

FOR YOUR VALUABLE LIFE

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Lifetime
Value
Creator

LOTTE
SHOPPING
ANNUAL
REPORT 2019

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WELCOME TO THE LOTTE SHOPPING ANNUAL REPORT 2019.

This annual report has been designed to inform readers about LOTTE Shopping's achievements in 2019 and its plans for the future. It includes information about the company's strategies for expanding its online business, innovating its offline stores, and creating a shopping environment that has no boundaries between its online and offline platforms.

Digital Annual Report

We have also published a digital version of this report in PDF format. It will allow us to communicate with our stakeholders about our management activities and our business performance in a convenient and effective manner.

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A WEEKEND OUT — ENJOY IT AND MAKE IT SUPER-SPECIAL!



NAME:
PARK SE-RIM
OCCUPATION:
FREELANCE WRITER
AGE: 27

#RelaxedWeekend
#FridayNightOut
#LOTTEDepartmentStoreGangnam
#TheConranShop
#UltimateLuxury
#LOHB'sGangnam
#LOTTECinema
#PopcornAlwaysTastesGood
#CineComfort
#MoviesAreBestEnjoyed
WhenYou'reLyingDown

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THE INEXHAUSTIBLE JOY OF SHOPPING



THE CONRAN SHOP



The Conran Shop is the largest UK-based premium lifestyle store in the world. Located on the first and second floors of the New Building at LOTTE Department Store Gangnam, South Korea's first-ever The Conran Shop allows visitors to savor the delights of more than three hundred design-focused furnishings and objects for the home in one place.

PREMIUM LIFESTYLE STORE



"This is the chair we saw in Living Magazine, right? With its unique design and sophisticated colors, it really hits the spot!"



"I visited the Conran Shop when I was in England, but I never expected to see one here in South Korea. I wish I could say, 'Give me one of everything you have!'"



Online shopping cannot begin to compare to the joy of "hands-on," offline stores in which you can see, touch, and even taste things you want to buy. LOTTE Shopping is constantly working to transform its offline stores into excitingly experiential venues that can satisfy the tastes of even the most demanding and fastidious shopper.

The Conran Shop is a sophisticated design furniture and living store in which shoppers can peruse items by such world-famous furniture brands as Vitra, Artek, Carl Hansen & Son, and Knoll, as well as luxury living brands in such areas as home decor, kitchen utensils, tableware, bath supplies, electronics, lighting, and art items.

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HEALTH & BEAUTY



LOHB'S REFRESH STORE

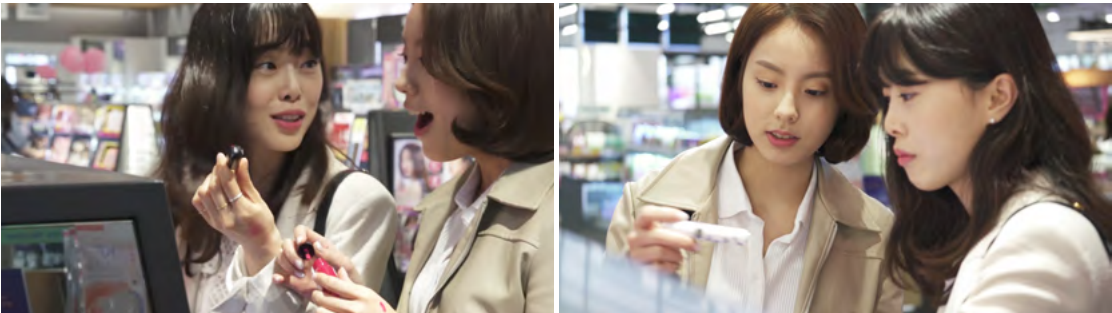
LOHB's Gangnam was reborn as a Refresh store in 2019 after undergoing extensive renovations. It features a wide range of domestic and international brands of basic and colored cosmetics and other goods, along with a host of appliance offerings displayed in a very user-friendly style. It also offers a Beauty Class, Beauty Tool Cleaning, gift wrapping, and other services.



"We came here to try out some new cosmetics, and feel totally alive after experiencing the Detox and Refresh Zones."



Some other features of LOHB's Gangnam are a d.tox Market, a d.tox Cafe, an emotional charging shelter, a signature photo spot, and healing message mirrors. You can enjoy a variety of fun experiences while also recharging your mind and body with fragrant teas and soothing rest and relaxation.



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LOTTE
CINEMA

LOTTE Cinema's smart kiosks and mobile app are all embedded with AI speech recognition technology, allowing you to buy tickets and make purchases using simple voice commands. You can also order popcorn and beverages using the Baro Popcorn service (Order - Immediate pick up service). No having to stand in line and wait!



IMMEDIATE
PICK UP
SERVICE
FOR F&B

Cine Comfort features high-quality recliner seats, making it one of the most special theaters that LOTTE Cinema owns. Just press a button to adjust the soft leather seatback's height. In addition, each seat's wide spacing allows you to enjoy your favorite movies in the most pleasing environment possible.



"Even popcorn tastes better when
you're watching a movie in
such comfort!"



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ONLY 100 DAYS
LEFT UNTIL
OUR WEDDING



NAME:
KIM YONG-SEOK
JOB:
OFFICE WORKER
AGE: 36

#D-100
#ILoveYouGram
#I'mGettingMarried
#GoingToHimart
#HimartMegastore
#BuyingHomeFurnishings
#FullOfPremium-
QualityHomeAppliances
#IWantToPlayAllDay

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LIFESTYLE SHOPPING LIKE YOU'VE NEVER KNOWN IT

LOTTE Shopping uses technological convergence and paradigm shifts to provide lifestyle shopping experiences that have never existed before. Shopping using the omni-channel service that straddles both on-line and offline platforms becomes more convenient than ever. Create your own lifestyle with LOTTE Shopping!



SMART PICK, CROSS PICK

"Finished ordering sneakers for couples at LOTTE ON! Picking up at Himart the day after tomorrow~"

Our Smart Pick service allows shoppers to order products at LOTTE ON and the online shopping malls of LOTTE Department Store, LOTTE Himart, and more. After that, you can pick up your purchases at more than 8,000 LOTTE stores nationwide, including LOTTE Department Store, LOTTE Himart, 7-Eleven, LOTTE Super, and Lotteria.



LOTTE HIMART MEGA STORE

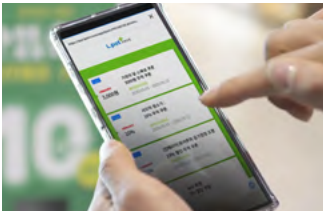
"Let's finish buying our wedding things at Megastore! They've got everything, from home appliances to living, kitchen, and household goods!"

LOTTE Himart's Megastores sell a wide range of premium-level lifestyle products. Its very first one, Megastore Jamsil, is the largest in South Korea, functioning as a venue in which happy shoppers can experience home appliances, and living, kitchen, and household goods while enjoying a full menu of rest, relaxation, and culture.

When you approach the store, L.Pot coupons are automatically handed out through the use of advanced positioning technologies like virtual Beacons and GPS.



"Wow! It gives you coupons automatically, even if you don't go into the store? I'm going to use them all here today!"



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LOTTE Himart Megastores boast specialty halls stocked with premium-quality home appliances from both home and abroad. They also house spaces where you can peruse mobile, smart mobility, IoT, and other digital devices. The specialty hall for premium home appliances is organized in a showroom format, allowing shoppers to see how they look in a real-life environment.



"That's the online-only product that I checked out! I'm going to order it right away in the Omni Zone."



LOTTE Himart's Omni-Sales sells online-only products or limited-time pilot products using a tablet PC in the Omni Zone, a dedicated in-store space. It allows stores to use their display space more effectively, while shoppers can pick out the products they want from both online and offline platforms.

"We were too busy to notice the time. We came to buy things for our wedding, but we ended up having a great time too!"

LOTTE Himart Megastore is a lifestyle store where shoppers can spend the entire day shopping, doing cultural activities, or just resting and relaxing. The Jamsil branch in Seoul is especially popular because it provides spaces to experience a variety of outdoor activities like camping and boating. It also boasts a café, seminar rooms, and relaxation areas.



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HOW DO YOU ADAPT TO LIV- ING ALONE?

NAME:
NAM JAE-GUK
JOB:
INTERN
AGE: 28

#DailyStargram
#Mr.RightLoner
#WeekendWithNothingToDo
#CharlotteHomeIsMyAssistant
#LOTTEON
#Lottehomeshopping
#VRStreet
#ARView
#LOTTEsuper
#FreshCook
#MyHomeAlmostLikeARestaurant

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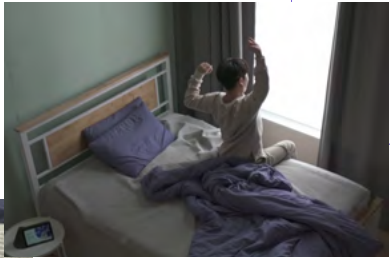
FINANCIAL REVIEW



CHARLOTTE HOME

"Charlotte, what's the weather like today?"

FINGER SHOPPING



"Charlotte Home" is an AI-based smart speaker that can be used to access a wide range of services, content, and media. Its many different functions include information on such topics as the weather, recipes, news, and music. Since it comes with a touch screen, you can also use it anywhere in the house to watch videos, listen to podcasts, write memos, and so on.

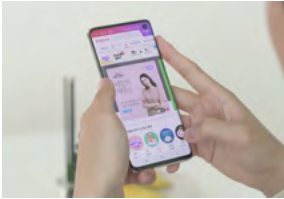
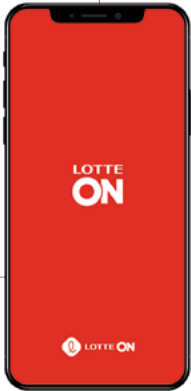
BEST SHOPPING PARTNER FOR
PEOPLE WHO LIVE ALONE

Single people know there are lots of things they can enjoy doing alone. LOTTE Shopping works hard to cater to this kind of shopper, offering them convenient online, neighborhood-based, small-quantity, and small-packaging options and possibilities. You can have a smart and easy time with LOTTE Shopping, ranging from AR and VR shopping to our fast and easy Fresh Cook service.



LOTTE ON

"I'm going to buy an air cleaner today.
They're on sale at LOTTE ON!"



LOTTE ON is an integrated e-commerce platform that shoppers can use to access all the online shopping malls operated by LOTTE Shopping's seven retail companies. Launched in April 2020, it allows customers to search for and purchase products sold by all the malls with just one click. It also boasts a wide choice of fully-customized personal services that fit each customer to a "T."

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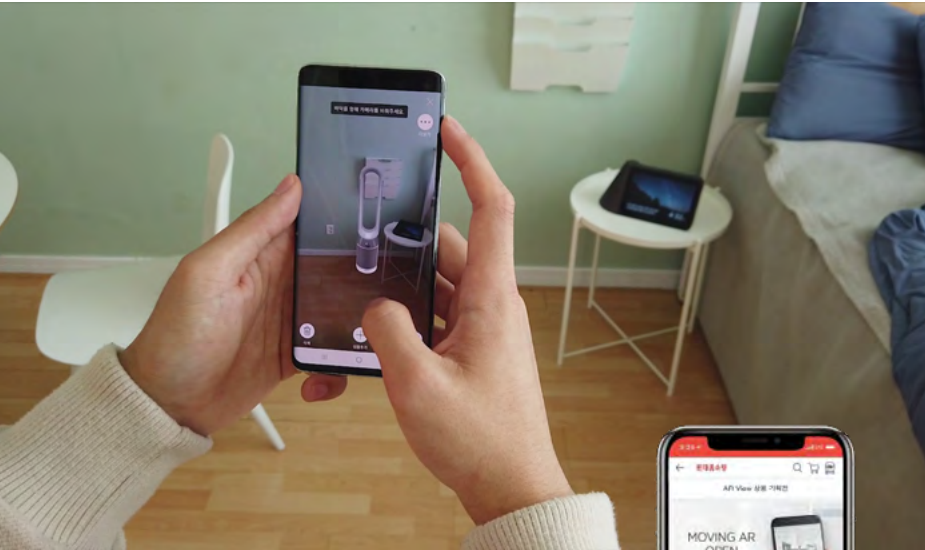
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The "VR Street" service can be found at LOTTE Homeshopping's "Finger Shopping" specialty store for mobile VR services. It uses VR technology to let you go shopping as if you were in a real store. You can have a totally unique shopping experience browsing the contents of eleven famous domestic and foreign flagship stores, including LOTTE Homeshopping's "Studio Shop" offline store. All of this can be yours just by touching the 3D screen on your mobile device.



"Do you think this will go well with my room? Even the size is perfect! I checked it all out on my 3D AR screen."

LOTTE Homeshopping's AR View virtually arranges home appliances and furniture on a mobile 3D screen using state-of-the-art AR technology. Shoppers can re-arrange the items they're interested in to see how they would look in their own living spaces, move them around up to 360 degrees, and check them out from every angle.

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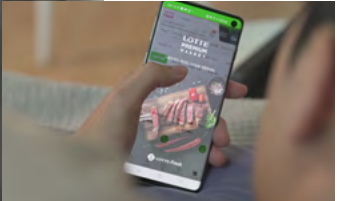
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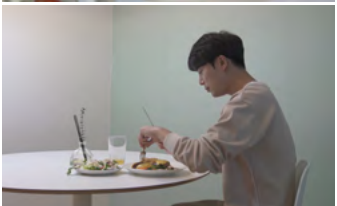
LOTTE
SUPER

"You don't have to skip meals,
even if you live alone!"

LOTTE Super's Fresh Cook is South Korea's largest online home meal replacement store. It offers about 1,300 items, including meal kits, foods from local restaurants, side dishes, soups and stews, salads and lunch boxes, rice dishes, noodles, porridges, and soups, bakery and dessert items, and flour-based foods and relishes. Its "Specially Priced Zone" offers information on such topics as the weather and launches over 100 new products every month.



"Easy-to-cook, delicious Fresh Cook meal
kits! It's just like having
my very own restaurant!"



You can order specialties of the house from well-known restaurants or a wide variety of HMRs, including meal kits, side dishes, relishes, snacks, and desserts, all of them delivered within three hours from a LOTTE Super online delivery center. Enjoy delicious food at home without having to cook it!

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ANOTHER HAP- PY DAY WITH MY DAUGHTER.

NAME :
CHO SOO-YEON
OCCUPATION :
HOUSEWIFE
AGE : 34

#Momstagram
#ChildcareTips
#MasterInHousekeeping
#LotteMartSmartStore
#ShoppingEarlyAdopter
#SmartShoppingIsFun
#CharlotteHomeIsMyFriend
#VoiceCommerce
#WishHouseworkWasFunLikeThis



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THE WORLD'S SMARTEST AND MOST CONVENIENT WAYS TO SHOP

If you go to a LOTTE Mart Smart Store that's equipped with a fulfillment system, you'll experience a completely new way of shopping with smart carts and the Baro Delivery service (Immediate delivery service). It is possible to shop and also enjoy variety of contents and media from your home by ordering goods through Charlotte Home or touching its screen. It's the smartest way to go shopping—without having to go shopping!



LOTTE MART

LOTTE Mart's Smart Stores are continuing their transformation into digital fulfillment stores. Their services include Baro Delivery, which guarantees shoppers delivery of their purchases in no more than an hour and a half. Some of their other features include smart shopping carts, electronic shelf labels, 3D holograms, and digital signage



"Shopping with a smart cart is really fun! Aren't you glad you came with me?"

Smart carts make shopping easy and convenient. There's a terminal attached to them, so all you have to do is scan the barcodes of the products you want to buy onto it. The products are then automatically added to your shopping cart list, letting you check their prices and other information at a glance, and finish by paying your bill.

SMART STORE



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"The store is a super-fresh
production center!"

LOTTE Mart operates a number of stores that specialize in selling locally-grown fresh vegetables. They source their goods from knowledgeable and dependable producers living within a fifty-kilometer radius from them. Everything they sell is safe, fresh, and local. It also guarantees local farmers a stable market.



"I used to get really tired waiting at a checkout
counter for a long time. Paying with a smart
card is so much easier!"

You don't have to wait in line at a checkout counter if you use a smart cart. They even let you save money by using discount coupons and L.POINT and entering them into the terminal attached to the cart. Then you can exit the store using a Smart Cart Exit, saving even more time.

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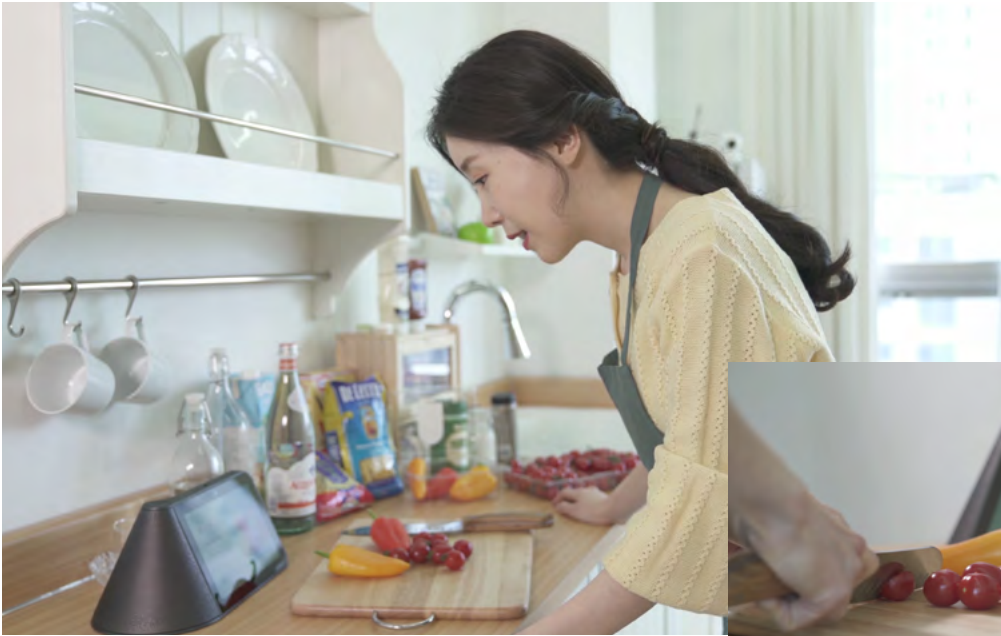
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- LOTTE HIMART
- LOTTE SUPER
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Charlotte Home is an AI-based smart speaker that can be used to access a wide range of services, content, and media through voice commands or by touching its screen. It's very light-weight, so you can use it even when you're moving around the house. You can use it in any number of ways, like searching for recipes or watching videos.

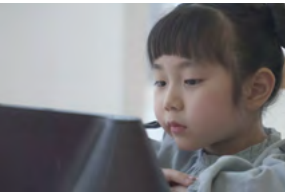


CHARLOTTE HOME

"Charlotte, please give me a recipe for tomato pasta."



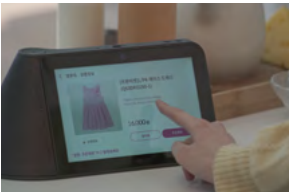
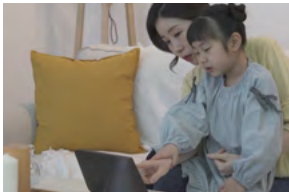
"Mom, may I watch Pororo? Charlotte is easy to use, so I can find it myself."



Charlotte Home is a next-generation voice commerce platform that allows you to shop conveniently just by using your voice. When you tell Charlotte Home about a product you're interested in, you'll soon be given a list of products on the screen. In addition to all the goods and services available at LOTTE Department Store, LOTTE Super, LOTTE Homeshopping, and Lotteria, you can also use it to purchase LOTTE Cinema tickets.



"Shall we ask Charlotte for help with our shopping? Charlotte, please find a new children's summer dress."



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CEO'S MESSAGE

Dear Valued Customers and Shareholders:

Domestic retail industry has sustained to achieve YoY growth, led by its online platforms. This happened despite a number of challenges, including a prolonged economic downturn and a rapidly changing operating environment. LOTTE Shopping celebrated its fortieth year of operations by carrying out bold initiatives in all its business sectors.

In addition to improving the competitiveness of our offline stores and expanding our online business, we also established an on-line-for-offline (O4O) shopping environment that has eliminated the borders separating online and offline platforms, and continued with our long-standing commitment to ethical and compliance management and our corporate social responsibilities. Now I want to tell you about our performance in 2019 and our plans for 2020.

We strive to become more of a customer oriented and socially responsible company through the innovation and adapting to rapidly changing environment

2019 In Review - Strengthened core competencies while securing future growth engines

South Korea's retail industry recorded moderate YoY growth in 2019, thanks to the strong growth in online channel. This growth happened even in the midst of such challenges as lower consumer confidence, constantly tightening governmental regulations, intensifying competition, and higher labor costs. Some sectors of the industry suffered due to the nation's changing demographics, leading to new consumption challenges like an increasing number of single-person households, an aging society, growing interest in small-quantity, neighborhood-based purchases, more value-conscious shopping, a rising demand for health- and environment-related products, a continuing polarization in terms of consumption, and consumer preference toward online shopping. Online providers continued to lead the industry with healthy double-digit growth, while offline businesses experienced contractions in their sales.

LOTTE Shopping dealt with these changes by strengthening its foundations for future growth and continuing with a strategy of profit-oriented, high-quality operations. This included renovating our offline stores, improving our revenue structure, making our products and content more attractive and competitive, adding more online businesses, and developing exciting new O4O services. We raised much-needed investment funding through the transfer of some of our assets to LOTTE REIT, while also continuing with our store restructuring and cost-saving efforts. Despite these efforts, our sales and operating profit results of KRW 17.622 trillion and KRW 427.9 billion, respectively, were both down from the previous year's figures.

LOTTE REIT is South Korea's largest publicly listed real estate investment trust company. Currently worth KRW 1.5 trillion, we use it to ensure our sustainable growth and boost our enterprise value by using selected real estate holdings as collateral for capital-based loans and then reinvesting the funds we have raised in new growth engines. We did this last year by transforming ten stores into LOTTE REIT assets and using the cash we received to invest in highly promising O4O and e-commerce operations and expand our overseas operations in such high-potential locations as Indonesia and Vietnam.

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Our department store business strengthened its financial stability by not opening any new stores (aside from LOTTE Department Store Incheon) and improving the revenues of its offline stores by reconfiguring them. In order to make its living area operations even more attractive, we renovated the Living section of our main store and launched The Conran Shop, a new, premium-level, British-based design and curated living brand making its very first foray into South Korea.

We also made several improvements to our Hypermarkets, focusing on their profitability through inviting outside tenants considering each store's size and characteristics of each districts location. We also enhanced the competitiveness of our products through a renewed focus on fresh foods, prepared meal substitutes, and other goods. In addition, we launched a number of new services to better reflect customer needs. They included night-time deliveries and more delivery options in key commercial areas.

For the Himart, electronic specialty division, we enhanced our online operations through ongoing investments and expanded home care service items in the residential home-care area. In addition, we increased the competitiveness of our product mix and sales channels by opening more omni-stores and introducing megastores stocked with a wide range of lifestyle products like home appliances.

Our supermarket sector opened more Fresh Center online logistics points and began offering night-time and early morning delivery options in selected markets.

Our initiatives in the home shopping business included increasing the competitiveness of our products by developing more exclusive brands and making our mobile and broadcasting content more attractive for a more differentiated customer shopping experience. We also revitalized our online and T-commerce operations.

LOTTE Cultureworks enjoyed very satisfactory operating results, such as an increased viewership and box office hits in the performance, drama, and other entertainment sectors as it focused on its overseas operations, content business, and supplementary sales of multiplex cinemas.

176,220
2019 Sales (in KRW 100 millions)

4,279
2019 Operating Profit (in KRW 100 millions)

Our efforts in the health and beauty sector included launching a number of hybrid stores in collaboration with our affiliates, increasing the efficiency of our existing operations, making our products more competitive, and emphasizing our distinctiveness by introducing more experiential stores and other efforts to increase customer satisfaction.

Last, but far from least, the LOTTE e-commerce business that we launched in a bid to strengthen our digital capabilities introduced a fee-based membership service called LOTTE ONers and an excitingly innovative LOTTE ON app that allows customers to access all seven of our mobile shopping malls with one login. In addition, we strengthened our foundations for the introduction of more next-generation technologies, such as an AI voice commerce platform.

Outlook and Plans for 2020 - Adopting an emergency management system

Consumer sentiment in South Korea is forecast to slow again in 2020 in lockstep with the global economy and the widespread effects of COVID-19. The retail industry will share in this misery, with the notable exception of a few distinct business types. Other sources of business discontent will include lowered results by traditional offline companies, constantly increasing governmental rules and regulations, intensifying competition, and dramatic changes in terms of the nation's demographics and its consumption trends.

In order to weather this crisis as effectively as possible, LOTTE Shopping will convert its operations into an emergency management system, becoming a true "game changer" to meet the challenges of a new and largely unpredictable marketplace through change and innovation.

Our first step in this process was to **convert our organization**, which had previously operated as a representative system for each business unit, into a headquarters-based entity operating under the aegis of a single CEO. The decision to make this switch and unify all our corporate resources and capabilities under one roof and one leader has been deemed to be the most efficient way to improve our overall performance. Under this new manage-

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ment system, our headquarters will become the locus of all decision-making in such areas as planning, investing, budgeting, and public relations, while our business units will focus on product development and sales. We expect that these moves will strengthen our decision-making capabilities on the corporate level and produce dramatic synergy effects among all our business units.

Led by our newly established HQ, we plan to improve the profitability of underperforming stores in department stores, hypermarkets, supermarkets, and H&B stores. Furthermore, through the profitability and asset efficiency improvement effort, we strive to increase our both financial soundness and enterprise value.

Some other steps that we will take to maximize our competitiveness include combining our holding assets and capabilities with the core strengths of each business unit. This will include department stores (whose strengths lie in the areas of fashion and luxury goods in the commercial districts of the country's metropolitan areas); hypermarkets and supermarkets (which are competitive in selling groceries in locally-oriented commercial areas); health and beauty stores (with strengths in general merchandizing in locations with many young but very mobile customers); and e-commerce (where our online capabilities are especially concentrated). We launched our LOTTE ON integrated e-commerce platform this April. This was done in order to maximize our online and offline synergies. It will allow us to provide our customers with service solutions that always take their lifestyles into account.

Another step that we will take to improve our profitability will involve repositioning our offline stores on a company-wide level. In addition to this, we will continue taking steps to achieve profit-oriented, high-quality growth by securing new growth engines and strengthening our overseas operations. We will also increase our digital capabilities and continue laying the foundations for sustainable growth by making dramatic, digitally-based innovations in all our operations.

Despite this ongoing emphasis on change and innovation, we remain very mindful of our responsibilities in creating positive social values and fulfilling our corporate social responsibilities. This will include undertaking mutually beneficial shared growth initiatives with our partner firms, the communities in which we operate, and the small- and medium-sized merchants who help to supply us, as well as continuing our involvement in such problematic areas as youth unemployment, the nation's low birth rate, and other pressing social issues. Our commitment to the health of our customers and employees also means that we will work hard to develop safe and pleasant shopping environments and workplaces. We will also continue with our commitment to environmental management practices that can help to heal the world's environment.

LOTTE Shopping's growth into a global retail player has always been based on our capacity to overcome crises and trials. We will continue to act as a leader in the areas of change and innovation within South Korea's retail industry, using today's challenging operating environment as a springboard for new opportunities and a new leap forward. In addition, we will remain a caring and sharing company that provides new values for its customers and contributes to the national economy and the well-being of nation's citizens.

All of us at LOTTE Shopping sincerely appreciate the interest and assistance that our customers and shareholders have shown us over the years. We look forward to more of your support as we continue our evolution into a customer-focused, socially responsible, global retail industry leader.

Thank you.



Kang Hee-tae, President and CEO

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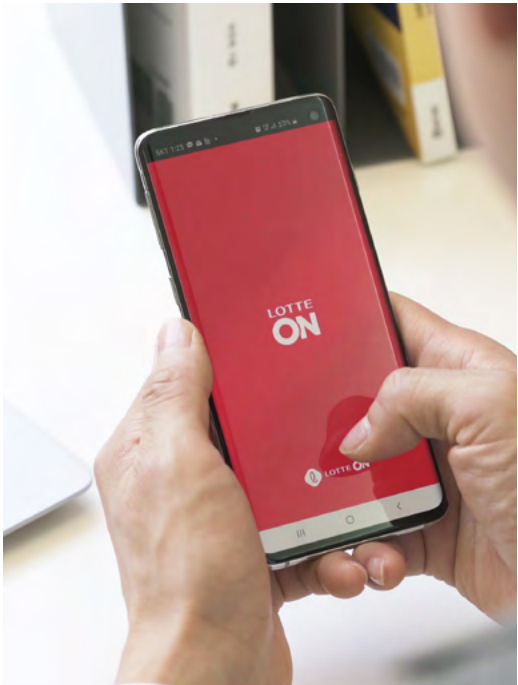
E-COMMERCE STRATEGY

New Strategies for becoming an e-Commerce Leader

South Korea's e-commerce market was worth about KRW 135 trillion in 2019. Its growth was mainly driven by changes in the country's demographic structure and its consumption patterns, as well as by growth in the industry's ICT strengths and abilities over the past few years. This rate of growth is expected to continue in 2020 as "untact" consumption grows as a consequence of COVID-19, making competition among online and offline retail operators even fiercer.

LOTTE Shopping intends to aggressively grow its e-commerce business as a new growth engine as part of its bid to become an industry leader in the areas of online platforms and operations. LOTTE e-commerce was established in 2018 to play a leading role in carrying out this strategy. It launched the LOTTE ON integrated e-commerce platform in April 2020 as part of its first undertaking.

Target GMV of online operations
(In trillions of KRW)



The app allows customers to access all seven of our online shopping malls with one click on their device. It features an AI-based shopping service that recommends products to customers based on their tastes, ages, occupations, and other information. We have already accumulated shopping data on thirty-nine millions of our customers, allowing us to begin implementing this platform, which will ultimately require no search windows whatsoever. We will also add to our number of O4O services that bridge the gap between our online and offline platforms.

We will use LOTTE ON as a large part of our goal of reaching KRW 20 trillion in online sales by 2023. We will also raise the efficiency levels of our retail platforms by 2025, and build our own e-commerce ecosystem by introducing the latest in ICT, including AI and big data.

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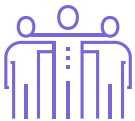
Growing into a caring and sharing, socially conscious company

LOTTE Group began with the founding of LOTTE Confectionery in 1967. Over the years, it has grown into one of South Korea's best-known business groups, expanding its range of interests to include food, retail, petrochemicals, construction, manufacturing, tourism, and services and increasing its presence across Asia and around the globe. Going forward, we will continue our carefully-planned evolution into a customer-focused, socially responsible, global retail industry leader.

MISSION

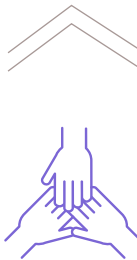
We enrich people's lives by providing superior products and services that our customers love and trust

The mission of LOTTE is to establish a foundation and baseline for our business activities. It plays a vital role in strengthening the pride and unity of our employees and motivating them to work for a united cause.



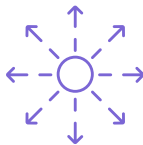
RICHNESS

"Richness" is the value that LOTTE has endeavored to provide our customers with since our foundation, and which distinguishes us from our competitors.



CONTRIBUTION

The value of "contribution" propels LOTTE forward to become a group that "customers appreciate and depend on, which enriches people's lives."



EXPANSION

Comprehensive expressions such as "products and services" and "everyone, everywhere" represent LOTTE's unyielding desire to expand our scope of business.

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VISION

LIFETIME VALUE
CREATOR

In order to achieve its goal of continuing sustainable growth over the next fifty to one hundred years, LOTTE Group is adopting a strategy of concentrating on high-quality growth. Its new vision of being a Lifetime Value Creator,' which has been designed to reflect this new operating viewpoint, includes a pledge to offer our customers the highest value in every purchase they make from us.

CORE VALUES

Core Values are the standards that all LOTTE staff should aspire toward so that LOTTE can fulfill its mission and vision.



CHALLENGE

We focus on the nature of our task and continue to challenge ourselves to accomplish higher goals.

RESPECT

We respect different opinions, communicate with others and observe general rules to build a bond of trust with our community.

ORIGINALITY

We quickly respond to changes, cooperate with other fields without boundaries, and implement innovations to develop originality inimitable by anyone.

START	Understand the nature of our task and set a goal to contribute to the outcome of the entire organization.	Respect when our colleagues and stakeholders have different opinions and actively communicate with them.	Respond quickly to changes and trends in the business environment.
PROGRESS	Take the initiative to improve work processes and achieve goals.	Observe general rules and actively respond to the stakeholders' demands.	Pay great attention to various industries and collaborate with them to create greater value.
OUTCOME	Never give up, and set and achieve higher goals.	Behave carefully considering the impact of our action to build trust within our community.	Develop creative thoughts and take innovative measures to provide products and services that our competitors cannot easily imitate.

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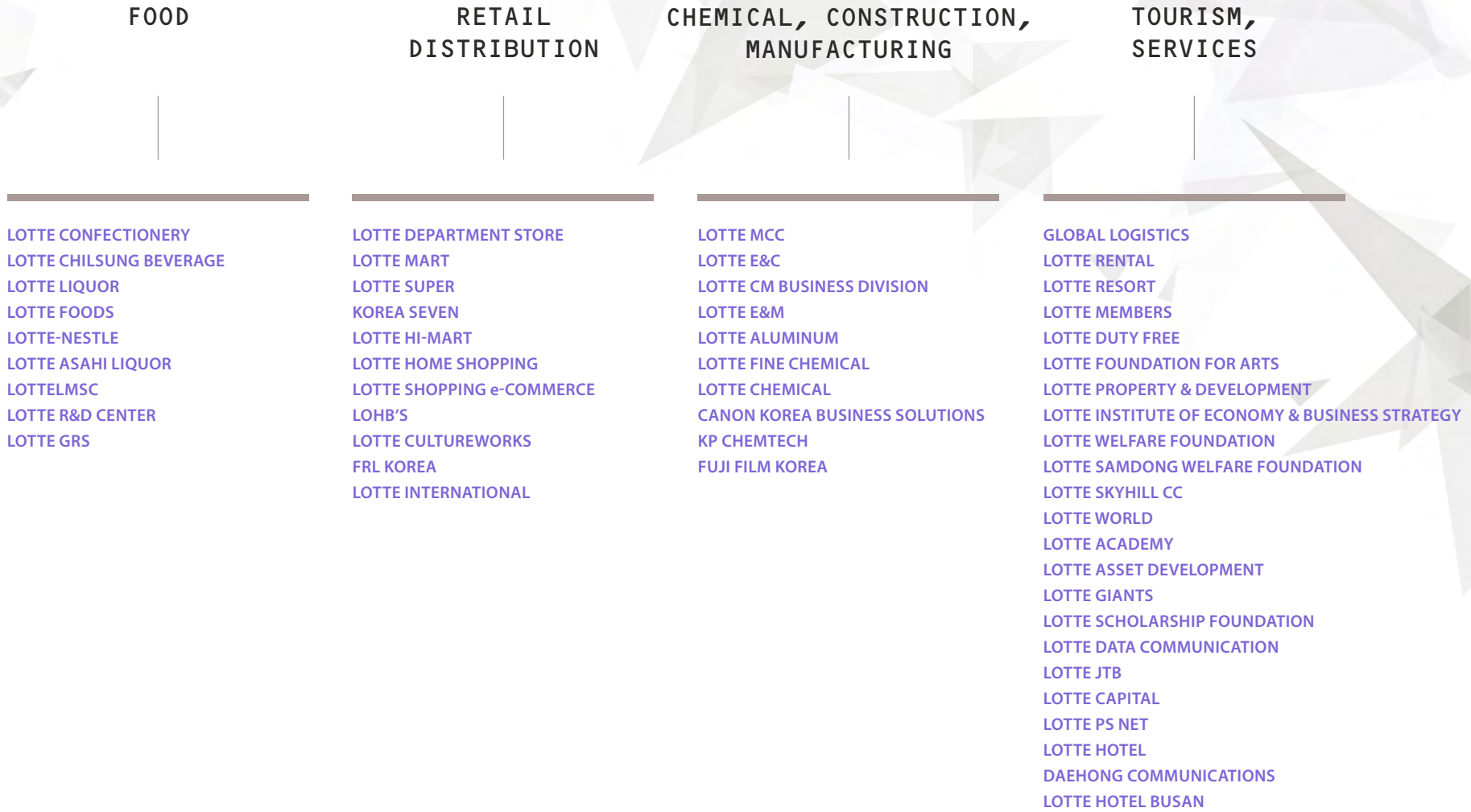
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BUSINESS AREA

As of the end of 2019



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Vision LIFETIME VALUE CREATOR

NEW CORE VALUES

Beyond Customer Expectation
Challenge
Respect
Originality

MANAGEMENT POLICY

Ensure transparent management
Enhance core capabilities
Practice value management
Offer on-site management

DEPARTMENT STORES

Lotte Department Store
Avenuel
Young Plaza
Lotte Outlets
Lotte Premium Outlets
eLotte online mall

HYPERMARKETS

Lotte Mart
VIC Market
Lotte Mart online mall
Market D

SUPERMARKETS

Lotte Super
Lotte Market 999
Lotte Fresh online mall
Lotte Premium Food Market
Lotte Super with LOHB's

HEALTH & BEAUTY STORES

LOHB's
LOHB's online mall

HOME SHOPPING

Lotte Home Shopping
Lotte i-Mall
Lotte OneTV
Studio Shop
Catalogue

SPECIALTY STORES

Lotte Himart
Toys "R" Us
Pet Garden
Babies "R" Us

CULTUREWORKS

Lotte Cinema

e-COMMERCE

Lotte ON

QUANTITY GROWTH



QUALITY GROWTH

DISTRIBUTION CHANNELS

SOUTH KOREA'S LEADING RETAILER

Company Overview

LOTTE Shopping has been a South Korean retail industry leader since 1970. Our business interests range from department stores, hypermarkets, consumer electronics retail stores, and supermarkets to home shopping, culture-works, health and beauty stores, and e-commerce.

We offer our customers a host of innovative products and services, as well as constantly occurring new store openings and renovations. We also take the lead in creating the future of retail through our smart shopping environment and omnichannel services. Our overseas activities in such markets as Vietnam and Indonesia help us to strengthen the foundations for our future growth even more.

Retail Channels

LOTTE Shopping boasts the industry's largest number of offline stores and online and mobile shopping malls. The variety of the many retail channels listed above is among the highest in South Korea and around the world.

We are also in the midst of developing a large number of new retail operations, such as multipurpose shopping malls and outlets, smart stores, omni-megastores, premium food markets, T-commerce operations, integrated e-commerce platforms, and AI voice commerce platforms. Going forward, tomorrow's shoppers will become an integral part of a never-before-experienced retail culture, enjoying a combination of innovative O4O services and the very latest in ICT technologies.

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SALES

176,220



GROSS PROFIT

74,374



OPERATING PROFIT

4,279



NET PROFIT

(8,401)



(Based on K-IFRS and consolidated financial statements, in KRW 100 millions)

LOTTE Shopping took a number of steps to enhance its earnings and secure new growth engines in 2019, while South Korea's retail industry as a whole grew thanks to continuing growth in online operations and in spite of a prolonged economic downturn. We will spend the year 2020 on profitability improvement by restructuring and repositioning our offline stores, bringing a new focus to our online businesses, and maximizing our online and offline synergies.

CONDENSED CONSOLIDATED FINANCIAL POSITION STATEMENTS

(Based on K-IFRS and consolidated financial statements, in KRW 100 millions)

	2019	2018
Assets	339,726	262,593
Current assets	61,073	57,084
Non-current assets	278,653	205,510
Liabilities	220,709	138,319
Current liabilities	82,019	66,037
Non-current liabilities	138,690	72,282
Shareholders' equity	119,017	124,274
Controlling shareholders' equity holdings	106,460	117,054
Capital stock	1,414	1,414
Capital surplus	35,742	35,742
Capital adjustments	(29,669)	(29,098)
Retained earnings	98,968	109,916
Accumulated other comprehensive income	5	(920)
Non-controlling shareholders' equity holdings	12,557	7,220

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- LOTTE HIMART
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CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS

(Based on K-IFRS and consolidated financial statements, in KRW 100 millions)

	2019	2018
Sales	176,220	178,208
Cost of sales	101,846	103,131
Gross profit	74,374	75,077
Selling and administrative expenses	70,077	69,117
Operating profit	4,279	5,970
Profit before income tax	(11,574)	(939)
Net profit	(8,401)	(4,650)

REVENUES BY BUSINESS DIVISION

(Based on K-IFRS and consolidated financial statements, in KRW 100 millions)

OTHERS

* Others including other businesses (Home shopping, LOHB's, and LOTTE Cultureworks) and consolidated adjustments

22,733 (12.9%)



SUPERMARKETS

18,612 (10.6%)



CONSUMER ELECTRONICS

40,265 (22.8%)



DEPARTMENT STORES

31,304 (17.8%)



HYPERMARKETS

63,306 (35.9%)

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BOARD OF DIRECTORS

Increasing our enterprise value and the public's trust by strengthening our commitment to transparency, compliance, and our corporate social responsibilities

LOTTE Shopping's Board of Directors is composed of nine members, all of whom are elected at an annual general shareholders' meeting. Five of them must come from outside the company. The Board is tasked with enhancing the company's enterprise value by establishing transparent, accountable, and responsible programs and policies that management must follow. It also has four sub-committees: the Audit Committee, the Independent Director Nomination Committee, the Transparent Management Committee, and the Remuneration Committee.

Inside Directors

Name	Position	Board Responsibilities
Kang, Hee Tae	President and CEO, Lotte Shopping (Head of Retail BU, Lotte Group)	Representative Director, Board Chair, Transparent Management Committee Chair
Yoon, Jong Min	Head of Management Strategy Office, LOTTE Corporation	Remuneration Committee
Chang, Ho Joo	Executive vice president & CFO, LOTTE Shopping	Inside Director
Hwang, Beom Seok	Head of Department Store Business Division, LOTTE Shopping	Independent Director Nomination Committee Chair

Independent Directors

Name	Position	Board Responsibilities
Kang, Hye Ryun	Professor, Ewha School of Business, Ewha Womans University	Remuneration Committee Chair, Independent Director Nomination Committee
Lee, Jae Won	Lawyer, Yulchon LLC	Transparent Management Committee, Remuneration Committee
Bahk, Jae Wan	President, Hansun Foundation for Peace and Prosperity on the Korean Peninsula	Audit Committee, Independent Director Nomination Committee
Lee, Jae Sool	Vice Chairman, Glosfer	Audit Committee Chair, Transparent Management Committee
Kim, Yong Dai	Professor, Department of Statistics, Seoul National University	Audit Committee



Kang, Hee Tae
President and CEO, Lotte Shopping
(Head of Retail BU, Lotte Group)



Yoon, Jong Min
Head of Management Strategy Office,
LOTTE Corporation



Chang, Ho Joo
Executive vice president & CFO,
LOTTE Shopping



Hwang, Beom Seok
Head of Department Store Business
Division, LOTTE Shopping



Kang, Hye Ryun
Professor, Ewha School of Business,
Ewha Womans University



Lee, Jae Won
Lawyer, Yulchon LLC



Bahk, Jae Wan
President, Hansun Foundation for
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Lee, Jae Sool
Vice Chairman, Glosfer



Kim, Yong Dai
Professor, Department of Statistics,
Seoul National University

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CORPORATE GOVERNANCE

Increasing shareholder value through
a commitment to open, honest, and
transparent decision-making

Board operations and decision-making

LOTTE Shopping's Board of Directors makes decisions regarding matters set forth in the company's articles of incorporation, as well as issues assigned to it at the general shareholders' meeting and matters relating to the company's basic managerial policies and operations. It met thirteen times in 2019.

Board Committees

The Board operates four committees: the Audit Committee, the Independent Director Nomination Committee, the Transparent Management Committee, and the Remuneration Committee. Their composition, authority, and operations are determined by rules and regulations established by the Board.

Audit Committee: This committee is composed of three independent directors. It is responsible for auditing the company's accounts and operations and providing oversight and support to assist the company's executive team in managing its operations. It met six times in 2019.

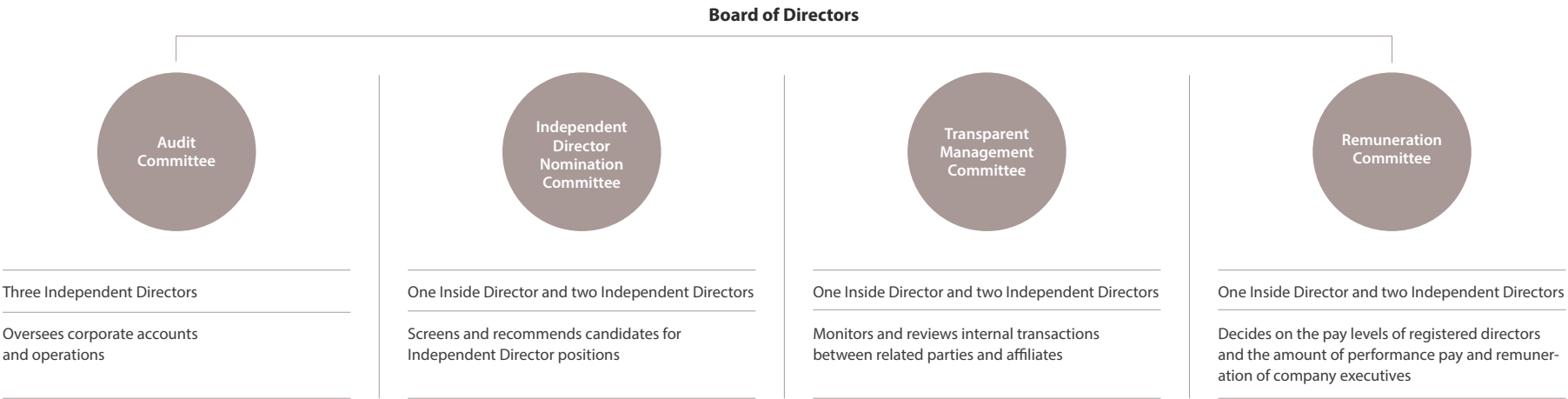
Independent Director Nomination Committee: Composed of one inside and two independent directors, this committee is tasked with ensuring managerial transparency by recommending Independent Director candidates to represent the interests of the company's shareholders. It met once in 2019.

Transparent Management Committee: Composed of one inside and two independent directors, this committee is tasked with ensuring that the company always and only engages in free and fair trade practices. It also reviews and approves all contracts arranged between the company's affiliates. It met three times in 2019.

* The Internal Transactions Committee was renamed the Transparent Management Committee in June 2019.

Remuneration Committee: Created in 2019 and composed of one inside and two independent directors, this committee establishes the pay levels of registered directors, decides on the amount of performance pay and remuneration of the company's executives, and deals with other matters entrusted to it by the Board. It met once in 2019.

Composition of Board (as of the end of 2019)



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ETHICAL MANAGEMENT

EARNING PEOPLE'S TRUST BY PRACTICING OPEN AND HONEST MANAGEMENT

Focus on Integrity

LOTTE Shopping's ethical management rules and regulations ensure that its employees act in a transparent, ethical, and principled manner and with honesty, fairness, and sincerity. The company has also established a LOTTE Code of Ethical Conduct that outlines the basic standards required of its employees in their workplaces. Company employees can also access webtoons and a guidebook containing detailed guidelines regarding specific employment situations.

Ethical Management System

The goal of LOTTE Shopping's ethical management system is to ensure that ethical management practices are carried out in all facets of its operations. To this end, the company has established an ethical management website and a mobile hotline to make it easier for employees to report violations of its ethics guidelines by their colleagues or members of our partner companies. Each LOTTE Department Store also has an Ethical Management Officer whose job is to receive feedback from our employees. We also operate a "Clean Center," where employees can report and return gifts, money, or other valuables received from any of our partner firms.

Reducing the Incidence of Unethical Behavior

LOTTE Shopping has established a number of programs to reduce the incidence of unethical behavior among its employees and executives. They include classes showing how their jobs and positions might lead to the possibility of unethical behavior, as well as "principled holiday campaigns" and "principled vacation campaigns." The company also requires all of its employees and executives to sign an annual pledge of compliance regarding ethical management and behavior. They also sign a mutual ethical dealings contract whenever agreements are entered into with a partner company.

Building a Culture of Ethical Management

LOTTE Shopping's efforts to encourage the building of a culture of ethical behavior extend to society in general. This includes encouraging its employees to practice ethical behavior both at work and in their private lives. The company also helps to create a fair market environment through its membership in the Fair Players Club, a public/private anti-corruption project organized by the Global Compact Network Korea. It also provides its employees with a wide range of ethical management instructional materials produced by the Anti-Corruption and Civil Rights Commission of Korea. Finally, it operates a "clean sharing" program, encouraging its employees to donate any fees they receive for outside speaking engagements and similar activities to a charity of their choice.

THE LOTTE CODE OF ETHICAL CONDUCT

01. Customer safety is our number one priority.
02. Always keep company information confidential.
03. Do not play golf with employees of partner companies.
04. Do not go drinking with employees of partner companies.
05. Always pay the bill when dining with employees of partner companies.
06. Do not accept gifts of money, valuables, entertainment, or other favors.
07. Avoid all instances of nepotism, influence peddling, and all requests for favors.
08. Do not use company funds for personal purposes.
09. Do not abuse or harass other people, either verbally, sexually, or physically.
10. Do not give gifts to fellow employees, or accept gifts from them.

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COMPLIANCE MANAGEMENT

BRINGING COMPLIANCE MANAGEMENT TO INTERNATIONAL STANDARDS BOTH AT HOME AND ABROAD

Code of Conduct for Compliance Management

LOTTE Shopping produced a Code of Conduct for Compliance Management in 2019. Distributed to all its employees at home and abroad in both Korean and English versions, it outlines basic operating principles and provides guidelines for such major business areas as personnel and labor affairs, ethics, fair trade, anti-corruption, and keeping facilities safe.

Acquired ISO 37001 certification

LOTTE Shopping received the South Korean retail industry's first-ever ISO 37001 anti-bribery management system certification in 2018, and was recertified the next year. This certification was the result of audits conducted according to standards set by the British Standards Institution (BSI), the national standards body of the United Kingdom. The company's auditing standards have also been recognized by the ANSI National Accreditation Board (ANAB) in the United States.

UNGC anti-bribery working group

LOTTE Shopping participates in a broad array of activities as a member of the UN Global Compact (UNGC). In 2019, it became part of the anti-bribery working group launched by the UNGC, working as a private sector co-chair to assist in the sharing of anti-bribery policies and case studies among other business enterprises. The company's representatives also attended a number of meetings aimed at developing more anti-bribery policies.

As a result of these activities, the UNGC asked that the company take part in a 2019 conference on case studies and Q&A sessions hosted by the International Anti-Corruption Academy (IACA). It attended as a corporate representative of South Korea.

Implemented compliance officer program

Both the ISO 37001 and other international standards relating to the corporate anti-corruption system recommend that business enterprises should name compliance officers for each function and organization. The Compliance Control Standards for Listed Companies distributed in January 2019 by the South Korean Ministry of Justice also recommends the establishment of a compliance program at the division level.

LOTTE Shopping responded to this advice in 2019 by establishing a compliance program. A total of seventy-nine officers were selected to oversee each major department of the head office and each front-line site. The officers are tasked with carrying out risk assessments, training, and reviewing the compliance levels of each department in their charge.



LOTTE Department Store Code of Conduct Brochure



ISO 37001 Certificate

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LOTTE Shopping has burnished its reputation as a world-class retail operator by expanding into such countries as Russia, Vietnam, and Indonesia. Wherever we go, we always do our best to offer the people living in each country values and experiences that reflect their own traditions and tastes. We will continue to grow into a trusted and respected global retail company by extending our operations into countries in Southeast Asia showing a high potential for growth.

KOREA

1,431

Department Stores ¹⁾	32
Outlets	21
Hypermarkets ²⁾	125
Consumer Electronics	466
Supermarkets ³⁾	521
H&B Stores ⁴⁾	129
Cinemas	131
Home Shopping	6



RUSSIA

1

Department Stores	1
-------------------	---

CHINA

14

Department Stores	2
Cinemas	12

VIETNAM

62

Department Stores	2
Hypermarkets	14
Cinemas	46

INDONESIA

52

Department Stores	1
Hypermarkets	50
Cinemas	1

*As of the end of 2019

1) Includes one Young Plaza stores and two stores that are managed under contract

2) Includes five VIC Mart stores and two stores that are managed under contract

3) Lotte Super (leased, owned, and franchise stores) + Market 999 (leased and merchant stores) + CS Retail (leased and owned stores)

4) Excludes two collaboration stores between supermarket and LOHB's

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BUSINESS STRATEGIES – DOMESTIC

South Korea's retail industry is forecast to undergo many difficulties in 2020, due to such uncertainties as lowered levels of consumption, COVID-19, increasingly stringent governmental rules and regulations, and intensifying competition among channels. Demographic changes, such as a rapidly aging society, will speed up changes in consumption trends, leading to continued growth in the online sector.

LOTTE Shopping will work to overcome these difficulties and continue building solid foundations for growth by implementing a wide range of strategies that will respond to changes in its operating environment. This will include repositioning our offline stores, profitability improvement, strengthening the competitiveness of our products, expanding our online operations and omni-channel services, and enhancing our digital operations.

1. Profitability improvement via repositioning offline stores

we plan to improve the profitability of underperforming stores in department stores, hypermarkets, supermarkets, and H&B stores.

We will also continue opening new branches, with a particular focus on channels with a high potential for growth. Other steps include adding more experiential stores and diversifying our use of retail display space and the very nature of our stores by speeding up our offline store repositioning efforts. These moves will strengthen the competitiveness of our offline stores and enhance our financial soundness and enterprise value.



2. Enhancing competitiveness by MD differentiation and offering unique contents

We will grow our competitiveness and raise our customer satisfaction levels by continuing to differentiate our range of products and content. For example, LOTTE Department Store will add more luxury items and experiential content and spaces to its mix, while LOTTE Mart will emphasize the quality and freshness of its meal replacement items and other grocery items. LOTTE Super will change how it merchandizes its fresh foods and PB products, while LOHB's will develop more domestic and overseas brands and stock more brands and core products. LOTTE Himart will focus on offering shoppers a greater range of premium, PB, and other differentiated products, while LOTTE Homeshopping will increase its number of exclusive products and strengthen the content of each of its channels.

3. Securing growth drivers by adding more online operations

LOTTE Shopping will secure more growth drivers by expanding its online presence in all its business areas--especially its LOTTE e-commerce division. For example, we will begin increasing our online competitiveness with the launch of fully integrated online platform 'LOTTE ON' in April 2020. This venture is an integrated online and offline e-commerce platform that allows customers to make purchases and payments, book deliveries, and perform searches for recommended LOTTE products by accessing a single app.

We will also make use of the convergence of our online and offline operations to create new customer experiences, innovate how we operate our stores, and provide our customers with highly-personalized services based on an integrated data platform and an expanded, AI-based voice platform.

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BUSINESS STRATEGIES – OVERSEAS

LOTTE Shopping will continue augmenting its operations in high-growth areas like Indonesia and Vietnam, despite the ongoing effects of COVID-19. Indonesia boasts a population of over 260 million people, plentiful natural resources, political stability, a prosperous economy, and low unemployment rate, while Vietnam has a large number of young people, a stable political base, and rapidly growing incomes. We will continue providing shoppers in both countries with a full range of high-quality products and services at our department store, hypermarket, and cultureworks businesses.

1. Opening new stores that respect local people's tastes and preferences

LOTTE Shopping's strategy of opening new stores in Indonesia and Vietnam is predicated on the need to always respect their citizens' traditional tastes and preferences. Our plans in Indonesia are focused on that country's ten leading economic regions, while our operations in Vietnam will be based on its three biggest regions and on coastal cities with a high population of tourists. We will also take steps to diversify our large, medium, premium, and other store formats in keeping with local tastes. LOTTE Shopping is planning to open a shopping mall in Indonesia and a number of multiplex cinemas in five of Vietnam's largest cities.



2. Making fresh foods and PB products more attractive

Shoppers in Vietnam and Indonesia enjoy how conveniently their local LOTTE Department Stores and LOTTE Marts can provide them with a wide range of high-quality products and services. LOTTE Mart plans to increase the already high quality of its fresh food offerings by stabilizing its supply system and expanding its number of meal experience stores by introducing Grocerants stores. It is also planning to strengthen its product portfolio, enhance the quality of its PB products, and diversify its global sourcing operations to include other Asian countries offering high-quality products.

3. Upgrading our management system to meet future needs

LOTTE Shopping is taking steps to respond to its future operating needs by establishing an advanced, online- and IT-based management system, while LOTTE Mart is developing its own online platform in Indonesia and preparing for the same development in Vietnam. We are also augmenting our delivery services in cooperation with local companies in both countries, and building a series of next-generation systems using the very latest in state-of-the-art IT technologies.

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NEWS HIGHLIGHTS

2019.01

1 Opened LOTTE Department Store Incheon Terminal

LOTTE Department Store Incheon Terminal opened in January 2019. It boasts a large number of luxury and fashion brands from both home and abroad, including the exclusive LOTTE Only brand. Its Food Market features a digital food hall filled with a full range of the latest IT technologies, as well as a Grocerants store and restaurants offering foods from across the country.



2019.01

2 Opened LOTTE Mart Incheon Terminal and Icheon

LOTTE Mart Incheon Terminal and LOTTE Mart Icheon both opened in January 2019. Both facilities offer shoppers a highly convenient shopping environment with such state-of-the-art technologies as QR coded electronic shelf labels, 3D holograms, digital signage, unmanned checkouts, and intelligent showcases.

The Incheon Terminal branch tempts its shoppers with differentiated products and services in a wide variety of specialty stores and small- and medium-sized partner stores, while the Icheon one specializes in selling locally-produced goods. It also features a Grocerants and a large number of specialty stores.

2019.03

3 Opened LOTTE AutoFresh Uiwang Center

LOTTE Super opened the LOTTE AutoFresh Uiwang Center, a second-generation online smart logistics center featuring a fully automated logistics system, in March 2019. The system uses nineteen robots to do its order processing work, reducing the time needed to carry out each operation to about seven minutes and significantly improving the accuracy of the job being performed. Going forward, LOTTE Super intends to install similar smart logistics systems in all its Fresh Centers.



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2019.03

4 Launched LOTTE ON and LOTTE ONers

LOTTE e-commerce launched its LOTTE ON app in March 2019. The app allows customers to access all seven of the online shopping malls operated by LOTTE Shopping's retail companies using a single login. This was followed by launching the LOTTE ONers fee-based membership service in June. The service allows members to collect free shipping coupons, accumulate L.POINTs, and enjoy discounts for members-only products and tickets to movies and performances and other benefits. 125,000 people had joined it by the end of 2019.



2019.08

5 Opened LOHB's Gangnam Refresh Store

LOHB's reopened its Gangnam branch in August 2019 after carrying out a number of renovations under its "Refresh" and "Detox" concepts. It now consists of a Detox Market, a Detox Cafe, an emotional charging shelter, a signature photo spot, and healing message mirrors. In addition, its appliance offerings are now displayed in a very user-friendly style. It also offers younger shoppers a Beauty Class and Beauty Tool Cleaning and other services, all of them featuring a wide range of domestic and international brands of both basic and colored cosmetics and other goods.



2019.08

6 Opened LOTTE Mall Suji

LOTTE Mart opened its relocated Suji branch in the LOTTE Mall in the city of Yongin, Gyeonggi-do, in August 2019. LOTTE Mall Suji includes a Smart Store 2.0 boasting , a large number of new and exciting IT technologies. They include QR-coded electronic shelf labels, 3D holograms, digital signage, intelligent showcases, and a system that analyzes the air quality of every floor in the store independently of the others.



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2019.10

7 Raised Financing Through
LOTTE REIT

LOTTE Shopping added to its financial stability in May 2019 by selling or leasing ten of its stores, including LOTTE Department Store Gangnam, to LOTTE REIT, South Korea's largest publicly listed REIT company. Funds raised through it will be invested in securing new growth engines for LOTTE Shopping.



2019.11

8 Opened The Conran Shop premium
lifestyle store

LOTTE Department Store opened South Korea's first-ever The Conran Shop, a premium lifestyle store based in the United Kingdom, at its Gangnam branch in November 2019. Occupying the first and second floors of the New Building at LOTTE Department Store Gangnam, it is the chain's largest-sized operation in the entire world, attracting such world-famous furniture brands as Vitra, Artek, Carl Hansen & Son, and Knoll, as well as more than three hundred other overseas luxury living brands in such areas as home decor, kitchen utensils, tableware, electronics, and lighting. Designed to remind shoppers of a high-end art gallery, its many customer-oriented features include a VIP advice and consultation room.



AWARDS

LOTTE Shopping won a number of domestic and international awards for its accomplishments in 2019. Some of them are listed below.



Korea Brand Power Index (K-BPI)
(As of 2020)

- Ranked first in the Department Store category for the twenty-second consecutive year.

National Customer Service Index (NCSI)

- Ranked first in the Department Store category for the seventeenth consecutive year.
- Ranked first in the Hypermarket category for the ninth consecutive year

National Brand Competitiveness Index (NBCI)

- Ranked first in the Department Store category for the sixteenth consecutive year.

Korea Customer Satisfaction Index (KCSI)

- Ranked first in the Hypermarket category for the third consecutive year

Korean Standard Service Quality Index (KS-SQI)

- Ranked first in the Department Store category for the fourth consecutive year.
- Ranked first in the Premium Outlet category for the third consecutive year.
- Ranked first in the Consumer Electronics Retail category for the second consecutive year.

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LOTTE DEPARTMENT STORE
AVENUEL/YOUNG PLAZA
LOTTE OUTLETS/LOTTE PREMIUM OUTLETS
ELLOTTE ONLINE MALL

NUMBER OF STORES

NUMBER OF STORES IN SOUTH KOREA	NUMBER OF STORES OVERSEAS
LOTTE DEPARTMENT STORE	RUSSIA
32	1
OUTLET	CHINA
21	2
	INDONESIA
	1
	VIETNAM
	2

* Includes two Young Plaza stores and two others
that are managed under contract

LOTTE DE-
PARTMENT
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SALES

(In KRW 100 millions)

31,304

OPERATING PROFIT

(In KRW 100 millions)

5,194

LOTTE DE-
PARTM-
STORE

LOTTE DEPARTMENT STORE SPENT 2019 IMPROVING THE REVENUE STRUCTURE OF ITS OFFLINE STORES, MAKING ITS OVERSEAS FASHION, LIFESTYLE, AND OTHER MERCHANDISE MORE ATTRACTIVE, AND REVAMPING ITS ONLINE OPERATIONS. ITS PROFITS ROSE SIGNIFICANTLY AS A RESULT.

WE WILL ENHANCE THE COMPETITIVENESS OF OUR PRODUCTS EVEN MORE IN 2020 WHILE ALSO INCREASING OUR OPERATIONAL EFFICIENCY AND OUR PROFITABILITY AND CREATING AN O4O SHOPPING ENVIRONMENT THAT WILL OFFER OUR CUSTOMERS MORE INNOVATIVE AND CONVENIENT SHOPPING EXPERIENCES.

2019 Review

South Korea's department stores posted slightly lower sales in 2019. Except for overseas fashions and lifestyle products, the majority of their product groupings performed poorly. In response to this situation, LOTTE Department Store improved the revenue structure of its offline stores through quality-based store repositioning initiatives, enhancing the competitiveness of its products, and adding more online operations. It also took a series of steps to reduce its sales and administrative expenses. Operating profit surged by 22.3% over the year to KRW 519.4 billion, while sales decreased slightly to KRW 3.13 trillion.

LOTTE Department Store Incheon Terminal was the only new store that we opened in 2019. It boasts luxury and high-fashion brands from both South Korea and abroad, as well as restaurants featuring foods from across the country. We also repositioned many of our stores, transforming our Main, Jamsil, Busan Main branches, and other flagship operations into premium stores and adding more experiential spaces in our small- and medium-sized facilities. We also made changes to our sales practices, introducing luxury- and specialty-themed halls on the first floors of our department stores in place of the usual cosmetics and accessories.

We also introduced more experiential stores to provide our customers with a wider shopping journey. For example, LOTTE Department Store Avenuel World Tower created a "291 Photographs" cultural center featuring a wide range of photography products, while LOTTE Department Store Gimpo Airport hosted Asia's very first "Jurassic World: The Exhibition" touring attraction.

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We reopened the electronics & home appliances floor in our Main branch after it had undergone its first renovations in forty years, and are now using it for lifestyle products like kitchen and home appliances, tableware, furniture, home decor, and hobby and craft items. We also opened South Korea's first-ever The Conran Shop luxury lifestyle store in our Gangnam branch. It features a broad array of world-famous furniture brands, as well as more than three hundred other luxury lifestyle brands.

We also made our online businesses better through digitalization. This included launching a LOTTE ON app that allows users to access the online malls of all our retail affiliates with a single click. Our LOTTE ONers fee-based membership service was also launched, offering members a host of convenient and easy shopping experiences. In response to the rise of online shopping, we launched a new "Live Broadcast" that shoppers can use to buy clothing, accessories, home appliances, cosmetics, and food items in real time. It can be accessed in all our department stores through our eLotte virtual shopping mall.

Our overseas operations followed the same strategy of profit-centered management that worked so well for them before, making improvements to their business portfolios and managing their costs closely. We ended our presence in China entirely, improved our profitability, and made our stores in Vietnam and Indonesia more competitive. Sales improved gradually as a result.

Outlook and Plans for 2020

South Korea's department store industry will face many difficulties in 2020, including increasingly stringent governmental regulations, intensifying competition, online shopping, and COVID-19. We will respond by pursuing operational efficiencies and adding to our profitability by restructuring our most inefficient stores. We will also prepare to open many new-concept stores in 2021, including our Dongtan branch, which will be transformed into the nation's first-ever street mall.

We will also made adjustments to our overseas fashion merchandising operations to make their content more competitive, carry out new content and space planning to increase customer satisfaction, and continue building a state-of-the-art O4O shopping environment. This will include providing shoppers with real time, personalized information based on their previous shopping history, offering them the opportunity to experience a shopping environment that straddles both online and offline platforms.



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LOTTE MART



자연의 맛을
건강한 습관

Hav'eat

유아 건강식품
Health Food For Baby&Kids

비타민
Vitamin

추천상품!
Recommended Product!

9월
건강습관

친환경 골라담는 쌀채소
친환경 골라담는 쌀채소
Hav'eat(해브)은 자연을 담은 정직한 식품으로 건강한 습관을 제안합니다

Hav'eat
자연의 맛을 담은 건강한 습관

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VIC MARKET
LOTTE MART ONLINE MALL
SPECIALTY STORES

LOTTE
MART

NUMBER OF STORES

NUMBER OF STORES IN SOUTH KOREA

LOTTE MART

120

VIC MARKET

5

NUMBER OF STORES OVERSEAS

INDONESIA

50

VIETNAM

14

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SALES

(In KRW 100 millions)

63,306

OPERATING PROFIT

(In KRW 100 millions)

(261)

LOTTE
MART

LOTTE MART FOCUSED ON PROFITABILITY IN 2019. THIS INCLUDED DIRECT-MANAGED AREA AND SKU REDUCTION FOLLOWED BY CUSTOMIZED TENANTS INVITATION CONSIDERING INDIVIDUAL STORE SIZE AND ITS LOCATION CHARACTERISTICS. WE ALSO ADDED TO OUR RANGE OF SERVICES (INCLUDING NIGHT-TIME DELIVERIES), AND MADE OUR FRESH FOOD AND OTHER CORE PRODUCTS MORE ATTRACTIVE TO VALUE-CONSCIOUS CONSUMERS.

OUR PLANS FOR 2020 INCLUDE RESTRUCTURING SOME POORLY PERFORMING STORES AND REFURBISHING OTHERS. WE WILL ALSO BE OPENING A NUMBER OF SO-CALLED "FULFILLMENT CENTERS"--FACILITIES THAT ENABLE ECOMMERCE MERCHANTS TO OUTSOURCE THEIR WAREHOUSING AND SHIPPING NEEDS AND OPERATE MORE EFFICIENTLY.

2019 Review

South Korea's hypermarket industry experienced another slowdown in 2019. This was led by lower consumption due to a continuing economic downturn, governmental regulations, and a growing number of single-person households. Other factors included the rising popularity of online shopping, intensifying competition among channels, and a boycott of products made in Japan. LOTTE Mart posted sales of KRW 6,330.6 billion, similar to the previous year, despite making many efforts to improve the performance of all its operating areas. Our operating profit fell, reflecting the entire industry's poor showing and the increasing cost of operating stores overseas.

We spent much of 2019 focusing on profitability-centered store improvements, including SKU reduction among lower-profitability categories and enlargement of lease-out space to mass attracting tenants to make more efficient use of their premises. Our Incheon Terminal and Icheon stores, both of which opened in January, are using next-generation smart technologies, creating an environment in which shoppers can shop without shopping carts using their mobile devices. In addition, our Jamsil branch was transformed into a long-stay shopping mall housing a number of small experiential stores.

We made our PB and other core products more attractive to thrifty shoppers by focusing on their nutritional benefits. This included launching a brand called "Sanji Ttuksim," giving us an early edge in terms of fresh food items. We began developing a broad array of high-quality meat products, such as wet-aged meat, wagyu beef, and eco-friendly, all-Korean beef. Beginning in October, we took steps to increase producer participation in the distribution and sale of locally-grown foods by recruiting the services and advice of highly-qualified farmers and

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fishermen from across the country. We also reduced our number of PB items to ten, made improvements to our brand operating system, upgraded our products for use with air fryers, and launched "Yorichan," a sub-brand of our signature "Yorihada" home meal replacement brand.

We promoted our lowest-priced products both online and offline, and innovated our logistics processes to strengthen our online operations. We also carried out marketing activities on our LOTTE ON integrated login service and our LOTTE ONers fee-based membership service. These moves increased our sales and allowed us to communicate with our customers more directly. In addition, we enhanced our ability to get our products to our customers faster and fresher by starting a night-time delivery service and scheduling more deliveries in core commercial areas. Finally, we began preparing for the opening of a number of what are known as "fulfillment centers"—facilities that enable ecommerce merchants to outsource their warehousing and shipping needs and operate more efficiently.

We also made our fresh food offerings in our overseas locations more attractive and profitable by increasing their range of PB products, enhancing their global sourcing operations, and increasing their number of online operations. Growth in existing stores continued thanks to innovations to our product mix and our range of services. We opened four new stores in Indonesia and one in Vietnam.

Outlook and Plans for 2020

South Korea's hypermarket industry will no doubt suffer from the COVID-19 situation in 2020. Other negative factors include a continuing economic downturn, lower rates of consumption, ongoing governmental regulations regarding how we operate our stores, demographic changes leading to a dramatically altered consumer environment, and increasingly fierce competition. In response to this climate, LOTTE Mart will make aggressive efforts to improve its performance, such as restructuring badly operating stores and making improvements to others. We also plan to cope with the growing popularity of small-quantity consumption by opening a number of integrated online and offline "fulfillment stores" in our Junggye and Gwanggyo branches and offering a two-hour delivery service in key commercial areas.

We will also continue making our fresh food and PB products more attractive to thrifty shoppers, releasing new PB products in a speedy manner while augmenting sales of our PB offerings in collaboration with LOTTE Super. On the international front, we will make improvements to our sales and profitability by opening new stores, strengthening our online operations, and carrying out a number of innovations in terms of both products and services.

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MART



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GLOBAL BRAND / HIMADE
LIVING / TV-AV / MOBILE / DIGITAL
GENERAL MERCHANDISE
KITCHEN / HEALTH

LOTTE
HIMART

NUMBER OF STORES

466

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SALES

(In KRW 100 millions)

40,265

OPERATING PROFIT

(In KRW 100 millions)

1,099

LOTTE HIMART SPENT 2019 STRENGTHENING ITS OFFLINE CHANNELS AND DIFFERENTIATING ITS ONLINE OPERATIONS BY OPENING MORE OMNI-STORES. WE ALSO ADDED MORE PB AND GLOBAL BRANDS AND HOME CARE SERVICES.

WE WILL ENHANCE OUR ONLINE BUSINESS EVEN MORE IN 2020, CONTINUOUSLY DIFFERENTIATING OUR OFFLINE CHANNELS THROUGH WHAT IS CALLED THE "MEGASTORE" CONCEPT. WE WILL ALSO MAKE OUR PRODUCTS MORE ATTRACTIVE TO BUDGET-CONSCIOUS SHOPPERS AND RAISE OUR PROFITABILITY BY INTRODUCING MORE PREMIUM AND PB PRODUCTS TO OUR MIX.

2019 Review

South Korea's consumer electronics industry experienced sluggish growth in 2019, due to an economic recession, lowered consumer confidence, slow sales of seasonal home appliances, and a pullback in AV home appliances. Sales of large, premium-level home appliances rose in offline channels, and high growth in online channels continued. Home appliances that reduce the amount of housework, like clothes driers, robot cleaners, and dishwashers, were especially popular.

LOTTE Himart responded to this largely unsatisfactory situation by increasing its number of omni-stores, strengthening its online operations, and making its products more competitive through diversification and adding more Home Care services. Our sales and operating profit results fell to KRW 4,026.5 billion and KRW 109.9 billion from the previous year as a result of weak business conditions.

We made our offline channels more competitive by introducing new-concept stores like omni-stores and premium stores that better reflect the nature of the areas near them and the type of customers entering them. Omni-stores sell premium-level products and feature a search, order, and payments system that customers can access by clicking on our Omni App. We were operating forty-two of them as of the end of 2019. Our diversification strategy for 2020 includes opening more of these customized stores and launching a number of Megastores, which are experiential stores selling a wide range of lifestyle products.

We also strengthened our online business through sustained investments, building new infrastructures, and adding more direct-sourced, online-only, and other products. Relationships with our customers were dramatically improved by the introduction of our next-generation Lifestyle Hall.

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We also developed a data-based, after-sales service (AS) interactive communications app. Shoppers accessing it can apply for AS and product information after registering the items they have purchased. We extended our omni-sales even further by expanding our range of online-only products and upgrading our apps. Our LOTTE ON app and LOTTE ONers membership service are both becoming increasingly popular.

Our customers can enjoy a more convenient shopping experience by using our Smart Pick, Cross Pick, and location-based "L.pot" coupon services. Taken together, these efforts helped us grow our online shopping mall sales by an extraordinary 41% from the previous year. We also took steps to make our product mix more attractive by introducing about three times more items than we had in stock last year. Last, but not least, we tried to raise our profitability by focusing on sales of premium-level products like large household appliances.

We began stocking a wide range of products under our HIMADE flagship PB brand. They included both large and small home, household, and kitchen appliances, as well as digital devices and household goods. We also continued diversifying and differentiating our global brand items, which range from home appliances to lifestyle goods, and added home renovations to our menu of Home Care services, like home appliances repairs and cleaning, kitchen and bedding cleaning, and residential space care.

Outlook and Plans for 2020

South Korea's consumer electronics market will face sluggish growth in 2020 in the wake of a continuing economic slump and the COVID-19 situation. We expect healthy sales of both small and large home appliances and those that appeal to customers with premium tastes and an interest in the environment. Online sales are also expected to do well, following a rise in "untact" consumption.

LOTTE Himart will continue differentiating our offline channels and store formats to reflect their locations and their customer base. Some options that we are considering include omni-stores, premium stores, and megastores.

We will also strengthen our online business by introducing more products and expanding our logistics bases. Our customers will continue to enjoy an even wider range of services by utilizing our Lifestyle Halls and AS platform app. We will also add to our product mix by increasing our focus on premium-oriented MD and stocking more PB and other products that can't be found anywhere else.

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LOTTE SUPER

LOTTE PREMIUM FOOD
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LOTTE SUPER HAS DEVELOPED A STRATEGY OF RE-STRUCTURING ITS WEAKEST-PERFORMING STORES, REDUCING ITS LOSSES IN ITS DIRECTLY-RUN BUSI-NESSSES, AND GROWING ITS PROFITABILITY. WE WILL STRENGTHEN THE EFFICIENCY AND ATTRACTIVENESS OF OUR STORES THROUGH A WIDE RANGE OF RENOVA-TIONS, AND CONTINUE GROWING OUR ONLINE OPER-ATIONS.

LOTTE SUPER

NUMBER OF STORES

* Includes LOTTE Super, directly-managed and merchant-operated LOTTE Market 999 stores, and directly-managed CS Mart stores

521

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SALES (In KRW 100 millions)

18,612

OPERATING PROFIT (In KRW 100 millions)

(1,038)

2019 Review

South Korea's super-supermarket industry suffered a moderate pullback in 2019 due to tightened governmental regulations, lower consumption, demographic and buying pattern changes, the growing popularity of online shopping, and stronger competition among retail channels. In the face of this situation, LOTTE Super focused on expanding its online operations and enhancing the competitiveness of its products and services, while also improving on

its profits and losses through innovations to its organizational and cost structures. In spite of all this, sales fell YoY to KRW 1,861.2 billion.

The first step we took to boost sales and profits in our online business in 2019 was to add more Fresh Center delivery points in Seoul, the metropolitan area, and major regional cities. We opened the Busan Seobu Center in January, the AutoFresh Uiwang Center in March, and the

Namyangju Center in May. The AutoFresh Center Uiwang is a second-generation "smart" logistics facility. It boasts a fully-automated logistics system that shortens its order processing times and raises its accuracy by using a transport robot. It can ship twice as many items as any other center.

We took our service strengths to the next level by launching night-time deliveries. In addition, we utilized the LOTTE ON integrated login service and the LOTTE ONers membership program to carry out a series of sales and service promotions with customers. Online sales rose by 40% over the year as a result.

We also developed a number of high-value products that better reflect our customers' tastes. In order to assure them that they can buy from us with confidence, we started selling products with their producers' faces on each package, as well as "Hankki Series" small-sized products for small-sized households. In addition, we opened stores specializing in the sale of reasonably priced, high-quality fresh food products made by farmers in Jeollanam-do Province at locations in Seoul and Gyeonggi-do.

Outlook and Plans for 2020

South Korea's SSM industry will face several difficulties in 2020, such as intensifying competition, an economic recession, low consumer confidence, and the COVID-19 environment. Industry players have to make improvements to their cost structure, which is especially problematical given recent raises in the country's minimum wage. LOTTE Super will respond to these challenges by beginning the process of restructuring poorly-performing stores and reducing our losses in our directly-managed operations. We will raise our profitability by concentrating our operations in neighborhood commercial areas, expanding our number of affiliated businesses, and carrying out extensive store renovations that will differentiate our MD and store concepts and make us even more efficient.

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LOTTE HOMESHOPPING

LOTTE HOMESHOPPING WILL SPEND 2020 DEVELOPING BETTER PRODUCTS AND CONTENT FOR EACH OF ITS CHANNELS, INCLUDING TV HOME SHOPPING, E-COMMERCE, AND T-COMMERCE. WE WILL ADD TO OUR STOCK OF PB, LICENSED, AND EXCLUSIVE PRODUCTS, AND OFFER OUR CUSTOMERS MORE DIFFERENTIATED AND CUSTOM-TAILORED CONTENT. FINALLY, WE WILL TAKE STEPS TO MAKE OUR ONLINE MALL AND MOBILE APP EVEN EASIER TO ACCESS AND USE.

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SALES	(In KRW 100 millions)
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9,869

OPERATING PROFIT	(In KRW 100 millions)
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1,200

2019 Review

South Korea's home shopping industry continued growing in 2019 due to the popularity of its e-commerce and T-commerce sectors. LOTTE Homeshopping continued with its strategies of enhancing its product competitiveness, securing next-generation media content, improving its customer service processes, and increasing its number of state-of-the-art IT technologies. These changes helped our transaction volume, sales, and operating profit grow

to KRW 4.745 trillion. KRW 986.9 billion, and KRW 120.0 billion, respectively, up about 12% from 2018.

We took steps to offer TV home shopping products and services that our customers could trust completely by developing new products, launching new brands, and upgrading our established products to better satisfy our customers' needs and wants. We also made our product mix more attractive by increasing our range of PB, licensed,

and exclusive items. In addition, our broadcasting content was made more entertaining and informative. We also launched the industry's very first fee-based membership service, called "L.CLUB."

Our e-commerce business benefited from enhancements to the UI, speed, and search functions of our mobile app. We opened "LETiT" single-person lifestyle shops, a "CO-COYA" mall for companion animals, and stores catering to weddings, travel, and other pursuits. New mobile content offerings included "Moving AR," showing how appliances and furniture look in a 3D virtual space; "Finger Shopping," a mobile AR and VR service specialty store; and "Molive TV," a mobile live broadcast.

We also developed category- and age-specific programs for LOTTE OneTV. They include our very popular "Hankki Sasio" cooking program and "Want" travel show.

Outlook and Plans for 2020

South Korea's home shopping industry will continue growing even in the midst of an economic downturn, lower consumption, and the COVID-19 situation. LOTTE Homeshopping will make its products and services even more competitive by adding more PB, licensed, and exclusive products and launching a Premium L.CLUB VVIP service. In our e-commerce business, we will upgrade our app's usability and stock more high-margin products to our mix. Our T-commerce operations will focus on increasing the range of our custom-tailored products and mobile content.

We will also develop more immersive experiential content by deploying cutting-edge IT technologies like Face Shopping and revamping our mobile content, including broadcasting. We will also secure new growth engines by entering into new platform businesses like V-commerce and fashions.

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LOTTE CULTURE WORKS

LOTTE CULTUREWORKS IS LAYING THE FOUNDATIONS FOR SUSTAINABLE GROWTH BY OPENING NEW MULTIPLEX CINEMAS, EXPANDING ITS RANGE OF SUPPLEMENTARY SALES, AND PURSUING NEW VENTURES. WE ARE ALSO PLANNING TO ENTER INTO THE FILM INVESTMENT, PRODUCTION, AND DISTRIBUTION BUSINESS, BOTH AT HOME AND ABROAD.

NUMBER OF CINEMAS

NUMBER OF CINEMAS IN SOUTH KOREA

131

NUMBER OF CINEMAS OVERSEAS

CHINA

12

VIETNAM

46

INDONESIA

1

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SALES (In KRW 100 millions)

7,711

OPERATING PROFIT (In KRW 100 millions)

14

2019 Review

South Korea's film industry had about 226.7 million viewers in 2019, up 4.8% from the previous year. Growth slowed in China but rose in Vietnam. LOTTE Cultureworks posted KRW 771.1 billion in sales, down 0.4% from the previous year. Operating profit fell by 94.4% to KRW 1.4 billion.

We opened fourteen new multiplex theaters in 2019, bringing our total to 131. Much of our success came from our strategy of providing customers with a wide range of specialty sites, such as Charlotte, Super Plex, Super 4D, Super S, and Cine Comfort. We also strengthened our dig-

italization abilities even more beginning with our Konkuk University site, which was developed into a smart cinema flagship store.

We made our content business more competitive by adding more genres to its mix and investing in and distributing nineteen films, including "The Secret Mission," "Innocent Witness," and "Kim Jiyoung, Born 1982." This strategy helped our number of moviegoers grow to 18.04 million on an annualized basis. We also laid the groundwork for becoming a fully comprehensive entertainment player by advancing into the TV drama business, co-producing two dramas entitled "Joseon Survival Period" and "The Great Show."

Our efforts in China, Vietnam, and Indonesia included increasing our local film investment and production activities, opening more multiplex cinemas, and making our existing ones work better. We opened five new multiplex cinemas in Vietnam, posting that country's largest-ever audience totals thanks to the popularity of our locally-made and -invested action movie, "Hai Phuong," which attracted 2.4 million viewers.

Outlook and Plans for 2020

South Korea's film industry will face slower growth in 2020, led by a sharp decline in viewership due to COVID-19. Competition is expected to intensify within the sector, however, due to a healthy secondary market, including VOD and IPTV. We will add to our presence in the industry by speeding up our pace of digitalization and aggressively pursuing new ventures, such as content distribution and drama productions.

We will also strengthen our content by entering into more partnerships with overseas studios and enhancing our performance sector. In addition, our overseas operations will include the possibility of film investments and productions in Vietnam and Indonesia.

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LOHB'S

LOHB'S WILL CONTINUE DIFFERENTIATING ITS STORES TO BETTER FIT INTO THE COMMERCIAL AREAS IN WHICH THEY ARE LOCATED. THIS WILL INVOLVE OPENING NEW STORES AND INCREASING THEIR EXPERIENTIAL CONTENT. WE WILL ALSO MAKE OUR PRODUCTS MORE ATTRACTIVE TO VALUE-CONSCIOUS SHOPPERS, ADD TO THE CONVENIENCE OF OUR ONLINE SHOPPING PROCESSES, INTRODUCE EXCITING NEW EXCLUSIVE BRANDS, AND REVAMP OUR CORE PRODUCT CATEGORIES.

NUMBER OF STORES

129

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SALES (In KRW 100 millions)

1,866

OPERATING PROFIT (In KRW 100 millions)

(327)

2019 Review

Although South Korea's retail industry faced many difficulties in 2019, its health and beauty sector enjoyed continuing growth thanks to free product samples in offline stores, sales of popular and trendy items, and a large number of shoppers looking for reasonable prices. LOHB's efforts to boost its performance included upgrading the efficiency of its stores and making its products more attractive, while also opening a series of experiential and other types of stores. Sales increased to KRW186.6 billion, while our operating profit fell from the previous year.

We opened fourteen stores in 2019, bringing our total to 129. We also made our operations more efficient, reopened our Gangnam store as a Refresh facility after giving it extensive renovations, and refurbished all our stores so that they would fit in better with the character of the neighborhoods in which they are located. Our new Refresh store includes a "d.tox Market" that functions as a combination cafe and market, with "Refresh" and "Detox" as its main themes. The new Refresh complex also houses an emotional charging shelter and a service for cleaning beauty tools.

We also made extensive adjustments to our product sourcing practices in a bid to make our goods more attractive to careful shoppers. This included working with beauty influencers on social media outlets and importing many well-known global brands that are exclusive to us and popular with younger customers. One example of this is our "Balea" PB brand from Germany. We also improved the quality of our food items, and started offering enriched goods in specialty stores selling health supplements and other products.

Another step that we took was to add more omnichannel services to bridge the gap between our online and offline channels. This involved opening an official online mall for PC. It looks and functions much like the official LOHB's app, with such features as "Smart Search," "Find Stores by Product Type," and "Smart Receipt." We also launched an integrated login service called "LOTTE ON" that provides customers with more convenient and easy-to-use shopping experiences.

Outlook and Plans for 2020

South Korea's health and beauty store sector will suffer slow growth in 2020, due to a prolonged economic slump and COVID-19. Despite this, its online business is expected to continue growing. LOHB's will respond to this situation by closing some poorly performing stores and reconfiguring the remainder so that they will blend into the areas they are located in more smoothly. We will also carry out a wide variety of in-store product promotions to enlarge our customer base. We will also make our products more attractive to thrifty shoppers. This will include stocking more high-quality brands, strengthening our core product categories, introducing products aimed at different age groups, and raising our domestic and overseas sourcing capabilities. We will also make our online operations more competitive by making enhancements to our delivery system, revamping our product mix, and using different marketing strategies for each of our stores.

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LOTTE E-COMMERCE WILL MAXIMIZE THE ONLINE AND OFFLINE SYNERGIES OF ITS RETAIL AFFILIATES IN 2020 BY LAUNCHING THE "LOTTE ON" INTEGRATED E-COMMERCE PLATFORM. WE WILL ALSO CONTINUE SECURING SUSTAINABLE GROWTH ENGINES BY BUILDING AN INTEGRATED DATA PLATFORM AND DEVELOPING AN AI VOICE COMMERCE PLATFORM.

2019 Review

South Korea's e-commerce sector experienced rapid growth in 2019 despite a sustained economic downturn and lower consumption. It recorded the largest amount of online transactions in its history thanks to increased shopping convenience and faster delivery services. This made competition among its retail channels very fierce. After its launch in 2018, LOTTE e-commerce established a series of mid- to long-term operating strategies and action plans and has been busily implementing them ever since. They include developing new apps as conditions allow, building new infrastructures, and introducing next-generation technologies.

The first app that we developed is called LOTTE ON. Introduced in March 2019, it allows customers to access our seven online shopping malls with a single login.

The app provides shoppers with a more convenient shopping experience by applying a standard UI and consoli-

dating searches and recommendations. This means that customers accessing it are able to enjoy a wide variety of online and offline joint marketing programs. Another meaningful achievement for us was building a Data Lake, which collects and integrates the online and offline data of all seven of the companies participating in LOTTE ON.

We also introduced the LOTTE ONers fee-based membership service. Its total number of members reached 125,000 at the end of 2019, helping to establish the LOTTE ON brand in the minds of its many loyal users. We went on from there to introduce our "Charlotte Home" voice commerce platform. Available at LOTTE Department Store, LOTTE Super, LOTTE Homeshopping, and LOTTE Cultureworks, it offers shoppers even more innovative shopping experiences.

Outlook and Plans for 2020

South Korea's e-commerce sector is expected to grow again in 2020, even though competition among its retail channels is forecast to intensify. We launched a fully-integrated LOTTE ON online and offline e-commerce platform in April 2020. It enables purchases and payments as well as product deliveries, recommendations and searches and a full range of customer services for each and every LOTTE product with a single click.

We will also build a data platform that will better utilize our online and offline data and increase our membership pool by sharing information on all our members. Another of our goals is to expand our O4O services, including investigating ways in which customers use their mobile apps. We will also make our products more attractive by interconnecting high-quality online and offline content, and continue searching for highly promising growth drivers by identifying new business opportunities and extending our AI-based voice commerce platform.

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BECOMING
A LEADING GLOBAL
RETAILER

ECONOMY
We pursue continuous
economic growth

SOCIETY
We contribute to national and local
development through systematic
social contribution activities

ETHICS
We practice integrity in management
and create a fair and impartial
corporate culture

ENVIRONMENT
We actively protect the environment
and prevent climate change

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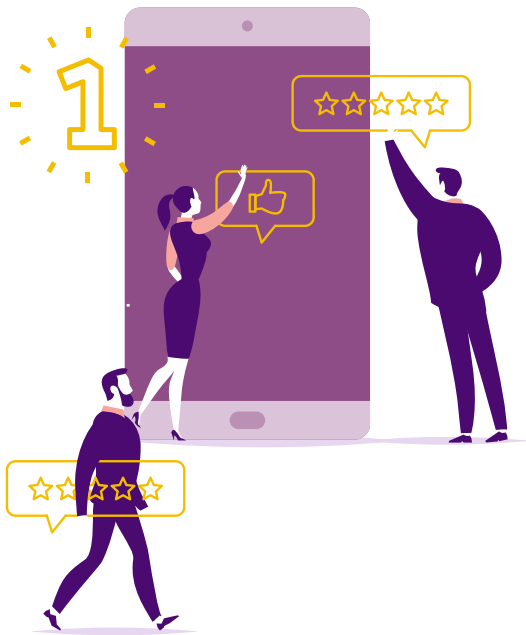
IMPROVING ON-SITE SERVICES

LOTTE Department Store has made a number of improvements to how it delivers customer service. They include developing a training course on "mindfulness," "selling techniques," and "dealing with customers." This is made even easier through our "Service Podcast" facility, which comes complete with videos. We have also published an information manual on the same subjects. It is available at all our customer contact points.

VOICE OF CUSTOMERS

Customer kudos and complaints are handled at the customer service centers of every LOTTE Department Store. We deal with them as quickly as we can. We share this information with our employees and our partner companies, helping all of us to work as a team whenever improvements are needed.

We have also developed a customer service page on the LOTTE Department Store app that allows us to communicate with our customers in real time. In addition, we have applied AI technologies to our VOC system, enabling us to standardize and analyze customer complaints and comments easily and efficiently, while also reducing problems in advance of their occurring and improving customer service. The number of online VOCs we received in 2019 was 17,738. 90.7% of them were taken care of.

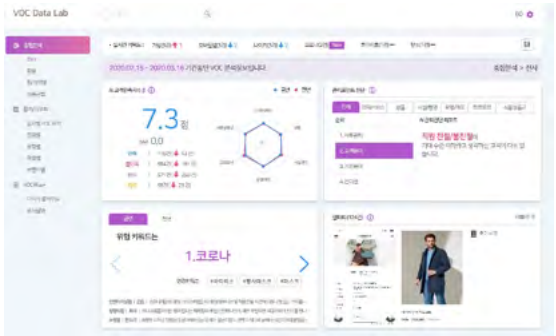


INNOVATING CUSTOMER SERVICES AND ENHANCING CUSTOMER SAFETY

PROTECTING PERSONAL INFORMATION

LOTTE Shopping protects the personal information of all its customers and employees through state-of-the-art information protection technologies and personal information management systems. This world-leading security management system has earned us a Personal Information & Information Security Management System (ISMS-P) certification from the Korea Internet and Security Agency.

It includes an electronic content management system, a separate network for handling personal information, a database encryption and access control system, a response network mechanism for dealing with "advanced persistent threats," and security controls. We also carry out regular training programs targeting employees who handle customers' personal information and members of partner companies who provide us with these services.



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CUSTOMER SERVICE

LOTTE Department Store increases customer loyalty by offering shoppers a wide range of custom-tailored services. They include helping VIP customers with their shopping needs and remembering their special moments through our Concierge Service. We also opened a "LENITH" lounge for top-flight customers at our Main and Jamsil branches. It provides them with customized services, such as refreshments and a valet service. We have also established a priority system in all our VIP customer lounges, and will soon be able to offer even more sophisticated services by accessing our customers' purchasing data.

FOOD SAFETY AND HEALTH

LOTTE Department Store goes to great lengths to ensure the safety and freshness of its food items. We practice real-time hygiene management by means of a digital-based hygiene management process. We are also steadily improving our sanitation management capabilities, and have acquired Food Hygiene Rating Scheme and Korea Livestock Products HACCP certifications at all our stores.

In addition, we suspend or restrict the sale of products that have a high likelihood of developing bacteria that can lead to food poisoning. We also carry out our own inspection of the food items at our stores, and both scheduled and irregular inspections that are conducted by the LOTTE Safety Center. All our employees are required to attend classes on food safety.

CUSTOMER CENTERED MANAGEMENT -2

K-BPI

Korea Brand Power Index (K-BPI) 2020

- Ranked first in the Department Store category for the twenty-second consecutive year

NCSI

National Customer Service Index (NCSI) 2019

- Ranked first in the Department Store category for the seventeenth consecutive year
- Ranked first in the Hypermarket category for the ninth consecutive year

NBCI

National Brand Competitiveness Index (NBCI) 2019

- Ranked first in the Department Store category for the sixteenth consecutive year

KS-SQI

Korean Standard Service Quality Index (KS-SQI) 2019

- Ranked first in the Department Store category for the fourth consecutive year
- Ranked first in the Premium Outlet category for the third consecutive year
- Ranked first in the Consumer Electronics Retail category for the fourth consecutive year

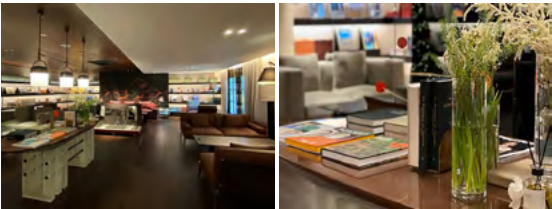
KCSI

Korea Customer Satisfaction Index (KCSI) 2019

- Ranked first in the Hypermarket category for the third consecutive year

KEEPING STORES SAFE AND HEALTHY

LOTTE Shopping carries out monthly safety inspections at all its facilities. They include all our stores, as well as our fire suppression, and gas-burning facilities, escalators and elevators, construction sites, and hazardous materials. We also carry out quarterly safety and fire prevention clinics at our multi-use facilities. All of our employees are required to participate in safety classes, and they are also required to be familiar with the information contained in our crisis response manual. The manual includes step-by-step information about what to do in the event of fires, terrorist attacks, gas leaks, heavy rainfall, typhoons, and earthquakes. We work with government offices to carry out safety drills, and monitor our fire suppression systems on a 24/7 basis. We have also installed monitors to measure the air quality of our stores, while the filters on our air conditioning systems are cleaned and replaced as needed. Monthly risk assessments are carried out by the Korea Industrial Safety Association.



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ENVIRONMENTAL MANAGEMENT

Environmental management policies and programs

LOTTE Shopping has developed a six-point management policy to help protect the environment and promote eco-friendly, sustainable growth.

Our commitment to environmental management is reflected in our "Green LOTTE" slogan. We are always striving to raise people's awareness of the importance of the environment and eco-friendly consumption. LOTTE Mart carries out eco-friendly green management practices in three main areas: promoting green consumption, selling environmentally friendly products, and operating green stores.

Green Stores

We are constantly adding to our number of green stores of LOTTE Department Store and LOTTE Mart, with an eventual goal of making them 100% environmentally friendly. This also leads to a reduction in our environmental quality improvement charges.

LOTTE Mart has spent KRW 23 billion installing solar power facilities at thirty-nine of its stores nationwide, producing 4,586 MW worth of electricity annually. We operate South Korea's largest number of Green Stores, as designated by the Ministry of Environment.

Green Card Eco-Money Points Program

LOTTE Department Store and LOTTE Mart have been carrying out a Green Card Eco-Money Points program since 2014. These promotional credit cards are provided by the Ministry of Environment, retail operators,



HELPING TO PROTECT THE ENVIRONMENT THROUGH COMPANY-WIDE ENVIRONMENTAL MANAGEMENT PRACTICES AND CAMPAIGNS

and product manufacturers. Whenever someone uses one to purchase an eco-friendly product that has been certified by the Ministry of Environment, they earn Eco Money Points that are equivalent to between 1% and 5% of the item's purchase price. The 5% bonus increases to 25% during special promotional periods in June and December. Points that shoppers have saved can be redeemed for gift certificates at retail stores or used in other ways.

Environmental Doomsday Clock

LOTTE Department Store installed an "environmental doomsday clock" in front of its main branch to raise people's awareness of the importance of a clean and healthy environment. The clock, which has been showing an ecological "doomsday time" since 2008, reminds people of the need to protect the environment for future generations.

LOTTE Children's Environmental Art Festival

We have been sponsoring the LOTTE Children's Environmental Art Festival for the past forty years. The goal of the event is to make young people aware of the importance of a clean environment and the harm done by environmental pollution. It was held in sixteen locations across the country in 2019. We also collaborated with the Korea Environment Corporation, WWF Korea, and other environmental groups to carry out an on-site nature conservation campaign and other environmentally-related events.

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Tree Planting Campaign

LOTTE Mart carries out a tree planting campaign in tandem with its customers to help reduce air pollutants like particulates and yellow dust and offset the production of greenhouse gases and carbon. We have created a total of six "Green Forests for Carbon Offsets" since 2014. The sixth forest, located in the Jangji Neighborhood Park in Songpa, Seoul, was completed in 2019.

Building Electric Vehicle Charging Stations

LOTTE Mart is building charging stations for electric vehicles, with total of 298 fast and slow EV charging facilities in place at 120 stores. We are also installing EV charging stations that can operate four or five chargers at fourteen of our stores, and will continue adding more of them nationwide.

Using Eco-Friendly Packaging Materials

We are reducing our volume of carbon dioxide and plastic and other wastes by reducing unnecessary packaging and replacing it with more eco-friendly materials. LOTTE Department Store uses recyclable and/or biodegradable packaging in all its gift sets and is replacing ice-pack materials with cold water. LOTTE Mart has stopped supplying shoppers with packaging tape and string at its Self-Packing Zones and has introduced eco-friendly, 100% biodegradable packaging materials

101

Number of LOTTE Mart Green Stores

14,851

Number of participants in LOTTE Children's
Environmental Art Festival

30,000

Number of trees planted in "Green Forests for Carbon Offsets"
from 2014 to 2019

120

Number of LOTTE Mart stores equipped with
EV chargers as of 2019

Greenhouse Gas Emission (tCO₂eq)



Energy Consumption (Tj)



ENVIRONMENTAL MANAGEMENT -2

using corn starch instead. LOTTE Homeshopping has introduced eco-friendly vinyl packaging materials that use raw vegetable materials to replace ice packs, tape, and shock-absorbing materials, while LOTTE Super provides collection boxes for used ice packs.

Saving energy and other resources while reducing greenhouse gas emissions

LOTTE Shopping reduced its volume of greenhouse gas emissions by about 7.3% from the previous year thanks to the efforts of all its business units. We also reduced our energy use by 6.5%. Our efforts included distributing indoor temperature guides and posters reminding people about saving energy, as well as offering training programs to our employees. In addition, we have installed heavy water recycling facilities to reduce our waste water usage, and recycle rainwater using rainwater storage facilities. We also carry out research into best practices for water consumption and waste emission reductions.



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WIN-WIN PARTNERSHIPS

Assisting partner companies

Financial supports

Our partner companies can take advantage of a number of financial support programs to help manage their finances, including a KRW 100 billion Win-Win Growth Fund and a KRW 105 billion Shared Growth Fund operated by LOTTE Department Store. LOTTE Mart, LOTTE Himart, and LOTTE e-commerce operate KRW 90 billion, KRW 50 billion, and KRW 6 billion Shared Growth Funds.

Helping partner companies market their goods

"Dream Plazas"

LOTTE Department Store provides SMEs with a marketplace for their goods through its network of Dream Plazas, South Korea's first-ever chain dedicated to selling products made by SMEs. The company currently operates four such facilities in its Main, Busan, Jamsil, and Yeongdeungpo branches. The company also covers the stores' wage and furnishing costs.



GROWING WITH OUR PARTNER
COMPANIES, ASPIRING
ENTREPRENEURS, AND SMALL
BUSINESS OWNERS

Overseas expansion information meetings

LOTTE Department Store operates an Overseas Market Pioneering Team that helps SMEs expand overseas. It hosted information meetings on setting up such operations in Ho Chi Minh City in 2019. They were attended by twenty of the company's business partners, leading to the signing of MOUs and/or exclusive deals with a number of local companies. LOTTE Himart offered financial support to fifteen of its partner companies so they could participate in international exhibitions to develop overseas markets.

Helping to expand sales of agricultural and marine products

LOTTE Super is committed to expanding the number of sales channels for agricultural and marine products. This includes signing agreements with producers in Jeollanam-do Province and Goheung-gun in 2019, leading to the development of a number of direct-sales outlets for goods grown and produced there.



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Helping partner companies become more competitive
Win-Win Growth Academy

LOTTE Department Store operates a Win-Win Growth Academy for employees of its partner companies. It helps them make their operations more competitive by offering a broad range of training programs in such areas as communication and job skills.

Supporting SME partners

LOTTE Himart has signed an "Agreement Regarding the LOTTE Himart Partner Support Project" each year since 2018 in a bid to help its SME partners become more competitive. It contributed funding to help specially-selected SME partner companies deal with professional consulting firms in 2019.

Strengthening communications with partner companies

Healing Camp

LOTTE Department Store has been enhancing communications with its partner companies through a "Healing Camp" program since 2015. The camp provides employees of the company's partners, as well as buyers working for the company itself, with an opportunity to share common experiences and resolve mutual problems.

205

Value of Win-Win Growth Fund and Shared Growth Fund operated by LOTTE Department Store in 2019 (in billions of KRW)

300

Value of LOTTE Himart funding to subsidize SME partners' professional consulting fees (in millions of KRW)

*

Win-win partnership website

Lotte Department Store
<https://buying.lotteshopping.com>

Lotte Mart
<http://winwin.lottemart.com>

Lotte Super
<http://winwin.lottesuper.co.kr>

WIN-WIN PARTNERSHIPS -2

Shared growth conference

LOTTE Himart carries out a wide range of activities to enhance communications with its partner companies. They include a shared growth conference and hiking, cultural, and social contribution programs. The company held a "Win-Win Cooperation and Friendship with Partners" event in 2019 to introduce its shared growth programs to their employees and strengthen communications.



Supporting Startups by Young Entrepreneurs

Global Youth and Startup Business Promotion Project

LOTTE Mart has been offering a Global Youth and Startup Business Promotion Project since 2015. It targets young entrepreneurs who are having difficulty finding markets for their products. More than 150 merchandizing experts from LOTTE Group's major affiliates participated in mentoring activities designed to help young businesspeople make their products more attractive. The company also held an overseas sales promotion in Las Vegas in 2019 to publicize and market their items.

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L-StartupBOX

LOTTE Mart's "L-StartupBOX" is an open communication platform for young entrepreneurs comprising an "Everyday Proposal Platform" and a "Competition Platform." The first platform targets young people who have startup businesses and have registered their products. Company representatives select the ones whose products they want to stock. The second one targets companies with products that the company's representatives recommend for development and store openings. LOTTE Mart identified a total of twenty-six young entrepreneurs it wanted to support.

"Choo-Choo Cook-Cook"

LOTTE Mart works with the Korea Rail Network Authority to run "Choo-Choo Cook-Cook," a startup support center that fosters the development of young restaurateurs. The company shares its knowledge in such areas as establishing businesses, marketing, menu development, and hygiene management with them. Young entrepreneurs, who have shown high potential after working for a year at the "Choo-Choo Cook-Cook" food court of LOTTE Mart Seoul Station, are then offered an opportunity to open their own outlets in the food courts of other LOTTE Mart stores.



358

Number of young entrepreneurs participating in LOTTE Mart's L-StartupBOX from 2018 to 2019

9

Number of "Choo-Choo Cook-Cook" centers operated by LOTTE Mart in 2019

58

Number of traditional markets partnering with LOTTE Mart as of 2019

21

Number of social enterprises supported by LOTTE Homeshopping Dream Studio from 2017 to 2019

WIN-WIN PARTNERSHIPS -3

Growing with the Communities in which We Operate
Partnering with traditional markets

LOTTE Mart has been playing a leading role in a "one store-one traditional market" relationship program since 2014, forming partnerships between fifty-four of its stores and fifty-eight traditional markets across the nation. Business activities that it assists these traditional markets with include marketing, public relations, hygiene and safety issues and training, and participating in special events and festivals.

Dream Studio, helping social enterprises

LOTTE Homeshopping signed an MOU with Seoul Metropolitan City to promote social enterprises and support their sales channels in 2017. Since then, it has selected high-quality social enterprises every year, supporting them on its TV home shopping broadcasts.



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SOCIAL CONTRIBUTION

-1

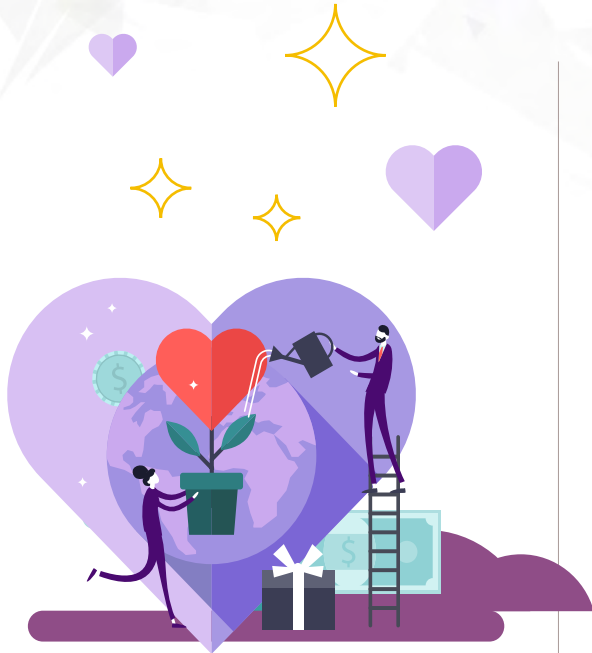
EMPLOYEE VOLUNTEER SERVICES



Social contribution activities

LOTTE Group's retail affiliates carried out a wide range of social contribution activities in 2019. They included visiting members of the armed forces, hosting a Love for the Nation Bazaar, and subsidizing medical expenses for families of veterans. They also assisted with recovery efforts in areas suffering the effects of typhoons, earthquakes, forest fires, and viruses.

Some of their other initiatives involved giving blood donations. The certificates that they received were then donated to the Severance Hospital to help meet the expenses of children suffering from cancer. They also organized a "Creating Mom's Happiness World," and helped vulnerable people.



HELPING SOCIETY BY SHARING AND
CARING

81,000

Number of LOTTE Mart employees participating
in volunteer activities from 2011 to 2019

LOTTE Department Store Employee Volunteer Activities

LOTTE Department Store helps organize employee-based volunteer clubs at its stores. The clubs' membership includes store employees, employees of our partner companies, and some customers. They carry out a wide range of activities, such as caring for the environment, assisting people living in broken homes, and supporting senior citizens living by themselves. The groups work in tandem with many organizations, such as local governments, NGOs, and social assistance facilities.

LOTTE Mart Charlotte Volunteer Group Activities

LOTTE Mart founded its Charlotte Volunteer Group in 2011. Since then, its 120 stores have formed one-on-one partnerships with an equal number of children's social assistance facilities to carry out a variety of caring and sharing activities. Their efforts include supporting the children's emotional development, helping them discover and strengthen their talents and abilities, assisting with their studies, providing them with school supplies, and assisting them in finding jobs.



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LOTTE Mart Matching Grant Program

Workers at LOTTE Mart have been donating a portion of their pay since 2008. The company then matches the amount they have raised. Most of the donations are used to support young people, including "Dream Catchers," the company's signature CSR program that nurtures the talents of young musicians, and "Dream Makers," an employment program targeting young people.

LOTTE Himart Charlotte Volunteer Group Activities

LOTTE Himart has been operating a LOTTE Himart Charlotte Volunteer Group since 2014. Its membership includes more than 460 stores and 4,000 employees at its head office. They are mainly engaged in helping underprivileged children and senior citizens and others in need. The group's activities in 2019 included taking children to the National Children's Science Center, helping with spring cleanup activities, making particulate-reducing gardens at children's social assistance institutions, and helping sole-support seniors with their shopping.



700

Donations made through LOTTE Mart's matching grant program from 2008 to 2019 (in millions of KRW)

460

Number of LOTTE Himart branches participating in Charlotte Volunteer Group in 2019

136

Number of volunteer activities by LOTTE Super's Hanultari Volunteer Group from 2013 to 2019

39,400

Number of food items delivered by LOTTE Homeshopping's Hope Suragan CSR program from 2015 to 2019

100

Number of fairy tale-based audio books produced by LOTTE Homeshopping from 2016 to 2019

LOTTE Super Employee Volunteer Activities

LOTTE Super assists the communities in which it operates by engaging in a broad range of volunteer activities through its employee-based Hanultari Volunteer Group. Its activities include providing vulnerable people with meals, working at blood donation clinics, and assisting in environmental improvement activities. Workers at the company's head office deliver food to the Home of St. Paul Hasang soup kitchen in Seoul.

LOTTE Homeshopping Employee Volunteer Activities

LOTTE Homeshopping has been operating a CSR program called Hope Suragan since 2015, delivering food they have made to vulnerable people living in Seoul's Yeongdeungpo neighborhood. The company also produces fairy tale-based audio books on CDs with the help of its TV home shopping hosts and other broadcasting professionals. It has been distributing the CDs to educational and social assistance facilities since 2016.



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LOTTE Cultureworks Employee Volunteer Activities

Employees of LOTTE Cultureworks have been delivering presents to the children of vulnerable people every Children's Day and during the Christmas holidays since 2016. They also take them to see movies. They also held a "Star Chair" program in 2019. It features actors and actresses who hold conversations with the members of the audience after movie screenings. The proceeds from these events are then donated to charities.

LOHB's Employee Volunteer Activities

LOHB's employees help visually handicapped people through the company's Smile Point campaign and other volunteer activities. They carried out beauty classes and a word input service for use in Braille books in 2019. Company employees at the beauty classes teach visually challenged people how to apply makeup by themselves.



7,700

Number of children who received presents from
LOTTE Cultureworks employee volunteers from 2017 to 2019

51

Number of LOHB's employees participating
in volunteer activities in 2019

200

Value of donated articles to Eastern Social Welfare Society by
LOTTE e-commerce from 2017 to 2019 (in millions of KRW)

SOCIAL CONTRIBUTION -3

LOTTE e-commerce Employee Volunteer Activities

LOTTE e-commerce has been carrying out employee volunteer activities since 2017. They include providing children's clothing and other goods to the Eastern Social Welfare Society adoption agency, caring for children who are awaiting adoptions, and helping out at bazaars. They also deliver food to vulnerable people in collaboration with the Korean Red Cross and participate in forest management activities at Namsan Mountain.



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HELPING WOMEN AND CHILDREN



LOTTE Department Store's "Rejoice Campaign"

LOTTE Department Store has been operating a "Rejoice Campaign" since 2017 to make people aware of and help lessen the incidence of clinical depression. Its efforts have included carrying out both online and offline public relations activities, and offering therapy sessions and psychological care to women seeking help. It also sponsors talk shows on the subject of mental health, produces informative webtoons, and sells campaign items. All the proceeds go to a fund that supports single mothers.



45

Value of support provided to mothers and their children
by LOTTE Himart's "Mom's Happiness Hi, Dream!"
CSR program from 2018 to 2019 (in millions of KRW)

68

Number of career-interrupted women who found new jobs
with help from LOTTE Homeshopping
from 2018 to 2019

SOCIAL CONTRIBUTION -4

LOTTE Himart's "Mom's Happiness Hi, Dream!"

LOTTE Himart's "Mom's Happiness Hi, Dream!" program provides mothers and their children with things that help them make their dreams come true. The company made a number of such deliveries to selected homes in 2019. They included giving a beam projector to a mother who dreams of being an actress in children's plays, and a camcorder to a child whose dream is to be a film director.

Supporting women whose careers have been interrupted

LOTTE Homeshopping helps women whose careers have been interrupted and who want to find new jobs working in retail. It provides them with skills training and then arranges jobs with its SME partners. Launched in 2018, the training sessions can accommodate eighty new people each term. Training is also available in one person-creator, VR, and other types of new media content.



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HELPING YOUNG PEOPLE



LOTTE Mart's Dream Catchers

LOTTE Mart assists promising young musicians through its "Dream Catchers" program. They are taught by top-flight professionals and trained in playing in ensembles and concerts. Scholarships are also provided. The company donates a portion of its major PB product sales to support them, and also holds a "Year-End Sharing Concert" every year.



34

Number of promising young musicians assisted
by LOTTE Mart's Dream Catchers program from 2016 to 2019

60

Number of young people assisted by LOTTE Mart's
Dream Makers program in 2019

1,066

Number of children participating
in LOTTE Himart Science Classes
from 2018 to 2019

SOCIAL CONTRIBUTION -5

LOTTE Mart's Dream Makers

LOTTE Mart's "Dream Makers" program offers young people the training they need to get jobs in South Korea's retail sector and stop being unemployed. Job seekers are offered a broad spectrum of support, including mentoring and lectures by retail workers and other hands-on experience, field trips overseas, and scholarships.

LOTTE Himart's Children's Science Classes

LOTTE Himart Science Classes have been offered at children's social assistance facilities during school vacations since 2018. Students learn what science is like by discovering how home appliances work and making their own. Some of the company's employees volunteer to teach them.



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LOTTE Himart's Hi Science Concert

The "LOTTE Himart Hi Science Concert" is designed to nurture the talents of aspiring young scientists. Its format is that of a seminar explaining the scientific principles underlying the operation of household appliances. It also includes a magic show using basic scientific principles.

LOTTE Cultureworks' Youth Support Project

LOTTE Cultureworks has been offering scholarships targeting its part-time employees since 2017. It also gives middle school and high school students opportunities to produce their own films. The company also operates a "Carrot" university student support program. Participants learn about film-making and performing and engage in social contribution activities. They are offered mentoring sessions, scholarships, and all their expenses for participating in the program.



64

Number of students offered scholarships
by LOTTE Cultureworks from 2017 to 2019

220

Number of families assisted by LOTTE Himart's
"Happy Three Generations" Campaign as of 2019

66

Number of Small Libraries opened
by LOTTE Homeshopping from 2013 to 2019



LOTTE Himart's "Happy Three Generations" Campaign

The "Happy Three Generations Campaign" is LOTTE Himart's main CSR activity, providing material and emotional support to families headed by grandparents. The company presently sponsors about 230 such families across the country. Its employees donate a portion of their salaries to support the program and cover its costs.

LOTTE Homeshopping's Small Libraries

LOTTE Homeshopping has been carrying out a "Small Library" CSR program since 2013. It takes under-used spaces at children's social assistance facilities and converts them into pleasure-filled reading spaces. Its work ranges from renovating the spaces to filling them with books and equipment. It also purchases new books, and runs a number of hands-on experiential programs for the children.



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HELPING THE VULNERABLE



LOTTE Mart's Food Sharing

LOTTE Mart has been working with the Food Bank since 2016 to give food to social assistance facilities catering to vulnerable people in areas in which it operates. The value of its food donations in 2019 was KRW 1.4 billion.

LOTTE Himart's Donations of Household Appliances

LOTTE Himart gives household appliances to people in need, including sole-support seniors, institutions for the disabled, and soldiers and other public service workers. The company also started a customer-based voluntary donation event in 2015, setting aside a portion of its profits from the sale of its household appliances to fund its CSR activities. A portion of its online shopping mall sales were used for the same purpose in 2019.

LOHB's Smile Points Campaign

LOHB's has been working with the Korean Braille Library and L.POINT to carry out a customer-driven CSR activity called the Smile Campaign since 2017. We installed Smile Point devices in six of our stores, and customers donate fifty "L points" every time they smile at one of them. We donate KRW 10 million to the Korean Braille Library every November to help with the production of TADOT Bottles for the visually impaired.

4,760

Value of food donations to Food Bank by LOTTE Mart from 2016 to 2019 (in millions of KRW)

197,602

Number of customers participating in LOTTE Himart's customer-based voluntary donation event in 2019

36,593

Number of customers participating in LOHB's Smile Points Campaign in 2019

6,300

Value of donated articles to Beautiful Store made by LOTTE Homeshopping from 2015 to 2019 (in millions of KRW)

SOCIAL CONTRIBUTION -7

LOTTE Homeshopping's Donations to The Beautiful Store

LOTTE Homeshopping has been donating goods that shoppers have returned to it to the Beautiful Store since 2009. Twice-yearly bazaars are then held at twenty-seven Beautiful Store locations and other specially-selected sites to sell the products and raise funds. Some of the proceeds are used to help develop markets for goods made by social enterprises.



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GLOBAL CSR ACTIVITIES



LOTTE Department Store's LOTTE Schools

LOTTE Department Store works with Plan Korea to build "LOTTE Schools" for kindergarten and elementary school-aged children living in isolated regions of Vietnam. As of 2015, we had helped build three of them. We installed a rainwater harvesting and treatment system to provide potable water to vulnerable people living near Hanoi and Ho Chi Minh City. We also built a forty-ton rainwater drinking facility in Jakarta, Indonesia, in 2017, and another one in Nam Tu Liem, Vietnam, in 2019.

LOTTE Mart's Support for Farmers in Vietnam

LOTTE Mart assists farmers in Vietnam to find markets for the vegetables and fruit they grow. We purchased pumpkins, radishes and watermelons in 2018, and then sold them at our fourteen stores. After signing an agreement with Save the Children in 2019, it launched a PB product called "Save L Water." We donate 10% of its sales to support a drinking water improvement project in Vietnam.

4

Number of rainwater harvesting and treatment systems installed in Vietnam by LOTTE Department Store from 2014 to 2019

100

Number of Vietnamese children supported by LOTTE Himart's "Goodmorning Children" Campaign as of 2019

SOCIAL CONTRIBUTION -8

LOTTE Himart's "Goodmorning Children" Campaign

LOTTE Himart has been operating a "Goodmorning Children" campaign since 2010 as part of its global CSR activities. It supports basic education, improvements to the living environment, and health care projects in Kenya and Vietnam for low-income children. The company also raises funds for needy children living overseas through voluntary donations from its employees. It supported the construction of a library in Kenya in 2019 to help children who have no access to after-school educational programs.



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GREAT PLACE TO WORK

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Family-Friendly Leaves

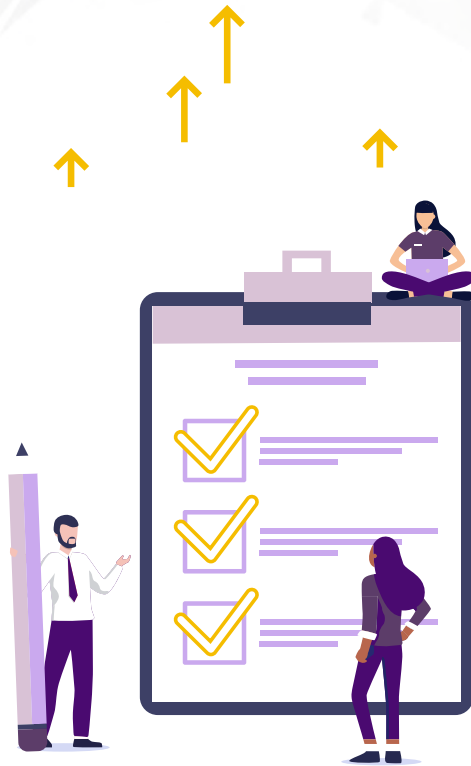
Parental leave program for male employees

LOTTE Shopping's parental leave program for men was inaugurated in 2017. Its purpose is to help our employees achieve a healthier work-life balance by encouraging mothers and fathers to share their childcare duties. All of our male employees can take ten days of paternity leave whenever their spouses have a baby. They are also encouraged to use thirty or more days of their childcare leave within thirty days of their baby's date of birth. They are paid 100% of their wages for the first month of their leave.

Enhanced maternity and childcare leaves

LOTTE Shopping's maternity and parental leave programs are designed to lessen the amount of career disruption faced by female employees due to pregnancies, childbirth, and the need to provide follow-up childcare. The maternity leave program allows any pregnant employee to take an unpaid leave for up to nine months prior to the beginning of her maternity leave.

The maternity leave, which used to be limited to one year, can now be extended for up to two years, in either six-month or one-year increments. This combination of the maternity leave and the extended parental leave means that our employees can stay at home to look after their children for up to three years without penalty.



**BUILDING
A GREAT PLACE TO WORK**

Childcare and parental care programs

LOTTE Shopping's employees are allowed to take an unpaid childcare leave of up to one year if their children are aged eight and under. This helps them to focus on their child-rearing responsibilities at the very time when they are again threatened with a massive disruption to their careers. We were also one of the first enterprises in South Korea to offer a national academic aptitude test leave program. It allows any of our employees who have children preparing to write the country's college entrance examination to take an unpaid leave of up to one hundred days.

We also offer a "silver care assistance program" that provides up to KRW 4 million to any of our employees who are obliged to support parents suffering from dementia, cerebrovascular diseases, and other illnesses associated with old age.

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A Healthy Work-Life Balance

Helping pregnant and sub-fertile women

LOTTE Shopping operates a program specifically designed for women called "LOTTE's MOM." Its benefits include sick leaves for women suffering from morning sickness, and paying 20% of the cost for them to attend pregnancy, childbirth, and childcare classes. We also support sub-fertile women by paying part of the cost of in-vitro fertilization procedures and embryo transfers, and offering them sub-fertility leaves if they have been childless for five or more years or are over thirty-five years of age and have been diagnosed as being sub-fertile.

Childcare facilities for working mothers

We also operate two Mom's Happiness Childcare Centers in Seoul. They operate during regular business hours. We pay all the costs of our employees' childcare, including food for their children and a shuttle bus service, as well as providing the children with top-flight educational and teaching materials.

Staggered working hours

We have instituted a staggered work schedule program so that employees who need to look after their children or attend to other important affairs can come in before or after their normal starting times and leave their work early or late. They are also allowed to reduce their work schedule to thirty hours a week to permit them to look after their children or go to school.



GREAT PLACE TO WORK -2

Reduced working hours and support for starting and ending work on time

In order to provide our employees with a healthier work-life balance and comply with governmental regulations calling for a 52-hour work week, we have reduced our work week from 46.5 hours to forty. We also operate a PC on/off system that automatically starts and turns off our PCs twenty minutes before our work hours start and twenty minutes after they end. We do this to save on energy use and encourage our employees to start and end their work on time.

Training for Working Moms and Dads

We also offer a wide range of programs for working mothers and fathers to help them cope with the many responsibilities they have to face in their daily lives, both at home and when they return to work. They include "Re-Start" and "Daddy School."

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Independent Auditors' Report

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, 2019 and 2018, the consolidated statements of comprehensive 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, 2019 and 2018, 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 Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as of and for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(1) Impairment of cash generating units("CGUs")

As described in Note 13, 15, and 42 to the consolidated financial statements, the carrying amount of property, plant and equipment, right-of-use assets, goodwill and other intangible assets are amounted to ₩14,495,595 million, ₩6,126,877 million, ₩1,538,969 million, and ₩309,066 million, respectively, as of December 31, 2019 and in aggregate they are 66.1% of total assets. Also, the impairment loss of ₩1,185,085 million was recognized during 2019. The Group reviews at the end of each reporting period on whether there are any indicators of impairment regarding the CGUs, and has performed impairment test on CGUs for which indicators of impairment were identified by comparing the recoverable amount and the carrying amount of the respective CGUs. When the recoverable amount is less than the carrying amount, the difference has been recognized as impairment loss. In estimating the recoverable amount, management's judgment is involved in determining the key assumptions such as sales growth rate, discount rate, and terminal growth rate that have a significant impact on the estimated recoverable amount. Considering significant degree of judgment in estimating recoverable amount, we identified assessment CGUs impairment as a key audit matter.

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

- We assessed the basis of management's judgment to identify the indicators of impairment on each CGU and evaluated whether such basis is in compliance with the Group's accounting policy.
- We tested the mathematical accuracy of valuation model used by the Group.
- We assessed the competence, qualification and objectivity of external institution engaged by the Group to assess recoverable amount of CGUs.
- We engaged our valuation specialists to assist us in evaluating assumption and estimates including the future cash flows and discount rate used in the valuation of value-in-use.

(2) K-IFRS 1116 'Lease'

As described in Note 42 to the consolidated financial statements, the Group initially adopted K-IFRS 1116 'Lease' for the preparation of the consolidated financial statements as of and for the year ended December 31, 2019. As of December 31, 2019 the carrying amount of right-of-use assets and lease liabilities are amounted to ₩6,126,877 million and ₩6,662,981 million, respectively, which are 18.03% of total assets and 30.19% of total liabilities, respectively.

Considering the fact that the balance of right-of-use assets and lease liabilities is significant in the consolidated financial statements of the Group, and significant degree of management's judgments in identifying a lease contract, and determination of lease term and incremental borrowing rate, we identified K-IFRS 1116 'Lease' as a key audit matter.

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

- We tested the mathematical accuracy of calculation of right-of-use assets and lease liabilities by the Group.
- We assessed the basis of incremental borrowing rate used in calculation of lease liabilities and assessed whether such basis is in compliance with the accounting policy of the Group.
- For samples selected from the list of leases provided by the Group, we inspected contracts to compare the information such as lease term and payments with information in the contracts.

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.

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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 Si Woo Kim.

KPMG Samjong Accounting Corp.

SEOUL, KOREA
MARCH 19, 2020

This report is effective as of March 19, 2020, 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.

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Lotte Shopping Co., Ltd. and Subsidiaries

AS OF DECEMBER 31, 2019 AND 2018

	(In Korean won)	
	2019	2018
Assets		
Current assets	6,107,298,116,240	5,708,395,689,998
Cash and cash equivalents	1,586,592,082,626	1,818,473,007,915
Trade and other receivables	889,584,567,689	1,119,397,467,063
Other financial assets	1,958,581,434,172	1,061,979,008,598
Inventories	1,459,488,128,039	1,267,488,684,051
Income tax refund receivables	3,300,271,581	6,508,527,017
Other non-financial assets	95,406,581,845	147,917,797,142
Assets held for sale	114,345,050,288	286,631,198,212
Non-current assets	27,865,317,635,436	20,550,913,168,208
Other receivables	183,411,210,535	40,192,200
Investments in associates and joint ventures	866,308,734,865	598,181,387,362
Other financial assets	1,648,867,639,929	1,670,806,823,065
Property, plant and equipment, net	14,495,595,094,916	14,404,970,701,402
Right-of-use assets	6,126,877,376,870	-
Investment property, net	2,493,734,153,122	1,023,932,723,284
Goodwill	1,538,969,077,502	1,601,819,192,996
Intangible assets, net	309,066,105,666	451,657,409,610
Defined benefit assets	39,167,568,443	-
Deferred tax assets	47,750,061,992	27,645,357,351
Other non-financial assets	115,570,611,596	771,859,380,938
Total assets	33,972,615,751,676	26,259,308,858,206
Liabilities		
Current liabilities	8,201,884,223,951	6,603,742,844,501
Borrowings and debentures, net of issuance costs	2,840,441,420,764	1,980,154,167,081
Trade and other payables	2,643,861,898,203	2,910,394,337,674
Other financial liabilities	571,646,455,930	420,336,936,454
Lease liabilities	634,234,422,249	-
Income tax payables	106,595,766,277	52,653,918,289
Unearned revenues	180,868,150,634	147,450,075,517
Provisions	49,003,274,585	113,688,719,092
Other non-financial liabilities	1,175,232,835,309	962,604,510,286
Liabilities held for sale	-	16,460,180,108
Non-current liabilities	13,869,046,874,740	7,228,193,148,302
Borrowings and debentures, net of issuance costs	6,710,078,874,829	5,814,744,850,720
Other financial liabilities	26,084,131,697	76,958,297,105
Lease liabilities	6,028,746,801,656	-
Defined benefit liabilities and other long-term employee benefits	70,601,708,522	26,017,199,872
Deferred tax liabilities	859,491,275,149	1,173,077,398,673
Unearned revenues	46,001,748,365	32,960,664,424
Provisions	128,042,334,522	7,043,472,920
Other non-financial liabilities	-	97,391,264,588
Total liabilities	22,070,931,098,691	13,831,935,992,803
Equity		
Share Capital	141,443,775,000	141,443,775,000
Capital Surplus	3,574,211,671,439	3,574,211,671,439
Capital adjustments	(2,966,897,977,647)	(2,909,828,356,943)
Retained earnings	9,896,764,345,163	10,991,567,194,372
Accumulated other comprehensive income	463,689,573	(91,980,176,302)
Stockholders' equity attributable to owners of the Company	10,645,985,503,528	11,705,414,107,566
Non-controlling interest	1,255,699,149,457	721,958,757,837
Total equity	11,901,684,652,985	12,427,372,865,403
Total equity and liabilities	33,972,615,751,676	26,259,308,858,206

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COMPREHENSIVE LOSS

Lotte Shopping Co., Ltd. and Subsidiaries
 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
(In Korean won)		
Continuing operations		
Sales	17,622,000,488,403	17,820,781,434,515
Cost of sales	(10,184,620,579,709)	(10,313,111,398,016)
Gross profit	7,437,379,908,694	7,507,670,036,499
Selling, general and administrative expenses	(7,007,724,639,491)	(6,911,701,185,620)
Reversal of allowance for bad debts(expense)	(1,744,395,592)	1,034,747,693
Operating profit	427,910,873,611	597,003,598,572
Other income	88,863,626,239	60,480,214,456
Other expenses	(1,326,606,491,728)	(692,989,219,752)
Other bad debt expense	(6,963,776,667)	(14,235,233,558)
Finance income - Interest income calculated using the effective interest method	110,441,761,850	90,369,352,782
Finance income - Others	155,876,088,761	188,546,099,017
Finance costs	(693,284,586,934)	(411,619,928,356)
Equity method income on instruments in associates and joint ventures	86,334,775,009	88,583,487,325
Loss before income tax	(1,157,427,729,859)	(93,861,629,514)
Income tax expense	250,131,380,140	(160,416,752,873)
Loss from continuing operations, net of tax	(907,296,349,719)	(254,278,382,387)
Profit (Loss) from discontinued operations, net of tax	67,203,003,872	(210,718,208,408)
Loss for the year	(840,093,345,847)	(464,996,590,795)
Other comprehensive income(loss)		
Items that will never be reclassified to profit or loss		
Fair value gain (loss) through other comprehensive income on equity instruments	101,118,030,938	(5,220,494,135)
Remeasurements of net defined benefit liabilities	(57,813,398,995)	(40,146,695,128)
Net changes in equity of equity method investments	(329,709,201)	(587,463,005)
Income tax effect	(15,013,915,044)	6,339,646,951
Total items that will never be reclassified to profit or loss	27,961,007,698	(39,615,005,317)
Items that will be subsequently reclassified to profit or loss		
Gain on valuation of debt instrument at fair value through other comprehensive income	378,204,762	327,488,435
Exchange rate differences on translating foreign operations	15,387,546,851	(32,395,224,763)
Gains and losses arising on revaluations of derivatives	(5,819,584,896)	6,149,799,927
Net changes in equity of equity method investments	36,999,738,770	16,685,900,771
Income tax effect	(5,965,357,411)	(2,996,212,436)
Total items that will be subsequently reclassified to profit or loss	40,980,548,076	(12,228,248,066)
Other comprehensive income (loss) for the year, net of tax	68,941,555,774	(51,843,253,383)
Total comprehensive loss for the year	(771,151,790,073)	(516,839,844,178)
Profit(loss) attributable to:		
Owners of the Company		
Loss from continuing operations	(976,764,607,481)	(334,156,072,066)
Profit (Loss) from discontinued operations	67,203,003,872	(210,718,208,408)
	(909,561,603,609)	(544,874,280,474)
Non-controlling interests		
Profit from continuing operations	69,468,257,762	79,877,689,679
Total comprehensive income(loss) attributable to:		
Owners of the Company	(866,298,349,680)	(589,275,241,389)
Non-controlling interests	95,146,559,607	72,435,397,211
	(771,151,790,073)	(516,839,844,178)
Loss per share		
Basic loss per share (in Korean won)		
From continuing operations	(34,550)	(12,307)
From discontinued operations	2,377	(7,479)
Diluted loss per share (in Korean won)		
From continuing operations	(34,882)	(12,584)
From discontinued operations	2,377	(7,479)

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Lotte Shopping Co., Ltd. and Subsidiaries

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Korean won)

	Share capital	Capital Surplus	Hybrid securities	Capital adjustment	Retained earnings	Accumulated other comprehensive income(loss)	Non- controlling interest	Total equity
Balance at January 1, 2018	140,610,235,000	3,505,685,532,239	269,118,000,000	(2,904,413,361,094)	11,730,312,514,167	(82,728,299,496)	692,767,971,456	13,351,352,592,272
Adjustment on initial application of K-IFRS No.1109, net of tax	-	-	-	-	12,674,138,566	(12,674,138,566)	-	-
Restated balance at January 1, 2018	140,610,235,000	3,505,685,532,239	269,118,000,000	(2,904,413,361,094)	11,742,986,652,733	(95,402,438,062)	692,767,971,456	13,351,352,592,272
Comprehensive income (loss) for the period:								
Profit(loss) for the year	-	-	-	-	(544,874,280,474)	-	79,877,689,679	(464,996,590,795)
Other comprehensive income (loss):	-	-	-	-	-	-	-	-
Net changes in financial assets at fair value through other comprehensive income	-	-	-	-	(18,546,466,814)	13,563,803,457	(4,114,884,020)	(9,097,547,377)
Exchange rate differences on translating foreign operations	-	-	-	-	-	(27,606,477,887)	(2,327,360,240)	(29,933,838,127)
Gains and losses arising on revaluations of derivatives	-	-	-	-	-	4,908,598,143	1,236,255	4,909,834,398
Remeasurements of defined benefit liabilities	-	-	-	-	(28,711,692,436)	-	(1,001,284,463)	(29,712,976,899)
Net changes in equity of equity method investments	-	-	-	-	(565,063,425)	12,556,338,047	-	11,991,274,622
Subtotal	-	-	-	-	(47,823,222,675)	3,422,261,760	(7,442,292,468)	(51,843,253,383)
Total comprehensive income(loss) for the period	-	-	-	-	(592,697,503,149)	3,422,261,760	72,435,397,211	(516,839,844,178)
Transactions with owners of the company recognized directly in equity:								
Interests paid for hybrid securities	-	-	-	-	(12,581,295,612)	-	-	(12,581,295,612)
Dividends	-	-	-	-	(146,140,659,600)	-	(42,661,946,120)	(188,802,605,720)
Issuance of exchangeable bond	-	35,017,831,200	-	-	-	-	-	35,017,831,200
Changes due to mergers	833,540,000	33,508,308,000	-	-	-	-	-	34,341,848,000
Acquisition of treasury stock	-	-	-	(7,602,224)	-	-	-	(7,602,224)
Repayment of hybrid securities	-	-	(269,118,000,000)	(882,000,000)	-	-	-	(270,000,000,000)
Others	-	-	-	(4,525,393,625)	-	-	(582,664,710)	(5,108,058,335)
Balance at December 31, 2018	141,443,775,000	3,574,211,671,439	-	(2,909,828,356,943)	10,991,567,194,372	(91,980,176,302)	721,958,757,837	12,427,372,865,403
Balance at January 1, 2019	141,443,775,000	3,574,211,671,439	-	(2,909,828,356,943)	10,991,567,194,372	(91,980,176,302)	721,958,757,837	12,427,372,865,403
Adjustment on initial application of K-IFRS No.1109, net of tax	-	-	-	-	10,946,694,346	-	(14,726,887)	10,931,967,459
Restated balance at January 1, 2019	141,443,775,000	3,574,211,671,439	-	(2,909,828,356,943)	11,002,513,888,718	(91,980,176,302)	721,944,030,950	12,438,304,832,862
Comprehensive income (loss) for the period:								
Profit(loss) for the year	-	-	-	-	(909,561,603,609)	-	69,468,257,762	(840,093,345,847)
Other comprehensive income (loss):	-	-	-	-	-	-	-	-
Net changes in financial assets at fair value through other comprehensive income	-	-	-	-	(11,859,931,619)	56,256,138,740	20,986,180,267	65,382,387,388
Exchange rate differences on translating foreign operations	-	-	-	-	-	7,062,830,527	4,598,342,587	11,661,173,114
Gains and losses arising on revaluations of derivatives	-	-	-	-	-	(4,179,773,392)	(80,138,371)	(4,259,911,763)
Remeasurements of defined benefit liabilities	-	-	-	-	(37,052,785,452)	-	173,917,362	(36,878,868,090)
Net changes in equity of equity method investments	-	-	-	-	(267,894,875)	33,304,670,000	-	33,036,775,125
Subtotal	-	-	-	-	(49,180,611,946)	92,443,865,875	25,678,301,845	68,941,555,774
Total comprehensive income(loss) for the period	-	-	-	-	(958,742,215,555)	92,443,865,875	95,146,559,607	(771,151,790,073)
Transactions with owners of the company recognized directly in equity:								
Interests paid for hybrid securities	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	(147,007,328,000)	-	(36,401,816,840)	(183,409,144,840)
Change in ownership interest in subsidiaries	-	-	-	(57,064,082,747)	-	-	475,010,375,740	417,946,292,993
Others	-	-	-	(5,537,957)	-	-	-	(5,537,957)
Balance at December 31, 2019	141,443,775,000	3,574,211,671,439	-	(2,966,897,977,647)	9,896,764,345,163	463,689,573	1,255,699,149,457	11,901,684,652,985

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Lotte Shopping Co., Ltd. and Subsidiaries

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	(In Korean won)	
	2019	2018
Cash flows from operating activities		
Loss for the year	(840,093,345,847)	(464,996,590,795)
Adjustments	2,875,375,860,450	1,695,466,351,700
Changes in operating assets and liabilities	(292,630,675,570)	(879,525,184,579)
Income taxes paid	(105,866,827,390)	(177,669,584,552)
Net cash provided by operating activities	1,636,785,011,643	173,274,991,774
Cash flows from investing activities		
Proceeds from sale of financial assets	1,263,774,021,076	1,202,795,814,025
Decrease of short-term loans	18,280,110,982	22,691,596,746
Decrease of long-term loans	301,166,180	1,470,751,566
Decrease of long-term financial instruments	-	2,000,000
Proceeds from sale of debt instruments at fair value through other comprehensive income	-	177,010,000
Proceeds from sale of equity instruments at fair value through other comprehensive income	78,976,919,651	51,195,518,860
Proceeds from sale of debt instruments at fair value through profit or loss	3,462,226,675	2,833,477,598
Proceeds from sale of investments in associates and joint ventures	50,623,419,890	9,472,059,771
Proceeds from disposal of assets held for sale	182,329,026,693	24,340,759,589
Proceeds from disposal of property, plant and equipment	24,368,897,531	26,175,105,089
Proceeds from disposal of intangible assets	274,443,585	1,552,986,413
Disposal of investment in properties	230,323	-
Collection of lease payment receivable	27,958,123,158	-
Cash inflows from settlement of derivatives	9,515,854,112	6,981,786,735
Decrease in other assets	-	2,672,506,413
Cash inflows from disposal of subsidiaries	280,264,011,848	85,971,662,221
Increase of short-term financial instruments	(1,995,664,759,964)	(1,037,847,925,636)
Increase of long-term financial instruments	-	(4,004,000,000)
Increase in short-term loans	(1,399,330,430)	(15,370,052,900)
Increase in long-term loans	(1,704,000,000)	(2,998,309,965)
Purchase of debt instrument at fair value through profit or loss	(7,799,996,276)	(6,303,528,596)
Purchase of equity instruments at fair value through other comprehensive income	(18,535,923,899)	(20,709,697,595)
Purchase of debt instruments at fair value through other comprehensive income	(647,910,000)	(356,220,000)
Purchase of investments in associates and joint ventures	(363,370,458,759)	(102,744,284,667)
Acquisition of property, plant, and equipment	(550,561,167,154)	(597,125,018,348)
Acquisition of intangible assets	(83,895,997,601)	(64,360,040,159)
Acquisition of investment property	(100,177,744,447)	(29,289,401,700)
Cash outflows from settlement of derivatives	-	(1,981,999,845)
Interest received	94,925,274,457	87,631,712,048
Dividends received	47,648,587,843	70,515,837,103
Net cash used in investing activities	(1,041,054,974,526)	(286,609,895,234)
Cash flows from financing activities		
Proceeds from short-term borrowings	820,505,139,127	496,093,726,991
Proceeds from long-term borrowings	561,573,442,000	830,849,658,000
Proceeds from issuance of debentures	1,077,437,637,806	1,738,090,679,237
Cash inflows from settlement of derivatives	-	1,242,799,890
Capital contribution from non-controlling interests	429,922,210,000	250,000,000
Cash inflows from other financing activities	29,659,185	-
Repayment of short-term borrowings	(905,100,229,964)	(761,938,479,300)
Repayment of long-term borrowings	(1,284,436,559,306)	(812,309,222,549)
Redemption of debentures	(130,000,000,000)	(1,450,067,642,984)
Acquisition of additional ownership in subsidiaries	(156,604,275,770)	-
Payment of hybrid securities interests	-	(12,581,295,612)
Decrease of finance lease liabilities	(505,086,084,108)	(9,485,514,727)
Repayment of hybrid securities	-	(270,000,000,000)
Acquisition of treasury shares	-	(7,602,224)
Cash outflows from other financing activities	(7,826,487,931)	-
Interest paid	(562,175,395,624)	(257,168,910,924)
Dividends paid	(183,888,981,821)	(185,603,815,700)

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	(In Korean won)	
Net cash used in financing activities	(845,649,926,406)	(692,635,619,902)
Net decrease in cash and cash equivalents	(249,919,889,289)	(805,970,523,362)
Cash and cash equivalents at the beginning of the year	1,818,473,007,915	2,626,243,925,953
Reclassification of assets group held for sale	-	(4,854,991,816)
Effect of exchange rate fluctuation on cash and cash equivalents	18,038,964,000	3,054,597,140
Cash and cash equivalents at the end of the year	1,586,592,082,626	1,818,473,007,915

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