

# **LOTTE SHOPPING CO.,LTD.**

**Separate 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 separate financial statements of Lotte Shopping Co., Ltd. ("the Company"), which comprise the separate statement of financial position as of December 31, 2023 and 2022, the separate statements of comprehensive income (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 separate financial statements present fairly, in all material respects, the separate financial position of the Company as of December 31, 2023 and 2022, and its separate financial performance and its separate 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 Company's Internal Control over Financial Reporting ("ICFR") 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 Company's internal control over financial reporting.

### *Basis for Opinion*

We conducted our audits in accordance with KSAs. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the separate 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 separate financial statements as of and for the year ended December 31, 2023. This matter was addressed in the context of our audit of the separate 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 investment in subsidiaries impairment in the LOTTE Himart Co., Ltd

As described in Note 13 to the separate financial statements, as of December 31, 2023, the carrying amount of investment in subsidiaries of LOTTE Himart Co., Ltd in the separate statements of financial position of the Company is ₩879,160 million, which is 3.8% of total assets.

The Company reviews at the end of each reporting period on whether there are any indicators of impairment regarding the investment in subsidiaries, and has performed impairment test on investment in subsidiaries for which indicators of impairment were identified by estimating the recoverable amount of the respective investment in subsidiaries. When the recoverable amount is less than the carrying amount, the difference between those amounts has been recognized as impairment loss. In estimating the recoverable amount, management's judgment is involved in determining the key assumptions such as sales growth rate, discount rate, and terminal growth rate that have a significant impact on the estimated recoverable amount. Considering significant degree of judgment in estimating recoverable amount, we identified assessment of investment in subsidiaries impairment in the LOTTE Himart Co., Ltd as a key audit matter.

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

- We have understood the Company's impairment assessment process for each investment in subsidiary, and assessed the design and operating effectiveness of the management review controls related to impairment assessment;
- We assessed the basis of management's judgment to identify the indicators of impairment on investment in subsidiary and evaluated whether such basis is in compliance with the Company's accounting policy;
- We compared the forecast estimated in prior year with current year's actual performance to assess the Company's ability to accurately forecast;
- We assessed the competence, qualification and objectivity of external experts engaged by the Company to assess recoverable amount of investment in subsidiaries;
- 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 Company's forecast 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 Company.

*Other matter*

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

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

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

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



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

#### *Auditors' Responsibilities for the Audit of the Separate Financial Statements*

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 separate 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separated financial statements, including the disclosures, and whether the separated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 separated 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 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 accompanying separate 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.**  
**Separate Statements of Financial Position**  
**As of December 31, 2023 and 2022**

(In Korean won)	<u>Notes</u>	<u>2023</u>	<u>2022</u>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6,7,35,40	₩ 1,006,072,435,019	1,166,440,601,007
Trade and other receivables	5,7,38,40	716,668,746,171	572,038,783,359
Other financial assets	6,7,23,40	383,397,184,459	800,119,024,477
Inventories	8	429,430,347,015	446,651,455,872
Income tax refund receivables	34	-	71,337,620,022
Other non-financial assets	9	65,220,638,443	33,414,340,507
Assets held for sale	10	20,379,149,566	30,943,431,996
		<u>2,621,168,500,673</u>	<u>3,120,945,257,240</u>
<b>Non-current assets</b>			
Other receivables	5,7	107,717,243,779	141,565,166,795
Investments in subsidiaries, associates and joint ventures	11,12,13,38	3,833,927,114,968	3,703,367,076,548
Other financial assets	6,7,23,40	1,097,843,431,161	1,147,624,138,459
Property, plant and equipment, net	14	11,281,416,471,603	11,185,324,831,455
Right-of-use assets	14,39	2,840,945,008,654	3,610,581,389,866
Investment property, net	15	1,337,017,897,934	1,494,694,967,823
Goodwill	16	111,341,594,859	112,405,594,522
Intangible assets, net	16	39,457,440,938	37,528,051,777
Deferred tax assets	34	50,282,008,038	-
Other non-financial assets	9	1,974,094,209	2,018,011,005
Defined benefit assets	22	116,215,238,400	175,719,387,389
		<u>20,818,137,544,543</u>	<u>21,610,828,615,639</u>
<b>Total assets</b>		<b>₩ <u>23,439,306,045,216</u></b>	<b><u>24,731,773,872,879</u></b>

*See accompanying notes to the separate financial statements.*

**LOTTE SHOPPING CO.,LTD.**  
**Separate Statements of Financial Position, continued**  
**As of December 31, 2023 and 2022**

(In Korean won)	Notes	2023	2022
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings and debentures, net of issuance costs	7,18,40	₩ 2,588,205,453,079	2,142,203,825,881
Trade and other payables	7,17,40	2,068,536,921,964	2,026,174,994,034
Other financial liabilities	7,23,40	499,833,430,122	397,473,030,536
Lease liabilities	7,39	694,704,187,399	750,262,843,999
Current tax liabilities	34	176,541,154	-
Unearned revenues	19	202,497,201,618	183,529,712,681
Provisions	20	13,743,547,525	13,352,024,029
Other non-financial liabilities	21	1,223,913,299,321	1,218,599,373,017
		<u>7,291,610,582,182</u>	<u>6,731,595,804,177</u>
<b>Non-current liabilities</b>			
Borrowings and debentures, net of issuance costs	7,18,40	2,759,903,577,872	3,866,163,788,476
Other payables	7,17	2,823,028,823	3,919,960,755
Other financial liabilities	7,23,40	94,064,733,257	142,947,324,363
Lease liabilities	7,39	3,685,520,248,721	4,530,458,192,321
Other long-term employee benefits	22	21,422,154,088	20,277,069,204
Deferred tax liabilities	34	-	1,713,749,746
Unearned revenues	19	7,044,756,790	10,005,397,554
Provisions	20	148,326,110,371	157,102,986,415
		<u>6,719,104,609,922</u>	<u>8,732,588,468,834</u>
<b>Total liabilities</b>		<b><u>14,010,715,192,104</u></b>	<b><u>15,464,184,273,011</u></b>
<b>Equity</b>			
Share Capital	1,24	141,443,775,000	141,443,775,000
Capital Surplus	24	3,590,535,627,005	3,590,535,627,005
Capital adjustments	25	(2,856,562,337,456)	(2,856,562,337,456)
Retained earnings	26	8,648,747,850,984	8,493,220,958,670
Accumulated other comprehensive income (loss)	27	(95,574,062,421)	(101,048,423,351)
<b>Total equity</b>		<b><u>9,428,590,853,112</u></b>	<b><u>9,267,589,599,868</u></b>
<b>Total liabilities and equity</b>		<b>₩ <u>23,439,306,045,216</u></b>	<b><u>24,731,773,872,879</u></b>

*See accompanying notes to the separate financial statements.*



**LOTTE SHOPPING CO.,LTD.**  
**Separate Statements of Comprehensive Income (Loss)**  
**For the years ended December 31, 2023 and 2022**

(In Korean won)	Notes	2023	2022
Sales	29,38	₩ 8,648,595,514,393	8,814,417,014,838
Cost of sales	8,32,38	<u>(3,873,372,901,306)</u>	<u>(4,137,606,723,861)</u>
<b>Gross profit</b>		<u>4,775,222,613,087</u>	<u>4,676,810,290,977</u>
Selling, general and administrative expenses	30,32,38	(4,292,477,670,423)	(4,337,355,083,590)
Bad debt expense	30,32,40	<u>(525,700,323)</u>	<u>(1,855,904,315)</u>
<b>Operating profit</b>		<u><b>482,219,242,341</b></u>	<u><b>337,599,303,072</b></u>
Other income	31	194,695,418,785	117,072,788,789
Other expenses	31	(183,838,384,184)	(323,328,091,865)
Other bad debt expense (recovery)	31	9,004,237,157	(2,752,093,046)
Finance income - Interest income calculated using the effective interest method	33	91,131,007,270	78,781,277,757
Finance income - Others	33	234,116,851,835	376,314,636,324
Finance costs	33	(517,032,981,584)	(1,127,665,497,256)
<b>Profit (Loss) before income tax</b>		<u><b>310,295,391,620</b></u>	<u><b>(543,977,676,225)</b></u>
Income tax revenue (expense)	34	<u>13,762,259,872</u>	<u>172,767,513,361</u>
<b>Profit (Loss) for the year</b>		<u><b>324,057,651,492</b></u>	<u><b>(371,210,162,864)</b></u>
<b>Other comprehensive income (loss)</b>			
Items that will never be reclassified to profit or loss			
Remeasurements of net defined benefit liabilities	22	(97,553,614,423)	42,061,498,645
Fair value gain (loss) through other comprehensive income on equity instruments	27	6,856,639,788	(26,009,271,832)
Income tax effect		<u>24,182,149,128</u>	<u>(4,512,736,042)</u>
Total items that will never be reclassified to profit or loss		<u>(66,514,825,507)</u>	<u>11,539,490,771</u>
Items that will be subsequently reclassified to profit or loss			
Fair value gain (loss) through other comprehensive income on debt instruments	27	201,401,726	(178,930,828)
Gain (loss) on valuations of derivatives	23, 27	(4,131,169,008)	(14,244,996,290)
Income tax effect		<u>681,306,541</u>	<u>3,323,710,304</u>
Total items that will be subsequently reclassified to profit or loss		<u>(3,248,460,741)</u>	<u>(11,100,216,814)</u>
Other comprehensive income (loss) for the year, net of tax		<u>(69,763,286,248)</u>	<u>439,273,957</u>
<b>Total comprehensive income (loss) for the year</b>		<u><b>254,294,365,244</b></u>	<u><b>(370,770,888,907)</b></u>
Earnings (loss) per share	28		
Basic earnings (loss) per share		₩ 11,463	(13,131)

*See accompanying notes to the separate financial statements.*

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

(In Korean won)	Share capital	Capital surplus	Capital adjustment	Retained earnings	Accumulated other comprehensive loss	Total equity
<b>Balance at January 1, 2022</b>	₩ 141,443,775,000	3,590,535,627,005	(2,818,298,047,582)	8,911,185,540,093	(69,084,323,867)	9,755,782,570,649
<b>Comprehensive income (loss) for the year:</b>						
Loss for the year	-	-	-	(371,210,162,864)	-	(371,210,162,864)
<b>Other comprehensive income (loss):</b>						
Net change in equity instruments at fair value through other comprehensive income	-	-	-	-	(20,863,882,670)	(20,863,882,670)
Net change in debt instruments at fair value through other comprehensive income	-	-	-	-	(138,967,852)	(138,967,852)
Gain or loss on valuation of derivatives	-	-	-	-	(10,961,248,962)	(10,961,248,962)
Remeasurements of defined benefit liabilities	-	-	-	32,403,373,441	-	32,403,373,441
Subtotal	-	-	-	32,403,373,441	(31,964,099,484)	439,273,957
<b>Total comprehensive income (loss) for the year</b>	-	-	-	(338,806,789,423)	(31,964,099,484)	(370,770,888,907)
<b>Transactions with owners of the Company recognized directly in equity:</b>						
Changes due to business combination	-	-	(38,264,289,874)	-	-	(38,264,289,874)
Dividends	-	-	-	(79,157,792,000)	-	(79,157,792,000)
<b>Balance at December 31, 2022</b>	₩ 141,443,775,000	3,590,535,627,005	(2,856,562,337,456)	8,493,220,958,670	(101,048,423,351)	9,267,589,599,868

See accompanying notes to the separate financial statements.

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

(In Korean won)	Share capital	Capital surplus	Capital adjustment	Retained earnings	Accumulated other comprehensive loss	Total equity
	₩ 141,443,775,000	3,590,535,627,005	(2,856,562,337,456)	8,493,220,958,670	(101,048,423,351)	9,267,589,599,868
<b>Balance at January 1, 2023</b>						
<b>Comprehensive income (loss) for the year:</b>						
Income for the year	-	-	-	324,057,651,492	-	324,057,651,492
<b>Other comprehensive income (loss):</b>						
Net change in equity instruments at fair value through other comprehensive income	-	-	-	-	8,722,821,671	8,722,821,671
Net change in debt instruments at fair value through other comprehensive income	-	-	-	-	158,914,182	158,914,182
Gain or loss on valuation of derivatives	-	-	-	-	(3,407,374,923)	(3,407,374,923)
Remeasurements of defined benefit liabilities	-	-	-	(75,237,647,178)	-	(75,237,647,178)
Subtotal	-	-	-	(75,237,647,178)	5,474,360,930	(69,763,286,248)
<b>Total comprehensive income (loss) for the year</b>				248,820,004,314	5,474,360,930	254,294,365,244
<b>Transactions with owners of the Company recognized directly in equity:</b>						
Dividends	-	-	-	(93,293,112,000)	-	(93,293,112,000)
<b>Balance at December 31, 2023</b>	₩ 141,443,775,000	3,590,535,627,005	(2,856,562,337,456)	8,648,747,850,984	(95,574,062,421)	9,428,590,853,112

See accompanying notes to the separate financial statements.

**LOTTE SHOPPING CO.,LTD.**  
**Separate 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>
<b>Cash flows from operating activities</b>			
Profit (Loss) for the year	₩	324,057,651,492	(371,210,162,864)
Adjustments	35	1,059,758,767,662	1,693,742,623,890
Changes in operating assets and liabilities	35	(232,697,606,210)	(4,910,459,313)
Income taxes refunded (paid)		58,144,118,893	105,274,492,323
<b>Net cash provided by operating activities</b>		<b>1,209,262,931,837</b>	<b>1,422,896,494,036</b>
<b>Cash flows from investing activities</b>			
Decrease of lease deposit		32,947,905,072	54,202,887,801
Decrease of short-term financial instruments		893,508,848,235	327,218,773,874
Decrease in short-term loans		6,898,168,380	65,329,112,000
Proceeds from sale of debt instruments at fair value through profit or loss		1,350,000,000	-
Proceeds from sale of debt instruments at fair value through other comprehensive income		388,493,532	703,361,492
Decrease of long-term financial instruments		13,438,076,383	-
Collection of long-term loans		343,350,000	-
Proceeds from sale of investment in subsidiaries, associates and joint ventures		7,318,085,124	52,662,237,308
Proceeds from disposal of property, plant and equipment		92,527,562,562	5,518,110,260
Proceeds from disposal of intangible assets		60,000	6,028,844
Proceeds from disposal of assets held for sale		9,897,154,815	-
Collection of financial lease receivables		41,715,052,794	37,642,071,723
Advances received		32,550,000,000	4,019,235,462
Cash inflows from settlement of derivatives		6,612,017,464	22,364,008,366
Cash inflow from business combination		-	238,870,424,005
Increase of lease deposit		(4,980,000,000)	(7,546,306,476)
Increase of short-term financial instruments		(444,600,000,000)	(585,008,848,235)
Increase in short-term loans		(2,020,448,350)	(3,000,000,000)
Purchase of long-term financial instruments		(10,000,000,000)	(27,011,692,043)
Purchase of investments in subsidiaries, associates and joint ventures		(188,128,611,893)	(334,867,494,856)
Acquisition of property, plant, and equipment		(436,754,441,690)	(431,627,940,290)
Acquisition of intangible assets		(2,251,285,690)	(6,101,083,580)
Increase of advance payments		(40,584,950,000)	-
Interest received		68,764,767,939	50,302,977,740
Dividends received		179,739,548,656	173,175,553,796
<b>Net cash provided by (used in) investing activities</b>	₩	<b>258,679,353,333</b>	<b>(363,148,582,809)</b>

*See accompanying notes to the separate financial statements.*

**LOTTE SHOPPING CO.,LTD.**  
**Separate 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>
<b>Cash flows from financing activities</b>			
Increase in rental deposits	₩	19,094,782,380	13,792,055,238
Proceeds from short-term borrowings		450,000,000,000	200,000,000,000
Proceeds from long-term borrowings		257,942,245,397	355,000,000,000
Proceeds from issuance of debentures		767,090,311,225	578,340,848,347
Decrease in rental deposits		(13,287,314,341)	(27,136,125,601)
Repayment of short-term borrowings		(200,000,000,000)	(415,000,000,000)
Repayment of current portion of long-term borrowings		(1,000,000,000,000)	(311,950,000,000)
Repayment of debentures		(930,969,480,000)	(878,550,000,000)
Repayment of lease liabilities		(560,519,446,421)	(581,634,390,183)
Interest paid		(324,530,831,893)	(326,495,503,147)
Dividends paid		(93,293,112,000)	(79,157,792,000)
<b>Net cash used in financing activities</b>		<b><u>(1,628,472,845,653)</u></b>	<b><u>(1,472,790,907,346)</u></b>
Net decrease in cash and cash equivalents		(160,530,560,483)	(413,042,996,119)
Cash and cash equivalents at the beginning of the year		1,166,440,601,007	1,574,016,044,561
Effect of exchange rate fluctuation on cash and cash equivalents		162,394,495	5,467,552,565
<b>Cash and cash equivalents at the end of the year</b>	₩	<b><u>1,006,072,435,019</u></b>	<b><u>1,166,440,601,007</u></b>

*See accompanying notes to the separate financial statements.*

# LOTTE SHOPPING CO.,LTD.

## Notes to the Separate Financial Statements

### As of December 31, 2023 and 2022

#### 1. 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 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>	<b>Number of shares (in shares)</b>		<b>Amount</b>	<b>Percentage of ownership (%)</b>
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
<b>Total</b>	<b>28,288,755</b>	<b>₩</b>	<b>141,443,775</b>	<b>100.00</b>

#### 2. Basis of Accounting

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

The separate 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 document and interpretation document announced by the International Accounting Standard Board (IASB).

These financial statements are separate financial statements prepared in accordance with K-IFRS No.1027 Separate Financial Statements presented by a parent, an investor in an associate or a venturer in a joint venture in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.

##### (a) Basis of measurement

The separate 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

Financial statements of the Company are prepared in the currency of the main economic environment whereby operation takes place (hereinafter ‘functional currency’). The financial performance and position of the Company are presented in Korean won, the functional and presentation currency.

K-IFRS permits the use of significant accounting estimates in preparing the separate 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.

## Notes to the Separate Financial Statements

### As of December 31, 2023 and 2022

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#### 2. Basis of Accounting, continued

##### (c) Estimates and assumptions

The preparation of financial statements requires assumptions and estimates of the future, and management requires judgement to apply the accounting policies of the Company. Estimates and assumptions are continuously evaluated and are made in consideration of reasonably foreseeable future events in light of past experience and current circumstances. The results of an accounting estimate will rarely be the same as the actual results, posing a significant risk of causing significant adjustments.

Estimates and assumptions regarding management's judgement 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.

#### 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 Company

The Company 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 separate 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 separate financial statements.

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

The amendments define accounting estimates and distinguish it from changes in accounting policies. The adoption of the amendments does not have a significant impact on the Company's separate 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 separate financial statements.

# LOTTE SHOPPING CO.,LTD.

## Notes to the Separate Financial Statements

### As of December 31, 2023 and 2022

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### 3. Significant Accounting Policies and Changes in Disclosure, continued

#### 3.1 Amendments and enactments of standards and interpretations applied by the Company, continued

(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 separate 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 Company is currently assessing the impact of the amendments on the separate financial statements.

#### 3.2 Amendments and enactments of standards and interpretations not applied by the Company

The following are amendments to accounting standards and interpretations which have not been adopted the Company 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 Company is currently assessing the impact of the amendments on the separate 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 separate financial statements.



# LOTTE SHOPPING CO.,LTD.

## Notes to the Separate Financial Statements

### As of December 31, 2023 and 2022

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#### 3. Significant Accounting Policies and Changes in Disclosure, continued

##### 3.2 Amendments and enactments of standards and interpretations not applied by the Company, continued

###### (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 separate 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 separate financial statements.

##### 3.3 Cash and cash equivalents

The Company 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.

##### 3.4 Foreign currency translation

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 other than functional currency 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 shall be recognized in other comprehensive income.

Foreign exchange differences related to borrowings are shown in the income statement as finance expenses, and other foreign exchange differences are shown in other income or other expenses. Foreign exchange differences arising from non-monetary financial assets and liabilities are regarded as part of fair value fluctuation gains and losses, and foreign exchange differences arising from equity instruments measured at fair values through profit or loss are recognized as current profit or loss, and foreign exchange difference between equity instruments measured at fair value through other comprehensive income is recognized as included in other comprehensive income.

# LOTTE SHOPPING CO.,LTD.

## Notes to the Separate Financial Statements

### As of December 31, 2023 and 2022

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### 3. Significant Accounting Policies and Changes in Disclosure, continued

#### 3.5 Financial assets

##### (a) Classification

The Company 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

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 Company 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 Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. Changes in fair value of 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 Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies its debt instruments into the following three measurement categories:

##### - Financial assets measured at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'Finance income' using the effective interest rate method.

##### - 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.

# LOTTE SHOPPING CO.,LTD.

## Notes to the Separate Financial Statements

### As of December 31, 2023 and 2022

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#### 3. Significant Accounting Policies and Changes in Disclosure, continued

##### 3.5 Financial assets, continued

(b) Measurement, continued

(i) Debt instrument, continued

- 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.

(ii) Equity instrument

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments 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 Company 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 Company 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 Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

If the Company has retained substantially all the risks and rewards of ownership of the transferred asset, the Company 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 Company or the counterparty.

# LOTTE SHOPPING CO.,LTD.

## Notes to the Separate Financial Statements

### As of December 31, 2023 and 2022

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### 3. Significant Accounting Policies and Changes in Disclosure, continued

#### 3.6 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 Company holds forward exchange contracts, interest rate swaps, currency swaps and other derivative contracts to manage interest rate risk and foreign exchange risk. The Company 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).

On initial designation of the hedge, the Company 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 separate statement of comprehensive income. The Company 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) Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately only if the following criteria have been met: (i) the economic characteristics and risks are not closely related to that of the host contract, (ii) a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and (iii) the hybrid (combined) instrument is not measured at fair value through profit or loss. Changes in the fair value of embedded derivatives separated from the host contract are recognized in profit or loss for the current period.

##### (c) 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.

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
**As of December 31, 2023 and 2022**

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**3. Significant Accounting Policies and Changes in Disclosure, continued**

**3.7 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 at amortized cost using the effective interest method, deducting the allowance for doubtful accounts.

**3.8 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 following methods:

<u>Classification</u>	<u>Department store</u>	<u>Discount store</u>	<u>Supermarket</u>	<u>E-commerce</u>
Merchandise	Retail method	Moving average method	Moving average method	Total weighted average method
Finished goods	-	Moving average method	Moving average method	-
Others	Specific identification method	Specific identification method	Specific identification method	Specific identification method

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.

**3.9 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.

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
**As of December 31, 2023 and 2022**

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**3. Significant Accounting Policies and Changes in Disclosure, continued**

**3.10 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 Company's property, plant and equipment are as follows:

	<u>Useful lives (years)</u>
Buildings	10 – 50
Structures	7 – 40
Machinery	5 – 30
Vehicles	5
Display fixtures	5
Furniture and fixtures	5

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.

**3.11 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.

**3.12 Intangible assets**

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.

The goodwill is measured in the manner described in K-IFRS 1110 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	10 – 20
Other intangible assets	4 – 5

# LOTTE SHOPPING CO.,LTD.

## Notes to the Separate Financial Statements

### As of December 31, 2023 and 2022

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### 3. Significant Accounting Policies and Changes in Disclosure, continued

#### 3.12 Intangible assets, continued

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.

#### 3.13 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 10 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.

#### 3.14 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.

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.



**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
**As of December 31, 2023 and 2022**

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**3. Significant Accounting Policies and Changes in Disclosure, continued**

**3.15 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.

**3.16 Financial liabilities**

(a) Classification and measurement

The financial liabilities of the Company 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, or a derivative that is not designated as effective hedging instrument is classified as a short-term financial liability held for trading.

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.

**3.17 Provisions**

When the Company 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.



**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
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**3. Significant Accounting Policies and Changes in Disclosure, continued**

**3.18 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 Company when reporting taxes in situations in which applicable tax code regulations may vary depending on the interpretation. The Company 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 Company 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 Company 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.**  
**Notes to the Separate Financial Statements**  
**As of December 31, 2023 and 2022**

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**3. Significant Accounting Policies and Changes in Disclosure, continued**

**3.19 Employee benefits**

(a) Retirement benefits

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

Defined contribution plan is a retirement pension plan in which the Company 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 remeasurement 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 Company during an accounting period, the Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service. If an employee has legal or constructive obligation to be paid as a result of past services 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 remeasurements are recognized in profit or loss.

# LOTTE SHOPPING CO.,LTD.

## Notes to the Separate Financial Statements

### As of December 31, 2023 and 2022

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#### 3. Significant Accounting Policies and Changes in Disclosure, continued

##### 3.20 Revenue recognition

###### (a) Sales of goods and rendering of services

The Company operates department stores, outlet stores, discount stores, supermarkets and e-commerce business. 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 Company acts as an agent, the Company recognizes net sales, after deducting the cost of specific sales, as revenue upon delivery to customers.

###### (b) Customer loyalty program

The Company 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 Company acts as an agent for the principal in a transaction, the net amount of commission equal to the value generated by the Company 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 Korea 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.

## Notes to the Separate Financial Statements

### As of December 31, 2023 and 2022

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### 3. Significant Accounting Policies and Changes in Disclosure, continued

#### 3.21 Leases

##### (a) Lessor

If the Company 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.

##### (b) Lessee

The Company 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 Company 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 Company (lessee) according to the residual value guarantee
- iv. Exercise price of the purchase option if it is reasonably certain that the Company (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 Company (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 Company calculates the incremental borrowing rate as follows:

- i. Interest rates based on market-observed credit ratings are reflected

The Company 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.

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.

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
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**3. Significant Accounting Policies and Changes in Disclosure, continued**

**3.21 Leases, continued**

(b) Lessee, continued

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 Company 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 Company which include extension and termination options. These conditions are used to maximize operational flexibility in terms of contract management.

# LOTTE SHOPPING CO.,LTD.

## Notes to the Separate Financial Statements

### As of December 31, 2023 and 2022

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### 3. Significant Accounting Policies and Changes in Disclosure, continued

#### 3.22 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 Company'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, impairment losses on hedging instruments recognized in profit or loss and impairment losses on investments in subsidiaries, associates and joint ventures. Interest on borrowings is recognized in profit or loss using the effective interest method over the applied period.

#### 3.23 Emission rights

The Company 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 Company 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.

#### 3.24 Government Grants

The government grant is recognized at fair value when there is reasonable assurance that the grant will be received and the conditions added to the grant will be complied with. Subsidies related to assets are presented as a deduction when calculating the carrying amount of assets, and subsidies related to income are deferred and presented as a deduction from expenses and income related to the purpose of granting government subsidies.

#### 3.25 Authorization of financial statements

The separate 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.

## Notes to the Separate Financial Statements

### As of December 31, 2023 and 2022

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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 Company. 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 14 and 16).

##### (b) Income taxes

The Company 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 Company 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 Company 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 Company makes judgment for the application of these assumptions and the selection of input variables used for impairment models in consideration of the Company's experience, current market conditions and future forecast information as of the financial reporting date (see Note 5 and 40).

##### (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 22).

# LOTTE SHOPPING CO.,LTD.

## Notes to the Separate Financial Statements

### As of December 31, 2023 and 2022

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#### 4. Significant Accounting Estimates and Assumptions, continued

##### (f) Revenue recognition

The Company 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 Company's revenue is affected by the estimated changes in the expected return rate.

##### (g) 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 Company 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 Company exercises the extension option (not exercise the termination option).
- iii. Other than the above, the Company 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 Company bears the obligation to exercise (or not exercise) the option. The Company 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.

##### (h) Provision for restoration cost

The Company 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.

##### (i) Provision for restructuring cost

The Company recognizes restructuring provision when a detailed formal restructuring plan has been approved and the Company 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.



**LOTTE SHOPPING CO.,LTD.**  
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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)*

		<b>Trade receivables</b>	<b>Other receivables</b>	<b>Lease receivables</b>	<b>Total</b>
Current:					
Total carrying amount	₩	367,672,500	333,834,080	29,438,863	730,945,443
Reduction: allowance for doubtful accounts		(3,262,354)	(10,907,973)	(106,370)	(14,276,697)
Net carrying amount		<u>364,410,146</u>	<u>322,926,107</u>	<u>29,332,493</u>	<u>716,668,746</u>
Non-current:					
Total carrying amount		-	15,759,836	92,281,101	108,040,937
Reduction: allowance for doubtful accounts		-	(1,964)	(321,729)	(323,693)
Net carrying amount	₩	<u>-</u>	<u>15,757,872</u>	<u>91,959,372</u>	<u>107,717,244</u>

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

*(in thousands of Korean won)*

		<b>Trade receivables</b>	<b>Other receivables</b>	<b>Lease receivables</b>	<b>Total</b>
Current:					
Total carrying amount	₩	337,284,460	224,014,082	34,326,675	595,625,217
Reduction: allowance for doubtful accounts		(3,937,654)	(19,454,337)	(194,443)	(23,586,434)
Net carrying amount		<u>333,346,806</u>	<u>204,559,745</u>	<u>34,132,232</u>	<u>572,038,783</u>
Non-current:					
Total carrying amount		-	20,477,380	122,283,818	142,761,198
Reduction: allowance for doubtful accounts		-	(504,105)	(691,926)	(1,196,031)
Net carrying amount	₩	<u>-</u>	<u>19,973,275</u>	<u>121,591,892</u>	<u>141,565,167</u>

**LOTTE SHOPPING CO.,LTD.**  
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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)

<b>Account</b>	<b>Description</b>	<b>Depository</b>	<b>2023</b>	<b>2022</b>	<b>Remarks</b>
Cash and cash equivalents	Ordinary deposit	INDUSTRIAL BANK OF KOREA	₩ 504,623	-	Deposits for e-finance business
	Ordinary deposit	Shinhan Bank	-	300,471	Deposits for e-finance business
Other financial assets (current)	Ordinary deposit	INDUSTRIAL BANK OF KOREA	4,500,000	4,500,000	Pledge
Other financial assets (current)	Short-term financial instrument	INDUSTRIAL BANK OF KOREA and others	105,500,000	113,000,000	Deposits for mutually beneficial cooperation fund
Other financial assets (non-current)	Ordinary deposit	Shinhan Bank	2,111,000	2,111,000	Pledge
Other financial assets (non-current)	Ordinary deposit	Kookmin Bank and others	351,925	6,711,692	Trust reserve and joint account
Other financial assets (non-current)	Deposits for current account	Shinhan Bank and others	8,000	14,500	Deposits for current account
Other financial assets (non-current)	Other comprehensive income - Fair value	Busan city hall	10,865,095	9,891,193	Payment guarantee
	Total		₩ <u>123,840,643</u>	<u>136,528,856</u>	

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
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**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	₩ 105,500,000	113,000,000
	Non-current assets:		
	Long-term financial instruments	10,583,849	20,024,460
	Non-current debt instruments	4,309,154	4,522,589
	Non-current derivatives assets held for trading	17,580,849	22,922,048
	Subtotal	<u>137,973,852</u>	<u>160,469,097</u>
Fair value through other comprehensive income	Current assets:		
	Current debt instruments	682,603	378,617
	Non-current assets:		
	Equity instruments	75,491,298	68,634,658
	Non-current debt instruments	4,181,376	4,643,269
	Subtotal	<u>80,355,277</u>	<u>73,656,544</u>
Derivatives assets	Current derivatives assets held for hedging	53,607,040	21,905,471
	Non-current derivatives assets held for hedging	6,388,905	41,804,520
	Subtotal	<u>59,995,945</u>	<u>63,709,991</u>
Financial assets not being measured at fair value:			
Financial assets at amortized cost (*2)	Current assets:		
	Cash and cash equivalents	1,006,072,435	1,166,440,601
	Trade and other receivables	716,668,746	572,038,783
	Short-term financial instruments	153,600,000	585,008,848
	Short-term loans	-	5,147,264
	Accrued income	4,615,473	4,193,851
	Current portion of lease deposits	65,392,068	70,484,973
	Non-current assets:		
	Long-term financial instruments	2,462,925	8,625,079
	Deposits for current account	8,000	14,500
	Long-term loans	-	343,350
	Accrued income	102,882	248,917
	Long-term account receivables	107,717,244	141,565,167
	Lease deposits	976,734,193	975,840,748
	Subtotal	<u>3,033,373,966</u>	<u>3,529,952,081</u>
	Total financial assets	₩ <u>3,311,699,040</u>	<u>3,827,787,713</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.**  
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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>
<b>Current:</b>			
Short-term financial instruments	₩	259,100,000	698,008,848
Short-term loans		-	5,147,264
Accrued income		4,615,473	4,193,851
Current portion of lease deposits		65,392,068	70,484,973
Current debt instruments		682,603	378,617
Current derivatives assets held for hedging		53,607,040	21,905,471
Total		<u>383,397,184</u>	<u>800,119,024</u>
<b>Non-current:</b>			
Long-term financial instruments		13,046,774	28,649,538
Deposits for current account		8,000	14,500
Long-term loans		-	343,350
Accrued income		102,882	248,918
Lease deposits		976,734,193	975,840,748
Non-current equity instruments		75,491,298	68,634,658
Non-current debt instruments		8,490,530	9,165,858
Non-current derivatives assets held for hedging		6,388,905	41,804,520
Non-current derivatives assets held for trading		17,580,849	22,922,048
Total	₩	<u>1,097,843,431</u>	<u>1,147,624,138</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>	
<b>Marketable equity instruments measured at fair value through other comprehensive income:</b>						
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	
Subtotal			<u>58,426,761</u>	<u>73,494,306</u>	<u>66,486,223</u>	
<b>Non-marketable equity instruments measured at fair value through other comprehensive income:</b>						
Lotte Properties (Shenyang) Limited	101,648,756	17.93%	124,515,604	-	-	
Others	-	-	676,946	1,996,992	2,148,435	
Subtotal			<u>125,192,550</u>	<u>1,996,992</u>	<u>2,148,435</u>	
<b>Debt instruments measured at fair value through other comprehensive income:</b>						
National housing bond	-	-	4,867,220	4,863,979	5,021,886	
Total			₩ <u>188,486,531</u>	<u>80,355,277</u>	<u>73,656,544</u>	

**LOTTE SHOPPING CO.,LTD.**  
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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>		<u>2023</u>	<u>2022</u>
Financial liabilities measured at fair value:			
	Non-current derivatives liabilities held for hedging	₩ 26,569,754	16,101,169
	Subtotal	<u>26,569,754</u>	<u>16,101,169</u>
Financial liabilities not being measured at fair value:			
Financial liabilities at amortized cost (*):			
	Current:		
	Trade and other payables	2,068,536,922	2,026,174,994
	Short-term borrowings	450,000,000	200,000,000
	Current portion of long-term borrowings	884,943,005	997,325,668
	Current portion of long-term debentures	1,253,262,448	944,878,158
	Accrued expenses	100,068,051	98,732,404
	Current portion of rental deposits	196,649,376	149,339,562
	Non-current:		
	Other payables	2,823,029	3,919,961
	Long-term borrowings	316,384,722	944,876,018
	Long-term debentures	2,443,518,856	2,921,287,770
	Rental deposits	65,561,005	123,530,363
	Others	1,933,974	3,315,792
	Subtotal	<u>7,783,681,388</u>	<u>8,413,380,690</u>
Other financial liabilities	Current lease liabilities	694,704,187	750,262,844
	Non-current lease liabilities	3,685,520,249	4,530,458,192
	Financial guarantee liabilities	203,116,003	149,401,065
	Subtotal	<u>4,583,340,439</u>	<u>5,430,122,101</u>
	Total financial liabilities	₩ <u>12,393,591,581</u>	<u>13,859,603,960</u>

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

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
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**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:			
Financial guarantee liabilities	₩	203,116,003	149,401,065
Accrued expenses		100,068,051	98,732,404
Current portion of rental deposits		196,649,376	149,339,562
Total	₩	<u>499,833,430</u>	<u>397,473,031</u>
Non-current:			
Non-current derivatives liabilities held for hedging	₩	26,569,754	16,101,169
Rental deposits		65,561,005	123,530,363
Others		1,933,974	3,315,792
Total	₩	<u>94,064,733</u>	<u>142,947,324</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 variables)

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

<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	₩	-	-	137,973,852	137,973,852
Financial assets at fair value through other comprehensive income		73,494,306	4,863,979	1,996,992	80,355,277
Derivatives assets held for hedging		-	59,995,945	-	59,995,945
Total	₩	<u>73,494,306</u>	<u>64,859,924</u>	<u>139,970,844</u>	<u>278,325,074</u>

<i>(in thousands of Korean won)</i>		<u>2022</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	₩	-	-	160,469,097	160,469,097
Financial assets at fair value through other comprehensive income		66,486,223	5,021,886	2,148,435	73,656,544
Derivatives assets held for hedging		-	63,709,991	-	63,709,991
Total	₩	<u>66,486,223</u>	<u>68,731,877</u>	<u>162,617,532</u>	<u>297,835,632</u>

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
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**7. Fair Value of Financial Instruments, continued**

(f) Fair value hierarchy, continued

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

		2023			
		Level 1	Level 2	Level 3	Total
Derivatives liabilities held for hedging	₩	-	26,569,754	-	26,569,754
Total	₩	-	26,569,754	-	26,569,754

*(in thousands of Korean won)*

		2022			
		Level 1	Level 2	Level 3	Total
Derivatives liabilities held for hedging	₩	-	16,101,169	-	16,101,169
Total	₩	-	16,101,169	-	16,101,169

In measuring Level 2 fair values, the Company used price, index, etc. such as foreign exchange rates and interest rates.

In measuring Level 3 fair values, the Company used net asset valuation models and discounted cash flow models 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 include 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:

		2023	2022
		Beginning balance	₩
Total Gain or loss for the year		5,135,979	2,494,937
Gain (loss) included in profit and loss		5,287,422	11,773,151
Gain (loss) included in OCI		(151,443)	(9,278,214)
Purchases		-	20,000,000
Disposal, etc.		(27,782,667)	(29,310,408)
Ending balance	₩	139,970,844	162,617,532

(h) Sensitivity analysis

For the fair value of Level 3 financial instruments, change in a single significant unobservable variable, assuming other variables are constant, would have the following effects on the fair values at the end of the reporting period:

(i) Settlement agreement

		Discount rate	
		5% Decrease	5% Increase
Settlement agreement	₩	46,987	(46,637)

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
**As of December 31, 2023 and 2022**

**8. Inventories**

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

<i>(in thousands of Korean won)</i>		<u>2023</u>	<u>2022</u>
Merchandise	₩	368,997,861	392,536,760
Valuation allowance		(7,708,706)	(7,421,465)
Finished goods		10,436,199	11,387,259
Valuation allowance		(5)	-
Semi-finished goods		5	46,782
Raw materials		11,639,024	8,066,891
Ingredients		98,018	71,336
Supplies		597,918	642,969
Materials-in-transit		21,370,949	17,545,343
Unsold building		2,907,412	2,907,412
Unfinished building		13,700,963	6,949,127
Land		6,275,171	12,772,431
Packing materials		1,115,538	1,146,611
Total	₩	<u>429,430,347</u>	<u>446,651,456</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:

		<u>2023</u>	<u>2022</u>
Cost of goods sold:			
Amount of inventories recognized as cost of goods sold	₩	3,856,453,788	4,121,189,678
Increase(decrease) in provision of inventories		287,246	(1,274,564)

**9. Other Non-financial Assets**

Other non-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>
Current:			
Advance payments	₩	52,885,508	14,407,261
Prepaid expenses		12,048,304	18,617,061
Other non-financial assets		286,826	390,019
Total		<u>65,220,638</u>	<u>33,414,341</u>
Non-current:			
Long-term advance payments		1,028,284	932,496
Long-term prepaid expenses		945,810	1,085,515
Total	₩	<u>1,974,094</u>	<u>2,018,011</u>



**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
**As of December 31, 2023 and 2022**

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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>
Equity instruments and etc. (*1, 2)	₩ -	30,938,893
Land, etc. (*3)	<u>20,379,150</u>	<u>4,539</u>
Total	<u>₩ 20,379,150</u>	<u>30,943,432</u>

(\*1) 10% of the 20% interest in investments in subsidiaries for LOTTE HOTEL & RETAIL VIETNAM PTE. LTD. (₩ 7,092,537 thousand) classified as assets held for sale during year 2022, has been sold during year 2023.

(\*2) 12% of the 40% interest in LOTTE PROPERTIES HCMC COMPANY LIMITED (₩ 23,846,356 thousand) classified as assets held for sale in 2021, has been reclassified to investments in associates due to the termination of agreement during 2023.

(\*3) The Company classified 3 supermarket stores(₩ 20,374,611 thousand) as assets held for sale according to the approval of closure and the decision to sell real estate.

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
**As of December 31, 2023 and 2022**

**11. Investments in Associates**

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

(in thousands of Korean won)

Company	Location	Major operation	2023	
			Percentage of ownership (%)	Book value
FRL Korea Co., Ltd.	Korea	Import and selling of apparel	49.00	₩ 24,826,942
Zara Retail Korea Co., Ltd.	Korea	Import and selling of apparel	20.00	16,105,746
Coralis S.A.	Luxembourg	Holding company	22.50	39,372,940
LOTTE HOTEL & RETAIL VIETNAM PTE. LTD. (*1)	Singapore	Holding company	9.99	7,092,535
LOTTE PROPERTIES HCMC COMPANY LIMITED (*2)	Vietnam	Real estate development	40.00	79,487,854
Lotte Startup Fund I (*3)	Korea	Investment on new technology	7.35	1,880,000
Prototype	Korea	Service	20.00	-
Lotte-KDB Open Innovation Fund	Korea	Investment on new technology	25.52	16,000,000
Lotte Card Co., Ltd.	Korea	Credit finance business	20.00	325,238,801
Eugene Unicorn Private Equity Fund (*4)	Korea	Trust business and collective investment business	47.06	12,141,114
FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No. 3(Formerly, Hyundai Infiniti Private Equity Real Estate Investment Trust No.1) (*5)	Korea	Finance business	19.99	10,857,000
INNOCEAN WORLDWIDE INC. (*6)	Korea	Advertising agency and production of advertisements	5.15	46,565,311
MUJIKOREA CO.LTD	Korea	Sale of household goods	40.00	350,000
Total				₩ <u>579,918,243</u>

(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	₩ 24,826,942
Zara Retail Korea Co., Ltd.	Korea	Import and selling of apparel	20.00	16,105,746
Coralis S.A.	Luxembourg	Holding company	22.50	39,372,940
LOTTE HOTEL & RETAIL VIETNAM PTE. LTD. (*1)	Singapore	Holding company	-	-
LOTTE PROPERTIES HCMC COMPANY LIMITED (*2)	Vietnam	Real estate development	28.00	55,641,498
Lotte Startup Fund I (*3)	Korea	Investment on new technology	7.35	2,000,000
Prototype	Korea	Service	20.00	-
Lotte-KDB Open Innovation Fund	Korea	Investment on new technology	25.52	16,000,000
Lotte Card Co., Ltd.	Korea	Credit finance business, etc.	20.00	325,238,801
Eugene Unicorn Private Equity Fund (*4)	Korea	Finance business	47.06	12,395,325
FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No. 3(Formerly, Hyundai Infiniti Private Equity Real Estate Investment Trust No.1) (*5)	Korea	Finance business	19.99	10,857,000
INNOCEAN WORLDWIDE INC. (*6)	Korea	Advertising	5.15	46,565,311
MUJIKOREA CO.LTD	Korea	Sale of household goods	40.00	350,000
Total				₩ <u>549,353,563</u>

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
**As of December 31, 2023 and 2022**

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**11. Investments in Associates, continued**

(\*1) During the current year, the Company sold LOTTE HOTEL & RETAIL VIETNAM PTE. LTD.'s 10% equity interests (₩ 7,092,537 thousand) of the 20% and excluded it from the subsidiary company investment due to changes in the percentage of ownership. In addition, the Company classified LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD. as investments in associates, as the Company's subsidiary (LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD.) holds a 40% of shares in LOTTE HOTEL & RETAIL VIETNAM PTE. LTD.

(\*2) The Company reclassified LOTTE PROPERTIES HCMC COMPANY LIMITED's 12% equity interests (₩ 23,846,356 thousand) as investments in associates during 2023, which was classified as assets held for sale during year 2021.

(\*3) The Company classified Lotte Startup Fund 1 as investment in associates, as the Company's subsidiaries (Woori Home Shopping & Television Co., Ltd and LOTTE Himart Co., Ltd.) hold 7.35% of shares, respectively.

(\*4) The Company performed an impairment test for the investee companies based on external valuation agency and, as a result of the impairment test, recognized impairment loss for the years ended December 31, 2023 and 2022 as follows.

*(in thousands of Korean won)*

	<u>2023</u>	<u>2022</u>
Eugene Unicorn Private Equity Fund	₩ 254,211	₩ 17,604,675
	<u>₩ 254,211</u>	<u>₩ 17,604,675</u>

(\*5) Hyundai Infiniti Private Equity Real Estate Investment Trust No.1's status as a collective investment business entity was succeeded to FL Asset Management, and the name of the investment trust was changed to FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No. 3 during year 2023. Although the company holds less than 20% of the voting rights in FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No. 3, the company classified FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No. 3 as associates because the company can exercise significant influence in decision making process to change collective investors of FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No. 3.

(\*6) Although the company holds less than 20% of the voting rights in INNOCEAN WORLDWIDE INC. acquired during year 2022, the company classified INNOCEAN WORLDWIDE INC. as associates because the company can exercise significant influence on major business and financial policy by participating in the board of directors.

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
**As of December 31, 2023 and 2022**

**12. Investments in Joint Venture**

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

(in thousands of Korean won)

		<b>2023</b>		
<b>Company</b>	<b>Location</b>	<b>Major operation</b>	<b>Percentage of ownership (%)</b>	<b>Carrying amount</b>
STL Co., Limited	Korea	Import and sales of apparel	50.00	₩ 1,784,000
LOTTE JTB Co., Ltd.	Korea	Travel business	50.00	896,137
Total				₩ <u>2,680,137</u>

(in thousands of Korean won)

		<b>2022</b>		
<b>Company</b>	<b>Location</b>	<b>Major operation</b>	<b>Percentage of ownership (%)</b>	<b>Carrying amount</b>
STL Co., Limited	Korea	Import and sales of apparel	50.00	₩ 1,784,000
LOTTE JTB Co., Ltd.	Korea	Travel business	50.00	896,137
Total				₩ <u>2,680,137</u>

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
**As of December 31, 2023 and 2022**

**13. Investments in Subsidiaries**

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

(in thousands of Korean won)

Name of entity	Location	Major operation	2023	
			Percentage of ownership (%) (*1)	Book Value
Woori Home Shopping & Television Co., Ltd.	Korea	TV Home Shopping	53.49	₩ 396,883,074
Lotte Gimhae Development Co., Ltd.	Korea	Building Maintaining Service company	100.00	300,000
Lotte Suwon Station Shopping Town Co., Ltd. (*4)	Korea	Real estate development	100.00	23,477,930
Lotte GFR Co., Ltd. (*2, 4)	Korea	Apparel manufacturing and selling	99.99	52,069,632
CS Mart Co., Ltd.	Korea	Distribution	99.95	111,677,439
LOTTE Himart Co., Ltd. (*4)	Korea	Consumer electronics retail	65.25	879,159,858
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD. (*2, 4)	Singapore	Holding company	100.00	563,269,404
LOTTE PROPERTIES (CHENGDU) HK LIMITED (*4)	Hong Kong	Holding company	73.46	-
Lotte Ulsan Development Co., Ltd.	Korea	Real estate development	96.83	24,782,800
LOTTE PROPERTIES (HANOI) SINGAPORE PTE. LTD.	Singapore	Holding company	90.00	299,040,381
Lotte Cultureworks Co., Ltd.	Korea	Cinema	86.37	234,588,987
Lotte corporate venture fund No. 1	Korea	Investment on new technology	18.78	400,000
Lotte DMC Development Co., Ltd.	Korea	Real estate business, real estate lease	95.00	4,750,000
LOTTE REIT Co., Ltd.	Korea	Real estate development	50.00	441,366,340
Lotte Incheon Town Co., Ltd	Korea	Real estate development	100.00	101,894,076
Lotte Department Store (Shenyang) Co., Ltd. (*3)	China	Department Store	-	-
Lotte Department Store (Chengdu) Co., Ltd. (*2, 4)	China	Department Store	100.00	-
LOTTE Shopping Innovation Fund No.1	Korea	Investments in new technology	99.00	29,700,000
IMM Heim Coinvestment I Private Equity Fund (*2, 4)	Korea	Assets managements	83.71	79,568,814
SMART LOTTE SHOPPING INNOVATION FUND	Korea	Investment on new technology	69.08	8,400,000
LOTTE HOTEL & RETAIL VIETNAM PTE. LTD.	Singapore	Holding company	-	-
				₩ <u>3,251,328,735</u>

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
**As of December 31, 2023 and 2022**

**13. Investments in Subsidiaries, continued**

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

(in thousands of Korean won)

Name of entity	Location	Major operation	2022	
			Percentage of ownership (%) (*1)	Book Value
Woori Home Shopping & Television Co., Ltd.	Korea	TV Home Shopping	53.49	₩ 396,883,074
Lotte Gimhae Development Co., Ltd.	Korea	Building Maintaining Service company	100.00	300,000
Lotte Suwon Station Shopping Town Co., Ltd. (*4)	Korea	Real estate development	100.00	23,477,930
Lotte GFR Co., Ltd. (*2, 4)	Korea	Apparel manufacturing and selling	99.97	12,069,636
CS Mart Co., Ltd.	Korea	Distribution	99.95	111,677,439
LOTTE Himart Co., Ltd. (*4)	Korea	Consumer electronics retail	65.25	879,159,858
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD. (*2, 4)	Singapore	Holding company	100.00	457,262,679
LOTTE PROPERTIES (CHENGDU) HK LIMITED (*4)	Hong Kong	Holding company	73.46	-
Lotte Ulsan Development Co., Ltd.	Korea	Real estate development	96.83	24,782,800
LOTTE PROPERTIES (HANOI) SINGAPORE PTE. LTD.	Singapore	Holding company	90.00	299,040,381
Lotte Cultureworks Co., Ltd.	Korea	Cinema	86.37	234,588,987
Lotte corporate venture fund No. 1	Korea	Investment on new technology	18.78	400,000
Lotte DMC Development Co., Ltd.	Korea	Real estate business, real estate lease	95.00	4,750,000
LOTTE REIT Co., Ltd.	Korea	Real estate development	50.00	441,366,340
Lotte Incheon Town Co., Ltd	Korea	Real estate development	100.00	101,894,076
Lotte Department Store (Shenyang) Co., Ltd. (*3)	China	Department Store	100.00	-
Lotte Department Store (Chengdu) Co., Ltd. (*2, 4)	China	Department Store	100.00	-
LOTTE Shopping Innovation Fund No. 1	Korea	Investments in new technology	99.00	29,700,000
IMM Heim Coinvestment I Private Equity Fund	Korea	Assets managements	83.71	118,487,642
SMART LOTTE SHOPPING INNOVATION FUND	Korea	Investment on new technology	69.08	8,400,000
LOTTE HOTEL & RETAIL VIETNAM PTE. LTD.	Singapore	Holding company	20.00	7,092,535
				₩ <u>3,151,333,377</u>

**LOTTE SHOPPING CO.,LTD.**  
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**13. Investments in Subsidiaries, continued**

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

(\*1) Percentage of ownership represents ownership of the Company. Percentage of ownership described in Note 38 represents an ownership of the Company and its subsidiaries.

(\*2) Details acquired during the year 2023 are as follows

<i>(in thousands of Korean won)</i>	<u>2023</u>
Lotte GFR Co., Ltd.	₩ 39,999,996
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD	108,239,040
Lotte Department Store (Chengdu) Co., Ltd.	4,014,000
IMM Heim Coinvestment I Private Equity Fund	35,875,576
Total	₩ <u>188,128,612</u>

(\*3) Lotte Department Store (Shenyang) Co., Ltd. have been liquidated during year 2023

(\*4) The Company recognized impairment loss during year 2023 and 2022. The recognized impairment loss is caused by worsened profit and loss, net assets reduction, etc. of subsidiaries.

<i>(in thousands of Korean won)</i>	<u>2023 (*)</u>	<u>2022</u>
Lotte Suwon Station Shopping Town Co., Ltd.	₩ -	13,788,792
Lotte GFR Co., Ltd.	-	71,244,459
LOTTE Himart Co., Ltd.	-	335,998,561
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD.	2,232,315	-
LOTTE PROPERTIES (CHENGDU) HK LIMITED	-	30,698,306
Lotte Department Store (Chengdu) Co., Ltd.	4,014,000	31,657,040
IMM Heim Coinvestment I Private Equity Fund	74,794,405	141,012,358
Total	₩ <u>81,040,720</u>	<u>624,399,516</u>

(\* ) The Company recognized impairment loss by calculating recoverable amount based on the value in use and net fair value measured by external valuation agency for the impairment test. The calculation of value in use is based on the following assumptions.

- The cash flow of LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD. (Joint Venture agreement with its business partners, which is scheduled to conclude operations in 2035) were individually calculated in consideration of past average growth rate based on past experience, actual operating results and business plans until 2035, and objective growth rates estimated by external professional institution.

- The cash flows of Lotte Department Store (Chengdu) Co., Ltd. and IMM Heim Coinvestment I Private Equity Fund were calculated in consideration of past average growth rate based on past experience, actual operating results, and business plans for the next five years and objective average growth rate estimated by external professional institution. The cash flow after five years is estimated assuming a growth rate of 1.0%.

- In order to estimate value in use, the weighted average cost of capital ranging from 7.35% to 14.51% was used in year 2023 (5.55% to 13.05% in year 2022).

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
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**13. Investments in Subsidiaries, continued**

(b) The fair value of marketable shares in subsidiaries as of December 31, 2023 and 2022 are as follows:

(in thousands of Korean won)

		2023	2022
LOTTE Himart Co., Ltd.	₩	158,037,591	188,690,107
LOTTE REIT Co., Ltd.		383,283,415	484,722,924

**14. 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	₩	6,744,766,407	-	-	6,744,766,407	6,657,709,734	-	-	6,657,709,734
Buildings		5,536,057,123	(2,302,674,849)	(1,434,180)	3,231,948,094	5,387,934,487	(2,176,587,505)	(1,287,866)	3,210,059,116
Structures		293,488,916	(144,586,325)	(27,384,641)	121,517,950	293,963,348	(136,327,805)	(27,374,736)	130,260,807
Machinery		115,141,719	(65,486,817)	(37,152,144)	12,502,758	115,468,660	(62,113,474)	(33,551,967)	19,803,219
Vehicles		4,262,577	(3,773,564)	(258,979)	230,034	4,290,952	(3,798,827)	(260,150)	231,975
Display fixtures		49,583,396	(49,459,127)	(50,552)	73,717	50,241,343	(50,084,192)	(32,668)	124,483
Tools and equipment		4,124,437,549	(3,263,023,514)	(259,342,767)	602,071,268	3,954,404,717	(3,093,644,182)	(240,885,353)	619,875,182
Construction-in-progress		568,306,244	-	-	568,306,244	547,260,315	-	-	547,260,315
Total	₩	17,436,043,931	(5,829,004,196)	(325,623,263)	11,281,416,472	17,011,273,556	(5,522,555,985)	(303,392,740)	11,185,324,831

(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	₩	6,657,709,734	29,258,143	-	-	(56,642,269)	114,440,799	6,744,766,407
Buildings		3,210,059,116	12,419,871	(127,241,461)	(146,314)	(8,910,552)	145,767,434	3,231,948,094
Structures		130,260,807	76,182	(8,383,207)	(9,905)	(426,816)	889	121,517,950
Machinery		19,803,219	206,999	(3,713,492)	(3,600,177)	(193,791)	-	12,502,758
Vehicles		231,975	120,126	(104,715)	(545)	(2,818)	(13,989)	230,034
Display fixtures		124,483	-	(27,946)	(22,758)	(62)	-	73,717
Tools and equipment		619,875,182	148,098,778	(211,895,635)	(22,965,494)	(4,034,736)	72,993,173	602,071,268
Construction-in-progress		547,260,315	315,402,913	-	(845,943)	(1,123,734)	(292,387,307)	568,306,244
Total	₩	11,185,324,831	505,583,012	(351,366,456)	(27,591,136)	(71,334,778)	40,800,999	11,281,416,472

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



**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
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**14. 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	Merger	Depreciation	Impairment	Disposals	Others (*)	Ending balance
Land	₩	5,735,430,059	3,020,942	1,008,421,571	-	-	(1,141,215)	(88,021,623)	6,657,709,734
Buildings		2,771,681,760	4,922,497	558,660,360	(116,699,229)	(1,287,866)	(1,252,070)	(5,966,336)	3,210,059,116
Structures		140,254,921	53,203	-	(8,599,186)	(3,558,305)	(108)	2,110,282	130,260,807
Machinery		38,107,703	1,898,520	-	(6,491,728)	(18,350,062)	(94,088)	4,732,874	19,803,219
Vehicles		212,772	134,551	20,421	(126,332)	(10,714)	(17)	1,294	231,975
Display fixtures		1,423	177,289	-	(28,369)	(25,682)	(113)	(65)	124,483
Tools and equipment		612,699,694	211,782,330	17,849,082	(221,524,975)	(44,498,034)	(8,689,848)	52,256,933	619,875,182
Construction-in-progress		396,438,375	197,013,996	62,084,120	-	(2,674,663)	(839,685)	(104,761,828)	547,260,315
Total	₩	9,694,826,707	419,003,328	1,647,035,554	(353,469,819)	(70,405,326)	(12,017,144)	(139,648,469)	11,185,324,831

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

(d) The impairment losses recognized for cash-generating units for the years ended December 31, 2023 and 2022 are summarized as follows. The Company has calculated recoverable amounts for cash-generating units that have indication of impairment based on projected financial plans which have been approved by management.

(in thousands of Korean won)

		2023			
		Department store	Discount store	Supermarket	Total
Impairment loss on property, plant and equipment	₩	7,178,693	15,954,717	4,457,726	27,591,136
Impairment loss on right-of-use assets		53,967,751	50,431,371	6,304,503	110,703,625
Impairment loss on intangible assets (excluding goodwill)		88,135	4,553,542	272,783	4,914,460
Total	₩	61,234,579	70,939,630	11,035,012	143,209,221

(in thousands of Korean won)

		2022				
		Department store	Discount store	Supermarket	E-Commerce	Total
Impairment loss on property, plant and equipment	₩	15,840,729	13,344,923	8,285,558	32,934,116	70,405,326
Impairment loss on right-of-use assets		72,216,074	63,274,314	11,904,552	18,518,347	165,913,287
Impairment loss on intangible assets (excluding goodwill)		43,059	-	582,461	49,814,522	50,440,042
Impairment loss on goodwill		-	-	356,838	-	356,838
Total	₩	88,099,862	76,619,237	21,129,409	101,266,985	287,115,493

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
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**14. Property, Plant and Equipment, continued**

The value in use of each cash-generating unit and fair value less costs to sell was determined by discounting its estimated future cash flows. The calculation of value in use of each cash-generating unit and fair value less costs to sell were based on the following key assumptions:

- The cash flows were estimated based on experience, actual historical results of operations and the following 5-year business plan.

- The annual revenue growth rate for the following 5-year business plan was estimated based on an analysis of average revenue growth rates in the past and objective growth rates estimated by external agencies. The cash flow after the 5-year period is estimated based on an assumption of inconstant growth rate about 0.0% ~ 1.0%.

- For the department store, discount store, and supermarket, weighted average cost of capital was applied at discount rate of 5.98% (2022:6.69%) and e-commerce was applied at discount rate of 9.61% (2022:9.93%), in determining recoverable amount of each cash-generating unit for peer industry.

The relevant values through major assumption are based on external and internal data (historical data) based on the management's estimation of future trends for the distribution industry.

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

<i>(in thousands of Korean won)</i>		<b>2023</b>			
<u>Pledged assets</u>		<u>Book amount</u>	<u>Guaranteed amount</u>	<u>Reason of pledged</u>	<u>Guarantee recipient</u>
Buildings	₩	203,441,360	54,354,211	Borrowings, Security deposit for lease	Shinhan Bank and others
Land		77,125,540	2,633,109	Borrowings, Provisional attachment on interests	National Health Insurance Service and others

(f) The capitalized borrowing costs and capitalization interest rates 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>
Capitalized borrowing costs	₩	19,885,713	8,393,284
Capitalization interest rates		3.42%	2.79%

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
**As of December 31, 2023 and 2022**

**15. 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	₩	887,226,134	-	-	887,226,134	981,641,996	-	-	981,641,996
Buildings		529,214,889	(228,716,767)	-	300,498,122	541,122,622	(227,037,434)	-	314,085,188
Right-of-use assets		278,755,649	(92,814,681)	(36,647,326)	149,293,642	312,347,927	(73,991,184)	(39,388,959)	198,967,784
Total	₩	1,695,196,672	(321,531,448)	(36,647,326)	1,337,017,898	1,835,112,545	(301,028,618)	(39,388,959)	1,494,694,968

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

		2023			
		Beginning balance	Depreciation	Others (*)	Ending balance
Land	₩	981,641,996	-	(94,415,862)	887,226,134
Buildings		314,085,188	(13,281,767)	(305,299)	300,498,122
Right-of-use assets		198,967,784	(21,354,950)	(28,319,192)	149,293,642
Total	₩	1,494,694,968	(34,636,717)	(123,040,353)	1,337,017,898

(\*) 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				
		Beginning balance	Depreciation	Merger	Others (*)	Ending balance
Land	₩	472,614,952	-	377,343,140	131,683,904	981,641,996
Buildings		234,613,943	(21,337,301)	32,547,722	68,260,824	314,085,188
Right-of-use assets		223,861,543	(23,024,045)	-	(1,869,714)	198,967,784
Total	₩	931,090,438	(44,361,346)	409,890,862	198,075,014	1,494,694,968

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

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
**As of December 31, 2023 and 2022**

**15. 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 December 31, 2022 are as follows:

(in thousands of Korean won)

		<b>2023</b>	<b>2022</b>
Rental income	₩	121,778,981	120,937,803
Direct operating expense (including maintenance and repair expenses)		51,605,567	42,362,334

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

(in thousands of Korean won)

	<b>Location</b>		<b>Book value</b>	<b>Fair value</b>
Land and buildings	40-1 Jamsil-dong, Songpa-gu, Seoul and 149 others.	₩	1,337,017,898	5,345,783,842

**16. Goodwill and Intangible Assets**

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

(in thousands of Korean won)

		<b>2023</b>				<b>2022</b>			
		<b>Acquisition cost</b>	<b>Accumulated amortization</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>	<b>Acquisition cost</b>	<b>Accumulated amortization</b>	<b>Accumulated impairment losses</b>	<b>Book value</b>
Goodwill	₩	676,109,383	-	(564,767,788)	111,341,595	680,339,289	-	(567,933,694)	112,405,595
Industrial property rights		8,138,199	(7,142,740)	(497,277)	498,182	7,830,992	(6,952,273)	(508,379)	370,340
Rights to use facility		39,260,164	(38,538,613)	(607,945)	113,606	39,270,923	(38,492,437)	(607,945)	170,541
Membership		17,404,352	-	(2,250,842)	15,153,510	17,275,988	-	(2,187,148)	15,088,840
Other intangible assets		194,613,938	(111,164,682)	(59,757,113)	23,692,143	201,102,732	(121,916,829)	(57,287,573)	21,898,330
Total	₩	935,526,036	(156,846,035)	(627,880,965)	150,799,036	945,819,924	(167,361,539)	(628,524,739)	149,933,646

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

(in thousands of Korean won)

		<b>2023</b>						
		<b>Beginning balance</b>	<b>Acquisition</b>	<b>Amortization</b>	<b>Impairment</b>	<b>Disposals</b>	<b>Others (*)</b>	<b>Ending Balance</b>
Goodwill	₩	112,405,595	-	-	-	-	(1,064,000)	111,341,595
Industrial property rights		370,340	251,017	(198,949)	(868)	-	76,642	498,182
Rights to use facility		170,541	-	(56,935)	-	-	-	113,606
Membership		15,088,840	128,363	-	(63,693)	-	-	15,153,510
Other intangible assets		21,898,330	1,453,320	(6,499,256)	(4,849,899)	(387)	11,690,035	23,692,143
Total	₩	149,933,646	1,832,700	(6,755,140)	(4,914,460)	(387)	10,702,677	150,799,036

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

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
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**16. Goodwill and Intangible Assets, continued**

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

		2022							Ending balance
		Beginning balance	Acquisitions	Merger	Amortization	Impairment	Disposals	Others(*)	
Goodwill	₩	28,300,256	-	84,516,499	-	(356,838)	(54,322)	-	112,405,595
Industrial Property rights		564,007	112,539	-	(192,894)	(106,534)	(39,934)	33,156	370,340
Rights to use facility		584,973	-	-	(414,432)	-	-	-	170,541
Membership		13,736,356	1,532,999	-	-	(180,515)	-	-	15,088,840
Other intangible assets		67,028,762	4,951,603	318,242	(20,198,539)	(50,152,993)	(384,670)	20,335,925	21,898,330
Total	₩	110,214,354	6,597,141	84,834,741	(20,805,865)	(50,796,880)	(478,926)	20,369,081	149,933,646

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

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

		2023		2022	
		₩		₩	
Department store	₩	104,656,120		104,656,120	
Discount store		16,447		16,447	
Supermarket		1,808,960		2,872,960	
E-Commerce		4,860,068		4,860,068	
Total	₩	111,341,595		112,405,595	

The same valuation methods and assumptions used for cash generating units recoverable amount calculation have been used to calculate goodwill impairment above (See Note 14).

**17. Trade and Other Payables**

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

		2023		2022	
		₩		₩	
Current:					
Trade payables	₩	273,002,897		312,293,660	
Other payables		1,795,534,025		1,713,881,334	
Total		2,068,536,922		2,026,174,994	
Non-current:					
Long-term other payables		2,823,029		3,919,961	
Total	₩	2,823,029		3,919,961	

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
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**18. Borrowings and Debentures**

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

(in thousands of Korean won)

		<u>2023</u>	<u>2022</u>
Current:			
Short-term borrowings	₩	450,000,000	200,000,000
Current portion of long-term borrowings		885,000,000	1,000,000,000
Current portion of discount on long-term borrowings		(56,995)	(2,674,332)
Current portion of long-term debentures		1,253,525,000	945,060,000
Current portion of discount on long-term debentures		(262,552)	(741,016)
Current portion of debentures redemption premium		-	799,480
Exchange rights adjustment		-	(240,306)
Total		<u>2,588,205,453</u>	<u>2,142,203,826</u>
Non-current:			
Long-term borrowings		316,504,440	945,000,000
Discount on long-term borrowings		(119,718)	(123,982)
Long-term debentures		2,448,654,000	2,924,735,500
Discount on long-term debentures		(5,135,144)	(3,447,730)
Total	₩	<u>2,759,903,578</u>	<u>3,866,163,788</u>

(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>
Korea Development Bank	General loans of local currency	5.03	₩	200,000,000	200,000,000
INDUSTRIAL BANK OF KOREA	General loans of local currency	5.13		50,000,000	-
Shinhan Bank (*)	Commercial papers	91days, interest rate of CD+1.20		100,000,000	-
KEB Hana Bank	Commercial papers	5.02		100,000,000	-
		Total	₩	<u>450,000,000</u>	<u>200,000,000</u>

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

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
**As of December 31, 2023 and 2022**

**18. Borrowings and Debentures, continued**

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

(in thousands of Korean won)

Lender	Details	Maturity	Annual interest rate(%)	2023	2022
Shinhan Bank	General loans of local currency	2025.02.10	5.28	100,000,000	-
NH NongHyup Bank	General loans of local currency	2025.04.28	4.58	50,000,000	-
L Incheon 1st and others	Borrowings of local currency	2023.02.23	-	-	800,000,000
Daishin Securities	Commercial papers	2023.07.14	-	-	200,000,000
Mizuho Corporate Bank, Ltd.	General loans of local currency	2024.08.16	1.95	100,000,000	100,000,000
LD1Q 1st (Tr. A) and others	Borrowings of local currency	2024.10.28	3.46	390,000,000	390,000,000
LD1Q 1st (Tr. B)	Borrowings of local currency	2024.10.28	3.40	100,000,000	100,000,000
Mizuho Corporate Bank, Ltd.	General loans of local currency	2025.01.27	2.90	60,000,000	60,000,000
Woori Bank(*)	General loans of local currency	2024.06.16	91 days, interest rate of CD +1.58%	195,000,000	195,000,000
S First L(*)	Borrowings of local currency	2024.06.24	91 days, interest rate of CD+ 1.44%	100,000,000	100,000,000
The Export-Import Bank of Korea	General loans of foreign currency	2026.03.03	6.55	106,504,440	-
	Subtotal			<u>1,201,504,440</u>	<u>1,945,000,000</u>
	Less: Discount on borrowings			<u>(176,713)</u>	<u>(2,798,314)</u>
	Subtotal			<u>1,201,327,727</u>	<u>1,942,201,686</u>
	Less: Current portion of long-term borrowings, net of discount			<u>(884,943,005)</u>	<u>(997,325,668)</u>
	Total			<u>₩ 316,384,722</u>	<u>944,876,018</u>

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

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

(in thousands of Korean won)

Description	Maturity	Annual interest rate (%) (*1)	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

**LOTTE SHOPPING CO.,LTD.**  
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**18. 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 (%) (*1)	2023	2022
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)	2024-05-21	3M SOFR + 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	-
96-1st (local currency)	2025-07-11	4.66	130,000,000	-
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)	2026-08-21	3M SOFR + 1.00	64,470,000	-
Exchangeable bonds (*2)	2023-04-04	-	-	31,600,000
Subtotal			3,702,179,000	3,869,795,500
Less: Discount on debentures			(5,397,696)	(4,188,746)
Debentures redemption premium			-	799,480
Less: Exchange rights adjustment			-	(240,306)
Total book value			₩ 3,696,781,304	3,866,165,928
Less: Current portion of debentures			(1,253,262,448)	(944,878,158)
Total			₩ 2,443,518,856	2,921,287,770

(\*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.



**LOTTE SHOPPING CO.,LTD.**  
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**18. Borrowings and Debentures, continued**

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

(in thousands of Korean won)

		<b>2023</b>		
		<b>Borrowings</b>	<b>Debentures</b>	<b>Total</b>
2024.01.01 ~ 2024.12.31	₩	885,000,000	1,253,525,000	2,138,525,000
2025.01.01 ~ 2025.12.31		210,000,000	950,244,000	1,160,244,000
2026.01.01 ~ 2026.12.31		106,504,440	833,410,000	939,914,440
2027.01.01 ~ 2027.12.31		-	40,000,000	40,000,000
After 2028.01.01		-	625,000,000	625,000,000
Total	₩	<u>1,201,504,440</u>	<u>3,702,179,000</u>	<u>4,903,683,440</u>

**19. Unearned Revenues**

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

(in thousands of Korean won)

		<b>2023</b>	<b>2022</b>
Current:			
Membership points (*)	₩	67,817,925	57,530,245
Unearned rental income		1,305,148	345,657
Deferred income (*)		133,374,129	125,653,811
Current subtotal	₩	<u>202,497,202</u>	<u>183,529,713</u>
Non-current:			
Unearned rental income		7,044,756	10,005,398
Non-current subtotal		<u>7,044,756</u>	<u>10,005,398</u>
Total	₩	<u>209,541,958</u>	<u>193,535,111</u>

(\*) Deferred income for the years 2023 and 2022 include contract liabilities described in Note 29.

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**20. Provisions**

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

<i>(in thousands of Korean won)</i>		<b>Beginning balance</b>	<b>Increase</b>	<b>Utilization</b>	<b>Ending balance</b>
Current:					
Provision for bonus payable	₩	-	15,854,172	(15,854,172)	-
Provision for sales return		1,133,299	43,609	(273,834)	903,074
Provision for restoration		1,918,234	6,469,406	(404,120)	7,983,520
Provision for litigation		2,453,573	49,823	(124,281)	2,379,115
Other provisions		5,624,810	1,536,060	(5,136,282)	2,024,588
Provision for restructuring		2,222,108	-	(1,768,858)	453,250
Total	₩	<u>13,352,024</u>	<u>23,953,070</u>	<u>(23,561,547)</u>	<u>13,743,547</u>
Non-current:					
Provision for restoration		157,102,986	3,724,077	(12,500,953)	148,326,110
Total	₩	<u>157,102,986</u>	<u>3,724,077</u>	<u>(12,500,953)</u>	<u>148,326,110</u>

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

<i>(in thousands of Korean won)</i>		<b>Beginning balance</b>	<b>Increase</b>	<b>Utilization</b>	<b>Ending balance</b>
Current:					
Provision for bonus payable	₩	-	21,581,296	(21,581,296)	-
Provision for sales return		1,039,661	147,269	(53,631)	1,133,299
Provision for restoration		3,139,677	1,841,534	(3,062,977)	1,918,234
Provision for litigation		2,330,708	123,870	(1,005)	2,453,573
Other provisions		1,320,967	4,478,331	(174,488)	5,624,810
Provision for restructuring		648,911	4,038,353	(2,465,156)	2,222,108
Total	₩	<u>8,479,924</u>	<u>32,210,653</u>	<u>(27,338,553)</u>	<u>13,352,024</u>
Non-current:					
Provision for restoration		160,041,868	3,241,926	(6,180,808)	157,102,986
Total	₩	<u>160,041,868</u>	<u>3,241,926</u>	<u>(6,180,808)</u>	<u>157,102,986</u>

**LOTTE SHOPPING CO.,LTD.**  
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**21. 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	₩	65,742,507	71,614,820
Withholdings of value added tax		51,839,986	41,283,899
Advances received		1,103,942,803	1,096,738,702
Advance received for sale(construction)		2,388,003	8,961,952
Total	₩	<u>1,223,913,299</u>	<u>1,218,599,373</u>

**22. 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	₩	691,281,507	587,824,325
Fair value of plan assets		<u>(807,496,745)</u>	<u>(763,543,712)</u>
Net defined benefit asset		(116,215,238)	(175,719,387)

(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	₩	21,422,154	20,277,069

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**22. 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	₩	587,824,325	620,292,272
Current service costs		64,257,875	64,397,178
Interest costs		29,893,464	18,258,622
Remeasurements:			
Actuarial loss from change in demographic assumptions		(2,889,914)	(1,192,594)
Actuarial gain from change in financial assumptions		79,709,090	(71,792,840)
Actuarial gain from experience adjustments		11,413,100	22,020,962
Subtotal		<u>88,232,276</u>	<u>(50,964,472)</u>
Benefit payments		(79,068,629)	(67,714,039)
Others		142,196	3,554,764
Ending balance	₩	<u>691,281,507</u>	<u>587,824,325</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	₩	763,543,712	725,157,031
Return on plan assets		40,036,996	21,955,586
Remeasurements		(9,321,337)	(8,902,973)
Employer contribution		85,192,818	84,501,408
Benefit payments		(69,922,780)	(58,132,255)
Others		(2,032,664)	(1,035,085)
Ending balance	₩	<u>807,496,745</u>	<u>763,543,712</u>

The estimated contribution to the plan for the next annual reporting period is ₩ 68,535,338 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	₩	807,478,705	763,525,672
Contributions to the National Pension Fund		18,040	18,040
Total	₩	<u>807,496,745</u>	<u>763,543,712</u>

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**22. 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	₩	64,257,875	64,397,178
Interest costs		29,893,464	18,258,622
Return on plan assets		(40,036,996)	(21,955,586)
Contributions to defined contribution plans and others(*)		12,192,295	18,969,837
Long-term employee benefits		4,232,787	3,337,288
Total	₩	<u>70,539,425</u>	<u>83,007,339</u>

(\*) The company recognized ₩ 9,651,097 thousand in dismissal benefits due to voluntary retirement during 2023.

(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% ~ 5.01%	5.18% ~ 5.81%
Expected rate of promotion	1.43% ~ 2.57%	1.69% ~ 2.81%
Expected rate of increase in salaries	2.23% ~ 5.33%	1.00% ~ 4.03%

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)	₩	(43,761,345)	49,372,053
Expected rate of promotion (1%p movement)		43,595,343	(38,152,897)
Expected rate of salary increase (1%p movement)		49,553,454	(44,694,456)

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	₩	77,491,811	84,263,266	261,322,654	450,078,254	1,129,058,902

The weighted average duration of the defined benefit obligation is 7.54 years.

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**23. Derivatives**

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

<b>Purpose</b>	<b>Type</b>	<b>Description</b>
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.

(\*) Total return swap of the Company as of December 31, 2023 are as follows:

(in thousands of Korean won)

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

**LOTTE SHOPPING CO.,LTD.**  
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**23. Derivatives, continued**

(b) Hedge Accounting

As of December 31, 2023, the Company 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 as 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 Company 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	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
	97-2nd (foreign currency)	USD 50,000,000	KRW 1,336.9	3M SOFR+1.00%	4.19%	2026.08.21	KEB Hana Bank
	Long-term borrowing (foreign currency)	USD 82,600,000	KRW 1,308.77	6.55%	5.30%	2026.03.03	The Export-Import Bank of Korea
Interest Swap	Short-term borrowing	KRW 100,000,000	Not Applicable	91 days, interest rate of CD+1.20%	4.62%	2026.03.17	Shinhan Bank

(c) 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	₩ 4,838,538	Profit or loss (*1)
		(3,221,896)	Other comprehensive income(*2)
	Interest swaps	(909,273)	Other comprehensive income(*2)
Trade	Total return swap	1,301,626	Profit or loss
	Stock options	(18,120)	Profit or loss

(\*1) Fair value hedging is applied to the exchange rate swap portion of currency swaps.

(\*2) The aggregate amounts of loss on valuation of derivatives incurred as of December 31, 2023 are ₩ 4,131,169 thousand. The Company recognized accumulated other comprehensive loss of ₩ 723,794 thousand (less tax effects of ₩ 3,407,375 thousand).

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**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)*

	<u>2023</u>	<u>2022</u>
Authorized shares (shares)	60,000,000	60,000,000
Par value per share	₩ 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)*

	<u>2023</u>	<u>2022</u>
Additional paid-in capital	₩ 3,414,873,024	3,414,873,024
Others	<u>175,662,603</u>	<u>175,662,603</u>
Total	<u>₩ 3,590,535,627</u>	<u>3,590,535,627</u>

**25. Capital Adjustments**

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

*(in thousands of Korean won)*

	<u>2023</u>	<u>2022</u>
Treasury stocks	₩ 3,803,077	3,803,077
Changes due to merger	52,687,056	52,687,056
Other capital adjustments	<u>2,800,072,204</u>	<u>2,800,072,204</u>
Total	<u>₩ 2,856,562,337</u>	<u>2,856,562,337</u>

**26. Retained Earnings**

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

*(in thousands of Korean won)*

	<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)	<u>261,649,956</u>	<u>(284,547,625)</u>
Total	<u>₩ 8,648,747,851</u>	<u>8,493,220,959</u>



**LOTTE SHOPPING CO.,LTD.**  
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**26. Retained Earnings, continued**

(b) The appropriation of retained earnings 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>
Unappropriated retained earnings carried over from prior year	₩	12,829,952	54,259,164
Remeasurements of net defined benefit liabilities		(75,237,647)	32,403,374
Profit (Loss) for the year		324,057,651	(371,210,163)
Unappropriated retained earnings (deficit)		<u>261,649,956</u>	<u>(284,547,625)</u>
Transfers such as voluntary reserves		<u>-</u>	<u>400,000,000</u>
Appropriation of retained earnings			
Legal reserve		10,742,843	9,329,311
Dividends (Cash dividend %):		107,428,432	93,293,112
Common stock: ₩3,800(76%) in 2023 and ₩3,300(66%) in 2022			
Voluntary reserve		100,000,000	-
		<u>218,171,275</u>	<u>102,622,423</u>
Unappropriated retained earnings to be carried forward	₩	<u>43,478,681</u>	<u>12,829,952</u>

**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:

<i>(in thousands of Korean won)</i>		<u>2023</u>			
		<u>Beginning balance</u>	<u>Changes for the year</u>	<u>Tax effects for the year</u>	<u>Ending balance</u>
Fair value gain (loss) through other comprehensive income	₩	(88,488,416)	7,058,043	1,823,694	(79,606,679)
Cash flow hedge		(12,560,007)	(4,131,170)	723,794	(15,967,383)
Total	₩	<u>(101,048,423)</u>	<u>2,926,873</u>	<u>2,547,488</u>	<u>(95,574,062)</u>

<i>(in thousands of Korean won)</i>		<u>2022</u>			
		<u>Beginning balance</u>	<u>Changes for the year</u>	<u>Tax effects for the year</u>	<u>Ending balance</u>
Fair value gain (loss) through other comprehensive income	₩	(67,485,565)	(26,188,203)	5,185,352	(88,488,416)
Cash flow hedge		(1,598,759)	(14,244,996)	3,283,748	(12,560,007)
Total	₩	<u>(69,084,324)</u>	<u>(40,433,199)</u>	<u>8,469,100</u>	<u>(101,048,423)</u>

**LOTTE SHOPPING CO.,LTD.**  
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**28. Earnings (losses) per Share**

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

<i>(in Korean won, except for number of shares)</i>		<u>2023</u>	<u>2022</u>
Profit (loss) for the year	₩	324,057,651,492	(371,210,162,864)
Weighted average number of common shares outstanding (in shares)		28,270,640	28,270,640
Basic Earnings (loss)	₩	<u>11,463</u>	<u>(13,131)</u>

(b) Diluted earnings (losses) per share

Basic and diluted earnings (losses) per share are the same since any potential common shares have not issued.

**29. Sales**

(a) Details of sales recognized in the separate comprehensive income statement 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>
Sales of merchandise	₩	13,272,226,429	13,474,605,259
Sales of products		620,030,551	619,357,500
Other sales (*)		370,140,623	293,688,014
Total sales		<u>14,262,397,603</u>	<u>14,387,650,773</u>
Revenue from contracts with customers			
Sales discounts and sales returns		1,167,478,667	1,064,205,237
Provision for sales return and deferred sales		245,923,662	247,932,319
Cost of specific sales		<u>5,783,093,082</u>	<u>5,797,282,241</u>
Total sales deduction		<u>7,196,495,411</u>	<u>7,109,419,797</u>
Revenue from other sources: rental revenue		<u>1,582,693,322</u>	<u>1,536,186,039</u>
Total	₩	<u>8,648,595,514</u>	<u>8,814,417,015</u>

(\*) During year 2023, other sales include government grant of ₩ 21,558,643 thousand (year 2022 ₩ 15,824,052 thousand) received from Korea Agro-Fisheries & Food Trade Corporation and Korea Fisheries Association to promote agricultural consumption.

**LOTTE SHOPPING CO.,LTD.**  
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**29. Sales, continued**

(b) The contract assets and liabilities of the Company 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>	<u>2023</u>	<u>2022</u>
Contract assets		
Receivables from real estate sales	₩ 20,585,906	-
Total contract assets	<u>20,585,906</u>	<u>-</u>
Contract liabilities		
Customer loyalty program	131,496,207	122,300,521
Gift vouchers	1,060,108,529	1,054,251,604
Advances from real estate sales	2,388,003	8,961,952
Others	42,435,624	42,862,075
Total contract liabilities	₩ <u>1,236,428,363</u>	<u>1,228,376,152</u>

(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:

<i>(in thousands of Korean won)</i>	<u>2023</u>	<u>2022</u>
Revenue		
Customer loyalty programs	₩ 122,300,521	103,944,366
Others	42,404,167	34,831,197
Total	<u>164,704,688</u>	<u>138,775,563</u>
Collected		
Gift vouchers	576,054,996	476,663,048
Total	₩ <u>576,054,996</u>	<u>476,663,048</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>
₩ 1,060,108,530	629,898,230	425,358,870	4,851,430

**LOTTE SHOPPING CO.,LTD.**  
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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	₩	854,393,038	849,520,861
Retirement benefits		65,604,741	82,785,277
Long-term employee benefits		4,184,721	3,314,544
Employee benefits		175,346,435	181,006,375
Training expenses		7,277,490	9,246,977
Travel expenses		11,533,857	11,523,183
Vehicle maintenance expenses		1,177,603	1,417,327
Insurance premium		6,472,379	6,876,066
Taxes and dues		177,915,979	199,410,764
Entertainment expenses		997,068	952,823
Supplies expenses		37,308,985	40,677,988
Publication expenses		518,818	605,635
Communication expenses		8,582,791	9,255,733
Utility expenses		285,204,613	238,772,216
Repairs and maintenance		33,421,357	46,688,032
Rental expenses		151,735,673	128,881,552
Depreciation		831,767,278	884,781,076
Amortization		6,740,321	20,791,047
Commission expenses		518,493,227	531,677,512
Service commission expenses		756,678,503	732,273,360
Advertising expenses		98,991,368	93,018,157
Samples expenses		230,362	302,937
Sales commissions		101,237,686	109,107,799
Sales promotion expenses		92,132,256	78,553,335
Decoration expenses		22,136,010	29,463,801
Bad debt expenses		525,700	1,855,904
Transportation expenses		34,757,831	39,914,998
Research and development expenses		219,556	155,656
Compensation expenses		5,060,971	7,224,818
Provisions (reversal)		(313,217)	(2,160,913)
Others		2,669,971	1,316,148
Total	₩	<u>4,293,003,371</u>	<u>4,339,210,988</u>

**LOTTE SHOPPING CO.,LTD.**  
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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	₩ 1,446,197	1,399,976
Gain on disposal of property, plant and equipment	40,164,093	2,730,518
Gain on termination of financial lease	103,795,465	56,454,699
Gain on disposal of right-of-use assets	31,263,347	30,577,257
Miscellaneous gains	18,026,316	25,910,339
Total	₩ <u>194,695,418</u>	<u>117,072,789</u>
Other expenses:		
Loss on foreign currency transactions	₩ 1,518,372	2,414,520
Loss on foreign currency translation	145,880	306,591
Loss on disposal of property, plant and equipment	4,904,375	9,206,672
Impairment loss on right-of-use assets	110,703,625	165,913,286
Impairment loss on property, plant and equipment	27,591,136	70,405,326
Loss on disposal of intangible assets	327	472,898
Impairment loss on intangible assets	4,914,460	50,796,880
Loss on lease expiration	3,114,151	1,816,854
Loss on disposal of right-of-use assets	18,098,045	6,575,786
Donations	8,301,845	8,392,764
Other bad debt expenses (reversal)	(9,004,237)	2,752,093
Miscellaneous losses	4,546,169	7,026,515
Total	₩ <u>174,834,148</u>	<u>326,080,185</u>

**LOTTE SHOPPING CO.,LTD.**  
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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	₩	3,808,328,082	4,100,732,725
Changes in inventories		21,001,664	(10,728,614)
Employee benefits		1,112,636,282	1,129,041,306
Rental expenses		153,879,649	131,135,159
Depreciation and amortization		843,259,588	911,241,005
Sales commissions		101,237,686	109,107,799
Sales promotion expenses		92,132,256	78,553,335
Commission expenses		518,790,570	532,011,527
Service expenses		774,019,592	748,822,888
Advertising expenses		98,991,368	93,018,157
Utility expenses		288,231,566	241,373,929
Taxes and dues		178,162,092	199,601,900
Others		175,705,877	212,906,596
Total of costs of goods sold and selling, general and administration expenses	₩	<u>8,166,376,272</u>	<u>8,476,817,712</u>

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
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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>
<b>Finance income:</b>		
Interest income according to the effective interest rate method	₩ 91,131,007	78,781,278
Dividend income	179,871,137	173,206,658
Gain on foreign currency transactions	845,278	6,881,914
Gain on foreign currency translation	9,194,962	8,500,000
Gain on valuation of debt instrument measured at fair value through profit or loss	1,021,136	610,495
Gain on disposal of debt instrument measured at fair value through profit or loss	2,995,468	-
Gain on disposal of debt instrument measured at fair value through other comprehensive income	29,185	37,207
Gain on valuation of derivatives held for hedging	14,033,500	55,883,000
Gain on valuation of derivatives held for trading	1,301,626	1,918,825
Gain on transaction of derivatives held for hedging	13,745,000	16,500,000
Gain on transaction of derivatives held for trading	8,422	19,500,567
Reversal of impairment loss on investments in subsidiaries, associates and joint ventures	-	83,481,834
Gain on disposal of investments in subsidiaries, associates and joint ventures	7,198,085	9,794,136
Gain on disposal of assets held for sale	3,873,053	-
Total	₩ <u>325,247,859</u>	<u>455,095,914</u>
<b>Finance costs:</b>		
Interest expense according to the effective interest rate method	₩ 345,958,438	337,145,794
Loss on foreign currency transactions	14,183,598	17,069,361
Loss on foreign currency translation	14,033,500	55,883,000
Loss on valuation of derivatives held for hedging	9,194,962	8,500,000
Loss on valuation of derivatives held for trading	18,120	9,454,943
Loss on transaction of derivatives held for trading	21,109	801,793
Financial guarantees	52,328,325	56,806,415
Impairment loss on investments in subsidiaries, associates and joint ventures	81,294,930	642,004,191
Total	₩ <u>517,032,982</u>	<u>1,127,665,497</u>

**LOTTE SHOPPING CO.,LTD.**  
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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							Total
		Cash and cash equivalents	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets 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	
Recognized in profit or loss									
Interest income	₩	62,494,097	28,636,910	-	-	-	-	-	91,131,007
Interest expense (*1)		-	-	-	-	-	-	(345,958,438)	(345,958,438)
Dividend income		-	-	2,579,282	6,954,781	-	-	-	9,534,063
Valuation/ Disposal		-	-	4,016,604	29,185	1,270,818	18,583,538	-	23,900,145
Exchange differences		431,143	5,419	-	-	-	-	(18,831,474)	(18,394,912)
Reversal of financial guarantee liabilities		-	-	-	-	-	-	(52,328,325)	(52,328,325)
Subtotal		62,925,240	28,642,329	6,595,886	6,983,966	1,270,818	18,583,538	(364,789,912)	(292,116,460)
Recognized in other comprehensive income (loss)									
Fair value gain through other comprehensive income (*2)		-	-	-	7,058,042	-	-	-	7,058,042
Gain(Loss) on valuation of derivatives (*2)		-	-	-	-	-	(4,131,169)	-	(4,131,169)
Subtotal		-	-	-	7,058,042	-	(4,131,169)	-	2,926,873
Total	₩	62,925,240	28,642,329	6,595,886	14,042,008	1,270,818	14,452,369	(364,789,912)	(289,189,587)

(\*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							Total
		Cash and cash equivalents	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets 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	
Recognized in profit or loss									
Interest income	₩	50,742,250	28,037,412	1,616	-	-	-	-	78,781,278
Interest expense (*1)		-	-	-	-	-	-	(337,145,794)	(337,145,794)
Dividend income		-	-	3,821,768	5,594,828	-	-	-	9,416,596
Valuation/ Disposal		-	-	610,495	37,207	11,162,656	63,883,000	-	75,693,358
Exchange differences		6,312,552	(520,569)	-	-	-	-	(64,683,566)	(58,891,583)
Reversal of financial guarantee liabilities		-	-	-	-	-	-	(56,806,415)	(56,806,415)
Subtotal		57,054,802	27,516,843	4,433,879	5,632,035	11,162,656	63,883,000	(401,829,360)	(288,952,560)
Recognized in other comprehensive income (loss)									
Fair value gain through other comprehensive income (*2)		-	-	-	(26,188,203)	-	-	-	(26,188,203)
Gain(Loss) on valuation of derivatives (*2)		-	-	-	-	-	(14,244,996)	-	(14,244,996)
Subtotal		-	-	-	(26,188,203)	-	(14,244,996)	-	(40,433,199)
Total	₩	57,054,802	27,516,843	4,433,879	(20,556,168)	11,162,656	49,638,004	(401,829,360)	(329,385,759)

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

(\*2) The gain or loss on valuation are amounts before offsetting effect of income taxes.



**LOTTE SHOPPING CO.,LTD.**  
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**34. Income Taxes**

(a) Income tax expense (revenue) 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	₩ 13,370,042	(51,012,967)
Deferred tax due to temporary differences	(51,995,758)	(120,565,520)
Total income tax effect	(38,625,716)	(171,578,487)
Income tax charged directly to equity	24,863,456	(1,189,026)
Income tax revenue	₩ (13,762,260)	(172,767,513)

(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	₩ 1,823,694	5,185,352
Gain (loss) on valuation of derivatives	723,794	3,283,747
Remeasurements of defined benefit liabilities	22,315,968	(9,658,125)
Income tax charged directly to equity	₩ 24,863,456	(1,189,026)

Income tax related to fair value gain (loss) through other comprehensive income, gain (loss) on valuation of derivatives and remeasurements of defined benefit liabilities are recognized in other comprehensive income (loss).

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**Notes to the Separate Financial Statements**  
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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	₩	310,295,392	(543,977,676)
Income tax using statutory tax rate		71,678,235	(131,642,598)
Adjustment:			
Tax effects on non-taxable income		(25,894,049)	(9,950,042)
Tax effects on non-deductible expense		7,058,489	712,800
Tax credit		(741,971)	(3,326,339)
Adjustment for prior periods		1,105,469	1,714,040
Changes in impracticable contemporary difference		17,086,106	51,583,376
Changes in deferred tax due to change in tax rate		21,854,661	7,152,260
Changes in deferred tax assets for loss carried forward		(98,259,830)	(124,263,551)
Others		(7,649,370)	35,252,541
Income tax revenue	₩	<u>(13,762,260)</u>	<u>(172,767,513)</u>
Effective tax rate(*)		-	-

(\*) The effective tax rates for 2023 and 2022 have not been presented due to income tax revenue incurred.

(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.

**LOTTE SHOPPING CO.,LTD.**  
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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)

		<b>2023</b>			
		<b>Beginning balance</b>	<b>Profit or loss</b>	<b>Equity</b>	<b>Ending balance</b>
Investments in subsidiaries and associates	₩	(26,728,097)	4,914,600	-	(21,813,497)
Depreciation		44,252,584	(9,507,240)	-	34,745,344
Allowance for doubtful accounts		3,134,865	815,645	-	3,950,510
Accrued income		(990,551)	(42,340)	-	(1,032,891)
Losses on valuation of inventories		1,721,780	(32,214)	-	1,689,566
Provision for sales return		172,441	(37,170)	-	135,271
Property, plant, and equipment (Capitalization of borrowing costs)		(9,933,609)	(1,846,801)	-	(11,780,410)
Land		(15,673,667)	59,146	-	(15,614,521)
Land (asset revaluation)		(892,376,445)	6,906,168	-	(885,470,277)
Accrued expense		5,270,873	1,512,554	-	6,783,427
Construction-in-progress		(5,476,199)	(2,980,584)	-	(8,456,783)
Impairment loss on intangible assets		23,318,546	(3,463,141)	-	19,855,405
Lease deposit		47,648,561	(7,541,968)	-	40,106,593
Goodwill		2,018,239	(164,013)	-	1,854,226
Exchangeable bonds		(55,751)	55,751	-	-
Fair value loss through other comprehensive income		26,730,875	-	1,823,694	28,554,569
Gain (loss) on valuation of derivatives		(1,338,267)	1,261,362	723,794	646,889
Salaries and retirement benefits		(23,625,900)	(5,527,412)	22,315,968	(6,837,344)
Right-of-use assets and lease liabilities		351,344,401	(39,808,744)	-	311,535,657
Loss carried forward		391,244,044	74,299,732	-	465,543,776
Others		77,627,527	8,258,971	-	85,886,498
Total	₩	<u>(1,713,750)</u>	<u>27,132,302</u>	<u>24,863,456</u>	<u>50,282,008</u>

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

**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)

		<b>2022</b>			
		<b>Beginning balance</b>	<b>Profit or loss</b>	<b>Equity</b>	<b>Ending balance</b>
Investments in subsidiaries and associates	₩	(3,954,360)	(22,773,737)	-	(26,728,097)
Depreciation		29,317,380	14,935,204	-	44,252,584
Allowance for doubtful accounts		2,628,955	505,910	-	3,134,865
Accrued income		(623,191)	(367,360)	-	(990,551)
Losses on valuation of inventories		2,104,439	(382,659)	-	1,721,780
Provision for sales return		172,620	(179)	-	172,441
Property, plant, and equipment (Capitalization of borrowing costs)		(10,357,668)	424,059	-	(9,933,609)
Land		36,986,925	(52,660,592)	-	(15,673,667)
Land (asset revaluation)		(926,062,984)	33,686,539	-	(892,376,445)
Accrued expense		5,018,297	252,576	-	5,270,873
Gain (loss) on foreign currency translation		1,555,337	(1,555,337)	-	-
Construction-in-progress		362,769	(5,838,968)	-	(5,476,199)
Impairment loss on intangible assets		26,998,877	(3,680,331)	-	23,318,546
Lease deposit		55,187,347	(7,538,786)	-	47,648,561
Goodwill		2,350,053	(331,814)	-	2,018,239
Exchangeable bonds		(284,573)	228,822	-	(55,751)
Fair value loss through other comprehensive income		21,545,523	-	5,185,352	26,730,875
Gain (loss) on valuation of derivatives		(9,234,996)	4,612,982	3,283,747	(1,338,267)
Salaries and retirement benefits		(3,668,522)	(10,299,253)	(9,658,125)	(23,625,900)
Right-of-use assets and lease liabilities		358,183,743	(6,839,342)	-	351,344,401
Loss carried forward		262,763,081	128,480,963	-	391,244,044
Others		63,171,952	14,455,575	-	77,627,527
Total	₩	<u>(85,838,996)</u>	<u>85,314,272</u>	<u>(1,189,026)</u>	<u>(1,713,750)</u>

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

(in thousands of Korean won)

		<b>2023</b>	<b>2022</b>
Investments in subsidiaries and associates	₩	2,062,246,140	2,058,614,129
Loss carried forward (expire at 2037)		81,887,728	504,410,718

**LOTTE SHOPPING CO.,LTD.**  
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**34. Income Taxes, continued**

(g) As of December 31, 2023 and 2022, the amounts of deferred and current tax assets and liabilities using gross amounts before off-setting are as follows:

<i>(in thousands of Korean won)</i>	<u>2023</u>	<u>2022</u>
Deferred tax assets	₩ 1,951,624,126	2,129,379,512
Deferred tax liabilities	1,901,342,118	2,131,093,262
Current tax assets	-	71,337,620
Current tax liabilities	176,541	-

**35. Separate Statement 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	₩ 16,773,668	14,230,692
Deposits	34,798,767	44,109,909
Other cash equivalents	954,500,000	1,108,100,000
Total	₩ <u>1,006,072,435</u>	<u>1,166,440,601</u>

**LOTTE SHOPPING CO.,LTD.**  
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**35. Separate Statement 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:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Income tax revenue	₩ (13,762,260)	(172,767,513)
Retirement benefits	54,114,343	60,700,214
Long-term employee benefits	4,232,787	3,337,288
Depreciation	836,504,447	890,435,139
Amortization	6,755,140	20,805,866
Impairment loss on property, plant and equipment	27,591,136	70,405,326
Impairment loss on intangible assets and goodwill	4,914,460	50,796,880
Impairment loss on right-of-use assets	110,703,625	165,913,286
Loss on foreign currency translation	14,179,380	56,189,591
Loss on foreign currency transactions	14,183,598	17,069,361
Loss on disposal of property, plant and equipment	4,904,375	9,206,672
Loss on disposal of intangible assets	327	472,898
Loss on disposal of right-of-use assets	18,098,045	6,575,786
Bad debt expense	525,700	1,855,904
Other bad debt expense (reversal)	(9,004,237)	2,752,093
Loss on valuation of derivatives	9,213,082	17,954,943
Loss on transactions of derivatives	21,109	801,793
Rental expenses (amortization of present value discount, etc.)	27,318	299,711
Loss on lease termination	3,114,151	1,816,854
Impairment loss on investments in subsidiaries, associates and joint ventures	81,294,930	642,004,191
Interest expense	345,958,438	337,145,794
Miscellaneous losses	-	5,202,491
Other expenses without cash outflows	2,888,772	-
Reversal of provision	(313,217)	(2,160,913)
Financial guarantee costs	52,328,325	56,806,415
Gain on foreign currency translation	(9,194,962)	(8,500,000)
Gain on foreign currency transactions	(845,278)	(6,881,914)
Gain on disposal of property, plant and equipment	(40,164,093)	(2,730,518)
Gain on valuation of debt instrument at fair value through profit or loss	(1,021,136)	(610,495)
Gain on disposal of debt instrument at fair value through profit or loss	(2,995,468)	-
Gain on valuation of derivatives	(15,335,126)	(57,801,825)
Gain on transactions of derivatives	(13,753,422)	(36,000,567)
Gain on lease termination	(103,795,465)	(56,454,699)
Gain on disposal of right-of-use assets	(31,263,347)	(30,577,257)
Reversal of impairment losses on investments in subsidiaries, associates and joint ventures	-	(83,481,834)
Gain on disposal of investments in subsidiaries, associates and joint ventures	(7,198,086)	(9,794,137)
Gain on disposal of debt instrument at fair value through other comprehensive income (loss)	(29,185)	(37,207)
Gain on disposal of assets held for sale	(3,873,053)	-

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**35. Separate Statement 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>		<u>2023</u>	<u>2022</u>
Income without other cash inflows	₩	(4,714,434)	(453,084)
Rental income		(3,529,808)	(4,457,573)
Interest income		(91,131,007)	(78,781,278)
Dividends income		(179,871,137)	(173,206,658)
Miscellaneous gains		-	(108,400)
Increase of trade receivables		(42,762,342)	(80,170,273)
Increase of other receivables		(97,413,508)	(36,358,752)
Decrease (increase) in other financial assets		1,112,254	(693,662)
Decrease (increase) of inventories		17,221,109	(10,476,793)
Decrease (increase) in other non-financial assets		9,439,788	(3,020,603)
Decrease of trade payables		(39,466,520)	(1,034,571)
Increase of other payables		25,596,506	143,592,594
Decrease of other financial liabilities		(9,432,632)	(1,979,400)
Increase (decrease) in other non-financial liabilities		(13,864,780)	55,506,761
Increase of deferred income		18,007,998	19,685,119
Increase (decrease) of provisions		(5,638,503)	5,935,292
Payment of other long-term employee benefits		(3,150,700)	(3,930,200)
Payment of defined benefit liabilities		(80,357,932)	(67,201,443)
Decrease (Increase) in plan assets		(11,988,344)	(24,764,528)
<b>Total</b>	₩	<u>827,061,161</u>	<u>1,688,832,165</u>

**LOTTE SHOPPING CO.,LTD.**  
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**35. Separate Statement of Cash Flows, continued**

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

(in thousands of Korean won)

		<b>2023</b>	<b>2022</b>
Other payables for acquisition of property, plant and equipment	₩	45,828,571	(12,624,612)
Acquisition of right-of-use assets		21,192,850	77,650,251
Acquisition of lease liabilities		20,220,210	76,759,117
Increase in debt due to merger		-	1,702,601,668
Increase in property, plant, and equipment and intangible assets due to merger		-	1,647,353,797

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

(in thousands of Korean won)

		<b>2023</b>							
		<b>Other assets</b>		<b>Liabilities from financial activities</b>					<b>Total</b>
		<b>Current derivatives assets held for hedging</b>	<b>Non-Current derivatives assets held for hedging</b>	<b>Leasehold deposit received</b>	<b>Short-term borrowings and debentures</b>	<b>Long-term borrowings and debentures</b>	<b>Lease liabilities</b>		
Beginning balance	₩	21,905,472	41,804,520	272,869,925	2,142,203,826	3,866,163,788	5,280,721,036	11,625,668,567	
Net cash flow from financing activities		-	-	5,807,468	(1,680,969,480)	1,025,032,557	(722,566,043)	(1,372,695,498)	
Non-cash flows									
Transfer to current portion		40,698,265	(40,698,265)	-	2,129,541,864	(2,129,541,864)	-	-	
Foreign currency translation		-	-	-	22,032,500	(3,448,962)	-	18,583,538	
Change in lease liabilities		-	-	-	-	-	(340,150,770)	(340,150,770)	
Others		(8,996,696)	5,282,650	(16,467,012)	(24,603,257)	1,698,059	162,220,213	119,133,957	
Ending balance	₩	53,607,041	6,388,905	262,210,381	2,588,205,453	2,759,903,578	4,380,224,436	10,050,539,794	



**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
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**35. Separate Statement of Cash Flows, continued**

(d) Adjustments 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						
		Other assets		Liabilities from financial activities				
		Current derivatives assets held for hedging	Non-Current derivatives assets held for hedging	Leasehold deposit received	Short-term borrowings and debentures	Long-term borrowings and debentures	Lease liabilities	Total
Beginning balance	₩	5,229,751	17,031,801	273,356,582	1,228,169,985	3,498,970,712	5,877,433,974	10,900,192,805
Net cash flow from financing activities		-	-	(13,344,070)	(1,405,500,000)	933,340,848	(748,722,284)	(1,234,225,506)
Non-cash flows								
Transfer to current portion		3,060,948	(3,060,948)	-	1,889,618,751	(1,889,618,751)	-	-
Foreign currency translation		-	-	-	32,860,000	31,023,000	-	63,883,000
Change in lease liabilities		-	-	-	-	-	(16,157,370)	(16,157,370)
Merger		-	-	8,824,105	415,000,000	1,287,601,668	-	1,711,425,773
Others		13,614,773	27,833,667	4,033,308	(17,944,910)	4,846,311	168,166,716	200,549,865
Ending balance	₩	21,905,472	41,804,520	272,869,925	2,142,203,826	3,866,163,788	5,280,721,036	11,625,668,567

**36. Greenhouse Gases Emission Rights**

(a) Emission Right

The Company 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 tCO<sub>2</sub>-eq for year 2021, 2022, and 2023, and 748,998 tCO<sub>2</sub>-eq for year 2024 and 2025 and allocated respectively.

Furthermore, the Company has carried forward emission right of 70,693 tCO<sub>2</sub>-eq from the previous compliance period. As of December 31, 2023, there is no pledged emission, and the Company submitted emission right of 679,969 tCO<sub>2</sub>-eq and 722,214 tCO<sub>2</sub>-eq to the government in 2021 and 2022. The Company has 721,012 tCO<sub>2</sub>-eq of emission rights as of December 31, 2023.

(b) Emission liabilities

The Company sold 22,110 tCO<sub>2</sub>-eq of emission rights in 2022 and estimated 721,012 tCO<sub>2</sub>-eq of emission in 2023.

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
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**37. Contingencies and Commitments**

(a) As of December 31, 2023, the Company 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 (local currency)	KRW	810,000,000	755,000,000
General loan (foreign currency)	USD	82,600,000	82,600,000
Commercial paper	KRW	450,000,000	200,000,000
Buyer's credit	KRW	240,000,000	7,048,903
Bank overdraft	KRW	30,000,000	-
Letter of credit and others	USD	23,000,000	5,159,577

(b) 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.

(c) As of December 31, 2023, the Company currently has 19 ongoing lawsuits as a plaintiff with damage claims amounting to ₩ 26,663,329 thousand and 33 lawsuits as a defendant with damage claims amounting to ₩ 52,440,617 thousand. The management believes that the ultimate resolutions of other legal actions will not have a material impact on the financial position of the Company.

The above includes 13 lawsuits as a defendant with damages related to victims of humidifier disinfectant amounting to ₩ 28,577,959 thousand. The Company 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.

(d) As of December 31, 2023, the Company has entered into loan agreements securing trade receivables with INDUSTRIAL BANK OF KOREA and others amounting to ₩ 280,000,000 thousand.

(e) 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.

(f) Brand usage contract, etc.

The Company is 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.

On the other hand, the company is liable for the debts prior to the spin-off with Lotte Corporation, in accordance with Article 530-9, Paragraph 1 of the Commercial Act

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
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**37. Contingencies and Commitments, continued**

- (g) The Company 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:
- ① The Company 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 and the Company has been leasing back Jeju store from FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No.3 (Formerly, Hyundai Infiniti Private Equity Real Estate Investment Trust No.1) and Daedeok store from Mirae Castle. The Company has the preemptive options to purchase the land and the building at a fair value at the end of the lease. The operation of Hangdong store was discontinued during the year 2020 and the Company has no preemptive options to purchase the land and the building.
  - ② The Company disposed of land and buildings of 6 stores including Lotte department store Bundang store to Lotte Retail Real Estate Investment Trust No.1~4 for ₩ 594.9 billion in 2010 and 2011, Lotte department Store Bundang store is leased from IGIS Specialized Investment Private Real Estate Investment Trust No.389, and Lotte mart Sasang store and Lotte mart Iksan store from KB Lotte Master Lease Specialized Investment Private Real Estate Investment Trust No.8. The Company has the preemptive options to purchase the land and the building at a fair value at the end of the lease. The operation of Lotte Mart Suji store was discontinued in 2019 and Guro store and Dobong store were discontinued during the year 2020 and the Company has no preemptive options to purchase the land and the building.
  - ③ The Company has been leasing the building of Lotte outlet Esiapolis store from KB Star Retail Private Real Estate Investment Trust No.1 since 2013. According to the real estate sales contract concluded on June 25, 2018, Marston Specialized Investment Private Equity Investment Trust No.31 transferred its status as a lessor under the lease contract and the Company has the preferential right of negotiation to purchase the building.
  - ④ In 2013, the Company disposed buildings of Lotte outlets store Gwang Myeong to KTB Confidence Private Real Estate Investment Trust No.55 for ₩ 146.9 billion and the Company has been leasing the assets from Kiwoomcore No 1 Reit Co. Ltd. And the Company disposed of land and buildings of Lotte mart Yangdeok to KTB Confidence Private Real Estate Investment Trust No.81 for ₩ 55.1 billion and the Company has been leasing back the assets from Koreit Masan Lotte mart Specialized Investment Private Real Estate Investment Trust No.12. The Company has the preferential right of negotiation to purchase the land and the building at the end of the lease.
  - ⑤ In 2014, the Company disposed of land and buildings of 2 Lotte department stores including Ilsan store and 5 Lotte mart stores including Bupyeong store to KB Lotte Master Lease Private Real Estate Investment Trust No.1 for ₩ 601.7 billion and the Company has been leasing back the assets. The Company disposed land and buildings of 2 Lotte department stores including Dongrae store and 3 Lotte mart stores including Sung Jung store to Capstone Private Real Estate Investment Trust No.11 for ₩ 500.1 billion and the Company has been leasing back the assets. The Company has the preferential right of negotiation to purchase the land and the building at the end of the lease.
  - ⑥ 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 and the Company has been leasing back from KORAMCO respectively. The Company has the preferential right of negotiation to purchase the land and the building at the end of the lease.
  - ⑦ The Company has been leasing the land and buildings of Lotte department store Gangnam of LOTTE REIT Co., Ltd. after making an investment in kind for ₩ 269.7 billion in 2019. The Company disposed the land and buildings of 5 branches including Lotte department store Changwon and 4 branches including Lotte mart Euiwang for ₩ 1,062.9 billion and the Company has been leasing back the assets. The Company has the preferential right of negotiation to purchase the land and the building at the end of the lease.
  - ⑧ During 2021, the Company has sold 3 branches including Lotte department store Jung-dong and 2 branches including Lotte Mart Gye-yang for ₩ 682.7 billion to LOTTE REIT Co., Ltd. and has been leasing back the assets. The Company has the preferential right of negotiation to purchase the land and the building at the end of the lease.

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
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**37. Contingencies and Commitments, continued**

- (h) 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: PT. LOTTE SHOPPING INDONESIA, LOTTE CINEMA VIETNAM CO., LTD., LOTTE VIETNAM SHOPPING JOINT STOCK COMPANY and related company (Coralis S.A.). However, the investment commitment is not considered as payment guarantees.
- (i) Lotte Cultureworks Co., Ltd., a subsidiary of the Company, 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 with cash if the Company did not hold an initial public offering (IPO) within a certain period based on agreement with the new owner. The Company didn't oppose performance of such obligation unless it violated the law.
- (j) In accordance with stock trading agreement on May 10, 2019 with the seller and contract takeover agreement on July 19, 2022 with seller, the common shares of 2,060,000 from 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 commitment or the IPO completion date of Lotte Cultureworks Co., Ltd. Also, if the Company wishes to sell the shares from INNOCEAN WORLDWIDE INC. after the prohibition period of third-party transfers, the seller can exercise its preferential right to purchase directly or by designating the third party.
- (k) During 2019, the Company granted LOTTE REIT Co., Ltd. the preferential right of negotiation to purchase 17 branches including Lotte department store Myeongdong and 67 branches including Lotte Mart Gangbyeon. During 2020, Lotte Mart Geumjung, Seohyun, Yangju, Euijungbu were terminated and during 2021, Lotte department Ansan, Jungdong and Lotte Mart Gyeyang, Chuncheon were disposed to LOTTE REIT Co., Ltd. Lotte Mart Worldtower was disposed to LOTTE Property & Development. LOTTE REIT Co., Ltd. does not hold any preferential right to purchase.
- (l) The Company has call options that can be exercised until the third year from the date of initial acquisition of 69.88% shares in Joonggo-nara owned by Eugene Unicorn Private Equity Fund and other investors.
- (m) The Company has preferential subscription rights and preferential purchase claim rights that shall be exercised after three years from the initial date of acquisition for shares in Hanssem, held by Heim Limited Company, Heim No.1 Limited Company, and Heim No.2 Limited Company.
- (n) As of December 31, 2023, the Company has concluded agreement, in regard to asset-backed loans and commercial papers (face value of ₩ 195,000,000 thousand, balance of amount to replenish debt: ₩ 173,000,000 thousand, maturity on May 28th, 2024), asset-backed commercial papers (face value of ₩ 193,000,000 thousand, 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., and New Star Gimpo Hangang 2nd. Co., Ltd., to replenish funds in case of impossible to repay principal and interests. Terms of the fund replenishment agreements with subsidiaries are detailed in Note 38 (h).

**LOTTE SHOPPING CO.,LTD.**  
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**37. Contingencies and Commitments, continued**

(o) As of December 31, 2023, details of payment guarantees provided regarding foreign currency debentures issued by the Company 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

**LOTTE SHOPPING CO.,LTD.**  
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**38. Related Party Transactions**

(a) Details of the Company's major shareholders and subsidiaries 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

(\*) It has a significant influence over the Company.

Subsidiaries	Percentage of ownership (%)		
	Company	Subsidiaries	Total
Woori Home Shopping & Television Co., Ltd.	53.49	-	53.49
Lotte GFR Co., Ltd.	99.99	-	99.99
Lotte Gimhae Development Co., Ltd.	100.00	-	100.00
Lotte Suwon Station Shopping Town Co., Ltd.	100.00	-	100.00
CS Mart Co., Ltd.	99.95	-	99.95
LOTTE Himart Co., Ltd.	65.25	-	65.25
Lotte Ulsan Development Co., Ltd.	96.83	-	96.83
Lotte Cultureworks Co., Ltd.	86.37	-	86.37
LOTTE CINEMA VIETNAM CO., LTD.	-	90.00	90.00
Lotte corporate venture fund No. 1	18.78	79.81	98.59
Lotte Homeshopping Innovation Fund No.1	-	98.52	98.52
LOTTE Shopping Innovation Fund No. 1	99.00	-	99.00
SMART LOTTE SHOPPING INNOVATION FUND	69.08	-	69.08
IMM Heim Coinvestment I Private Equity Fund	83.71	16.13	99.84
Heim No.2 Limited Company	-	100.00	100.00
Lotte DMC Development Co., Ltd.	95.00	-	95.00
LOTTE REIT Co., Ltd.	50.00	-	50.00
Lotte Incheon Town Co., Ltd.	100.00	-	100.00
Lotte Department Store (Chengdu) Co., Ltd.	100.00	-	100.00
LOTTE PROPERTIES (CHENGDU) HK LIMITED	73.46	-	73.46
Lotte Properties (Chengdu) Limited	-	100.00	100.00
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD.	100.00	-	100.00
LOTTE VIETNAM SHOPPING JOINT STOCK COMPANY	-	99.99	99.99
PT. LOTTE SHOPPING INDONESIA	-	80.00	80.00
PT. LOTTE MART INDONESIA	-	100.00	100.00
PT. LOTTE Shopping Avenue Indonesia	-	100.00	100.00

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
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**38. Related Party Transactions, continued**

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

Subsidiaries	Percentage of ownership (%)		
	Company	Subsidiaries	Total
Lotte Shopping India Private Limited	-	100.00	100.00
LOTTEMART C&C INDIA PRIVATE LIMITED	-	100.00	100.00
Lotte Shopping Plaza Vietnam Co., Ltd.	-	100.00	100.00
LOTTE E-COMMERCE VIETNAM Co., LTD	-	100.00	100.00
LOTTE PROPERTIES (HANOI) SINGAPORE PTE. LTD.	90.00	-	90.00
LOTTE PROPERTIES HANOI Co., LTD.	-	100.00	100.00
KC-K Contents Investment Association	-	96.55	96.55
LKH 1st., Co., Ltd.	-	-	-
New Star Gimpo Hangang 1st Co., Ltd.	-	-	-
KS 1st Co., Ltd.	-	-	-
JM 1st Co., Ltd.	-	-	-

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
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**38. 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:

(in thousands of Korean won)

Name of related parties		2023				
		Sales	Purchase	Acquisition of property, plant and equipment and intangible assets	Other income (*3)	Other expenses (*3)
<b>Shareholders:</b>						
Lotte Corporation	₩	1,479,589	-	-	-	31,711,259
Hotel Lotte Co., Ltd.		66,199,698	-	196,306	-	40,256,860
Hotel Lotte Pusan Co., Ltd.		5,578,869	-	3,136,790	-	9,372,192
Subtotal		73,258,156	-	3,333,096	-	81,340,311
<b>Subsidiaries:</b>						
Woori Home Shopping & Television Co., Ltd.		2,710,550	-	-	26,746,850	19,785,887
LOTTE Himart Co., Ltd. (*1)		55,509,058	-	39,516	4,734,873	785,164
Lotte Cultureworks Co., Ltd.		55,462,451	-	-	1,436,078	174,977
Lotte Suwon Station Shopping Town Co., Ltd.		7,777,522	-	-	-	26,512,308
CS Mart Co., Ltd.		11,734,148	-	-	-	442,656
LOTTE REIT Co., Ltd.		-	-	93,838	30,652,687	29,234,402
Others (*4)		24,711,196	-	-	9,962,517	4,167,423
Subtotal		157,904,925	-	133,354	73,533,005	81,102,817
<b>Associates:</b>						
FRL Korea Co., Ltd.		37,800,887	-	-	88,200,000	-
Zara Retail Korea Co., Ltd.		11,484,439	-	-	4,000,000	-
Lotte Card Co., Ltd.		3,682,050	-	-	13,463,155	138,449,214
Others		9,760,967	3,827,728	-	2,882,173	1,825,340
Subtotal		62,728,343	3,827,728	-	108,545,328	140,274,554
<b>Others (*2):</b>						
Lotte Well food Co., Ltd.		433,970	95,339,985	-	2,332	8,675,326
LOTTE CHILSUNG BEVERAGE CO., LTD.		8,946,541	39,645,844	-	-	50,438
Lotte Data Communication Company		859,708	-	17,972,256	-	108,998,541
Korea Seven Co., Ltd.		9,168,235	-	-	-	1,994,578
Lotte GRS Co., Ltd.		7,360,578	2,138,569	-	23,928	6,746,960
LOTTE Property & Development		8,327,804	-	-	-	33,115,852
LOTTE STATION B/D. CO.		7,757,249	-	-	-	174,432
LOTTE INTERNATIONAL CO., LTD.		87,389	74,222,036	-	-	-
LOTTE Engineering & Construction Co., LTD.		1,038,660	-	170,772,597	-	414,453
Lotte Aluminum Co., Ltd.		152,775	3,868,204	53,737	-	3,871,112
Lotte Global Logistics Co., LTD.		270,665	-	5,921	-	206,676,484
Others		16,128,372	2,066,294	32,268,787	339,625	67,090,628
Subtotal		60,531,946	217,280,932	221,073,298	365,885	437,808,804
Total	₩	354,423,370	221,108,660	224,539,748	182,444,218	740,526,486

(\*1) The Company sold gift vouchers to the LOTTE Himart Co., Ltd. for a total of ₩ 24,959,391 thousand for the year ended December 31, 2023.

(\*2) Although the entities are not related parties under K-IFRS No.1024, the entities are considered to be part of the Large Enterprise Company in accordance with the Monopoly Regulation and Fair Trade Act and overseas affiliates.

(\*3) The Company entered into lease agreements with related parties. As a result, interest income received in accordance with amortization of financial 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.

(\*4) Other income include interest income on purchases of beneficiary certificates issued by LKH 1st., Co., Ltd., and New Star Gimpo Hangang 1st Co., Ltd.



**LOTTE SHOPPING CO.,LTD.**  
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**38. 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 (*3)	Other expenses (*3)
<b>Shareholders:</b>						
Lotte Corporation	₩	1,868,229	-	-	89,115	32,120,209
Hotel Lotte Co., Ltd.		50,285,959	-	77,993	-	35,894,646
Hotel Lotte Pusan Co., Ltd.		5,233,958	-	2,038,582	422,048	8,717,120
Subtotal		57,388,146	-	2,116,575	511,163	76,731,975
<b>Subsidiaries:</b>						
Woori Home Shopping & Television Co., Ltd.		3,311,477	-	-	25,171,784	25,756,177
LOTTE Himart Co., Ltd. (*1)		62,010,430	-	6,305	16,993,989	360,825
Lotte Cultureworks Co., Ltd.		50,775,583	-	-	2,372,989	131,138
Lotte Suwon Station Shopping Town Co., Ltd.		7,141,393	-	-	15,272	23,469,519
CS Mart Co., Ltd.		9,780,468	-	-	88,955	457,513
Lotte Incheon Development Co., Ltd.		3,141,272	521	-	-	1,631
LOTTE REIT Co., Ltd.		-	2,860	64,284	39,249,706	29,021,871
Others		22,658,594	-	-	3,274,061	3,757,336
Subtotal		158,819,217	3,381	70,589	87,166,756	82,956,010
<b>Associates:</b>						
FRL Korea Co., Ltd.		34,748,916	-	-	68,600,000	-
Zara Retail Korea Co., Ltd.		11,081,892	-	-	2,185,314	-
Lotte Card Co., Ltd.		2,837,973	-	-	13,305,029	130,015,240
Others		10,547,775	-	-	224,015	5,117,220
Subtotal		59,216,556	-	-	84,314,358	135,132,460
<b>Others (*2):</b>						
Lotte Confectionery Co., Ltd.		5,231,998	84,150,346	-	193	4,936,763
LOTTE CHILSUNG BEVERAGE CO., LTD.		9,130,432	44,471,907	-	37,097	78,543
Lotte Data Communication Company		923,231	-	24,766,215	-	117,312,147
Korea Seven Co., Ltd.		7,964,974	19,206	-	-	1,139,272
Lotte GRS Co., Ltd.		8,208,474	813,915	-	18,341	4,152,043
LOTTE ASSET DEVELOPMENT CO., LTD.		6,000	-	250,920	-	-
LOTTE Property & Development (*4)		6,123,582	-	-	49,368,747	30,042,047
LOTTE STATION B/D. CO.		9,147,219	-	-	-	207,761
LOTTE INTERNATIONAL CO., LTD.		305,387	92,894,409	-	-	435,751
LOTTE Engineering & Construction Co., LTD.		521,896	-	74,171,239	18,157	49,008,843
LOTTE FOOD CO., LTD. (*5)		1,609,366	27,321,923	-	236	3,203,886
Lotte Aluminum Co., Ltd.		104,689	5,936,923	190,409	-	5,839,085
Lotte Global Logistics Co., LTD.		631,510	-	3,950	-	228,620,825
Others		14,063,805	4,290,983	2,592,474	312,657	77,730,289
Subtotal		63,972,563	259,899,612	101,975,207	49,755,428	522,707,255
Total	₩	339,396,482	259,902,993	104,162,371	221,747,705	817,527,700

(\*1) The Company sold gift vouchers to the LOTTE Himart Co., Ltd. for a total of ₩ 698,000 thousand for the year ended December 31, 2022.

(\*2) Although the entities are not related parties under K-IFRS No.1024, the entities are considered to be part of the Large Enterprise Company in accordance with the Monopoly Regulation and Fair Trade Act and overseas affiliates.

(\*3) The Company entered into lease agreements with related parties. As a result, interest income received in accordance with amortization of financial 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) Other income includes ₩ 48,755,706 thousand, which is sales of shares in Coralis S.A.

(\*5) Lotte Food Co., Ltd. has been acquired by Lotte Well food Co., Ltd. as of July 1, 2022.

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
**As of December 31, 2023 and 2022**

**38. Related Party Transactions, continued**

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

Name of related parties		2023					
		Cash contribution	Return on Investment	Sale of stock	Loan Transaction		
					Borrow	Return	Borrowings
<b>Major Shareholders:</b>							
Hotel Lotte Co., Ltd. (*1)	₩	-	-	9,897,155	-	-	-
Subtotal		-	-	9,897,155	-	-	-
<b>Subsidiary:</b>							
LOTTE Shopping Innovation Fund No. 1		-	-	-	-	-	-
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD.		108,239,040	-	-	-	-	-
IMM Heim Coinvestment I Private Equity Fund		35,875,576	-	-	-	-	-
Lotte GFR Co., Ltd.		39,999,996	-	-	-	-	-
LKH 1st., Co., Ltd.		-	-	-	1,690,631	85,354,298	-
New Star Gimpo Hangang 1st Co., Ltd.		-	-	-	329,817	35,398,999	-
SMART LOTTE SHOPPING INNOVATION FUND		-	-	-	-	-	-
LOTTE PROPERTIES (HANOI) SINGAPORE PTE. LTD.		-	-	-	-	-	-
Lotte Department Store (Chengdu) Co., Ltd.		4,014,000	-	-	-	-	-
Lotte Cultureworks Co., Ltd. (*2)		-	-	-	-	-	-
Subtotal		188,128,612	-	-	2,020,448	120,753,297	-
<b>Associates:</b>							
LOTTE-KDB Open Innovation Fund		-	-	-	-	-	-
Lotte corporate venture fund No. 1		-	120,000	-	-	-	-
Subtotal		-	120,000	-	-	-	-
<b>Others:</b>							
LOTTE INTERNATIONAL CO., LTD. (*3)		-	-	-	-	-	-
LOTTE Capital (*4)		-	-	-	-	-	50,000,000
Subtotal		-	-	-	-	-	50,000,000
Total	₩	188,128,612	120,000	9,897,155	2,020,448	120,753,297	50,000,000

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
**As of December 31, 2023 and 2022**

**38. Related Party Transactions, continued**

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

(in thousands of Korean won)

Name of related parties		2022			
		Cash contribution	Stock Purchase	Loan Transaction	
				Borrow	Return
<b>Major Shareholders:</b>					
Hotel Lotte Co., Ltd. (*1)	₩	-	-	-	-
Subtotal		-	-	-	-
<b>Subsidiary:</b>					
LOTTE Shopping Innovation Fund No. 1		8,910,000	-	-	-
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD.		51,869,748	-	-	-
IMM Heim Coinvestment I Private Equity Fund		-	-	-	-
Lotte GFR Co., Ltd.		29,999,997	-	3,000,000	3,000,000
LKH 1st., Co., Ltd.		-	-	83,663,667	-
New Star Gimpo Hangang 1st Co., Ltd.		-	-	35,069,481	-
SMART LOTTE SHOPPING INNOVATION FUND		8,400,000	-	-	-
LOTTE PROPERTIES (HANOI) SINGAPORE PTE. LTD.		141,458,400	-	-	-
Lotte Department Store (Chengdu) Co., Ltd.		31,657,041	-	-	-
Lotte Cultureworks Co., Ltd. (*2)		-	46,556,000	-	50,000,000
Subtotal		272,295,186	46,556,000	121,733,148	53,000,000
<b>Associates:</b>					
LOTTE-KDB Open Innovation Fund		4,800,000	-	-	-
Lotte corporate venture fund No. 1		-	-	-	-
Subtotal		4,800,000	-	-	-
<b>Others:</b>					
LOTTE INTERNATIONAL CO., LTD. (*3)		-	350,000	-	-
LOTTE Capital (*4)		-	-	-	-
Subtotal		-	350,000	-	-
Total	₩	277,095,186	46,906,000	121,733,148	53,000,000

(\*1) The Company sold its common share of LOTTE HOTEL & RETAIL VIETNAM PTE. LTD. for ₩ 9,897,155 thousand during year 2023.

(\*2) The Company has purchased common shares of INNOCEAN WORLDWIDE INC. for ₩ 46,556,000 thousand from Lotte Cultureworks Co., Ltd. in 2022.

(\*3) The Company has purchased common shares of MUJIKOREA CO.LTD for ₩ 350,000 thousand from LOTTE INTERNATIONAL CO., LTD in 2022.

(\*4) The Company has repaid ₩ 50,000,000 thousand of borrowings related to L Incheon 1st Ltd to Lotte Capital during 2023.

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
**As of December 31, 2023 and 2022**

**38. 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	Other receivables	Financial lease receivables	Trade payables	Other payables	Lease liabilities
<b>Shareholders:</b>						
Lotte Corporation	₩ 5,500	116,826	-	-	2,521,225	29,721,204
Hotel Lotte Co., Ltd.	939,827	72,463,887	-	-	25,531,752	214,369,876
Hotel Lotte Pusan Co., Ltd.	-	17,165,731	-	-	3,031,610	17,247,069
Subtotal	945,327	89,746,444	-	-	31,084,587	261,338,149
<b>Subsidiaries:</b>						
Woori Home Shopping & Television Co., Ltd. (*2)	13,800,049	104,947	-	-	3,025,210	-
LOTTE Himart Co., Ltd.	5,207,543	302,032	2,043,581	-	12,560,078	-
Lotte Cultureworks Co., Ltd.	4,194,809	1,201,695	47,680,973	-	31,505,441	-
Lotte Suwon Station Shopping Town Co., Ltd.	-	794,591	-	-	1,186,738	5,472,134
CS Mart Co., Ltd.	9,503,236	4,843,555	-	-	763,345	679,508
LOTTE REIT Co., Ltd.	-	105,278,532	-	-	10,259,083	618,422,950
Others	4,058	12,007,620	16,142	-	6,558,239	-
Subtotal	32,709,695	124,532,972	49,740,696	-	65,858,134	624,574,592
<b>Associates:</b>						
FRL Korea Co., Ltd.	1,864,040	84	-	-	12,656,254	-
Zara Retail Korea Co., Ltd.	-	-	-	-	5,620,264	-
Lotte Card Co., Ltd. (*2)	50,741,006	-	-	-	16,223,351	-
Others	41,773	-	-	-	6,153,441	35,153,483
Subtotal	52,646,819	84	-	-	40,653,310	35,153,483
<b>Others (*1):</b>						
Lotte Well-Food Co., Ltd.	689,995	232,164	-	7,615,457	14,163,665	-
LOTTE CHILSUNG BEVERAGE CO., LTD.	230,211	180,048	-	2,587,489	11,212,937	-
Lotte Data Communication Company	-	76,474	-	-	27,520,389	3,805,464
Korea Seven Co., Ltd.	107,447	517,095	-	-	2,435,404	6,479,409
Lotte GRS Co., Ltd.	445,803	-	901,796	42,147	5,006,903	-
LOTTE Property & Development	3,000,000	7,151,757	-	-	7,396,535	348,077,840
LOTTE STATION B/D. CO.	2,977,408	10,366,135	-	-	6,427,458	4,466,016
LOTTE INTERNATIONAL CO., LTD.	876	11	-	3,262,831	29,197	-
LOTTE Engineering & Construction Co., Ltd.	-	71,758	-	-	55,949,162	1,462,449
Lotte Aluminum Co., Ltd.	11,718	3,495	-	218,257	347,042	-
Lotte Global Logistics Co., Ltd.	-	26,111	-	-	17,820,965	9,711,942
Others (*3)	894,750	16,109,464	7,692,534	577,746	70,611,190	2,803,202
Subtotal	8,358,208	34,734,512	8,594,330	14,303,927	218,920,847	376,806,322
Total	₩ 94,660,049	249,014,012	58,335,026	14,303,927	356,516,878	1,297,872,546

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

(\*2) The receivable amount from consumer sales in trade receivables is included.

(\*3) Other payables include ₩ 40,000,000 thousand of payables in Lotte Capital due to the merger of LOTTE Town Dongtan Co., LTD.

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
**As of December 31, 2023 and 2022**

**38. Related Party Transactions, continued**

(d) Account balances with related parties 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	Other receivables	Financial lease receivables	Trade payables	Other payables	Lease liabilities
<b>Shareholders:</b>						
Lotte Corporation	₩ 5,500	120,995	-	-	967,977	31,157,437
Hotel Lotte Co., Ltd. (*4)	1,035,790	57,624,058	-	-	19,975,428	212,229,975
Hotel Lotte Pusan Co., Ltd.	-	17,150,930	-	-	2,363,740	18,436,337
Subtotal	1,041,290	74,895,983	-	-	23,307,145	261,823,749
<b>Subsidiaries:</b>						
Woori Home Shopping & Television Co., Ltd. (*2)	31,386,185	158,209	-	-	1,707,836	-
LOTTE Himart Co., Ltd.	4,923,593	428,360	2,249,696	-	18,261,630	-
Lotte Cultureworks Co., Ltd.	1,781,445	599,298	47,843,723	-	31,512,829	-
Lotte Suwon Station Shopping Town Co., Ltd.	-	709,180	-	-	1,146,484	319,675,638
CS Mart Co., Ltd.	10,235,106	4,079,810	-	-	2,008,800	1,410,134
LOTTE REIT Co., Ltd.	-	105,278,532	-	-	10,041,458	736,077,035
Others	654	10,650,479	-	-	6,811,274	-
Subtotal	48,326,983	121,903,868	50,093,419	-	71,490,311	1,057,162,807
<b>Associates:</b>						
FRL Korea Co., Ltd.	1,187,954	-	-	-	26,162,678	-
Zara Retail Korea Co., Ltd.	-	-	-	-	6,324,314	-
Lotte Card Co., Ltd. (*2)	34,059,653	2,507,880	36,768	-	12,009,862	-
Others	-	-	308,134	-	6,523,463	40,275,001
Subtotal	35,247,607	2,507,880	344,902	-	51,020,317	40,275,001
<b>Others (*1):</b>						
Lotte Confectionery Co., Ltd.	415,451	663,641	44,256	21,471,909	2,405,180	-
LOTTE CHILSUNG BEVERAGE CO., LTD.	282,541	216,252	-	2,865,761	11,546,234	-
Lotte Data Communication Company	-	80,332	-	-	18,030,435	6,482,319
Korea Seven Co., Ltd.	57,715	559,217	-	-	2,525,462	5,761,049
Lotte GRS Co., Ltd.	512,121	-	664,635	-	5,171,743	-
LOTTE ASSET DEVELOPMENT CO., LTD.	-	-	-	-	23,001	-
LOTTE Property & Development	3,000,000	7,274,257	-	-	7,019,831	392,231,923
LOTTE STATION B/D. CO.	3,030,620	8,284,188	-	-	7,850,016	5,794,848
LOTTE INTERNATIONAL CO., LTD.	155,041	2,530	-	4,208,338	36,734	-
LOTTE Engineering & Construction Co., Ltd. (*5)	-	13,391,158	-	-	45,091,641	1,772,761
Lotte Aluminum Co., Ltd.	10,226	8,399	-	492,102	474,875	-
Lotte Global Logistics Co., Ltd.	-	25,906	-	-	19,794,800	14,318,032
Others (*3)	915,112	11,553,962	7,550,379	567,468	107,778,014	2,908,034
Subtotal	8,378,827	42,059,842	8,259,270	29,605,578	227,747,966	429,268,966
Total	₩ 92,994,707	241,367,573	58,697,591	29,605,578	373,565,739	1,788,530,523

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

(\*2) The receivable amount from consumer sales in trade receivables is included.

(\*3) Other payables include ₩ 90,000,000 thousand of payables in Lotte Capital due to the merger of Lotte Incheon Development Co., Ltd and LOTTE Town Dongtan Co., LTD.

(\*4) Other payables include down payments for shares purchase contract of LOTTE HOTEL & RETAIL VIETNAM PTE. LTD.

(\*5) Other payables include down payments for shares purchase contract of LOTTE PROPERTIES HCMC COMPANY LIMITED.

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
**As of December 31, 2023 and 2022**

**38. Related Party Transactions, continued**

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

(in thousands of Korean won)

Name of related parties	2023	
	Collection of lease payments receivable (*2)	Payment of lease liabilities (*3)
<b>Shareholders:</b>		
Lotte Corporation	₩ -	2,349,484
Hotel Lotte Co., Ltd.	-	79,623,367
Hotel Lotte Pusan Co., Ltd.	-	13,681,731
Subtotal	-	95,654,582
<b>Subsidiaries:</b>		
Lotte Cultureworks Co., Ltd.	8,849,812	-
LOTTE Himart Co., Ltd.	2,113,955	-
Lotte Suwon Station Shopping Town Co., Ltd.	-	32,898,500
Lotte REIT Co., Ltd.	-	107,578,910
Others	25,600	750,000
Subtotal	10,989,367	141,227,410
<b>Associates:</b>		
Lotte Card Co., Ltd	53,448	-
MUJIKOREA CO.LTD	312,727	-
FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No. 3(Formerly, Hyundai Infiniti Private Equity Real Estate Investment Trust No.1)	-	4,908,540
Subtotal	366,175	4,908,540
<b>Others (*1):</b>		
Lotte Data Communication Company	-	3,624,715
LOTTE Property & Development	-	55,142,104
LOTTE STATION B/D. CO.	-	1,476,967
LOTTE Rental Co., Ltd.	6,605	1,672,903
Others	2,627,071	7,802,300
Subtotal	2,633,676	69,718,989
Total	₩ 13,989,218	311,509,521

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

(\*2) Interest income received for lease payments receivable is included.

(\*3) Interest expense paid for financial lease liabilities is included.

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
**As of December 31, 2023 and 2022**

**38. Related Party Transactions, continued**

(e) The amount of lease payments receivable collection and lease liability payment for the years ended December 31, 2023 and 2022 are as follows; continued

(in thousands of Korean won)

Name of related parties	2022	
	Collection of lease payments receivable (*2)	Payment of lease liabilities (*3)
<b>Shareholders:</b>		
Lotte Corporation	₩ -	2,303,416
Hotel Lotte Co., Ltd.	-	78,531,832
Hotel Lotte Pusan Co., Ltd.	-	13,619,673
Subtotal	-	94,454,921
<b>Subsidiaries:</b>		
Lotte Cultureworks Co., Ltd.	8,756,863	-
LOTTE Himart Co., Ltd.	2,931,428	-
Lotte Suwon Station Shopping Town Co., Ltd.	-	34,239,879
LOTTE Songdo Shopping Town CO., LTD	-	549,760
Lotte REIT Co., Ltd.	-	108,432,160
Others	-	3,168,615
Subtotal	11,688,291	146,390,414
<b>Associates:</b>		
Lotte Card Co., Ltd	552,396	-
MUJIKOREA CO.LTD	156,364	5,038,429
Subtotal	708,760	5,038,429
<b>Others (*1):</b>		
Lotte Data Communication Company	-	3,707,014
LOTTE Property & Development	-	54,477,996
LOTTE STATION B/D. CO.	-	1,484,072
LOTTE Rental Co., Ltd.	-	1,493,284
Others	2,258,760	8,044,416
Subtotal	2,258,760	69,206,782
Total	₩ 14,655,811	315,090,546

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

(\*2) Interest income received for lease payments receivable is included.

(\*3) Interest expense paid for financial lease liabilities is included.

(f) The contents of compensation of major management during the years ended December 31, 2023 and 2022 are as follows:

(in thousands of Korean won)

Classification	2023	2022
Short-term salary	₩ 32,786,359	33,356,024
Retirement benefits	4,169,403	4,064,546
Other long-term benefits	(72,730)	74,015
Total	₩ 36,883,032	37,494,585

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
**As of December 31, 2023 and 2022**

**38. Related Party Transactions, continued**

(g) Details of payment guarantees, and collateral provided by the Company for the financial supports to the related parties as of December 31, 2023 are as follows, and no collateral and payment guarantees are provided by the related parties:

(in full foreign currency)

Name of company	Guaranteed by	Guaranteed amount	Guarantee period	Remarks
<b>Subsidiaries:</b>				
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	Feb 25, 2023 ~ Feb 25, 2024	
LOTTE PROPERTIES (CHENGDU) HK LIMITED	Kookmin Bank	USD 165,000,000	March 10, 2023 ~ March 8, 2024	
	Woori Bank	USD 30,000,000	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	Nov 14, 2023~ Nov 12, 2024	Payment Guarantee
	Woori Bank	USD 30,000,000	Nov 14, 2023~ Nov 12, 2024	
KEB Hana Bank	USD 30,000,000	Nov 14, 2023~ Nov 12, 2024		
LOTTE PROPERTIES HANOI Co., LTD.	Kookmin Bank, 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>Joint ventures:</b>				
International Business Center Company Limited	DBS	USD 4,000,000	April 6, 2023 ~ April 5, 2024	
	The Export-Import Bank of Korea	USD 4,000,000	April 3, 2023 ~ April 3, 2024	

(h) As of December 31, 2023, the Company entered 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).

(i) The Company has provided guarantees for Lotte Suwon Station Shopping Town Co., Ltd. to pay the rent during the term of the lease (20 years) from the beginning of the lease contract in 2014.



**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
**As of December 31, 2023 and 2022**

**38. Related Party Transactions, continued**

(j) Dividends recognized from related parties during the year ended December 31, 2023 are as follows:

*(in thousands of Korean won)*

<u>Name of related parties</u>		<u>Contractual amount</u>
<b>Subsidiaries:</b>		
Woori Home Shopping & Television Co., Ltd.	₩	26,746,850
LOTTE Himart Co., Ltd.		4,620,982
LOTTE REIT Co., Ltd.		30,652,687
IMM Heim Coinvestment I Private Equity Fund		48,311
Subtotal		<u>62,068,830</u>
<b>Associates:</b>		
FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No. 3(Formerly, Hyundai Infiniti Private Equity Real Estate Investment Trust No.1) (*)		654,389
Lotte Card Co., Ltd.		13,199,093
INNOCEAN WORLDWIDE INC.		2,214,500
FRL Korea Co., Ltd.		88,200,000
Zara Retail Korea Co., Ltd.		4,000,000
Eugene Unicorn Private Equity Fund		262
Subtotal		<u>108,268,244</u>
Total	₩	<u>170,337,074</u>

(\*) During the current year, the status of Hyundai Infiniti Specialized Private Investment Trust No.1 was succeeded to FL Asset Management, and accordingly, the name of the investment trust was changed to FL Jeju Nohyeong General Private Real Estate Investment Trust No. 3.

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

*(in thousands of Korean won)*

<u>Classification</u>		<u>Contractual amount</u>	<u>Used amount</u>	<u>Repayment</u>	<u>Outstanding balance</u>
In the perspective of user	₩	240,000,000	2,542,558,001	2,536,917,488	7,048,903

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
**As of December 31, 2023 and 2022**

**39. Lease**

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

Details recognized in the separate statement of financial position related to lease 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	₩	265,860,715	364,504,077
Buildings		2,562,368,324	3,234,367,553
Vehicles		2,122,503	2,136,644
Others		10,593,467	9,573,116
Total		<u>2,840,945,009</u>	<u>3,610,581,390</u>
Investment property		149,293,642	198,967,783
Financial lease receivables:			
Current		29,332,493	34,132,232
Non-current		91,959,372	121,591,892
Total		<u>121,291,865</u>	<u>155,724,124</u>
Financial lease liabilities:			
Current		694,704,187	750,262,844
Non-current		3,685,520,249	4,530,458,192
Total	₩	<u>4,380,224,436</u>	<u>5,280,721,036</u>

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

Details recognized in the separate statement of comprehensive income (loss) related to lease during 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	₩	443,170,312	485,836,405
Vehicles		1,311,662	1,245,206
Others		6,019,301	5,522,364
Total	₩	<u>450,501,275</u>	<u>492,603,975</u>
Bad debt expense (reversal) on financial lease payment receivables	₩	(458,269)	748,911
Depreciation expense on investment in properties		21,354,950	23,024,045
Impairment loss on right-of-use assets		110,703,625	165,913,286
Interest expense on lease liabilities		162,046,597	167,087,894
Interest income on financial lease receivables		5,402,066	3,981,489
Gain on lease termination		103,795,465	56,454,699
Gain on disposal of right-of-use assets		31,263,347	30,577,257
Loss on lease termination		3,114,151	1,816,854
Loss on disposal of right-of-use assets		18,098,045	6,575,786
Leases of low-value assets and short-term leases, etc.		102,391,574	82,837,383

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
**As of December 31, 2023 and 2022**

**39. Lease, continued**

(c) Details of right-of-use assets as of January 1, 2023 and December 31, 2023 are as follows:

(in thousands of Korean won)

		Property	Vehicles	Others	Total
January 1, 2023	₩	3,598,871,630	2,136,644	9,573,116	3,610,581,390
Depreciation expenses		(443,170,312)	(1,311,662)	(6,019,301)	(450,501,275)
Acquisition of right-of-use assets		12,664,762	1,638,723	7,264,364	21,567,849
Impairment loss on right-of-use assets		(108,849,074)	(302,655)	(1,551,896)	(110,703,625)
Others (*)		(231,287,967)	(38,547)	1,327,184	(229,999,330)
December 31, 2023	₩	<u>2,828,229,039</u>	<u>2,122,503</u>	<u>10,593,467</u>	<u>2,840,945,009</u>

(\*) Others are consisting of modification and termination of lease contract, investment in real estate, and sub-lease replacements, etc.

(d) Details of right-of-use assets as of January 1, 2022 and December 31, 2022 are as follows:

(in thousands of Korean won)

		Property	Vehicles	Others	Total
January 1, 2022	₩	4,230,700,549	1,611,807	11,719,695	4,244,032,051
Depreciation expenses		(485,836,405)	(1,245,206)	(5,522,364)	(492,603,975)
Acquisition of right-of-use assets		72,171,831	2,546,749	2,931,671	77,650,251
Impairment loss on right-of-use assets		(164,068,300)	(355,917)	(1,489,069)	(165,913,286)
Others (*)		(54,096,045)	(420,789)	1,933,183	(52,583,651)
December 31, 2022	₩	<u>3,598,871,630</u>	<u>2,136,644</u>	<u>9,573,116</u>	<u>3,610,581,390</u>

(\*) Others are consisting of modification and termination of lease contract, investment in real estate, and sub-lease replacements, etc.

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

(in thousands of Korean won)

		Less than 6 months	6 months~ 1 year	1 ~ 2 years	2 ~ 5 years	More than 5 years	Total
Total minimum lease payments	₩	359,648,265	348,096,204	652,914,220	1,691,989,585	2,099,296,140	5,151,944,414
Net minimum lease payments		352,457,869	342,246,318	563,770,402	1,446,496,913	1,675,252,934	4,380,224,436

Total cash outflow of lease liabilities during the year of 2023 is ₩ 722,566,043 thousand.

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

(in thousands of Korean won)

		Less than 6 months	6 months~ 1 year	1 ~ 2 years	2 ~ 5 years	More than 5 years	Total
Total minimum lease payments	₩	16,675,978	13,517,245	35,722,749	54,463,045	13,794,399	134,173,416
Net minimum lease payments		16,368,720	13,070,143	32,965,676	48,639,353	10,676,072	121,719,964

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
**As of December 31, 2023 and 2022**

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**39. Lease, continued**

(g) Operating lease

The Company entered and maintained an operating lease agreement to lease property, plant, and equipment. The collection plan of lease payments related to the operating lease contract as of December 31, 2023 and 2022 is as follows:

<i>(in thousands of Korean won)</i>	<u>2023</u>	<u>2022</u>
Within 1 year	₩ 87,327,319	96,271,668
Within 1 ~ 5 years	147,683,491	151,358,259
Over 5 years	<u>16,184,787</u>	<u>72,532,233</u>
Total (*)	₩ <u>251,195,597</u>	<u>320,162,160</u>

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

The lease income related to the operating lease consisting of variable lease payment amounting to ₩ 1,261,402,051 thousand and fixed lease payment amounting to ₩ 112,023,971 thousand are recognized during 2023 and variable lease payment amounting to ₩ 1,233,599,353 thousand and fixed lease payment amounting to ₩ 119,318,931 thousand are recognized during 2022 by the Company.

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
**As of December 31, 2023 and 2022**

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**40. Risk Management**

(a) Management of financial risks

(i) Objectives and policies of the Company

Risk management activities of the Company identify credit risk, liquidity risk, market risk and any other potential risk that may affect the Company'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 Company's competitiveness by reducing finance costs through the improvement of the financial structure and efficiency of capital operations.

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

① Exposure to credit risk

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

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Cash equivalents (*1)	₩ 989,298,767	1,152,209,909
Trade and other receivables	824,385,990	713,603,950
Other financial assets (current)	383,397,184	800,119,024
Other financial assets (non-current) (*2)	1,022,352,133	1,078,989,480
Total	₩ 3,219,434,074	3,744,922,363

(\*1) Cash held by the Company 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.**  
**Notes to the Separate Financial Statements**  
**As of December 31, 2023 and 2022**

**40. 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)

		<b>2023</b>		
		<u>Total carrying amount</u>	<u>Probability of default</u>	<u>Allowance for doubtful accounts</u>
<b>Trade and other receivables</b>				
Not past due	₩	819,514,831	0.00%~0.57%	743,130
0 ~ 3 months past due		4,776,534	0.00%~12.51%	72,824
3 ~ 6 months past due		1,253,052	0.00%~37.63%	383,530
6 ~ 9 months past due		32,690	11.81%~69.80%	11,775
9 ~ 12 months past due		172,729	28.32%~94.84%	152,587
12 ~ 15 months past due		4,013	100%	4,013
15 months past due		13,232,531	100%	13,232,531
Total	₩	<u>838,986,380</u>		<u>14,600,390</u>
<b>Other financial assets (current)</b>				
Not due	₩	383,397,184		-
Total	₩	<u>383,397,184</u>		<u>-</u>
<b>Other financial assets (non-current)</b>				
Not due	₩	1,022,352,133	0.00%	-
More than 15 months overdue		110,888	100.00%	110,888
Total	₩	<u>1,022,463,021</u>		<u>110,888</u>

(in thousands of Korean won)

		<b>2022</b>		
		<u>Total carrying amount</u>	<u>Probability of default</u>	<u>Allowance for doubtful accounts</u>
<b>Trade and other receivables</b>				
Not past due	₩	711,913,826	0.00%~1.85%	2,857,116
0 ~ 3 months past due		3,602,294	0.06%~73.33%	310,958
3 ~ 6 months past due		1,695,308	10.50%~95.82%	1,567,576
6 ~ 9 months past due		169,401	30.01%~98.21%	136,043
9 ~ 12 months past due		740,170	74.54%~98.89%	732,666
12 ~ 15 months past due		922,944	100%	922,944
15 months past due		19,342,472	27.51%~100%	18,255,162
Total	₩	<u>738,386,415</u>		<u>24,782,465</u>
<b>Other financial assets (current)</b>				
Not due	₩	800,119,024		-
Total	₩	<u>800,119,024</u>		<u>-</u>
<b>Other financial assets (non-current)</b>				
Not due	₩	1,078,989,480	0.00%	-
More than 15 months overdue		1,110,888	100.00%	110,888
Total	₩	<u>1,080,100,368</u>		<u>110,888</u>

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
**As of December 31, 2023 and 2022**

**40. Risk Management, continued**

(a) Management of financial risks, continued

(ii) Credit risk, continued

Changes in the allowance for doubtful accounts for trade and other receivables 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	₩	24,782,465	20,309,519
Provision (Reversal)		(8,478,537)	4,607,997
Write-off		<u>(1,703,538)</u>	<u>(135,051)</u>
Ending balance	₩	<u>14,600,390</u>	<u>24,782,465</u>

No changes have occurred in the allowance for doubtful accounts related to other financial assets (current) for the years ended December 31, 2023.

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	₩	1,110,888	1,110,888
Write-off		<u>(1,000,000)</u>	<u>-</u>
Ending balance	₩	<u>110,888</u>	<u>1,110,888</u>

- Payment guarantees

As of December 31, 2023, the Company has provided financial guarantees to associates and joint ventures amounting to ₩ 1,005,042,800 thousand.

(iii) Liquidity risk

Liquidity risk is the risk that the Company 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 Company 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 Company deposits a reasonable amount with financial institutions with high credit ratings to make provisions for potential liquidity risks. The Company maintains a credit line for overdraft and general loans with various financial institutions and is able to raise funds through financial markets based on the Company's domestic credit rating (AA-). The management of the Company 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.**  
**Notes to the Separate Financial Statements**  
**As of December 31, 2023 and 2022**

**40. 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				
		3 months or less	3 ~ 6 months	6 months ~ 1 year	More than 1 year	Contractual Cash Flow
Trade and other payables	₩ 2,071,359,951	2,068,536,922	-	-	2,823,029	2,071,359,951
Borrowings and debentures (*1,2)	5,348,109,031	295,977,485	1,313,649,554	1,128,625,733	2,953,914,326	5,692,167,098
Lease liabilities	4,380,224,436	179,385,836	173,072,033	342,246,318	3,685,520,249	4,380,224,436
Other financial liabilities	390,782,161	392,687,716	5,907,571	104,093,475	81,403,653	584,092,415
Financial guarantee contract (*2)	203,116,003	1,005,042,800	-	-	-	1,005,042,800
Total	₩ 12,393,591,582	3,941,630,759	1,492,629,158	1,574,965,526	6,723,661,257	13,732,886,700

(\*1) Includes interest expenses.

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

The Company 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 Company's profits.

The Company 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 Company seeks to apply hedge accounting in order to manage volatility in profit or loss.

① Currency risk

The Company is exposed to currency risk on assets and liabilities that are denominated in currencies other than Korean won, the functional currency of the Company. Major currencies which generate exchange positions include USD, JPY 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 Company hedges currency risks of foreign currency denominated borrowings and debentures through currency swap transactions with financial institutions. The Company 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.**  
**Notes to the Separate Financial Statements**  
**As of December 31, 2023 and 2022**

**40. 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 Company'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	₩	13,791,988	1,125,441,238	11,410,467	1,061,968,113
EUR		3,533	891,603	-	348,998
JPY		-	-	-	419
IDR		-	-	902,174	-
CNY		3,560	-	49,436	-
AUD		-	-	-	16,305
GBP		-	47,631	-	-
Total	₩	<u>13,799,081</u>	<u>1,126,380,472</u>	<u>12,362,077</u>	<u>1,062,333,835</u>

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
IDR		0.0857	0.0869	0.0836	0.0809
CNY		184.22	191.57	180.84	181.44
AUD		867.29	895.43	880.08	858.41
GBP		1,624.19	1,592.33	1,641.79	1,527.67

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
**As of December 31, 2023 and 2022**

**40. Risk Management, continued**

(a) Management of financial risks, continued

(iv) Market risk, continued

① Currency risk, continued

The Company 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.

(in thousands of Korean won)

		2023		2022	
		10% increase	10% decrease	10% increase	10% decrease
USD	₩	703,419	(703,419)	763,785	(763,785)
EUR		(88,807)	88,807	(34,900)	34,900
JPY		-	-	(42)	42
IDR		-	-	90,217	(90,217)
CNY		356	(356)	4,944	(4,944)
AUD		-	-	(1,630)	1,630
GBP		(4,763)	4,763	-	-
Total	₩	610,205	(610,205)	822,374	(822,374)

The above sensitivity analysis is related to the Company's monetary assets and liabilities, denominated in a currency other than the Company'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 Company 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 Company makes interest swap transactions with financial institutions for hedging interest rate risk of variable borrowings and debentures.

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

(in thousands of Korean won)

		2023	2022
Financial assets	₩	-	-
Financial liabilities		815,548,252	674,599,459

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
**As of December 31, 2023 and 2022**

**40. 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 Company'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 Company 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	₩	-	-	-	-
Interest expenses		3,950,000	(3,950,000)	2,950,000	(2,950,000)

③ Price risk

The Company 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 ₩ 73,494,306 thousand and ₩ 66,486,223 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 ₩ 7,349,431 thousand and ₩ 6,648,622 thousand, respectively.

(b) Capital Management

The objective of the Company's capital management is maximization of shareholders' profits by maintaining an appropriate capital structure. The Company 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)	₩	14,010,715,192	15,464,184,273
Equity (B)		9,428,590,853	9,267,589,600
Deposits (C)		1,261,445,542	1,878,868,295
Borrowings (D)		5,348,109,031	6,008,367,614
Liabilities to equity ratio (A/B)		148.60%	166.86%
Net borrowings to equity ratio ((D-C)/B)		43.34%	44.56%

**LOTTE SHOPPING CO.,LTD.**  
**Notes to the Separate Financial Statements**  
**As of December 31, 2023 and 2022**

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**41. Subsequent events**

- (a) According to the resolution of the board of directors on December 14, 2023, the Company merged Lotte Suwon Station Shopping Town Co., Ltd., a subsidiary, as of March 1, 2024.
- (b) 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 Company 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 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*

We have audited Lotte Shopping Co., Ltd.'s (the Company) internal control over financial reporting ("ICFR") 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 Company maintained, in all material respects, effective internal control over financial reporting 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 separate financial statements of the Company, which comprise the separate statements of financial position as of December 31, 2023, the separate statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes, comprising material accounting policy information and other explanatory information, and our report dated March 15, 2024 expressed an unmodified opinion on those separate financial statements.

### *Basis for Opinion on Internal Control over Financial Reporting*

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 section of our report. We are independent of the Company 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*

The Company's management is responsible for designing, operating and maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report on Operating Status of Internal Control over Financial Reporting.

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

### *Auditors' Responsibilities for the Audit of the Internal Control over Financial Reporting*

Our responsibility is to express an opinion on the Company's internal control over financial reporting 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 was maintained in all material respects.

Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, 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*

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect material misstatements. 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.

## 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 Internal Control over Financial Reporting (“ICFR”) for the year ending December 31, 2023.

Design and operation of 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 ICFR to prevent and detect errors or frauds which may cause a misstatement in 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 ICFR. And we conducted an evaluation of 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 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