

LOTTE SHOPPING CO., LTD.

Non-Consolidated Financial Statements

December 31, 2009 and 2008

(With Independent Auditors' Report Thereon)

Table of Contents

	Page
Independent Auditors' Report	1
Non-Consolidated Statements of Financial Position	3
Non-Consolidated Statements of Income	5
Non-consolidated Statements of Appropriation of Retained Earnings	7
Non-Consolidated Statements of Changes in Stockholders' Equity	8
Non-Consolidated Statements of Cash Flows	9
Notes to Non-Consolidated Financial Statements	12

Independent Auditors' Report

Based on a report originally issued in Korean

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

We have audited the accompanying non-consolidated statements of financial position of Lotte Shopping Co., Ltd. (the "Company") as of December 31, 2009 and 2008, and the related non-consolidated statements of income, appropriation of retained earnings, changes in equity and cash flows for the years then ended. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lotte Shopping Co., Ltd. as of December 31, 2009 and 2008 and the results of its operations, the appropriation of its retained earnings, the changes in its equity and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

The accompanying non-consolidated financial statements as of and for the year ended December 31, 2009 have been translated into United States dollars solely for the convenience of the reader. We have audited the translation and, in our opinion, the non-consolidated financial statements expressed in Korean Won have been translated into dollars on the basis set forth in note 3 to the non-consolidated financial statements.

Without qualifying our opinion, we draw attention to the following:

As discussed in note 2(a) to the non-consolidated financial statements, accounting principles and auditing standards and their application in practice vary among countries. The accompanying non-consolidated financial statements are not intended to present the financial position, results of operations, changes in equity and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such non-consolidated financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying non-consolidated financial statements are for use by those knowledgeable about Korean accounting principles and auditing standards and their application in practice.

As discussed in notes 2(h) and 10 to the non-consolidated financial statements, the Company adopted the revaluation model for land in accordance with Statement of Korea Accounting Standard No. 5, *Property, Plant and Equipment*, revised January 1, 2009. The book value of land was accounted at fair value as of the date of the revaluation, December 31, 2009. According to the transitional provision to this Standard, the Company applied the accounting change prospectively and did not restate the prior period's non-consolidated financial statements presented for comparative purposes.

KPMG Samjong Accounting Corp.
Seoul, Korea
March 2, 2010

This report is effective as of March 2, 2010, 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 non-consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

LOTTE SHOPPING CO., LTD.

Non-Consolidated Statements of Financial Position

As of December 31, 2009 and 2008

<u>Assets</u>	<u>Korean Won (millions)</u>		<u>U.S. dollars</u> <u>(thousands)</u> <u>(note 3)</u>
	<u>2009</u>	<u>2008</u>	<u>2009</u>
Current assets:			
Cash and cash equivalents (notes 10 and 14)	₩ 434,547	309,696	\$ 372,171
Short-term deposits (notes 4 and 13)	87,032	43,901	74,539
Short-term held-to-maturity securities (note 6)	-	159,445	-
Trade accounts receivable, net of allowance for doubtful accounts of ₩2,652 million in 2009 and ₩2,683 million in 2008 (note 9)	239,779	234,714	205,360
Other accounts receivable, net of allowance for doubtful accounts of ₩2,883 million in 2009 and ₩2,813 million in 2008 (notes 9 and 14)	82,535	75,045	70,688
Advance payments, net of allowance for doubtful accounts of ₩1,852 million in 2009 and ₩463 million in 2008	20,534	16,285	17,587
Inventories (notes 5, 9 and 10)	1,101,309	1,037,885	943,224
Deferred income tax assets, net (note 29)	19,378	12,535	16,597
Other current assets (notes 7 and 14)	47,884	50,897	41,011
Total current assets	2,032,998	1,940,403	1,741,177
Non-current assets:			
Available-for-sale securities (notes 6 and 13)	191,210	157,753	163,764
Equity method accounted investments (note 6)	3,975,317	2,854,947	3,404,691
Derivative assets (notes 6 and 21)	116,667	208,866	99,921
Other investment assets (notes 4, 12, 13 and 14)	58,999	42,413	50,529
Property, plant and equipment, net of accumulated depreciation of ₩2,265,918 million in 2009 and ₩1,937,027 million in 2008 (notes 10 and 37)	11,129,377	7,060,981	9,531,840
Intangible assets, net of amortization (notes 11 and 37)	134,503	131,530	115,196
Long-term prepaid expenses	262,667	190,700	224,963
Long-term advance payments (note 32)	76,148	52,030	65,218
Guarantee deposits (note 18)	680,470	664,060	582,794
Total non-current assets	16,625,358	11,363,280	14,238,916
Total assets	₩ 18,658,356	13,303,683	\$ 15,980,093

See accompanying notes to non-consolidated financial statements.

LOTTE SHOPPING CO., LTD.

Non-Consolidated Statements of Financial Position, Continued

As of December 31, 2009 and 2008

<u>Liabilities and Stockholders' Equity</u>	<u>Korean Won (millions)</u>		<u>U.S. dollars</u> <u>(thousands)</u> <u>(note 3)</u>
	<u>2009</u>	<u>2008</u>	<u>2009</u>
Current liabilities:			
Trade accounts payable (notes 9 and 14)	₩ 1,799,560	1,642,378	\$ 1,541,247
Short-term borrowings (notes 16 and 32)	21,759	220,001	18,636
Current portion of debentures, net of discount of ₩95 million in 2009 (notes 14, 17 and 21)	126,187	-	108,074
Other accounts payable (notes 9 and 14)	475,802	486,372	407,505
Advances from customers	29,543	17,596	25,303
Accrued expenses	261,334	142,822	223,821
Accrual for gift certificates	378,148	339,526	323,868
Income tax payable	112,306	214,128	96,186
Accrual for bonus points reward program (note 20)	30,312	30,808	25,961
Other current liabilities (note 15)	52,881	53,842	45,289
Total current liabilities	<u>3,287,832</u>	<u>3,147,473</u>	<u>2,815,890</u>
Long-term liabilities:			
Long-term borrowings (notes 14 and 16)	378,846	-	324,466
Debentures, net of discount of ₩7,313 million in 2009 and ₩8,227 million in 2008 (notes 14, 17 and 21)	1,402,227	899,001	1,200,948
Leasehold deposits (note 18)	254,769	244,808	218,199
Accrual for retirement and severance benefits, net (note 19)	45,315	47,503	38,810
Deferred income tax liabilities (note 29)	957,811	134,236	820,324
Total long-term liabilities	<u>3,038,968</u>	<u>1,325,548</u>	<u>2,602,747</u>
Total liabilities	<u>6,326,800</u>	<u>4,473,021</u>	<u>5,418,637</u>
Stockholders' equity:			
Common stock of ₩5,000 par value (note 22)			
Authorized - 60,000,000 shares			
Issued and outstanding - 29,043,374 shares	145,217	145,217	124,372
Capital surplus (note 22)	4,650,895	4,650,895	3,983,295
Capital adjustments (note 23)	(16,271)	(16,271)	(13,935)
Accumulated other comprehensive income (note 24)	2,866,719	45,943	2,455,223
Retained earnings (note 25)	4,684,996	4,004,878	4,012,501
Total stockholders' equity	12,331,556	8,830,662	10,561,456
Commitments and contingencies (note 32)			
Total liabilities and stockholders' equity	₩ <u>18,658,356</u>	<u>13,303,683</u>	\$ <u>15,980,093</u>

See accompanying notes to non-consolidated financial statements.

LOTTE SHOPPING CO., LTD.

Non-Consolidated Statements of Income

For the years ended December 31, 2009 and 2008

	Korean Won (millions, except for earnings per share)		U.S. dollars (thousands, except for earnings per share)(note 3)
	2009	2008	2009
Continuing operations			
Sales (notes 9, 26, 27, 36 and 37)	₩ 11,535,281	10,509,251	\$ 9,879,480
Cost of sales (notes 9, 26 and 27)	7,959,811	7,290,564	6,817,242
Gross profit	3,575,470	3,218,687	3,062,238
Selling and administrative expenses (notes 9 and 28)	2,698,995	2,450,580	2,311,574
Operating income (notes 36 and 37)	876,475	768,107	750,664
Non-operating income:			
Interest income	31,781	42,237	27,219
Dividend income	728	2,267	624
Gain on foreign currency transactions	3,112	755	2,665
Gain on foreign currency translation	102,159	5,415	87,495
Equity in earnings of equity method accounted investments (note 6)	221,621	203,150	189,809
Gain on disposition of equity method accounted investments	2,647	20,395	2,267
Gain on valuation of derivative instruments (note 21)	-	184,663	-
Gain on disposition of property, plant and equipment	655	48,837	561
Others	20,317	14,133	17,400
	383,020	521,852	328,040
Non-operating expenses:			
Interest expense	67,105	28,839	57,473
Loss on foreign currency transactions	7,347	817	6,292
Loss on foreign currency translation	4,861	184,328	4,163
Equity in loss of equity method accounted investments (note 6)	82,690	111,684	70,821
Loss on disposition of equity method accounted investments	1,042	935	892
Loss on valuation of derivative instruments (note 21)	103,717	59	88,830
Loss on disposition of property, plant and equipment	778	13,609	666
Loss on revaluation of land (note 10)	7,256	-	6,214
Others	44,929	24,642	38,480
	319,725	364,913	273,831
Income before income taxes	939,770	925,046	804,873
Income taxes (note 29)	227,783	183,620	195,086
Income from continuing operations	₩ 711,987	741,426	\$ 609,787

See accompanying notes to non-consolidated financial statements.

LOTTE SHOPPING CO., LTD.

Non-Consolidated Statements of Income, Continued

For the years ended December 31, 2009 and 2008

	Korean Won (millions, except for earnings per share)		U.S. dollars (thousands, except for earnings per share)(note3)
	2009	2008	2009
Discontinued operation			
Income from discontinued operation, net of income tax of ₩1,416 million in 2009 and ₩531 million in 2008 (note 38)	₩ 4,435	1,398	\$ 3,798
Net income	<u>716,422</u>	<u>742,824</u>	<u>613,585</u>
Earnings per share (notes 30 and 36)			
Basic earnings per share from continuing operations in Won and U.S. dollars	24,515	25,528	21.00
Basic earnings per share in Won and U.S. dollars	₩ <u>24,667</u>	<u>25,576</u>	\$ <u>21.13</u>

See accompanying notes to non-consolidated financial statements.

LOTTE SHOPPING CO., LTD.

Non-Consolidated Statements of Appropriation of Retained Earnings

For the years ended December 31, 2009 and 2008

	Korean Won (millions)		U.S. dollars (thousands) (note 3)
	2009	2008	2009
Unappropriated retained earnings:			
Balance at beginning of year	₩ 15,559	22,669	\$ 13,325
Net income	<u>716,422</u>	<u>742,824</u>	<u>613,585</u>
Balance at end of year before appropriation (note 25)	<u>731,981</u>	<u>765,493</u>	<u>626,910</u>
Appropriation of retained earnings:			
Legal reserve	3,630	3,630	3,109
Voluntary reserve	670,000	710,000	573,827
Cash dividends (note 31) – 25.00% on par value at ₩1,250 per share	<u>36,304</u>	<u>36,304</u>	<u>31,093</u>
	<u>709,934</u>	<u>749,934</u>	<u>608,029</u>
Unappropriated retained earnings to be carried over to subsequent year	₩ <u>22,047</u>	<u>15,559</u>	\$ <u>18,881</u>

See accompanying notes to non-consolidated financial statements.

LOTTE SHOPPING CO., LTD.

Non-Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2009 and 2008

	Korean Won (millions)						U.S. dollars (thousands) (note 3)
	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total equity	Total equity
Balance at January 1, 2008	₩ 145,217	4,652,123	-	78,377	3,298,358	8,174,075	\$ 7,000,748
Net income	-	-	-	-	742,824	742,824	636,198
Payment of cash dividends	-	-	-	-	(36,304)	(36,304)	(31,093)
Change in fair value of available-for-sale securities, net of tax	-	-	-	(29,505)	-	(29,505)	(25,270)
Change in equity of equity method investments, net of tax	-	(1,228)	(16,271)	17,263	-	(236)	(202)
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	(20,192)	-	(20,192)	(17,293)
Balance at December 31, 2008	₩ <u>145,217</u>	<u>4,650,895</u>	<u>(16,271)</u>	<u>45,943</u>	<u>4,004,878</u>	<u>8,830,662</u>	\$ <u>7,563,088</u>
Balance at January 1, 2009	₩ 145,217	4,650,895	(16,271)	45,943	4,004,878	8,830,662	\$ 7,563,088
Net income	-	-	-	-	716,422	716,422	613,585
Payment of cash dividends	-	-	-	-	(36,304)	(36,304)	(31,093)
Change in fair value of available-for-sale securities, net of tax	-	-	-	44,203	-	44,203	37,858
Change in equity of equity method investments, net of tax	-	-	-	(24,317)	-	(24,317)	(20,827)
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	8,984	-	8,984	7,695
Change in fair value of land, net of tax	-	-	-	2,791,906	-	2,791,906	2,391,150
Balance at December 31, 2009	₩ <u>145,217</u>	<u>4,650,895</u>	<u>(16,271)</u>	<u>2,866,719</u>	<u>4,684,996</u>	<u>12,331,556</u>	\$ <u>10,561,456</u>

See accompanying notes to non-consolidated financial statements.

LOTTE SHOPPING CO., LTD.

Non-Consolidated Statements of Cash Flows

For the years ended December 31, 2009 and 2008

	Korean Won (millions)		U.S. dollars (thousands)
	2009	2008	(note 3) 2009
Cash flows from operating activities:			
Net income	₩ 716,422	742,824	\$ 613,585
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	373,218	337,856	319,645
Amortization of intangible assets	29,970	28,844	25,668
Accrual for retirement and severance benefits	50,859	55,642	43,559
Loss on inventory shrinkage	12,744	10,373	10,915
Loss on valuation of inventory	555	1,076	475
Amortization of discount on debentures	3,281	1,250	2,810
Bad dept expenses	1,888	153	1,617
Loss on foreign currency translation	4,612	184,328	3,950
Gain on foreign currency translation	(102,159)	(5,415)	(87,495)
Equity in earnings of equity method accounted investments, net	(138,931)	(91,466)	(118,988)
Loss (gain) on disposition of equity method accounted investments, net	(1,605)	(19,460)	(1,375)
Loss on valuation of derivative instruments	103,717	59	88,830
Gain on valuation of derivative instruments	-	(184,663)	-
Loss (gain) on disposition of property, plant and equipment, net	117	(35,229)	100
Loss on revaluation of land	7,256	-	6,214
Gain on disposition of assets and liabilities constituting the discontinued operation	(3,355)	-	(2,873)
Others	16,945	1,297	14,513
Changes in operating assets and liabilities:			
Trade accounts receivable	(21,972)	12,964	(18,818)
Other accounts receivable	(4,083)	(9,034)	(3,497)
Advance payments	(7,833)	(53,805)	(6,709)
Inventories	(84,602)	(31,454)	(72,458)
Other current assets	(6,890)	4,643	(5,900)
Long-term prepaid expenses	(73,286)	(29,447)	(62,766)
Trade accounts payable	161,971	28,622	138,721
Other accounts payable	(8,221)	104,920	(7,041)
Advances from customers	12,204	3,161	10,452
Accrued expenses	120,346	22,014	103,071
Accrual for gift certificates	38,622	17,418	33,078
Income taxes payable	(101,822)	18,255	(87,206)
Bonus points reward program	(393)	1,446	(337)
Other current liabilities	(502)	(10,290)	(431)
National Pension Fund	3	5	2
Payment of retirement and severance benefits	(41,178)	(50,188)	(35,267)
Deposit for severance benefit insurance	(14,158)	(4,596)	(12,125)
Others	17,137	(33,918)	14,677
Net cash provided by operating activities	₩ 1,060,877	1,018,185	\$ 908,596

See accompanying notes to non-consolidated financial statements.

LOTTE SHOPPING CO., LTD.

Non-Consolidated Statements of Cash Flows, Continued

For the years ended December 31, 2009 and 2008

	Korean Won (millions)		U.S. dollars (thousands) (note 3)
	2009	2008	2009
Cash flows from investing activities:			
Cash inflows from investing activities:			
Maturity of short-term deposits	₩ 43,613	668,485	\$ 37,353
Decrease in short-term loans	38,862	-	33,284
Sale of available-for-sale securities	43,237	202	37,030
Sale of held-to-maturity securities	159,445	-	136,558
Refund of long-term advance payments	19,050	4,251	16,316
Refund of guarantee deposits paid	35,455	14,018	30,366
Proceeds from disposition of property, plant and equipment	22,248	228,252	19,054
Sale of assets and liabilities on the discontinued operation	24,339	-	20,845
Others	16,377	15,554	14,027
	<u>402,626</u>	<u>930,762</u>	<u>344,833</u>
Cash outflows for investing activities:			
Purchase of short-term deposits	(86,744)	(393,401)	(74,293)
Increase in short-term loans	(47,176)	(29,948)	(40,404)
Purchase of long-term deposits	(9)	(12,500)	(7)
Purchase of available-for-sale securities	(39,833)	(97,072)	(34,116)
Purchase of held-to-maturity securities	-	(160,445)	-
Purchase of equity method accounted investments	(934,463)	(601,123)	(800,328)
Payment of long-term advance payments	(44,768)	(89,940)	(38,342)
Payment of guarantee deposits	(108,983)	(87,016)	(93,339)
Purchase of property, plant and equipment	(923,381)	(888,866)	(790,838)
Additions to intangible assets	(15,026)	(18,273)	(12,869)
Purchase of derivative assets	-	(50,090)	-
Others	(20,872)	(25,165)	(17,876)
	<u>(2,221,255)</u>	<u>(2,453,839)</u>	<u>(1,902,412)</u>
Net cash used in investing activities	₩ <u>(1,818,629)</u>	<u>(1,523,077)</u>	\$ <u>(1,557,579)</u>

See accompanying notes to non-consolidated financial statements.

LOTTE SHOPPING CO., LTD.

Non-Consolidated Statements of Cash Flows, Continued

For the years ended December 31, 2009 and 2008

	Korean Won (millions)		U.S. dollars (thousands) (note 3)
	2009	2008	2009
Cash flows from financing activities:			
Cash inflows from financing activities:			
Proceeds from short-term borrowings	₩ 3,327,758	480,001	\$ 2,850,084
Proceeds from issuance of current portion of debentures	131,369	-	112,512
Proceeds from long-term borrowings	397,040	-	340,048
Proceeds from issuance of debentures	578,670	715,068	495,606
Receipt of leasehold deposits	63,729	28,675	54,581
	<u>4,498,566</u>	<u>1,223,744</u>	<u>3,852,831</u>
Cash outflows for financing activities:			
Repayment of short-term borrowings	(3,526,000)	(260,001)	(3,019,870)
Redemption of debentures	-	(550,000)	-
Refund of leasehold deposits received	(53,659)	(29,877)	(45,956)
Dividends paid	(36,304)	(36,304)	(31,093)
	<u>(3,615,963)</u>	<u>(876,182)</u>	<u>(3,096,919)</u>
Net cash provided by financing activities	<u>882,603</u>	<u>347,562</u>	<u>755,912</u>
Net increase (decrease) in cash and cash equivalents	124,851	(157,330)	106,929
Cash and cash equivalents at beginning of year	<u>309,696</u>	<u>467,026</u>	<u>265,242</u>
Cash and cash equivalents at end of year	₩ <u><u>434,547</u></u>	<u><u>309,696</u></u>	\$ <u><u>372,171</u></u>

See accompanying notes to non-consolidated financial statements.

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements

December 31, 2009 and 2008

(1) Organization and Description of Business

Lotte Shopping Co., Ltd. (the "Company") was established on July 2, 1970 in the Republic of Korea to engage in retail operations through department stores, discount stores and supermarkets. In addition to the retail operations, the Company's business includes, a chain of multiplex movie theaters under the brand name of Lotte Cinema, a clothing retail division and construction. The Company was listed on the stock market run by the Korea Exchange and the London Stock Exchange through an initial public offering in February 2006.

The stockholders of the Company as of December 31, 2009 are as follows:

Stockholder	Number of shares	Ownership (%)
Shin Dong Bin	4,237,627	14.6
Shin Dong Ju	4,235,883	14.6
Shin Kyuk Ho	293,877	1.0
Shin Young Ja	228,962	0.8
Hotel Lotte Co., Ltd.	2,781,947	9.6
Korea Fuji Film Co., Ltd.	2,474,543	8.5
Lotte Confectionery Co., Ltd.	2,474,543	8.5
Lotte Data Communication Company	1,515,653	5.2
Lotte Chilsung Beverage Co., Ltd.	1,237,272	4.3
Lotte Engineering & Construction Co., Ltd.	300,019	1.0
Hotel Lotte Pusan Co., Ltd.	246,720	0.9
Others	9,016,328	31.0
Total	29,043,374	100.0

(2) Summary of Significant Accounting Policies and Basis of Presenting Financial Statements

(a) Basis of Presenting Financial Statements

The Company maintains its accounting records in Korean Won and prepares statutory non-consolidated financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea (Korean GAAP). Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these non-consolidated financial statements are intended solely for use by only those who are informed about Korean accounting principles and practices. The accompanying non-consolidated financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements. Certain information included in the Korean language non-consolidated financial statements, but not required for a fair presentation of the Company's financial position, results of operations, cash flows or changes in stockholders' equity is not presented in the accompanying non-consolidated financial statements.

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(2) Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(a) Basis of Presenting Financial Statements, Continued

The accompanying non-consolidated financial statements include only the accounts of the Company, and do not consolidate the accounts of any of its subsidiaries. Instead, these subsidiaries are accounted for under the equity method of accounting (note 6).

The Company prepares the financial statements in accordance with generally accepted accounting principles in the Republic of Korea. Except for the items related to the adoption of changes to Statements of Korean Accounting Standards ("SKAS") No.5, *Property, Plant and Equipment*, the Company applied the same accounting policies that were adopted in the previous year's non-consolidated financial statements.

Certain accounts of the prior period's non-consolidated financial statements have been reclassified to conform to the current period's presentation. These reclassifications have not resulted in any change to reported net income or stockholders' equity.

In addition, as explained in note 38, the prior period income statement, presented comparatively, is reclassified to show the discontinued operation separately from continuing operations.

(b) Revenue Recognition

The Company recognizes revenue from the sale of goods upon purchase by end-customers or delivery. Revenue from sale of apartments in lots are recognized using the percentage-of-completion method, measured principally by the percentage of costs incurred to total estimated contract costs. Revenue other than the sale of goods and apartments in lots is recognized when the Company's earnings process is either complete or nearly complete in substance, the amount of revenue can be reliably measured, and it is probable that the Company will receive the economic benefits associated with the transaction.

Pursuant to SKAS No. 4, *Revenue Recognition*, the Company recognizes sales on a gross basis for merchandise which the Company bears the overall inventory risk in connection with purchase contracts with vendors where the merchandise may only be returned for a full refund prior to the end of the relevant season (for seasonal merchandise) or within 90 days from delivery (for non-seasonal merchandise). The Company recognizes sales on a net basis for merchandise that may be returned to vendors at any time.

(c) Allowance for Doubtful Accounts

Allowance for doubtful accounts is estimated based on an analysis of individual accounts and past experience of collection. However, when the principal of trade accounts and notes receivable, interest rate or repayment period are changed unfavorably for the Company by a court, such as on commencement of reorganization, or by mutual agreement and the difference between nominal value and present value is material, the difference is recognized as bad debt expense.

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(2) Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(d) Inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling costs. The costs of inventories are determined as follows:

	Retail business segment (Department and Supermarket Division)	Retail business segment (Mart Division)	Other business segment (Clothing retail and Construction)
Merchandise and finished goods	Retail method	Gross average method	Gross average method
Materials-in-transit	Specific identification method	Specific identification method	Specific identification method
Others	First-in, first-out method	First-in, first-out method	Gross average method

The amounts of any write-down of inventories to net realizable value due to obsolescence or excess inventory or other losses occurring in the normal course of business are recognized as cost of sales and such valuation losses are deducted from inventories as allowance for valuation losses.

The Company recognizes interest costs and other financial charges on borrowings associated with inventories that require a long period in the acquisition, construction or production as an expense in the period in which they are incurred.

(e) Investments in Securities (excluding investments in associates, subsidiaries and joint ventures)

(i) Classification

Upon acquisition, the Company classifies debt and equity securities into the following categories: held-to-maturity, available-for-sale or trading securities. This classification is reassessed at the end of each reporting period.

Investments in debt securities where the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity. Securities that are acquired principally for the purpose of selling in the short term are classified as trading securities. Investments not classified as either held-to-maturity or trading securities are classified as available-for-sale securities.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(2) Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(e) Investments in Securities (excluding investments in associates, subsidiaries and joint ventures), Continued

(ii) Initial recognition

Investments in securities are initially recognized at cost.

(iii) Subsequent measurement and income recognition

Trading securities are subsequently carried at fair value. Gains and losses arising from changes in the fair value of trading securities are included in the non-consolidated income statement in the period in which they arise. Available-for-sale securities are subsequently carried at fair value. Gains and losses arising from changes in the fair value of available-for-sale securities are recognized as other comprehensive income, net of tax, directly in equity. Investments in available-for-sale securities that do not have readily determinable fair values are recognized at cost less impairment, if any. Held-to-maturity investments are carried at amortized cost with interest income recognized in the non-consolidated income statement using the effective interest method.

(iv) Fair value information

The fair value of marketable securities is determined using quoted market prices as of the period end. Non-marketable debt securities are fair valued by discounting cash flows using the prevailing market rates for debt with a similar credit risk and remaining maturity. Credit risk is determined using issuer's credit rating as announced by accredited credit rating agencies in Korea. The fair value of investments in money market funds is determined by investment management companies.

(v) Presentation

Trading securities are presented as current assets. Available-for-sale securities, which mature within one year from the end of reporting period or where the likelihood of disposal is within one year from the end of reporting period is probable, are presented as current assets. Held-to-maturity securities, which mature within one year from the end of reporting period, are presented as current assets. All other available-for-sale securities and held-to-maturity securities are presented as non-current assets.

(vi) Impairment

The Company reviews investments in securities whenever events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. Impairment losses are recognized when reasonably estimated recoverable amounts are less than the carrying amount and it is not obviously evident that impairment is unnecessary.

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(2) Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(e) Investments in Securities (excluding investments in associates, subsidiaries and joint ventures), Continued

(vi) Impairment, Continued

An impairment loss is reversed if the reversal is objectively related to an event occurring after the impairment loss was recognized and a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in the asset in prior years. For held-to-maturity securities measured at amortized cost and available-for-sale securities that are debt securities, the reversal is recognized in profit or loss. For available-for-sale securities that are equity securities, the reversal is recognized directly in equity.

(f) Investments in Associates and Subsidiaries

Associates are entities where the Company has the ability to significantly influence its financial and operating policies. It is presumed to have significant influence if the Company holds directly or indirectly 20 percent or more of the voting power unless it can be clearly demonstrated that this is not the case. Subsidiaries are entities controlled by the Company.

Investments in associates and subsidiaries are accounted for using the equity method of accounting and are initially recognized at cost.

The Company's investments in associates and subsidiaries include goodwill identified on the acquisition date (net of any accumulated impairment loss). Goodwill is calculated as the excess of the acquisition cost of an investment in an associate or subsidiary over the Company's share of the fair value of the identifiable net assets acquired. Goodwill is amortized using the straight-line method over 10 years. Amortization of goodwill is recorded together with equity in earnings (losses).

When events or circumstances indicate that the carrying value of goodwill may not be recoverable, the Company reviews goodwill for impairment and records any impairment loss immediately in the non-consolidated statement of income.

The Company's share of its post-acquisition profits or losses in investments in associates and subsidiaries is recognized in the non-consolidated income statement, and its share of post-acquisition movements in equity is recognized in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of each investment. Changes in the carrying amount of an investment resulting from dividends by an associate or subsidiary are recognized when the associate or subsidiary declares the dividend. When the Company's share of losses in an associate or subsidiary equals or exceeds its interest in the associate or subsidiary, including preferred stock or other long term loans and receivables from the associate or subsidiary, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate or subsidiary.

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(2) Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(f) Investments in Associates and Subsidiaries, Continued

If the investee is a subsidiary, net income and net assets of the parent company's separate financial statements should agree with the parent company's share in the net income and net assets of the consolidated financial statements, except when the Company discontinues the application of the equity method due to its investment in a subsidiary being reduced to zero.

Unrealized gains on transactions between the Company and its associates or subsidiaries are eliminated to the extent of the Company's interest in each associate or subsidiary.

(g) Joint Venture Investments

Joint ventures are those entities or assets over whose activities the Company has joint control.

In respect to jointly controlled operations, the Company includes in its non-consolidated financial statements, the assets that it controls and the liabilities and expenses it has incurred, plus its share of the income (loss) from the joint operation. For its interest in jointly controlled assets, the Company recognizes in the non-consolidated financial statements, its share of the assets it jointly controls, the liabilities jointly incurred and net income (loss), plus the liabilities and expenses it has solely incurred, if any. In addition, the Company accounts for its interest in a jointly controlled entity using the equity method of accounting.

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(2) Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(h) Property, Plant and Equipment

Property, plant and equipment are stated at cost net of accumulated depreciation, except for revaluations made in accordance with the Asset Revaluation Law prior to the Law being revoked on December 2000 and revaluation for land in accordance with the revised SKAS No.5, *Property, Plant and Equipment* (the "Standard") as of January 1, 2009.

Under the newly adopted Standard, SKAS No.5, the book value of land is accounted at fair value as of the date of the revaluation less accumulated impairment loss. If an asset's book value increases as a result of the revaluation, the amount of the increase is recognized in other comprehensive income, of which, the amount of the increase that reverses a revaluation decrease of the same asset previously recognized in profit and loss is recognized in profit and loss in the current period. On the other hand, if an asset's book value decreases as a result of the revaluation, that decrease is recognized as a loss for the current period, and the portion of the amount of decrease included in the credit balance in the revaluation surplus recorded in other comprehensive income is deducted from other comprehensive income. According to the transitional provision to this Standard, the accounting change will be applied prospectively and the prior period non-consolidated financial statements presented for comparative purposes have not been restated.

Additions or improvements extending useful lives of assets are capitalized. However, normal maintenance and repairs are charged to expense as incurred.

Depreciation is computed by the straight-line method over their respective estimated useful lives for buildings, structures and by the declining-balance method for vehicles, display fixtures and other furniture and fixtures. For machinery used in the retail business segment, depreciation is computed by the straight-line method, whereas machinery used in all other segments is computed by the declining-balance method. Estimated useful lives are as follows:

	<u>Useful lives (years)</u>
Buildings	10 – 30
Structures	10 – 30
Machinery	4 – 30
Vehicles	4
Display fixtures	4
Other furniture and fixtures	4

The Company recognizes interest costs and other financial charges on borrowings associated with the production, acquisition and construction of property, plant and equipment as an expense in the period in which they are incurred.

The Company reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted future net cash flows from the use of the asset including proceeds from ultimate disposal are less than its carrying amount.

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(2) Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(i) Intangible Assets

Intangible assets are stated at cost, net of accumulated amortization. Subsequent expenditures, which enable the assets to generate future economic benefits that can be measured and reliably attributed to the assets, are treated as additions to intangible assets.

The copyright on film is stated at cost and amortized over the estimated period the related revenue will be recognized. Estimated realization period is evaluated on a periodic basis. In addition, impairment loss on intangible assets is recognized when the realization of revenue is uncertain.

The Company accounts for acquisition of a business assuming the transaction occurred as of the most recent quarter end (the deemed acquisition date). Goodwill, which represents the excess of the acquisition cost over the fair value of net identifiable assets acquired, is amortized on a straight-line basis over the estimated useful life not to exceed 20 years. Impairment loss on goodwill is recognized when the recoverable amount declines below its carrying amount and its amount is material.

Amortization is computed using the straight-line method over the estimated useful lives as follows:

	<u>Useful lives (years)</u>
Goodwill	10
Industrial property rights	5
Rights to use water supply facility	10
Rights to use electricity supply facility	10
Rights to use gas supply facility	10
Rights to use facility	20
Brand license	5~10
Film copyrights	Duration of related revenue to be realized
Software	5

When the recoverable amount of the intangible assets is substantially below the carrying amount of the assets due to obsolescence or a sharp decline in their market value, the Company reduces the carrying amount to the recoverable amount and the amount impaired is recognized as an impairment loss.

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(2) Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(j) Leases

The Company accounts for and classifies its lease transactions as either an operating or capital lease, depending on the terms of the lease.

If a lease meets one or more of the criteria listed below, the present value of future minimum lease payments is capitalized with a corresponding obligation under capital lease. Otherwise, it is classified as an operating lease.

- Ownership of the leased property transfers to the lessee at the end of the lease term.
- The lease has a bargain purchase option which is reasonably certain to be exercised, at the inception of the lease.
- The lease term is equal to 75% or more of the estimated economic useful life of the leased property.
- The present value at the beginning of the lease term of the minimum lease payments equals or exceeds 90% of the fair value of the leased property.

In addition, if the leased property is specialized to the extent that only the lessee can use it without any major modification, it would be considered a capital lease.

Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(k) Discount on Debentures

Discount on debentures issued, which represents the difference between the face value and issuance price of debentures, is amortized using the effective interest method over the life of the debentures. The amount amortized is included in interest expense.

(l) Retirement and Severance Benefits

Employees who have been with the Company for more than one year are entitled to lump-sum payments based on salary rates and length of service at the time they leave the Company. The Company's estimated liability under the plan, which would be payable if all employees left on the end of reporting period, is accrued in the accompanying non-consolidated statements of financial position. A portion of the liability is covered by an employees' severance benefits trust where the employees have a vested interest in the deposit with the insurance company in trust. The deposit for severance benefits held in trust is, therefore, reflected in the accompanying non-consolidated statements of financial position as a reduction of the liability for retirement and severance benefits.

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(2) Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(m) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the end of reporting period, with the resulting gains or losses recognized in the current operations. Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at ₩1,167.6 to US\$1, the rate of exchange on December 31, 2009. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Korean Won at the foreign exchange rate on the date of the transaction.

Foreign currency assets and liabilities of foreign-based operations and companies accounted for using the equity method are translated at the rate of exchange at the end of reporting period. Foreign currency amounts in the statement of income are translated using an average rate and foreign currency balances in the capital account are translated using the historical rate. Translation gains and losses arising from collective translation of the foreign currency financial statements of foreign-based operations are recorded net as a component of accumulated other comprehensive income. These gains and losses are subsequently recognized as income (loss) in the period the foreign operations or companies are liquidated or sold.

(n) Derivatives and Hedge Accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Attributable transaction costs are recognized in profit or loss when incurred.

(i) Hedge accounting

Where a derivative, which meets certain criteria, is used for hedging the exposure to changes in the fair value of a recognized asset, liability or firm commitment, it is designated as a fair value hedge. Where a derivative, which meets certain criteria, is used for hedging the exposure to the variability of the future cash flows of a forecasted transaction it is designated as a cash flow hedge.

The Company documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting the changes in fair values or cash flows of hedged items.

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(2) Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(n) Derivatives and Hedge Accounting, Continued

(ii) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified for as fair value hedges are recorded in the statement of income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(iii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified for as cash flow hedges is recognized in equity. The gain or loss relating to any ineffective portion is recognized immediately in the statement of income. Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at the time remains in equity and is recognized when the forecast transaction is ultimately recognized in the statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the non-consolidated statement of income.

(iv) Derivatives that do not qualify for hedge accounting

Changes in the fair value of derivative instruments that are not designated as fair value or cash flow hedges are recognized immediately in current operations.

(o) Provisions and Contingent Liabilities

Provisions are recognized when all of the followings are met: (1) an entity has a present obligation as a result of a past event; (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (3) a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, a provision is recorded at the present value of the expenditures expected to be required to settle the obligation.

Where the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that the Company will receive reimbursement upon settlement of the obligation. The expense relating to a provision is presented net of the reimbursement.

(p) Liability for Gift Certificates

Gift certificates are recognized as liabilities when they are sold and subsequently recognized as sales when redeemed. When the exercise period (5 years after sale) of gift certificates expires, the Company recognizes the income as other non-operating income.

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(2) Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(q) Income Taxes

Income tax on the income or loss for the period comprises of current and deferred tax. Income tax is recognized in the non-consolidated statement of income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using enacted tax rates.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the end of reporting period.

A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are classified as current or non-current based on the classification of the related asset or liability for financial reporting or the expected reversal date of the temporary difference for those with no related asset or liability such as loss carryforwards and tax credit carryforwards. The deferred tax amounts are presented as a net current asset or liability and a net non-current asset or liability.

(r) Earnings Per Share

Earnings per common share are calculated by dividing net income by the weighted-average number of shares of common stock outstanding during each period.

(s) Income from Discontinued Operations

Operating and non-operating income, net of income tax effect is reported as income from discontinued operations in the income statement for the period in which an initial disclosure event occurred. The prior period financial statements, presented comparatively, are reclassified to show the discontinued operations separately from continuing operations.

(t) Use of Estimates

The preparation of non-consolidated financial statements in accordance with Korean GAAP requires management to make estimates and assumptions that affect the amounts reported in the non-consolidated financial statements and related notes to non-consolidated financial statements. Actual results could differ from those estimates.

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(3) Basis of Translating the Non-Consolidated Financial Statements

The non-consolidated financial statements are expressed in Korean Won and, solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ₩1,167.6 to US\$1, the basic exchange rate on December 31, 2009 posted by Seoul Money Brokerage Services. This translation should not be construed as a representation that any or all of the amounts shown could be converted into U.S. dollars at this or any other rate.

(4) Restricted Deposits

Restricted deposits included in short-term and long-term financial instruments as of December 31, 2009 and 2008 are as follows:

Account	Depository	Korean Won (millions)		U.S. dollars (thousands) (note 3)
		2009	2008	2009
Short-term:				
Guarantee deposits of contracts	Kookmin Bank and others	₩ 20,375	12,208	\$ 17,450
Long-term:				
Guarantee deposits of contracts	Shinhan Bank	12,500	12,500	10,706
Guarantee deposits for checking accounts	Shinhan Bank and others	28	31	24
Total		₩ 32,903	24,739	\$ 28,180

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(5) Inventories

(a) Inventories as of December 31, 2009 and 2008 are as follows:

Description	Korean Won (millions)		U.S. dollars (thousands) (note 3)
	2009	2008	2009
Merchandise, net of allowance for valuation losses of ₩5,951 million in 2009 and ₩5,396 million in 2008	₩ 1,098,099	1,004,912	\$ 940,476
Finished goods	-	3,615	-
Raw materials	326	3,722	279
Supplies	570	733	488
Materials-in-transit	557	1,423	477
Plots of land	-	9,749	-
Finished apartment units	1,757	-	1,504
Unfinished apartment units	-	13,731	-
Total	₩ 1,101,309	1,037,885	\$ 943,224

(b) Loss on inventory shrinkage for the years ended December 31, 2009 and 2008 are ₩12,744 million and ₩10,373 million, respectively.

(6) Investment in Securities

Investments in securities as of December 31, 2009 and 2008 are as follows:

(a) Available-for-sale securities

(i) Equity securities

Description	Owned shares	Korean Won (millions)			U.S. dollars (thousands) (note 3)
		2009	2008	2009	
		Cost	Fair value	Book value	Book value
Marketable securities (*1):					
Busan Bank (*2)	5,259,597	₩ 24,877	73,371	73,371	\$ 62,839
Shinhan Financial Group	311,118	2,247	13,440	13,440	11,511
Eyesvision Corporation	20,256	491	25	25	22
Korea Investment Corporation	10,869	100	10	10	8
Korea Express Co., Ltd. (*3)	332,046	6,690	18,828	18,828	16,125
Subtotal		₩ 34,405	105,674	105,674	\$ 90,505

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(6) Investment in Securities, Continued

(a) Available-for-sale securities, Continued

(i) Equity securities, Continued

Description	Owned shares	Korean Won (millions)			U.S. dollars
		2009		2008	(thousands)
		Cost	Book value	Book value	(note 3)
				2009	Book value
Non-marketable securities (*4):					
Lotte Giants (*5)	6,000 ₩	30	30	30	\$ 26
Hankyung Economic Daily	1,722	31	31	31	27
V Bank Consulting	2,500	13	-	-	-
Incheon United Football Club	400	2	-	-	-
Agentrics	1,913,479	346	346	346	296
M-cieta Development Co., Ltd.	499,800	2,499	2,499	2,499	2,140
M-cieta Co., Ltd.	2,940	15	15	15	13
Corona Development (formerly Incheon PF)	172,000	860	860	860	737
Lakepark AMC (*5)	14,340	72	72	72	61
STX Construction Industrial Co., Ltd.	139	1	1	1	1
Union Ark Development Co., Ltd.	362,980	1,815	1,815	1,815	1,553
Union Ark Co., Ltd.	3,000	15	15	15	13
Biche-Nuri Development Co., Ltd.	171,600	858	858	150	735
Biche-Nuri Co., Ltd.	3,000	15	15	15	13
Daol Union Ark Private equity real estate 1 investment Company	1,319,920,000	1,320	1,320	1,320	1,130
Lotte Jeju Resort Co., Ltd. (*6)	-	-	-	2,500	-
Lotte Buyeo Resort Co., Ltd. (*6)	-	-	-	6,667	-
Cosmo Investment Management Co., Ltd.	23,065	8,165	6,616	-	5,666
Lotte Properties (Shenyang) Limited	-	41,919	41,919	28,726	35,902
Herald Media Inc.	12,000	60	-	-	-
I Venture Media Investment Union	14	700	700	700	600
CJ Venture Investment No.12 Global Contents Fund	15	1,500	1,500	-	1,285
Korea Foods Industry Association	-	-	-	5	-
So Big 5 Contents Investment Union	18	1,800	1,800	1,800	1,542
Subtotal		62,036	60,412	47,567	51,740
Total		₩ 96,441	166,086	130,383	\$ 142,245

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(6) Investment in Securities, Continued

(a) Available-for-sale securities, Continued

- (*1) The equity securities above are stated at fair value and the difference between acquisition cost and market value are recorded as unrealized gains on valuation of available-for-sale securities in other comprehensive income.
- (*2) As of December 31, 2009, the Company has pledged 1,345,607 shares of Busan Bank to Gyeongsangnam-do Province as a performance guarantee for the construction of a large retail complex. The Company has also pledged 1,313,827 shares of Busan Bank to Busan Metropolitan City as a construction performance guarantee.
- (*3) The Company participated in the Kumho Asiana Consortium ("KAC") which acquired Korea Express Co., Ltd.'s stocks in March 2008. According to the shareholders' agreement with Asiana Airlines Inc., a participant of KAC, the Company is prohibited to sell, assign or pledge the stocks as collateral to any 3rd party without prior permission of Asiana Airlines Inc. for 2 years after acquisition, and after 2 years, Asiana Airlines Inc. has the right of first refusal to purchase the stocks. If Asiana Airlines Inc. is no longer the majority stockholder by assigning stocks to 3rd parties, it will provide the Company with right of first refusal with the same terms and conditions. Also, according to the agreement with Kumho RAC Co., Ltd. (formerly known as Kumho rent-a-car Co., Ltd.), another participant of KAC, as the Company holds a put option to sell its stock at acquisition cost plus interest after 3 years of acquisition, the Company has recorded the fair value of the put option of ₩31,817 million as a non-current derivative asset. (see note 21)
- (*4) The equity securities are stated at acquisition cost since their fair values are not available or readily determinable.
- (*5) As described in note 2(f), investments in affiliates in which the Company owns 20% or more of the voting stock are stated at amounts as determined using the equity method. However, investments in small affiliates and subsidiaries with total assets amounting to less than ₩10,000 million as of the prior fiscal year-end are recorded at cost within available-for-sale securities in accordance with SKAS No. 15, *Equity Method of Accounting*, except where the effect of applying the equity method of accounting is material.
- (*6) The Company acquired Lotte Jeju Resort Co., Ltd.'s stocks and Lotte Buyeo Resort Co., Ltd.'s stocks in 2009 through the paid-in capital increase. Therefore, the effect of applying the equity method of accounting became material. The Company applied the equity method from this period.

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(6) Investment in Securities, Continued

(a) Available-for-sale securities, Continued

(ii) Debt securities

	Korean Won (millions)		U.S. dollars (thousands) (note 3)
	2009	2008	2009
Current assets:			
Government and public bonds (note 7)	₩ 8,144	2	\$ 6,975
Non-current assets:			
Government and public bonds	<u>25,124</u>	<u>27,370</u>	<u>21,519</u>
Total	₩ <u>33,268</u>	<u>27,372</u>	\$ <u>28,494</u>

(iii) Changes in unrealized holding gains (losses)

Changes in unrealized gains (losses) for the years ended December 31, 2009 and 2008 are summarized as follows:

	Korean Won (millions)		U.S. dollars (thousands) (note 3)
	2009	2008	2009
Balance at beginning of year	₩ 8,974	38,479	\$ 7,686
Unrealized gains (losses) on valuation of securities, net of tax	<u>44,203</u>	<u>(29,505)</u>	<u>37,858</u>
Balance at end of year (note 24)	₩ <u>53,177</u>	<u>8,974</u>	\$ <u>45,544</u>

(b) Held-to-maturity Securities

Held-to-maturity securities as of December 31, 2009 and 2008 are summarized as follows:

	Korean Won (millions)		U.S. dollars (thousands) (note 3)
	2009	2008	2009
Current assets:			
Corporate debt securities	₩ -	159,445	\$ -
Non-current assets:			
Corporate debt securities (note 12)	<u>1,000</u>	<u>1,000</u>	<u>856</u>
Total	₩ <u>1,000</u>	<u>160,445</u>	\$ <u>856</u>

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(6) Investment in Securities, Continued

(c) Equity method accounted investments

(i) Investments in subsidiaries and associates accounted for using the equity method as of December 31, 2009 and 2008 are as follows:

Affiliate	Owned shares	Percentage of ownership	2009		
			Korean Won (millions)		Balance at December 31, 2009
			Cost	Net asset value	
Lotte Midopa Co., Ltd. (*1)	51,475,843	79.01%	₩ 257,379	564,273	582,875
Lotte Card Co., Ltd.	69,995,159	92.54%	432,907	975,565	982,949
Woori Home Shopping & Television Co., Ltd.	4,242,796	53.03%	466,708	122,324	393,213
Korea Seven Co., Ltd.	8,000,000	50.12%	28,184	32,398	29,840
Lotte.Com Inc.	1,600,000	34.39%	8,000	11,579	11,610
Lotte Boulangerie Co., Ltd.	4,020,222	95.71%	19,942	9,529	9,529
Lotteria Co., Ltd.	84,127	21.21%	44,386	35,551	35,178
Daehong Communications Co., Ltd.	12,000	30.00%	6,277	36,420	27,285
Lotte Krispy Kreme Doughnuts Co., Ltd.	400,000	100.00%	81,438	81,474	80,556
Lotte Station Building Co., Ltd.	900,000	25.00%	4,500	157,380	157,380
Lotte Capital Co., Ltd.	6,731,600	20.22%	70,573	70,214	70,214
FRL Korea Co., Ltd.	2,352,000	49.00%	11,760	24,827	24,827
Lotte Asset Development Co., Ltd.	8,234,153	31.31%	42,571	36,233	36,233
Lotte Trading Co., Ltd. (*2)	94,785	10.58%	18,878	36,320	55,275
Lotte Aluminium Co., Ltd. (*2)	62,609	6.03%	28,976	50,761	50,595
Lotte Logistics Co., Ltd. (*2)	66,308	4.64%	4,000	6,792	5,876
Lotte Jeju Resort Co., Ltd. (*2)	1,000,000	12.50%	5,000	5,078	5,000
Lotte Buyeo Resort Co., Ltd.	2,000,000	22.22%	10,000	10,006	10,006
Lakepark Co., Ltd.	860,400	23.90%	4,302	5,636	5,636
KTB Media Investment Union	15	30.00%	1,500	978	978
Isu Entertainment Investment Union	30	37.50%	3,000	1,962	1,962
D-Cinema of Korea Co., Ltd. (*3)	300,000	50.00%	1,500	-	-
Zara Retail Korea Co., Ltd.	302,600	20.00%	15,130	16,106	16,106
M-Venture Culture Investment L.P.	250	25.00%	2,500	2,492	2,500
Lotte Vietnam Shopping Co., Ltd. (*3)	-	80.00%	11,441	-	-
Qingdao Lottemart Commercial Co., Ltd.	-	100.00%	33,219	30,048	30,048
Lotte Mart Co., Ltd.	-	100.00%	183,033	51,925	158,134
Lotte Europe Holdings B.V.	147,754	30.81%	128,224	87,733	88,567
Lotte Shopping Holdings(Singapore), Ltd.	101,244,763	100.00%	135,440	114,529	114,529
PT Lotte Shopping Indonesia	2,622,812	55.00%	223,042	48,598	214,068
Shenyang Lottemart Commercial Co., Ltd.	-	100.00%	12,161	10,841	10,841
Lotte Shopping Holdings(Hongkong), Ltd.	638,736,510	100.00%	740,569	743,870	743,870
Lottecinema Vietnam Co., Ltd.	-	90.00%	4,459	63	2,219
Intime Lotte Department Store Co., Ltd. (*3)	-	50.00%	10,339	-	-
Coralis S.A.	99,960	24.99%	17,418	8,788	17,418
Total			₩ 3,068,756	3,390,293	3,975,317

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(6) Investment in Securities, Continued

(c) Equity method accounted investments, Continued

Affiliate	Owned shares	Percentage of ownership	2008		
			Korean Won (millions)		
			Cost	Net asset value	Balance at December 31, 2008
Lotte Midopa Co., Ltd.	51,475,843	79.01%	₩ 257,379	445,647	471,005
Lotte Card Co., Ltd.	69,995,159	92.54%	432,907	854,187	863,303
Woori Home Shopping & Television Co., Ltd.	4,242,796	53.03%	466,708	97,484	407,415
Lotte.Com Inc.	1,600,000	34.39%	8,000	10,284	10,316
Lotte Boulangerie Co., Ltd.	4,020,222	95.71%	19,942	10,111	10,111
Lotte Station Building Co., Ltd.	900,000	25.00%	4,500	143,441	143,441
Daehong Communications Co., Ltd.	12,000	30.00%	6,277	60,920	60,921
Foodstar Inc.	5,582,896	39.76%	33,995	-	-
Lotte Capital Co., Ltd.	6,731,600	20.22%	70,573	56,898	56,898
FRL Korea Co., Ltd.	2,352,000	49.00%	11,760	17,127	17,127
Lotteria Co., Ltd.	74,000	19.94%	39,719	54,631	59,562
Lotte Asset Development Co., Ltd.	6,060,023	29.85%	31,700	30,486	30,486
Lotte Engineering & Machinery Manufacturing Co., Ltd.	393,283	13.71%	2,069	3,179	3,179
Lotte Trading Co., Ltd.	74,561	9.39%	7,687	23,091	42,578
Lotte Aluminium Co., Ltd.	48,391	5.08%	23,038	28,941	32,859
Lotte Logistics Co., Ltd.	66,308	4.64%	4,000	5,026	4,110
Lakepark Co., Ltd.	860,400	23.90%	4,302	3,727	3,727
KTB Media Investment Union	15	30.00%	1,500	932	932
Isu Entertainment Investment Union	30	37.50%	3,000	1,882	1,882
D-Cinema of Korea Co., Ltd.	300,000	50.00%	1,500	798	798
Zara Retail Korea Co., Ltd.	162,600	20.00%	8,130	8,133	8,133
Lotte Vietnam Shopping Co., Ltd.	-	80.00%	11,442	3,498	3,498
Qingdao Lottemart Commercial Co., Ltd.	-	100.00%	33,219	46,632	46,632
Lotte Mart Co., Ltd.	-	100.00%	183,033	67,076	185,903
Lotte Europe Holdings B.V.	97,584	29.93%	78,766	71,487	68,707
Intime Lotte Department Store Co., Ltd.	-	50.00%	10,339	3,980	3,980
Lotte Cinema Vietnam Co., Ltd.	-	90.00%	3,629	1,210	3,620
Shenyang Lottemart Commercial Co., Ltd.	-	100.00%	2,107	2,495	2,495
Lotte Shopping Holdings(Hongkong), Ltd.	180,000	100.00%	259	259	259
Lotte Shopping Holdings(Singapore), Ltd.	70,667,029	100.00%	98,449	96,207	96,207
PT Lotte Shopping Indonesia	2,622,812	55.00%	219,737	41,864	214,863
Total			₩ 2,079,666	2,191,633	2,854,947

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(6) Investment in Securities, Continued

(c) Equity method accounted investments, Continued

(*1) The quoted market value of Lotte Midopa Co., Ltd., based on the closing price at the Korea Exchange, are ₩607,415 million and ₩326,872 million as of December 31, 2009 and 2008, respectively.

(*2) The equity interest in Lotte Trading Co., Ltd., Lotte Aluminium Co., Ltd., Lotte Logistics Co., Ltd. and Lotte Jeju Resort Co., Ltd. is under 20%; however, as the Company is able to exercise significant influence over their operations, the Company applies the equity method of accounting to these investments.

(*3) The Company did not recognize further losses, since the Company's share of losses in Lotte Vietnam Shopping Co., Ltd., D-Cinema of Korea Co., Ltd. and Intime Lotte Department Store Co., Ltd. exceeded its interest.

(ii) Changes in the difference between the acquisition cost and the Company's share of the investee's identifiable net assets for the years ended December 31, 2009 and 2008 are as follows:

Affiliate	2009				Balance at December 31, 2009
	Beginning balance	Increase (Decrease)	Amortization	Korean Won (millions)	
Lotte Midopa Co., Ltd.	₩ 26,881	-	(6,725)		20,156
Lotte Card Co., Ltd.	8,514	-	(1,732)		6,782
Woori Home Shopping & Television Co., Ltd.	309,922	-	(39,043)		270,879
Korea Seven Co., Ltd.	-	(1,190)	(1,368)		(2,558)
Lotteria Co., Ltd.	4,930	(373)	(4,930)		(373)
Daehong Communications Co., Ltd.	-	(9,136)	-		(9,136)
Lotte Krispy Kreme Doughnuts Co., Ltd.	-	(35)	35		-
Lotte Trading Co., Ltd.	19,487	569	(1,102)		18,954
Lotte Aluminium Co., Ltd.	3,918	(2,208)	(1,876)		(166)
Lotte Logistics Co., Ltd.	(917)	-	-		(917)
Lotte Jeju Resort Co., Ltd.	-	(78)	-		(78)
M-Venture Culture Investment L.P.	-	8	-		8
Lotte Mart Co., Ltd.	118,828	-	(12,619)		106,209
Lotte Europe Holdings B.V.	-	3,615	-		3,615
PT Lotte Shopping Indonesia	173,000	7,136	(14,666)		165,470
Lottecinema Vietnam Co., Ltd.	2,410	-	(254)		2,156
Coralis S.A.	-	8,630	-		8,630
Total	₩ 666,973	6,938	(84,280)		589,631

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(6) Investment in Securities, Continued

(c) Equity method accounted investments, Continued

Affiliate	2008			Balance at December 31, 2008
	Beginning balance	Increase (Decrease)	Amortization	
Lotte Midopa Co., Ltd.	₩ 33,606	-	(6,725)	26,881
Lotte Card Co., Ltd.	10,245	-	(1,731)	8,514
Woori Home Shopping & Television Co., Ltd.	348,964	-	(39,042)	309,922
Lotteria Co., Ltd.	6,574	-	(1,644)	4,930
Lotte Trading Co., Ltd.	19,487	-	-	19,487
Lotte Aluminium Co., Ltd.	4,897	-	(979)	3,918
Lotte Logistics Co., Ltd.	(917)	-	-	(917)
Lotte RUS Ltd.	913	(830)	(83)	-
Lotte Mart Co., Ltd.	-	126,189	(7,361)	118,828
Lotte Cinema Vietnam Co., Ltd.	-	2,537	(127)	2,410
PT Lotte Shopping Indonesia	-	175,087	(2,087)	173,000
Total	₩ 423,769	302,983	(59,779)	666,973

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(6) Investment in Securities, Continued

(c) Equity method accounted investments, Continued

(iii) Eliminated net unrealized losses (gains) from intercompany transactions as of December 31, 2009 and 2008 are as follows:

Affiliate	2009		
	Korean Won (millions)		
	Allowance for doubtful accounts	Investment assets	Property, plant and equipment and intangible assets
Lotte Midopa Co., Ltd.	₩ 67	-	(1,620)
Lotte Card Co., Ltd.	603	-	-
Woori Home Shopping & Television Co., Ltd.	9	-	-
Lotte.Com Inc.	31	-	-
Lotte Boulangerie Co., Ltd.	1	-	-
Lotte Krispy Kreme Doughnuts Co., Ltd.	-	(917)	-
Lotte Europe Holdings B.V.	-	(2,781)	-
Total	₩ 711	(3,698)	(1,620)

Affiliate	2008		
	Korean Won (millions)		
	Allowance for doubtful accounts	Investment assets	Property, plant and equipment and intangible assets
Lotte Midopa Co., Ltd.	₩ 67	-	(1,590)
Lotte Card Co., Ltd.	603	-	-
Woori Home Shopping & Television Co., Ltd.	9	-	-
Lotte.Com Inc.	31	-	-
Lotte Boulangerie Co., Ltd.	1	-	-
Daehong Communications Co., Ltd.	1	-	-
Lotte Europe Holdings B.V.	-	(2,781)	-
Total	₩ 712	(2,781)	(1,590)

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(6) Investment in Securities, Continued

(c) Equity method accounted investments, Continued

(iv) Details of changes in investments in subsidiaries and associates accounted for using the equity method for the years ended December 31, 2009 and 2008 are as follows:

Affiliate	Percentage of ownership	2009					Balance at December 31, 2009
		Beginning balance	Korean Won (millions)			Other (*1)	
			Net income (loss)	Other comprehensive income(loss)	Other (*1)		
Lotte Midopa Co., Ltd.	79.01%	₩ 471,005	25,747	88,697	(2,574)	582,875	
Lotte Card Co., Ltd.	92.54%	863,303	126,731	(7,085)	-	982,949	
Woori Home Shopping & Television Co., Ltd.	53.03%	407,415	(6,695)	(82)	(7,425)	393,213	
Korea Seven Co.,Ltd.	50.12%	-	1,145	511	28,184	29,840	
Lotte.Com Inc.	34.39%	10,316	2,319	(624)	(401)	11,610	
Lotte Boulangerie Co., Ltd.	95.71%	10,111	(1,737)	1,155	-	9,529	
Lotteria Co., Ltd. (*2)	21.21%	59,562	7,494	(36,545)	4,667	35,178	
Daehong Communications Co., Ltd.	30.00%	60,921	8,876	(42,506)	(6)	27,285	
Lotte Krispy Kreme Doughnuts Co., Ltd.	100.00%	-	(882)	-	81,438	80,556	
Lotte Station Building Co., Ltd.	25.00%	143,441	15,925	2,290	(4,276)	157,380	
Foodstar Inc. (*2)	-	-	5,844	(135)	(5,709)	-	
Lotte Capital Co., Ltd.	20.22%	56,898	12,941	375	-	70,214	
FRL Korea Co., Ltd.	49.00%	17,127	7,700	-	-	24,827	
Lotte Asset Development Co., Ltd.	31.31%	30,486	(1,385)	(3,739)	10,871	36,233	
Lotte Engineering & Machinery Manufacturing Co., Ltd. (*2)	-	3,179	2,785	(1,699)	(4,265)	-	
Lotte Trading Co., Ltd.	10.58%	42,578	388	1,118	11,191	55,275	
Lotte Aluminium Co., Ltd. (*2)	6.03%	32,859	51	11,747	5,938	50,595	
Lotte Logistics Co., Ltd.	4.64%	4,110	520	1,279	(33)	5,876	
Lotte Jeju Resort Co., Ltd.	12.50%	-	-	-	5,000	5,000	
Lotte Buyeo Resort Co., Ltd.	22.22%	-	46	(40)	10,000	10,006	
Lakepark Co., Ltd.	23.90%	3,727	1,909	-	-	5,636	
KTB Media Investment Union	30.00%	932	46	-	-	978	
Isu Entertainment Investment Union	37.50%	1,882	80	-	-	1,962	
D-Cinema of Korea Co., Ltd.	50.00%	798	(798)	-	-	-	
Zara Retail Korea Co., Ltd.	20.00%	8,133	1,074	(101)	7,000	16,106	
M-Venture Culture Investment L.P.	25.00%	-	-	-	2,500	2,500	
Lotte Vietnam Shopping Co., Ltd.	80.00%	3,498	(5,451)	1,953	-	-	
Qingdao Lottemart Commercial Co., Ltd.	100.00%	46,632	(12,673)	(3,911)	-	30,048	
Lotte Mart Co., Ltd.	100.00%	185,903	(21,106)	(6,663)	-	158,134	
Lotte Europe Holdings B.V.	30.81%	68,707	(8,057)	(21,541)	49,458	88,567	
Lotte Shopping Holdings(Singapore), Ltd.	100.00%	96,207	(3,861)	(14,808)	36,991	114,529	
PT Lotte Shopping Indonesia	55.00%	214,863	(9,153)	5,054	3,304	214,068	
Shenyang Lottemart Commercial Co., Ltd.	100.00%	2,495	(780)	(928)	10,054	10,841	
Lotte Shopping Holdings(Hongkong), Ltd.	100.00%	259	(1,470)	4,770	740,311	743,870	
Lottecinema Vietnam Co., Ltd.	90.00%	3,620	(2,148)	(82)	829	2,219	
Subtotal		₩ 2,850,967	145,425	(21,540)	983,047	3,957,899	

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(6) Investment in Securities, Continued

(c) Equity method accounted investments, Continued

Affiliate	Percentage of ownership	2009					Balance at December 31, 2009
		Beginning balance	Korean Won (millions)			Other (*1)	
			Net income (loss)	Adjustment to Other comprehensive income(loss)			
Intime Lotte Department Store Co., Ltd.	50.00%	₩ 3,980	(5,033)	1,053	-	-	
Coralis S.A.	24.99%	-	-	-	17,418	17,418	
Lotte Shopping India Pvt., Ltd.	-	-	-	-	-	-	
KKD Lotte Holdings Co., Ltd.	-	-	(1,461)	-	1,461	-	
Total		₩ 2,854,947	138,931	(20,487)	1,001,926	3,975,317	

Affiliate	Percentage of ownership	2008					Balance at December 31, 2008
		Beginning balance	Korean Won (millions)			Other (*1)	
			Net income (loss)	Adjustment to Other comprehensive income(loss)			
Lotte Midopa Co., Ltd.	79.01%	₩ 451,816	31,783	(12,594)	-	471,005	
Lotte Card Co., Ltd.	92.54%	740,530	125,160	(2,387)	-	863,303	
Woori Home Shopping & Television Co., Ltd.	53.03%	425,800	(17,664)	243	(964)	407,415	
Lotte.Com Inc.	34.39%	8,153	1,556	607	-	10,316	
Lotte Boulangerie Co., Ltd.	95.71%	13,143	(2,178)	(1,155)	301	10,111	
Lotte Station Building Co., Ltd.	25.00%	126,488	17,094	1,209	(1,350)	143,441	
Daehong Communications Co., Ltd.	30.00%	58,390	6,265	(3,706)	(28)	60,921	
Foodstar Inc. (*2)	39.76%	4,523	(4,647)	124	-	-	
Lotte Capital Co., Ltd.	20.22%	44,926	10,960	(429)	1,441	56,898	
FRL Korea Co., Ltd.	49.00%	13,165	3,914	48	-	17,127	
Lotteria Co., Ltd. (*2)	19.94%	56,449	4,563	(1,450)	-	59,562	
Lotte Asset Development Co., Ltd.	29.85%	17,856	(794)	46	13,378	30,486	
Lotte Engineering & Machinery Manufacturing Co., Ltd. (*2)	13.71%	13,745	(10,450)	(116)	-	3,179	
Lotte Trading Co., Ltd.	9.39%	42,303	(5,291)	(141)	5,707	42,578	
Lotte Aluminium Co., Ltd. (*2)	5.08%	34,218	(62)	(1,297)	-	32,859	
Lotte Logistics Co., Ltd.	4.64%	4,071	129	(56)	(34)	4,110	
Lakepark Co., Ltd.	23.90%	2,714	(176)	(6)	1,195	3,727	
Nexus Media Contents Investment Union	20.00%	948	(448)	-	(500)	-	
KTB Media Investment Union	30.00%	960	(28)	-	-	932	
Isu Entertainment Investment Union	37.50%	2,028	(146)	-	-	1,882	
D-Cinema of Korea Co., Ltd.	50.00%	-	(702)	-	1,500	798	
Zara Retail Korea Co., Ltd.	20.00%	-	119	(115)	8,129	8,133	
Lotte RUS Ltd.	17.69%	13,497	1,608	491	(15,596)	-	
Lotteshopping RUS	100.00%	14,818	(7,107)	(882)	(6,829)	-	
Subtotal		₩ 2,090,541	153,458	(21,566)	6,350	2,228,783	

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(6) Investment in Securities, Continued

(c) Equity method accounted investments, Continued

Affiliate	Percentage of ownership	2008					Balance at December 31, 2008
		Beginning balance	Korean Won (millions)			Other (*1)	
			Net income (loss)	Other comprehensive income(loss)	Adjustment to		
Lotte Vietnam Shopping Co., Ltd.	80.00%	₩ 6,360	(7,573)	1,910	2,801	3,498	
Qingdao Lottemart Commercial Co., Ltd.	100.00%	-	(1,692)	15,104	33,220	46,632	
Lotte Mart Co., Ltd.	100.00%	-	(12,483)	15,353	183,033	185,903	
Lotte Europe Holdings B.V.	29.93%	-	(28,732)	7,569	89,870	68,707	
Intime Lotte Department Store Co., Ltd.	50.00%	-	(8,617)	2,257	10,340	3,980	
Lotte Cinema Vietnam Co., Ltd.	90.00%	-	(240)	231	3,629	3,620	
Shenyang Lottemart Commercial Co., Ltd.	100.00%	-	(148)	536	2,107	2,495	
Lotte Shopping Holdings(Hongkong), Ltd.	100.00%	-	-	-	259	259	
Lotte Shopping Holdings(Singapore), Ltd.	100.00%	-	(802)	(1,440)	98,449	96,207	
PT Lotte Shopping Indonesia	55.00%	-	(1,705)	(3,168)	219,736	214,863	
Total		₩ 2,096,901	91,466	16,786	649,794	2,854,947	

(*1) Include dividends from equity method accounted investments, acquisitions, reclassification from available-for-sale securities to equity method investments, and reclassification from other investment assets.

(*2) Lotte Engineering & Machinery Manufacturing Co., Ltd. merged into Lotte Aluminium Co., Ltd. in 2009. Also, Foodstar Inc. merged into Lotteria Co., Ltd. in 2009.

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(6) Investment in Securities, Continued

(c) Equity method accounted investments, Continued

(v) Summarized financial information of equity method accounted investments as of and for the year ended December 31, 2009 is as follows:

Affiliate		Korean Won (millions)			Net Income (loss)
		Total assets	Total liabilities	Sales	
Lotte Midopa Co., Ltd.	₩	914,596	181,408	371,455	41,136
Lotte Card Co., Ltd.		4,088,257	3,033,993	1,067,032	138,083
Woori Home Shopping & Television Co., Ltd.		429,589	198,941	434,091	60,992
Korea Seven Co., Ltd.		289,015	224,380	658,953	6,123
Lotte.Com Inc.		102,819	69,156	106,044	4,915
Lotte Boulangerie Co., Ltd.		48,003	38,047	64,691	(1,815)
Lotteria Co., Ltd.		574,775	207,674	414,807	56,745
Daehong Communications Co., Ltd.		418,920	150,355	226,432	46,539
Lotte Krispy Kreme Doughnuts Co., Ltd.		86,102	4,629	308	35
Lotte Station Building Co., Ltd.		845,083	215,563	668,979	63,698
Lotte Capital Co., Ltd.		2,956,468	2,609,158	380,442	64,678
FRL Korea Co., Ltd.		88,440	37,773	165,179	15,714
Lotte Asset Development Co., Ltd.		127,500	11,762	6,845	(3,718)
Lotte Trading Co., Ltd.		1,489,959	1,030,788	746,716	9,168
Lotte Aluminium Co., Ltd.		1,360,493	575,501	784,048	(1,647)
Lotte Logistics Co., Ltd.		269,029	109,882	718,355	10,219
Lotte Jeju Resort Co., Ltd.		41,679	1,052	-	90
Lotte Buyeo Resort Co., Ltd.		98,698	53,670	-	59
Lakepark Co., Ltd.		43,750	20,170	66,441	7,987
KTB Media Investment Union		3,347	86	247	230
Isu Entertainment Investment Union		5,233	-	219	215
D-Cinema of Korea Co., Ltd.		33,887	34,187	1,411	(1,896)
Zara Retail Korea Co., Ltd.		94,594	14,065	74,583	5,366
M-Venture Culture Investment L.P.		10,014	45	13	(30)
Lotte Vietnam Shopping Co., Ltd.		140,885	141,946	32,308	(10,041)
Qingdao Lottemart Commercial Co., Ltd.		87,040	56,993	20,799	(12,673)
Lotte Mart Co., Ltd.		129,887	77,962	255,328	(8,488)
Lotte Europe Holdings B.V.		701,604	416,865	61,173	(28,730)
Lotte Shopping Holdings(Singapore), Ltd.		116,763	2,233	-	(3,861)
PT Lotte Shopping Indonesia		165,791	77,420	683,001	10,021
Shenyang Lottemart Commercial Co., Ltd.		10,845	4	-	(780)
Lotte Shopping Holdings(Hongkong), Ltd.		791,623	47,753	-	(1,470)
Lottecinema Vietnam Co., Ltd.		5,675	5,605	2,206	(2,105)
Intime Lotte Department Store Co., Ltd.		55,409	80,847	68,461	(34,578)
Coralis S.A.		35,181	15	-	(172)
Total	₩	<u>16,660,953</u>	<u>9,729,928</u>	<u>8,080,567</u>	<u>430,009</u>

The Company used unaudited financial statements as of December 31, 2009 of the companies when applying the equity method of accounting.

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(7) Other Current Assets

Other current assets as of December 31, 2009 and 2008 are as follows:

	Korean Won (millions)		U.S. dollars (thousands) (note 3)
	2009	2008	2009
Accrued interest income	₩ 6,654	4,608	\$ 5,699
Available-for-sale securities (note 6)	8,144	2	6,975
Short-term loans, net of allowance for doubtful accounts of ₩14,982 million in 2009 and ₩341 million in 2008	22,789	33,722	19,518
Prepaid expenses	10,297	12,565	8,819
Total	₩ 47,884	50,897	\$ 41,011

(8) Joint Venture Investments

Details of joint venture investments as of December 31, 2009 are as follows:

<u>Joint venture investment</u>	<u>Ownership</u>	<u>Equity holder</u>	<u>Principal business</u>
Intime Lotte Department Store Co., Ltd.	50.00%	Zhejiang Intime Department Store Co., Ltd.	Department stores
D-Cinema of Korea Co., Ltd.	50.00%	CJ CGV Co., Ltd.	Cineprojector rental service
Kookge Building	6.00%	Honam Petro Chemical and others	Building leasing services
Busan Underground Shopping Center	45.00%	Hotel Lotte Co., Ltd.	Building leasing services

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(9) Transactions and Balances with Related Companies

(a) Details of investor and subsidiary relationships with the Company as of December 31, 2009 are as follows:

Investor company	Ownership (%)	Control relationship (*1)
Hotel Lotte Co., Ltd.	9.29	Affiliate of Lotte group
Korea Fuji Film Co., Ltd.	8.52	Affiliate of Lotte group
Lotte Confectionery Co., Ltd.	8.52	Affiliate of Lotte group
Lotte Chilsung Beverage Co., Ltd.	4.26	Affiliate of Lotte group
Lotte Engineering & Construction Co., Ltd.	1.03	Affiliate of Lotte group
Hotel Lotte Pusan Co., Ltd.	0.85	Affiliate of Lotte group

Controlled subsidiary (*2)	Ownership (%)	Principal business
Lotte Midopa Co., Ltd.	79.01	Department stores
Lotte Card Co., Ltd.	92.54	Credit card and lending
Woori Home Shopping & Television Co., Ltd.	53.03	TV home shopping
Korea Seven Co., Ltd.	50.12	Convenience stores
Lotte.Com Inc.	34.39	Internet shopping
Lotte Boulangerie Co., Ltd.	95.71	Bakery
Lotte Krispy Kreme Doughnuts Co., Ltd.	100.00	Food manufacturing
Lotteria Co., Ltd.	21.21	Restaurant chain
Daehong Communications Co., Ltd.	30.00	Advertisement agency
Lotte Europe Holdings B.V.	30.81	Holding company
Lotte Vietnam Shopping Co., Ltd.	80.00	Discount stores
Qingdao Lottemart Commercial Co., Ltd.	100.00	Discount stores
Lotte Mart Co., Ltd.	100.00	Discount stores
Lotte Shopping Holdings(Singapore), Ltd.	100.00	Holding company
PT Lotte Shopping Indonesia	55.00	Discount stores

(*1) Lotte Group represents a group of entities as defined and restricted by the Monopoly Regulation and Fair Trade Act in Korea.

(*2) Controlled subsidiaries represent majority-owned entities by the Company or a controlled subsidiary and other entities where the Company or its controlled subsidiary, collectively or individually, owns more than 30% of total outstanding common stock and is the largest shareholder.

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(9) Transactions and Balances with Related Companies, Continued

(b) Significant transactions which occurred in the normal course of business with related companies for the years ended December 31, 2009 and 2008 are summarized as follows:

Related company	2009			
	Korean Won (millions)			
	Revenue Sales and non-operating income	Expense and purchase		
		Purchase of goods	Fees and commissions	Other
Hotel Lotte Co., Ltd.	₩ 24,183	11	54,776	4,812
Lotte Confectionery Co., Ltd.	29,738	69,353	4,055	676
Lotte Chilsung Beverage Co., Ltd.	9,579	32,684	1,903	33
Lotte Engineering & Construction Co., Ltd.	2,694	-	699	486,303
Hotel Lotte Pusan Co., Ltd.	5,547	15	12,886	-
Lotte Midopa Co., Ltd. (*)	8,254	-	7,299	-
Lotte.Com Inc.	307	-	45,256	483
Lotte Card Co., Ltd.	2,604	31,875	99,359	-
Daehong Communications Co., Ltd.	11,074	-	48,659	3,870
Lotteria Co., Ltd.	8,253	2,504	11,204	-
Lotte Data Communication Company	3,849	800	36,123	31,640
Lotte Station Building Co., Ltd. (*)	15,683	-	7,315	-
Lotte Aluminium Co., Ltd.	4,980	11,191	31,407	12,210
Lotte Trading Co., Ltd.	9,335	167,628	3,496	387
Lotte Samkang Co., Ltd.	31,805	11,420	1,101	8
Lotte Ham Co., Ltd.	7,400	35,985	368	1
Others	41,084	48,744	95,863	525
Total	₩ 216,369	412,210	461,769	540,948

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(9) Transactions and Balances with Related Companies, Continued

Related company	2008			
	Korean Won (millions)			
	Revenue	Expense and purchase		
	Sales and non-operating income	Purchase of goods	Fees and commissions	Other
Hotel Lotte Co., Ltd.	₩ 25,851	537	58,508	4,867
Lotte Confectionery Co., Ltd.	22,578	48,197	16,712	1
Lotte Chilsung Beverage Co., Ltd.	10,486	28,499	2,096	127
Lotte Engineering & Construction Co., Ltd.	2,886	126,529	67	368,745
Hotel Lotte Pusan Co., Ltd.	5,145	359	16,152	21,054
Lotte Midopa Co., Ltd. (*)	7,614	8	7,216	-
Lotte.Com Inc.	183	1,286	32,451	647
Lotte Card Co., Ltd.	2,680	29	118,277	336
Daehong Communications Co., Ltd.	8,889	5,042	29,604	90
Lotteria Co., Ltd.	5,999	2	27	-
Lotte Data Communication Company	2,289	1,182	37,556	34,209
Lotte Station Building Co., Ltd. (*)	15,204	16	6,437	10
Lotte Aluminium Co., Ltd.	1,534	5,651	16,108	35,245
Lotte Trading Co., Ltd.	4,428	156,017	27,163	565
Lotte Samkang Co., Ltd.	5,790	8,125	1,959	9
Lotte Ham Co., Ltd.	4,880	33,627	69	3
Others	24,431	78,622	59,365	14,601
Total	₩ <u>150,867</u>	<u>493,728</u>	<u>429,767</u>	<u>480,509</u>

(*) The Company has entered into contracts with Lotte Midopa Co., Ltd. and Lotte Station Building Co., Ltd., to provide management services. The Company receives an annual management fee equal to 10 percent of ordinary income before depreciation expense of the respective companies.

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(9) Transactions and Balances with Related Companies, Continued

(c) Account balances with related companies as of December 31, 2009 and 2008 are summarized as follows:

Related company	2009						
	Korean Won (millions)						
	Receivables			Payables			
	Trade accounts receivable	Other accounts receivable	Other	Trade accounts payable	Other accounts payable	Other	
Hotel Lotte Co., Ltd.	₩	590	1,081	20,971	-	1,870	5,952
Lotte Confectionery Co., Ltd.		48	1,707	-	9,655	72	595
Lotte Chilsung Beverage Co., Ltd.		-	490	-	2,572	25	7
Lotte Engineering & Construction Co., Ltd.		-	414	4,690	-	130,460	270
Hotel Lotte Pusan Co., Ltd.		-	57	2,300	-	679	898
Lotte Midopa Co., Ltd.		7,293	1,784	39,171	-	2,204	418
Lotte Card Co., Ltd.		59,764	750	29	-	113	38,550
Daehong Communications Co., Ltd.		2,022	247	-	-	2,182	6,083
Lotteria Co., Ltd.		170	309	-	-	1,258	7,879
Lotte Data Communication Company		5	1,157	-	-	5,630	3,585
Lotte Vietnam Shopping Co., Ltd.		-	-	29,190	-	-	-
Lotte Station Building Co., Ltd.		12,947	5,189	10,407	-	5,586	304
Lotte Trading Co., Ltd.		-	628	-	5,623	1,847	77
Intime Lotte Department Store Co., Ltd.		-	-	8,547	-	-	-
Lotte Ham Co., Ltd.		-	605	-	2,555	-	-
Others		26,066	2,538	3,768	8,495	24,926	13,239
Total	₩	<u>108,905</u>	<u>16,956</u>	<u>119,073</u>	<u>28,900</u>	<u>176,852</u>	<u>77,857</u>

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(9) Transactions and Balances with Related Companies, Continued

Related company	2008					
	Korean Won (millions)					
	Receivables			Payables		
	Trade accounts receivable	Other accounts receivable	Other	Trade accounts payable	Other accounts payable	Other
Hotel Lotte Co., Ltd.	₩ 162	525	22,217	1	1,100	9,104
Lotte Confectionery Co., Ltd.	1,318	463	-	9,309	66	592
Lotte Chilsung Beverage Co., Ltd.	19	430	-	2,438	29	11
Lotte Engineering & Construction Co., Ltd.	-	393	644	-	89,846	268
Hotel Lotte Pusan Co., Ltd.	3	300	220	4	423	754
Lotte Midopa Co., Ltd.	6,550	1,558	38,674	-	1,835	391
Lotte Card Co., Ltd.	50,346	677	-	-	100	6,656
Daehong Communications Co., Ltd.	743	263	-	-	9,325	2,772
Lotteria Co., Ltd.	750	16	-	426	757	5,519
Lotte Data Communication Company	42	1,387	1,064	-	4,671	1,866
Lotte Station Building Co., Ltd.	12,325	3,128	9,889	-	4,457	277
Lotte Trading Co., Ltd.	137	196	-	5,251	1,709	114
Lotte Ham Co., Ltd.	8	180	-	2,812	46	-
Others	14,924	2,668	1,396	6,415	18,820	14,213
Total	₩ 87,327	12,184	74,104	26,656	133,184	42,537

(d) Salaries and provision for retirement and severance benefits of the directors for the years ended December 31, 2009 and 2008 are ₩33,398 million and ₩26,965 million, respectively.

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(9) Transactions and Balances with Related Companies, Continued

(e) The Company has provided guarantees for related companies as of December 31, 2008 as follows:

Related company	Guarantee recipient	2009	
		Type of borrowings	Guaranteed Amount (thousand)
Lotte Vietnam Shopping Co., Ltd.	Citibank N.A. Hochiminh	Working capital	US\$60,000 and interest thereon
	Australia and New Zealand Bank	Working capital	VND 260,000,000
Qingdao Lottemart Commercial Co., Ltd.	Hana Bank (China) Co., Ltd.	Working capital	RMB71,000
	Mizuho Bank	Working capital	RMB100,000
Lotte Mart Co., Ltd.	Hongkong and Shanghai Banking Corporation	Working capital	RMB110,000
Lotte Europe Holdings B.V.	Korea Development Bank	Working capital	US\$10,000
PT Lotte Shopping Indonesia	Korea Exchange Bank	Working capital	IDR 400,000,000
Intime Lotte Department Store Co., Ltd.	Woori Bank	Working capital	RMB78,000
Lotte Cinema Vietnam Co., Ltd.	Export-Import Bank of Korea	Working capital	US\$4,000 and interest thereon

The fulfillment of the VPF contract between D-Cinema of Korea Co., Ltd. and Twentieth Century Fox Film Corporation is equally guaranteed by CGV and the Company in October 2008.

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(10) Property, Plant and Equipment

- (a) The Company revalued its land and buildings in 1998 under the Korean Assets Revaluation Law. As a result, the Company recorded a revaluation surplus of ₩1,028,713 million, net of asset revaluation tax, in other capital surplus.
- (b) Land was stated at revalued amounts as of December 31, 2009. The fair value of the assets was based on the results of an appraisal by the Korea Appraisal Board, an independent appraiser.

Before 2009, as mentioned above, the Company had adopted revaluation model for land and buildings in 1998 only one time. As the Company adopted the revaluation model in accordance with revised SKAS No.5, *Property, Plant and Equipment* in 2009, other comprehensive income of ₩2,791,906 million, net of tax effect of ₩787,461 million, and revaluation loss of ₩7,256 million were recognized. Revaluated land would have been recognized under the cost model at ₩3,224,330 million as of December 31, 2009.

- (c) Changes in property, plant and equipment for the years ended December 31, 2009 and 2008 are as follows:

		2009						
		Korean Won (millions)						
		Book value as of January 1, 2009	Acquisitions	Disposals	Revaluation	Depreciation	Transfers	Book value as of December 31, 2009
Land	₩	3,025,720	53,571	(2,493)	3,572,111	-	147,532	6,796,441
Buildings		2,821,880	10,850	(13,727)	-	(153,386)	539,005	3,204,622
Structures		185,897	1,145	(2,136)	-	(8,177)	13,082	189,811
Machinery		23,803	505	(583)	-	(5,373)	6,644	24,996
Vehicles		758	348	-	-	(451)	(52)	603
Furniture and equipment		20,000	4,829	-	-	(13,909)	4,146	15,066
Other		275,813	71,431	(3,426)	-	(191,922)	87,396	239,292
Construction-in- progress		707,110	780,702	-	-	-	(829,266)	658,546
Total	₩	<u>7,060,981</u>	<u>923,381</u>	<u>(22,365)</u>	<u>3,572,111</u>	<u>(373,218)</u>	<u>(31,513)</u>	<u>11,129,377</u>

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(10) Property, Plant and Equipment, Continued

		2008					
		Korean Won (millions)					
		Book value as of January 1, 2008	Acquisitions	Disposals	Depreciation	Transfers	Book value as of December 31, 2008
Land	₩	2,923,107	17,961	(70,058)	-	154,710	3,025,720
Buildings		2,762,232	24,060	(117,200)	(137,107)	289,895	2,821,880
Structures		145,500	1,806	(3,765)	(6,736)	49,092	185,897
Machinery		24,922	149	(12)	(5,807)	4,551	23,803
Vehicles		709	516	(2)	(486)	21	758
Furniture and equipment		17,124	6,402	(392)	(13,498)	10,364	20,000
Other		221,386	87,650	(1,594)	(174,222)	142,593	275,813
Construction- in-progress		645,896	750,322	-	-	(689,108)	707,110
Total	₩	<u>6,740,876</u>	<u>888,866</u>	<u>(193,023)</u>	<u>(337,856)</u>	<u>(37,882)</u>	<u>7,060,981</u>

- (d) The officially declared value and book value of land as of December 31, 2009 are as follows:

		Korean Won (millions)	
		2009	
		Book value	Declared value
Land	₩	<u>6,796,441</u>	<u>4,718,137</u>

The officially declared value, which is used for government purposes, is not intended to represent fair value.

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(10) Property, Plant and Equipment, Continued

- (e) The Company has pledged certain property, plant and equipment as collateral for an amount equal to 130% of lease deposits, amounted to ₩67,244 million, received from Woori Bank, Shinhan Bank and other.
- (f) Details of coverage under major insurance policies carried by the Company as of December 31, 2009 and 2008 are as follows:

Type of insurance	Covered assets	Korean Won (millions)		U.S. dollars (thousands) (note 3)
		Amount covered		Amount covered
		2009	2008	2009
Theft insurance	Cash	₩ 68,734	41,570	\$ 58,868
Fire insurance	Merchandise, buildings and tools	5,956,120	6,343,132	5,101,165
Engine and machinery insurance	Machinery and equipment	108,197	137,755	92,666
Business liability insurance	Facilities and products	490,682	478,632	420,248
Directors & officers liability insurance	-	70,000	70,000	59,952
Others	Other utilities	40,286	39,934	34,504
Total		₩ <u>6,734,019</u>	<u>7,111,023</u>	\$ <u>5,767,403</u>

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(11) Intangible Assets

Changes in intangible assets for the years ended December 31, 2009 and 2008 are as follows:

		2009				
		Korean Won (millions)				
		Book value as of January 1, 2009	Acquisition	Amortization	Others	Book value as of December 31, 2009
Goodwill	₩	35,753	496	(5,414)	11,221	42,056
Industrial property rights		448	414	(226)	87	723
Rights to use water supply facility		3,845	-	(617)	665	3,893
Rights to use electricity supply facility		3,313	-	(554)	1,641	4,400
Rights to use gas supply facility		1,208	-	(246)	648	1,610
Rights to use facility		78,523	-	(4,671)	(15)	73,837
License		5,410	-	(899)	-	4,511
Copyrights		2,112	14,089	(16,103)	-	98
Software		918	27	(1,240)	3,670	3,375
Total	₩	131,530	15,026	(29,970)	17,917	134,503

		2008				
		Korean Won (millions)				
		Book value as of January 1, 2008	Acquisition	Amortization	Others	Book value as of December 31, 2008
Goodwill	₩	31,217	2,037	(4,314)	6,813	35,753
Industrial property rights		446	160	(168)	10	448
Rights to use water supply facility		3,489	-	(518)	874	3,845
Rights to use electricity supply facility		3,386	-	(503)	430	3,313
Rights to use gas supply facility		2,268	-	(208)	(852)	1,208
Rights to use facility		59,876	-	(3,655)	22,302	78,523
License		6,309	-	(899)	-	5,410
Copyrights		3,800	16,076	(17,764)	-	2,112
Software		1,733	-	(815)	-	918
Total	₩	112,524	18,273	(28,844)	29,577	131,530

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(12) Other Investment Assets

Other assets as of December 31, 2009 and 2008 are as follows:

		Korean Won (millions)		U.S. dollars (thousands) (note 3)
		2009	2008	2009
Long-term deposits (note 4)	₩	12,528	12,531	\$ 10,730
Long-term loans, net of allowance for doubtful accounts of ₩421 million in 2009 and ₩272 million in 2008		41,680	26,963	35,697
Long-term held-to-maturity securities (note 6(b))		1,000	1,000	856
Others		3,791	1,919	3,246
Total	₩	<u>58,999</u>	<u>42,413</u>	\$ <u>50,529</u>

(13) Pledged Assets and Guarantees

(a) The following assets are pledged as collateral for the Company's contract performance as of December 31, 2009:

Assets	Korean Won (millions)	U.S. dollars (thousands) (note 3)	Guarantee for
Short-term deposits	₩ 20,375	\$ 17,450	Guarantee deposits for performance of contracts
Long-term deposits	12,500	10,706	Billing and settlement plan
Available-for-sale securities (note 6(a))	<u>37,099</u>	<u>31,774</u>	Guarantee deposits for performance of contracts
Total	₩ <u>69,974</u>	\$ <u>59,930</u>	

(b) Guarantees provided by the Company for third parties as of December 31, 2009 are as follows:

Third party	Korean Won (millions)	U.S. dollars (thousands) (note 3)	Guarantor	Guarantee for
Seoheung Co., Ltd.	₩ <u>1,172</u>	\$ <u>1,004</u>	Seoul Guarantee Insurance Company	Performance of contracts

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(13) Pledged Assets and Guarantees, Continued

(c) Guarantees provided by third parties for the Company as of December 31, 2009 are as follows:

Guarantor	Korean Won (millions)	U.S. dollars (thousands) (note 3)	Guarantee for
Seoul Guarantee Insurance Company	₩ 129,799	\$ 111,168	Performance of contracts

(14) Assets and Liabilities Denominated in Foreign Currency

Assets and liabilities denominated in foreign currency as of December 31, 2009 and 2008 are summarized as follows:

		2009		2008	
		Foreign currency (thousands)	₩ Won equivalent (millions)	Foreign currency (thousands)	₩ Won equivalent (millions)
Assets:					
Cash and cash equivalents	USD	30,024	₩ 35,056	-	-
	JPY	15,000	189	-	-
Other accounts receivable	USD	582	680	120	157
Accrued interest income	USD	-	-	233	293
Short-term loans	USD	32,320	37,737	25,000	31,438
Other investment assets	USD	1,500	1,751	1,500	1,886
Total	USD	64,426	₩ 75,224	26,853	33,774
	JPY	15,000	189	-	-
Liabilities:					
Trade accounts payable	USD	240	₩ 281	23	29
	EUR	587	982	343	609
	JPY	3,621	46	-	-
Current portion of debentures	JPY	10,000,000	126,282	-	-
Other accounts payable	USD	250	291	250	327
	EUR	4	8	6	10
Long-term borrowings	JPY	30,000,000	378,846	-	-
Debentures	USD	400,000	467,040	400,000	503,000
	JPY	39,000,000	492,500	29,000,000	404,228
Total	USD	400,490	₩ 467,612	400,273	503,356
	EUR	591	990	349	619
	JPY	79,003,621	997,674	29,000,000	404,228

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(15) Other Current Liabilities

Other current liabilities as of December 31, 2009 and 2008 are as follows:

	Korean Won (millions)		U.S. dollars (thousands) (note 3)
	2009	2008	2009
Unearned income	₩ 49	101	\$ 42
Withholdings	9,573	9,484	8,199
Value-added tax withholdings	40,644	32,169	34,810
Guarantee deposits	1,105	928	946
Derivative liabilities	-	59	-
Investment withholdings	1,510	11,101	1,292
Total	₩ <u>52,881</u>	<u>53,842</u>	\$ <u>45,289</u>

(16) Borrowings

(a) Short-term borrowings as of December 31, 2009 and 2008 are summarized as follows:

Lender	Purpose of borrowings	Annual interest rate (%)	Korean Won (millions)		U.S. dollars (thousands) (note 3)
			2009	2008	2009
Korea Agro-Fisheries Trade Corporation	Working capital	4.00	₩ 10,000	10,000	\$ 8,565
Woori Bank	Working capital	2.45~2.60	-	35,000	-
SK Securities Co., Ltd.	Working capital	2.50	-	175,000	-
Shinhan Bank and other	Working capital	6.63~7.89	11,759	1	10,071
Total			₩ <u>21,759</u>	<u>220,001</u>	\$ <u>18,636</u>

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(16) Borrowings, Continued

(b) Long-term borrowings in foreign currency as of December 31, 2009 and 2008 are summarized as follows:

Lender	Purpose of borrowings	Annual interest rate (%)	Korean Won (millions)		U.S. dollars (thousands) (note 3)
			2009	2008	2009
Lotte Co., Ltd. (Japan)	Working capital	3.40	₩ 378,846	-	\$ 324,466

(c) Aggregate maturities of borrowings as of December 31, 2009 are as follows:

Period		Korean Won (millions)		U.S. dollars (thousands) (note 3)
2010.01.01~2010.12.31	₩	21,759	\$	18,636
2011.01.01~2011.12.31		-		-
2012.01.01~2012.12.31		378,846		324,466
	₩	<u>400,605</u>	\$	<u>343,102</u>

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(17) Debentures

(a) Debentures as of December 31, 2009 and 2008 are summarized as follows:

Description	Maturity	Interest rate (%)	Korean Won (millions)		U.S. dollars (thousands) (note 3)
			2009	2008	2009
Denominated in Won					
50th placed	February 5, 2012	5.10	₩ 200,000	-	\$ 171,292
53rd placed	December 3, 2014	5.30	250,000	-	214,114
Denominated in foreign currency					
46th placed	April 29, 2011	6M Libor+1.00	116,760	125,750	100,000
47th placed	May 29, 2011	6M Euro Yen Tibor+1.20	227,308	250,900	194,679
48th placed	September 29, 2011	3M Euro Yen Libor+1.60	138,910	153,328	118,971
49th placed	October 17, 2011	3M USD Libor+1.75	350,280	377,250	300,000
51st placed	June 26, 2012	3M Euro Yen Libor+1.50	126,282	-	108,155
52nd placed	September 30, 2010	3M Euro Yen Libor+1.60	126,282	-	108,155
Subtotal			1,535,822	907,228	1,315,366
Less:					
Discount on debentures issued			(7,408)	(8,227)	(6,344)
Total book value			1,528,414	899,001	1,309,022
Less:					
Current portion of debentures, net of discount of ₩95 million			126,187	-	108,074
			₩ 1,402,227	899,001	\$ 1,200,948

(b) Aggregate maturities of debentures as of December 31, 2009 are as follows:

Period	Korean Won (millions)	U.S. dollars (thousands) (note 3)
2010.01.01~2010.12.31	₩ 126,282	\$ 108,155
2011.01.01~2011.12.31	833,258	713,650
2012.01.01~2012.12.31	326,282	279,447
2013 and thereafter	250,000	214,114
	₩ 1,535,822	\$ 1,315,366

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(18) Leases

(a) The Company leases facilities including stores and distribution centers from third parties. Under the terms of the lease arrangements, the Company is required to make security deposits at the inception of the lease which are refundable at the end of the lease terms. Lease deposits made as of December 31, 2009 amounted to ₩644,826 million.

(b) Future minimum lease payments under operating leases as of December 31, 2009 are as follows:

<u>Period</u>	<u>Korean Won (millions)</u>	<u>U.S. dollars (thousands) (note 3)</u>
2010.01.01~2010.12.31	₩ 103,170	\$ 88,361
2011.01.01~2014.12.31	415,776	356,095
2015 and thereafter	<u>493,964</u>	<u>423,059</u>
Total	₩ <u>1,012,910</u>	\$ <u>867,515</u>

(c) The Company leases some land and buildings of the Company to third parties. The Company received advance rental deposits of ₩254,769 million as of December 31, 2009 and rental income of ₩383,737 million and ₩346,520 million for the years ended December 31, 2009 and 2008, respectively. The majority of the leases are renewed annually.

(19) Retirement and Severance Benefits

Changes in retirement and severance benefits for the years ended December 31, 2009 and 2008 are summarized as follows:

	<u>Korean Won (millions)</u>		<u>U.S. dollars (thousands) (note 3)</u>
	<u>2009</u>	<u>2008</u>	<u>2009</u>
Estimated retirement and severance benefits at beginning of year	₩ 137,679	128,850	\$ 117,916
Accrual for retirement and severance benefits	50,859	55,642	43,559
Payments	(41,178)	(50,188)	(35,267)
Transfer of severance benefits from affiliated companies	<u>2,286</u>	<u>3,375</u>	<u>1,958</u>
Estimated retirement and severance benefits at end of year	149,646	137,679	128,166
Transfer to National Pension Fund	(45)	(48)	(39)
Deposit for severance benefit insurance	<u>(104,286)</u>	<u>(90,128)</u>	<u>(89,317)</u>
Net balance at end of year	₩ <u>45,315</u>	<u>47,503</u>	\$ <u>38,810</u>

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(19) Retirement and Severance Benefits, Continued

The Company maintains severance benefit insurance arrangements with Lotte Non-Life Insurance Co., Ltd., etc. Under the contracts, payments of the Company's retirement and severance benefit liability to employees are guaranteed to the extent of the aggregate deposit held by the insurance companies in trust. The aggregate deposit at the insurance companies is presented as a reduction of the retirement and severance benefits liability.

(20) Accrual for Bonus Points Reward Program

The Company recognizes an accrual for bonus points reward program which provides free services and mileage for customers registered with and who make purchases using various Lotte Membership Cards. The accrual is based on the historical redemption experience of the points compared to the customers' purchases. Changes in the accrual for the reward program for the years ended December 31, 2009 and 2008 are summarized as follows:

	Korean Won (millions)		U.S. dollars (thousands) (note 3)
	2009	2008	2009
Beginning of year	₩ 30,808	29,362	\$ 26,386
Provision	20,746	47,859	17,768
Payment	<u>(21,242)</u>	<u>(46,413)</u>	<u>(18,193)</u>
End of year	₩ <u>30,312</u>	<u>30,808</u>	\$ <u>25,961</u>

(21) Derivative Instruments and Hedge Accounting

(a) As described in note 6(a), the Company has a put option to sell stocks of Korea Express Co., Ltd. to Kumho RAC Co., Ltd. (formerly known as Kumho rent-a-car Co., Ltd.) Contract terms of the option are as follows:

- Date of acquisition : 2008.3.14
- Underlying instrument : 332,046 common shares of Korea Express Co., Ltd. (*)
- Exercise period : After 3 years of acquisition of stock
- Strike price : Acquisition cost plus interest (6.5%)

(*) The number of common shares has decreased from 584,795 to 332,046 as Korea Express Co., Ltd. underwent capital reduction in 2009.

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(21) Derivative Instruments and Hedge Accounting, Continued

(b) The Company entered into currency and interest swap contracts with the Bank of Tokyo-Mitsubishi UFJ and others to hedge the exposure to the changes in foreign exchange rates and interest rates related to debentures (USD 400,000 thousand and JPY 49,000,000 thousand). Contract terms of the currency and interest swap contracts are as follows:

Contract amount (thousands)	Foreign exchange rate	Variable interest rate	Fixed interest rate	Maturity date	Bank
USD 100,000	₩976.0 / USD1	6M Libor+1.00%	3.98%	2011.4.29	BNP Paribas Bank and others
JPY 18,000,000	₩10.0 / JPY1	6M Euro Yen Tibor+1.20%	5.13%	2011.5.29	The Bank of Tokyo-Mitsubishi UFJ and others
JPY 11,000,000	₩10.2 / JPY1	3M Euro Yen Libor+1.60%	6.05%	2011.9.29	Mizuho Bank
USD 300,000	₩1,113.0 / USD 1	3M USD Libor+1.75%	5.52%	2011.10.17	BNP Paribas Bank and others
JPY 10,000,000	₩13.1 / JPY1	3M Euro Yen Libor+1.50%	3.92%	2012.6.26	Mizuho Bank
JPY 10,000,000	₩13.2 / JPY1	3M Euro Yen Libor+1.60%	3.70%	2010.9.30	Standard Chartered First Bank Korea Ltd.

(c) Changes in the fair value of derivative instruments for the year ended December 31, 2009 are as follows:

Type of derivatives	Description	Related accounts	Korean Won (millions)	U.S. dollars (thousands) (note 3)
Trade	Put option	Loss on valuation of derivative instruments	₩ (19,811)	\$ (16,967)
Cash flow hedge	Currency and interest swap	Loss on valuation of derivative instruments	(83,906)	(71,863)
Cash flow hedge	Currency and interest swap	Unrealized gain on valuation of derivative instruments, net of tax effect of ₩2,534 million	8,984	7,695

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(22) Capital Stock and Capital Surplus

(a) Pursuant to its amended Articles of Incorporation, the Company's authorized capital stock is 60,000,000 shares, which consist of common shares and preferred shares each with a par value of ₩5,000 per share. The Company is authorized to issue non-voting preferred shares of up to one-fourth of the Company's total issued and outstanding capital stock. Holders of preferred shares may, upon a resolution of the board of directors at the time of the issuance of the preferred shares, be entitled to receive dividends prior to the holders of common shares. The preferred shares will be automatically converted to common shares within ten years of issuance as determined by the Company's board of directors. However, if the holders of preferred shares do not receive the minimum dividends as prescribed, the prescribed conversion date will be extended to the time when all such minimum dividend amount is paid to the holders of preferred shares. As of December 31, 2009, the Company has not issued any preferred stock and 29,043,374 shares of common stock were issued and outstanding as of December 31, 2009.

(b) Capital surplus as of December 31, 2009 and 2008 consists of the following:

	<u>Korean Won (millions)</u>		<u>U.S. dollars (thousands) (note 3)</u>
	<u>2009</u>	<u>2008</u>	<u>2009</u>
Paid-in capital in excess of par value	₩ 3,605,117	3,605,117	\$ 3,087,630
Gain on capital reduction	1,793	1,793	1,536
Other capital surplus	<u>1,043,985</u>	<u>1,043,985</u>	<u>894,129</u>
	<u>₩ 4,650,895</u>	<u>4,650,895</u>	<u>\$ 3,983,295</u>

(i) Gain on capital reduction

The Company retired 745,470 shares of treasury stock (₩1,934 million) in 1995, which were acquired in connection with the merger with Lotte Foods Co., Ltd. and ChungBon Industry Co., Ltd. on December 31, 1994. As a result, capital stock decreased by ₩3,727 million and a gain on capital reduction amounting to ₩1,793 million was recorded as a capital surplus.

(ii) Gain on merger

In 1997, SongGok Trading Co., Ltd. was merged into the Company, resulting in a gain on merger of ₩15,272 million which was recorded as a component of other capital surplus.

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(22) Capital Stock and Capital Surplus, Continued

(iii) Asset revaluation

The Company revalued its property, plant and equipment on July 1, 1998 in accordance with the then Assets Revaluation Law. Details of the asset revaluation surplus included in stockholders' equity are as follows:

<u>Date of revaluation</u>	<u>Total revaluation surplus</u>	<u>Revaluation tax</u>	<u>Transfer to capital</u>	<u>Others</u>	<u>Net revaluation surplus</u>
July 1, 1998	₩ 1,122,229	(19,030)	(73,500)	(986)	1,028,713

(iv) Capital surplus on equity method

The ownership percentage of the Company in Lotte Boulangerie Co., Ltd. and Lotte.Com Inc., which are controlled subsidiaries of the Company, changed and the differences of ₩1,195 million between the additional acquisition cost and the change in the Company's share of net asset were recorded as capital surplus under the equity method.

Due to capital adjustments which result from the change of the ownership percentage of the Company in Woori Home Shopping & Television Co., Ltd., which is controlled subsidiary of the Company, capital surplus on equity method was offset and 0(zero) on December 31, 2009.

(23) Capital Adjustments

The Company acquired additional 196 thousand shares of Woori Home Shopping & Television Co., Ltd., which is controlled subsidiary of the Company, on August 2008. As a result, the difference between the additional acquisition cost and the change in the Company's share of net asset amounted to ₩17,466 million. As discussed in note 22(b), after offset, the residual of ₩16,271 million was recorded as capital adjustments under the equity method.

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(24) Accumulated Other Comprehensive Income

Details of accumulated other comprehensive income as of December 31, 2009 and 2008 are as follows:

Account	Korean Won (millions)		U.S. dollars (thousands) (note 3)
	2009	2008	2009
Unrealized gain on valuation of available-for-sale securities, net of tax effect of ₩(14,998) million in 2009 and ₩(2,531) million in 2008	₩ 53,177	8,974	\$ 45,544
Unrealized gain on investments under equity method, net of tax effect of ₩(17,208) million in 2009 and ₩(13,378) million in 2008	32,844	57,161	28,128
Unrealized loss on valuation of derivative instruments, net of tax effect of ₩3,161 million in 2009 and ₩5,695 million in 2008	(11,208)	(20,192)	(9,599)
Unrealized gain on revaluation of land, net of tax effect of ₩(787,461) million in 2009	<u>2,791,906</u>	-	<u>2,391,150</u>
	₩ <u>2,866,719</u>	<u>45,943</u>	\$ <u>2,455,223</u>

(25) Retained Earnings

Retained earnings as of December 31, 2009 and 2008 are summarized as follows:

Account	Korean Won (millions)		U.S. dollars (thousands) (note 3)
	2009	2008	2009
Appropriated:			
Legal reserve	₩ 28,963	25,333	\$ 24,806
Reserve for business rationalization	10,552	10,552	9,037
Reserve for corporate development	134,000	134,000	114,765
Discretionary reserve	<u>3,779,500</u>	<u>3,069,500</u>	<u>3,236,983</u>
	3,953,015	3,239,385	3,385,591
Unappropriated	<u>731,981</u>	<u>765,493</u>	<u>626,910</u>
	₩ <u>4,684,996</u>	<u>4,004,878</u>	\$ <u>4,012,501</u>

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(25) Retained Earnings, Continued

(a) Legal reserve

The Korean Commercial Code requires the Company to appropriate as legal reserve an amount equal to at least 10% of cash dividends for each accounting period until the reserve equals 50% of stated capital. This reserve is not available for cash dividends but may be used to reduce any deficit or be transferred to capital stock.

(b) Reserve for business rationalization

Under the Special Tax Treatment Control Law, investment tax credit was allowed for certain investments. The Company was, however, required to appropriate from retained earnings the amount of tax benefits obtained and transfer such amount into a reserve for business rationalization.

Effective December 11, 2002, the Company is no longer required to establish a reserve for business rationalization despite tax benefits received for certain investments and, consequently, the existing balance is now regarded as a discretionary reserve.

(c) Reserve for corporate development

Under Korean Corporation Tax Law, the Company was required to appropriate a reserve for corporate development. However, effective as of December 31, 2001, the Company is no longer required to establish such a reserve. This reserve is not available for payment of dividends; however, it may be used for a specific purpose upon approval by the shareholders or remain as a reserve.

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(26) Sale of Apartments

- (a) Commitments for housing construction contracts with future home owners as of and for the years ended December 31, 2009 and 2008 are as follows:

	Korean Won (millions)		U.S. dollars (thousands) (note 3)	
	2009	2008	2009	
Beginning of year	₩ 35,169	80,778	\$	30,120
Increase	16,565	2,141		14,188
Revenue recognized in current year	<u>(51,734)</u>	<u>(47,750)</u>		<u>(44,308)</u>
End of year	₩ <u>-</u>	<u>35,169</u>	\$	<u>-</u>

- (b) Cumulative revenue and cost on lotting-out housing construction contracts as of December 31, 2009 are summarized as follows:

Project	Korean Won (millions)		U.S. dollars (thousands) (note 3)	
	Cumulative revenue	Cumulative cost	Cumulative revenue	Cumulative cost
Beome-dong project	₩ <u>135,218</u>	<u>111,821</u>	\$	<u>115,809</u>
				<u>95,770</u>

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(27) Sales and Cost of Sales

Details of sales and cost of sales for the years ended December 31, 2009 and 2008 are as follows:

	Korean Won (millions)		U.S. dollars (thousands) (note 3)
	2009	2008	2009
Sales:			
Sale of merchandise	₩ 10,737,965	9,810,135	\$ 9,196,613
Specific sales (*1)	607,554	525,082	520,345
Sale of finished goods	53,204	55,800	45,567
Sale of apartments	51,734	47,750	44,308
Ancillary property operation revenue (*2)	156,462	130,432	134,003
Other operating revenue	600,349	516,630	514,174
Deduction:			
Cost of specific sales	(481,421)	(415,737)	(412,316)
Sales discounts	(190,566)	(160,841)	(163,214)
	<u>11,535,281</u>	<u>10,509,251</u>	<u>9,879,480</u>
Cost of sales:			
Cost of merchandise sold:			
Beginning inventory of merchandise	1,002,492	977,936	858,592
Purchases of merchandise for the year	7,920,858	7,200,840	6,783,880
Transfer to other accounts	462	(8)	395
Ending inventory of merchandise	<u>(1,098,099)</u>	<u>(1,002,492)</u>	<u>(940,476)</u>
	<u>7,825,713</u>	<u>7,176,276</u>	<u>6,702,391</u>
Cost of finished goods sold:			
Beginning inventory of finished goods	2,008	1,886	1,720
Cost of finished goods for the year	16,067	17,761	13,760
Transfer to other accounts	(2,150)	(3,120)	(1,841)
Ending inventory of finished goods	<u>-</u>	<u>(2,008)</u>	<u>-</u>
	<u>15,925</u>	<u>14,519</u>	<u>13,639</u>
Cost of sales - apartments	44,846	38,308	38,408
Ancillary property operating cost	<u>73,327</u>	<u>61,461</u>	<u>62,804</u>
	<u>118,173</u>	<u>99,769</u>	<u>101,212</u>
	<u>7,959,811</u>	<u>7,290,564</u>	<u>6,817,242</u>
Gross profit	₩ <u>3,575,470</u>	<u>3,218,687</u>	\$ <u>3,062,238</u>

(*1) As described in note 2(b), specific sales are recognized on a net basis for merchandise that may be returned to vendors at any time.

(*2) Ancillary property operation revenue consists of box office and revenue from jointly controlled assets.

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(28) Selling and Administrative Expenses

Details of selling and administrative for the years ended December 31, 2009 and 2008 are as follows:

	Korean Won (millions)		U.S. dollars (thousands) (note 3)
	2009	2008	2009
Salaries	₩ 506,743	463,053	\$ 434,004
Accrual for retirement and severance benefits	50,597	55,408	43,334
Other employee benefits	79,542	72,082	68,124
Education and training	6,626	6,430	5,675
Travel	13,057	13,098	11,183
Service contract expense	368,158	335,026	315,312
Advertising	154,530	139,782	132,349
Sales promotion and commissions	298,426	256,528	255,589
Supplies	35,330	31,737	30,259
Communications	9,262	8,848	7,932
Utilities	134,860	120,977	115,502
Maintenance	15,529	16,187	13,300
Commissions and fees	346,597	294,308	296,846
Insurance	5,793	5,596	4,962
Transportation	4,432	3,455	3,796
Depreciation	371,442	335,153	318,124
Amortization of intangible assets	13,867	11,080	11,877
Taxes and dues	86,179	108,344	73,809
Rent	157,214	136,080	134,647
Others	40,811	37,408	34,950
	₩ <u>2,698,995</u>	<u>2,450,580</u>	\$ <u>2,311,574</u>

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(29) Income Taxes

- (a) The Company was subject to income taxes on taxable income at the following normal tax rates:

Taxable income	Tax rate			
	2008	2009	2010	Thereafter
Up to ₩200 million	12.1%	12.1%	11.0%	11.0%
Over ₩200 million	27.5%	24.2%	24.2%	22.0%

- (b) The components of income tax expense for the years ended December 31, 2009 and 2008 are summarized as follows:

	Korean Won (millions)		U.S. dollars (thousands) (note 3)
	2009	2008	2009
Current income tax expense	₩ 218,905	220,752	\$ 187,483
Deferred income tax expense	816,586	(54,845)	699,371
Income taxes directly charged (credited) to equity	(806,292)	18,244	(690,555)
Income taxes directly credited to discontinued operation (note 38)	(1,416)	(531)	(1,213)
Income tax expense	₩ <u>227,783</u>	<u>183,620</u>	\$ <u>195,086</u>

- (c) Deferred tax assets and liabilities are measured using the tax rates to be applied for the year in which temporary differences are expected to be realized.
- (d) The income tax expense calculated by applying statutory tax rates to the Company's taxable income for the years differ from the actual income tax expense in the non-consolidated statements of income for the years ended December 31, 2009 and 2008 for the following reasons:

	Korean Won (millions)		U.S. dollars (thousands) (note 3)
	2009	2008	2009
Income before income taxes	₩ 939,770	925,046	\$ 804,873
Expense for income taxes at normal tax rates	227,400	254,357	194,758
Adjustments:			
Non-taxable income	(1,221)	(766)	(1,045)
Non-deductible expense	2,238	967	1,917
Tax credit	(3,673)	(4,619)	(3,146)
Other	3,039	(66,319)	2,602
Income tax expense	₩ <u>227,783</u>	<u>183,620</u>	\$ <u>195,086</u>
Effective tax rate	<u>24.2%</u>	<u>19.8%</u>	<u>24.2%</u>

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(29) Income Taxes, Continued

(e) The tax effects of temporary differences that result in significant portions of the deferred tax assets and liabilities as of December 31, 2009 and 2008 are presented below:

	Korean Won (millions)		U.S. dollars (thousands) (note 3)
	2009	2008	2009
Deferred tax assets:			
Allowance for doubtful accounts	₩ 4,474	1,122	\$ 3,832
Impairment losses on available-for-sale securities	16	16	14
Accrual for bonus points reward program	7,335	7,455	6,282
Accrued expenses (bonus)	7,739	3,404	6,628
Available-for-sale securities	19	19	16
Negative other comprehensive income due to equity method of accounting	8,827	3,001	7,560
Loss on foreign currency translation	18,783	39,361	16,087
Loss on revaluation of land	1,596	-	1,367
Construction-in-progress	403	-	345
Film copyrights	3,376	-	2,892
Others	2,383	2,609	2,042
Total deferred tax assets	<u>54,951</u>	<u>56,987</u>	<u>47,065</u>
Deferred tax liabilities:			
Depreciation	3,288	3,293	2,816
Accrued interest income	1,610	1,115	1,379
Disallowed financing costs capitalized	13,177	13,593	11,286
Land	888	888	761
Unrealized gain on revaluation of land	787,461	-	674,427
Equity method accounted investments	131,252	105,943	112,412
Unrealized gain on valuation of available-for-sale securities	14,998	2,531	12,846
Capital adjustment due to use of equity method	28	28	24
Other comprehensive income due to equity method of accounting	26,035	16,379	22,298
Unrealized gain on valuation of derivative instruments	14,647	34,918	12,544
Total deferred tax liabilities	<u>993,384</u>	<u>178,688</u>	<u>850,793</u>
Net deferred tax liability	₩ <u>(938,433)</u>	<u>(121,701)</u>	\$ <u>(803,728)</u>

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(29) Income Taxes, Continued

(f) The Company did not recognize deferred tax assets in the amount of ₩1,132 million and ₩55,225 million arising from the taxable temporary differences associated with the impairment losses on available-for-sale securities and equity method securities as of December 31, 2009, respectively, as the temporary differences are not expected to reverse in the foreseeable future. Also, the Company did not recognize deferred tax liabilities in the amount of ₩160,369 million arising from the taxable temporary differences associated with revaluation of land as of December 31, 2009, since it is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

(g) As of December 31, 2009, details of aggregate deferred tax assets (liabilities) are as follows:

	Temporary differences at December 31, 2009	Korean Won (millions)	
		Deferred tax assets (liabilities)	Non-current
		Current	Non-current
Assets:			
Allowance for doubtful accounts	₩ 18,491	4,474	-
Impairment losses on available-for-sale securities	5,220	-	16
Accrual for bonus points reward program	30,312	7,335	-
Accrued expenses (bonuses)	31,979	7,739	-
Available-for-sale securities	87	-	19
Negative other comprehensive income due to equity method of accounting	101,431	-	8,827
Loss on foreign currency translation	85,379	-	18,783
Loss on revaluation of land	7,256	-	1,596
Construction-in-progress	1,831	-	403
Film copyrights	15,343	-	3,376
Others	10,236	1,440	943
	<u>307,565</u>	<u>20,988</u>	<u>33,963</u>
Liabilities:			
Depreciation	14,944	-	3,288
Accrued interest income	6,654	1,610	-
Disallowed financing costs capitalized	59,897	-	13,177
Land	4,038	-	888
Unrealized gain on revaluation of land	3,579,367	-	787,461
Equity method accounted investments	852,305	-	131,252
Land (reserve for advance depreciation)	728,951	-	-
Unrealized gain on valuation of available-for-sale securities	68,175	-	14,998
Capital adjustment due to use of equity method	(16,243)	-	28
Other comprehensive income due to equity method of accounting	151,483	-	26,035
Unrealized gain on valuation of derivative instruments	66,577	-	14,647
	<u>5,516,148</u>	<u>1,610</u>	<u>991,774</u>
Net deferred income tax asset (liability)	₩ <u>(5,208,583)</u>	<u>19,378</u>	<u>(957,811)</u>

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(29) Income Taxes, Continued

(h) The deferred tax assets (liabilities) that were directly charged (credited) to other comprehensive income for the year ended December 31, 2009 are as follows:

	Korean Won (millions)		U.S. dollars (thousands) (note 3)	
	Temporary difference	Deferred tax assets (liabilities)	Temporary difference	Deferred tax assets (liabilities)
Unrealized loss on valuation of available-for-sale securities	₩ 56,670	(12,467)	\$ 48,536	(10,678)
Unrealized gain on investments under equity method, net	(20,487)	(3,830)	(17,547)	(3,280)
Unrealized loss on valuation of derivative instruments	11,518	(2,534)	9,865	(2,170)
Unrealized gain on revaluation of land	<u>3,579,367</u>	<u>(787,461)</u>	<u>3,065,577</u>	<u>(674,427)</u>
	₩ <u>3,627,068</u>	<u>(806,292)</u>	\$ <u>3,106,431</u>	<u>(690,555)</u>

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(30) Earnings Per Share

(a) Earnings per share for the years ended December 31, 2009 and 2008 are as follows:

	Korean Won (millions, except per share amount)		U.S. dollars (thousands, except per share amount) (note 3)
	2009	2008	2009
Net income	₩ 716,422	742,824	\$ 613,585
Weighted-average number of common shares outstanding	<u>29,043,374</u>	<u>29,043,374</u>	<u>29,043,374</u>
Earnings per share in Won and U.S. dollars	₩ <u>24,667</u>	<u>25,576</u>	\$ <u>21.13</u>

(b) Earnings per share from continuing operations for the years ended December 31, 2009 and 2008 are as follows:

	Korean Won (millions, except per share amount)		U.S. dollars (thousands, except per share amount) (note 3)
	2009	2008	2009
Income from continuing operations	₩ 711,987	741,426	\$ 609,787
Weighted-average number of common shares outstanding	<u>29,043,374</u>	<u>29,043,374</u>	<u>29,043,374</u>
Earnings per share from continuing operations in Won and U.S. dollars	₩ <u>24,515</u>	<u>25,528</u>	\$ <u>21.00</u>

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(31) Dividends

(a) Dividends as a percentage of net income and par value for the years ended December 31, 2009 and 2008 are as follows:

		Korean Won (millions)		U.S. dollars (thousands) (note3)
		2009	2008	2009
Dividend amount (Cash dividends)	₩	36,304	36,304	\$ 31,093
Net income	₩	716,422	742,824	\$ 613,585
Dividends as a percentage of net income		5.07%	4.89%	5.07%
Par value per share	₩	5,000	5,000	\$ 4
Dividends as a percentage of par value		25.0%	25.0%	25.0%

(b) Dividend yield ratio for the years ended December 31, 2009 and 2008 are as follows:

		Korean Won		U.S. dollars (note3)
		2009	2008	2009
Dividend per share	₩	1,250	1,250	\$ 1
Market price as of year end		346,000	210,000	296
Dividend yield ratio		0.36%	0.60%	0.36%

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(32) Commitments and Contingencies

- (a) As of December 31, 2009, the Company has various forms of credit facility commitments with financial institutions as follows:

	Credit line		Amount used under credit facility	
	Korean Won (millions), U.S. dollars (thousands)		Korean Won (millions), U.S. dollars (thousands)	
Overdraft	₩	65,000	₩	11,759
General loan	₩	100,000	₩	-
Buyer's credit	₩	341,950	₩	99,593
Letter of credit	\$	9,516	\$	2,226
	₩	506,950	₩	111,352
	\$	9,516	\$	2,226

- (b) As of December 31, 2009, the Company has provided the note of ₩10,000 million as collateral for short-term borrowings from Korea Agro-Fisheries Trade Corporation.
- (c) The Company entered into operating lease contracts with Lotte Midopa Co., Ltd. and Lotte Station Building Co., Ltd. Details of the lease as of December 31, 2009 are as follows:

Lessor	Location	Korean Won (millions)		Guarantee deposit amount	Monthly rent
		Beginning date	Expiration date		
Lotte Midopa Co., Ltd.	Namdaemun-ro, Jung-gu, Seoul	Nov. 18, 2003	Nov. 17, 2023	₩ 36,500	355
Lotte Station Building Co., Ltd.	Nammoon-ro, Sangdang-gu, Cheongju	Feb. 23, 2007	Feb. 22, 2027	5,800	275
				₩ 42,300	630

- (d) The Company entered into 13 contracts with J&Jisan Co., Ltd. and others for the future lease of its buildings and recorded long-term advance payments of ₩76,148 million as of December 31, 2009. Long-term advance payment will transfer to guarantee deposits when the terms of lease begin.
- (e) As of December 31, 2009, the Company is the plaintiff in various lawsuits claiming damages totaling ₩14,283 million and the Company is the defendant in various lawsuits with damage claims totaling ₩3,448 million. Management believes that the ultimate resolution of these legal actions will not have a material adverse effect on the financial position or operations of the Company; accordingly, the Company has not accrued any liability for possible losses in the accompanying non-consolidated financial statements.

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(33) Comprehensive Income

Comprehensive income for the years ended December 31, 2009 and 2008 was as follows:

	Korean Won (millions)		U.S. dollars (thousands) (note3)
	2009	2008	2009
Net income	₩ 716,422	742,824	\$ 613,585
Change in unrealized gain on valuation of available-for-sale securities, net of tax effect of ₩(12,467) million in 2009 and ₩12,064 million in 2008	44,203	(29,505)	37,858
Change in unrealized gain on valuation of equity method investments, net of tax effect of ₩(3,830) million in 2009 and ₩479 million in 2008	(24,317)	17,263	(20,827)
Change in unrealized loss on valuation of derivative, net of tax effect of ₩(2,534) million in 2009 and ₩5,695 million in 2008	8,984	(20,192)	7,695
Change in unrealized gain on revaluation of land, net of tax effect of ₩(787,461) million in 2009	2,791,906	-	2,391,150
Comprehensive income	₩ <u>3,537,198</u>	<u>710,390</u>	\$ <u>3,029,461</u>

(34) Non-cash Investing and Financing Activities

Significant non-cash investing and financing activities for the years ended December 31, 2009 and 2008 are summarized as follows:

	Korean Won (millions)		U.S. dollars (thousands) (note3)
	2009	2008	2009
Construction-in-progress transferred to property, plant and equipment and intangible assets	₩ 829,266	694,766	\$ 710,231
Acquisition of equity method investment securities through in-kind exchange	-	37,418	-
Other investment assets transferred to equity method investment securities	-	5,702	-
Available-for-sales-securities transferred to equity method investment securities	11,667	130	9,992
Revaluation of land	3,579,367	-	3,065,577

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(35) Date of Authorization for Issue

The 2009 financial statements will be authorized for issue on March 4, 2010, at the Board of Directors Meeting.

(36) Results of Operations for the Last Interim Period

	Korean Won (millions)		U.S. dollars (thousands) (note3)
	2009	2008	2009
	4th Quarter	4th Quarter	4th Quarter
Sales	₩ 3,206,374	2,864,269	\$ 2,746,124
Operating income	258,158	212,942	221,101
Net income for the period	178,654	225,157	153,010
Earnings per share in Won and U.S. dollars	6,151	7,752	5.27

(37) Segment Information

- (a) The Company's major business segments consist of department stores (retail), marts (retail) and others (supermarkets, movie theaters, construction and clothing retail).
- (b) Financial information by business segment for the years ended December 31, 2009 and 2008 is summarized as follows:

	Korean Won (millions)							
	2009				2008			
	Department stores	Marts	Others	Total	Department stores	Marts	Others	Total
Sales	₩ 5,904,468	4,327,792	1,303,021	11,535,281	5,456,646	4,060,041	992,564	10,509,251
Operating income	676,809	167,872	31,794	876,475	639,056	110,567	18,484	768,107
Depreciation and amortization	178,969	149,131	74,234	402,334	151,990	141,850	71,322	365,162

	U.S. dollars (thousands) (note 3)							
	2009				2008			
	Department stores	Marts	Others	Total	Department stores	Marts	Others	Total
Sales	\$ 5,056,927	3,706,571	1,115,982	9,879,480	4,673,386	3,477,253	850,089	9,000,728
Operating income	579,658	143,776	27,230	750,664	547,324	94,696	15,831	657,851
Depreciation and amortization	153,280	127,725	63,579	344,584	130,173	121,488	61,085	312,746

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(37) Segment Information, Continued

(c) Property, plant and equipment and intangible asset net information for the major segments as of December 31, 2009 and 2008 is summarized as follows:

	Korean Won (millions)							
	2009				2008			
	Department stores	Marts	Others	Total	Department stores	Marts	Others	Total
Property, plant and equipment	₩ 6,334,576	4,429,226	365,575	11,129,377	3,689,429	3,024,807	346,745	7,060,981
Intangible assets	30,400	63,379	40,724	134,503	30,762	59,395	41,373	131,530
Total	₩ 6,364,976	4,492,605	406,299	11,263,880	3,720,191	3,084,202	388,118	7,192,511

	U.S. dollars (thousands) (note 3)							
	2009				2008			
	Department stores	Marts	Others	Total	Department stores	Marts	Others	Total
Property, plant and equipment	\$ 5,425,296	3,793,445	313,099	9,531,840	3,159,840	2,590,619	296,973	6,047,432
Intangible assets	26,037	54,281	34,878	115,196	26,347	50,869	35,434	112,650
Total	\$ 5,451,333	3,847,726	347,977	9,647,036	3,186,187	2,641,488	332,407	6,160,082

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(38) Discontinued Operations

The Board of Directors of the Company committed to a plan to sell the foods manufacturing division by September 30, 2009 and announced the plan on September 18, 2009. This decision was made due to a long-term business plan to focus more on retail business. In accordance with the approved plan, the Company made an agreement to sell the foods manufacturing division to Lotte Samkang Co., Ltd. on September 18, 2009, and sold the assets and liabilities of the foods manufacturing division for ₩24,339 million to Lotte Samkang Co., Ltd. on September 30, 2009. The book value of assets and liabilities of the foods manufacturing division as of September 30, 2009 was ₩24,968 million and ₩3,984 million, respectively.

The results of the discontinued operation were calculated as follows:

	Korean Won (millions, except for earnings per share)		U.S. dollars (thousands, except for earnings per share) (note 3)
	2009	2008	2009
Sales	₩ 38,001	44,541	\$ 32,547
Cost of sales	34,361	41,756	29,429
Gross profit	3,640	2,785	3,118
Selling and administrative expenses	1,759	1,903	1,507
Operating income	1,881	882	1,611
Non-operating income	638	1,056	547
Non-operating expenses	23	9	20
Income of foods manufacturing division	2,496	1,929	2,138
Gain on disposition of the discontinued operation	3,355	-	2,873
Income taxes	1,416	531	1,213
Results of discontinued operation	4,435	1,398	3,798
Basic earnings per share in Won and U.S. dollars	₩ 152	48	\$ 0.13

In relation to the discontinued operation, net cash from operating and investing activities was ₩1,310 million and ₩1,160 million, respectively, for the nine-month period ended September 30, 2009.

The comparative income statement has been restated to show the discontinued operation separately from continuing operations.

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(39) Split-off

- (a) The general meeting of stockholders of the Company decided to split the Krispy Kreme Doughnuts division off on November 20, 2009. In accordance with the approved decision, the Company made a split-off the Krispy Kreme Doughnuts division on December 31, 2009.

Newly established company after split-off, Lotte Krispy Kreme Doughnuts Co., Ltd. engages in manufacturing and selling doughnuts and coffee. The amount of issued capital stock is ₩2,000 million and wholly owned by the Company.

- (b) Financial information of the Krispy Kreme Doughnuts division as of December 30, 2009 and December 31, 2008 is summarized as follows:

	Korean Won (millions)		U.S. dollars (thousands) (note 3)	
	2009	2008	2009	
Assets	₩ 86,019	66,360	\$	73,672
Liabilities	4,581	64,156		3,923

- (c) Financial information of the Krispy Kreme Doughnuts division for the periods ended December 30, 2009 and December 31, 2008 is summarized as follows:

	Korean Won (millions)		U.S. dollars (thousands) (note 3)	
	2009	2008	2009	
Sales	₩ 51,413	53,492	\$	44,033
Operating income	2,101	4,330		1,799

(40) Subsequent Events

On February 9, 2010, the Company made an agreement to acquire department and discount store division of GS Retail Co., Ltd., which included 3 department stores, 14 discount stores, employment, operation and landsite. The Company expects to get economy of scale and synergy effect through this acquisition. Aggregated amount for acquisition accounted for ₩1,340,000 million.

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(41) Planning and Adoption of K-IFRS (International Financing Reporting Standards)

(a) The Financial Supervisory Commission announced the roadmap for the adoption of K-IFRS in March 2007, and the Company subsequently plans to issue financial statements prepared in accordance with K-IFRS from 2011. Financial effect on financial statements according to the change in accounting standards has been analyzed by the Company, and employees related to financial reporting have been trained. Also, plans and status are reported periodically to the management. Specific time schedule and related status are summarized as follows:

<u>Major activities</u>	<u>Plans</u>	<u>Status</u>
Running team of analyzing the financial effect of K-IFRS	Preparation of acceptance of K-IFRS until December 2009 Analysis on conversion information of converted F/S as of January 1, 2010 and thereafter	Built T/F team of K-IFRS in September 2008 and established K-IFRS accounting policies and procedures, along with their own detailed methodology of financial information. Additionally, performed a system analysis on the financial effects of convergence from K-GAAP into K-IFRS.
Training employees	Acquisition of professional knowledge and skills for acceptance of K-IFRS	Trained employees.
Implementation of accounting system	Implementation of accounting systems for acceptance of K-IFRS	Resulting from change in accounting policies in accordance with K-IFRS, improvement upon related system and process design is now ongoing.

LOTTE SHOPPING CO., LTD.

Notes to Non-Consolidated Financial Statements, Continued

December 31, 2009 and 2008

(41) Planning and Adoption of K-IFRS (International Financing Reporting Standards), Continued

(b) Differences between Accounting under K-IFRS and under K-GAAP Expected to Have a Material Effect on the Company

Below is a list of notable differences between the financial statements as of and for the year ended December 31, 2009 as presented and as they would have been prepared under K-IFRS. The below list is not exhaustive, as in the future other unforeseen differences may appear as a result of future changes. In addition, practical effect of some of the significant differences listed below may not be obtainable:

Area	K-IFRS	Current K-GAAP
Employee benefits	Under the Projected Unit Credit Method, the Company recognizes a defined benefit obligation calculated using an actuarial technique and a discount rate based on the present value of the projected benefit obligation	The Company establishes an allowance for severance liability equal to the amount which would be payable if all employees left at the end of the reporting period.
Business combinations	Only the purchase method may be used, and the acquired assets and liabilities are all recorded at fair value under K-IFRS	Either the pooling of interests method or the purchase method may be used
Investment property	The Company recognizes property held (land or a building - or part of a building- or both) for earning rentals as Investment property.	The Company recognizes property held for earning rentals as tangible assets (property, plant and equipment).
Borrowing costs	Borrowing costs directly related to acquire, construct or manufacture qualifying assets should be included in the acquisition cost of the assets in current year.	Financial costs incurred to manufacture, purchase, construct, and develop assets should be expensed but capitalization of financial cost is allowed under the certain condition.

Independent Accountants' Review Report on Internal Accounting Control System

English Translation of a Report Originally Issued in Korean

To the President of
Lotte Shopping Co., Ltd.;

We have reviewed the accompanying Report on the Operations of Internal Accounting Control System ("IACS") of Lotte Shopping Co., Ltd. (the "Company") as of December 31, 2009. The Company's management is responsible for designing and maintaining effective IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review management's assessment and issue a report based on our review. In the accompanying report of management's assessment of IACS, the Company's management stated: "Based on the assessment on the operations of the IACS, the Company's IACS has been effectively designed and is operating as of December 31, 2009, in all material respects, in accordance with the IACS Framework issued by the Internal Accounting Control System Operation Committee."

We conducted our review in accordance with IACS Review Standards, issued by the Korean Institute of Certified Public Accountants. Those Standards require that we plan and perform the review to obtain assurance of a level less than that of an audit as to whether Report on the Operations of Internal Accounting Control System is free of material misstatement. Our review consists principally of obtaining an understanding of the Company's IACS, inquiries of company personnel about the details of the report, and tracing to related documents we considered necessary in the circumstances. We have not performed an audit and, accordingly, we do not express an audit opinion.

A company's IACS is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, however, IACS may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that the Report on the Operations of Internal Accounting Control System as of December 31, 2009 is not prepared in all material respects, in accordance with IACS Framework issued by the Internal Accounting Control System Operation Committee.

This report applies to the Company's IACS in existence as of December 31, 2009. We did not review the Company's IACS subsequent to December 31, 2009. This report has been prepared for Korean regulatory purposes, pursuant to the External Audit Law, and may not be appropriate for other purposes or for other users.

March 2, 2010

Notice to Readers

This report is annexed in relation to the audit of the non-consolidated financial statements as of December 31, 2009 and the review of internal accounting control system pursuant to Article 2-3 of the Act on External Audit for Stock Companies of the Republic of Korea.

Report on the Operations of Internal Accounting Control System

To the Board of Directors and Internal Auditor (Audit Committee) of Lotte Shopping Co., Ltd.;

I, as the Internal Accounting Control Officer ("IACO") of Lotte Shopping Co., Ltd. (the "Company"), have assessed the status of the design and operations of the Company's internal accounting control system ("IACS") for the year ended December 31, 2009.

The Company's management including IACO is responsible for the design and operations of its IACS. I, as the IACO, have assessed whether the IACS has been effectively designed and is operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of establishing the reliability of financial reporting and the preparation of financial statements for external purposes. I, as the IACO, applied the IACS Framework for the assessment of design and operations of the IACS.

Based on the assessment of the operations of the IACS, the Company's IACS has been effectively designed and is operating as of December 31, 2009, in all material respects, in accordance with the IACS Framework issued by the Internal Accounting Control System Operation Committee.

Hyun Soo, Kim, Internal Accounting Control Officer

Chul Woo, Lee, Chief Executive Officer or President

February 11, 2010