

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

**Consolidated Financial Statements  
As of December 31, 2022 and 2021**

**(With Independent Auditors' Report Thereon)**

**LOTTE SHOPPING CO.,LTD.**

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## Independent Auditors' Report

### Based on a report originally issued in Korean

To the Shareholders and Board of Directors of

Lotte Shopping Co., Ltd.

### *Opinion*

We have audited the consolidated financial statements of Lotte Shopping Co., Ltd. and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, the consolidated statements of comprehensive income(loss), changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

### *Basis for Opinion*

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

### *Key Audit Matter*

Key audit matter is that matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements as of and for the year ended December 31, 2022. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

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

As described in Note 15 to the consolidated financial statements, as of December 31, 2022, the carrying amount of goodwill of consumer electronics retail segment in the consolidated financial statements is ₩463,738 million. Also, the impairment loss of ₩297,670 million is recognized during 2022.

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

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



- We have understood the Group's goodwill impairment test process;
- We tested the mathematical accuracy of valuation model used by the Group;
- We assessed the competence, qualification and objectivity of external experts engaged by the Group to assess recoverable amount; and
- We engaged our valuation specialists to assist us in evaluating assumptions and estimates including the future cash flows and discount rate used in the valuation of value-in-use.

#### *Other matter*

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used in the preparation of the consolidated financial statements and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or



conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

*KPMG Samjory Accounting Corp.*

Seoul, Korea  
March 15, 2023

This report is effective as of March 15, 2023, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Consolidated Statements of Financial Position**  
**As of December 31, 2022 and 2021**

(In Korean won)	Notes	2022	2021
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6,7,35,41 ₩	1,800,809,705,742	2,398,788,978,689
Trade and other receivables	5,7,40,41	805,183,467,950	625,501,297,125
Other financial assets	6,7,23,41	1,657,441,323,468	2,074,555,177,483
Inventories	8	1,386,063,156,288	1,395,280,189,965
Income tax refund receivables	34	80,878,162,609	146,636,380,573
Other non-financial assets	9	125,567,443,110	106,683,605,060
Assets held for sale	10	323,570,816,646	252,739,862,019
		<u>6,179,514,075,813</u>	<u>7,000,185,490,914</u>
<b>Non-current assets</b>			
Trade and other receivables	5,7,40,41	100,200,264,439	95,664,385,002
Investments in associates and joint ventures	11,12	1,439,010,264,830	991,462,117,628
Other financial assets	6,7,23,41	1,848,380,049,705	2,381,304,885,731
Property, plant and equipment, net	13,40	14,325,423,742,352	14,578,526,259,318
Right-of-use assets	42	4,059,086,447,812	4,700,201,180,942
Investment property, net	14	2,071,590,199,293	1,766,203,032,622
Goodwill	15	886,804,557,650	1,185,880,115,730
Intangible assets, net	15	253,944,751,840	333,921,531,788
Defined benefit assets	21	261,888,456,786	121,737,667,756
Deferred tax assets	34	96,970,974,210	87,495,656,414
Other non-financial assets	9	180,762,088,340	183,951,495,157
		<u>25,524,061,797,257</u>	<u>26,426,348,328,088</u>
<b>Total assets</b>	₩	<u><b>31,703,575,873,070</b></u>	<u><b>33,426,533,819,002</b></u>

*See accompanying notes to the consolidated financial statements.*

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Consolidated Statements of Financial Position, continued**  
**As of December 31, 2022 and 2021**

(In Korean won)	Notes	2022	2021
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings and debentures, net of issuance costs	7,17,38,40,41	₩ 4,894,848,443,231	3,564,742,247,058
Trade and other payables	7,16,40,41	2,566,310,260,103	2,419,870,120,532
Other financial liabilities	7,23,41	398,857,687,825	453,558,227,545
Lease liabilities	7,40,42	756,903,350,340	628,014,113,358
Income tax payables	34	7,236,536,663	120,115,902,197
Unearned revenues	18	207,553,830,946	183,830,692,892
Provisions	19	40,667,918,446	30,735,990,418
Other non-financial liabilities	20	1,628,562,454,687	1,593,382,154,657
Liabilities held for sale	10	121,645,158,580	-
		<u>10,622,585,640,821</u>	<u>8,994,249,448,657</u>
<b>Non-current liabilities</b>			
Borrowings and debentures, net of issuance costs	7,17,38,40,41	4,866,439,908,187	6,388,234,343,658
Trade and other payables	7,16,40,41	19,454,583,649	15,635,693,345
Other financial liabilities	7,23,41	155,470,722,811	100,905,481,186
Lease liabilities	7,40,42	4,623,897,610,671	5,318,114,599,877
Defined benefit liabilities and other long-term employee benefits	21	32,628,098,887	34,788,697,045
Deferred tax liabilities	34	189,548,681,053	610,770,682,795
Unearned revenues	18	26,694,353,609	28,918,937,740
Provisions	19	131,739,487,380	137,909,257,763
		<u>10,045,873,446,247</u>	<u>12,635,277,693,409</u>
<b>Total liabilities</b>		<u>20,668,459,087,068</u>	<u>21,629,527,142,066</u>
<b>Equity</b>			
Share Capital	1,24	141,443,775,000	141,443,775,000
Capital Surplus	24	3,574,349,413,965	3,574,211,671,439
Hybrid securities	22	169,454,021,553	139,574,341,553
Capital adjustments	25	(3,019,418,222,294)	(3,032,430,491,251)
Retained earnings	26	8,641,202,573,997	8,996,636,841,881
Accumulated other comprehensive income (loss)	27	60,622,372,023	264,056,073,938
<b>Stockholders' equity attributable to owners of the Company</b>		<u>9,567,653,934,244</u>	<u>10,083,492,212,560</u>
<b>Non-controlling interests</b>		<u>1,467,462,851,758</u>	<u>1,713,514,464,376</u>
<b>Total equity</b>		<u>11,035,116,786,002</u>	<u>11,797,006,676,936</u>
<b>Total liabilities and equity</b>		<u>₩ 31,703,575,873,070</u>	<u>33,426,533,819,002</u>

*See accompanying notes to the consolidated financial statements.*

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income (Loss)**  
**For the years ended December 31, 2022 and 2021**

(In Korean won)	Notes	2022	2021
Sales	29,37,40 ₩	15,476,035,656,554	15,573,550,042,665
Cost of sales	8,32,40	(8,662,606,266,375)	(9,031,312,694,405)
<b>Gross profit</b>		<b>6,813,429,390,179</b>	<b>6,542,237,348,260</b>
Selling, general and administrative expenses	30,32,40,42	(6,424,519,191,456)	(6,333,903,001,822)
Bad debt expense	30,32	(2,684,604,113)	(731,653,172)
<b>Operating profit</b>		<b>386,225,594,610</b>	<b>207,602,693,266</b>
Other income	31,40	158,255,691,886	217,931,714,720
Other expenses	31,40	(783,081,950,287)	(647,585,952,577)
Other bad debt expense	31,40	(2,848,833,912)	(6,138,914,057)
Finance income - Interest income calculated using the effective interest method	33	117,380,869,303	73,736,887,114
Finance income - Others	33	225,426,480,608	180,091,018,265
Finance costs	33	(798,363,441,370)	(760,311,035,446)
Equity method income on instruments in associates and joint ventures	11,12	129,663,282,129	96,432,874,163
<b>Loss before income tax</b>		<b>(567,342,307,033)</b>	<b>(638,240,714,552)</b>
Income tax revenue	34	248,649,866,000	365,276,560,551
<b>Loss for the year</b>		<b>(318,692,441,033)</b>	<b>(272,964,154,001)</b>
<b>Other comprehensive income (loss)</b>			
Items that will never be reclassified to profit or loss			
Fair value gain (loss) through other comprehensive income on equity instruments		(539,972,751,942)	842,118,879,722
Remeasurements of net defined benefit liabilities	21	79,496,575,275	80,154,670,492
Net changes in equity of equity method investments		6,302,128,729	9,323,184,981
Income tax effect		153,876,877,647	(196,530,087,046)
Total items that will never be reclassified to profit or loss		(300,297,170,291)	735,066,648,149
Items that will be subsequently reclassified to profit or loss			
Fair value gain (loss) through other comprehensive income on debt instruments		(184,535,373)	(26,818,175)
Exchange rate differences on translating foreign operations		(40,651,741,083)	111,612,093,216
Gain (loss) on valuations of derivatives	23	(7,945,025,644)	14,113,702,571
Net changes in equity of equity method investments		4,521,531,484	28,001,423,905
Income tax effect		13,870,923,047	(19,063,757,199)
Total items that will be subsequently reclassified to profit or loss		(30,388,847,569)	134,636,644,318
Other comprehensive income for the year, net of tax	27	(330,686,017,860)	869,703,292,467
Total comprehensive income (loss) for the year	₩	(649,378,458,893)	596,739,138,466

*See accompanying notes to the consolidated financial statements.*



**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income (Loss), continued**  
**For the years ended December 31, 2022 and 2021**

(In Korean won)	Notes	2022	2021
Profit (loss) attributable to:			
Owners of the Company	₩	(324,570,885,303)	(292,279,479,719)
Non-controlling interests		<u>5,878,444,270</u>	<u>19,315,325,718</u>
		<u>(318,692,441,033)</u>	<u>(272,964,154,001)</u>
<b>Total comprehensive income (loss) attributable to:</b>			
Owners of the Company		(474,546,050,277)	241,808,313,638
Non-controlling interests		<u>(174,832,408,616)</u>	<u>354,930,824,828</u>
	₩	<u>(649,378,458,893)</u>	<u>596,739,138,466</u>
Earnings (loss) per share	28		
Basic earnings (loss) per share	₩	(11,772)	(10,363)
Diluted earnings (loss) per share		(11,772)	(10,430)

*See accompanying notes to the consolidated financial statements.*

**LOTTE SHOPPING CO., LTD. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2022 and 2021**

(In Korean won)	Share capital	Capital surplus	Hybrid securities	Capital adjustments	Retained earnings	Accumulated other comprehensive income (loss)	Non-controlling interests	Total equity
<b>Balance at January 1, 2021</b>	₩ 141,443,775,000	3,574,211,671,439	-	(3,012,812,991,058)	9,176,601,093,411	(77,855,655,752)	1,287,174,674,266	11,088,762,567,306
<b>Comprehensive income (loss) for the year:</b>								
Profit(loss) for the year	-	-	-	-	(292,279,479,719)	-	19,315,325,718	(272,964,154,001)
<b>Other comprehensive income (loss):</b>								
Fair value gain through other comprehensive income on financial instruments	-	-	-	-	127,057,627,667	203,825,735,046	334,080,094,162	664,963,456,875
Exchange rate differences on translating foreign operations	-	-	-	-	-	105,719,820,232	(3,449,755,365)	102,270,064,867
Gain (loss) on valuations of derivatives	-	-	-	-	-	10,698,186,549	-	10,698,186,549
Remeasurements of defined benefit liabilities	-	-	-	-	60,140,316,173	-	596,952,225	60,737,268,398
Net changes in equity of equity method investments	-	-	-	-	4,978,119,827	21,667,987,863	4,388,208,088	31,034,315,778
Subtotal	-	-	-	-	192,176,063,667	341,911,729,690	335,615,499,110	869,703,292,467
<b>Total comprehensive income(loss) for the year</b>	-	-	-	-	(100,103,416,052)	341,911,729,690	354,930,824,828	596,739,138,466
<b>Transactions with owners of the company recognized directly in equity:</b>								
Issuance of hybrid securities	-	-	139,574,341,553	-	-	-	-	139,574,341,553
Interest paid of hybrid securities	-	-	-	-	(703,043,478)	-	-	(703,043,478)
Dividends	-	-	-	-	(79,157,792,000)	-	(59,528,959,511)	(138,686,751,511)
Acquisition of treasury stock by subsidiaries	-	-	-	(3,709,760,122)	-	-	(14,951,000,678)	(18,660,760,800)
Subsidiary's paid-in capital increase etc.	-	-	-	(15,907,740,071)	-	-	145,888,925,471	129,981,185,400
<b>Balance at December 31, 2021</b>	₩ 141,443,775,000	3,574,211,671,439	139,574,341,553	(3,032,430,491,251)	8,996,636,841,881	264,056,073,938	1,713,514,464,376	11,797,006,676,936

*See accompanying notes to the consolidated financial statements.*

**LOTTE SHOPPING CO., LTD. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity, continued**  
**For the years ended December 31, 2022 and 2021**

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

*See accompanying notes to the consolidated financial statements.*

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2022 and 2021**

(In Korean won)	Notes	2022	2021
<b>Cash flows from operating activities</b>			
Loss for the year	₩	(318,692,441,033)	(272,964,154,001)
Adjustments	35	2,070,473,447,199	1,844,732,722,778
Changes in operating assets and liabilities	35	(97,986,160,304)	470,524,943,362
Income taxes paid		(25,956,615,041)	(214,195,200,505)
<b>Net cash provided by operating activities</b>		<b>1,627,838,230,821</b>	<b>1,828,098,311,634</b>
<b>Cash flows from investing activities</b>			
Decrease of short-term financial instruments		2,125,192,688,656	2,278,930,265,743
Decrease of short-term loans		114,782,526,860	10,581,335,995
Proceeds from sale of debt instruments at fair value through other comprehensive income		703,361,492	10,316,924,923
Proceeds from sale of equity instruments at fair value through other comprehensive income		5,260,107	308,171,996,628
Proceeds from sale of debt instruments at fair value through profit or loss		2,300,429,741	3,172,663,798
Decrease of leasehold deposits provided		67,101,876,197	115,220,853,442
Proceeds from sale of investments in associates and joint ventures		100,162,750,398	13,278,951,777
Proceeds from disposal of assets held for sale		-	63,538,504,116
Advances received		4,019,235,462	-
Proceeds from disposal of property, plant and equipment		6,274,032,291	860,355,342,238
Proceeds from disposal of intangible assets		3,955,709,426	2,256,533,052
Collection of lease receivable		25,495,856,735	26,591,227,058
Cash inflows from settlement of derivatives		22,364,008,366	13,068,249,000
Cash inflows from transfer of business		-	82,407,519,483
Cash inflows from purchase/disposal of subsidiaries		4,084,719,756	27,796,914,824
Cash inflows from other investing activities		417,252,609	-
Increase of short-term financial instruments		(1,610,725,878,086)	(2,307,110,719,161)
Increase of long-term financial instruments		(27,011,692,043)	(1,962,200,000)
Increase in short-term loans		(100,000,000,000)	(1,117,715,100)
Increase in long-term loans		(1,562,800,000)	(2,461,300,000)
Purchase of debt instrument at fair value through profit or loss		(17,110,711,840)	(25,046,854,674)
Purchase of equity instruments at fair value through other comprehensive income		-	(63,302,179,000)
Increase of leasehold deposits provided		(18,407,785,292)	(64,692,396,886)
Cash outflows from changes in the scope of consolidation		(1,629,432,944)	(38,471,168,794)
Purchase of investments in associates and joint ventures		(636,720,329,900)	(63,095,092,140)
Acquisition of property, plant, and equipment		(556,073,539,459)	(869,381,852,445)
Acquisition of right-of-use assets		-	(507,534,008)
Acquisition of intangible assets		(19,543,500,891)	(46,820,665,320)
Acquisition of investment property		(239,587,367,189)	(175,889,579,094)
Cash outflows from settlement of derivatives		-	(6,384,550,000)
Increase in long-term prepaid expenses		(66,401,505,610)	(83,597,294,134)
Interest received		83,518,627,590	43,548,107,561
Dividends received		110,940,336,071	91,619,581,984
<b>Net cash provided by (used in) investing activities</b>	₩	<b>(623,455,871,497)</b>	<b>201,013,870,866</b>

*See accompanying notes to the consolidated financial statements.*

# LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

## Consolidated Statements of Cash Flows, continued

For the years ended December 31, 2022 and 2021

(In Korean won)	Notes	2022	2021
<b>Cash flows from financing activities</b>			
Proceeds from short-term borrowings	₩	1,261,768,415,151	1,335,711,794,512
Proceeds from long-term borrowings		781,570,205,981	1,394,210,825,000
Proceeds from issuance of debentures		946,962,024,673	1,030,245,838,934
Increase of leasehold deposits received		24,088,303,909	25,228,501,516
Capital contribution from subsidiaries		165,000,000	167,457,500,000
Issuance of hybrid securities		29,879,680,000	139,574,341,553
Cash inflows from other financing activities		14,546,006	32,046,625
Repayment of short-term borrowings		(1,213,600,638,059)	(1,527,796,229,227)
Repayment of long-term borrowings		-	(25,000,000,000)
Repayment of current portion of long-term borrowing		(1,081,670,680,000)	(1,568,996,030,695)
Redemption of debentures		(1,091,675,479,451)	(1,253,589,437,555)
Decrease of leasehold deposits received		(29,504,088,843)	(63,788,238,300)
Acquisition of additional ownership in subsidiaries		-	(33,769,700,000)
Payment of hybrid securities interest		(8,240,000,000)	(703,043,478)
Repayment of lease liabilities		(595,155,035,984)	(591,001,529,094)
Acquisition of subsidiary's treasury stock		-	(18,660,760,800)
Cash outflows from other financing activities		-	(2,927,011,991)
Interest paid		(475,285,142,079)	(438,046,640,800)
Dividends paid		(147,997,896,975)	(138,686,751,512)
<b>Net cash used in financing activities</b>		<b>(1,598,680,785,671)</b>	<b>(1,570,504,525,312)</b>
Net increase (decrease) in cash and cash equivalents		(594,298,426,347)	458,607,657,188
Cash and cash equivalents as at the beginning of the year		2,398,788,978,689	1,913,235,610,358
Effect of exchange rate fluctuation on cash and cash equivalents		32,987,414,492	26,945,711,143
Reclassification of disposal group held for sale		(36,668,261,092)	-
<b>Cash and cash equivalents at the end of the year</b>	₩	<b>1,800,809,705,742</b>	<b>2,398,788,978,689</b>

See accompanying notes to the consolidated financial statements.

# **LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES** **Notes to the Consolidated Financial Statements** **As of December 31, 2022 and 2021**

## **1. General Information of Reporting Entity**

### (a) Organization and description of the Company

LOTTE SHOPPING CO.,LTD. (the “Company” or the “Parent Company”) was established on July 2, 1970 in the Republic of Korea to engage in retail operations through department stores. The Company’s operations comprise 32 department stores, 22 outlet stores, 112 discount stores, 199 supermarkets, and 6 Shopping-mall as of December 31, 2022. The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates and joint ventures.

The Company’s stock was listed on the Korea Exchange through an initial public offering on February 9, 2006. The shareholders of the Parent Company as of December 31, 2022, are as follows:

<i>(in millions 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	40.00
Shin, Dong Bin	2,893,049		14,465	10.23
Hotel Lotte Co., Ltd.	2,507,158		12,536	8.86
Shin, Young Ja	297,653		1,488	1.05
Hotel Lotte Pusan Co., Ltd.	220,326		1,102	0.78
Treasury share	18,115		91	0.06
Others	11,036,951		55,185	39.02
<b>Total</b>	<b>28,288,755</b>	₩	<b>141,444</b>	<b>100.00</b>

### (b) Description of subsidiaries

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

<b>December 31, 2022</b>								
<b>Subsidiaries</b>	<b>Location</b>	<b>Main business</b>	<b>Fiscal year end</b>		<b>Capital (in millions of Korean won)</b>	<b>Percentage of ownership (%)</b>		
						<b>Parent Company</b>	<b>Subsidiary</b>	<b>Total</b>
Woori Home Shopping & Television Co., Ltd.	Korea	TV Home-shopping	Dec. 31	₩	40,000	53.49	-	53.49
Lotte GFR Co., Ltd.	Korea	Apparel manufacturing and sales	Dec. 31		18,060	99.97	-	99.97
Lotte Gimhae Development Co., Ltd.	Korea	Building management service	Dec. 31		300	100.00	-	100.00
Lotte Suwon Station Shopping Town Co., Ltd.	Korea	Real estate development	Dec. 31		100,000	100.00	-	100.00
CS Mart Co., Ltd.	Korea	Distribution	Dec. 31		6,384	99.95	-	99.95
LOTTE Himart Co., Ltd. (*1)	Korea	Consumer electronics	Dec. 31		118,039	65.25	-	65.25
Lotte Ulsan Development Co., Ltd.	Korea	Real estate business, real estate lease	Dec. 31		25,200	96.83	-	96.83

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**As of December 31, 2022 and 2021**

**1. General Information of Reporting Entity, continued**

(b) Description of subsidiaries, continued

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

Subsidiaries	Location	Main business	Fiscal year end	December 31, 2022			
				Capital (in millions of Korean won)	Percentage of ownership (%)		
					Parent Company	Subsidiary	Total
Lotte Cultureworks Co., Ltd. (*2)	Korea	Cinema	Dec. 31	₩ 24,366	86.37	-	86.37
LOTTE CINEMA VIETNAM CO., LTD.	Vietnam	Cinema	Dec. 31	33,440	-	90.00	90.00
Lotte corporate venture fund No. 1	Korea	Investment on new technology	Dec. 31	2,130	18.78	79.81	98.59
Lotte Homeshopping Innovation Fund No. 1	Korea	Investment on new technology	Dec. 31	10,150	-	98.52	98.52
LOTTE Shopping Innovation Fund 1	Korea	Investment on new technology	Dec. 31	30,000	99.00	-	99.00
SMART LOTTE SHOPPING INNOVATION FUND	Korea	Investment on new technology	Dec. 31	12,160	69.08	-	69.08
IMM Heim Coinvestment I Private Equity Fund	Korea	Finance	Dec. 31	310,000	83.71	16.13	99.84
Heim II Limited	Korea	Finance	Dec. 31	300,000	-	100.00	100.00
Lotte DMC Development Co., Ltd.	Korea	Real estate business	Dec. 31	5,000	95.00	-	95.00
LOTTE REIT Co., Ltd. (*3)	Korea	Real estate business	Dec. 31	121,484	50.00	-	50.00
Lotte Incheon Town Co.,Ltd	Korea	Real estate business	Dec. 31	65,000	100.00	-	100.00
KC-K Contents Investment Association	Korea	Investment on movie production	Dec. 31	7,250	-	96.56	96.56
LKH 1st., Co., Ltd. (*4)	Korea	Finance	Dec. 31	0	-	-	-
New Star Gimpo Hangang 1st Co., Ltd. (*4)	Korea	Finance	Dec. 31	0	-	-	-
Lotte Department Store (Shenyang) Co., Ltd.	China	Distribution	Dec. 31	98,682	100.00	-	100.00
C	China	Distribution	Dec. 31	83,692	100.00	-	100.00
LOTTE PROPERTIES (CHENGDU) HK LIMITED	Hong Kong	Holding company	Dec. 31	217,888	73.46	-	73.46
Lotte Properties (Chengdu) Limited	China	Real estate lease	Dec. 31	491,973	-	100.00	100.00
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD.	Singapore	Holding company	Dec. 31	871,903	100.00	-	100.00
LOTTE VIETNAM SHOPPING JOINT STOCK COMPANY	Vietnam	Distribution	Dec. 31	312,042	-	99.99	99.99
PT. LOTTE SHOPPING INDONESIA	Indonesia	Distribution	Dec. 31	56,414	-	80.00	80.00

# **LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES** **Notes to the Consolidated Financial Statements** **As of December 31, 2022 and 2021**

## **1. General Information of Reporting Entity, continued**

(b) Description of subsidiaries, continued

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

December 31, 2022							
Subsidiaries	Location	Main business	Fiscal year end	Capital (in millions of Korean won)	Percentage of ownership (%)		
					Parent Company	Subsidiary	Total
PT. LOTTE MART INDONESIA	Indonesia	Distribution	Dec. 31	₩ 132,951	-	100.00	100.00
PT. LOTTE Shopping Avenue Indonesia	Indonesia	Distribution	Dec. 31	94,145	-	100.00	100.00
Lotte Shopping India Private Limited	India	Distribution	Dec. 31	18	-	100.00	100.00
LOTTEMART C&C INDIA PRIVATE LIMITED	India	Distribution	Dec. 31	1,092	-	100.00	100.00
Lotte Shopping Plaza Vietnam Co., Ltd.	Vietnam	Distribution	Dec. 31	29,708	-	100.00	100.00
LOTTE HOTEL & RETAIL VIETNAM PTE. LTD.	Singapore	Holding company	Dec. 31	69,209	20.00	40.00	60.00
Lotte Holdings Hong Kong Ltd.	Hong Kong	Holding company	Dec. 31	36,107	-	100.00	100.00
HAI THAHN - LOTTE COMPANY LIMITED	Vietnam	Hotel Business	Dec. 31	51,581	-	70.00	70.00
LOTTE E-COMMERCE VIETNAM CO., LTD	Vietnam	Distribution	Dec. 31	29,807	-	100.00	100.00
LOTTE PROPERTIES (HANOI) SINGAPORE PTE. LTD.	Singapore	Holding company	Dec. 31	316,634	90.00	-	90.00
LOTTE PROPERTIES HANOI CO., LTD.	Vietnam	Real estate development	Dec. 31	317,577	-	100.00	100.00

(\*1) As of December 31, 2022, the Company issued exchangeable bonds which are exchangeable to LOTTE Himart Co., Ltd., common stocks (see Note 17) and if exchanged in full, the Company's ownership on LOTTE Himart Co., Ltd. may be reduced from 65.25% to 63.69%, however there is no influence on the controlling ability of the Company on LOTTE Himart Co., Ltd.

(\*2) In accordance with stock repurchase agreement (see Note 38), shares issued to non-controlling shareholders as of December 31, 2019 have been classified as financial liabilities. The legal ownership of the Company on Lotte Cultureworks Co., Ltd., is 86.37%, however, it is reported as 100% on a consolidated financial statement.

(\*3) The voting rights of the shares held by the Group do not exceed 50% but have been classified as subsidiary considering their control in substance. The business year starts on January 1st and ends on June 30th, and the next business year starts on July 1st and ends on December 31st.

(\*4) The voting rights of the shares held by the Group do not exceed 50% but have been classified as subsidiary considering their control in substance in accordance with fund supplementation agreement. (See Note 39)



**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**As of December 31, 2022 and 2021**

**1. General Information of Reporting Entity, continued**

(b) Description of subsidiaries, continued

(ii) A summary of the subsidiaries of the Company as of December 31, 2021, is as follows:

December 31, 2021							
Subsidiaries	Location	Main business	Fiscal year end	Capital (in millions of Korean won)	Percentage of ownership (%)		
					Parent Company	Subsidiary	Total
Woori Home Shopping & Television Co., Ltd.	Korea	TV Home-shopping	Dec. 31	₩ 40,000	53.49	-	53.49
Lotte GFR Co., Ltd.	Korea	Apparel manufacturing and sales	Dec. 31	8,574	99.93	-	99.93
Lotte Gimhae Development Co., Ltd.	Korea	Building management service	Dec. 31	300	100.00	-	100.00
Lotte Suwon Station Shopping Town Co., Ltd.	Korea	Real estate development	Dec. 31	100,000	100.00	-	100.00
LOTTE Songdo Shopping Town CO., LTD	Korea	Real estate development	Dec. 31	106,578	100.00	-	100.00
CS Mart Co., Ltd.	Korea	Distribution	Dec. 31	6,384	99.95	-	99.95
LOTTE Himart Co., Ltd. (*1)	Korea	Consumer electronics	Dec. 31	118,039	65.25	-	65.25
Lotte Ulsan Development Co., Ltd.	Korea	Real estate business, real estate lease	Dec. 31	25,200	96.83	-	96.83
Lotte Cultureworks Co., Ltd. (*2)	Korea	Cinema	Dec. 31	24,366	86.37	-	86.37
LOTTE CINEMA VIETNAM CO., LTD.	Vietnam	Cinema	Dec. 31	33,440	-	90.00	90.00
Lotte corporate venture fund No. 1	Korea	Investment on new technology	Dec. 31	2,130	18.78	79.81	98.59
Lotte Homeshopping Innovation Fund No. 1	Korea	Investment on new technology	Dec. 31	5,075	-	98.52	98.52
LOTTE Shopping Innovation Fund 1	Korea	Investment on new technology	Dec. 31	12,000	99.00	-	99.00
IMM Heim Coinvestment I Private Equity Fund	Korea	Finance	Dec. 31	310,000	83.71	16.13	99.84
Heim II Limited	Korea	Finance	Dec. 31	300,000	-	100.00	100.00
Lotte DMC Development Co., Ltd.	Korea	Real estate business	Dec. 31	5,000	95.00	-	95.00
LOTTE REIT Co., Ltd. (*3)	Korea	Real estate business	Dec. 31	121,484	50.00	-	50.00
Lotte Incheon Development Co., Ltd	Korea	Retail, real estate business	Dec. 31	100,000	100.00	-	100.00

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**As of December 31, 2022 and 2021**

**1. General Information of Reporting Entity, continued**

(b) Description of subsidiaries, continued

(ii) A summary of the subsidiaries of the Company as of December 31, 2021, is as follows:, continued

December 31, 2021							
Subsidiaries	Location	Main business	Fiscal year end	Capital (in millions of Korean won)	Percentage of ownership (%)		
					Parent Company	Subsidiary	Total
Lotte Incheon Town Co.,Ltd	Korea	Real estate business	Dec. 31	₩ 65,000	100.00	-	100.00
LOTTE Town Dongtan Co.,LTD	Korea	Real estate business	Dec. 31	70,000	100.00	-	100.00
LOTTE Shopping Town Daegu Co.,LTD	Korea	Real estate business	Dec. 31	20,000	100.00	-	100.00
Lotte (China) Management Co., Ltd.	China	Management company	Dec. 31	8,906	70.00	-	70.00
Lotte Department Store (Shenyang) Co., Ltd.	China	Distribution	Dec. 31	98,682	100.00	-	100.00
Lotte Department Store (Chengdu) Co., Ltd.	China	Distribution	Dec. 31	52,035	100.00	-	100.00
LOTTE PROPERTIES (CHENGDU) HK LIMITED	Hong Kong	Holding company	Dec. 31	217,888	73.46	-	73.46
Lotte Properties (Chengdu) Limited	China	Real estate lease	Dec. 31	482,854	-	100.00	100.00
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD.	Singapore	Holding company	Dec. 31	820,033	100.00	-	100.00
LOTTE VIETNAM SHOPPING JOINT STOCK COMPANY	Vietnam	Distribution	Dec. 31	260,172	-	99.99	99.99
PT. LOTTE SHOPPING INDONESIA	Indonesia	Distribution	Dec. 31	56,414	-	80.00	80.00
PT. LOTTE MART INDONESIA	Indonesia	Distribution	Dec. 31	91,151	-	100.00	100.00
PT. LOTTE Shopping Avenue Indonesia	Indonesia	Distribution	Dec. 31	94,145	-	100.00	100.00
Lotte Shopping India Private Limited	India	Distribution	Dec. 31	18	-	100.00	100.00
LOTTEMART C&C INDIA PRIVATE LIMITED	India	Distribution	Dec. 31	1,092	-	100.00	100.00
Lotte Shopping Plaza Vietnam Co., Ltd.	Vietnam	Distribution	Dec. 31	29,708	-	100.00	100.00
LOTTE HOTEL & RETAIL VIETNAM PTE. LTD.	Singapore	Holding company	Dec. 31	69,209	20.00	40.00	60.00
Lotte Holdings Hong Kong Ltd.	Hong Kong	Holding company	Dec. 31	36,107	-	100.00	100.00
HAI THAHN - LOTTE COMPANY LIMITED	Vietnam	Hotel Business	Dec. 31	51,581	-	70.00	70.00
LOTTE E-COMMERCE VIETNAM CO., LTD	Vietnam	Distribution	Dec. 31	29,807	-	100.00	100.00
LOTTE PROPERTIES (HANOI) SINGAPORE PTE. LTD.	Singapore	Holding company	Dec. 31	159,458	90.00	-	90.00
LOTTE PROPERTIES HANOI CO., LTD.	Vietnam	Real estate development	Dec. 31	160,401	-	100.00	100.00

# LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### As of December 31, 2022 and 2021

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#### 1. General Information of Reporting Entity, continued

(b) Description of subsidiaries, continued

(ii) A summary of the subsidiaries of the Company as of December 31, 2021, is as follows:, continued

(\*1) As of December 31, 2021, the Company issued exchangeable bonds which are exchangeable to LOTTE Himart Co., Ltd. common stocks (see Note 17). Meanwhile, due to the exercise of the bondholders' right to claim early repayment, ₩ 272.0 billion out of a total of ₩ 303.6 billion in exchangeable bonds was repaid early during the current period. As a result, the total number of shares subject to exchange has been changed from 3,536,812 shares to 368,127 shares, and if exchanged in full, the Company's ownership on LOTTE Himart Co., Ltd. may be reduced from 65.25% to 63.69%, however there is no influence on the controlling ability of the Company on LOTTE Himart Co., Ltd..

(\*2) In accordance with stock repurchase agreement (see Note 38), shares issued to non-controlling shareholders as of December 31, 2019 have been classified as financial liabilities. The legal ownership of the Company on Lotte Cultureworks Co., Ltd., is 86.37%, however, it is reported as 100% on a consolidated financial statement.

(\*3) The voting rights of the shares held by the Group do not exceed 50% but have been classified as subsidiary considering their control in substance. The business year starts on January 1st and ends on June 30th, and the next business year starts on July 1st and ends on December 31st.

# **LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES** **Notes to the Consolidated Financial Statements** **As of December 31, 2022 and 2021**

## **1. General Information of Reporting Entity, continued**

(c) Financial information of significant subsidiaries as of December 31, 2022 and 2021 are summarized as follows:

(i) December 31, 2022

		<b>2022</b>				
<i>(in millions of Korean won)</i>						
<b>Subsidiaries (*)</b>		<b>Assets</b>	<b>Liabilities</b>	<b>Equity</b>	<b>Sales</b>	<b>Profit (loss) for the year</b>
Woori Home Shopping & Television Co., Ltd.	₩	1,771,917	424,589	1,347,328	1,077,774	74,082
Lotte Suwon Station Shopping Town Co., Ltd.		405,433	382,598	22,835	33,241	(13,302)
CS Mart Co., Ltd.		158,820	48,615	110,205	307,408	2,337
LOTTE Himart Co., Ltd.		2,464,219	1,168,923	1,295,296	3,336,820	(527,891)
Lotte Cultureworks Co., Ltd.		963,295	832,673	130,622	458,189	(38,427)
LOTTE REIT Co., Ltd.		2,363,862	1,256,139	1,107,723	115,399	33,143
Lotte Incheon Town Co.,Ltd		360,966	311,268	49,698	120	(3,402)
IMM Heim Coinvestment I Private Equity Fund		308,028	1,529	306,499	-	(3,032)
Heim II Limited		617,797	342,625	275,172	-	(11,485)
LOTTE PROPERTIES (CHENGDU) HK LIMITED		306,128	400,616	(94,488)	-	(141,869)
Lotte Properties (Chengdu) Limited		306,119	8,670	297,449	2,866	(93,288)
LOTTE VIETNAM SHOPPING JOINT STOCK COMPANY		484,235	348,846	135,389	326,131	7,348
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD.		476,534	26	476,508	-	(54,312)
PT. LOTTE SHOPPING INDONESIA		305,739	206,282	99,457	866,055	(41,705)
PT. LOTTE MART INDONESIA		93,208	192,066	(98,858)	197,949	(13,307)
LOTTE PROPERTIES (HANOI) SINGAPORE PTE. LTD.		324,342	35	324,307	-	7
LOTTE PROPERTIES HANOI CO., LTD.		530,742	228,148	302,594	-	(5,155)
LOTTE CINEMA VIETNAM CO., LTD.		74,392	244,340	(169,948)	39,156	(16,298)
PT. LOTTE Shopping Avenue Indonesia		112,361	151,273	(38,912)	16,345	(6,893)

(\*) The financial information for the subsidiaries is based on separate financial statements.

# **LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES** **Notes to the Consolidated Financial Statements** **As of December 31, 2022 and 2021**

## **1. General Information of Reporting Entity, continued**

(c) Financial information of significant subsidiaries as of December 31, 2022 and 2021 are summarized as follows;  
continued

(ii) December 31, 2021

		2021				
(in millions of Korean won)						
Subsidiaries (*)		Assets	Liabilities	Equity	Sales	Profit (loss) for the year
Woori Home Shopping & Television Co., Ltd.	₩	2,372,911	666,568	1,706,343	1,102,726	55,910
Lotte Suwon Station Shopping Town Co., Ltd.		434,901	398,783	36,118	32,353	(7,624)
LOTTE Songdo Shopping Town CO., LTD		200,692	128,750	71,942	6,829	(55,296)
CS Mart Co., Ltd.		160,277	52,219	108,058	312,578	3,467
LOTTE Himart Co., Ltd.		2,943,545	1,116,187	1,827,358	3,869,749	(57,452)
Lotte Cultureworks Co., Ltd.		1,091,738	946,613	145,125	218,007	(157,037)
LOTTE REIT Co., Ltd.		2,403,895	1,250,818	1,153,077	104,822	35,384
Lotte Incheon Development Co., Ltd		1,065,483	1,009,721	55,762	181,360	30,250
Lotte Incheon Town Co.,Ltd		393,461	340,365	53,096	120	(2,940)
LOTTE Town Dongtan Co.,LTD		701,962	555,559	146,403	273,198	46,827
LOTTE Shopping Town Daegu Co.,LTD		186,150	195,512	(9,362)	-	(1,972)
IMM Heim Coinvestment I Private Equity Fund		310,000	468	309,532	-	(468)
Heim II Limited		523,384	230,135	293,249	-	(6,751)
LOTTE PROPERTIES (CHENGDU) HK LIMITED		415,652	373,861	41,791	-	(128,926)
Lotte Properties (Chengdu) Limited		402,928	15,623	387,305	7,487	(109,648)
LOTTE VIETNAM SHOPPING JOINT STOCK COMPANY		450,149	379,467	70,682	246,197	(27,893)
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD.		445,800	22	445,778	-	(83,278)
PT. LOTTE SHOPPING INDONESIA		360,591	218,374	142,217	785,251	(2,457)
PT. LOTTE MART INDONESIA		99,126	229,743	(130,617)	178,116	(16,818)
LOTTE PROPERTIES (HANOI) SINGAPORE PTE. LTD.		161,146	38	161,108	-	(40)
LOTTE PROPERTIES HANOI CO., LTD.		346,538	192,502	154,036	-	(1,624)
LOTTE CINEMA VIETNAM CO., LTD.		85,338	235,834	(150,496)	16,786	(47,991)
PT. LOTTE Shopping Avenue Indonesia		112,435	145,842	(33,407)	11,176	(9,821)

(\*) The financial information for the subsidiaries is based on separate financial statements.

(d) Changes in the scope of consolidation

(i) Entities included in the subject of consolidated financial statements to subsidiaries in 2022 are as follows:

Subsidiaries	Description
SMART LOTTE SHOPPING INNOVATION FUND	Newly Established
KC-K Contents Investment Association	Newly Established
LKH 1st., Co., Ltd.	Newly Incorporated
New Star Gimpo Hangang 1st Co., Ltd.	Newly Incorporated

# **LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES** **Notes to the Consolidated Financial Statements** **As of December 31, 2022 and 2021**

## **1. General Information of Reporting Entity, continued**

(d) Changes in the scope of consolidation, continued

(ii) Entities excluded from subsidiaries in 2022 are as follows:

<b>Subsidiaries</b>	<b>Description</b>
LOTTE Songdo Shopping Town CO., LTD	Business Combination
Lotte Incheon Development Co., Ltd	Business Combination
LOTTE Town Dongtan Co.,LTD	Business Combination
LOTTE Shopping Town Daegu Co.,LTD	Business Combination
Lotte (China) Management Co., Ltd	Liquidation

(e) Non-controlling interests

Financial information relating to each of the Group's subsidiaries that has material NCI as of December 31, 2022 and 2021 are summarized as follows:

(i) December 31, 2022

(In millions of Korean won)

<b>Subsidiaries</b>	<b>LOTTE REIT Co., Ltd. (*2)</b>	<b>Woori Home Shopping &amp; Television Co., Ltd. (*1,2)</b>	<b>LOTTE Himart Co., Ltd. (*2)</b>
NCI Percentage (*3)	50.00%	46.51%	33.42%
Current assets	₩ 56,708	1,106,366	658,585
Non-current assets	2,295,610	769,333	1,090,385
Current liabilities	1,060,346	271,529	736,518
Non-current liabilities	195,792	174,457	432,237
Net assets	1,096,180	1,429,713	580,215
Carrying amount of NCI	548,089	667,517	193,792
Dividends paid to NCI	39,249	21,857	7,732
Revenue	115,399	1,077,774	3,336,820
Net profit(loss) for the period	33,143	87,260	(67,211)
Total comprehensive income	33,143	(299,368)	(48,246)
Net profit(loss) attributable to NCI	16,571	43,465	(22,463)
Total comprehensive income attributable to NCI	16,571	(136,340)	(16,124)
Cash flows from operating activities	106,928	(16,163)	56,516
Cash flows from investing activities	14,310	267,114	(29,536)
Cash flows from financing activities	(107,160)	(58,635)	10,016
Effect due to changes in exchange rate	-	9,873	-
Net increase (decrease) in cash and cash equivalents	₩ 14,078	202,189	36,996

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

(\*2) The information of subsidiaries above is adjusted to reflect goodwill and fair value adjustments from business combination, but not intercompany transactions.

(\*3) This interest percentage is effective interest percentage.

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**As of December 31, 2022 and 2021**

**1. General Information of Reporting Entity, continued**

(e) Non-controlling interests, continued

(ii) December 31, 2021

(In millions of Korean won)

<b>Subsidiaries</b>	<b>LOTTE REIT Co., Ltd. (*2)</b>	<b>Woori Home Shopping &amp; Television Co., Ltd. (*1,2)</b>	<b>LOTTE Himart Co., Ltd. (*2)</b>
NCI Percentage (*3)	50.00%	46.51%	33.42%
Current assets	₩ 55,417	1,145,144	683,082
Non-current assets	2,336,935	1,301,606	1,109,717
Current liabilities	657,615	338,914	548,348
Non-current liabilities	593,203	332,722	544,169
Net assets	1,141,534	1,775,114	700,282
Carrying amount of NCI	570,767	825,688	234,366
Dividends paid to NCI	30,898	18,786	9,845
Revenue	104,822	1,102,726	3,869,749
Net profit for the period	4,953	56,517	72,760
Total comprehensive income	4,953	533,699	78,606
Net profit attributable to NCI	2,476	26,284	24,318
Total comprehensive income attributable to NCI	2,476	248,204	26,272
Cash flows from operating activities	91,656	17,974	146,499
Cash flows from investing activities	(875,503)	62,253	4,945
Cash flows from financing activities	772,248	(55,554)	(348,230)
Net increase (decrease) in cash and cash equivalents	₩ (11,599)	24,673	(196,786)

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

(\*2) The information of subsidiaries above is adjusted to reflect goodwill and fair value adjustments from business combination, but not intercompany transactions.

(\*3) This interest percentage is effective interest percentage.

# LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### As of December 31, 2022 and 2021

#### 1. General Information of Reporting Entity, continued

(f) Changes in the Company's ownership interest in subsidiaries that did not result in loss of control

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

(In millions of Korean won)

Subsidiaries	Type	Amount	The parent Company's percentage of ownership		The parent Company's portion in net assets	
			Before	After	Before	After
PT. LOTTE MART INDONESIA	Capital increase	₩ 41,800	99.80%	92.00%	₩ (130,355)	(81,889)
LOTTE Shopping Innovation Fund 1	Capital increase	8,910	99.00%	99.00%	19,839	28,749
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE.LTD	Capital increase	51,870	100.00%	100.00%	454,294	506,164
LOTTE VIETNAM SHOPPING JOINT STOCK COMPANY	Capital increase	51,869	99.99%	99.99%	74,323	126,192
Lotte Homeshopping Innovation Fund No.1	Capital increase	5,000	98.52%	98.52%	4,815	9,815
Lotte GFR Co., Ltd.	Capital increase	30,000	99.93%	99.97%	18,279	48,279
Lotte Properties (Chengdu) Limited	Capital increase	9,119	100.00%	100.00%	401,070	410,189
LOTTE PROPERTIES (HANOI) SINGAPORE PTE.LTD	Capital increase	141,458	90.00%	90.00%	158,134	299,592
LOTTE PROPERTIES HANOI CO., LTD	Capital increase	157,176	100.00%	100.00%	155,579	312,755
Lotte Department Store (Chengdu) Co., Ltd.	Capital increase	31,657	100.00%	100.00%	(74,228)	(42,571)

#### 2. Basis of the Accounting

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

(a) Basis of measurement

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

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



# LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### As of December 31, 2022 and 2021

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## 2. Basis of the Accounting, continued

### (b) Functional and presentation currency

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

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

## 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 Enacted, amended standards adopted by the Group

The Group has initially applied the following enacted/amended standards and interpretations from the year beginning January 1, 2022.

#### (a) Amendments to K-IFRS No.1103 Business Combination – Reference to the Conceptual Framework

The amendments update a reference of definition of assets and liabilities qualify for recognition in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of K-IFRS No.1037 'Provisions, Contingent Liabilities and Contingent Assets', and K-IFRS No.2121 'Levies'. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The amendments do not have a significant impact on the consolidated financial statements.

#### (b) Amendments to K-IFRS No.1016 Property, Plant and Equipment - Proceeds before intended use

The amendments prohibit an entity from deducting from the cost of an item of property, plant, and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments do not have a significant impact on the consolidated financial statements.

#### (c) Amendments to K-IFRS No.1037 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts: Cost of Fulfilling a Contract

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendments do not have a significant impact on the consolidated financial statements.

#### (d) Annual improvements to K-IFRS 2018-2020

Annual improvements of K-IFRS 2018-2020 Cycle should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The amendments do not have a significant impact on the consolidated financial statements.

- K-IFRS No.1101 First time Adoption of Korean International Financial Reporting Standards – Subsidiaries that are first-time adopters
- K-IFRS No.1109 Financial Instruments – Fees related to the 10% test for derecognition of financial liabilities
- K-IFRS No.1041 Agriculture – Measuring fair value

# LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### As of December 31, 2022 and 2021

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

##### 3.1 Enacted, amended standards adopted by the Group, continued

- (e) Amendments to K-IFRS No.1116 Lease – Discounts on rent related to COVID-19, which will be offered after June 30, 2021.

The scope of the practical simplification method, which allows not to evaluate whether the lease discount, etc. incurred as a direct result of COVID-19, is subject to lease reduction or exemption that affects the lease fee due before June 30, 2022. Lease users consistently apply practical simplifications to contracts with similar characteristics in similar situations. The Group has changed our accounting policy for all rent discounts that meet the conditions by introducing amendments to K-IFRS No.1116.

##### 3.2 Amendments and Enactments of standards and interpretations not applied by the Group

- (a) Amendments to K-IFRS No.1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group is reviewing the impact of these amendments on the consolidated financial statements.

- (b) K-IFRS No.1001 Presentation of Financial Statements – Disclosure of accounting policy

In order to define and disclose important accounting policies and to provide guidance on how to apply the concept of importance, the IAS Practice Book 2 Accounting Policy Disclosure has been revised. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group is reviewing the impact of these amendments on the consolidated financial statements.

- (c) K-IFRS No.1008 Accounting Policy, changes, and errors in accounting estimates – Definition of Accounting Estimates

Defined accounting estimates and clarified how to distinguish them from changes in accounting policies. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group is expecting that these amendments do not have a significant impact on the consolidated financial statements.

- (d) K-IFRS No.1012 Corporate Tax – deferred tax on assets and liabilities arising from a single transaction

In the initial recognition exception requirement for transactions where assets or liabilities are first recognized, the requirement of transactions that do not cause temporary differences to be added and temporary differences to be deducted at the time of transaction was added. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group is expecting that these amendments do not have a significant impact on the consolidated financial statements.

- (e) Establishments to K-IFRS No.1117 Insurance Contract

K-IFRS No.1117 Insurance Contract replaces K-IFRS No.1104 Insurance Contract. 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. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group is expecting that these amendments do not have a significant impact on the consolidated financial statements.

# LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### As of December 31, 2022 and 2021

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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 Group, continued

(f) Amendments to K-IFRS No.1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current

The amendments clarify that all or part of financial instrument are classified as a financial liability if the exercise price is meeting to the conditions that the exercise price is adjusted depending on fluctuation of stock price by the issuers, and in this regard, gains and losses related to carrying value of the financial liabilities should be disclosed. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group is expecting that these amendments do not have a significant impact on the consolidated financial statements.

#### 3.3 Basis of Consolidation

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

(a) Subsidiaries

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

The Group accounts for business combinations using the acquisition method. The consideration transferred is measured at fair value of acquisition date, and in case of identifiable assets / liabilities / contingent liability being acquired from business combination, it is initially measured at the fair value of acquisition date. The Group judges non-controlling interests, which provide a proportional share of net assets upon the liquidation, on each business combination, and measures with fair value or proportionate share among net assets of acquiree. If there is no requirement of other standard, other non-controlling interests are measured at fair value. Acquisition costs are recognized in loss as incurred.

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

Any bond, balance of liabilities, profit and expense, and unrealized gain, etc. from transactions between intercompanies within the Group would be removed. Moreover, the accounting policy of subsidiaries would be modified for the consistent application of accounting policy being adopted by the Group, when there are any differences.

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

When the Group loses the control over subsidiaries, the remaining share of relevant company being possessed would be re-measured at fair value at the same time, and the related difference would be recognized as profits and losses for the current period.

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

## **Notes to the Consolidated Financial Statements**

### **As of December 31, 2022 and 2021**

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

#### **3.3 Basis of Consolidation, continued**

##### **(b) Investment in Associates**

Associates are entities over which the Group has significant influence, and the investment associates is recognized at initial acquisition cost using equity method. Unrealized gain occurred from the inter-company transactions between the Group and its associates would be removed to the extent of proportionate share of the Group in associates. The equity method shall be discontinued if the group's interest for the loss of associates equals or exceeds the investment interest in the associates (including the long-term investment interest that forms part of the net investment). However, if the Group has a legal obligation to the associates for additional losses after the Group's interest is reduced to zero (0), or if the Group has to pay on behalf of the associates, only that amount shall be recognized as a loss and liability. Furthermore, if there is any objective indicators of impairment on the investment in associates, the difference between the recoverable amount of the investment and the carrying amount is recognized as impairment loss. When using the financial statements of the associate to apply the equity method, the Group reviews whether the same accounting policies applied by the Group are applied to the same transactions or events in similar circumstances and adjusts the financial statements of the associate if necessary.

##### **(c) Joint Arrangements**

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

#### **3.4 Cash and cash equivalents**

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

# LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### As of December 31, 2022 and 2021

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

#### 3.5 Foreign currency translation

##### (a) Functional and presentation currency

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

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

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

Foreign exchange differences related to borrowings are shown in the income statement as financial 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 gain or loss from fair value change. Foreign exchange differences arising from equity instruments measured at fair value through profit or loss are recognized in profit or loss, and foreign exchange differences arising from equity instruments measured at fair value through other comprehensive income are recognized in other comprehensive income.

#### 3.6 Financial assets

##### (a) Classification

The Group classifies the financial assets in the following categories.

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

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

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

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

# LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### As of December 31, 2022 and 2021

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

##### 3.6 Financial assets, continued

###### (b) Measurement

At initial recognition, the Group measures a financial asset, in the case of a financial asset not at fair value through profit or loss, at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset or the issuance of the financial liabilities. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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

###### (i) Debt instrument

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into one of 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 selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

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

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

# LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### As of December 31, 2022 and 2021

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

#### 3.6 Financial assets, continued

##### (ii) Equity instrument

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

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 as applicable. The impairment loss (reversal) on equity instrument measured at fair value through other comprehensive income is not recognized separately.

##### (c) Impairment

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

##### (d) Recognition and Derecognition

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

If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received.

##### (e) Offsetting of financial instruments

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

#### 3.7 Derivatives

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

##### (a) Hedge accounting

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

# LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### As of December 31, 2022 and 2021

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

#### 3.7 Derivatives, continued

##### (a) Hedge accounting, continued

On initial designation of the hedge, the Group formally documents the relationship between the hedging instruments and hedged items including the risk management objectives and strategy. The document also includes methods that will be used to assess the effectiveness of the hedging instrument on offsetting hedging instruments, related hedged items and its relationship at the inception and changes in the fair value or cash flow of the hedged items due to hedging risk at its subsequent period.

##### (i) Fair value hedge

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profits and loss for the current period. The gain or loss from remeasuring the hedging instrument at fair value for a derivative hedging instrument and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss in the same line item of the consolidated statement of comprehensive income. The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated, or exercised, or if 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 immediately 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 is reclassified to profit or loss in the period during which the forecasted transaction occurs. However, if the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or losses for the current period.

##### (b) Other derivatives

Changes in the fair value of other derivatives not designated as a hedging instrument are recognized immediately in profit or losses for the current period.

#### 3.8 Trade receivables

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



# LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### As of December 31, 2022 and 2021

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

#### 3.9 Inventories

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

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

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any 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. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is deducted from cost of sales for the period when such inventories are recognized as cost of sales.

#### 3.10 Non-current assets held for sale

Non-current assets are classified as held for sale when the carrying amount is primarily recovered through the sale transaction and is highly probable to be sold, and such assets are measured at the lower of the carrying amount and fair value less costs to sell.

#### 3.11 Property, plant and equipment

Property, plant and equipment are initially measured at cost and after initial recognition, are 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, except for land, are depreciated over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed on a straight-line basis.

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

	Useful lives (years)
Buildings	5 – 50
Structures	7 – 40
Machinery	5 – 30
Tools and equipment	1 – 5
Vehicles	5 – 12
Display fixtures	5
Furniture and fixtures	3 – 8
Other property, plant and equipment ("Other PP&E")	4 – 25

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. The change is accounted for as a change in an accounting estimate.

A component that is significant compared to the total cost of property, plant and equipment is depreciated over its separate useful life.

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

# LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### As of December 31, 2022 and 2021

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

#### 3.12 Borrowing costs

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

#### 3.13 Intangible assets

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

Club membership is not amortized because 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.

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

(\*) Among other intangible assets, film copyrights are expensed as cost of sales during the period when the related sales are realized, and if the realization of related sales are uncertain, they are treated as intangible asset impairment losses.

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 being 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. Changes are accounted for as changes in accounting estimates.

Research and internally generated development cost during research phase are recognized as expense when incurred. Development costs are recognized as intangible assets when it can establish technical feasibility to complete the asset for sale or use, can demonstrate probable future benefits for the asset, and whether the cost of the asset can be measured reliably. Other development costs are recognized as expense when incurred.

#### 3.14 Investment property

Property held for the purpose of earning 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, the property 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 degree of 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 flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Investment property except for land, are depreciated on a straight-line basis over 5 to 50 years as estimated useful lives. Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

# LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### As of December 31, 2022 and 2021

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

#### 3.15 Impairment of non-financial assets

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

For impairment testing, assets are grouped together into the 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 pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

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

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

#### 3.16 Trade payables and other payables

Trade payables and other payables are liabilities that the Group received goods or services before the end of the reporting period but were not paid. Trade payables and other payables presented as current liabilities unless the payment date is 12 months after the reporting period. The payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

#### 3.17 Financial liabilities

##### (a) Classification and measurement

The financial liabilities of the Group 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. In accordance with stock repurchase agreement (See Note 38.(i)), shares issued to non-controlling shareholders are classified as financial liabilities.

The Group shall classify all non-derivative financial liabilities as accounts payable, debts, or other financial liabilities, etc. subsequently measured at amortized cost, except for financial liabilities that arise when financial liabilities at fair value through profit or loss, financial guarantee contracts, and a transfer of a financial asset do not qualify for derecognition.

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 finance expense in the statement of comprehensive income.

# LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### As of December 31, 2022 and 2021

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

#### 3.17 Financial liabilities, continued

##### (b) Derecognition

Financial liabilities are removed from the statement of financial position when it is extinguished; for example, 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.

#### 3.18 Hybrid (combined) financial instruments

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

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

#### 3.19 Provisions

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

#### 3.20 Current and deferred income taxes

Income tax expense consists of current and deferred income taxes. Income tax shall be recognized in the relevant items in respect of the amounts directly recognized in other comprehensive income or in equity, and other items are recognized as profit or loss.

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

Deferred income tax is recognized as the expected corporate 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 unless it is possible to control the timing of dissipation for the temporary differences to be added related to the investment interests for subsidiaries, associates and joint ventures and it is probable that temporary differences are unlikely to dissipate in the foreseeable future. Also, the deferred tax asset is recognized only when deductible temporary differences arising from such assets are probable to dissipate in the foreseeable future and taxable income is probable to arise where temporary differences can be used.

# LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### As of December 31, 2022 and 2021

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

#### 3.20 Current and deferred income taxes, continued

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

#### 3.21 Employee benefits

##### (a) Retirement benefits

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

Defined contribution plan is a retirement pension plan in which the group pays a fixed amount of contributions to a separate fund, which is recognized as an expense when the employees provide 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 minus 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. On the other hand, the remeasurement component related to the net defined benefit liability is recognized in other comprehensive income.

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

##### (b) Short-term employee benefits

Short-term employee benefits that 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 was provided. When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service. If an employee has a legal or obligatory obligation to be paid by a group as a result of past service and is able to reliably estimate the amount of debt, he or she recognizes the amount expected to be paid as a profit distribution and bonus 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 render the related service. The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

#### 3.22 Revenue recognition

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

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

# LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### As of December 31, 2022 and 2021

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

##### 3.22 Revenue recognition, continued

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

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

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

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

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

###### (c) Commissions

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

###### (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 in certain proportion of transaction amount.

###### (e) Self-sale Construction: apply to Korean Accounting Institution 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 Institution, and this accounting process is effective only for K-IFRS.

# LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### As of December 31, 2022 and 2021

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

##### 3.23 Leases

###### (a) Lessor

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

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

###### (b) Lessee

The Group leases various offices, warehouses, retail stores, equipment and cars. Lease contracts are generally concluded for a fixed period, but there may be extension options 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 agreement, but the leased asset cannot be provided as collateral for the loan.

The Group will recognize the rights-of-use asset and its corresponding liability at the commencement of the lease on which the leased asset is available.

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

- Fixed lease payments (including in-substance fixed lease payment) less incentive to receive
- Variable lease payments that depend on the index or rate initially measured using the index or rate at the commencement date
- Amount expected to be paid by the Group (lessee) according to the guaranteed residual value
- The exercise price of the purchase option if it is reasonably certain that the Group (lessee) will exercise the purchase option
- If the lease period reflects the exercise of the option to terminate the lease by the Group (lessee), the amount to be paid to terminate the lease

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

If it is easy to calculate the implicit interest rate of a lease, the lease payment shall be discounted using the rate. If it is not easy to calculate implicit interest rate, the lessee uses the lessee's incremental borrowing rate, which is the rate to be paid if the lessee borrows the funds necessary to acquire an asset of similar value as a right-of-use asset with similar collateral over a similar economic period.

The Group calculates the incremental borrowing rate as follows:

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

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

# LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### As of December 31, 2022 and 2021

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

##### 3.23 Leases, continued

###### (b) Lessee, continued

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

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

- Initial measurement amount of lease liabilities
- Lease payments less lease incentive received paid on or before lease commencement date
- Lessee's direct cost of opening a lease
- Estimated amount of costs of restoration

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

Recoverable amount is estimated by individual asset, or by 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 reflect changes in the index or rate, 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. The terms and conditions of the variable lease payment 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 causing variable lease payment are occurred.

###### (ii) Extension option and termination option

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



# LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### As of December 31, 2022 and 2021

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

#### 3.24 Finance income and finance costs

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

Finance costs comprise interest expense on borrowings, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

#### 3.25 Operating segments

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

#### 3.26 Emission rights

The Group accounts for greenhouse gases emission right and the relevant liability as below pursuant to the Act on Allocation and Trading of Greenhouse Gas Emission.

##### (i) Greenhouse gases emission right

Greenhouse Gases Emission Right consists of emission allowances which are allocated from the government free of charge or 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 performing the obligation is classified as an intangible asset and is initially measured at cost and are carried at cost less accumulated impairment losses after initial recognition. Emission rights held for short-swing profits are classified as current asset and are measured at fair value with any changes in fair value recognized as profit or loss in the respective reporting period. The Group derecognizes an emission right asset when the emission allowance is unusable, disposed or submitted to government in which the future economic benefits are no longer expected to be probable.

##### (ii) Emission liability

Emission liability is a present obligation of submitting emission rights to the government with regard to 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 are reliably estimable. Emission liability is an amount of estimated obligations for emission rights to be submitted to the government for the performing period. Emission liabilities are measured in addition to the carrying amount of emissions held for the relevant performance year to be submitted to the government and the expense expected to be spent on fulfilling the obligations for emissions exceeding the quantity of emissions held. Emissions are being removed when submitting to the government.

#### 3.27 Government Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. Government grants related to assets are presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset or recognized deferred revenue, each recognizes the useful life of the asset and the associated costs to be covered by the government grants as 'other revenue' on a systematic basis over the period of recognition as an expense.

# LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### As of December 31, 2022 and 2021

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

##### 3.28 Authorization of financial statements

The consolidated financial statements were authorized by the Board of Directors meeting on March 9, 2023 and may be modified at the shareholder's meeting.

#### 4. Significant Accounting 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 Group. 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.

##### (a) Impairment of non-financial asset

The recoverable amount of the cash generating unit to assess whether the assets held, such as right-of-use assets and goodwill, are impaired is determined based on the calculation of value in use (see Note 13 and 15).

##### (b) Income taxes

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

The Group shall pay 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 certain 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 because the income tax the Group will bear depends on the level of investment and wage increase in each year.

##### (c) Fair value of financial instruments

In principle, the fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group makes judgement 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 risks and expected loss rates. The Group makes judgement for the setting of these assumptions and the selection of input variables used for impairment model in consideration of the Group's experience, current market conditions and future forecast information as of financial reporting date (see Note 5 and 41).

##### (e) Net defined benefit liability

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

# LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### As of December 31, 2022 and 2021

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

##### (f) Revenue recognition

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

##### (g) Provision for restoration costs

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

##### (h) Provision for restructuring costs

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

##### (i) Leases

In determining the lease term, management considers all relevant facts and circumstances that create an economic incentive to exercise the extension option or not to exercise 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 not).

Judgement factors related to the exercise of the extension option are as follows:

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

Lease term is re-evaluated if the option is actually exercised (or not exercised) or if the Group bears no obligation to exercise (or not exercise) the option. Only if significant events occur that are within the scope of the lessee's control and affect the determination of the lease term, or if there is a significant change in the situation, the Group changes its judgement whether the exercise of extension option (or not) is reasonably certain.

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
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**5. Trade and Other Receivables**

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

<i>(in millions of Korean won)</i>		<b>Trade receivables</b>	<b>Other receivables</b>	<b>Lease receivables</b>	<b>Total</b>
Current:					
Total carrying amount	₩	565,808	250,684	26,265	842,757
Reduction: allowance for bad debt		(9,006)	(28,374)	(194)	(37,574)
Net carrying amount		<u>556,802</u>	<u>222,310</u>	<u>26,071</u>	<u>805,183</u>
Non-current:					
Total carrying amount		1,988	20,515	78,893	101,396
Reduction: allowance for bad debt		-	(504)	(692)	(1,196)
Net carrying amount	₩	<u>1,988</u>	<u>20,011</u>	<u>78,201</u>	<u>100,200</u>

(b) Trade and other receivables as of December 31, 2021 are as follows:

<i>(in millions of Korean won)</i>		<b>Trade receivables</b>	<b>Other receivables</b>	<b>Lease receivables</b>	<b>Total</b>
Current:					
Total carrying amount	₩	450,215	183,872	25,302	659,389
Reduction: allowance for bad debt		(7,064)	(26,824)	-	(33,888)
Net carrying amount		<u>443,151</u>	<u>157,048</u>	<u>25,302</u>	<u>625,501</u>
Non-current:					
Total carrying amount		302	21,118	74,425	95,845
Reduction: allowance for bad debt		-	(103)	(79)	(182)
Net carrying amount	₩	<u>302</u>	<u>21,015</u>	<u>74,346</u>	<u>95,663</u>

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**As of December 31, 2022 and 2021**

**6. Restricted Deposits**

Restricted deposits included in short-term and long-term financial instruments as of December 31, 2022 and 2021 are as follows:

*(in millions of Korean won)*

<b>Account</b>	<b>Description</b>	<b>Depository</b>	<b>2022</b>	<b>2021</b>	<b>Details</b>
Cash and cash equivalents	Cash and cash equivalents	Shinhan Bank	₩ 300	300	Reserved for e-finance business
		Hongkong and Shanghai Banking Corporation Limited (HSBC) and others	2,337	-	Pledged assets, etc.
Other financial assets (current)(*)	Short-term financial instruments	INDUSTRIAL BANK OF KOREA and others	238,319	244,445	Deposits for Mutually Beneficial Cooperation Fund, etc
Other financial assets (non-current)	Long-term financial instrument	KEB Hana Bank and others	9,005	3,999	Pledged assets, etc.
	Other comprehensive income - Fair value	Busan city hall	9,891	12,782	Payment guarantee
			₩ 259,852	261,526	

(\*) The frozen assets for Lotte Properties (Chengdu) Limited were fully impaired in 2021. (See Notes 38).

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**As of December 31, 2022 and 2021**

**7. Fair Value of Financial Instruments**

(a) Carrying amount and fair value of financial assets as of December 31, 2022 and 2021 are summarized as follows:

<i>(in millions of Korean won)</i>		<b>2022</b>	<b>2021</b>
Financial assets measured at fair value (*1):			
Fair value through profit or loss	Current assets:		
	Short-term financial instruments	₩ 238,000	697,881
	Current debt instruments	1,676	1,800
	Current derivatives assets held for trading	-	2,464
	Non-current assets:		
	Long-term financial instruments	20,024	-
	Non-current debt instruments	57,792	46,134
	Non-current derivatives assets held for trading	22,922	38,077
	Subtotal	340,414	786,356
Fair value through other comprehensive income	Current assets:		
	Current debt instruments	379	702
	Non-current assets:		
	Equity instruments	532,686	1,107,942
	Non-current debt instruments	4,643	5,164
Derivatives assets	Subtotal	537,708	1,113,808
	Current derivatives assets held for hedging	31,787	5,230
	Non-current derivatives assets held for hedging	49,514	17,032
	Subtotal	81,301	22,262
Total financial assets measured at fair value		₩ 959,423	1,922,426

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

- (a) Carrying amount and fair value of financial assets as of December 31, 2022 and 2021 are summarized as follows:, continued

<i>(in millions of Korean won)</i>			<b>2022</b>	<b>2021</b>
Financial assets not being measured at fair value:				
Financial assets at amortized cost (*2)	Current assets:			
	Cash and cash equivalents	₩	1,800,810	2,398,789
	Trade and other receivables		805,183	625,501
	Short-term financial instruments		1,069,448	1,232,650
	Short-term loans		229,457	10,244
	Accrued income		9,414	7,509
	Current portion of lease deposits		77,280	116,076
	Non-current assets:			
	Long-term financial instruments		8,811	3,999
	Long-term loans		2,426	14,477
	Long-term accrued income		249	-
	Lease deposits		1,149,313	1,148,479
	Long-term account receivables		100,200	95,664
	Subtotal		5,252,591	5,653,388
Total financial assets not being measured at fair value:			5,252,591	5,653,388
Total financial assets		₩	6,212,014	7,575,814

(\*1) Marketable financial assets traded in the active market are measured at fair value based on the market prices. 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 reporting period.

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

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

(b) Other financial assets as of December 31, 2022 and 2021 are summarized as follows:

<i>(in millions of Korean won)</i>		<b>2022</b>	<b>2021</b>
Current:			
Short-term financial instruments	₩	1,307,448	1,930,531
Short-term loans		229,457	10,244
Accrued income		9,414	7,509
Current portion of lease deposits		77,280	116,076
Current debt instruments		2,055	2,502
Current derivatives assets held for trading		-	2,464
Current derivatives assets held for hedging		31,787	5,230
Total		<u>1,657,441</u>	<u>2,074,556</u>
Non-current:			
Long-term financial instruments		28,836	3,999
Long-term loans		2,426	14,477
Long-term accrued income		249	-
Lease deposits		1,149,312	1,148,479
Non-current debt instruments		62,435	51,299
Non-current equity instruments		532,686	1,107,942
Non-current derivatives assets held for trading		22,922	38,077
Non-current derivatives assets held for hedging		49,514	17,032
Total	₩	<u>1,848,380</u>	<u>2,381,305</u>



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

(c) Financial assets at fair value through other comprehensive income as of December 31, 2022 and 2021 are summarized as follows:

(i) Equity instruments

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

	2022				2021
	Number of shares (in shares)	Percentage of ownership	Acquisition cost	Carrying amount	Carrying amount
<b>Marketable equity instruments measured at fair value through other comprehensive income:</b>					
BNK Financial Group Inc.	8,543,826	2.62%	₩ 56,179	55,535	71,768
Shinhan Financial Group Co., Ltd.	311,118	0.06%	2,248	10,951	11,449
momo.com Inc.	17,301,840	7.92%	1,259	458,418	1,005,832
Others	-	-	6,557	2,779	3,668
Subtotal			66,243	527,683	1,092,717
<b>Non-marketable equity instruments measured at fair value through other comprehensive income:</b>					
Rael	58,548	0.49%	568	1,680	1,387
PT. Lotte Capital Indonesia	250,000	15.63%	2,023	2,737	3,671
Others	-	-	125,297	585	10,167
Subtotal			127,888	5,002	15,225
Total			₩ 194,131	532,685	1,107,942

(ii) Debt instruments

(in millions of Korean won)

	2022		2021
	Acquisition cost	Carrying amount	Carrying amount
National housing bond	₩ 5,223	5,022	5,867
Urban railway bond	-	-	-
Total	₩ 5,223	5,022	5,867

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**As of December 31, 2022 and 2021**

**7. Fair Value of Financial Instruments, continued**

(d) Carrying amount and fair value of financial liabilities as of December 31, 2022 and 2021 are summarized as follows:

<i>(in millions of Korean won)</i>			<b>2022</b>	<b>2021</b>
Financial liabilities measured at fair value:				
Fair value through profit or loss	Non-current financial liabilities	₩	41,812	37,507
	Subtotal		41,812	37,507
Derivatives liabilities	Current derivatives liabilities held for hedging		2,413	9,449
	Non-current derivatives liabilities held for hedging		16,101	2,224
	Subtotal		18,514	11,673
Total financial liabilities measured at fair value:			60,326	49,180
Financial liabilities not being measured at fair value:				
Financial liabilities at amortized cost (*)				
	Current:			
	Trade payables and other payables		2,566,310	2,419,870
	Short-term borrowings		1,579,073	1,392,799
	Current portion of long-term borrowings		1,810,440	965,119
	Short-term debentures		199,989	-
	Current portion of long-term debentures		1,305,347	1,206,824
	Accrued expenses		229,434	223,398
	Current portion of rental deposits		164,188	219,353
	Others		634	554
	Non-current:			
	Trade payables and other payables		19,455	15,636
	Long-term borrowings		1,715,885	2,731,119
	Long-term debentures		3,150,555	3,657,116
	Rental deposits		82,435	32,862
	Others		15,121	28,312
	Subtotal		12,838,866	12,892,962
Other financial liabilities	Lease liabilities(current)		756,903	628,014
	Lease liabilities(non-current)		4,623,898	5,318,114
	Financial guarantee liabilities		2,189	804
	Subtotal		5,382,990	5,946,932
Total financial liabilities not being measured at fair value:			18,221,856	18,839,894
Total financial liabilities		₩	18,282,182	18,889,074

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

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**As of December 31, 2022 and 2021**

**7. Fair Value of Financial Instruments, continued**

(e) Other financial liabilities as of December 31, 2022 and 2021 are summarized as follows:

<i>(in millions of Korean won)</i>		<b>2022</b>	<b>2021</b>
Current:			
Accrued expenses	₩	229,434	223,398
Current portion of rental deposits		164,188	219,353
Current derivatives liabilities held for hedging		2,412	9,449
Others		2,823	1,358
Total	₩	398,857	453,558
Non-current:			
Rental deposits	₩	82,436	32,862
Non-current derivatives liabilities held for hedging		16,101	2,224
Non-current financial liabilities		41,812	37,507
Others		15,121	28,312
Total	₩	155,470	100,905

(f) Fair value hierarchy

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

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

The fair value measurements of financial instruments that are measured at fair value, classified by fair value hierarchy as of December 31, 2022 and 2021 are as follows:

(i) December 31, 2022

<i>(in millions of Korean won)</i>		<b>2022</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss	₩	5,404	-	335,010	340,414
Financial assets at fair value through other comprehensive income		527,684	5,022	5,002	537,708
Derivatives assets held for hedging		-	81,301	-	81,301
Total		533,088	86,323	340,012	959,423
Financial liabilities at fair value through profit or loss		-	-	41,812	41,812
Derivatives liabilities held for hedging		-	18,513	-	18,513
Total	₩	-	18,513	41,812	60,325

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

(f) Fair value hierarchy, continued

(ii) December 31, 2021

(in millions of Korean won)

		2021			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	₩	-	459,881	326,475	786,356
Financial assets at fair value through other comprehensive income		1,092,717	5,867	15,225	1,113,809
Derivatives assets held for hedging		-	22,262	-	22,262
Total		<u>1,092,717</u>	<u>488,010</u>	<u>341,700</u>	<u>1,922,427</u>
Financial liabilities at fair value through profit or loss		-	-	37,507	37,507
Derivatives liabilities held for hedging		-	11,673	-	11,673
Total	₩	<u>-</u>	<u>11,673</u>	<u>37,507</u>	<u>49,180</u>

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

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

(g) Level 3 Fair values

Changes in Level 3 fair values as of December 31, 2022 and 2021 are as follows:

		2022	2021
(in millions of Korean won)			
Beginning balance	₩	304,193	240,462
Reclassification from Level 3		(5,000)	-
Total Gain or loss for the year		(27,273)	(8,081)
Gain (loss) included in profit and loss for the year		(17,056)	43,301
Gain (loss) included in OCI		(10,217)	(51,382)
Purchases		37,110	88,349
Disposal, etc.		(10,830)	(16,537)
Ending balance	₩	<u>298,200</u>	<u>304,193</u>

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**As of December 31, 2022 and 2021**

**7. Fair Value of Financial Instruments, continued**

(h) Sensitivity analysis

For the fair values of Level 3 financial instruments, reasonably possible changes as of December 31, 2022 to one of the significant unobservable inputs, holding other inputs constant, would have the following effects on the fair values:

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

<i>(in millions of Korean won)</i>		Discount rate	
		1%p Decrease	1%p Increase
Profit and losses- Financial assets measured at fair value	₩	25	(100)

(ii) Settlement agreement

<i>(in millions of Korean won)</i>		Discount rate	
		5% Decrease	5% Increase
Settlement agreement	₩	106	(105)

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

<i>(in millions of Korean won)</i>		Discount rate	
		1%p Decrease	1%p Increase
Financial liabilities at fair value through profit or loss	₩	12,615	(10,294)

(iv) Stock option

<i>(in millions of Korean won)</i>		Stock price	
		5% Decrease	5% Increase
Stock Option (Assets)	₩	(598)	663
		Stock price volatility	
		5% Decrease	5% Increase
	₩	(1,364)	3,304

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

(a) Inventories as of December 31, 2022 and 2021 are summarized as follows:

*(in millions of Korean won)*

		2022			2021		
		Acquisition cost	Valuation allowance	Book value	Acquisition cost	Valuation allowance	Book value
Merchandise	₩	1,068,715	(30,028)	1,038,687	1,089,036	(25,690)	1,063,346
Finished goods		21,208	(1,702)	19,506	23,624	(2,140)	21,484
Semi-finished goods		47	-	47	5	-	5
Work in process		475	-	475	492	-	492
Raw materials		8,980	(99)	8,881	11,076	(117)	10,959
Ingredients		1,218	-	1,218	881	-	881
Supplies		980	-	980	781	-	781
Materials-in-transit		18,604	-	18,604	12,960	-	12,960
Unsold building		77,126	(26,383)	50,743	78,239	(24,780)	53,459
Unfinished building		234,150	-	234,150	214,606	-	214,606
Land		12,772	-	12,772	16,307	-	16,307
Total	₩	<u>1,444,275</u>	<u>(58,212)</u>	<u>1,386,063</u>	<u>1,448,007</u>	<u>(52,727)</u>	<u>1,395,280</u>

(b) For the years ended December 31, 2022 and 2021, the amount of inventories recognized as cost of goods sold and changes of allowance for valuation losses of inventories are as follows:

*(in millions of Korean won)*

		2022	2021
Cost of goods sold:			
Amount of inventories recognized as cost of goods sold	₩	8,340,967	8,788,590
Increase (decrease) in valuation allowance of inventories		5,485	(1,328)

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**As of December 31, 2022 and 2021**

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**9. Other Non-financial Assets**

Other non-financial assets as of December 31, 2022 and 2021, are summarized as follows:

<i>(in millions of Korean won)</i>		<b>2022</b>	<b>2021</b>
Current:			
Advance payments	₩	37,808	38,504
Prepaid expenses		40,872	32,336
Prepaid value added tax		43,301	32,809
Other assets		3,586	3,034
Total		<u>125,567</u>	<u>106,683</u>
Non-current:			
Long-term advance payments		177,641	179,088
Long-term prepaid expenses		3,121	4,863
Total	₩	<u>180,762</u>	<u>183,951</u>

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

Assets held for sale and liabilities as of December 31, 2022 and 2021 are summarized as follows:

<i>(in millions of Korean won)</i>		<b>2022</b>	<b>2021</b>
Assets of disposal group held for sale	₩	145,370	-
Assets held for sale		178,200	252,739
Total		323,570	252,739
Liabilities of disposal group held for sale		121,645	-
Total	₩	121,645	-

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

Assets and Liabilities of disposal group as of December 31,2022 are summarized as follows:

<i>(in millions of Korean won)</i>		<b>2022</b>
Assets in Disposal assets		
Cash and cash equivalents	₩	36,668
Trade receivable and other receivables		6,416
Other financial assets		8,418
Inventories		1,820
Other non-financial assets		10,421
Property, plant and equipment		21,257
Right-of-use assets		60,370
Total		145,370
Liabilities in Disposal liabilities		
Borrowings and debentures		18,144
Trade payables and other payables		6,418
Other financial liabilities		11,970
Lease liabilities		81,962
Provision		48
Other non-financial liabilities		3,103
Total	₩	121,645

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

<i>(in millions of Korean won)</i>		<b>2022</b>
Foreign currency translation adjustments	₩	(8,159)



**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
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**10. Assets Held for Sale, continued**

(b) The details of assets held for sale as of December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>		<b>2022</b>	<b>2021</b>
Investments in associates and joint ventures (*1)	₩	30,047	30,047
Land and others (*2)		148,153	222,693
Total	₩	178,200	252,740

(\*1) The Group classified 12% equity interest (₩ 30,047 million) of 40% in LOTTE PROPERTIES HCMC COMPANY LIMITED, as assets held for sale in 2021.

(\*2) The Group classified ₩ 147,297 million of land, to which control will be transferred upon conversion to a management land trust in accordance with a joint agreement, as assets held for sale.

**11. Investments in Associates**

(a) The details of associates as of December 31, 2022 and 2021, are summarized as follows:

<i>(in millions of Korean won)</i>		<b>2022</b>		
<b>Company</b>	<b>Location</b>	<b>Major operation</b>	<b>Percentage of ownership (%)</b>	<b>Book value</b>
FRL Korea Co., Ltd.	Korea	Import and selling of clothing	49.00	₩ 221,091
Zara Retail Korea Co.,Ltd	Korea	Import and selling of clothing	20.00	22,967
LOTTE CARD Co.,Ltd.	Korea	Credit finance business	20.00	435,390
LOTTE PROPERTIES HCMC COMPANY LIMITED (*1)	Vietnam	Real estate development	40.00	104,074
Eugene Unicorn Private Equity Fund	Korea	Trust and collective investment business	47.06	12,395
CHOROKBAEM MEDIA CO.,LTD. (*2)	Korea	Broadcasting program business and real estate rental business	3.98	9,494
LOTTE-KDB Open Innovation Fund	Korea	Investment on new technology	41.47	26,633
INNOCEAN WORLDWIDE INC. (*2)	Korea	Advertising agency and advertisement production	5.15	59,342
HANSSEM CO., LTD (*2)	Korea	Home remodeling and home furnishing	11.88	470,223
Others	-	-	-	63,374
Total				₩ 1,424,983

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
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**11. Investments in Associates, continued**

(a) The details of associates as of December 31, 2022 and 2021, are summarized as follows:, continued

<i>(in millions of Korean won)</i>		<b>2021</b>		
<b>Company</b>	<b>Location</b>	<b>Major operation</b>	<b>Percentage of ownership (%)</b>	<b>Book value</b>
FRL Korea Co., Ltd.	Korea	Import and selling of clothing	49.00	₩ 243,527
Zara Retail Korea Co.,Ltd	Korea	Import and selling of clothing	20.00	20,856
LOTTE CARD Co.,Ltd.	Korea	Credit finance business	20.00	387,738
LOTTE PROPERTIES HCMC COMPANY LIMITED (*1)	Vietnam	Real estate development	40.00	100,157
Eugene Unicorn Private Equity Fund	Korea	Trust and collective investment business	47.06	29,702
CHOROKBAEM MEDIA CO.,LTD. (*2)	Korea	Broadcasting program business and real estate rental business	3.98	25,295
LOTTE-KDB Open Innovation Fund	Korea	Investment on new technology	41.47	17,391
INNOCEAN WORLDWIDE INC. (*2)	Korea	Advertising agency and advertisement production	10.30	115,653
HANSSEM CO. LTD (*2)	Korea	Home remodeling and home furnishing	-	-
Others	-	-	-	38,447
Total			₩	<u>978,766</u>

(\*1) LOTTE PROPERTIES HCMC COMPANY LIMITED's Book value (₩ 104,073 million) on December 31, 2022, included assets held for sale (₩ 30,047 million).

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

# **LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES** **Notes to the Consolidated Financial Statements** **As of December 31, 2022 and 2021**

## **11. Investments in Associates, continued**

(b) Changes in investments in associates for the years ended December 31, 2022 and 2021 are summarized as follows:

(in millions of Korean won)

(in millions of Korean won)

		2022								
		Beginning balance	Acquisition	Dividends	Profit (loss) accounted for by equity method	Changes in equity accounted for by equity method	Impairment	Disposal	Others (*)	Ending balance
FRL Korea Co., Ltd.	₩	243,527	-	(68,600)	53,229	(7,065)	-	-	-	221,091
Zara Retail Korea Co.,Ltd		20,856	-	(2,185)	4,323	137	-	-	(164)	22,967
Lotte Card Co., Ltd.		387,738	-	(12,960)	53,332	5,392	-	-	1,888	435,390
LOTTE PROPERTIES HCMC COMPANY LIMITED		100,157	-	-	1,810	2,107	-	-	-	104,074
Eugene Unicorn Private Equity Fund		29,702	-	-	(3,392)	-	(13,771)	-	(144)	12,395
CHOROKBAEM MEDIA CO.,LTD.		25,295	-	-	(1,235)	-	(14,184)	(3)	(379)	9,494
LOTTE-KDB Open Innovation Fund		17,391	7,800	-	1,447	(5)	-	-	-	26,633
INNOCEAN WORLDWIDE INC.		115,653	-	(3,708)	4,713	1,399	-	(59,040)	325	59,342
HANSSEM CO., LTD		-	617,713	(2,236)	(13,196)	(219)	(135,080)	-	3,241	470,223
Others		38,447	11,207	(250)	24,804	(184)	3,207	(13,697)	(160)	63,374
Total	₩	978,766	636,720	(89,939)	125,835	1,562	(159,828)	(72,740)	4,607	1,424,983

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

# **LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES** **Notes to the Consolidated Financial Statements** **As of December 31, 2022 and 2021**

## **11. Investments in Associates, continued**

- (b) Changes in investments in associates for the years ended December 31, 2022 and 2021 are summarized as follows;  
continued

(in millions of Korean  
won)

(in millions of Korean won)

		2021								
		Beginning balance	Acquisition	Dividends	Profit (loss) accounted for by equity method	Changes in equity accounted for by equity method	Impairment	Disposal	Others (*)	Ending balance
FRL Korea Co., Ltd.	₩	256,835	-	(49,000)	28,255	7,437	-	-	-	243,527
Zara Retail Korea Co.,Ltd		29,269	-	(12,000)	3,724	(137)	-	-	-	20,856
Lotte Card Co., Ltd.		349,071	-	(10,374)	42,048	7,085	-	-	(92)	387,738
LOTTE PROPERTIES HCMC COMPANY LIMITED		85,393	-	-	3,063	11,701	-	-	-	100,157
Eugene Unicorn Private Equity Fund		-	30,000	-	(298)	-	-	-	-	29,702
CHOROKBAEM MEDIA CO.,LTD.		-	25,295	-	-	-	-	-	-	25,295
LOTTE-KDB Open Innovation Fund		9,791	7,800	-	(200)	-	-	-	-	17,391
INNOCEAN WORLDWIDE INC.		111,264	-	(4,635)	6,792	2,232	-	-	-	115,653
Others		35,189	-	-	10,666	(2,023)	(3,207)	(13,484)	11,306	38,447
Total	₩	876,812	63,095	(76,009)	94,050	26,295	(3,207)	(13,484)	11,214	978,766

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

# **LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES** **Notes to the Consolidated Financial Statements** **As of December 31, 2022 and 2021**

## **11. Investments in Associates, continued**

(c) Financial information of significant associates as of and for the years ended December 31, 2022 and 2021, are summarized as follows:

(in millions of Korean won)

		2022							
		Current asset	Non-current asset	Current liabilities	Non-current liabilities	Sales	Operating income (loss)	Other comprehensive income (loss) (*2)	Total comprehensive income (loss) (*2)
FRL Korea Co., Ltd.	₩	577,706	94,504	179,927	41,078	803,585	134,757	(14,417)	94,211
Zara Retail Korea Co.,Ltd		135,066	210,975	130,701	100,510	408,101	34,936	(136)	21,477
Lotte Card Co., Ltd. (*1)		21,313,946	-	18,399,665	-	2,317,054	339,694	36,895	309,543
LOTTE PROPERTIES HCMC COMPANY LIMITED		228,811	37,186	1,551	65	-	(1,902)	-	6,463
Eugene Unicorn Private Equity Fund		12,375	58,793	1,231	3,243	10,120	(12,553)	-	(6,646)
CHOROKBAEM MEDIA CO.,LTD.		145,583	353,343	127,285	35,248	187,860	3,917	(2)	(29,514)
LOTTE-KDB Open Innovation Fund		9,950	54,595	316	-	8,265	2,826	-	2,826
INNOCEAN WORLDWIDE INC.		1,800,117	489,795	1,219,530	186,364	1,753,985	136,892	22,379	93,036
HANSSEM CO., LTD		369,675	730,533	464,529	189,557	2,000,084	(21,701)	16,274	(54,881)

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

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

(in millions of Korean won)

		2021							
		Current asset	Non-current asset	Current liabilities	Non-current liabilities	Sales	Operating income (loss)	Other comprehensive income (loss) (*2)	Total comprehensive income (loss) (*2)
FRL Korea Co., Ltd.	₩	526,034	120,695	123,801	25,934	613,934	77,878	15,178	72,840
Zara Retail Korea Co.,Ltd		118,800	268,080	115,140	167,461	355,392	30,228	(685)	17,936
Lotte Card Co., Ltd. (*1)		17,083,757	-	14,413,734	-	2,009,632	285,238	34,348	254,906
LOTTE PROPERTIES HCMC COMPANY LIMITED		222,373	28,850	732	101	-	(1,373)	-	7,659
Eugene Unicorn Private Equity Fund		2,899	60,450	234	-	-	(639)	-	(634)
CHOROKBAEM MEDIA CO.,LTD.		118,615	277,781	79,315	43,347	103,352	5,066	(7)	(12,667)
LOTTE-KDB Open Innovation Fund		5,844	36,097	-	-	5,056	1,157	-	1,157
INNOCEAN WORLDWIDE INC.		1,738,451	460,896	1,181,917	182,668	1,502,034	135,732	34,798	100,687

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

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

# **LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES** **Notes to the Consolidated Financial Statements** **As of December 31, 2022 and 2021**

## **11. Investments in Associates, continued**

(d) The reconciliation of the net assets of the significant associates to the carrying amount of the equity interest in the associate as of December 31, 2022 and 2021 are as follows:

(in millions of Korean won)		2022						
		Group's share						
		Net assets (a)	Ownership %	of net asset				
		(*1)	(b)	(a*b)	Impairment	Goodwill	Others (*2)	Carrying amount
FRL Korea Co., Ltd.	₩	451,206	49.00	221,091	-	-	-	221,091
Zara Retail Korea Co.,Ltd.		114,834	20.00	22,967	-	-	-	22,967
Lotte Card Co., Ltd.		2,879,736	20.00	575,947	(105,209)	-	(35,348)	435,390
LOTTE PROPERTIES								
HCMC COMPANY								104,074
LIMITED (*3)		264,380	28.00	74,026	-	-	30,048	
Eugene Unicorn Private								12,395
Equity Fund		55,603	47.06	26,166	(13,771)	-	-	
CHOROKBAEM MEDIA								
CO.,LTD.		301,156	3.98	11,998	(14,184)	12,141	(461)	9,494
LOTTE-KDB Open								26,633
Innovation Fund.		64,223	41.47	26,633	-	-	-	
INNOCEAN								
WORLDWIDE INC.		856,618	5.15	44,116	-	10,472	4,754	59,342
HANSSEM CO., LTD (*4)		446,122	17.76	79,246	(135,080)	449,501	76,556	470,223

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

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

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

(\*4) The effective interest percentage is listed.

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**As of December 31, 2022 and 2021**

**11. Investments in Associates, continued**

- (b) The reconciliation of the net assets of the significant associates to the carrying amount of the equity interest in the associate as of December 31, 2022 and 2021 are as follows:, continued

(in millions of Korean won)

		2021						
		Group's share						
		Net assets (a)	Ownership %	of net asset	Impairment	Goodwill	Others (*2)	Carrying amount
		(*1)	(b)	(a*b)				
FRL Korea Co., Ltd.	₩	496,993	49.00	243,527	-	-	-	243,527
Zara Retail Korea Co.,Ltd.		104,279	20.00	20,856	-	-	-	20,856
Lotte Card Co., Ltd.		2,639,998	20.00	528,000	(105,209)	-	(35,053)	387,738
LOTTE PROPERTIES								
HCMC COMPANY								
LIMITED		250,392	40.00	100,157	-	-	-	100,157
Eugene Unicorn Private								
Equity Fund		63,116	47.06	29,702	-	-	-	29,702
CHOROKBAEM MEDIA								
CO.,LTD.		273,735	3.98	10,895	-	-	14,400	25,295
LOTTE-KDB Open								
Innovation Fund.		41,936	41.47	17,391	-	-	-	17,391
INNOCEAN								
WORLDWIDE INC.		820,053	10.30	84,465	-	24,034	7,154	115,653

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

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

**LOTTE SHOPPING CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**As of December 31, 2022 and 2021**

**11. Investments in Associates, continued**

- (c) Current and accumulated changes in equity of associates, are unrecognized due to cessation of equity method as of December 31, 2022 are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	
	<b>Unrecognized losses for the year</b>	<b>Unrecognized accumulated losses</b>
Prototype	₩ (4)	(163)
Shandong Longzhile Cinema Co., Ltd.	(4,329)	(4,925)

- (d) The fair value of the shares held by important marketable associates as of December 31, 2022 and 2021 are as follows.

(i) December 31, 2022

<i>(in millions of Korean won , except for numbers in shares)</i>	<b>Number in shares</b>	<b>Market price per share (Korean Won)</b>	<b>Market value</b>	<b>Book value</b>
CHOROKBAEM MEDIA CO.,LTD.	891,583 ₩	10,650	9,495	9,495
INNOCEAN WORLDWIDE INC.	1,030,000	41,150	42,385	59,341
HANSSEM CO., LTD	2,794,932	44,600	124,654	470,223

(ii) December 31, 2021

<i>(in millions of Korean won , except for numbers in shares)</i>	<b>Number in shares</b>	<b>Market price per share (Korean Won)</b>	<b>Market value</b>	<b>Book value</b>
CHOROKBAEM MEDIA CO.,LTD.	8,915,835 ₩	3,100	27,639	25,295
INNOCEAN WORLDWIDE INC.	2,060,000	55,400	114,124	115,653



**LOTTE SHOPPING CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**As of December 31, 2022 and 2021**

**12. Investments in Joint Venture**

(a) The details of joint ventures as of December 31, 2022 and 2021 are summarized as follows:

*(in millions of Korean won)*

Company	Location	Major operation	2022	
			Percentage of ownership (%)	Carrying amount
STL Co., Limited	Korea	Import and selling of clothing	50.00 ₩	3,078
International Business Center Company Limited	Vietnam	Distribution	50.00	40,500
LOTTE JTB Co., Ltd.	Korea	Travel business	50.00	-
Others	-	-	-	498
Total			₩	<u>44,076</u>

*(in millions of Korean won)*

Company	Location	Major operation	2021	
			Percentage of ownership (%)	Carrying amount
STL Co., Limited	Korea	Import and selling of clothing	50.00 ₩	2,557
International Business Center Company Limited	Vietnam	Distribution	50.00	39,664
LOTTE JTB Co., Ltd.	Korea	Travel business	50.00	-
Others	-	-	-	526
Total			₩	<u>42,747</u>

# **LOTTE SHOPPING CO., LTD. AND SUBSIDIARIES** **Notes to the Consolidated Financial Statements** **As of December 31, 2022 and 2021**

## **12. Investments in Joint Venture, continued**

(b) Changes in joint ventures for the years ended December 31, 2022 and 2021, are summarized as follows:

(in millions of Korean won)

(in millions of Korean won)		2022						
		Beginning balance	Dividends	Share of profit (loss) of associates	Share of other comprehensive income (loss) of associate s	Impairment	Others (*)	Ending balance
STL Co., Limited	₩	2,557	-	521	-	-	-	3,078
International Business Center Company Limited		39,664	(3,331)	3,352	400	(3,979)	4,394	40,500
LOTTE JTB Co., Ltd.		-	-	-	-	-	-	-
Others		526	-	(45)	17	-	-	498
Total	₩	42,747	(3,331)	3,828	417	(3,979)	4,394	44,076

(\*) Others include changes in foreign currency translation and others.

(in millions of Korean won)

(in millions of Korean won)		2021						
		Beginning balance	Dividends	Share of profit (loss) of associates	Share of other comprehensive income (loss) of associate s	Impairment	Others (*)	Ending balance
STL Co., Limited	₩	1,979	-	578	-	-	-	2,557
International Business Center Company Limited		44,977	(3,959)	3,106	1,576	(11,273)	5,237	39,664
LOTTE JTB Co., Ltd.		896	-	(921)	-	-	25	-
Others		849	-	(380)	72	-	(15)	526
Total	₩	48,701	(3,959)	2,383	1,648	(11,273)	5,247	42,747

(\*) Others include changes in foreign currency translation and others.

# **LOTTE SHOPPING CO., LTD. AND SUBSIDIARIES** **Notes to the Consolidated Financial Statements** **As of December 31, 2022 and 2021**

## **12. Investments in Joint Venture, continued**

(c) Financial information of significant joint ventures as at and for the years ended December 31, 2022 and 2021 are summarized as follows:

(in millions of  
Korean won)

		2022							
		Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Operating income (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)
STL Co., Limited	₩	8,029	675	1,549	285	20,352	1,062	-	1,042
International Business Center Company Limited		13,632	39,601	17,359	2,695	19,367	8,783	-	6,705
LOTTE JTB Co., Ltd.		126,462	50,545	169,103	4,026	4,776	(4,662)	159	(1,792)

(in millions of  
Korean won)

		2021							
		Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Operating income (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)
STL Co., Limited	₩	7,463	441	1,671	406	17,943	1,171	-	1,157
International Business Center Company Limited		14,736	37,322	17,790	1,932	15,944	7,412	-	6,212
LOTTE JTB Co., Ltd.		103,628	52,316	145,723	4,553	951	(6,719)	220	(6,193)

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**As of December 31, 2022 and 2021**

**12. Investments in Joint Venture, continued**

(d) The reconciliation of the net assets of the joint ventures to the carrying amount of the equity interest in the investment in associates as of December 31, 2022 and 2021 are summarized as follows:

(in millions of Korean won)

(in millions of Korean won)		2022						
		Net assets (a)	Ownership % (b)	Group's share of net asset (a*b)	Goodwill	Impairment Loss	Others (*)	Carrying amount
STL Co., Limited	₩	6,870	50.00	3,435	-	(357)	-	3,078
International Business Center Company Limited		33,180	50.00	16,590	40,415	(25,535)	9,030	40,500
LOTTE JTB Co., Ltd.		3,877	50.00	1,939	1,186	(6,221)	3,096	-

(\*) Others include unamortized amounts of difference of fair value, unrecognized amounts of profit or loss and foreign currency differences arising from translation.

(in millions of Korean won)

(in millions of Korean won)		2021						
		Net assets (a)	Ownership % (b)	Group's share of net asset (a*b)	Goodwill	Impairment Loss	Others (*)	Carrying amount
STL Co., Limited	₩	5,827	50.00	2,914	-	(357)	-	2,557
International Business Center Company Limited		32,337	50.00	16,168	40,417	(21,556)	4,635	39,664
LOTTE JTB Co., Ltd.		5,670	50.00	2,835	1,186	(6,221)	2,200	-

(\*) Others include unamortized amounts of difference of fair value, unrecognized amounts of profit or loss and foreign currency differences arising from translation.

(e) Unrecognized current and accumulated changes in equity of joint ventures due to cessation of equity method as of December 31, 2022 are summarized as follows:

		2022	
		Unrecognized losses for the year	Unrecognized accumulated losses
LOTTE JTB Co., Ltd.	₩	(896)	(3,096)

# **LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES** **Notes to the Consolidated Financial Statements** **As of December 31, 2022 and 2021**

## **13. Property, Plant and Equipment**

(a) Details of property, plant and equipment as of December 31, 2022 and 2021 are summarized as follows:

(in millions of Korean won)

		2022				2021			
		Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩	8,061,441	-	(332)	8,061,109	8,161,486	-	(970)	8,160,516
Buildings		7,507,093	(2,746,921)	(36,546)	4,723,626	7,537,648	(2,606,262)	(19,875)	4,911,511
Structures		304,109	(141,261)	(27,927)	134,921	302,470	(132,812)	(24,277)	145,381
Machinery		251,210	(177,088)	(39,591)	34,531	247,279	(167,641)	(21,088)	58,550
Vehicles		6,510	(4,915)	(403)	1,192	6,943	(5,282)	(367)	1,294
Display fixtures		439,604	(376,825)	(26,952)	35,827	478,800	(415,829)	(24,196)	38,775
Furniture and fixtures		4,534,242	(3,544,324)	(254,287)	735,631	4,452,511	(3,480,220)	(223,815)	748,476
Tools and equipment		110,411	(91,371)	(4,484)	14,556	105,445	(86,091)	(4,146)	15,208
Other PP&E		46,500	(30,101)	(5,322)	11,077	47,710	(30,407)	(5,603)	11,700
Construction-in-progress		572,954	-	-	572,954	495,959	-	(8,847)	487,112
Total	₩	21,834,074	(7,112,806)	(395,844)	14,325,424	21,836,251	(6,924,544)	(333,184)	14,578,523

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

(in millions of Korean won)

		2022					
		Beginning balance	Acquisitions	Depreciation	Impairment	Disposals	Ending balance
Land	₩	8,160,516	3,021	-	-	(1,141)	8,061,109
Buildings		4,911,511	37,641	(196,730)	(18,652)	(1,357)	4,723,626
Structures		145,381	104	(8,971)	(3,650)	-	134,921
Machinery		58,550	3,935	(14,378)	(18,442)	(102)	34,531
Vehicles		1,294	684	(568)	(75)	(113)	1,192
Display fixtures		38,775	9,643	(18,099)	(3,309)	(747)	35,827
Furniture and fixtures		748,476	258,398	(265,570)	(50,147)	(10,358)	735,631
Tools and equipment		15,208	1,374	(6,153)	(272)	(70)	14,556
Other PP&E		11,700	122	(931)	(4)	-	11,077
Construction-in-progress		487,112	228,174	-	(2,675)	(842)	572,954
Total	₩	14,578,523	543,096	(511,400)	(97,226)	(14,730)	14,325,424

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

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**As of December 31, 2022 and 2021**

**13. Property, Plant and Equipment, continued**

(c) Changes in property, plant and equipment for the year ended December 31, 2021 is as follows:

(in millions of Korean won)

		2021						
		Beginning balance	Acquisitions	Business Combination	Depreciation	Impairment	Disposals	Ending balance
Land	₩	8,013,680	543	189,171	-	-	(409,061)	8,160,516
Buildings		4,508,620	35,183	-	(198,489)	(2,545)	(382,669)	4,911,511
Structures		158,896	282	-	(9,443)	(3,289)	(0)	145,381
Machinery		60,680	9,197	-	(15,609)	(2,572)	(293)	58,550
Vehicles		1,915	252	-	(632)	(21)	(315)	1,294
Display fixtures		60,031	6,499	-	(26,450)	(9,725)	(656)	38,775
Furniture and fixtures		550,856	255,778	7,696	(247,115)	(14,302)	(10,221)	748,476
Tools and equipment		18,104	498	-	(7,287)	(277)	(210)	15,208
Other PP&E		17,912	85	-	(1,270)	-	(7,487)	11,700
Construction-in-progress		982,180	619,087	19,531	-	(22,428)	(54)	487,112
Total	₩	14,372,874	927,404	216,398	(506,295)	(55,159)	(810,966)	14,578,523

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

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

(in millions of Korean won)

		2022						
		Department Store	Discount store	Consumer electronics retail	Supermarket	Cinema	E-Commerce	Total
Impairment loss on property, plant and equipment	₩	15,841	16,122	11,917	8,699	477	32,934	97,226
Impairment loss on intangible assets (excluding goodwill)		43	-	40	582	235	49,814	62,668
Impairment loss on goodwill		-	-	297,670	357	-	-	298,027
Impairment loss on right-of-use asset		62,926	54,281	15,990	10,876	9,906	18,518	173,181
Impairment loss on investment properties		-	-	-	-	-	-	89,300
Total	₩	78,810	70,403	325,617	20,514	10,618	101,266	720,402

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

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**As of December 31, 2022 and 2021**

**13. Property, Plant and Equipment, continued**

- (e) The Group performed impairment test for cash generating units of department stores, discount stores, consumer electronics retailers, supermarkets, cinema, e-commerce, etc. that have indication of impairment, and the details of impairment losses for the year ended December 31, 2021 are summarized as follows:

(in millions of Korean won)

		2021						
		Department Store	Discount store	Consumer electronics retail	Supermarket	Cinema	E-Commerce	Others
Impairment loss on property, plant and equipment	₩	6,810	8,481	1,460	3,339	11,289	4	23,776
Impairment loss on intangible assets (excluding goodwill)		29	-	(125)	-	847	1,213	1,411
Impairment loss on goodwill		36,800	-	82,265	53	-	-	142
Impairment loss on right-of-use asset		228,052	56,659	3,906	12,152	35,335	-	59
Impairment loss on investment properties		-	-	-	-	-	-	35,055
Impairment loss on other non-current assets		-	-	-	-	3,000	-	-
Total	₩	271,691	65,140	87,506	15,544	50,471	1,217	60,443

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

- (f) Pledged property, plant and equipment provided by the Group as of December 31, 2022, are as follows:

(in millions of Korean won)

Offered assets (*)		2022			
		Book amount	Guaranteed amount	Type of borrowings	Amount of borrowings
Land and buildings	₩	3,449,501	2,614,168	Secured Loan and others	2,291,191

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

- (g) The capitalized borrowing costs and capitalization interest rates for the years ended December 31, 2022 and 2021 are as follows:

(in millions of Korean won)

	2022	2021
Capitalized borrowing costs	₩ 20,964	21,599
Capitalization interest rates	1.63%~11.49%	1.00%~4.60%

# **LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES** **Notes to the Consolidated Financial Statements** **As of December 31, 2022 and 2021**

## **14. Investment Property**

(a) Investment property as of December 31, 2022 and 2021 are summarized as follows:

(in millions of Korean won)

		2022				2021			
		Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩	846,419	-	(767)	845,652	725,627	-	(129)	725,498
Buildings		425,796	(143,066)	(742)	281,988	369,659	(133,339)	(27)	236,293
Others (*)		1,178,487	(75,658)	(158,879)	943,950	925,882	(49,825)	(71,645)	804,412
Total	₩	2,450,702	(218,724)	(160,388)	2,071,590	2,021,168	(183,164)	(71,801)	1,766,203

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

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

(in millions of Korean won)

		2022				Ending balance
		Beginning balance	Acquisitions	Depreciation	Others (*2)	
Land	₩	725,498	-	-	120,154	845,652
Buildings		236,293	29	(17,789)	63,455	281,988
Others (*1)		804,412	239,332	(27,428)	(72,366)	943,950
Total	₩	1,766,203	239,361	(45,217)	111,243	2,071,590

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

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

(c) Changes in investment property for the year ended December 31, 2021 are as follows:

(in millions of Korean won)

		2021				Ending balance
		Beginning balance	Acquisitions	Depreciation	Others (*2)	
Land	₩	1,193,342	18,265	-	(486,109)	725,498
Buildings		432,640	64,533	(9,211)	(251,669)	236,293
Others (*1)		676,056	93,199	(33,539)	68,696	804,412
Total	₩	2,302,038	175,997	(42,750)	(669,082)	1,766,203

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

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



**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**As of December 31, 2022 and 2021**

**14. Investment Property, continued**

(d) Income and expense from investment property

The details of income and expense from investment property for the years ended December 31, 2022 and December 31, 2021 are as follows:

<i>(in millions of Korean won)</i>			<b>2022</b>	<b>2021</b>
Rental income	₩		167,243	141,440
Direct operating expense (including maintenance and repair expenses)			57,317	47,136

(e) Fair value of investment property as of December 31, 2022 is as follows:

<i>(in millions of Korean won)</i>			<b>Book value</b>	<b>Fair value</b>
Land and buildings	₩		2,071,590	5,709,307

**15. Goodwill and Intangible Assets**

(a) Intangible assets as of December 31, 2022 and 2021 are summarized as follows:

<i>(in millions of Korean won)</i>		<b>2022</b>				<b>2021</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	₩	2,571,690	-	(1,684,885)	886,805	2,576,060	-	(1,390,180)	1,185,880
Industrial property rights		146,688	(9,640)	(527)	136,521	146,845	(9,649)	(453)	136,743
Rights to use facility		39,341	(38,541)	(608)	192	39,463	(38,245)	(608)	610
Membership		29,420	-	(3,678)	25,742	30,544	-	(3,457)	27,087
Other intangible Assets		487,208	(321,460)	(74,260)	91,488	457,540	(275,988)	(12,072)	169,480
Total	₩	3,274,347	(369,641)	(1,763,958)	1,140,748	3,250,452	(323,882)	(1,406,770)	1,519,800

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

<i>(in millions of Korean won)</i>		<b>2022</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	₩	1,185,880	-	-	(298,027)	(54)	(994)	886,805
Industrial property rights		136,743	130	(239)	(107)	(40)	34	136,521
Rights to use facility		610	-	(418)	-	-	-	192
Membership		27,087	1,533	-	(221)	(2,657)	-	25,742
Other intangible assets		169,480	16,542	(120,328)	(62,340)	(1,734)	89,868	91,488
Total	₩	1,519,800	18,205	(120,985)	(360,695)	(4,485)	88,908	1,140,748

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

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**As of December 31, 2022 and 2021**

**15. Goodwill and Intangible Assets, continued**

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

(in millions of Korean won)

		2021							
		Beginning balance	Acquisition	Business Combination	Amortization	Impairment	Disposals	Others (*)	Ending Balance
Goodwill	₩	1,288,440	-	14,123	-	(119,259)	-	2,576	1,185,880
Industrial property rights		136,680	240	-	(247)	(4)	(4)	78	136,743
Rights to use facility		1,154	-	-	(547)	-	-	3	610
Membership		27,544	-	-	-	96	(553)	-	27,087
Other intangible assets		178,480	47,333	2,407	(88,225)	(3,468)	(8,175)	41,128	169,480
Total	₩	1,632,298	47,573	16,530	(89,019)	(122,635)	(8,732)	43,785	1,519,800

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

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

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

Details of the goodwill allocated to the groups of cash-generating units as of December 31, 2022 and 2021 are as follows:

(in millions of Korean won)

		2022	2021
Department store	₩	104,656	104,656
Discount store		36,584	37,579
Consumer electronics retail		463,738	761,409
TV home shopping		273,297	273,296
Supermarket		2,873	3,284
E-Commerce		4,860	4,860
Others		796	796
Total	₩	886,804	1,185,880

- During the current year, some cash-generation units were changed due to the merger between the Company and Lotte Incheon Development Co., Ltd, LOTTE Town Dongtan Co.,LTD, LOTTE Songdo Shopping Town CO., LTD, and LOTTE Shopping Town Daegu Co.,LTD, and in this regard, the previous year's goodwill amount allocated by CGU was restated

- Recoverable amount for each of cash-generating unit for each operating segment above is measured at higher of value in use and net fair value. Net fair value is the amount obtainable from the estimated proceeds from the sales of the asset in an arm's length transaction between knowledgeable and willing parties, less estimated costs of disposal. The value in use of each cash-generating unit was determined by discounting its estimated future cash flows as relevant cash-generating units are continuously used. The approach used to determine value in use as of December 31, 2022 was consistent with those used in 2021. The calculation of value in use was based on the following key assumptions:

- Cash flows were estimated based on past experience, actual historical results of operations and a 5-year business plan.

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**As of December 31, 2022 and 2021**

**15. Goodwill and Intangible Assets, continued**

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

- For department stores, discount stores, consumer electronics retail, TV home shopping, supermarkets, e-commerce and others, the annual revenue growth rate for the following five years is estimated at 0%~2.0% (2021: 0%~2.0%).

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

	2022	2021
Department store	6.69% ~ 8.53%	7.23% ~ 11.81%
Discount store	6.69% ~ 10.37%	7.34% ~ 10.91%
Consumer electronics retail	7.92%	7.89%
TV home shopping	9.04%	9.65%
Supermarket	6.69%	7.34%
Cinema	10.40% ~ 11.01%	8.00% ~ 10.91%
E-Commerce	9.93%	7.34%
Others	5.55% ~ 13.05%	5.30% ~ 10.24%

The relevant values through major assumption represent the management's estimation of future trends for distribution industry. As a result of impairment testing on basis of external and internal source (historical data) as of December 31, 2022, recoverable amounts of the cash-generating units in department stores, discount stores, supermarket, consumer electronic retail and e-commerce were less than its book value, including goodwill, therefore impairment losses were recognized.

The impairment losses recognized in goodwill for the years ended December 31, 2022 and 2021 are as follows:

*(in millions of Korean won)*

		2022	2021
Department store	₩	-	36,800
Supermarket		357	53
Consumer electronics retail		297,670	82,265
Others		-	142
Total	₩	298,027	119,260

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
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**15. Goodwill and Intangible Assets, continued**

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

Details of intangible assets with indefinite estimated useful lives as of December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>		<b>2022</b>	<b>2021</b>
Department store	₩	11,628	10,138
Discount store		1,448	1,448
Consumer electronics retail		139,808	139,848
TV home shopping		6,118	8,775
Supermarket		1,606	1,744
Cinema		803	803
E-Commerce		406	406
Total	₩	161,817	163,162

The impairment loss of ₩ 221 million is recognized during the current period, and as a result of the Group's impairment test on indefinite intangible assets for the year 2021, ₩ 96 million was recognized as reversal of impairment loss.

**16. Trade and Other Payables**

Details of trade and other payables as of December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>		<b>2022</b>	<b>2021</b>
Current:			
Trade payables	₩	610,920	610,720
Other payables		1,955,390	1,809,150
Total		2,566,310	2,419,870
Non-current:			
Long-term trade payables		-	26
Long-term other payables		19,455	15,610
Total	₩	19,455	15,636

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
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**17. Borrowings and Debentures**

(a) Borrowings and debentures as of December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>		2022	2021
Current:			
Short-term borrowings	₩	1,579,073	1,392,799
Current portion of long-term borrowings		1,814,322	967,883
Current portion of discounts on borrowings		(3,882)	(2,764)
Short-term debentures		199,988	-
Current portion of debentures		1,306,060	1,207,100
Current portion of discount on debentures		(1,272)	(276)
Debentures redemption premium		799	-
Exchange right adjustment		(240)	-
Total		4,894,848	3,564,742
Non-current:			
Long-term borrowings		1,722,040	2,744,408
Discount on long-term borrowings		(6,155)	(13,290)
Long-term debentures		3,154,735	3,664,263
Discount on debentures		(4,180)	(6,770)
Debentures redemption premium		-	799
Exchange right adjustment		-	(1,176)
Total	₩	4,866,440	6,388,234

(b) Short-term borrowings as of December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>		Annual interest rate (%)	2022	2021
Lender	Details			
Korea Development Bank and others (*1)	General loan of local currency	3.77 ~ 91days, interest rate of CD+3.51	₩ 660,667	25,106
Lotte Property and Development	Borrowings of foreign currency	-	-	59,667
KS 1st and others	Borrowings of local currency	3.19	80,000	483,000
KEB Hana Bank and others (*2)	General loan of foreign currency	2.99~JIBOR 3M+2.00	592,999	785,026
Shinhan Bank and others (*1)	Commercial paper	91 days, interest rate of CD+0.9~6.80	245,407	40,000
Total			₩ 1,579,073	1,392,799

(\*1) As of December 31, 2022, 91days, interest rate of CD: 3.98%

(\*2) As of December 31, 2022, JIBOR 3M: 6.62%

# **LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES** **Notes to the Consolidated Financial Statements** **As of December 31, 2022 and 2021**

## **17. Borrowings and Debentures, continued**

(c) Long-term borrowings as of December 31, 2022 and 2021 are as follows:

(in millions of Korean won)

Lender	Details	Annual interest rate (%)		2022	2021
Mizuho Corporate Bank, Ltd. and others (*1)	General loan of local currency	1.95~ 3M Financial Bonds I (Bank Bonds) AAA+5.15	₩	1,156,928	1,543,029
Daishin Securities and others	Commercial paper	2.16~3.69		300,000	100,000
L Incheon 1st and others(*2)	Borrowings of local currency	2.48~4.01		1,574,000	1,640,000
KEB Hana Bank and others (*3)	General loan of foreign currency	3M USD Libor + 1.0 ~ 3M Cost of Fund +0.90		505,434	429,261
	Subtotal			3,536,362	3,712,290
Less: Discount on long-term borrowings				(10,038)	(16,053)
	Subtotal			3,526,324	3,696,237
Less: Current portion of long-term borrowings, net of discount				(1,810,439)	(965,118)
	Total		₩	1,715,885	2,731,119

(\*1) As of December 31, 2022, 3M Financial Bonds I (Bank Bonds) AAA: 4.05%

(\*2) As of December 31, 2022, 3M USD Libor: 4.75%

(\*3) As of December 31, 2022, 3M Cost of Fund: 7.31%

(d) Debentures as of December 31, 2022 and 2021 are as follows:

(in millions of Korean won)

Description	Maturity	Annual interest rate(*1)		2022	2021
65-2nd placed	2022-03-03	-	₩	-	240,000
66-2nd placed	2022-06-23	-		-	50,000
66-3rd placed	2025-06-23	2.98%		140,000	140,000
70-3rd placed	2026-04-04	2.48%		70,000	70,000
72-2nd placed	2022-01-23	-		-	160,000
73-2nd placed	2022-06-15	-		-	150,000
73-3rd placed	2024-06-15	2.69%		100,000	100,000
74th placed	2022-06-29	-		-	50,000
75th placed	2024-08-07	2.74%		150,000	150,000
77-2nd placed	2023-05-30	2.96%		310,000	310,000
77-3rd placed	2028-05-30	3.47%		100,000	100,000
79th placed	2033-08-07	3.55%		70,000	70,000
80th placed	2038-08-29	3.40%		30,000	30,000
81st placed (foreign currency)	2022-01-28	-		-	118,550
82-1st placed	2022-01-28	-		-	110,000
82-2nd placed	2024-01-30	2.29%		150,000	150,000
82-3rd placed	2029-01-30	2.73%		140,000	140,000
83-1st placed	2024-08-29	1.59%		100,000	100,000
83-2nd placed	2026-08-28	1.67%		70,000	70,000
83-3rd placed	2029-08-29	1.80%		110,000	110,000

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**As of December 31, 2022 and 2021**

**17. Borrowings and Debentures, continued**

(d) Debentures as of December 31, 2022 and 2021 are as follows:, continued

Description	Maturity	Annual interest rate		2022	2021
84th placed (foreign currency)	2022-11-29	-	₩	-	118,550
85th placed	2023-04-28	2.33%		350,000	350,000
86-1st placed	2025-07-18	2.20%		30,000	30,000
86-2nd placed	2030-07-19	2.58%		20,000	20,000
87-1st placed (foreign currency)	2023-08-18	3M USD Libor+1.40%		126,730	118,550
87-2nd placed (foreign currency)	2023-08-21	3M USD Libor+1.30%		63,365	59,275
87-3rd placed (foreign currency)	2023-08-28	3M USD Libor+2.10%		63,365	59,275
88-1st placed	2025-09-23	2.07		135,000	135,000
88-2nd placed	2030-09-23	2.55%		60,000	60,000
89-1st placed	2024-04-16	1.63%		170,000	170,000
89-2nd placed	2026-04-16	2.13%		190,000	190,000
89-3rd placed	2031-04-16	2.95%		35,000	35,000
90-1st placed(foreign currency)	2024-05-21	3M USD Libor+0.05%		126,730	118,550
90-2nd placed(foreign currency)	2024-05-20	0.53%		221,778	207,463
91st placed (foreign currency)	2024-08-19	0.86%		126,730	118,550
92nd placed(foreign currency)	2025-03-25	2.54		202,768	-
93-1st placed	2024-09-06	4.75		100,000	-
93-2nd placed	2025-09-05	4.86		110,000	-
93-3rd placed	2027-09-07	4.93		40,000	-
94th placed (foreign currency)	2025-11-28	4.87		126,730	-
Exchangeable bonds (*2)	2023-04-04	-		31,600	31,600
1st collateralized public bond (LOTTE REIT Co., Ltd.)	2022-07-29	1.55%		-	170,000
2nd public bond(LOTTE REIT Co.,Ltd.)	2023-12-15	2.90%		31,000	31,000
3-1st collateralized public bond(LOTTE REIT Co.,Ltd.)	2023-07-29	4.58%		80,000	-
3-2nd collateralized public bond(LOTTE REIT Co.,Ltd.)	2024-07-29	4.67%		90,000	-
Short-term bonds(LOTTE REIT Co.,Ltd.)	2023-01-07	6.22%		200,000	-
4-3rd corporate bond (LOTTE Himart Co., Ltd.)	2022-10-28	2.70%		-	40,000
7th corporate bond (LOTTE Himart Co., Ltd.)	2023-06-11	2.18%		200,000	200,000
8th corporate bond (LOTTE Himart Co., Ltd.)	2024-06-28	1.97%		140,000	140,000

# **LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES** **Notes to the Consolidated Financial Statements** **As of December 31, 2022 and 2021**

## **17. Borrowings and Debentures, continued**

(d) Debentures as of December 31, 2022 and 2021 are as follows:, continued

Description	Maturity	Annual interest rate		2022	2021
3rd placed (Lotte Cultureworks Co., Ltd.)	2023-11-26	3.55%	₩	10,000	10,000
4th placed (Lotte Cultureworks Co., Ltd.)	2023-03-03	3.30%		40,000	40,000
Subtotal				4,660,796	4,871,363
Less: Discount on debentures				(5,465)	(7,046)
Debentures redemption premium				799	799
Less: Exchange rights adjustment				(240)	(1,176)
Total book value				4,655,890	4,863,940
Less: Current portion of debentures(*3)				(1,505,335)	(1,206,824)
Total			₩	3,150,555	3,657,116

(\*1) As of December 31,2022, 3M USD Libor: 4.75%

(\*2) The Company issued exchangeable bonds which are exchangeable for shares of LOTTE Himart Co., Ltd. and the terms and conditions are as follows: Meanwhile, ₩ 272.0 billion out of a total of ₩ 303.6 billion in exchange bonds was repaid early due to the exercise of the bond creditor's right to claim early repayment for the year ended December 31, 2021.

- (1) Type of bonds: Registered unguaranteed unsecured overseas exchangeable bonds
- (2) Total face value of bonds(In Korean won): ₩ 303,600,000,000
- (3) Bond interest rate
- Coupon rate (%): -
- Yield to maturity (%): 0.50
- (4) Date of bond maturity: April 04, 2023
- (5) Principal redemption method:
- Redemption on maturity date: Redemption in lump sum on the maturity date for the principal amount of bonds for which a condition for early redemption has not occurred and the exchange right has not been exercised.
  - Early redemption: The Company has a call option, whereas bond holders have a put option.
- (6) Put option by bondholders:
- The put option can be exercised if any of the following conditions occurs:
- After the third anniversary of the date of payment (April 04, 2021);
  - If any change of control occurs in the LOTTE Himart Co., Ltd.; or
  - The issued stocks of the Company are delisted from the stock exchange or their transaction is suspended for 30 consecutive transaction days or longer.
- (7) Call option by the Company:
- The call option can be exercised if any of the following conditions occurs:
- If the closing price of LOTTE Himart Co., Ltd. for 20 transactional days in 30 consecutive transaction days reaches 130% or more of the exchange price between 3 years from the issuance date (April 04, 2021) and 30 business days to the maturity date;
  - If the balance of bonds that has not been redeemed reaches less than 10% of the sum of the total issued amount (clean up call); or
  - Any additional tax burden arises due to the amendments of the related laws and regulations.



# **LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES** **Notes to the Consolidated Financial Statements** **As of December 31, 2022 and 2021**

## **17. Borrowings and Debentures, continued**

(d) Debentures as of December 31, 2022 and 2021 are as follows:, continued

(8) Matters relating to exchange:

i. Exchange ratio (%):	100
ii. Exchange price (won per share):	₩ 85,840
iii. Type of shares to be issued following exchange:	common shares of LOTTE Himart Co., Ltd.
iv. Period to apply for exchange:	
Start date:	May 14, 2018
End date:	March 24, 2023

v. Matters for the adjustment of exchange price:

In case when a condition for re-adjustment of the exchange price has occurred, such as a stock dividend, the exchange price will be adjusted in accordance with the provisions in the relevant bonds purchase agreement.

(\*3) Current portion of debentures includes the amount on debentures redemption premium and exchange right adjustment.

(e) Annual repayment schedule of long-term borrowings and debentures as of December 31, 2022 are as follows:

(in millions of Korean won)

		2022		
		Borrowings	Debentures	Total
2023.01.01 ~ 2023.12.31	₩	1,814,322	1,506,060	3,320,382
2024.01.01 ~ 2024.12.31		1,158,480	1,475,238	2,633,718
2025.01.01 ~ 2025.12.31		156,264	744,498	900,762
2026.01.01 ~ 2026.12.31		318,058	330,000	648,058
After 2027.01.01		89,239	605,000	694,239
Total	₩	3,536,363	4,660,796	8,197,159

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
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**18. Unearned Revenues**

The details of unearned revenues as of December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>		<b>2022</b>	<b>2021</b>
Current:			
Membership points	₩	460	477
Other points		57,589	55,134
Unearned rental income		347	6,602
Others (*)		149,157	121,618
Total		<u>207,553</u>	<u>183,831</u>
Non-current:			
Unearned rental income		26,694	28,919
Total	₩	<u>26,694</u>	<u>28,919</u>

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

**19. Provisions**

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

<i>(in millions 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	(21,581)	-
Provision for sales return	7,955	3,856	(3,420)	8,391
Provision for restoration	4,669	2,750	(3,111)	4,308
Provision for litigation	2,420	7,088	(1)	9,507
Provision for restructuring (*1)	5,760	529	(1,794)	4,495
Other provisions (*2)	9,934	42,322	(38,287)	13,969
Total	<u>30,738</u>	<u>78,126</u>	<u>(68,194)</u>	<u>40,670</u>
Non-current:				
Provision for restoration	130,994	9,590	(8,844)	131,740
Provision for litigation	6,915	-	(6,915)	-
Total ₩	<u>137,909</u>	<u>9,590</u>	<u>(15,759)</u>	<u>131,740</u>

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

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

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**19. Provisions, continued**

(b) Changes in provisions for the year ended December 31, 2021 are as follows:

<i>(in millions of Korean won)</i>	<b>Beginning balance</b>	<b>Increase</b>	<b>Utilization</b>	<b>Ending balance</b>
Current:				
Provision for bonus payable ₩	588	42,443	(43,031)	-
Provision for sales return	8,196	4,846	(5,087)	7,955
Provision for restoration	2,904	2,725	(960)	4,669
Provision for litigation	2,236	186	(2)	2,420
Provision for restructuring (*1)	12,610	1,987	(8,837)	5,760
Other provisions (*2)	12,897	118,256	(121,219)	9,934
Total	39,431	170,443	(179,136)	30,738
Non-current:				
Provision for restoration	124,711	22,626	(16,343)	130,994
Provision for litigation	6,915	-	-	6,915
Total ₩	131,626	22,626	(16,343)	137,909

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

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

**20. Other Non-financial Liabilities**

Other non-financial liabilities as of December 31, 2022 and 2021 are summarized as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Current:		
Withholdings ₩	134,758	146,352
Withholdings of value added tax	56,356	72,609
Advances received	1,431,898	1,371,215
Other liabilities	5,550	3,207
Total ₩	1,628,562	1,593,383

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**21. Employee Benefits**

(a) Details of defined benefit liabilities as of December 31, 2022 and 2021 are summarized as follows:

<i>(in millions of Korean won)</i>		<b>2022</b>	<b>2021</b>
Present value of defined benefit obligations	₩	781,336	826,735
Fair value of plan assets		(1,036,331)	(940,333)
Defined benefit liabilities (assets)		(254,995)	(113,598)
Defined benefit asset		261,888	121,737
Defined benefit liability	₩	6,893	8,139

(b) Details of present value of other long-term employee benefits as of December 31, 2022 and 2021 are summarized as follows:

<i>(in millions of Korean won)</i>		<b>2022</b>	<b>2021</b>
Present value of other long-term employee benefits	₩	25,734	26,651

(c) Changes in the defined benefit obligations for the years ended December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>		<b>2022</b>	<b>2021</b>
Beginning balance	₩	826,735	906,824
Current service costs		93,390	111,075
Past service costs		19,001	(4,004)
Interest costs		25,689	23,719
Remeasurements:			
Actuarial loss from change in demographic assumptions		(34)	(685)
Actuarial gain from change in financial assumptions		(113,419)	(68,307)
Actuarial gain from experience adjustments		21,253	(22,908)
Subtotal		(92,200)	(91,900)
Benefit payments		(83,541)	(125,649)
Others		(7,738)	6,626
Changes due to business combination		-	44
Ending balance	₩	781,337	826,735

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**21. Employee Benefits, continued**

(d) Changes in the plan assets for the years ended December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>		<b>2022</b>	<b>2021</b>
Beginning balance	₩	940,335	985,359
Return on plan assets		29,564	26,052
Remeasurements		(12,704)	(11,745)
Employer contribution		154,916	56,760
Benefit payments		(73,660)	(113,590)
Others		(2,220)	(2,501)
Ending balance	₩	<u>1,036,331</u>	<u>940,335</u>

The estimated contributions to the plan for the next annual reporting period are ₩ 81,345 million.

(e) The components of plan assets as of December 31, 2022 and 2021 are summarized as follows:

<i>(in millions of Korean won)</i>		<b>2022</b>	<b>2021</b>
Principal guaranteed insurance policies	₩	1,036,215	940,213
Contributions to the National Pension Fund		116	122
Total	₩	<u>1,036,331</u>	<u>940,335</u>

(f) Expenses recognized for the years ended December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>		<b>2022</b>	<b>2021</b>
Current service costs	₩	93,391	111,075
Past service costs		19,001	(4,004)
Interest costs		25,689	23,719
Return on plan assets		(29,564)	(26,052)
Contributions to defined contribution plans and others(*)		21,563	89,027
Long-term employee benefits		3,762	(880)
Total	₩	<u>133,842</u>	<u>192,885</u>

(\*) The Group recognized ₩ 75,925 million for employee termination benefits due to voluntary retirement during 2021.

(g) Defined benefit obligation

① Actuarial assumptions

The principal actuarial assumptions used as of December 31, 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
Discount rate	4.62~7.43%	1.79~7.75%
Expected rate of promotion	0.76~3.76%	0.82~4.38%
Expected rate of increase in salaries	0.50~7.00%	0.52~10.07%

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**21. Employee Benefits, continued**

(g) Defined benefit obligation, continued

② Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions would have affected the defined benefit obligation by the amounts are as follows:

<i>(in millions of Korean won)</i>		<u>Increase</u>	<u>Decrease</u>
Discount rate (1%p movement)	₩	(66,272)	75,396
Expected rate of promotion (1%p movement)		69,713	(60,462)
Expected rate of increase in salaries (1%p movement)		76,934	(68,676)

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

(h) Information about the maturity profile of the defined benefit obligation as of December 31, 2022 is as follows:

<i>(in millions 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	₩	91,040	93,358	292,614	538,181	1,570,635

The weighted average duration of the defined benefit obligation is 8.12 years.

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
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**22. Hybrid securities**

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

*(in millions of Korean won)*

	<u>Issue date</u>	<u>Expiration date</u>	<u>Interest (%)</u>		<u>Amount</u>
5th private bond type of hybrid securities (*)	2021-06-22	2051-06-22	4.20	₩	40,000
6th private bond type of hybrid securities (*)	2021-12-22	2051-12-22	5.30		100,000
7th private bond type of hybrid securities (*)	2022-02-25	2052-02-25	5.60		30,000
Subtotal					170,000
Issuance cost					(546)
Total				₩	<u>169,454</u>

Details of hybrid securities classified as equity as of December 31, 2021 are as follows:

*(in millions of Korean won)*

	<u>Issue date</u>	<u>Expiration date</u>	<u>Interest (%)</u>		<u>Amount</u>
5th private bond type of hybrid securities (*)	2021-06-22	2051-06-22	4.20	₩	40,000
6th private bond type of hybrid securities (*)	2021-12-22	2051-12-22	5.30		100,000
Subtotal					140,000
Issuance cost					(426)
Total				₩	<u>139,574</u>

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
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**22. Hybrid securities**

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

(in millions of Korean won)

Amount	₩	5th private bond type of hybrid securities 40,000	6th private bond type of hybrid securities 100,000	7th private bond type of hybrid securities 30,000
Expiration date		30 years (expiration can be extended according to Lotte Culture networks Co., Ltd decision-making at maturity)	30 years (expiration can be extended according to Lotte Culture networks Co., Ltd decision-making at maturity)	30 years (expiration can be extended according to Lotte Culture networks Co., Ltd decision-making at maturity)
Interest		Issue date ~ 2023.06.22: 4.20 % 2.0% step-up interest rate applied after 2 years of issuance Add 0.5% per year since step-up interest rates were applied	Issue date ~ 2023.12.22: 5.30 % 2.0% step-up interest rate applied after 2 years of issuance Add 0.5% per year since step-up interest rates were applied	Issue date ~ 2024.02.25: 5.60 % 2.0% step-up interest rate applied after 2 years of issuance Add 0.5% per year since step-up interest rates were applied
Condition of interest payment		September 22, 2021 for the first time, 3 months' interest is deferred on the 22nd of every 3 months until the expiration date.	March 22, 2022 for the first time, 3 months' interest is deferred on the 22nd of every 3 months until the expiration date.	May 25, 2022 for the first time, 3 months' interest is deferred on the 25th of every 3 months until the expiration date.
Others		Early repayment rights can be exercised every year after 2 years of issuance and thereafter.	Early repayment rights can be exercised every interest payment date after 2 years of issuance and thereafter.	Early repayment rights can be exercised every interest payment date after 2 years of issuance and thereafter.

Above 5th, 6th, 7th hybrid security's expiration can be extended according to Lotte Cultureworks Co., Ltd.'s decision-making at maturity. In addition, bond's interest payment can be postponed by Lotte Cultureworks Co., Ltd.'s own right. If interest payment is postponed, dividends on common stock cannot be resolved or paid until the deferred interest is paid in full.



**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
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**23. Derivatives**

(a) Details of derivatives outstanding as of December 31, 2022 are as follows:

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

(\*) Total return swaps of the Group as of December 31, 2022 are as follows:

(in millions of Korean won)

Name	Guaranteed Buyer	Guaranteed Seller	Conclusion date of agreement	Maturity date	Agreement Amount	Underlying assets	Purpose of agreement	Description of agreement and settlement method	Special relationship with contract party or issuance company of underlying assets	Collateral	Brokerage financial company	Special agreement
TRS	LOTTE SHOPPING CO.,LTD.	LOG No. 1 Co., Ltd.	2022-02-17	2025-02-17	₩ 40,000	Real estate investment trust related beneficiary certificates	Settlement of disposal of underlying assets	1. Settlement of differences between the selling price of underlying assets and the principal of investment 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							
		LOY No. 1 Co., Ltd.			57,000							
		LOY No. 2 Co., Ltd.	2022-12-15	2023-03-15	65,000							
		LOY No. 3 Co., Ltd.			41,000							
		Kimpo Hangang Park No. 1 Co., Ltd.	2022-12-15	2023-03-15	29,800							
		Kimpo Hangang Park No. 2 Co., Ltd.			120							
		LEP No. 1 Co., Ltd.			30,000							
		LEP No. 2 Co., Ltd.	2021-04-29	2026-04-29	70,000							
		LEP No. 3 Co., Ltd.			50,000							
		LEP No. 4 Co., Ltd.			73,000							

# **LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES** **Notes to the Consolidated Financial Statements** **As of December 31, 2022 and 2021**

## **23. Derivatives, continued**

### (b) Hedge Accounting

As of December 31, 2022, the Group entered into currency swap contracts to hedge fair value risk that debentures issued in foreign currency redeemed on the maturity date are dependent on changes in foreign currency. The gain or loss arising from changes in fair value of derivatives are 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 Group entered interest swap contracts for the purpose of hedging changes in interest rate of 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, 2022 are as follows:

*(in thousands of Korean won, full foreign currency)*

Type	Description	Amount	Exchange Rate (KRW, VND, USD)	Annual Interest Rate	Payable interest rate	Maturity	Remarks
Currency Swap	87-1st placed (foreign currency)	USD 100,000,000	KRW 1,193.80	3M USD Libor+2.05%	2.26%	2023.08.18	Kookmin Bank
	87-2nd placed (foreign currency)	USD 50,000,000	KRW 1,193.30	3M USD Libor+1.30%	1.47%	2023.08.21	KEB Hana Bank
	87-3rd placed (foreign currency)	USD 50,000,000	KRW 1,190.50	3M USD Libor+2.10%	2.16%	2023.08.28	Credit Agricole
	90-1st placed (foreign currency)	USD 100,000,000	KRW 1,129.50	3M USD Libor+0.05%	1.64%	2024.05.21	MUFG Bank
	90-2nd placed (foreign currency)	USD 175,000,000	KRW 1,129.50	1.53%	1.61%	2024.05.20	SMBC Bank
	91 placed (foreign currency)	USD 100,000,000	KRW 1,159.00	0.86%	1.96%	2024.08.19	MUFG Bank
	92 placed (foreign currency)	USD 160,000,000	KRW 1,212.00	2.54%	3.10%	2025.03.25	MUFG Bank
	94 placed (foreign currency)	USD 100,000,000	KRW 1,352.30	4.87%	5.77%	2025.11.28	MUFG Bank
	Long-term Borrowing	USD 75,000,000	VND 23,190	3M USD SOFR+ 1.95%	7.27%	2025-05-23	Woori Bank
		USD 40,000,000	VND 23,250	3M USD SOFR+ 1.95%	7.35%	2027-06-28	Woori Bank
		USD 30,000,000	VND 24,850	3M USD SOFR+ 1.95%	11.49%	2027-06-28	Woori Bank
		USD 62,825,000	VND 23,233	3M USD Libor +2.6%	5.13%	2023-09-08	Techcom Bank
		USD 20,000,000	VND 23,292	3M USD Libor +2.6%	5.13%	2023-09-08	Maritime Bank
		USD 30,175,000	VND 23,190	3M USD Libor +2.6%	4.81%	2023-09-08	Maritime Bank
		USD 20,000,000	VND 23,190	3M USD Libor +2.6%	4.92%	2023-09-08	Shinhan Bank
		USD 7,000,000	VND 23,190	3M USD Libor +3.2%	5.41%	2023-09-08	Maritime Bank
		USD 60,000,000	VND 23,190	3M USD Libor +3.2%	5.52%	2023-09-08	Shinhan Bank

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**23. Derivatives, continued**

(b) Hedge Accounting, continued

Type	Description	Amount	Exchange Rate (KRW, VND, USD)	Annual Interest Rate	Payable interest rate	Maturity	Remarks
		USD 10,000,000	VND 23,680	3M USD Libor +1.0%	5.45%	2023-01-19	Standard Chartered Bank
		USD 5,000,000	VND 23,680	3M USD Libor +2.0%	6.45%	2023-03-23	Standard Chartered Bank
	Short-term borrowing	USD 25,000,000	VND 23,695	3M USD Term SOFR +3.65%	10.55%	2023-09-19	Standard Chartered Bank
		USD 10,000,000	VND 23,390	3M USD Term SOFR +2.4%	7.35%	2023-06-30	Shinhan Bank
		USD 10,000,000	VND 23,290	4.30%	6.00%	2023-06-30	Shinhan Bank
		USD 20,000,000	VND 23,240	3.67%	5.40%	2023-06-21	
Interest Swap	Short-term borrowing	KRW 200,000	Not Applicable	91 days, CD interest rate+0.60%	1.72%	2023-03-17	Shinhan Bank
		KRW 70,000	Not Applicable	91 days, CD interest rate+0.90%	3.99%	2023-01-17	Shinhan Bank

(c) Fair value of derivatives outstanding as of December 31, 2022 and 2021 are summarized as follows:

(in millions of Korean won)

Description	Type		2022		2021	
			Assets	Liabilities	Assets	Liabilities
Risk hedge	Currency swaps	₩	79,800	18,514	21,055	11,673
	Interest swaps		1,501	-	1,206	-
Trade	Total return swap		22,904	-	31,612	-
	Stock options		18	-	8,929	-
	Total	₩	104,223	18,514	62,802	11,673

(d) Gain or loss on valuation of derivatives for the year ended December 31, 2022 are as follows:

(in millions of Korean won)

Purpose	Type	Amount	Note
Risk hedge	Currency swaps	₩ 66,633	Profit or loss (*)
		(8,240)	Other comprehensive income
	Interest swaps	295	Other comprehensive income
Trade	Total return swap	1,903	Profit or loss
	Stock options	(8,911)	Profit or loss

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

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**24. Share Capital and Capital Surplus**

(a) The share capital of the Company as of December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won, except for number of shares)</i>		<b>2022</b>	<b>2021</b>
Authorized shares(shares)		60,000,000	60,000,000
Par value per share (in thousands of Korean won)	₩	5	5
Number of shares issued(shares)		28,288,755	28,288,755
Share capital	₩	141,444	141,444

(b) Capital surplus as of December 31, 2022 and 2021 consists of the following:

<i>(in millions of Korean won)</i>		<b>2022</b>	<b>2021</b>
Additional paid-in capital	₩	3,414,873	3,414,873
Others		159,476	159,339
Total	₩	3,574,349	3,574,212

**25. Capital Adjustments**

Capital adjustments as of December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>		<b>2022</b>	<b>2021</b>
Treasury stocks	₩	3,803	3,803
Other capital adjustments		3,015,615	3,028,627
Total	₩	3,019,418	3,032,430

**26. Retained Earnings**

Details of retained earnings as of December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>		<b>2022</b>	<b>2021</b>
Legal reserves	₩	257,716	249,801
Voluntary reserves		8,520,052	8,370,052
Unappropriated retained earnings (deficit)		(136,566)	376,784
Total	₩	8,641,202	8,996,637

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**27. Accumulated Other Comprehensive Income (loss)**

Changes in accumulated other comprehensive income (loss) for the years ended December 31, 2022 and 2021 are as follows:

*(in millions of Korean won)*

		<b>2022</b>			
		<b>Beginning balance</b>	<b>Changes for the year</b>	<b>Tax effects for the year</b>	<b>Ending balance</b>
Fair value gain (loss) through other comprehensive income	₩	260,754	(301,758)	117,480	76,476
Exchange rate differences on translating foreign operations		36,095	(30,164)	6,831	12,762
Cash flow hedge		(2,730)	(8,230)	1,944	(9,016)
Interests in the other comprehensive income in investment in associates		(30,063)	6,247	4,216	(19,600)
Total	₩	<u>264,056</u>	<u>(333,905)</u>	<u>130,471</u>	<u>60,622</u>

*(in millions of Korean won)*

		<b>2021</b>			
		<b>Beginning balance</b>	<b>Changes for the year</b>	<b>Tax effects for the year</b>	<b>Ending balance</b>
Fair value gain (loss) through other comprehensive income	₩	56,928	309,865	(106,039)	260,754
Exchange rate differences on translating foreign operations		(69,625)	116,580	(10,860)	36,095
Cash flow hedge		(13,428)	14,044	(3,346)	(2,730)
Interests in the other comprehensive income in investment in associates		(51,731)	27,981	(6,313)	(30,063)
Total	₩	<u>(77,856)</u>	<u>468,470</u>	<u>(126,558)</u>	<u>264,056</u>

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

(a) Basic earnings (losses) per share for the years ended December 31, 2022 and 2021 are as follows:

(i) December 31, 2022

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

		<b>2022</b>
Net loss attributable to controlling interests	₩	(324,570,885,303)
Interest on hybrid securities		(8,240,000,000)
Weighted average number of common shares outstanding (in shares)		<u>28,270,640</u>
Basic loss per share	₩	<u>(11,772)</u>

(ii) December 31, 2021

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

		<b>2021</b>
Net loss attributable to controlling interests	₩	(292,279,479,719)
Interest on hybrid securities		(703,043,478)
Weighted average number of common shares outstanding (in shares)		<u>28,270,640</u>
Basic loss per share	₩	<u>(10,363)</u>

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**28. Earnings (losses) per Share, continued**

(a) Basic earnings (losses) per share for the years ended December 31, 2022 and 2021 are as follows:, continued

(iii) Weighted average number of common shares outstanding

<i>(in number of shares)</i>	<b>2022</b>	<b>2021</b>
Initial number of common shares outstanding	28,288,755	28,288,755
Treasury share	(18,115)	(18,115)
Weighted average number of common shares outstanding	<u>28,270,640</u>	<u>28,270,640</u>

(b) Diluted earnings (losses) per share

Diluted earnings (losses) per share for the years ended December 31, 2022 and 2021 are as follows:

(i) December 31, 2022

<i>(in Korean won, except for number of shares)</i>	<b>2022</b>
Net loss attributable to controlling interests	₩ (324,570,885,303)
Interest on hybrid securities	(8,240,000,000)
Effect of exchange of exchangeable bond, net of tax (*)	-
Diluted net loss attributable to common shareholders	(332,810,885,303)
Weighted average number of common shares for diluted earnings per share (in shares)	<u>28,270,640</u>
Diluted net loss per share	₩ <u>(11,772)</u>

(ii) December 31, 2021

<i>(in Korean won, except for number of shares)</i>	<b>2021</b>
Net loss attributable to controlling interests	₩ (292,279,479,719)
Interest on hybrid securities	(703,043,478)
Effect of exchange of exchangeable bond, net of tax (*)	(1,881,554,728)
Diluted net loss attributable to common shareholders	(294,864,077,925)
Weighted average number of common shares for diluted earnings per share (in shares)	<u>28,270,640</u>
Diluted net loss per share	₩ <u>(10,430)</u>

(\*) The anti-dilutive effect occurred in exchangeable bonds of LOTTE Himart Co., Ltd. for the year ended December 31, 2022 and was excluded to diluted earnings per share. The dilutive effect occurred in exchangeable bond of LOTTE Himart Co., Ltd. for the year ended December 31, 2021.

(iii) Diluted weighted average number of common shares

Weighted average number of common shares and weighted average number of common shares for diluted earnings per share for the current and previous year are the same.

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
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**29. Sales**

(a) Details of sales for the years ended December 31, 2022 and 2021 are as follows:

		<b>2022</b>	<b>2021</b>
<i>(in millions of Korean won)</i>			
	Sales of merchandise	₩ 19,543,170	19,358,159
	Sales of products	643,379	677,550
	Other sales (*)	1,380,200	1,542,539
	Total sales	<u>21,566,749</u>	<u>21,578,248</u>
Revenue from contracts with customers	Sales discounts and sales returns	(1,291,709)	(1,201,373)
	Provision for sales return and deferred sales	(285,638)	(294,459)
	Cost of specific sales	(6,052,680)	(5,833,269)
	Total sales deduction	<u>(7,630,027)</u>	<u>(7,329,101)</u>
	Revenue from other sources: rental revenue	1,539,313	1,324,402
	Total	<u>₩ 15,476,035</u>	<u>15,573,549</u>

(\*) Due to COVID-19, other sales include government grant of ₩ 3,084 million (2021: ₩ 4,158 million) received from Korean Film Council for cinema promotion and also include government grant of ₩ 15,824 million (2021: ₩ 24,154 million) received from Korea Agro-Fisheries & Food Trade Corporation and Korea Fisheries Association to promote agricultural consumption.

(b) The contract assets and liabilities of the Group recognized related to the revenue from contracts with customers as of December 31, 2022 and 2021 are as follows:

		<b>2022</b>	<b>2021</b>
<i>(in millions of Korean won)</i>			
Contract liabilities			
Customer loyalty program	₩	130,679	116,166
Gift vouchers		1,057,500	990,677
Advances from Real-estate Sales		9,982	13,487
Others		155,681	149,536
Total	₩	<u>1,353,842</u>	<u>1,269,866</u>



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

- (c) The amounts recognized as revenue and redemption of gift vouchers for the year ended December 31, 2022, in relation to contract liabilities carried forward from the year ended December 31, 2021 are as follows:

<i>(in millions of Korean won)</i>		<b>2022</b>	<b>2021</b>
Revenue			
Customer loyalty programs	₩	116,145	92,625
Others		151,283	130,062
Total		<u>267,428</u>	<u>222,687</u>
Collected			
Gift vouchers		477,045	423,206
Total	₩	<u>477,045</u>	<u>423,206</u>

- (d) In relation to gift vouchers, expected satisfaction of performance obligation by period are as follows:

*(in millions of Korean won)*

	<b>Book amount</b>	<b>1 year</b>	<b>Between 1-5 years</b>	<b>Over 5 years</b>
₩	1,057,500	557,297	495,470	4,733

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
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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, 2022 and December 31, 2021 are as follows:

<i>(in millions of Korean won)</i>		<b>2022</b>	<b>2021</b>
Salaries and bonuses	₩	1,262,004	1,239,220
Retirement benefits		133,322	192,395
Long-term employee benefits		3,740	(869)
Employee benefits		265,659	239,417
Training expenses		14,611	11,523
Travel expenses		18,765	13,806
Vehicles maintenance expenses		2,575	2,327
Insurance premiums		11,853	11,843
Taxes and dues		223,848	283,425
Entertainment expenses		3,672	2,909
Supplies expenses		59,141	56,092
Publication expenses		1,387	1,518
Communication expenses		19,971	20,994
Utility expenses		295,747	250,301
Repairs and maintenance		63,061	53,205
Rental expenses		142,031	129,622
Depreciation		1,093,834	1,113,685
Amortization		46,752	55,022
Commission expenses		1,193,758	1,138,608
Service commission expenses		928,366	888,458
Advertising expenses		180,769	181,268
Samples expenses		384	599
Sales commissions		124,372	123,186
Sales promotion expenses		120,980	102,142
Decoration expenses		30,036	20,341
Bad debt expenses		2,684	732
Transportation expenses		176,375	180,634
Research and development expenses		242	312
Provisions (reversal)		(2,675)	(4,961)
Compensation expenses		7,900	25,865
Others		2,039	1,015
Total	₩	<u>6,427,203</u>	<u>6,334,634</u>

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
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**31. Other Income and Expenses**

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

<i>(in millions of Korean won)</i>		<b>2022</b>	<b>2021</b>
<b>Other income:</b>			
Gain on foreign currency transactions	₩	9,245	2,325
Gain on foreign currency translation		633	734
Gain on disposal of property, plant, and equipment		3,546	54,665
Reversal of impairment loss on property, plant, and equipment		978	-
Gain on disposal of intangible assets		-	360
Reversal of impairment loss on intangible assets		1,151	125
Gain on expired lease		61,409	31,138
Gain on disposal of right-of-use assets		32,659	28,270
Reversal of impairment loss on right-of-use assets		4	-
Gain on bargain purchase		-	19,843
Gain on disposal of assets and liabilities held for sale		-	21,127
Reversal of impairment losses on other non-current assets		7	4
Miscellaneous gains		48,623	59,341
Total	₩	<u>158,255</u>	<u>217,932</u>
<b>Other expenses:</b>			
Loss on foreign currency transactions	₩	3,543	1,735
Loss on foreign currency translation		4,136	129
Impairment loss on investment in properties		89,300	35,055
Loss on disposal of property, plant and equipment		12,005	17,211
Impairment loss on right-of-use assets		173,185	336,162
Impairment loss on property, plant and equipment		98,205	55,160
Loss on disposal of intangible assets		530	6,814
Impairment loss on intangible assets		361,847	122,759
Loss on expired lease		579	22,012
Loss on disposal of right-of-use assets		6,859	12,967
Loss on disposal of assets held for sale		-	32
Impairment loss on other non-current assets		-	3,000
Donations		17,489	14,820
Other bad debt expenses		2,848	6,139
Miscellaneous losses		15,404	19,729
Total	₩	<u>785,930</u>	<u>653,724</u>

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
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**32. Nature of expenses**

Details of nature of expenses for the years ended December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>		<b>2022</b>	<b>2021</b>
Purchase of inventories	₩	8,392,851	8,832,893
Changes in inventories		15,059	68,820
Employee benefits		1,682,818	1,688,361
Rental expenses		144,298	132,139
Depreciation and amortization		1,224,894	1,216,624
Sales commissions		124,372	123,186
Sales promotion expenses		129,794	113,030
Commission expenses		1,210,689	1,152,245
Service expenses		945,649	909,781
Advertising expenses		192,767	188,679
Utility expenses		301,285	254,725
Taxes and dues		224,123	285,151
Others		501,211	400,314
Total of costs of goods sold and selling, general and administration expenses	₩	<u>15,089,810</u>	<u>15,365,948</u>

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
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**33. Finance Income and Finance Costs**

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

(in millions of Korean won)

		<u>2022</u>	<u>2021</u>
<b>Finance income:</b>			
Interest income according to the effective interest rate method	₩	117,381	73,737
Dividend income		17,541	11,651
Gain on foreign currency transactions		8,511	9,390
Gain on foreign currency translation		30,207	11,005
Gain on valuation of debt instrument measured at fair value through profit or loss		12,608	3,048
Gain on disposal of debt instrument measured at fair value through profit or loss		296	-
Gain on disposal of debt instrument measured at fair value through other comprehensive income		37	331
Gain on valuation of derivatives held for hedging		75,166	57,314
Gain on valuation of derivatives held for trading		1,919	41,392
Gain on transaction of derivatives held for hedging		16,610	33,780
Gain on transaction of derivatives held for trading		19,501	11,684
Gain on disposal of investments in subsidiaries, associates		39,823	497
Reversal of impairment loss on investments in associates		3,207	-
Total	₩	<u>342,807</u>	<u>253,829</u>
<b>Finance costs:</b>			
Interest expense	₩	499,750	483,591
Loss on foreign currency transactions		23,166	35,206
Loss on foreign currency translation		71,112	59,295
Loss on valuation of debt instrument measured at fair value through profit or loss		10,808	2,996
Loss on disposal of equity instrument measured at fair value through other comprehensive income		-	22,886
Loss on valuation of financial liability measured at fair value through profit or loss		-	500
Loss on valuation of derivatives held for hedging		8,534	6,646
Loss on valuation of derivatives held for trading		8,926	-
Loss on transaction of derivatives held for hedging		292	586
Loss on transaction of derivatives held for trading		802	5
Loss on loan repayment		-	1,623
Loss on bonds repayment		-	14,409
Financial guarantee expense (reversal)		-	(1,021)
Impairment loss on investments in financial assets measured at amortized cost		-	70,795
Loss on disposal of investments in associates		7,959	48,316
Impairment loss on investments in associates & joint ventures		167,014	14,480
Total	₩	<u>798,363</u>	<u>760,313</u>

# **LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES** **Notes to the Consolidated Financial Statements** **As of December 31, 2022 and 2021**

## **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, 2022 and 2021 are as follows:

(in millions of Korean won)

		2022						
		Cash and cash equivalents	Financial assets at amortized cost	Financial instruments at fair value through profit or loss	Financial instruments at fair value through other comprehensive income	Derivatives assets and liabilities held for trading	Derivatives assets and liabilities held for hedging	Financial liabilities at amortized cost
								Total
Recognized in profit or loss :								
Interest income	₩	72,020	45,359	1	-	-	-	-
Interest expense		(2,001)	(34,813)	-	-	-	-	(462,935)
Dividend income		-	-	5,595	11,946	-	-	-
Valuation / Disposal		-	-	2,096	37	11,691	82,951	-
Exchange differences		3,419	17,246	(76)	8,500	-	(4,802)	(79,848)
Subtotal		73,438	27,792	7,616	20,483	11,691	78,149	(542,783)
Recognized in other comprehensive income (loss)(*)								
Fair value gain through other comprehensive income		-	-	-	(539,972)	-	-	-
Gain (loss) on valuation of derivatives		-	-	-	-	-	(7,945)	-
Subtotal		-	-	-	(539,972)	-	(7,945)	-
Total	₩	73,438	27,792	7,616	(519,489)	11,691	70,204	(542,783)

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

(in millions of Korean won)

		2021						
		Cash and cash equivalents	Financial assets at amortized cost	Financial instruments at fair value through profit or loss	Financial instruments at fair value through other comprehensive income	Derivatives assets and liabilities held for trading	Derivatives assets and liabilities held for hedging	Financial liabilities at amortized cost
								Total
Recognized in profit or loss :								
Interest income	₩	37,616	36,121	-	-	-	-	-
Interest expense		(514)	(26,032)	-	-	-	-	(457,044)
Dividend income		-	-	2,539	9,112	-	-	-
Valuation / Disposal		-	-	(448)	(22,556)	53,071	83,862	(16,032)
Impairment		-	(77,665)	-	-	-	-	-
Exchange differences		13,616	2,898	(6)	-	-	225	(89,643)
Financial guarantee expense		-	-	-	-	-	-	1,021
Subtotal		50,718	(64,678)	2,085	(13,444)	53,071	84,087	(561,698)
Recognized in other comprehensive income (loss)(*)								
Fair value gain through other comprehensive income		-	-	-	842,092	-	-	-
Gain (loss) on valuation of derivatives		-	-	-	-	-	14,114	-
Subtotal		-	-	-	842,092	-	14,114	-
Total	₩	50,718	(64,678)	2,085	828,648	53,071	98,201	(561,698)

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

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

(a) Tax income for the years ended December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Current income taxes	₩ 14,299	25,312
Deferred tax due to temporary differences	(430,697)	(174,995)
Total income tax effect	(416,398)	(149,683)
Income tax charged directly to equity	167,748	(215,594)
Tax income	₩ (248,650)	(365,277)

(b) Details of income tax expense recognized directly to equity for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	<b>2022</b>	<b>2021</b>
Fair value gain (loss) through other comprehensive income	₩ 172,727	(177,129)
Exchange differences on translating foreign operations	9,307	(9,342)
Gain (loss) on valuation of derivatives	1,843	(3,416)
Remeasurements of defined benefit liabilities	(18,441)	(19,417)
Changes in equity of equity method investments	2,312	(6,290)
Income tax charged directly to equity	₩ 167,748	(215,594)

Gain or loss on valuation of financial instruments measured at fair value through other comprehensive income, exchange differences on translating foreign operations, gain (loss) on valuation of derivatives, remeasurements of defined benefit liabilities and income taxes related to equity of equity method investments are recognized in other comprehensive income.

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

(c) Income tax expense and related accounting benefits for the years ended December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>		<b>2022</b>	<b>2021</b>
Net loss before income tax expense	₩	(567,342)	(638,241)
Income tax using statutory tax rate		(136,834)	(153,992)
Adjustment:			
Tax effects on non-taxable income		(14,038)	(14,216)
Tax effects on non-deductible expense		17,819	10,161
Tax credit		(2,198)	144
Adjustment for prior periods		3,907	(3,861)
Tax effects on share of profit (loss) of subsidiaries and associates		(76,902)	(3,274)
Changes in deferred tax assets that are not realizable		(2,484)	(588,898)
Changes in deferred tax due to change in tax rate (*1)		4,686	2,600
Carried forward deferred income tax unrecognized		(81,974)	306,873
Others		39,368	79,186
Tax income	₩	<u>(248,650)</u>	<u>(365,277)</u>
Effective tax rate (*2)		-	-

(\*1) Revised tax rate was applied to deferred tax assets(liabilities) after corporate tax cut was confirmed during the 2022.

(\*2) The Group has not present effective tax rate due to net loss before income tax expense incurred in 2022 and 2021.

(d) As of December 31, 2022, 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. AND SUBSIDIARIES**  
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**34. Income Taxes, continued**

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

(in millions of Korean won)

		2022			
		Beginning balance	Profit or loss	Equity	Ending balance
Buildings	₩	(16,024)	14,923	-	(1,101)
Depreciation		55,689	2,940	-	58,629
Allowance for bad debt expense		13,739	(10,174)	-	3,565
Accrued income		(1,300)	(501)	-	(1,801)
Unearned revenues		768	(137)	-	631
Long-term prepaid expenses		(47,482)	46,120	-	(1,362)
Losses on valuation of inventories		3,627	(398)	-	3,229
Provision for sales return		1,054	(15)	-	1,039
Property, plant and equipment (capitalization of borrowing costs)		(9,913)	310	-	(9,603)
Land		35,019	(52,519)	-	(17,500)
Land (asset revaluation)		(953,075)	34,802	-	(918,273)
Provision for mileage program		387	(149)	-	238
Accrued expense		13,564	(7,402)	-	6,162
Gain (loss) on foreign currency translation		1,557	(1,567)	-	(10)
Construction-in-progress		347	(5,838)	-	(5,491)
Other intangible assets		(14,089)	(90)	-	(14,179)
Security deposits for leases		63,907	(7,518)	-	56,389
Goodwill		2,292	(329)	-	1,963
Exchangeable bonds		(284)	229	-	(55)
Investments in subsidiaries and associates		(149,239)	102,713	2,312	(44,214)
Fair value gain (loss) on equity instruments through other comprehensive income		(280,967)	-	172,727	(108,240)
Loss (gain) on valuation of derivatives		(9,235)	5,813	1,843	(1,579)
Salaries and retirement benefits		(2,367)	(15,970)	(18,441)	(36,778)
Translation difference of foreign subsidiaries		(3,054)	-	9,307	6,253
Right-of-use assets and lease liabilities		339,660	41,034	-	380,694
Carried forward deferred income tax		352,531	102,351	-	454,882
Others		79,613	14,321	-	93,934
Total	₩	(523,275)	262,949	167,748	(92,578)

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

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

(in millions of Korean won)

		2021			
		Beginning balance	Profit or loss	Equity	Ending balance
Buildings	₩	(9,572)	(6,452)	-	(16,024)
Depreciation		69,534	(13,845)	-	55,689
Allowance for bad debt expense		10,803	2,936	-	13,739
Accrued income		(1,303)	3	-	(1,300)
Unearned revenues		573	195	-	768
Long-term prepaid expenses		(36,480)	(11,002)	-	(47,482)
Losses on valuation of inventories		6,048	(2,421)	-	3,627
Provision for sales return		1,422	(368)	-	1,054
Property, plant and equipment (capitalization of borrowing costs)		(9,523)	(390)	-	(9,913)
Land		32,209	2,810	-	35,019
Land (asset revaluation)		(1,062,762)	109,687	-	(953,075)
Provision for mileage program		444	(57)	-	387
Accrued expense		9,770	3,794	-	13,564
Gain (loss) on foreign currency translation		1,552	5	-	1,557
Construction-in-progress		1,355	(1,008)	-	347
Other intangible assets		(4,116)	(9,973)	-	(14,089)
Security deposits for leases		69,149	(5,242)	-	63,907
Goodwill		(14,565)	16,857	-	2,292
Exchangeable bonds		(4,843)	4,559	-	(284)
Investments in subsidiaries and associates		(108,161)	(34,788)	(6,290)	(149,239)
Fair value gain (loss) on equity instruments through other comprehensive income		(103,838)	-	(177,129)	(280,967)
Loss (gain) on valuation of derivatives		4,534	(10,353)	(3,416)	(9,235)
Salaries and retirement benefits		4,741	12,309	(19,417)	(2,367)
Translation difference of foreign subsidiaries		6,288	-	(9,342)	(3,054)
Right-of-use assets and lease liabilities		270,277	69,383	-	339,660
Carried forward deferred income tax		69,377	283,154	-	352,531
Others		98,816	(19,203)	-	79,613
Total	₩	(698,271)	390,590	(215,594)	(523,275)

(f) As of December 31, 2022 and 2021, the amounts of temporary differences related to investments in associates, joint ventures and subsidiaries for which deferred tax assets were not recognized are as follows:

(in millions of Korean won)

		2022	2021
Investments in associates	₩	244,727	151,764
Investments in subsidiaries		342	230,792
Total	₩	245,069	382,556

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

(a) As of December 31, 2022 and 2021, the details of cash and cash equivalents are as follows:

<i>(in millions of Korean won)</i>		<b>2022</b>	<b>2021</b>
Cash	₩	19,994	13,959
Deposits		185,022	274,708
Other cash equivalents		1,595,794	2,110,122
Total	₩	1,800,810	2,398,789

(b) Adjustments for cash flows from operating activities and changes in operating assets and liabilities for the years ended December 31, 2022 and 2021 are as follows:

i) Adjustments

<i>(in millions of Korean won)</i>		<b>2022</b>	<b>2021</b>
Retirement benefits	₩	108,516	104,737
Long-term employee benefits (reversal)		3,762	(880)
Depreciation		1,103,908	1,127,605
Amortization		120,986	89,019
Impairment loss on intangible assets		361,847	122,634
Loss on disposal of intangible assets		530	6,814
Loss on foreign currency translation		75,248	59,424
Loss on foreign currency transactions		23,062	34,289
Loss on disposal of property, plant and equipment		12,005	17,211
Loss on lease termination		579	22,012
Loss on disposal of right-of-use assets		6,859	12,967
Impairment loss on property, plant and equipment		98,205	55,160
Impairment loss on investment in properties		89,300	35,055
Impairment loss on right-of-use assets		173,185	336,162
Bad debt expense		2,685	732
Other bad debt expense		2,848	6,138
Contribution (reversal) to other provisions liabilities		(2,675)	(4,961)
Impairment loss on other non-current assets		-	3,000
Impairment loss on financial assets measured at amortized cost		-	70,795
Loss on valuation of debt instrument at fair value through profit or loss		10,807	2,996
Loss on valuation of financial liability at fair value through profit or loss		-	500
Loss on disposal of equity instrument at fair value through other comprehensive income		-	22,886
Loss on transactions of derivatives		1,093	591
Loss on valuation of derivatives		17,459	6,646
Loss on bonds repayment		-	14,409
Loss on loans repayment		-	1,623
Equity method loss on instrument in associates and joint ventures		18,141	1,528
Loss on disposal of investments in associates, joint ventures and subsidiaries		7,959	48,316
Impairment loss on investments in associates and joint ventures		167,014	14,480

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**As of December 31, 2022 and 2021**

**35. Consolidated Statements of Cash Flows, continued**

(b) Adjustments for cash flows from operating activities and changes in operating assets and liabilities for the years ended December 31, 2022 and 2021 are as follows:, continued

i) Adjustments, continued

(in millions of Korean won)

	2022	2021
Loss on disposal of assets held for sale	-	32
Other expenses without cash outflows	15,275	28,992
Interest expense	499,749	483,591
Financial guaranteed income	-	(1,021)
Income tax profit	(248,649)	(365,277)
Gain on foreign currency translation	(30,840)	(11,739)
Gain on foreign currency transactions	(8,415)	(6,213)
Gain on disposal of property, plant and equipment	(3,545)	(54,665)
Gain on disposal of intangible assets	-	(360)
Gains on the disposal of assets held for sale	-	(21,127)
Gains on lease termination	(61,409)	(31,138)
Gain on disposal of right-of-use assets	(32,658)	(28,270)
Gain on valuation of debt instrument at fair value through profit or loss	(12,608)	(3,048)
Gain on disposal of debt instrument at fair value through profit or loss	(295)	-
Gain on disposal of equity instrument at fair value through other comprehensive income	(37)	(331)
Gain on transactions of derivatives	(36,110)	(45,464)
Gain on valuation of derivatives	(77,085)	(98,706)
Equity method profit on instrument in associates and joint ventures	(147,805)	(97,960)
Gain on disposal of investments in associates, joint ventures and subsidiaries	(39,823)	(497)
Other income without cash inflows	(13,674)	(8,724)
Gain on bargain purchase	-	(19,843)
Interest income	(117,380)	(73,737)
Dividend income	(17,541)	(11,651)
Total	₩ 2,070,473	1,844,732

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**As of December 31, 2022 and 2021**

**35. Consolidated Statements of Cash Flows, continued**

(b) Adjustments for cash flows from operating activities and changes in operating assets and liabilities for the years ended December 31, 2022 and 2021 are as follows:, continued

ii) Changes in operating assets and liabilities

*(in millions of Korean won)*

		<b>2022</b>	<b>2021</b>
Decrease (increase) in trade receivables	₩	(122,207)	(42,336)
Decrease (increase) in other receivables		(57,455)	(69,342)
Decrease (increase) in other financial assets		(196)	(92,727)
Decrease in inventories		18,088	72,056
Increase in other non-financial assets		(20,871)	(1,175)
Increase (decrease) in trade payables		4,894	141,659
Increase (decrease) in other payables		173,093	203,170
Increase (decrease) in other financial liabilities		13,261	85,239
Increase (decrease) in unearned revenues		24,223	40,149
Increase (decrease) in provisions		2,833	(7,381)
Increase (decrease) in other non-financial liabilities		35,383	196,635
Payment of defined benefit liabilities		(83,028)	(107,958)
Payment of other long-term employee benefits		(4,749)	(4,294)
Decrease (increase) in plan assets		(81,255)	56,831
Total	₩	<u>(97,986)</u>	<u>470,526</u>

(c) Non-cash transactions for the years ended December 31, 2022 and 2021 are as follows:

*(in millions of Korean won)*

		<b>2022</b>	<b>2021</b>
Payables for acquisition of property, plant and equipment	₩	(12,977)	22,645
Payables for acquisition of intangible assets		(1,338)	753
Acquisition of right-of-use assets		138,522	491,621
Reclassification of borrowings and debentures to current portion		3,315,775	2,171,943

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

(d) Adjustment in liabilities arising from financial activities for the year ended December 31, 2022 and 2021 are as follows:

(in millions of Korean won)

		2022						
		Liabilities from financing activities						
		Leasehold Deposits Received	Short-term borrowings and debentures	Long-term borrowings and debentures	Non-current financial liabilities at fair value through profit or loss (*2)	Lease liabilities	Derivatives for hedging	Total
Beginning balance	₩	252,215	3,564,742	6,388,234	37,507	5,946,128	(10,588)	16,178,238
Net cash flow from financing activities		(5,416)	(2,125,178)	1,728,532	-	(804,918)	-	(1,206,980)
Non-cash flows (*1)		(104)	3,349,877	(3,250,326)	4,305	239,590	(52,199)	291,143
Ending balance	₩	246,695	4,789,441	4,866,440	41,812	5,380,800	(62,787)	15,262,401

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

(\*2) Since there was conditional repurchase agreement existed when trading in-kind contributions of Lotte Cultureworks Co., Ltd, the estimated repurchased amounts for the future were classified as non-current financial liabilities at fair value through profit or loss.

(in millions of Korean won)

		2021						
		Liabilities from financing activities						
		Leasehold Deposits Received	Short-term borrowings and debentures	Long-term borrowings and debentures	Non-current financial liabilities at fair value through profit or loss (*2)	Lease liabilities	Derivatives for hedging	Total
Beginning balance	₩	212,218	3,947,547	6,234,703	37,007	6,228,283	70,577	16,730,335
Net cash flow from financing activities		(38,560)	(3,014,670)	2,399,457		(831,683)		(1,485,456)
Non-cash flows (*1)		78,556	2,631,866	(2,245,925)	500	549,529	(81,165)	933,361
Ending balance	₩	252,214	3,564,743	6,388,235	37,507	5,946,129	(10,588)	16,178,240

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

(\*2) Since there was conditional repurchase agreement existed when trading in-kind contributions of Lotte Cultureworks Co., Ltd, the estimated repurchased amounts for the future were classified as non-current financial liabilities at fair value through profit or loss.

# LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### As of December 31, 2022 and 2021

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#### 36. Greenhouse Gases Emission Rights

##### (a) Emission Right

The Group has participated in the allocation and trading system of emissions since 2015. From year 2021 to 2025 is the third plan of the commitment period, and in December 2020, the emission rights for each implementation year of the plan period are 770,535 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.

In addition, the Group has carried forward emission right of 70,693 tCO<sub>2</sub>-eq from the previous compliance period. As of December 31, 2022, there is no pledged emission, and the Group submitted emission right of 672,199 tCO<sub>2</sub>-eq and 679,969 tCO<sub>2</sub>-eq to the government in 2020 and 2021. The Group has 814,664 tCO<sub>2</sub>-eq of emission rights as of December 31, 2022.

##### (b) Emission liabilities

The Group disposed 35,604 tCO<sub>2</sub>-eq and 22,110 tCO<sub>2</sub>-eq of emission in 2021 and 2022, respectively and is estimated to emit 713,809 tCO<sub>2</sub>-eq in 2022.

# LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### As of December 31, 2022 and 2021

#### 37. Operating Segment

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

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

(\*) During current period, details of the Company, Lotte Incheon Development Co., Ltd, LOTTE Town Dongtan Co.,LTD, LOTTE Songdo Shopping Town CO., LTD, and LOTTE Shopping Town Daegu Co.,LTD, due to business combination, and details in previous year was restated.

- (b) Information about reportable segments as of and for the years ended December 31, 2022 and 2021 are as follows:

(in millions of Korean won)

		2022								
		Department store	Discount store	Consumer electronics retail	Supermarket	TV home shopping	Cinema	E-commerce	Others	Total
Revenue from customers	₩	3,231,877	5,904,325	3,336,820	1,343,175	1,077,774	497,346	113,134	288,409	15,792,860
Inter-segment sales		75,259	48,334	368	10,967	19,675	149	16,992	145,080	316,824
External sales		3,156,617	5,855,990	3,336,452	1,332,207	1,058,098	497,196	96,142	143,329	15,476,031
Total segment sales	₩	6,463,753	11,808,649	6,673,640	2,686,349	2,155,547	994,691	226,268	576,818	31,585,715

(in millions of Korean won)

		2021								
		Department store	Discount store	Consumer electronics retail	Supermarket	TV home shopping	Cinema	E-commerce	Others	Total
Revenue from customers	₩	3,161,263	5,722,826	3,869,748	1,452,331	1,102,725	234,793	108,233	245,138	15,897,057
Inter-segment sales		83,469	55,869	162	9,034	23,794	56	17,116	134,007	323,507
External sales		3,077,794	5,666,957	3,869,586	1,443,296	1,078,931	234,737	91,116	111,130	15,573,547
Total segment sales	₩	6,322,526	11,445,652	7,739,496	2,904,661	2,205,450	469,586	216,465	490,275	31,794,111



**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**As of December 31, 2022 and 2021**

**37. Operating Segment, continued**

(c) Reconciliations of total segment sales and operating profit to their respective consolidated financial statements line items for the years ended December 31, 2022 and 2021 are as follows:

(in millions of Korean won)

		Sales		Operating profit	
		2022	2021	2022	2021
Department store	₩	3,231,877	3,161,263	498,362	434,712
Discount store		5,904,325	5,722,827	48,375	(63,216)
Consumer electronics retail		3,336,821	3,869,749	(52,011)	106,834
Supermarket		1,343,176	1,452,331	(5,499)	(5,180)
TV home shopping		1,077,774	1,102,726	78,021	102,039
Cinema		497,346	234,793	791	(132,312)
E-Commerce		113,135	108,234	(155,852)	(155,820)
Others		288,410	245,139	30,473	31,203
Segment total		15,792,864	15,897,062	442,660	318,260
Elimination of inter-segment amounts		(316,829)	(323,513)	(56,435)	(110,657)
After consolidated adjustments	₩	15,476,036	15,573,550	386,225	207,603

(in millions of Korean won)

		Depreciation and amortization		Profit (loss) for the year	
		2022	2021	2022	2021
Department store	₩	631,742	621,911	706,104	975,800
Discount store		255,593	285,379	(265,122)	(77,884)
Consumer electronics retail		137,893	140,994	(392,436)	(4,729)
Supermarket		46,590	49,166	(36,318)	(91,810)
TV home shopping		30,992	30,352	86,465	56,384
Cinema		153,796	130,928	(53,664)	(212,624)
E-Commerce		36,696	31,305	(190,999)	(394,220)
Others		74,144	69,225	(302,318)	(121,355)
Segment total		1,367,446	1,359,260	(448,288)	129,562
Elimination of inter-segment amounts		(142,553)	(142,638)	129,595	(402,524)
After consolidated adjustments	₩	1,224,893	1,216,622	(318,693)	(272,962)

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**As of December 31, 2022 and 2021**

**37. Operating Segment, continued**

- (d) Reconciliation of segment assets and liabilities to their respective consolidated financial statement line items as of December 31, 2022 and 2021 are as follows:

*(in millions of Korean won)*

		Assets		Liabilities	
		2022	2021	2022	2021
Department store	₩	17,336,746	18,526,561	13,118,637	13,712,602
Discount store		7,624,586	8,116,196	2,889,987	3,253,780
Consumer electronics retail		2,090,378	2,434,654	1,168,923	1,116,187
Supermarket		903,902	930,722	298,312	323,192
TV home shopping		2,152,413	2,724,088	446,025	671,675
Cinema		1,035,354	1,176,280	1,008,853	1,109,244
E-Commerce		206,728	260,633	260,943	275,881
Others		6,377,638	5,953,124	3,310,507	2,916,723
Segment total		37,727,745	40,122,258	22,502,187	23,379,284
Elimination of inter-segment amounts		(6,024,169)	(6,695,725)	(1,833,728)	(1,749,757)
After consolidated adjustments	₩	31,703,576	33,426,533	20,668,459	21,629,527

- (e) Sales, before consolidated adjustments, by geographical areas for the years ended December 31, 2022 and 2021 are as follows:

*(in millions of Korean won)*

Region		2022	2021
Domestic	₩	14,299,269	14,601,561
China		22,549	36,202
Vietnam		390,696	284,756
Indonesia		1,080,350	974,543
Total	₩	15,792,864	15,897,062

The Group has no external customers, contributing to more than 10% of sales in 2022 and 2021.

# **LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES** **Notes to the Consolidated Financial Statements** **As of December 31, 2022 and 2021**

## **38. Contingencies and Commitments**

(a) As of December 31, 2022, the Group has the following credit commitments with financial institutions:

(in millions of Korean won, full foreign currency)

	Currency	Credit line	Amount used under credit facility
General loan	KRW	1,835,172	1,678,428
	CNY	258,000,000	100,000,000
	VND	740,000,000,000	-
	USD	1,059,600,000	747,000,000
	IDR	2,840,000,000,000	1,860,000,000,000
Commercial paper	KRW	1,060,000	200,000
Buyer's credit	KRW	417,100	5,960
Bank overdraft	KRW	53,000	-
Letter of credit and others	USD	37,000,000	8,153,895
	KRW	30,000	25,000

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

(i) LOTTE SHOPPING CO.,LTD.

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

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

Woori Home Shopping & Television Co., Ltd., a subsidiary of Group, has signed a partnership card issuance agreement with Lotte Card Co., Ltd. and BC Card Co., Ltd. This agreement will be renewed annually. In addition, Woori Home Shopping & Television Co., Ltd. is in contract with Lotte Global Logistics Co., Ltd., CJ Logistics Corporation and HANJIN CO., LTD for logistics services. In addition, it has a supply contract to broadcast programs with a number of cable TV broadcasters.

(c) As of December 31, 2022, the Group is involved in 49 lawsuits as a plaintiff totaling ₩ 28,745 million and the Group is involved in 53 lawsuits as a defendant totaling ₩ 42,042 million. Regarding 16 lawsuits as a defendant, the Group recorded ₩ 9,507 million as provisions.

Also, the Group is involved in 13 lawsuits as a defendant with damage related to victims of humidifier disinfectant totaling of ₩ 23,768 million and the Group recognized other liabilities of ₩ 2,233 million in regard to the claim on victims of humidifier disinfectant as of December 31, 2022.

The group management believes that the ultimate resolutions of other legal actions, except lawsuits above, will not have a material impact on the financial position or results of operations of the Group.

Also, Woori Home Shopping & Television Co., Ltd., a subsidiary of the Group, was subject to administrative disposition of 6 months suspension from the Ministry of Science and ICT for 6hours (2AM~8AM) in accordance with article 18 clause 1 of the Broadcast Act. The lawsuit for cancellation of suspension was lost in the second trial on January 19, 2022. As the case was finalized by the Supreme Court on November 30, 2022, an administrative disposition of suspension of 6 hours (2AM~8AM) for 6 months from February 1, 2023 to July 31, 2023, will be executed. However, as of December 31, 2022, it is not reasonably forecast the impact on recovery of receivables, impairment of property, plant, and equipment and intangible assets, and recognition of provision liabilities due to administrative disposition of suspension. In this regard, any possible financial impact has not been reflected on this consolidated financial statement.

# LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### As of December 31, 2022 and 2021

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#### 38. Contingencies and Commitments, continued

The lawsuit between Lotte Properties (Chengdu) Limited, a subsidiary of the Group, and the Chinese government is in place regarding long-term financial instrument with restricted usage. It was frozen by the Chinese government in connection with land-raising payments and the lawsuit is in progress. The Company recognized impairment loss on long-term financial instrument with restricted usage (₩ 70,794 million) as 2021.

(d) As of December 31, 2022, the commitment limit of the secured loan of credit sales the Group has entered with INDUSTRIAL BANK OF KOREA and others amounts to ₩ 597,900 million.

(e) As of December 31, 2022, LOTTE Himart Co., Ltd., a subsidiary of the Group, may issue short-term electronic bonds with the limit of ₩ 200,000 million and no amount has been issued.

(f) Performance guarantees and others.

(i) LOTTE SHOPPING CO.,LTD.

As of December 31, 2022, the Company is provided performance guarantees totaling ₩ 197,528 million (138 cases) from Seoul Guarantee Insurance Company and others for its business.

(ii) Woori Home Shopping Co., Ltd.

As of December 31, 2022, Woori Home Shopping Co., Ltd., a subsidiary of Group, is provided the payment guarantee for product sales from the INDUSTRIAL BANK OF KOREA (₩ 5,700 million) and agreement performance guarantee from Seoul Guarantee Insurance Company (₩ 1,035 million).

(iii) LOTTE Himart Co., Ltd.

As of December 31, 2022, LOTTE Himart Co., Ltd., a subsidiary of Group, is provided the guarantees in relation with supply agreement with some suppliers and deposit for former CEO, who require the guarantee, totaling ₩ 16,013 million from Seoul Guarantee Insurance Company.

(g) Brand usage contract, etc.

The Company and some subsidiaries have entered into contracts with Lotte Corporation for the use of brand, management consulting, and management support service as of December 31, 2022. The cost of use of brand is 0.2% of sales less advertising expenses. The Group pays for management consulting and management support service the amount allocated by Lotte Corporation, based on objective and reasonable allocation criteria, from the costs that have incurred in the course of performing such relevant business plus 5% of such allocated amount.

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

(i) 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 1,030,000 of INNOCEAN WORLDWIDE INC. cannot be disposed or provided as pledged assets without the prior consent from the seller until the fifth year from the date of contract takeover agreement or the IPO completion date of Lotte Cultureworks Co., Ltd. Also, if the Group wishes to sell the shares of INNOCEAN WORLDWIDE INC. after the listing date to the third party, the seller can exercise its preferential right to purchase directly or by designating the third party.

# LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### As of December 31, 2022 and 2021

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#### 38. Contingencies and Commitments, continued

(j) As of December 31, 2022, the Company has provided investment commitments (LOC, LOA, LOU) to Standard Chartered Bank Korea Ltd and others in relation to loan agreements for the following subsidiaries: Lotte Incheon Town Co., LTD, PT. LOTTE SHOPPING INDONESIA, LOTTE CINEMA VIETNAM CO., LTD., LOTTE VIETNAM SHOPPING JOINT STOCK COMPANY and Coral S.A, an associate. However, the investment commitment is not considered as payment guarantees.

(k) Lotte Cultureworks Co., Ltd. has purchased ₩ 3,000 million of subordinate debentures issued by Kodit 2020 the 13th & 15th Securitization Specialty Co., Ltd. of the SPC and the SPC has the right of pledge for the debentures. If there is a change in major shareholder or the credit rating falls below BBB+ for Lotte Cultureworks Co., Ltd, the early redemption of ₩ 10,000 million and ₩ 40,000 million is agreed in relation to the 20-3rd and 4th placed private equity bond.

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

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

(n) The Company holds a preferential subscription right and a preferential purchase claim right that can be exercised after three years from the date of initial acquisition for Hanssem CO., LTD and shares in Hanssem CO., LTD owned by Heim CO., Ltd, Heim No.1 CO.,Ltd, and Heim No.2 CO., Ltd. In accordance with borrowing agreement, 6,521,509 shares with voting rights in Hanssem CO., LTD, owned by Heim CO., Ltd, Heim No.1 CO.,Ltd, and Heim No.2 CO., Ltd is pledged to Korea Investment & Securities Co., Ltd and 18 others and if financial compliances are not met, benefits of the deadline will be lost. Financial compliance includes the criteria to keep the net debt to EBITDA ratio related to Hanssem CO., LTD Investment below a certain level as of the end of June 2024 and as of the end of December 2024 and after, and the quarterly LTV(Loan to Value Ratio) below 85% from September 2024. If Hanssem CO., LTD's EBITDA exceeds the standard amount, the LTV is not considered to be violated.

#### (o) Others

The Group disposed of land and buildings to structured entities and the Group has been leasing back the assets and the details are as follows:

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

(ii) The Group 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, and the Company has been leasing back the assets. The Group has the preemptive options to purchase the land and the building at a fair value at the end of the lease. During the year 2019, the operation for Lotte mart Suji store was discontinued. During the year 2020, the operation for Lotte mart Guro, Dobong store was discontinued and the Company does not have preemptive options to purchase Suji, Guro, and Dobong store.

# LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### As of December 31, 2022 and 2021

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#### 38. Contingencies and Commitments, continued

##### (o) Others, continued

(iii) The Group has been leasing the building of Lotte outlet Asiapolis store from KB Star Retail Private Real Estate Investment Trust No.1 since 2013 and the lessor of the building is Mastern Specialized Investment Private Real Estate Investment Trust No.31. The Group has the preferential right of negotiation to purchase the building.

(iv) In 2014, the Group 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 Group has been leasing back the assets. The Group 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 Group has been leasing back the assets. The Group has the preferential right of negotiation to purchase the land and the building at the end of the lease.

(v) In 2013, the Group disposed buildings of Lotte outlets store Gwang Myeong to KTB Confidence Private Real Estate Investment Trust No.55 for ₩ 146.9 billion and the Group has been leasing the assets. And the Group 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 Group has been leasing back the assets. The Group has the preferential right of negotiation to purchase the land and the building at the end of the lease.

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

The Group does not consolidate these structured entities.

(p) As of December 31, 2022, the Group has concluded agreement, in regard to asset-backed bonds (₩ 193,000 million of par value, maturity on March 15th, 2023) issued by LKH 2nd., Co., Ltd., New Star Gimpo Hangang 2nd Co., Ltd., to replenish funds in case of impossible to repay principal and interests.

(q) In accordance with the resolution of board of directors on April 26, 2017, the Company split the investment sector among business operated by Lotte Chilsung Beverage Co., Ltd. and Lotte Food Co., Ltd and did merger and divisional merger to investment sector in Lotte Confectionery Co., Ltd. In this regard, the Company established through division and the surviving company are jointly liable for the debts prior to division, in accordance with Article 530-9, Paragraph 1 of the Commercial Act.

(r) As of December 31, 2022, the Group has concluded agreement, in regard to asset-backed loans and commercial papers (₩ 195,000 million of par value, balance of amount to replenish debt: ₩ 184,000 million, maturity on May 28th, 2024), asset-backed commercial papers (₩ 80,000 million of par value, maturity on April 20th, 2023), and asset-backed bonds (₩ 193,000 million of par value, maturity on March 15th, 2023) issued Suwon Landmark 4th, Suwon Landmark 5th, KS 1st. Co., Ltd., LKH 2nd., Co., Ltd., and New Star Gimpo Hangang 2nd Co., Ltd., to replenish funds in case of impossible to repay principal and interests.

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
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**38. Contingencies and Commitments, continued**

- (s) As of December 31, 2022, the description of payment guarantees regarding to foreign currency debentures issued by the Company has been provided and are as follows.

Description	Advisor	Maturity	Guaranteed Amount (Full amount in USD)
87-1st placed (foreign currency)	Kookmin Bank	2023.08.18	100,000,000
87-2nd placed (foreign currency)	KEB Hana Bank	2023.08.21	50,000,000
90-1st placed (foreign currency)	MUFG Bank	2024.05.21	100,000,000
90-2nd placed (foreign currency)	SMBC Bank	2024.05.20	175,000,000
91st placed (foreign currency)	MUFG Bank	2024.08.19	100,000,000
92nd placed (foreign currency)	MUFG Bank	2025.03.25	160,000,000
94th placed (foreign currency)	MUFG Bank	2025.11.28	100,000,000

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
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**39. Inter Company Transactions and Balances with Consolidated Companies**

- (a) The Company has provided payment guarantees and collaterals for consolidated companies as of December 31, 2022 as follows:

(Foreign Currency)

Consolidated company	Guarantee recipient	Guaranteed amount	Guarantee period	Remarks
<b>Subsidiaries</b>				
Lotte Department Store (Chengdu) Co., Ltd.	KEB Hana Bank	CNY 258,000,000	May 27, 2022 ~ May 26, 2023	
PT. LOTTE MART INDONESIA	Standard Chartered Bank Korea Ltd.	IDR 175,000,000,000	April 13, 2022 ~ April 13, 2023	
	PT Bank KB Bukopin Tbk	IDR 125,000,000,000	April 13, 2022 ~ April 13, 2023	
	Shinhan Bank	IDR 250,000,000,000	April 14, 2022 ~ April 14, 2023	
	KEB Hana Bank	IDR 420,000,000,000	February 25, 2022 ~ February 25, 2023	
Lotte Cinema Vietnam Co., Ltd.	Standard Chartered Bank Korea Ltd	USD 25,000,000	Sept 20, 2022 ~ Sept 19, 2023	
	Shinhan Bank	USD 10,000,000	July 1, 2022 ~ July 7, 2023	
	The Export-Import Bank of Korea	USD 7,000,000	Oct 5, 2022 ~ Oct 5, 2023	
	Kookmin Bank	USD 10,000,000	July 1, 2022 ~ July 3, 2023	
	KEB Hana Bank	USD 10,000,000	Jan 21, 2020 ~ Jan 20, 2023	Payment guarantee for financing
		USD 5,000,000	March 25, 2020 ~ March 24, 2023	
LOTTE PROPERTIES (CHENGDU) HK LIMITED		USD 20,000,000	June 23, 2022 ~ June 22, 2023	
	Kookmin Bank	USD 165,000,000	March 11, 2022 ~ March 10, 2023	
	NongHyup Bank	USD 60,000,000	March 15, 2022 ~ March 15, 2023	
	Shinhan Bank	USD 30,000,000	November 15, 2022 ~ November 14, 2023	
	Woori Bank	USD 30,000,000	November 15, 2022 ~ November 14, 2023	
	KEB Hana Bank	USD 30,000,000	November 15, 2022 ~ November 14, 2023	
LOTTE PROPERTIES HANOI CO., LTD	Kookmin Bank and 3 others	USD 250,000,000	May 23, 2022 ~ May 23, 2025	
	The Export-Import Bank of Korea	USD 125,000,000	June 27, 2022 ~ June 28, 2027	

- (b) The Company has provided rent payment guarantees for Lotte Suwon Station Shopping Town Co., Ltd. during the term of the lease (20 years) from the beginning of the lease contract in 2014.
- (c) The Company entered in agreement to jointly provide financial support for LKH 1st., Co., Ltd., New Star Gimpo Hangang 1st Co., Ltd. in default of the principal and interest on commercial papers (₩ 222,900 million of par value, maturity on June 15, 2023).



# **LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES** **Notes to the Consolidated Financial Statements** **As of December 31, 2022 and 2021**

## **40. Related Party Transactions**

(a) Details of the Company's major shareholders as of December 31, 2022 are as follows:

<b>Related company</b>	<b>Percentage of ownership (%)</b>
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.

(b) Transactions which occurred in the normal course of business with related companies for the years ended December 31, 2022 and 2021 are as follows:

(in millions of Korean won)

<b>Name of related parties</b>	<b>2022</b>				
	<b>Sales</b>	<b>Purchase</b>	<b>Acquisition of property, plant and equipment and intangible assets</b>	<b>Other income (*2,3)</b>	<b>Other expenses (*3)</b>
<b>Shareholders:</b>					
Lotte Corporation	₩ 4,334	-	-	89	43,678
Hotel Lotte Co., Ltd.	59,299	4	590	-	37,200
Hotel Lotte Pusan Co., Ltd.	5,236	-	2,038	422	8,731
Subtotal	68,869	4	2,628	511	89,609
<b>Associates:</b>					
FRL Korea Co., Ltd.	34,800	-	-	-	-
Zara Retail Korea Co., Ltd.	11,082	-	-	2,185	-
LOTTE CARD Co., Ltd.	3,002	-	-	348	181,130
HANSSEM Co., LTD.	8,834	2,022	-	218	11
Others	3,085	8,972	-	473	13,947
Subtotal	60,803	10,994	-	3,224	195,088
<b>Others (*1):</b>					
Lotte Engineering & Construction Co., Ltd.	1,499	-	80,079	836	49,428
Lotte Confectionery Co., Ltd.	5,661	92,796	-	-	6,862
Lotte Chilsung Beverage Co., Ltd.	9,864	55,888	-	37	111
Lotte Data Communication Company	1,065	-	36,777	44	165,530
DAEHONG COMMUNICATIONS INC.	879	-	16	-	25,483
Lotte Station B/D. Co., Ltd.	10,484	-	-	17	1,773
Lotte GRS Co., Ltd.	8,239	1,979	-	18	4,481
Lotte International Co., Ltd.	310	94,657	-	-	436
LOTTE FOOD CO., LTD.	1,894	31,332	-	-	3,756
LOTTE ALUMINIUM CO., LTD.	113	7,608	190	7	6,319
Lotte Global Logistics Co., Ltd.	5,732	-	4	11	282,224
Korea Fuji Film Co., Ltd.	521	93	-	2	-
LOTTE Property&Development	6,327	-	1,217	49,369	32,099
LOTTE ASSET DEVELOPMENT CO.,LTD.	6	-	250	-	-
Korea Seven Co., Ltd.	8,004	19	-	-	1,342
Others	24,793	11,736	180,890	678	106,867
Subtotal	85,391	296,108	299,423	51,019	686,711
Total	₩ 215,063	307,106	302,051	54,754	971,408

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

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

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

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

- (b) Transactions which occurred in the normal course of business with related companies for the years ended December 31, 2022 and 2021 are as follows; continued

(in millions of Korean won)

Name of related parties	2021				
	Sales	Purchase	Acquisition of property, plant and equipment and intangible assets	Other income (*2,3)	Other expenses (*3)
<b>Shareholders:</b>					
Lotte Corporation	₩ 4,417	-	-	-	33,482
Hotel Lotte Co., Ltd.	68,250	559	-	103	36,352
Hotel Lotte Pusan Co., Ltd.	3,457	-	2,003	-	7,819
Subtotal	76,124	559	2,003	103	77,653
<b>Associates:</b>					
FRL Korea Co., Ltd.	27,357	-	-	-	-
Zara Retail Korea Co., Ltd.	10,567	-	-	-	-
LOTTE CARD Co., Ltd.	3,610	-	-	315	177,314
Others	2,793	5,661	-	120	4,796
Subtotal	44,327	5,661	-	435	182,110
<b>Others (*1):</b>					
Lotte Engineering & Construction Co., Ltd.	1,615	-	393,451	0	2,173
Lotte Confectionery Co., Ltd.	5,973	52,580	-	-	14,015
Lotte Chilsung Beverage Co., Ltd.	10,799	52,370	-	40	137
Lotte Data Communication Company (*4)	1,371	-	52,126	-	177,694
DAEHONG COMMUNICATIONS INC.	702	-	-	-	25,932
Lotte Station B/D. Co., Ltd.	9,915	687	-	554	1,073
Lotte GRS Co., Ltd.	9,329	937	-	23	3,330
Lotte International Co., Ltd.	1,325	121,455	-	-	3
LOTTE FOOD CO., LTD.	3,505	78,588	-	11	7,338
LOTTE ALUMINIUM CO., LTD.	87	6,355	2,029	45	8,629
Lotte Global Logistics Co., Ltd.	5,033	36	44,045	-	279,929
Korea Fuji Film Co., Ltd.	458	159	-	2	0
LOTTE Property&Development(*5)	15,589	-	-	831,471	33,349
LOTTE ASSET DEVELOPMENT CO.,LTD.(*6)	2,755	-	542	321	43,985
Korea Seven Co., Ltd.	4,946	39	-	236	1,033
Others	14,650	9,230	29,616	2,195	120,944
Subtotal	88,052	322,436	521,809	834,898	719,564
Total	₩ 208,503	328,656	523,812	835,436	979,327

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

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

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

(\*4) Other expenses include ₩ 6,800 million in the mobile gift certificate business transferred from Lotte Data Communication Company.

(\*5) The Company signed a Sale and leaseback contract with LOTTE Property&Development as 2021, Other sales include ₩ 831,300 million in sale of Lotte World Tower shares.

(\*6) Other expenses include ₩ 42,670 million in the Shopping-mall business transferred from LOTTE ASSET DEVELOPMENT CO., LTD.

# **LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES** **Notes to the Consolidated Financial Statements** **As of December 31, 2022 and 2021**

## **40. Related Party Transactions, continued**

(c) Fund transactions with related parties for the year ended December 31, 2022 and 2021 are as follows:

(in millions of Korean won)		2022					
Name of related parties		Cash Lending	Redemption	Cash contribution	Sale of stock	Return on Investment	Stock purchase
<b>Shareholders:</b>							
LOTTE Corporation (*2)	₩	-	-	-	46,556	-	-
<b>Associates:</b>							
LOTTE-KDB Open Innovation Fund.		-	-	7,800	-	-	-
Busan Lotte creative movie fund		-	-	-	-	950	-
Hemisphere Film Investors II LLC		-	-	-	-	1,273	-
Hemisphere Film Investors III LLC		-	-	-	-	1,003	-
IBK-ISU		-	-	-	-	350	-
LOTTE-IMBC Contents Investment Association		-	-	-	-	699	-
<b>Others (*1):</b>							
LOTTE Property & Development		-	60,698	-	-	-	-
LOTTE Engineering and Construction CO., LTD (*3)		100,000	100,000	-	-	-	-
LOTTE INTERNATIONAL CO., LTD (*4)		-	-	-	-	-	350
Total	₩	100,000	160,698	7,800	46,556	4,275	350

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

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

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

(\*4) The Group has purchased common shares amounting to ₩ 350 million, of MUJIKOREA CO.LTD from LOTTE INTERNATIONAL CO., LTD during current period.

(in millions of Korean won)		2021			
Name of related parties		Cash Borrowing	Cash contribution	Stock purchase	Collection
<b>Associates:</b>					
LOTTE-KDB Open Innovation Fund.	₩	-	7,800	-	-
Eugene Unicorn Private Equity Fund		-	30,000	-	-
CHOROKBAEM MEDIA CO.,LTD.		-	25,000	-	-
Stonebridge innovation quarter investment fund		-	-	-	3,600
Busan Lotte creative movie fund		-	-	-	7,650
Hemisphere Film Investors II LLC		-	-	-	1,235
Hemisphere Film Investors III LLC		-	-	-	649
IBK-ISU		-	-	-	350
<b>Others (*1):</b>					
LOTTE CAPITAL Co., Ltd. (*2)		85,000	-	-	-
LOTTE ASSET DEVELOPMENT CO.,LTD. (*3)		-	-	72,381	-
LOTTE Property & Development		59,668	-	-	-
Total	₩	144,668	62,800	72,381	13,484

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

(\*2) Amount includes borrowings from Lotte Capital incurred via S-Bright Dongtan and Suwon Landmark 4th (₩ 40,000 million and ₩ 25,000 million, respectively).

(\*3) The Company purchased common shares amounting to ₩ 30,100 million of PROPERTIES (HANOI) SINGAPORE PTE. LTD. and ₩ 42,282 million of Lotte Shopping town Daegu Co.,LTD from LOTTE ASSET DEVELOPMENT CO., LTD.

# **LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES** **Notes to the Consolidated Financial Statements** **As of December 31, 2022 and 2021**

## **40. Related Party Transactions, continued**

(d) Account balances with related companies as of December 31, 2022 and 2021 are summarized as follows:

(in millions of Korean won)

Name of related parties	2022						
	Receivables			Payables			
	Trade receivables	Financial lease receivables	Other receivables	Trade payables	Borrowings	Lease liabilities	Other payables
<b>Shareholders:</b>							
Lotte Corporation	₩ 5	-	21,383	-	-	88,628	2,054
Hotel Lotte Co., Ltd.	1,874	-	60,593	-	-	223,164	20,062
Hotel Lotte Pusan Co., Ltd.	-	-	17,150	-	-	18,436	2,364
Subtotal	1,879	-	99,126	-	-	330,228	24,480
<b>Associates:</b>							
FRL Korea Co., Ltd.	1,187	-	-	-	-	-	26,163
Zara Retail Korea Co.,Ltd	-	-	-	-	-	-	6,324
LOTTE CARD Co.,Ltd. (*2)	110,559	37	2,957	-	-	-	23,496
HANSSEM CO., LTD	975	7,327	-	432	-	-	1,722
Others	447	5,392	1,586	689	-	63,711	1,166
Subtotal	113,168	12,756	4,543	1,121	-	63,711	58,871
<b>Others (*1):</b>							
Lotte Engineering & Construction Co., Ltd. (*3)	2	-	13,818	-	-	1,773	45,706
Lotte Confectionery Co., Ltd.	415	44	2,668	23,668	-	4,179	2,696
Lotte Chilsung Beverage Co., Ltd.	283	-	217	4,126	-	-	11,565
Lotte Data Communication Company DAEHONG COMMUNICATIONS INC.	-	490	1,160	-	-	6,482	29,109
Lotte Station B/D Co., Ltd.	3,236	-	10,852	-	-	7,547	9,772
Lotte GRS Co., Ltd.	512	665	321	149	-	-	5,203
Lotte International Co., Ltd.	155	-	3	4,254	-	-	94
LOTTE ALUMINIUM CO., LTD.	10	-	8	595	-	-	763
Lotte Global Logistics Co., Ltd.	404	-	1,352	-	-	16,227	32,733
Korea Fuji Film Co., Ltd.	1	28	-	-	-	-	730
LOTTE Property & Development	3,028	2,998	10,405	-	-	402,581	7,100
LOTTE ASSET DEVELOPMENT CO., LTD	-	-	-	-	-	-	23
Others (*4)	11,347	159	12,222	1,568	133,589	9,564	23,392
Subtotal	20,618	4,384	53,134	34,360	133,589	448,353	179,427
Total	₩ 135,665	17,140	156,803	35,481	133,589	842,292	262,778

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

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

(\*3) Other payables include contract payments for the sales of shares in LOTTE PROPERTIES HCMC COMPANY LIMITED.

(\*4) All other borrowings are from Lotte Capital and the fourth unguaranteed private bond of ₩ 20,000 million was issued by the subsidiary, Lotte Cultureworks and is included. Borrowings generated through L Incheon 1st Co., Ltd, S-Bright Dongtan, and Suwon Landmark the 4th are ₩ 50,000 million, ₩ 40,000 million, and ₩ 23,590 million respectively and are included.

# **LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES** **Notes to the Consolidated Financial Statements** **As of December 31, 2022 and 2021**

## **40. Related Party Transactions, continued**

(d) Account balances with related companies as of December 31, 2022 and 2021 are summarized as follows:, continued

(in millions of Korean won)

(in millions of Korean won)		2021						
		Receivables			Payables			
		Trade receivables	Financial lease receivables	Other receivables	Trade payables	Borrowings	Lease liabilities	Other payables
Name of related parties								
Shareholders:								
Lotte Corporation	₩	14	-	14,263	-	-	93,688	2,715
Hotel Lotte Co., Ltd.		1,624	-	57,204	1	-	246,093	12,252
Hotel Lotte Pusan Co., Ltd.		-	-	17,575	-	-	31,426	5,027
Subtotal		1,638	-	89,042	1	-	371,207	19,994
Associates:								
FRL Korea Co., Ltd.		735	-	-	-	-	-	20,268
Zara Retail Korea Co.,Ltd		-	-	-	-	-	-	5,321
LOTTE CARD Co.,Ltd. (*2)		87,992	-	4,256	-	-	-	16,210
Others		282	6,179	1,156	63	-	23,879	1,343
Subtotal		89,009	6,179	5,412	63	-	23,879	43,142
Others (*1):								
Lotte Engineering & Construction Co., Ltd.		340	-	4,003	-	-	1,100	25,863
Lotte Confectionery Co., Ltd.		12	-	1,353	4,800	-	4,312	1,065
Lotte Chilsung Beverage Co., Ltd.		1,406	-	3,810	5,591	-	208	11,768
Lotte Data Communication Company DAEHONG COMMUNICATIONS INC.		-	169	1,901	650	-	1,851	25,861
		984	-	22	-	-	-	8,402
Lotte Station B/D Co., Ltd.		3,407	-	10,621	-	-	10,172	7,938
Lotte GRS Co., Ltd.		11	884	808	113	-	-	5,967
Lotte International Co., Ltd.		1	-	0	5,138	-	-	166
LOTTE FOOD CO., LTD.		2	1,099	2,309	5,238	-	705	12,535
LOTTE ALUMINIUM CO., LTD.		0	-	11	578	-	-	1,901
Lotte Global Logistics Co., Ltd.		409	-	1,373	-	-	19,216	31,131
Korea Fuji Film Co., Ltd.		1	75	2	39	-	-	529
LOTTE Property & Development		2,887	1,168	8,746	-	59,668	433,630	5,996
LOTTE ASSET DEVELOPMENT CO., LTD		-	-	7	-	-	-	633
Others		6,659	83	8,025	1,525	85,000	9,544	13,947
Subtotal		16,119	3,478	42,991	23,672	144,668	480,738	153,702
Total	₩	106,766	9,657	137,445	23,736	144,668	875,824	216,838

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

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

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**As of December 31, 2022 and 2021**

**40. Related Party Transactions, continued**

- (e) The amount of lease payments receivable collection and lease liability payment for the year ended December 31, 2022 and 2021 are as follows:

(in millions of Korean won)

Name of related parties	2022	
	Collection of lease payments receivable (*2)	Payment of lease liabilities (*3)
<b>Shareholders:</b>		
Lotte Corporation	₩ -	8,958
Hotel Lotte Co., Ltd.	-	80,794
Hotel Lotte Pusan Co., Ltd.	-	13,620
Subtotal	-	103,372
<b>Associates:</b>		
Lotte Card Co, Ltd.	552	-
HANSSEM CO., LTD	1,956	-
Others	9	7,871
Subtotal	2,517	7,871
<b>Others (*1):</b>		
LOTTE Property & Development	-	56,844
Lotte Station B/D Co., Ltd.	-	2,383
Korea Seven Co., Ltd.	-	2,670
Korea Fuji Film Co., Ltd.	34	-
Lotte Engineering & Construction Co., Ltd.	-	321
Lotte Data Communication Company	565	3,707
Others	260	8,368
Subtotal	859	74,293
Total	₩ 3,376	185,536

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

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

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

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**As of December 31, 2022 and 2021**

**40. Related Party Transactions, continued**

- (e) The amount of lease payments receivable collection and lease liability payment for the year ended December 31, 2022 and 2021 are as follows:, continued

(in millions of Korean won)

(in millions of Korean won)

		2021	
Name of related parties		Collection of lease payments receivable (*2)	Payment of lease liabilities (*3)
<b>Shareholders:</b>			
Lotte Corporation	₩	-	10,954
Hotel Lotte Co., Ltd.		-	80,480
Hotel Lotte Pusan Co., Ltd.		-	13,664
Subtotal		-	105,098
<b>Associates:</b>			
Lotte Card Co, Ltd.		67	-
Others		15	3,408
Subtotal		82	3,408
<b>Others (*1):</b>			
LOTTE Property & Development		-	48,463
Lotte Station B/D Co., Ltd.		-	2,471
Korea Seven Co.,Ltd.		-	2,192
Korea Fuji Film Co., Ltd.		29	-
Lotte Engineering & Construction Co., Ltd.		-	106
Lotte Data Communication Company		-	1,158
LOTTE ASSET DEVELOPMENT CO., LTD		1,180	123
Others		477	5,943
Subtotal		1,686	60,456
Total	₩	1,768	168,962

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

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

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

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

- (f) Details of payment guarantees and collateral provided by the Group for the financial supports to the related parties as of December 31, 2022 are as follows, and no collateral and payment guarantees are provided by the related parties:

(in USD)

Name of company	Guaranteed by	Guaranteed amount	Guarantee period	Remarks
<b>Joint ventures</b>				
International Business Center Company Limited	DBS	USD 6,000,000	March 31, 2022 ~ March 30, 2023	Working capital
	The Export-Import Bank of Korea	USD 4,000,000	April 1, 2022 ~ April 3, 2023	Working capital
Lotte Entertainment Vietnam Co, Ltd.	Shinhan Bank	USD 1,860,000	October 21, 2022 ~ October 21, 2023	Working capital

- (g) The Group entered into and maintain an agreement to receive fund supplementation from LOTTE Property & Development if Lincheon the first Co., Ltd. and Lincheon the second Co., Ltd., the issuers, are in default of the principal and interest on the asset backed loan (₩ 800,000 million of par value maturing on February 23, 2023).

- (h) Details of purchased card transactions with Lotte Card Co., Ltd. as of December 31, 2022 are as follows:

(in millions of Korean won)

Classification	Name of corporation	Contractual amount	Used amount	Repayment	Unsettled amount
In the perspective of user	LOTTE SHOPPING CO.,LTD.	₩ 240,000	2,554,956	2,553,548	1,408
	LOTTE Himart Co., Ltd.	150,000	1,727,151	1,727,151	-
	Lotte Cultureworks Co., Ltd.	20,000	15,048	13,413	1,635



# LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### As of December 31, 2022 and 2021

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#### 41. Risk Management

##### (a) Management of financial risks

##### (i) Objectives and policies of the Group

Risk management activities of the Group identify credit risk, liquidity risk, market risk and any other potential risk that may affect financial performance and by eliminating, avoiding and abating the possible risk level to an acceptable range and to support a stable and consistent business performance with the intention to contribute to strengthening the Group's competitiveness by reducing costs of finance through improving the financial structure and enhancing the efficiency of its capital operations.

In order to establish and implement the financial risk management system, the Group has established risk management policies in an integrated perspective and is complying with the risk management policies and procedures by strictly performing controls and reviews by management.

##### (ii) Credit risk

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

Most of the Group's profit is generated from individual clients and carries low credit risk. Also, the Group deposits its cash and cash equivalents and short-term financial instruments with financial institutions. Credit risks from these financial institutions are very limited due to their high solvency.

##### ① Exposure to credit risk

The book value of a financial asset represents the maximum exposure to credit risk. The maximum exposures to credit risk as of December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>		2022	2021
Cash equivalent (*1)	₩	1,780,816	2,384,830
Trade and other receivables		905,384	721,166
Other financial assets (current)		1,657,441	2,074,555
Other financial assets (non-current) (*2)		1,309,941	1,273,362
Total	₩	5,653,582	6,453,913

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

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

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**As of December 31, 2022 and 2021**

**41. Risk Management, continued**

(a) Management of financial risks, continued

(ii) Credit risk, continued

② Credit risk exposure for past due and impairment loss of financial assets

Trade and other receivables before deducting the allowance for doubtful accounts as of December 31, 2022 and 2021 are as follows:

(in millions of Korean won)

		2022			2021		
		Total carrying amount	Probability of default	Allowance for doubtful accounts	Total carrying amount	Probability of default	Allowance for doubtful accounts
Not past due	₩	885,457	0.49%	4,333	708,592	0.13%	904
0 ~ 3 months past due		10,466	4.86%	508	10,001	26.12%	2,612
3 ~ 6 months past due		2,420	68.75%	1,664	4,323	46.94%	2,029
6 ~ 9 months past due		619	35.69%	221	4,017	50.96%	2,047
9 ~ 12 months past due		1,964	75.21%	1,477	1,811	61.69%	1,117
12 ~ 15 months past due		4,620	28.63%	1,322	1,182	43.39%	513
15 months past due		38,608	75.75%	29,244	25,310	98.17%	24,847
Total	₩	944,154	-	38,769	755,236	-	34,069

Other financial assets (current) before deducting the allowance for doubtful accounts as of December 31, 2022 and 2021 are as follows:

(in millions of Korean won)

		2022			2021		
		Total carrying amount	Probability of default	Allowance for doubtful accounts	Total carrying amount	Probability of default	Allowance for doubtful accounts
Not past due	₩	1,659,670	0.13%	2,229	2,074,555	-	-
15 months past due		34	100%	34	34	100%	34
Total	₩	1,659,704	-	2,263	2,074,589	-	34

Other financial assets (non- current) before deducting the allowance for doubtful accounts as of December 31, 2022 and 2021 are as follows:

(in millions of Korean won)

		2022			2021		
		Total carrying amount	Probability of default	Allowance for doubtful accounts	Total carrying amount	Probability of default	Allowance for doubtful accounts
Not past due	₩	1,309,941	-	-	1,273,363	0.09%	1,111
9~12 months past due		-	-	-	1,000	100.00%	1,000
15 months past due		2,678	100.0%	2,678	1,678	33.80%	567
Total	₩	1,312,619	-	2,678	1,276,041	-	2,678

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

(a) Management of financial risks, continued

(ii) Credit risk, continued

② Credit risk exposure for past due and impairment loss of financial assets, continued

Movements in the allowance for doubtful trade and other receivables for the years ended December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>		<u>2022</u>	<u>2021</u>
Beginning Balance	₩	34,070	60,923
Provision		6,472	11,441
Reversal of impairment loss		(968)	(5,876)
Write-offs		(629)	(10,159)
Collections		-	(25,734)
Others		(175)	3,475
Ending balance	₩	<u>38,770</u>	<u>34,070</u>

Movements in the allowance for doubtful other financial assets (current) for the years ended December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>		<u>2022</u>	<u>2021</u>
Beginning Balance	₩	34	34
Others (*)		1,866	-
Ending balance	₩	<u>1,900</u>	<u>34</u>

(\*) It is increased due to the subsidiary, LKH 1st., Co., Ltd. was transferred in.

Movements in the allowance for doubtful other financial assets (non-current) for the years ended December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>		<u>2022</u>	<u>2021</u>
Beginning Balance	₩	2,678	3,603
Provision		-	1,075
Write-offs		-	(2,000)
Ending balance	₩	<u>2,678</u>	<u>2,678</u>

③ Payment guarantees

As of December 31, 2022, the Group has provided financial guarantees to associates and joint ventures amounting to ₩ 15,030 million

# LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### As of December 31, 2022 and 2021

#### 41. Risk Management, continued

##### (a) Management of financial risks, continued

##### (iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset due to an adverse managerial or external environment.

In order to systematically manage liquidity risk, the Group predicts and corresponds to potential risks through consistently analyzing the schedule of cash flow and establishing short-term and long-term capital management plans.

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

Aggregate maturities of financial liabilities, including estimated interest, as of December 31, 2022 are as follows:

(in millions of Korean won)

		2022				
	Book Value	3 months or less	3 ~ 6 months	6 months ~ 1 year	More than 1 year	Contractual Cash Flow
Trade payables and other payables ₩	2,566,310	2,566,070	238	19	-	2,566,327
Borrowings and debentures (current) (*1,2)	4,894,848	1,979,386	1,621,704	1,353,637	-	4,954,727
Other financial liabilities (current) (*3)	1,155,761	586,348	189,027	478,440	-	1,253,815
Borrowings and debentures (non-current) (*1, 2)	4,866,440	29,793	30,056	60,488	5,092,906	5,213,243
Trade payables and other payables (non-current)	19,455	-	-	-	21,705	21,705
Other financial liabilities (non-current) (*3)	4,779,368	418	362	844	6,015,515	6,017,139
Financial guarantee contract	2,189	15,030	-	-	-	15,030
Total ₩	18,284,371	5,177,045	1,841,387	1,893,428	11,130,126	20,041,986

(\*1) Interest expenses are included.

(\*2) It is possible to be forfeited the benefit of time when the Group fails to meet the clause in agreement regarding borrowings and debentures (maintenance of financial ratio and credit rating, etc.).

(\*3) Lease liabilities are included.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

##### (iv) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the Group's return.

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

# **LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES** **Notes to the Consolidated Financial Statements** **As of December 31, 2022 and 2021**

## **41. Risk Management, continued**

(a) Management of financial risks, continued

(iv) Market risk, continued

### ① Currency risk

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

The Group enters into currency swap transactions with financial institutions to hedge currency risks of foreign currency denominated borrowings and debentures. When the Group needs foreign currencies, the Group enters into a forward exchange contract with major financial institutions to avoid the risks of exchange rate fluctuations.

Assets and liabilities denominated in foreign currencies other than the Group's functional currency as of December 31, 2022 and 2021 are as follows:

(in millions of Korean won)

		2022		2021	
		Assets	Liabilities	Assets	Liabilities
USD	₩	355,007	1,629,382	488,976	1,314,031
EUR		319	4,266	89	2,079
JPY		-	2	-	-
HKD		-	56	-	-
CNY		3,678	-	6,698	-
CAD		114	371	-	-
AUD		-	16	-	3
Total	₩	359,118	1,634,093	495,763	1,316,113

The average rates for the years ended December 31, 2022 and 2021, and the closing rates as of December 31, 2022 and 2021 are as follows:

(in Korean won)

		Average rate		Closing rate	
		2022	2021	2022	2021
USD	₩	1,292.95	1,144.42	1,267.30	1,185.50
EUR		1,357.38	1,352.79	1,351.20	1,342.34
JPY		9.8344	10.4145	9.5318	10.3024
HKD		164.98	147.23	162.55	152.03
CNY		191.57	177.43	181.44	186.26
CAD		991.82	913.26	935.38	930.61
AUD		895.43	859.42	858.41	858.89

# **LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES** **Notes to the Consolidated Financial Statements** **As of December 31, 2022 and 2021**

## **41. Risk Management, continued**

(a) Management of financial risks, continued

(iv) Market risk, continued

① Currency risk, continued

The Group regularly measures exchange risks on Korean won against foreign currency fluctuations. The Group assumes that foreign currency exchange rates fluctuate 10% at the end of reporting period with all other variables held constant. Sensitivity analysis of income before taxes from changes of foreign currency exchange rate are as follows. Borrowings and debentures with currency swaps are not included.

(in millions of Korean won)		2022		2021	
		10% increase	10% decrease	10% increase	10% decrease
USD	₩	33,143	(33,143)	45,886	(45,886)
EUR		(395)	395	(199)	199
JPY		-	-	-	-
HKD		(6)	6	-	-
CNY		368	(368)	670	(670)
CAD		(25)	25	-	-
AUD		(1)	1	(0)	(0)
Total	₩	33,084	(33,084)	46,357	(46,357)

The sensitivity analysis above is related to the monetary assets and liabilities, denominated in a currency other than the Group's functional currency, as of December 31, 2022 of the Group entities in Korea.

② Interest rate risk

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

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

The book value of the Group's variable interest-bearing financial instruments as of December 31, 2022 and 2021 are as follows:

(in millions of Korean won)		2022	2021
Financial assets	₩	96,653	78,884
Financial liabilities		1,832,427	1,287,452

# **LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES** **Notes to the Consolidated Financial Statements** **As of December 31, 2022 and 2021**

## **41. Risk Management, continued**

(a) Management of financial risks, continued

(iv) Market risk, continued

### ② Interest rate risk, continued

The table below summarizes the impact of increases or decreases of interest rates in deposits and borrowings with floating interest rate on the Group's interest income and expense that would incur in relation to the deposits and borrowings for the years ended December 31, 2022 and 2021. The analysis is based on the assumption that the interest rate has increased or decreased by 100 basis points with all other variables held constant. Borrowings and debentures for which the Group has entered into interest rate swap transactions are not included.

(in millions of Korean won)

		2022		2021	
		100bps increase	100bps decrease	100bps increase	100bps decrease
Interest income	₩	967	(967)	789	(789)
Interest expenses		8,820	(8,820)	4,017	(4,017)

### ③ Price risk

The Group is exposed to fluctuations of price in equity instrument at fair value through other comprehensive income. The book value of the marketable equity instrument at fair value through other comprehensive income as of December 31, 2022 and 2021 are ₩ 527,683 million and ₩ 1,092,717 million, respectively. Assuming that other variables remain the same and the prices of the equity instruments fluctuate by 10%, the effects of the fluctuation to the other comprehensive income in 2022 and 2021 are ₩ 52,768 million and ₩ 109,272 million, respectively.

## (b) Capital Management

The objective of the Group's capital management is maximizing shareholders' profit through maintaining a sound capital structure. The Group makes necessary improvements to the capital structure through monthly monitoring of financial ratios such as liabilities to equity ratios and net borrowings to equity ratios in order to achieve an optimal capital structure.

The liabilities to equity ratios and net borrowings to equity ratios as of December 31, 2022 and 2021 are as follows:

(in millions of Korean won)

		2022	2021
Liabilities (A)	₩	20,668,459	21,629,527
Equity (B)		11,035,117	11,797,007
Financial instruments (C)		3,104,029	4,321,126
Borrowings (D)		9,761,288	9,952,977
Liabilities to equity ratio (A/B)		187.30%	183.35%
Net borrowings to equity ratio ((D-C)/B)		60.33%	47.74%

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**As of December 31, 2022 and 2021**

**42. Lease**

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

Details recognized in the consolidated statement of financial position related to leases as of December 31, 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>		<b>2022</b>	<b>2021</b>
Right-of-use assets:			
Land	₩	833,103	859,442
Buildings		3,187,746	3,802,502
Vehicles		3,169	2,765
Others		35,068	35,491
Total		<u>4,059,086</u>	<u>4,700,200</u>
Investment property		410,225	454,533
Lease receivables:			
Current		26,071	25,302
Non-current		78,201	74,347
Total		<u>104,272</u>	<u>99,649</u>
Lease liabilities:			
Current		756,903	628,014
Non-current		4,623,897	5,318,115
Total	₩	<u>5,380,800</u>	<u>5,946,129</u>

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

Details recognized in the consolidated statement of comprehensive income related to leases during 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>		<b>2022</b>	<b>2021</b>
Depreciation expense on right-of-use assets			
Land and buildings	₩	536,584	564,824
Vehicles		1,962	1,830
Others		8,745	11,906
Total	₩	<u>547,291</u>	<u>578,560</u>
Depreciation expense on investment properties	₩	(27,428)	(33,161)
Interest expenses on lease liabilities		(209,763)	(240,682)
Interest income on lease receivables		(3,536)	(3,044)
Leases of low-value assets and short-term leases		(92,517)	(79,909)
Impairment loss on right-of-use assets		(173,181)	(336,162)

Total cash outflow for the lease for the year ended December 31, 2022 and 2021 are ₩ 804,918 million and ₩ 767,645 million.

The Group uses a practical expedient that does not assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. Accordingly, the Group recognized ₩ 11,138 million in profit or loss during the year ended December 31, 2022, to reflect changes in lease payments that arise from a rent concession to which the lessee has applied the practical expedient.



**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**As of December 31, 2022 and 2021**

**42. Lease, continued**

(c) Changes in right-of-use assets for the years 2022 and 2021 are as follows:

<i>(in millions of Korean won)</i>		2022	2021
Beginning balance	₩	4,700,200	5,163,972
Acquisition of right-of-use assets		138,521	492,128
Depreciation expenses		(547,291)	(578,560)
Impairment loss on right-of-use assets		(173,181)	(336,162)
Others (*)		(59,163)	(41,178)
Ending balance	₩	4,059,086	4,700,200

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

(d) The contractual maturity of lease liabilities as of December 31, 2022 and 2021 are as follows:

*(in millions of Korean won)*

		<b>2022</b>				
		Less than 6 months	6 months~ 1 year	1 ~ 2 years	2 ~ 5 years	More than 5 years
Total minimum lease payments	₩	418,064	372,862	701,308	1,836,953	3,415,489
Net minimum lease payments		403,304	353,599	646,366	1,594,008	2,383,523

*(in millions of Korean won)*

		<b>2021</b>				
		Less than 6 months	6 months~ 1 year	1 ~ 2 years	2 ~ 5 years	More than 5 years
Total minimum lease payments	₩	394,389	387,146	749,652	1,907,941	3,887,243
Net minimum lease payments		317,453	310,561	644,295	1,604,842	3,068,978

**LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**As of December 31, 2022 and 2021**

**42. Lease, continued**

(e) The contractual maturity of lease receivables as of December 31, 2022 and 2021 are as follows:

(in millions of Korean won)

		<b>2022</b>					
		Less than 6 months	6 months~ 1 year	1 ~ 2 years	2 ~ 5 years	More than 5 years	Total
Total minimum lease payments	₩	14,597	12,302	30,427	31,063	31,910	120,299
Net minimum lease payments		14,301	11,770	28,150	26,019	24,032	104,272

(in millions of Korean won)

		<b>2021</b>					
		Less than 6 months	6 months~ 1 year	1 ~ 2 years	2 ~ 5 years	More than 5 years	Total
Total minimum lease payments	₩	13,920	12,986	31,820	46,131	18,145	123,002
Net minimum lease payments		13,197	12,106	28,534	37,438	8,374	99,649

(f) Operating lease

The Group entered into and maintains an operating lease agreement to lease property, plant and equipment. The collection plan of lease receivables related to the operating lease contract as of December 31, 2022 and 2021 are as follows:

(in millions of Korean won)

		<b>2022</b>	<b>2021</b>
Within 1 year	₩	124,851	71,156
Within 1 ~ 5 years		192,531	71,261
Over 5 years		99,057	25,003
Total(*)	₩	416,439	167,420

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

The lease income related to the operating lease recognized by the Group during 2022 and 2021 are ₩ 1,539,314 million and ₩ 1,324,402 million respectively.