures through currency swap transactions with financial institutions. The Group enters into forward exchange contracts with major financial institutions to avoid the risks of exchange rate fluctuations for the use of foreign currency funds.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2023 and 2022

41. Risk Management, continued

(a) Management of financial risks, continued

(iv) Market risk, continued

① Currency risk, continued

Monetary assets and liabilities denominated in foreign currencies other than the Group's functional currency as of December 31, 2023 and 2022 are as follows:

(in thousands of Korean won)

		2023		2022	
		Assets	Liabilities	Assets	Liabilities
USD	₩	166,244,935	1,668,224,689	355,006,913	1,629,381,571
EUR		7,760	4,752,874	319,470	4,265,760
JPY		-	71	-	1,507
GBP		-	47,631	-	-
HKD		-	-	-	56,763
CNY		3,651,188	-	3,678,343	-
CAD		-	1,559,394	114,290	371,386
AUD		-	-	-	16,305
Total	₩	169,903,883	1,674,584,659	359,119,016	1,634,093,292

The exchange rate applied for the years ended December 31, 2023 and 2022 are as follows:

(in Korean won)

		Average rate		Closing rate	
		2023	2022	2023	2022
USD	₩	1,305.41	1,291.95	1,289.40	1,267.30
EUR		1,412.36	1,357.38	1,426.59	1,351.20
JPY		9.3124	9.8344	9.1266	9.5318
GBP		1,624.19	1,592.33	1,641.79	1,527.67
HKD		166.75	164.98	165.06	162.55
CNY		184.22	191.57	180.84	181.44
CAD		967.38	991.82	974.64	935.38
AUD		867.29	895.43	880.08	858.41

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2023 and 2022

41. Risk Management, continued

(a) Management of financial risks, continued

(iv) Market risk, continued

① Currency risk, continued

The Group regularly measures exchange risks on Korean won against foreign currency fluctuations. Assuming all other variables are constant, sensitivity analysis of income before taxes for 10% fluctuations of each foreign currency exchange rates are as follows. Borrowings and debentures with currency swaps are not included as currency risk is hedged.

<i>(in thousands of Korean won)</i>		2023		2022	
		10% increase	10% decrease	10% increase	10% decrease
USD	₩	14,847,184	(14,847,184)	33,143,486	(33,143,486)
EUR		(474,512)	474,512	(394,629)	394,629
JPY		(7)	7	(151)	151
GBP		(4,763)	4,763	-	-
HKD		-	-	(5,676)	5,676
CNY		365,119	(365,119)	367,834	(367,834)
CAD		(155,939)	155,939	(25,710)	25,710
AUD		-	-	(1,630)	1,630
Total	₩	<u>14,577,082</u>	<u>(14,577,082)</u>	<u>33,083,524</u>	<u>(33,083,524)</u>

The above sensitivity analysis is related to the Group's monetary assets and liabilities, denominated in a currency other than the Group's functional currency, as of December 31, 2023.

② Interest rate risk

Interest rate risk is the risk of changes in interest income and expense from deposits and borrowings due to fluctuations in the market interest rate. Interest rate risk of the Group arises on variable interest rate financial instruments and borrowings. The purpose of interest rate risk management is to minimize value fluctuation of financial assets and liabilities from uncertainties caused by changes in interest rates.

The Group makes interest swap transactions with financial institutions for hedging interest rate risk of variable borrowings and debentures.

The book value of the Group's variable interest-bearing financial instruments as of December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>		2023	2022
Financial assets	₩	64,495,820	96,652,867
Financial liabilities		2,732,567,854	1,832,426,726

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2023 and 2022

41. Risk Management, continued

(a) Management of financial risks, continued

(iv) Market risk, continued

② Interest rate risk, continued

The table below summarizes the impact of changes in interest rates on deposits and borrowings with floating interest rate on the Group's interest income and expense that would incur in relation to the deposits and borrowings for the years ended December 31, 2023 and 2022. The analysis is based on the assumption that the interest rate has increased or decreased by 100 basis points with all other variables held constant. Borrowings and debentures for which the Group has entered into interest rate swap transactions are not included.

(in thousands of Korean won)

		2023		2022	
		100bps increase	100bps decrease	100bps increase	100bps decrease
Interest income	₩	644,958	(644,958)	966,529	(966,529)
Interest expenses		16,005,836	(16,005,836)	8,819,887	(8,819,887)

③ Price risk

The Group is exposed to fluctuations of price in equity instrument at fair value through other comprehensive income. The book value of the marketable equity instrument at fair value through other comprehensive income as of December 31, 2023 and 2022 are ₩ 486,023,930 thousand and ₩ 527,683,516 thousand, respectively. Assuming that other variables are constant, 10% fluctuation of the prices of the equity instruments will affect other comprehensive income in 2023 and 2022 by ₩48,602,393 thousand and ₩ 52,768,352 thousand, respectively.

(b) Capital Management

The objective of the Group's capital management is maximization of shareholders' profits by maintaining an appropriate capital structure. The Group makes necessary improvements to the capital structure through monthly monitoring of financial ratios such as liabilities to equity ratios and net borrowings to equity ratios to achieve an optimal capital structure.

The liabilities to equity ratios and net borrowings to equity ratios as of December 31, 2023 and 2022 are as follows:

(in thousands of Korean won)

		2023	2022
Liabilities (A)	₩	19,808,248,978	20,668,459,087
Equity (B)		10,836,449,719	11,035,116,786
Deposits (C)		2,568,408,423	3,104,029,189
Borrowings (D)		9,412,200,985	9,761,288,351
Liabilities to equity ratio (A/B)		182.79%	187.30%
Net borrowings to equity ratio ((D-C)/B)		63.16%	60.33%

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2023 and 2022

42. Lease

(a) Amount recognized in the consolidated statement of financial position

Details of leases recognized in the consolidated statement of financial position as of December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>		<u>2023</u>	<u>2022</u>
Right-of-use assets:			
Land	₩	792,408,284	833,103,444
Buildings		2,784,043,092	3,187,746,432
Vehicles		3,151,877	3,168,507
Others		53,400,996	35,068,065
Total		<u>3,633,004,249</u>	<u>4,059,086,448</u>
Investment property		279,973,452	410,225,068
Lease receivables:			
Current		22,199,585	26,071,310
Non-current		70,725,878	78,201,058
Total		<u>92,925,463</u>	<u>104,272,368</u>
Lease liabilities:			
Current		672,388,914	756,903,350
Non-current		4,173,403,498	4,623,897,611
Total	₩	<u>4,845,792,412</u>	<u>5,380,800,961</u>

(b) Amount recognized in the consolidated statement of comprehensive income (loss)

Details of leases recognized in the consolidated statement of comprehensive income for the years ending December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>		<u>2023</u>	<u>2022</u>
Depreciation expense on right-of-use assets			
Land and buildings	₩	490,624,043	536,583,669
Vehicles		2,035,862	1,962,457
Others		8,449,139	8,744,742
Total	₩	<u>501,109,044</u>	<u>547,290,868</u>
Depreciation expense on investment properties	₩	25,943,392	27,427,564
Interest expenses on lease liabilities		204,019,854	209,763,053
Interest income on financial lease receivables		4,028,563	3,535,626
Leases of low-value assets and short-term leases, etc.		117,724,514	92,517,444
Impairment loss on right-of-use assets		106,274,257	173,180,942

Total cash outflow for leases for the years ended December 31, 2023 and 2022 are ₩ 772,495,501 thousand and ₩ 804,918,089 thousand.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2023 and 2022

42. Lease, continued

(c) Changes in right-of-use assets for the years ending December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>		2023	2022
Beginning balance	₩	4,059,086,448	4,700,201,181
Acquisition of right-of-use assets		84,232,841	138,521,739
Depreciation expenses		(501,109,044)	(547,290,868)
Impairment loss on right-of-use assets		(106,274,257)	(173,180,942)
Others (*)		97,068,261	(59,164,662)
Ending balance	₩	<u>3,633,004,249</u>	<u>4,059,086,448</u>

(*) Others include lease contract modification and termination, investment in properties, sub-lease replacement, etc.

(d) The contractual maturity of lease liabilities as of December 31, 2023 and 2022 are as follows:

(in thousands of Korean won)

		2023					
		Less than 6 months	6 months~ 1 year	1 ~ 2 years	2 ~ 5 years	More than 5 years	Total
Total minimum	₩	348,784,792	345,106,922	712,266,882	1,832,794,034	2,778,076,460	6,017,029,090
lease payments							
Net minimum		337,379,885	335,009,029	596,464,602	1,502,982,669	2,073,956,227	4,845,792,412
lease payments							

(in thousands of Korean won)

		2022					
		Less than 6 months	6 months~ 1 year	1 ~ 2 years	2 ~ 5 years	More than 5 years	Total
Total minimum	₩	418,064,496	372,862,343	701,308,214	1,836,953,078	3,415,489,347	6,744,677,478
lease payments							
Net minimum		403,303,860	353,599,490	646,365,847	1,594,008,116	2,383,523,648	5,380,800,961
lease payments							

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2023 and 2022

42. Lease, continued

(e) The contractual maturity of lease receivables as of December 31, 2023 and 2022 are as follows:

(in thousands of Korean won)

		2023					
		Less than 6 months	6 months~ 1 year	1 ~ 2 years	2 ~ 5 years	More than 5 years	Total
Total minimum lease payments	₩	13,493,890	10,445,937	28,246,906	37,352,145	17,556,949	107,095,827
Net minimum lease payments		12,609,399	9,892,899	24,929,180	32,160,392	13,958,036	93,549,906

(in thousands of Korean won)

		2022					
		Less than 6 months	6 months~ 1 year	1 ~ 2 years	2 ~ 5 years	More than 5 years	Total
Total minimum lease payments	₩	14,597,369	12,301,710	30,426,614	31,062,785	31,909,882	120,298,360
Net minimum lease payments		14,301,650	11,769,660	28,149,923	26,019,157	24,031,978	104,272,368

(f) Operating lease

The Group has operating lease agreements to lease property, plant and equipment. The collection plan of lease receivables related to the operating lease contracts as of December 31, 2023 and 2022 are as follows:

(in thousands of Korean won)

		2023	2022
Within 1 year	₩	100,033,087	124,850,562
Within 1 ~ 5 years		134,966,146	192,530,979
Over 5 years		13,048,392	99,057,223
Total(*)	₩	248,047,625	416,438,764

(*) Variable lease payments due to changes in sales are not included.

The lease income related to the operating lease recognized by the Group during 2023 and 2022 are ₩ 1,611,378,150 thousand and ₩ 1,539,313,713 thousand respectively.

43. Subsequent events

- According to the resolution of the board of directors on December 14, 2023, the Group merged Lotte Suwon Station Shopping Town Co., Ltd., a subsidiary, as of March 1, 2024.
- Lotte Incheon Town Co., LTD, a subsidiary, concluded a joint agreement with J&D Development Co., Ltd. on October 23, 2020 to conduct the development project of the Incheon Guwol Agricultural Products Wholesale Market. On January 23, 2024, the Group terminated the joint agreement with J&D Development Co., Ltd. and concluded an agreement to purchase 40% shares of project from J&D Development Co., Ltd..
- Lotte Cultureworks Co., Ltd., a subsidiary, has issued ₩ 200,000,000 thousand in hybrid capital securities as of February 20, 2024. Based on the decision made in the Board of Directors meeting held on February 8, 2024, the Group concluded an agreement to replenish funds for failures in repayment of principal and interests relating to asset-backed short term bonds issued by Momentum No.1 Inc. on February 19, 2024.

Independent Auditors' Report on Internal Control over Financial Reporting for Consolidation Purposes

Based on a report originally issued in Korean

To the Shareholders and Board of Directors of
Lotte Shopping Co., Ltd.

Opinion on Internal Control over Financial Reporting for Consolidation Purposes

We have audited Lotte Shopping Co., Ltd. and its subsidiaries ("the Group")' internal control over financial reporting ("ICFR") for consolidation purposes as of December 31, 2023 based on the criteria established in the Conceptual Framework for Designing and Operating ICFR ("ICFR Design and Operation Framework") issued by the Operating Committee of Internal Control over Financial Reporting in the Republic of Korea (the "ICFR Committee").

In our opinion, the Group maintained, in all material respects, effective internal control over financial reporting for consolidation purposes as of December 31, 2023, based on ICFR Design and Operation Framework.

We also have audited, in accordance with Korean Standards on Auditing (KSAs), the consolidated financial statements of the Group, which comprise the consolidated statements of financial position as of December 31, 2023 the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising material accounting policy information and other explanatory information, and our report dated March 15, 2024 expressed an unmodified opinion on those consolidated financial statements.

Basis for Opinion on Internal Control over Financial Reporting for Consolidation Purposes

We conducted our audit in accordance with KSAs. Our responsibilities under those standards are further described in the Auditors' 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 audit of the internal control over financial reporting in Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The Group's 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 Operating Status of Internal Control over Financial Reporting for Consolidation Purposes.

Those charged with governance are responsible for overseeing the Group's internal control over financial reporting for consolidation purposes.

Auditors' 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 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.

Our audit of internal control over financial reporting for consolidation purposes included obtaining an understanding of internal control over financial reporting for consolidation purposes, assessing the risk that a



material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk.

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

A company's internal control over financial reporting for consolidation purposes is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with Korean International Financial Reporting Standards ("K-IFRS"). A company'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 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 controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

KPMG Samjong Accounting Corp.

Seoul, Korea
March 15, 2024

This report is effective as of March 15, 2024, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the internal control over financial reporting. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Consolidated ICFR Operating Status Report by CEO

To the Shareholders, Board of Directors, and Audit Committee of LOTTE SHOPPING CO.,LTD.

We, as the Chief Executive Officer and the Internal Accounting Manager of LOTTE SHOPPING CO.,LTD. (“the Company”), assessed operating status of the Company’s consolidated Internal Control over Financial Reporting (“ICFR”) for the year ending December 31, 2023.

Design and operation of the consolidated ICFR is the responsibility of the Company’s management, including the Chief Executive Officer and the Internal Accounting Manager (collectively, “We”, “Our” or “Us”).

We evaluated whether the Company effectively designed and operated its consolidated ICFR to prevent and detect errors or frauds which may cause a misstatement in the consolidated financial statements to ensure preparation and disclosure of reliable financial information.

We used the ‘Conceptual Framework for Designing and Operating Internal Control over Financial Reporting’ issued by the Operating Committee of Internal Control over Financial Reporting in Korea (the “ICFR Committee”) as the criteria for design and operation of the Company’s consolidated ICFR. And we conducted an evaluation of the consolidated ICFR based on the ‘Management Guideline for Evaluating and Reporting Effectiveness of Internal Control over Financial Reporting’ issued by the ICFR Committee.

Based on our assessment, we concluded that the Company’s consolidated ICFR is designed and operated effectively as of December 31, 2023, in all material respects, in accordance with the ‘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 statements which might cause material misunderstandings of the readers, and we have reviewed and verified this report with sufficient care.

January 30th, 2024

Kim Sang Hyun (Signature)

Chief Executive Officer

Jang Ho Joo (Signature)

Internal Accounting Manager

English translation of report originally issued in Korean