



Think Tomorrow

Respect for human beings,
environment-friendly and affluent cultural activities.
This is the future Lotte pursues



Readers' Guide

1. Guidelines of the Sustainability Report 2007

This report has been prepared in accordance with the Sustainability Reporting Guidelines by the Global Reporting Initiative (GRI) (G3). This report includes all of the G3 notices, as well as the notification of the management process and the index and the core of G3 as much as possible in accordance with the rule of importance.

2. Contents and scope of the Sustainability Report 2007

This report describes the economic, environmental, and social performances and status of Lotte Department Store. The contents are based on information on Lotte Department Store's headquarter and its 23 stores across the country, which include the Mia store newly opened in December 2006. Some sections of the report, however, including the IPO-related information (page 9) and the financial information (page 15), have been prepared based on Lotte Shopping Co. Ltd., as Lotte Department Store is an affiliated company of Lotte Shopping Co. Ltd. Please note that this report includes some parts on activities done overseas.

3. Reporting period

January 1, 2006 ~ December 31, 2006 *Some information is inclusive of 2007

Since some information is inclusive of 2007, this is a sustainability report for 2007, not 2006. This is an annual report, and the latest one was "Sustainability 2005."

4. Significance of the Sustainability Report

This report, which is the third report about the sustainable activities of Lotte Department Store, has been modified from the 2005 report (published in May 2006) largely in three aspects.

First, based on the GRI G3 guidelines, it emphasizes the substances in the contents.

Secondly, it well reflects the new contents of 2007, which are about the notion of management, the new guidelines for activities, and the structure.

Thirdly, it made full use of charts and graphs in order to make it more assessable.

Please note that all the data of this report are based on the latest three years of data, measured data as inside data, and publicly trusted data as outside data. Also, note that the materials related to the IPO are re-written since they had not been changed since the report for 2005.



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Notion of Lotte Dept. Store

Notion	
Basic notion	The owner of our company is customers.
Objectives	21st's world-renowned retailer pursuing the respect for human beings and environment-friendly, cultural activities
Mission	<ul style="list-style-type: none">• To support economic development with right management• To improve the lifestyle with high-quality services and products• To make cooperative corporation culture
Working attitude	We act arduously and think customer-oriented
Slogan	Always with you

Global & Creative 2007

Global	By Innovation	interminable change and innovation
	By System	establishment of an advanced management system
	By People	train arduous global human resources
Creative	Customer Value	creating value for customers (sublime service, MD, rewards)
	Partnership	creative management for stockholders and partner corporations
	Culture	creative corporate culture

Guidelines for the Lotte-man 2007

All employers and employees of Lotte Dept. Store swear as below in order to offer sacrifices to customers, the owner of the company, reach the management objective of 2007 to be a "21st century's world-renowned retailer pursuing the respect for human beings and environment-friendly, cultural activities", and establish the original image of sustainable Lotte Dept. Store.

One, we make "soulful store" for customers

One, we discard unnecessary affairs and focus on essential work

One, we make original ideas of Lotte Dept. Store through creativity

"Sustainability management is a stepping-stone for our evolution to become a premier global company."



The year 2007 is truly a significant year for Lotte Department Store, because we establish our mission to be 'a premier global retailer of the 21st century' and it is the very first year of opening the period of renaissance with innovation and change. The premier global retailer that Lotte pursues is a super excellent business which respects humans, leads to the protection of our environment, and supports the society with right management. Sustainable management is one of the core strategies adopted by Lotte Department Store to become a global department store upholding global standards. Sustainable management is a stepping-stone for our evolution to become a premier global company. For this, Lotte Dept. Store prepared detailed guidelines and newly established our mission and objectives to make sustainable management not only a statement but also corporate mind. 'Global & Creative' is a catchphrase which includes such wills for sustainable management. We will make efforts to establish an advanced management system, go through interminable change and innovation, establish passionate human resources through global management, create a creative corporate culture, establish creative management for partnerships, and create value for customers through creative management. We continue to achieve growth by balancing the three areas of economy, society, and environment. It has been three years since Lotte Department Store declared environment-oriented management and made sustainability reports. We will make efforts to be exemplary of change & innovation for a sustainable future within domestic retail industries as we take strides toward becoming a leading retailer of global excellence through sustainable management.

Thank you.

August 2007
Lee, Chul-woo, President and CEO

“Always 언제나 고객과 함께
with you,,

“Customer-oriented management” is our basic notion,
which pursues customers’ satisfaction and trust through
genuine service from honesty.



“Always with”: Lotte’s promise

‘Always with’ from ‘Always with you’ means the roles and responsibilities of Lotte Department Store. Here, Lotte Department Store promises to substantiate its four responsibilities and roles, which are economical, legal, ethical, and social.



Lotte’s Economical Responsibilities

The insolvency of a corporation which neglects its basic responsibilities has bad influences on the national economy as well as the local society. A corporation, as a main body of economic activity, should make profits constantly. Lotte Department Store, which has a leading market share within the country, the largest store network, the greatest number of partnerships, the strongest buying power, the largest total store area, and expensive total market price, fulfills its economic responsibilities by providing sound employment.

Lotte’s Legal Responsibilities

The status of a corporation can be recognized only when it fairly trades within the legal boundaries, and this could be protection for stable profits of the corporation. Lotte Department Store first prepared an organization which manages fair trade in September 2001 within the retail industry and declared voluntary fair trade compliance in order to act on its legal responsibilities. Also, it constructed a quality management system by widely distributing memo books about sanitary education and food laws and regulations.

Lotte’s Ethical Responsibilities

Ethical management gets consistent trust from the market by doing socially justified acts. Lotte Department Store, which declared “the guidelines of ethical acts” in 2001, prepared a self-reporting system, economy campaigns, stop-smoking campaigns, and so on to improve the ethics among the employees.

Lotte’s Social Responsibilities

The main purpose of a corporation is to produce services and/or products that the society needs through interaction with the society. Social distribution as well as social investment and strategies for consistent development are a means for a corporation to live within the society as a member of the society. Lotte Department Store fulfills its social responsibilities by donating, supporting cultural activities, and engaging in environment-friendly management.

Always with YOU- “YOU”

“YOU” from Lotte’s catchphrase means more than just simply “you,” and includes inside customers, partners, stakeholders, the government, and the local society.

Expansion of the meaning of “customer”

Lotte Dept. Store interacts with various changing environmental elements and needs to recognize customers within a broader range in order to react properly. Lotte understands a broader range of customers to provide higher quality services.

The relationship between Lotte Dept. Store and ‘YOU’

Lotte makes efforts to improve the relationship with all stakeholders. Investor relations (IR) activities, employees’ suggestions, informal discussions, informal gathering of presidents, conventions with partners, researching customers’ satisfaction, etc would be nice examples of it. Such efforts become smooth communication channels between Lotte and its stakeholders. Such contents are well-reflected in this report.

〈Interested area of stakeholders〉

division		outside customers	partners	investors	employees	government	local community
corporate overview	P 3						
economy	P 13						
society 1	P 23						
society2	P 41						
environment	P 55						
Receiving of awards and opinions	P 68						

〈Role model of Lotte and its stakeholders〉



〈Role of Lotte towards its stakeholders and the communication channels〉

Stakeholders	Role of Lotte	Communication channels of stakeholders
Outside customers	Improving the quality of life of customers by providing even more excellent products and services	Researching customer satisfaction (P28)
employees (Constituent members)	Satisfactory working conditions for excellent employees	Employees’ suggestion system, informal discussions (P45)
partners	Intimate cooperation is needed with collaborating companies in order to materialize corporate value	System for collecting opinions about fair trade, a convention with collaborating companies (P52)
investors	Responsibility to provide transparent and fair corporate value information for new investors and to return proper profits to the shareholders investing after believing in the future value through long-term corporate growth	Various IR activities, such as conference calls (P10)
government	Obeying the law and actively cooperating with governmental policies	Attendance in governmental gatherings and proceeding with linked events (P64)
local community	Creating employment and improving welfare to contribute to the development of the local community and support cultural development.	Events for local communities and others (P37~40)

Corporation overview

Transparent management and substantiated management since 1979

Overview

- Corp. name : Lotte Shopping Co. Ltd. (Lotte Department store is an affiliated company of Lotte Shopping Co., Ltd.)
- Established : November 15, 1979
- Address : No.1 Sogong-dong, Jung-gu, Seoul, Korea
- Capital : 145.2 billion won (As of December 2006, based on Lotte Shopping, Co. Ltd.)
- Number of employees : 6,529 (As of December 2006, both full-time job and part-time job within Lotte Department Store)



Current situation of store

Lotte Department Store established 23 stores across the country (including Avenel), with a total area of 600,000m2, since it opened its main store, with an area of 19,000m², in Sogong-dong in December 1979.

- Major area of business: Retailer - Main products: Apparel, accessories, sports, food, home, and kids

〈Major situation of Stores - Based on the end of March 2007〉

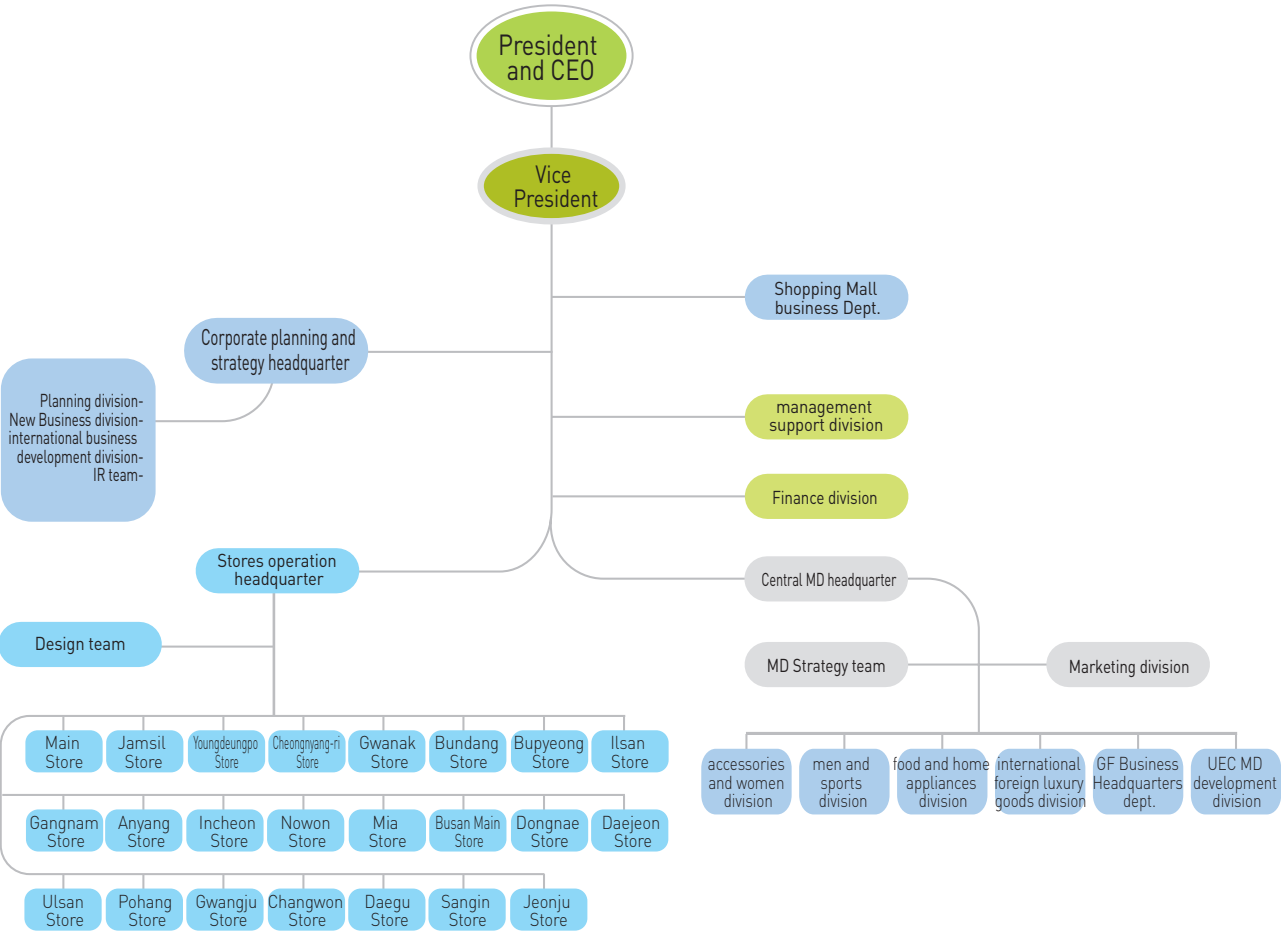
〈Unit: persons, m², units〉

Stores	Location	Opened date	No. of employees (including fellow employees)	Average number of customers on one day	Sales areas	number of cars that can use the parking lot	ETC
Main Store	Sogong-dong, Jung-gu, Seoul	1979. 12. 17	5,283	110,000	65,776	2,491	Includes Young Plaza and Avenel
Jamsil Store	Jamsil-dong, Songpa-gu, Seoul	1988. 11. 12	3,231	56,400	44,308	3,661	Excludes castle
Youngdeungpo Store	Youngdeungpo-dong, Youngdeungpo-gu, Seoul	1991. 05. 04	3,100	34,000	32,417	1,178	-
Cheongnyang-ni Store	Jeonnonng-dong, Dongdaemun-gu, Seoul	1994. 03. 18	1,290	9,826	15,516	345	-
Busan Main Store	Bujeon-dong, Busanjin-gu, Busan	1995. 12. 08	4,194	52,327	52,995	2,787	-
Gwanak Store	Bongcheon-dong, Gwanak-gu, Seoul	1997. 10. 31	1,200	10,380	15,874	592	-
Gwangju Store	Daein-dong, Dong-gu, Gwangju	1998. 09. 18	2,319	26,500	28,265	1,448	-
Bundang Store	Sunae-dong, Bundang-gu, Sungnam, Gyeonggi	1999. 04. 01	1,610	16,763	27,035	1,318	-
Bupyeong Store	Bupyeong-dong, Bupyeong-gu, Incheon	1999. 08. 27	1,091	12,000	15,481	540	-
Ilsan Store	Janghang-dong, Ilseong-gu, Gyeonggi-do	1999. 10. 15	2,108	12,560	26,632	895	-
Daejeon Store	Goejeong-dong, Seo-gu, Daejeon	2000. 03. 17	2,651	19,977	36,995	1,019	Includes Young Plaza
Gangnam Store	Daechi-dong, Gangnam-gu, Seoul	2000. 06. 16	1,800	15,000	25,908	641	-
Pohang Store	Haksan-dong, Buk-gu, Pohang, Gyeongsangbuk-do	2000. 12. 08	1,500	15,000	20,959	840	-
Ulsan Store	Samsan-dong, Nam-gu, Ulsan	2001. 08. 24	2,200	29,543	30,010	1,447	-
Dongnae Store	Onchun-dong, Dongnae-gu, Busan	2001. 11. 02	2,070	16,570	28,015	854	-
Changwon Store	Sangnam-dong, Changwon, Gyeongsangnam-do	2002. 02. 28	2,000	17,000	26,007	1,073	-
Anyang Store	Anyang-dong, Anyang, Gyeonggi-do	2002. 05. 10	2,100	13,000	24,506	796	-
Incheon Store	Guwol-dong, Namdong-gu, Incheon	2002. 08. 23	2,060	15,269	31,784	753	-
Nowon Store	Sanggye-dong, Nowon-gu, Seoul	2002. 09. 03	2,814	31,912	33,734	1,073	-
Daegu Store	Chilseong-dong, Buk-gu, Daegu	2003. 02. 27	2,298	21,015	33,643	985	-
Sangin Store	Sangin-dong, Dalseo-gu, Daegu	2004. 02. 20	1,642	8,190	22,793	635	-
Jeonju Store	Seosin-dong, Wansan-gu, Jeonju, Jeollabuk-do	2004. 05. 28	1,710	16,665	23,309	882	-
Mia Store	Mia-dong, Gangbuk-gu, Seoul	2006. 12. 20	1,991	20,151	27,240	552	-
Total			52,262	580,048	689,202	26,805	-

※ The number of employees of each store includes fellow employees considering the creation of job opportunities within local communities.

Lotte Dept. Store Structure 2007

〈Organization chart of Lotte - Based on the end of July 2007〉



Lotte Dept. Store reconstructed its structure in order to intensify the practical management and globalization in April 2007. It integrated the systems which were managed separately in accordance with the area along with the incorporation of the Design team and the Service & Innovation Dept. into the Business and Sales Dept. for quick support. Meanwhile, to maximize the synergy effect through the incorporation of marketing and product strategies the Marketing Division has been included in the Central MD headquarter. Also, the corporate Planning and Strategy Headquarters was newly established by integrating the New Business division, International business development division, and the IR team.

Current situation of Lotte Dept. Store

Establishment of transparent and trusted corporation structure

Lotte Shopping, which was listed on the London Stock Exchange and the Korean Stock Exchange in February 2006, tries to establish an advanced transparent management system. The Lotte Department Store Board of Directors has nine members, four of which are inside directors and five outside directors, and it has held 33 times of meetings in 2006, including 14 times of meetings with five directors outside the company. Currently, we run two committees within the Board of Directors; one is the Committee of Inspection and the other is the Committee of Recommendation of Directors Outside the Company. The inside directors are represented by four executive directors, including Chul-woo Lee, the President & CEO of Lotte Department Store. The outside directors include Moo-lk Park, President of Gallup Korea; Yoon-koo Kang, a professor at Soonchunhyang University; Se-ri Yoon, the Competition Policy Advisor at the Fair Trade Commission; Seong-kyu Sohn, a professor at the College of Business Administration, Yonsei University; and Jeong-hwan Oh, former Managing Director of Hotel Lotte Busan. Their duties include monitoring and advising the company on the business activities of Lotte Shopping.

Lotte's Board of Directors

1. Constitution of the Board of Directors

The Board of Directors has nine members elected at the shareholders' meeting biannually in accordance with the Statute and Provisions of the Board of Directors. The current Chairman of the Board of Directors is Chul-woo Lee, the President & CEO, in accordance with Act.5 of the Provisions. For reference, Lotte Shopping applies several legal ordinances related to the qualification of outside directors, and the maximum limit of the compensation for the directors is confirmed by shareholders.

〈The Present Condition of the Compensation for Directors in 2006〉

〈Unit : 1,000 won〉

Division	Number of people	Average payment per person	Total allowance	Maximum amount permitted by stockholders' meeting
registered directors	4	465,438	1,861,750	11,000,000
regular outside directors	2	27,000	54,000	
outside directors and members of the inspection committee	3	27,000	81,000	

※ The total amount of compensation for registered directors includes compensation for four other people during the period.

2. Authority of Board of Directors

The Board of Directors invites outside persons to refer to their opinions if necessary, and they can ask for professionals' opinions. Also, they can ask for further inspections and explanations or cancelation or changes in the designated work when doubts and violation of law are suspected as the execution proceeds.

3. Process of opinion derivation by the Board of Directors

Regular Board of Directors meetings are a monthly event. All decisions and establishments made by the Board of Directors will be determined when the majority of the directors are present, and the majority of the present directors concur. Also, all directors are allowed to attend the meeting by video conference, and, in this case, the director is considered to be attending the meeting directly. No exception can be made. A director who has special interest in a special matter cannot vote.

4. Committee of Inspection and Committee of Recommendation of Directors Outside the Company

Lotte Shopping has two divisions of committees in order to direct expertise on management systems related to the economy, society, and the environment as well as for the transparency of the corporation; one is the Committee of Inspection and the other is the Committee of Recommendation of Directors Outside the Company. The Committee of Recommendation of Directors Outside the Company tries to intensify the transparency of the management through the recommendation of outside directors who can represent the shareholders' profits.

Qualification of outside directors

It is in accordance with 3 of 16 of 191 and 4 of 5 of 54of the Securities Transaction Related to the Qualification of Outside Directors Act and 2 and 3 of 6 of 37 the Enforcement Ordinance.

Shareholders' Meeting

The shareholders' meeting is a necessary institution consisted of the major shareholders, which is the supreme consultation body of the corporation, where it determines matters based on laws and statutes. The shareholders' meeting can determine matters only in accordance with the business laws and the statutes. Also, it can determine matters decided by special laws. In addition, it can forward shareholders' opinions to the Board of Directors.

1) **Shareholder's right to suggest** - if a shareholder has 1) more than 3/100 of the total capital stock, 2) or more than 5/1000, in the case of this corporation, he or she can suggest certain matters to be the main subjects of the shareholders' meeting.

2) **Shareholder's vote** - Shareholder can attend the shareholders' meeting participating in discussion and questioning by him/herself or by representative, and can determine by the number of votes (or shares)

A regular shareholders' meeting is convened before three months after the end of each financial year. Ad hoc shareholders' meetings are also held whenever necessary following a resolution by the Board of Directors. Once it is decided to convene a shareholders' meeting, the time, place, and agenda of the meeting are announced on at least two occasions in the Korea Economic Daily and the Maeil Business Newspaper as well as the homepage of the Financial Supervisory Service two weeks before the meeting date. Every share entitles the holder to one vote. Shareholders with more than two votes may choose to split their votes between an Aye vote(s) and a Nay vote(s). In addition, if shareholders cannot attend a shareholders' meeting, they may opt to exercise their voting rights by way of proxy. The shareholders' meeting approves resolutions with a simple majority of votes represented and at least one quarter of the total number of shares issued.

〈Structure of the Stock Share of Lotte Shopping Co., Ltd. - Dec. 31, 2006〉

Division	Possessed shares	the ratio of stock shares(%)	Division	possessed shares	the ratio of stock shares(%)
Dong-bin Shin	4,237,627	14.59	Lotte Chilsung Co., Ltd.	1,237,272	4.26
Dong-ju Shin	4,235,883	14.58	Lotte Construction Co., Ltd.	300,019	1.03
Kyuk-ho Shin	353,577	1.22	Hotel Lotte Busan Co., Ltd.	246,720	0.85
Young-ja Shin	226,962	0.78	total shares of largest shareholders	20,000,000	68.86
Hotel Lotte Co., Ltd.	2,697,201	9.29	inside shares	330,431	1.14
Fuji Film Co., Ltd.	2,474,543	8.52	other shares	8,712,943	30
Lotte Confectionary Co., Ltd.	2,474,543	8.52	total number of capital stocks	29,043,374	100
Lotte Tech Co., Ltd.	1,515,653	5.22			

Protect the rights of the shareholders

Lotte Shopping has prepared the IR Team, which is exclusively for investors, to protect the rights of the shareholders. The IR Team informs the latest information on the company to the shareholders and simultaneously collects their information and forwards it to the company. Especially, shareholders and the supreme management can discuss about quarterly analyses of accomplishments and the future direction through conference calls quarterly. Also, Lotte Shopping collects shareholders' opinions to protect their rights through the IR homepage. Such opinions are directly forwarded to the Board of Directors.

Market Environment Analysis of Lotte Department Store

The market of Lotte Department Store, which had arrived at puberty in accordance with the steep development of the new industry and the diversification of the distribution channels, has somewhat gotten dull because of the expansion of the distribution channels of low-priced products, such as living necessities, within the retailer market due to the stagnation of the expenditure conditions. However, after the 4th quarter of 2005, as economic recovery continues, it showed a 4% extension of sales in 2005 as well as a 5% extension in 2006. After experiencing the economic crisis, the gap between the major department stores that have national networks and the minor department stores got deepened, and the public's attention has been focused on the major department stores. Moreover, the minor department stores have been integrating into a few major corporations. From now on, within the industry of department stores, the appearance of new competitors will be limited, new business areas will be continuously developed around Seoul and new cities, minor businesses will be continuously integrated into a few major businesses, and the competitive advantage of the major businesses will be intensified through reconstruction of the management system. Considering all the facts mentioned above, the growth rate of the entire industry is not high, but the existing department stores will continue to develop. Also, as homes shopping business, online shopping malls as well as large retailers are developing steeply and the competition between these businesses are intensified. However, the department stores have established customers, so it is expected that they will maintain their market share. Also, they will maintain the best profitability within the retailer industry.

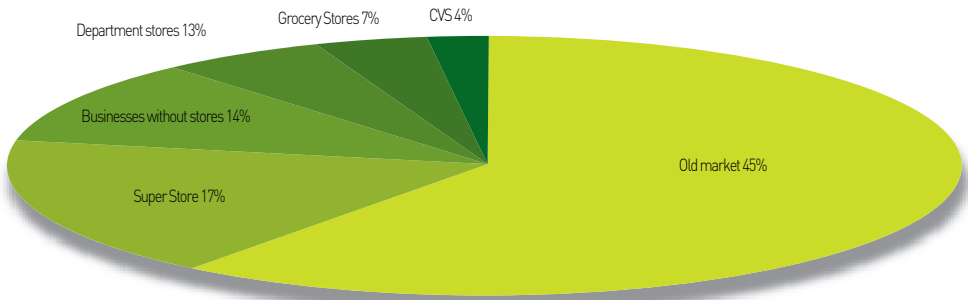
〈Market analysis of the department store industry〉

(Unit : Trillion Won)

Classification	2002	2003	2004	2005	2006
Size of market	17.8	17.3	16.5	17.2	18.1
Rate of growth	-	-2.80%	-4.60%	4.20%	5.20%

※Reference: The National Statistical Office

〈The ratios of the sales within the domestic retailer market〉



Sales characters of department stores

The retailer industry is closely related to changes of consumption as well as citizens' income because it targets final consumers. Therefore, as the consumption and the national average income increase, the gross sales within the retailer industry would increase continuously at a certain level. Especially, in the case of department stores, they react sensitively to economic fluctuations because they sell products that are market-elastic, such as apparels and luxurious goods. However, they are expected to absorb the counter effects of fluctuations by differentiating their services from those of other retail shops and marketing the target of the upper class that is not influenced by economic fluctuations. For seasonal reasons, the sales of the fourth quarter of the year are the highest because of the sales of winter products, which are relatively more expensive than other seasonal products, and the bargains during October and November.

Importance of environment-friendly management

The environmental problem takes a great part within the retail industry as several problems related to the environment have been serious social issues, such as global warming. The importance of environment-friendly management has been raising issues within the retail industry, while consuming green products (environment-friendly products) has become a consumption trend and there are intensified restrictions related to the environment, which could be both an opportunity and a threat.

Status of Lotte Department Store within the industry

Lotte Department Store maintains its outstanding market share within the industry which is 42% in terms of sales and 26% in terms of the number of stores.

〈Current condition of the number of Lotte Department Stores〉

Classification	No. of stores		
	2004	2005	2006
Entire department store industry	89	89	90
Lotte Department Stores	22	22	23
Market share	24.72%	24.72%	25.56%

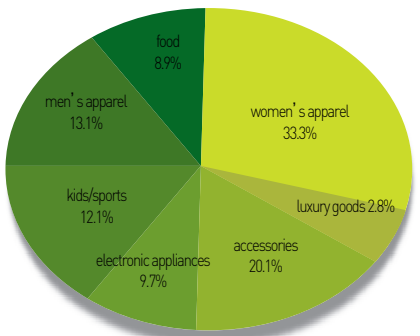
※ Reference : The Association of the Chain Stores of Korea

〈Current condition of the sales of Lotte Dept. Store〉

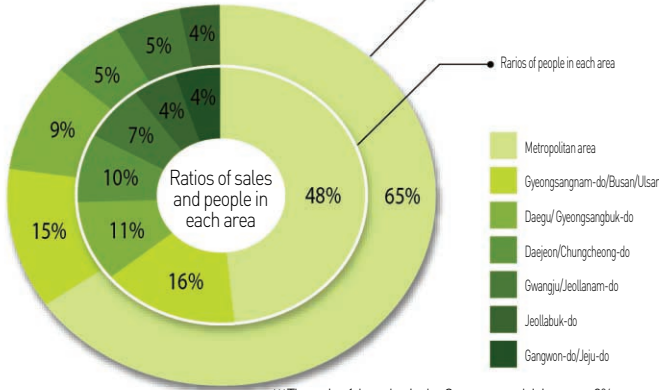
Classification	Sales		
	2004	2005	2006
Entire department store industry	165,067	171,617	181,179
Lotte Department Stores	71,751	74,161	76,507
Market share	43.47%	43.21%	42.23%

※ Reference : The National Statistical Service, company data (The sales amount of Lotte Department Store is calculated by including Lotte Midopa and Lotte stations)

〈Sales of each product〉

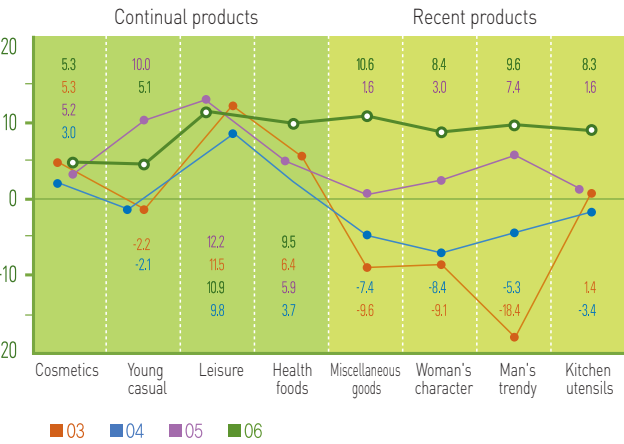


〈The ratios of sales and people in each area〉

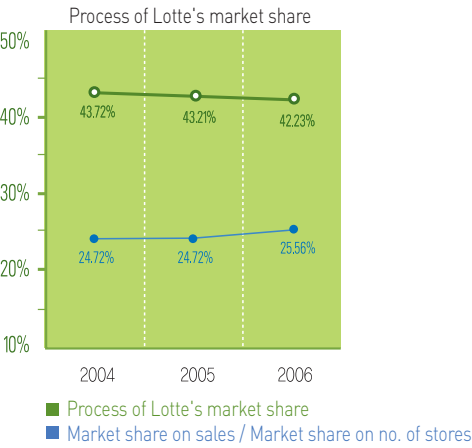


※ The ratio of the sales in the Gangwon and Jeju areas: 0%

〈Major products〉



〈Process of Lotte's market share〉



Lotte Department Store pursues the advancement of the economy of the Republic of Korea and has been leading the profit maximization of the shareholders and investors. We will become the big tree of the representative department store of the Republic of Korea that does not shake.



 Think **ECONOMY**

We raise a big tree called
'Economy' under the sky of the
Republic of Korea.

Management
performance

The representative
department store of the
Republic of Korea

Strategic
management

Contribution to
the economy

Financial achievement index

Financial accomplishment

1. Balance sheet (2006)

(Unit : Million won)

items	amount	items	amount
asset		liabilities	
I . current asset	3,465,106	I . current liabilities	3,377,972
Current account	2,518,969	II . fixed liabilities	978,489
Stock	946,137		
		capital	
II . fixed asset	8,407,208	I . capital	145,217
investment	2,260,508	II . capital surplus	4,650,896
tangible asset	6,111,108	III . retained earning	2,635,392
intangible asset	35,592	IV . fund settlement	84,348
total asset	11,872,314	total asset and liabilities	11,872,314

2. Statement of profits and losses (2006)

(Unit : Million won)

items	2004	2005	2006
amount of sales	7,627,917	8,607,104	9,055,880
profit on sales	2,127,598	2,417,848	2,672,340
profit on operation	545,313	688,820	749,372
regular profit	414,267	728,779	985,943
net profit by term	302,481	546,217	739,844

Security · profitability · activity, and growth index (2004~2006)

Classification		2004	2005	2006
security index	the ratio of distribution	42.96%	39.39%	102.58%
	the ratio of liabilities	183.55%	159.32%	57.96%
	dependency on loans	33.74%	30.44%	10.70%
activity & growth index	the increase rate of sales	115.37%	12.84%	5.21%
	the increase rate of operational profit	16.91%	26.32%	8.79%
	the increase rate of net profit by term	231.45%	80.58%	35.45%
	the increase rate of total asset	19.97%	10.10%	41.48%
profitability index	the ratio of operational profitability of sales	7.15%	8.00%	8.27%
	the ratio of net profit of sales	3.97%	6.35%	8.17%
	the ratio of net profit of total asset	4.33%	6.82%	7.30%
	the ratio of net profit of equity	11.92%	18.44%	13.76%

Creation of economic value and distribution chart(EVG&D)

(Unit : Million won)

GRI guidelines index	2004	2005	2006
created direct economic value	7,627,917	8,607,104	9,055,880
a) income			
net sales and financial investment and property sales income	7,627,917	8,607,104	9,055,880
distributed economic values	6,193,179	6,987,185	7,269,440
b) operational expenses			
purchasing cost, non-strategic investment, royalty, and operation cost	5,500,319	6,189,256	6,383,540
c) wages and welfare			
total amount of money for employees	367,356	411,384	457,497
d) capital cost			
total expenses provided to capital providers	152,104	131,475	87,318
e) taxes			
total taxes	171,063	250,839	337,252
f) investment for local community			
voluntary contribution and capital investment (donations, etc)	2,337	4,231	3,833
surfeit economic value			
created economic value - distributed economic value	1,434,738	1,619,919	1,786,440

a) income : sales

b) operational expense : sales cost

c) wages and welfare :

wage + retirement grants + welfare grants

d) capital cost :

interest expense + debenture interests

e) tax : Corporation tax expense + supplementary

corporation tax + tax

f) investment for local community: donation

※ The financial achievement index above is written based on the data from Lotte Shopping Co., Ltd. (including Lotte Department Store, marts, small retailers, cinemas, KKD, and GF division) and does not include Lotte Midopa and stations.

Global Strategy of Opening Store

Aiming to rise up as a global company, Lotte Department Store has selected Russia, China, India, and Vietnam as the four strategic overseas markets and presently is taking concrete action to make inroads. We plan to open a new department store in Russia in 2007, in China in 2008, and expect to open next stores around the world. In the cases of India and Vietnam, they have been identified as strategic regions such as Ho Chi Minh and New Delhi, and the entry into these markets is under review.



Moscow Store
(Russia)

- expected date of establishment : the second half of 2007
- sales area : 23,131㎡
- floor space/sales area : 38,529㎡
- capacity of parking lots : 450



Beijing Store
(China)

- expected date of establishment : the first half of 2008
- sales area : 36,850㎡
- floor space/sales area : 81,350㎡
- capacity of parking lots : 400

Cultivating global human resources

Promoting the managing staff with global mind

Lotte Department Store makes its efforts to promote the managing staffs who have global sense as the globalization of Lotte Department Store has been actualized. So, SEPT (Spoken English Proficiency Test) would be one of the qualifications for leading member promotion, and one who has passed SEPT will be supported with advanced English skills training to maintain one's language skills.

Introduction of advantage system for languages and distribution management

TOEIC scores as well as the qualifications for a distribution director will be considered when there is a minor promotion to expand the human resources with global sense.

Current condition of local employment

Lotte Department Store expanded local employment within overseas markets in order to reinforce its status as a globalized department store as well as to localize the overseas stores. Local employment is done based on strict judgment after announcing job positions through local recruiting agencies.

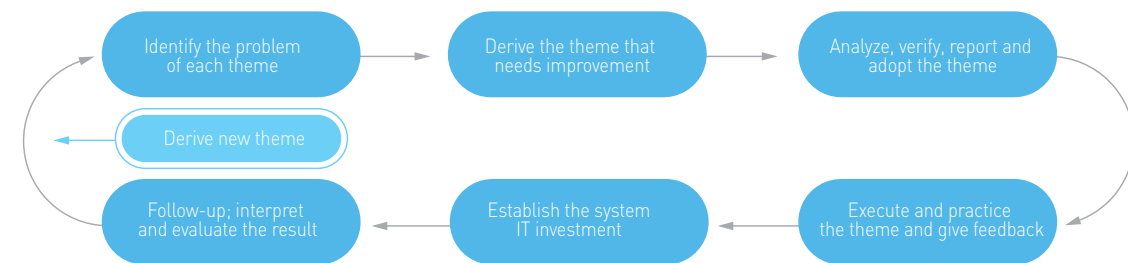
Classification	local employment	content of the work of the job positions of local employment	local structure
Russia	41	Deputy Director of corporation, marketing, PR, supervisor, general affairs, accountancy, design, and computation	corporation
China	16	Representative office work and translation	corporation and representative office
India	3	Representative office, including four persons investigating the market and site, office work, etc.	representative office
Vietnam	4	Representative office, including four persons investigating the market and site, office work, etc.	representative office

Business innovation

We have initiated system improvement policies and substantial service upgrades to reinforce the competitive advantages of the company and to raise the productivity by reacting effectively to low-development periods. Especially, we focus on IT investment and effective information-orientation and lead the optimization of the customer-oriented process as we react to changes of the market environment. Also, we make a simple and speedy process to raise the flexibility and mobility of the system corresponding to the quantified development.

Innovation Flow

Lotte Department Store pursues business innovation as the starting task force team focuses on the themed sites and the exclusive operating system.



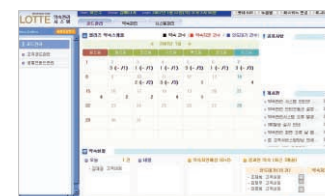
< Major accomplishments >

Years	Examples
2001	SAP(Financing and purchasing), ERP
2002	(RIS : Retail Information System) · EDI(Electronic Data Interchange)
2003	VOC(Voice Of Customer) system · integrated card information system · Thank-you computation system
2004	Introduction of PDA POS · CRM system · AMS system
2005	Membership system · Integrated customer service system · Cultural center system
2006	BSC system · Single product management system · Promise management system · Inside accountancy system
2007	New human resources system · Disaster recovery system

Major examples of business innovation in 2006

Promise management system

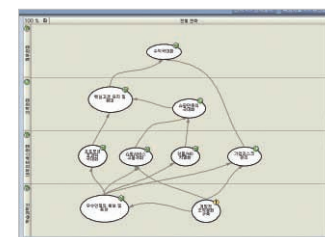
We systemized the promises with customers that we originally held them as notes and share the information about the promises so that we can eradicate failures to keep promises effectively



Promise management system

BSC system

We established the BSC system (Balanced score card) to actualize the vision and strategy and to establish a strategic management system by managing accomplishments scientifically. So, we create a goal-oriented culture by leading employees' business innovation and monitoring the results of the strategy through the BSC system.



BSC system

Disaster Recovery System

Lotte Department Store established the DRS(DRS: Disaster Recovery System) to be the best distribution retailer of the 21st century and to protect IT assets as well as continuous customer services even when there is a natural calamity. This system targets the major systems of the Lotte Department Store and is designed to make constant customer services possible in the case of a calamity or a disaster through a real-time backup system with the integrated information center located in Kasan-dong. This system is expected to contribute to the improvement of customer services and the competitive advantages of the company as a leader of the industry. Simultaneously, it prepares the base for the Business Continuity Plan as it enables the protection of IT assets from unpredictable dangers.

Electronic discountable coupon

In 2006, Lotte Department Store introduced the electronic discountable coupon, which is an ameliorated form of the existing paper-type coupon. The existing paper-type coupon has several flaws in management or usage, but such flaws were eradicated systematically by introducing the electronic discountable coupon. It has also brought many successes such as the reduction in the usage of paper, expansion of convenience, etc.



Introduction of integrated membership and reinforced marketing strategies

The Lotte Membership Program is a refined loyalty program that offers services and benefits set apart by customer attributes as well as mileage points. The program is structured to satisfy customer needs according to individual attributes and life stage. Members of the Lotte Membership Program receive mileage points equivalent to 0.5% of the purchase value regardless of what payment method they use. Especially, with integrated membership, which is newly launched, various target marketing methods became possible. So, we have expanded the Direct Mail service and other bargain events which had been exclusive for members of Lotte Card to members of Members and the services in favor of the department store's superior customers are intensified.

< Current condition of the number of members of Members >

(Unit : Ten thousand people)

Classification	November 2005 initial opening	March 2006 (Integrated primary opening)	July 2006 (Integrated secondary opening)	End of 2006
Lotte card	520	587	637	710
Members only	0	29	126	290
integrated members (number of participating companies)	520 (one company)	616 (five company)	763 (sixteen companies)	1,000 (sixteen companies)

Inside accountancy management system

Lotte Department Store prepared the Inside Accountancy Management System to prevent corruptions and to protect the company assets. As a part of the system, we computerized the model provision of the Inside Accountancy Management System so that accounting staffs can check when necessary. This system has been enacted since 2006, and it provides trustful, transparent, accurate, and proper accounting information to outside people by evaluating the system semiannually.



Amelioration of the human resources system

Lotte Department Store opened an upgraded human resources system to maximize the work efficiency through the automation of the work process. The new system enables the provision of integrated services to both managers and staffs. Also, the strategic role of the human resources system is reinforced by intensified training.

Merchandising (MD) Innovation

Through the reorganization of merchandises by thorough sales analyses, we make constant efforts to reinforce the popular merchandise sections and reduce the unpopular merchandise sections. Also, we accelerate the development of various merchandising. Especially, we recently expanded the men's apparel section in accordance with the change of the lifestyle trend among male customers. We have specially focused on qualified goods by supplementing differentiated MD and luxury MD. As a result of that, in 2006, 20 new luxury brands were added to the stores and, in 2007, we expect to have more.

Strategy of market expansion

Lotte Store tried to verify its status as a leader company in the industry.



Lotte Dept. Mia Store

- Date of establishment : December 2006
 - Location : Gangbuk-gu, Mia-dong (Mia-Samgeori Station, Line 4)
 - sales area : 27,240m² (from 7th floor underground to 10th floor aboveground)
 - Capacity of parking lot : 742
- Mia Store, which was opened in December 2006, creates a new cultural space in the business area of Gangbuk and provides high-quality products and services as a localized luxurious department store.



Cheongju Young Plaza

- Date of establishment : February 2007
 - Location : 2nd St., Nammun-ro, Sangdang-gu, Cheongju
 - sales area : 6,076m² (from the first floor underground to the sixth floor aboveground)
 - Capacity of parking lots : 72
- The Cheongju Young Plaza, which is the only shop specializing in young fashion within the Chungbuk business area, will contribute to revitalizing the local business area through differentiated services and customer-oriented shopping places. The see-through exterior and extraordinary interior designs will provide various spectacles as a representative landmark. Especially, it pursues customers' satisfaction through the interesting organization of the store as well as the SPA-typed quality price zone.



Daegu Young Plaza

Lotte Department Store, which secured its status as a landmark that leads local fashion trends and cultures by establishing the Young Plaza in Myungdong and Cheongju, plans to open a new store at Dongsung-ro, Daegu, which the best area for young consumers, in this coming August.



Further plans within the domestic market

Lotte Department Store will continue its huge investments. A new store at Centum City, Busan, will open in December 2007, and a new store will open at Star City, which is the center of East Seoul, to contribute to the revitalization of local businesses. Also, we expect to establish the Gwangbok Store, which is going to be a skyscraper, so that customers can enjoy sightseeing, entertainment, and shopping, simultaneously. There is going to be a second Lotte town by establishing the World with a new shopping concept, such as an overseas dept. store and a street-typed store. The Cheongnyangni Station Store will be a new addition to the community, as it had been bypassed during the development boom. It will create the district's largest multipurpose cultural space, centered on a railroad station slated for renovation. By continuing to open new stores, Lotte Department Store aspires to stand at the forefront of the balanced commercial development across Korea, to pioneer new concepts in shopping, as well as to affirm the company's status as the leading department store in Korea.

Strategic Diversification of Business

Establishment of Lotte Mobile Dept.

Lotte Mobile Store can be connected through cell phone anywhere anytime. Customers can participate in mobile events, download coupons, and discover shopping information through this ubiquitous channel that two major wireless service providers are integrated. It was first started with KTF in March 2007, and, in May, SKT agreed to start this service. To visit the channel, you can dial (**2500 + magic@) or NATE, and it has been systemized to use the most nearby store's information based on the connected location which is identified by LBS(location based service) system. We try to open new pages of dept. store shopping by adding mobile commerce functions, such as the drama shop that sells the clothing that celebrities have worn in TV series.



Expansion of PBs and GF business headquarters dept

GF business Headquarters dept tries to enhance the quality of the fashion business as well as the quantity through the introduction of new imported brands and undertaking other private brand divisions. The leading PBs operated by Lotte Department Store include four private brands, which are HERRBON, FURLA, GERALD, DAREL, and TASSE TASSE; and three major matching shops; LaviAt, JUNIOR CITY, and CLASSICO ITALIA. It continues its efforts to make more progress in the future by asking for brand productivity consulting and plans to introduce more private brands to improve profitability.

* "Private Brands (PB)" refers to the product brands that are directly designed and managed by the department store.



TASSE TASSE



GERARD DAREL



FURLA



HERRBON



JUNIOR CITY



CLASSICO ITALIA

Shopping Mall business department

The suburbia shopping centers, which are the combination of a shopping mall and entertainment facilities, are disseminated rapidly within the USA and Japan along with the changes of the social environment, such as an increase in income and an increase in the distribution of cars. The domestic market is also expected to be expanded soon. We expanded the shopping mall business department, which was originally operated by a team unit, to prepare for the establishment of suburbia shopping centers. Also, in the first half of 2006, we were selected to be a partner of the Skypark shopping mall at the Gimpo Airport and we now promote its development.



Skypark

Establishment of an advanced business system - Risk management

The Risk Management of Lotte Department Store

Lotte Department Store has various risks by its nature. Lotte Department Store considers all risk factors for rapid reaction by establishing guidelines and a management system. The risk management system of Lotte Department Store can be divided into risk management guidelines and the risk management related to products.

Product risk management

The kinds of product risks would be sanitary issues, the authenticity of products, and exaggerated advertising. The major causes of such risks can be defined by environmental factors and inside factors. The possible occurrence of risks is increasing due to intensified related legal issues and acceleration of spreading information because of media development. Also, an inadequate management system and the stagnation of relationships between partnerships can be other major causes of risk occurrence. Lotte Department Store makes various efforts to prevent the risks and solve the risks when they actually happen, as the possibility of risk occurrence is increasing.

■ Establishment of Risk Management System

Quality management

Because of the strict standard of indications, quality management has become more important. Therefore, we operate an advanced quality management system to test the quality of products and to distribute the manual of quality indications.

Uplifting the trust of products

We established system of registering brand logos to prevent copy cat products. Also, to improve the trustworthiness of product prices, we operate a price tag system as well as monitor an arbitrary discount system.

Verification of partnership

To prevent the risk due to a decrease in the credibility of partnerships, Lotte Department Store verifies the credibility of partnerships beforehand through the Trust Guarantee Fund, which is a nation-registered institution. Also, to prevent the risk from imported goods, we systemized the verification of imported brands through the verification of imported channels, collecting information related to the brands, and the verification of the official importation business. Lotte Department Store makes efforts to prevent the risk through close relationships with the partners and the reinforcement of competent merchandisers along with the systems mentioned above.

■ Reinforcement of inner capacity

Lotte Department Store makes efforts to prevent and resolve the risks through intimate relationship with cooperative enterprises and reinforcement of MD's capacity as well as various systems mentioned above. Reinforcing capacity of MD.

Reinforcing capacity of MD

For reinforcement of the capacity of MD (merchandise), we published manual related to improve the knowledge of product and operate related educational programs in collaboration with outside supervisory institution such as Food and Drug Administration.

Ameliorating the relationship with partners (improving the partnerships)

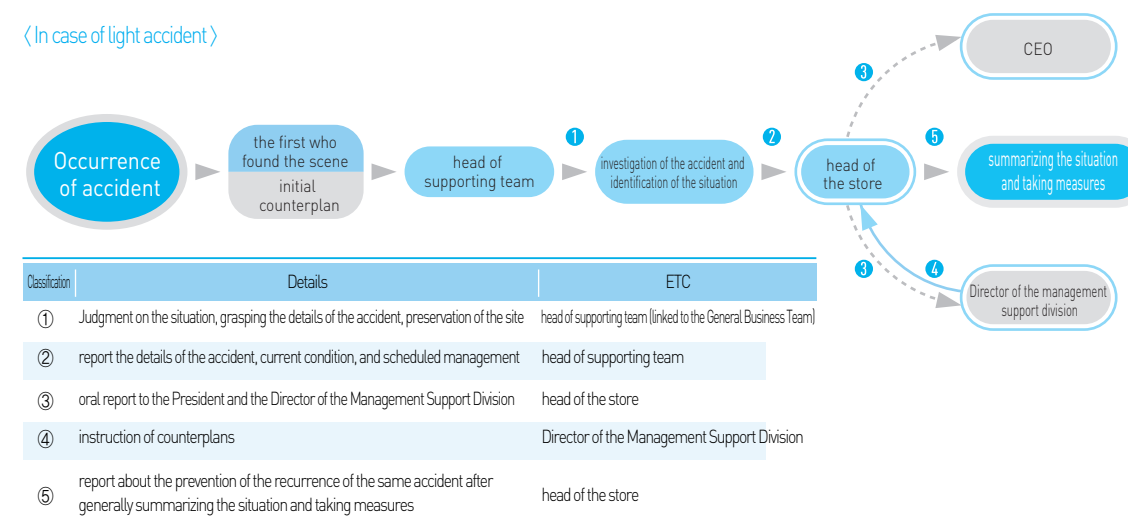
To manage the risk through the intimate cooperation with partnerships, we make extra efforts to improve the satisfactory index of partnerships. Setting the ultimate goal to be the number one company who satisfies the needs of partnerships, we review and plan to practice such as setting goals based on the agreement of partnerships, practicing flexible sales margin adjusting system which is to distribute the profits exceeding the targeted amount, reducing the size of print advertisements to reduce the burden costs of partnerships, and expanding partnership supporting system. Also, we make various efforts to create opportunities to communicate with partnership efficiently by preparing informal gatherings with partnerships.

Risk Management Guidelines

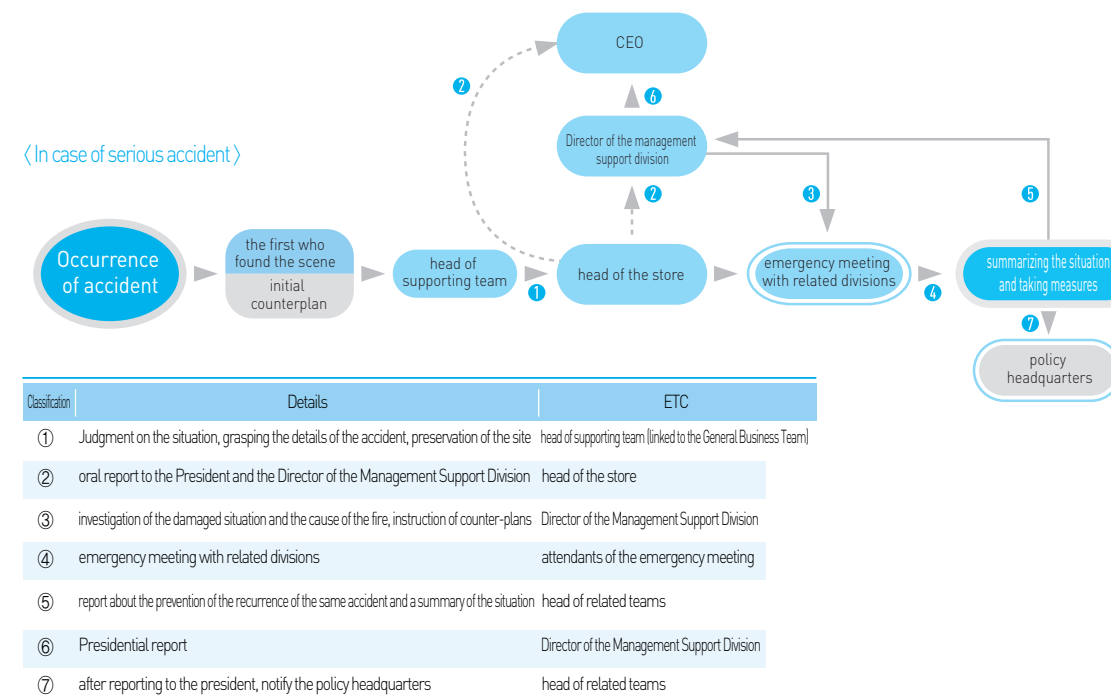
Lotte Department Store has distributed risk management guidelines to all stores to minimize the damage by establishing an effective risk management system.

■ Corresponding system when there is an accident

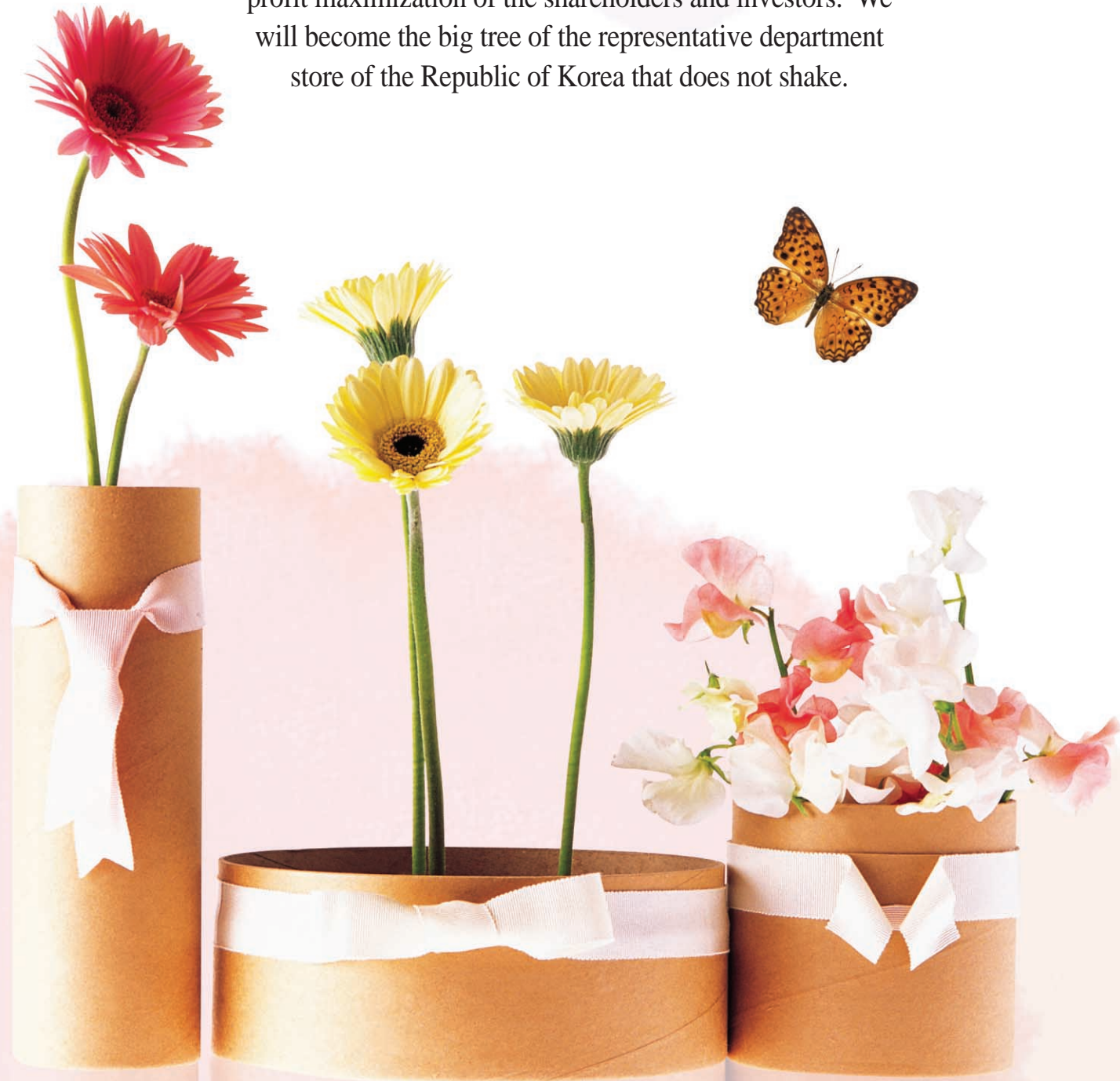
< In case of light accident >



< In case of serious accident >



Lotte Department Store pursues the advancement of the economy of the Republic of Korea and has been leading the profit maximization of the shareholders and investors. We will become the big tree of the representative department store of the Republic of Korea that does not shake.



Think **CUSTOMER**

We bloom flower in the name of
'happiness' with customers.

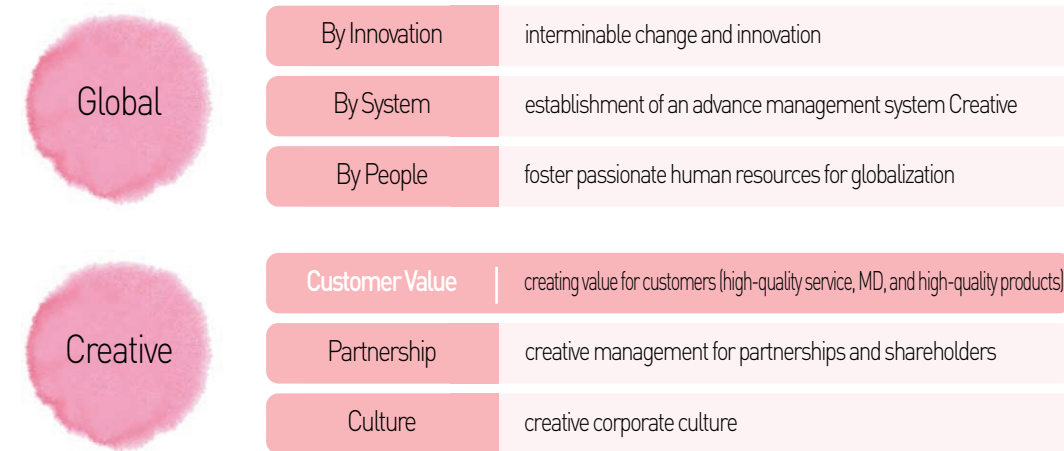
Innovation of
high-quality service

Social
distribution

Always with customers

Premium
product policy

Global & Creative 2007



Customer Value - creating customer value



Actualization of valued MD

Merchandising is a necessary activity to sell products to customers. It includes certain activities which distribute appropriate products or services at appropriate prices to the right places at the right time. Usually, it is consisted of lay-out, purchasing and stocking the goods, and displaying the goods on the level of store management. The true value of Lotte Department Store is MD, and we actualize sustainable management through this.

Introduction of open merchandising which is product-oriented to uplift the convenience of customers	Free transfer from brand to brand, improvement of the gaze of customers, remove the boundaries to provide a comparison purchasing environment
	Actualization of one-stop shopping by integrating similar brands and themes
	One-item Zone - integrated similar products
	Wide Open Floor - imaging with a certain concept for the whole floor
Lotte Only MD for differentiated MD	Expansion of the private brands which Lotte promotes
	Intensify the competitive advantage by dominating national private brands
	Dominated merchandising by importing major products directly
	Suggestion of a store with a new concept that will lead the trend
New Trend MD to respond to consumer's taste	- Premium Jeans Multi Shop - Culinary Designer Shop - Seafood Shop & Well-being Bakery
	Size shop - Expansion of the big size market
Intensify the dominance of MD by having promising merchandises	Fashion Plus Shop - high-quality, low-priced products in reaction to the increase in rational consumption
	Eye Wear Shop - specialized in eye wears, suggesting new fashion trends at reasonable prices

* MD: includes certain activities which distribute appropriate products or services at appropriate prices to the right places at the right time.

* PB: retailer participates from the manufacturing process to the final sales

* NPB: Certain retailers participate only in the final sales. (National private brands)



Style Theme Shop (2nd floor at Main store)



Wide Open Floor (7th floor at Main store)



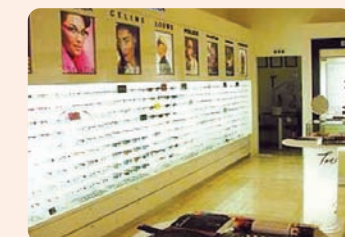
Expansion of PB (Tasse Tasse at Main store)



Dominating NPB (Suecomma Bonnie at Main store)



Fashion Plus Shop (Fashion Plus at Yeongdeungpo)



Eye Wear Shop (Trendica at Mia store)

High-quality service

With the vision of "premium retailer", to be one of the world's best department stores in 2010, we innovate systems and rules to provide high-quality services and develop a new service system.



MVG Room of Main Store

Service system for the most valuable guests

Lotte Department Store operates high-quality services by classifying customers into Avenuel VVIP, Avenuel VIP, MVG, and VIP. For the most valuable customers, we provide a segmented pick-up service with luxury cars as well as basic services such as Puppy Dog Service, birthday gift delivery service, secretary service, standby service, valet parking service, discount service, and concierge service. Through these differentiated services, we try to be a department store which can adapt to the most valuable customers' needs by having private spaces for them and high-quality services.

※ MVG(Most Valuable Guest)

Prevent and manage the complaints

We operate several systems to prevent the customers' complaints as well as to manage complaints. First of all, we are about to establish the system of collecting customers' opinions from all the stores and improve the services or fix their inconveniences. Also, we are currently operating the Loyal Customer System, which is to improve Lotte's services by analyzing complaints for improved services in the future, not only for simple solutions of suggested problems. Also, we give quick and accurate response as we respond to all VOC (Voice of Customers) in 24 hours.

〈Customer service and number of cases〉

Types of customer service	Immature responsiveness to customers	Products and advertising	Other inquiries	Repairs and exchanges	Satisfaction/suggestion	Inside customers	Customers' mistakes	Total
2005	939	1,193	997	2,382	8	0	563	6,082
2006	3,209	1,309	16,378	1,942	2,099	66	256	25,259

※ Reference: Collected data of VOC over the Internet [increase in the usage of customer services due to the activated VOC system]

Lotte Department Store always listens to the voice of customers. Customers are able to explain their opinions anytime when necessary. All places, including the stores, customer services, and the VOC homepage, would directly reply to customers' opinion. Because we have many points of contact with customers, we are able to contact customers immediately, and this fact is reinforced by the introduction of the promise management system.

Introduction of electronic posters for all stores

We are currently replacing the existing paper posters with LCD electronic posters. Unlike paper posters, which could give simple information, LCD electronic posters attract customers' attention by providing various information and spectacles. Also, inside employees favor LCD posters because they do not have to change the posters term-by-term.



Electronic posters of Main Store

Omni-directional service system

The existing concept of service is a limited term which is about the attentiveness of sales employees and cleanness of store. Escaping from the limited concept of service, we operate an omni-directional service system as we have defined the expanded definition of "service". First of all, as varying the subjects of services, we expand the concept of service. Not only the sales clerks are the subject of service, but also all other employees from sales team, planning team and even MD team participate to be the subject of service in order to intensify the service mind. And the next step we are taking is the expansion of the spaces of the performing services. Not only the service at the sales place but also those at all places within the department store, such as the infirmary, kids' room, event room, and the rest room area will be intensified. Even more, store offices and rear facilities will be considered to be the places for service as well. To achieve this, all employees have self-tested their service mind and perform their services which are needed at their place.

Intense capacity of sales employees

Lotte Department Store newly designed educational courses to reinforce the capacity of the sales employees and fashion courses for shop managers.

On-site service education

We train special service managers to enhance the on-site services, and assigned 9 points of contact with customers.

※ Nine points of contact with customers

Security, information desk, parking lot, food court, coupon selling, bargain event room, MVG room, customers' service



Service education at the Main Store

Research the satisfaction of customers

Researching the satisfaction of customers constantly checks customers' satisfaction and is done semi-annually to search the strategic direction for improvement.

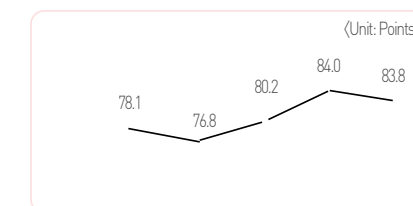
Customers' service → Challenge for zero complaint

Lotte Department Store, which intends to provide high-quality services, challenges for zero complaint through thorough customer services

Example of consumer satisfaction

- Research period
Research International, research in CIS in the first half year of 2007
- Research subjects
customers who buy more than once a month at the store using the store during the research day
- Research method
face-to-face interview at the entrance of the cultural center, parking lot, and the MVG Lounge
- Number of samples
3,450 (allocated research considering the sizes of the stores at 23 stores)
- Extra
The ratio of customers interviewed on a weekday to customers interviewed on a weekend is 1:1 Every Nth customer is interviewed to reduce the time difference

〈Progress of the customers' index of satisfaction〉



	The 1st half of 2005	The 2nd half of 2005	The 1st half of 2006	The 2nd half of 2006	The 1st half of 2007
Degree of improvement	-	▼1.3	3.4	3.8	▼0.2
Number of samples	(3,398)	(3,480)	(3,300)	(3,300)	(3,450)

※ Reference: Research International, data from the research in CIS in the first half year of 2007

Computerize the promise management system

For systemized promise management, Lotte Department store conveyed promise management system. The system established the database of promises with customers and it is managed corporately by each head of team. Also, it provides information of the process of practicing promises in real time upon customers' requests. So far, 9, 162 brands(which is 97.7 percent of usage rate) have conveyed this system. Approximately 7,500 promises have been recorded on database system per day and the number of failure in practicing promises has been dramatically decreased.

〈Example of December promise management schedule〉

일요일	월요일	화요일	수요일	목요일	금요일	토요일
				1 2 (- /)	2 7 (- /)	
3 12 (- /)	4 (- /)	5 18 (- /)	6 13 (- /)	7 18 (- /)	8 2 (- /)	9 4 (- /)
10 25 (- /)	11 4 (- /)	12 8	13 13	14 5	15 7	16 6
<div> <div>오늘 7시</div> <div>박정미 고객내점</div> <div>홍정미 고객내점</div> <div>성지현 고객내점</div> </div> <div> <div>내일 18시</div> <div>강영화 매장매</div> <div>이희숙 고객내점</div> <div>윤정란 고객내점</div> </div>						

Customer-oriented shopping place

Expansion of environment-friendly interior design

Lotte Department Store cares a great deal about the health of customers and the environment and, thus, we go the extra distance to create environmentally healthy facilities. This is particularly true for nurseries and playrooms, and such methods have already been used for a nursery at the Main Store, children’s classrooms at the Main Store’s Cultural Center, the Credit Card Center and the Cultural Center at the Yeongdeungpo Store, and a nursery at the Jeonju Store. In particular, we use optical catalyst coating, which shields against and breaks down harmful chemicals found in construction materials and features excellent anti-bacterial and exterminating effects to provide a comfortable environment to customers. And we plan to continue to expand the environment-friendly facilities to all stores in 2007.

In addition, Lotte Department Store has expanded energy-saving natural lighting in stores, beginning with the Main Store’s Young Plaza, of which the entire exterior was finished with glass in 2004 - a first among Korean department stores. We are especially keen on promoting energy conservation by introducing natural lighting to high-traffic areas and those with high energy consumption needs, such as the entry to the first basement level and the restaurants on the 12th floor of Lotte Town, which reopened last year after renovation.



Photocatalysis - MVG Lounge at the main store



Photocatalysis - Children’s room at the main store



Natural lighting - connected pathway at the basement of the main store



Natural lighting - and the restaurants on the 12th floor of the main store

Indoor Air Quality Measurement at All Stores

Many people visit Lotte Department Stores every day, and thus, the indoor air quality is very important. For the benefit of customers and employees, we have established indoor air quality control standards at higher levels than required, and we control them rigorously. We also conduct indoor air quality inspections once a year. Following are the results of the 2006 indoor air quality inspections:

Classification	Measured items	Unit	Numerical data measured within Lotte Department Store			Legal standard	Compared to legal standard	Analysis related to Lotte Dept. Store		
			Lowest	Highest	Average			Major factors	Influence on the human body	Provision for reduction
Store	Dust particles	μg/m ³	29.0	71.1	49.92	Below 150	33.3%	Clothes, outside inflow	Silicosis, pneumoconiosis	Proper ventilation, filtering air
	Carbon monoxide	ppm	2.1	3.7	3.11	Below 10	31.1%	Human body, waste gas	Chronic diseases related to respiratory organs	Enforcing ventilation, limited use of combustion equipment, etc.
	Formaldehyde	μg/m ³	8.8	76.7	47.83	Below 120	39.9%	Construction materials	Cough, diarrhea, dizziness	Enforcing ventilation, removing the cause, maintaining the proper indoor temperature
	Carbon dioxide	ppm	388.0	632.8	492.10	Below 1,000	49.2%	Respiration	Difficulty in breathing, headaches	Enforcing ventilation, maintaining proper air pressure, distributed placement of buildings
Parking lot	Dust particles	μg/m ³	38.4	94.9	65.01	Below 200	32.5%	Dust particles, outside inflow	Silicosis, pneumoconiosis	Proper ventilation, maintaining the cleanliness of the parking lot
	Carbon monoxide	ppm	2.4	8.5	5.08	Below 25	20.3%	Waste gas from vehicles	Chronic diseases related to respiratory organs	Enforcing ventilation, prohibition of idling cars
	Formaldehyde	μg/m ³	1.1	39.0	18.85	Below 120	15.7%	Construction materials	Cough, diarrhea, dizziness	Enforcing ventilation, removing the cause, maintaining the proper indoor temperature
	Carbon dioxide	ppm	317.0	665.5	480.45	Below 1,000	48.0%	Waste gas from vehicles	Difficulty in breathing, headaches	Enforcing ventilation, prohibition of idling cars

Safety management

Lotte Department Store operates an emergency response system to handle potential accidents and disasters that may occur during the course of normal business.

〈Time table related to safety check up and improvement〉

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Safety Inspection Team's activities for improvement			Safety Inspection Team's activities for improvement			Safety Inspection Team's activities for improvement			Safety Inspection Team's activities for improvement		
Thawing season			Facilities								
Winter						Provisions for rainy season			Fire prevention		
						Fire prevention					
Safety check up for electronic facilities for the 1st half of the year						Safety check up for electronic facilities for the 2nd half of the year					
Check up the functioning of the escalator and the fire-extinguishing facilities											



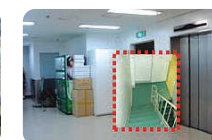
Check up fire-fighting equipment by safety inspection team



Check up fire-extinguishing facilities in stores



Check up escalator facilities



Secure the pathway for evacuation

Operation of Safety Inspection Team

Lotte Department Store has its own Safety Inspection Team at the main store to monitor the improvement and safety check-up of all stores. The Safety Inspection Team accomplished 858 cases of improvement of safety check-up during last year. Also, the Safety Inspection Team performs safety check-up on electricity semiannually and on escalator as well as fire extinguishing facilities once a year.

Safety inspection within the local stores

Lotte Department Store makes enormous efforts for safety inspection within the local stores due to safety concerns. Basically, the improvement of the facilities, the fire prevention activities, and the thawing season activities are done under the control of the headquarters, and each store performs several activities concerning its own safety issues.

- Improvement of facilities

Stores, rear side, and major outside facilities are the subjects of improvement, and a total of 331 cases had been processed last year.

- Thawing season activities

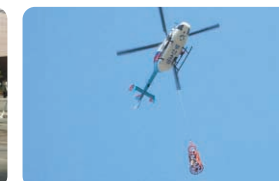
Terrace, outside ornaments, and trees are the main subjects of improvement, and a total of 224 cases had been processed last year.

- Fire prevention activities

Many safety activities have been done, such as the activities of measuring to prevent floods as well as checking the fire facilities (June to July), and the safety activities during winter (November to February).



Busan Store - check up fire-extinguishing facilities



Dongrae Store - check up fire-extinguishing facilities



Gangnam Store - train emergency team



Ulsan Store - check up electricity

Rest area for customers

Each Lotte Department Store prepares a Customer Rest Zone for customers wanting to be in a comforting rest area. This place provides several events with seasonal themes as a cultural space in the city.



Main Store - Charlotte Street



Youngdeungpo Store - Haneul Park

Protect Customers' Confidentiality

The Customer Confidentiality Policy of Lotte Department Store consists of three major protections: protection by national law, corporate law, and confidentiality agreement. We actualize the trustful shopping culture as we obviate the possibility of leaking confidential information of customers.

Customer Confidentiality Policy

Lotte Department store established guidelines for managing personal information as company regulations in compliance with the national law.

Guidelines for managing personal information according to company regulations

Lotte Department Store tries to protect the customer's confidential information as well as the company's information from accidental or intended threats by establishing guidelines for managing personal information

Confidentiality agreement

To ensure the highest level of customer confidentiality, rigorous discipline and continuous upkeep are followed to prevent problems in advance. All new employees are obliged to sign confidentiality agreements to reinforce the recognition of the importance of customer confidentiality.

Provision of product information

Lotte Department Store tries to provide accurate and adequate information related to goods.

Guidelines for labeling related to product information

We established strict rules related to product labeling, and prepared an inspection place at all stores to inspect false labeling as well as failure to label a product.

Inspection items on labeling and actions when is the rules are violated

We lead to accurate labeling by having the CEOs of partners submit written promises and asking for a written explanation to the concerned part manager of the store when a rule is violated.

Standard of inspection
failure to attach the price tag, failure to comply with the guidelines regarding crucial information, failure to record food information (origin, MBO, and measurement), violation regarding imported goods, violation of the safety guidelines for electrical products, false indication of quality, delay in issuing receipts, double price, attaching a price tag from other company, failure to comply with the expiration date, and illegal import and export

Misinformed advertising

Lotte Department Store makes its best efforts to prevent the betrayal of trust through misinformed advertising. So we inspect such conduct through strict examination of all advertisements in the media through voluntary fair trade compliance regularly (every four years) and randomly reflect the results in the BSC evaluation and others.

For Healthy Food for Customers

Food Quality Control System

Contract Farms Management

Lotte Department Store has adopted the contract farm system based on 30 years of information about product origins, which enables suppliers to focus on production and processing while Lotte manages financial support, quality control, and employee training. Lotte Department Store retains 21 contracted farms nationwide and has secured a steady supply of the finest-quality produce, including major fruits such as apples, pears, and grapes. Contracted farms have guaranteed distribution and prices, and Lotte Department Store has guaranteed the quality products, which is a win-win strategy. We will reduce the ratio of auctioned products through the constant scouting of fine farms and expand the amount of supplied products from contracted farms.



CHAEGWAONE CO., LTD



Junbuk Jangsu Hongrowon



Samjung Farm in Jeju (Pitaya)

Seafood history system

Lotte Department Store has opened a seafood history-specializing store in cooperation with the Ministry of Maritime Affairs and Fisheries. "Seafood history-specializing" means unveiling the history of seafood from the production level until it reaches the dining table so that consumer can trust the quality of the product. The main store will expand the kinds of seafood by starting from farming weed, farming oysters, farming sea weed, dried yellow corvina, dried anchovies, farming eels, and smoked trout.

Sanitation Management Program

Quality Tester

Lotte Department Store employs quality testers to inspect food quality and hygiene, which is a system begun in August 2003 with the appointment of four quality testers. The number grew to 14 in March 2007 as the system was rolled out to stores beyond the Seoul Metropolitan Area. Testers perform regular hygiene checks on fresh foods sold at stores and snack/deli shops and conduct tests to identify agricultural chemical residues and rapid bacteria tests to guarantee safety and cleanliness.

Introduction of a new sterilizer, reinforcement of the sanitation system

Lotte Department Store makes sure of its sanitation at all times. Currently, infrared light sterilizers are installed mandatorily in the food division, and alcohol hand sterilizer is installed in the fresh meat/marine product division. Also, instantly cooked foods must be ice-packed when necessary as we have introduced new sanitation guidelines for the summer. We make extra efforts to perform cross-checks and sanitation checks every summer and regular tests for food poisons in cooperation with the Food Examination Institute.

We try not only to check-up but also to prevent any sanitation issues. We operate regular sanitation education for employees to prevent any flaws regarding sanitation issues. Recently, we have expanded the education for food sales business team heads and food part managers to persons in charge of restaurants for customers and restaurants for the staff.



Sterilizer



Alcohol hand sterilizer (employee's butchering workplace)



Alcohol hand sterilizer (food courts for customers)

With Local Communities



Lotte Department Store analyzes influences of the local community on businesses through analyses of the local business areas. Opening a new Lotte Department Store has a great impact on the local community. When opening a new store, the local infrastructures as well as the local business areas are expanded, along with the development of transportation. Lotte Department Store has 23 stores nationwide at this point (March 2007), and each store tries to play a positive role in all aspects, considering the local community, economy, and environment as well.

Contribution to the development of local communities through local tax payment

Lotte Department Store contributes to the local communities by paying more than 25 billion KRW of local tax.

〈Current condition of local tax payment of 2006〉

Classification	inhabitants' tax	business tax	property tax	private auto tax	license tax	registration tax	subtotal
Total	52	2,466	22,497	4	34	265	25,318

※ Based on Lotte Shopping Co. Ltd. (excluding deducting tax from income)

Bazaars and donation events

Lotte Department Store shares its benefits with needy neighbors and local communities through localized events and several kinds of bazaars.

Bazaar of Love

Lotte Department Store prepares several bazaars to return a part of its benefits to the society in cooperation with Red Cross Korea and the Welfare Foundation Korea. We make efforts for constant contribution to the society with charities and attention paid to needy neighbors though bazaar events, which had been held 4 to 5 times in 2006.

In 2007, Lotte Department Store will lead the contribution to society with customers of Lotte as well as NGOs that frequently contribute to the society.

Region-friendly events

Lotte Department Store pursues "environment-valued management" and tries to improve and preserve the environment. We have been preparing cultural events at the Cheonggye Square on every Saturday, along with the sponsoring of the Cheonggyecheon (Stream)-Hangang Marathon and participation in the "Hi Seoul Festival" after Cheonggyecheon had been recovered in 2005. Also, all stores try to be region-friendly by regularizing walkathons and environment cleaning projects for making the streams in the surroundings clean in cooperation with the local communities.

Each store's volunteer works

As a part of ethical management, all company employees take part in volunteer activities. As of 2005, 6,402 employees were serving in 26 volunteer groups, company-wide. To induce the participation, we counted the number of members within volunteer groups, the marketing examples, and number of charity events, and rewarded such groups.

Designation of
Certified Volunteer
Service Center

In 2006, Lotte Department Store was assigned to be a certified volunteer work center. So, now, it can perform more active volunteer work.

〈Amount of donation given by each store to the local community in 2006〉

〈Unit: Million won〉

Classification	Headquarter	Jamsil Store	Yeongdeungpo Store	Cheonggyecheon Store	Busan Main Store	Gwanak Store	Gwangju Store	Bundang Store	Bupyeong Store	Ilsan Store	Daejeon Store
Donation	2,228	26	445	2	18	4	23	9	15	21	17
Gangnam Store	Pohang Store	Ulsan Store	Dongnae Store	Changwon Store	Incheon Store	Nowon Store	Daegu Store	Sangin Store	Jeonju Store	Total	
	11	24	16	4	31	11	73	12	4	10	3,004

Local Employment

Lotte's recruiting of bachelor's degree holders is done by Lotte Shopping Co. Ltd as a whole, and each store cannot recruit or hire any full-time employees. All employees of Lotte Department Store are assigned nationwide, reflecting the individual's opinion in accordance with "the regular cycle of movement policy." Each store can hire only part-time employees. As of December 2006, the local employment by each of the 23 stores was around 1500, and it brings huge job opportunities especially when it includes service contracts.

〈Current condition of employment of each store〉

〈Criteria: P/T and Long-term A/R〉

Classification	Headquarter	Main Store	Jamsil Store	Yeongdeungpo Store	Cheonggyecheon Store	Busan Main Store	Gwanak Store	Gwangju Store	Bundang Store	Bupyeong Store	Ilsan Store	Daejeon Store
No. of people	62	108	84	76	47	83	34	76	66	45	74	67
Gangnam Store	Pohang Store	Ulsan Store	Dongnae Store	Changwon Store	Ahnyang Store	Incheon Store	Nowon Store	Daegu Store	Sangin Store	Jeonju Store	Mia Store	Total
	50	65	85	77	79	59	60	10	60	56	106	1,545

Upgrade the Local Culture

Lotte Department Store's Cultural Center

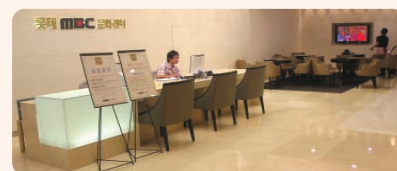
Lotte Department Store's cultural centers serve as lifelong educational institutions. The first cultural center opened at Jamsil Store in 1988, and today 15 stores, including those in Seoul and the wide-area capital region, Daegu Store, and Sangin Store operate cultural centers in collaboration with the MBC Academy, while eight stores in provincial regions, including Busan Store, operate cultural centers directly. The Lotte Cultural Center has positioned itself as the industry's pre-eminent cultural center with the largest membership.

Significance of cultural center

Based on "Always with you," which is our business principle, we try to actualize high-quality cultural value through leisure upgrades. The cultural center has the largest membership, courses, and the best facilities and provides information through its website. It is a new center of culture in which members can share a variety of information. Also, it leads to a bountiful society by holding diverse cultural events, such as concerts and movie nights, and events for needy neighbors and teenagers.

Opening cultural center at Mia Store in 2006

In 2006, we opened a cultural center at the basement level at Mia store. With 800m² of floor space and seven conference rooms, it provides diverse information and opportunities for self-development to residents of Gangbuk.



Cultural center at Mia Store

Lotte Department Store's wedding center

Providing a lifetime of customer service is the ultimate goal of Lotte Department Store. For the first time in the industry, we opened wedding centers at the Main Store, Jamsil Store, Busan Store, and Daegu Store in March 2005. Designed to be a comprehensive wedding specialty shop, Lotte Wedding Centers provide professional wedding planning services. The wedding centers provide services with wedding products, such as wedding dresses, bridal goods, studio photos, and makeup arrangements, hotel reservations, and honeymoon planning. They also provide special benefits from the Lotte affiliates, such as Lotte Hotel, Lotte.com and Lotte Duty-free Shop. At present, about 10,000 members have joined our wedding centers. As of March 2006, the wedding centers operated at twelve stores in addition to their earlier presence at four major stores, and as of December 2006, we operated wedding centers at a total of 17 stores, especially as Mia Store opened.

Wedding Consulting Service

The critical part of the wedding center is to provide related information and scheduling service for customers' convenience. So we consult about purchasing and related information through wedding planners in collaboration with Hotel Lotte and Duo Wedding. Also, to improve the quality of the service, we had operated wedding planning education for all employees at the wedding center in 2006. Currently, the wedding centers provide high-quality service from scheduling to honeymoon.

Wedding Mileage

Marriage expenses are quite a big burden for most people. To less their burden and to provide more services, Lotte Department Store operates the Wedding Mileage System. By operating this system, Lotte Department Store provides coupons which are equivalent to 5% of the whole expenses the people have spent at a wedding center.

Wedding membership and future plans

Lotte Department Store has developed a continuous program to manage the lifecycles of 40,000 members after opening the wedding centers. We plan to supplement this system by activating the wedding centers with large wedding fairs and by developing events related to the customers' children.



Wedding center at Main Store

Upgrades for cultural event

Lotte Department Store plans and introduces many cultural events to our dear customers. The ticket promotion, which enables our customers to meet musicals or concerts with high quality, Big Star Concerts for teenagers, B-boy National Grand Prix, which is a new cultural code, the Seoul Municipal Symphony Orchestra, with Maestro Myung-hun Chung, and the world cultural exhibition are exemplary events sponsored by Lotte Department Store

Meet the Maestro

We planned a concert of the Seoul Municipal Symphony Orchestra with Maestro Myung-hun Chung only for Lotte's customers in January 2007. We will make further efforts to upgrade customers' leisure activities by providing art exhibitions.

Support the Mass Culture for Teenagers

Lotte Department Store contributes its efforts for the new cultural icon B-boy by constantly supporting them from July 2007. We present a B-boy performance when a new store opens or when there is a major event for teenagers. Also, we established B-boy academies for teenagers who want to learn break dance in the Jamsil Store and the Nowon Store. Moreover, we reassure our status as a cultural department store for teenagers by holding super concerts with popular singers.



Seoul Municipal Symphony Orchestra



Lotte World Super Concert

Jung-man Kim's Photo Exhibition (10 days in Gobi)

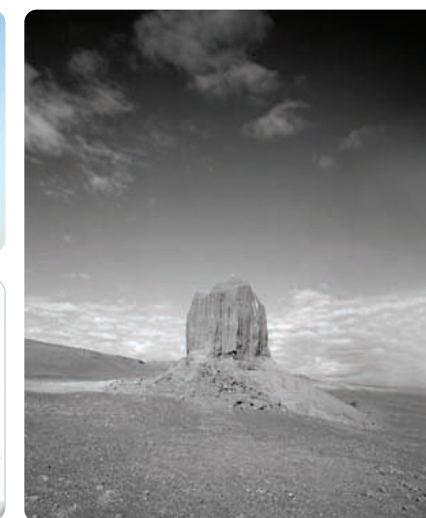
In the "Prevention of Becoming Deserts" year designated by UN, Lotte Department Store held Jung-man Kim's photo exhibition of his 10 days in Gobi at the gallery of Avenuel. In this exhibition, 40 photos of Jung-man Kim had been exhibited, and a documentary film of the Gobi Desert related to this event had been on KBS, which enabled to make global warming a major social issue.



Photographer Jung-man Kim



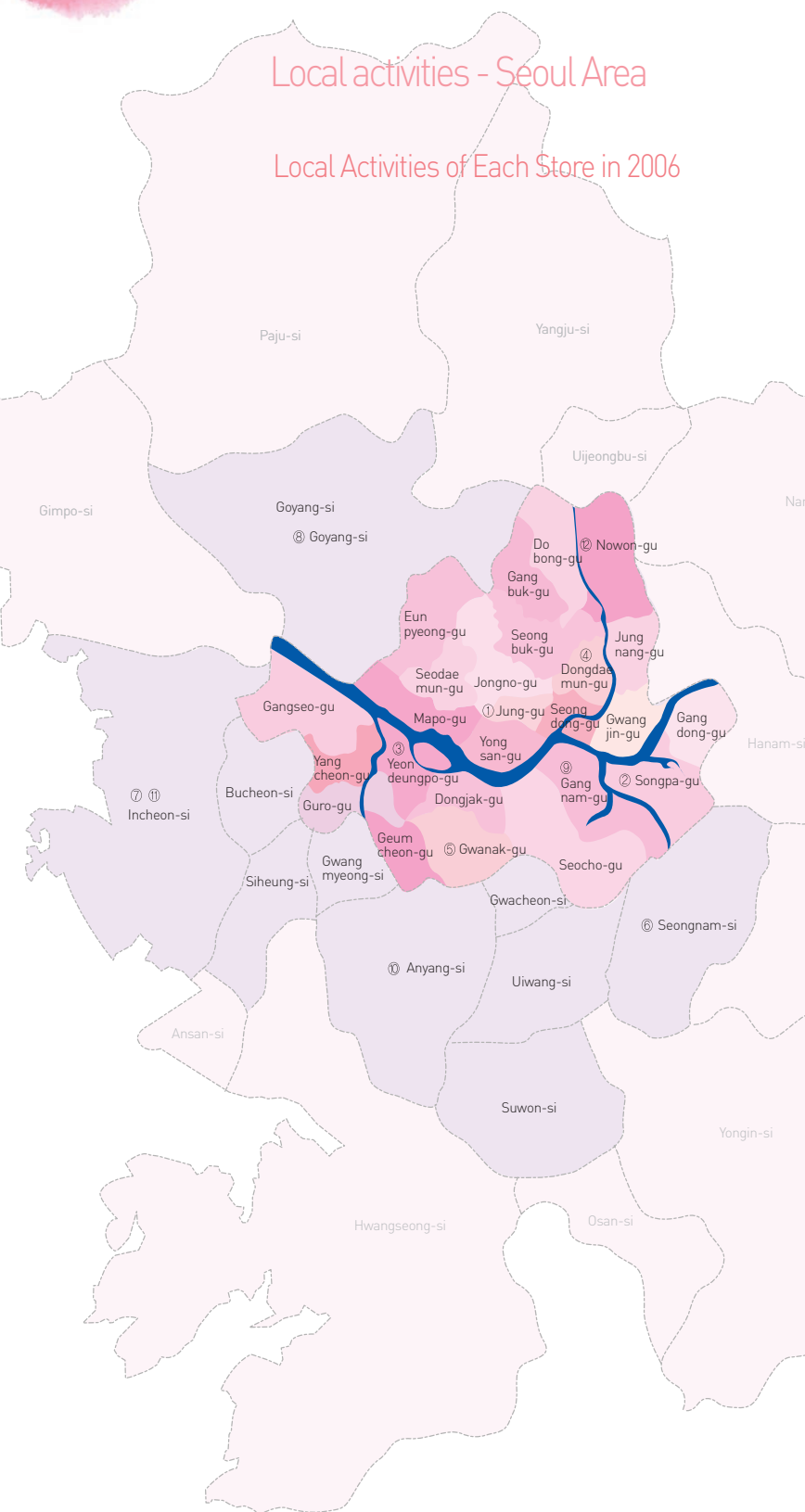
Photography of the Gobi Desert from Jung-man Kim's photo exhibition



Environmental campaign through culture

Local activities - Seoul Area

Local Activities of Each Store in 2006

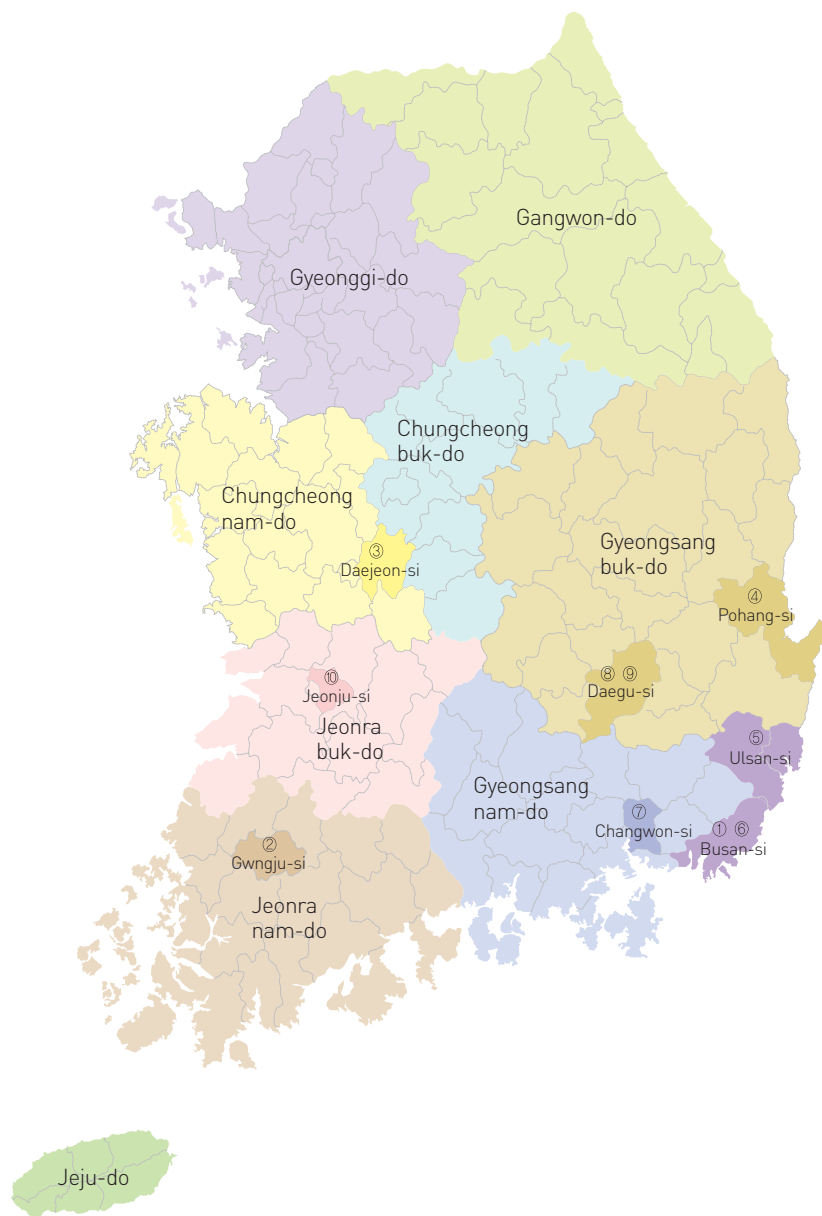


Name of Store (respective area)	Contents of events
Related photos	
<p>① Main Store (Jung-gu, Cheonggyecheon)</p> 	<p>Volunteer work with employees</p> <ul style="list-style-type: none"> - Sa Na Sa (People who share love) - Monthly visits to the House of Hope located in Yongsan-gu and the sponsor system - Cleaning Bukhan Mt. and Cheonggyecheon <p>Volunteer work for the House of Love in Yongsan-gu/sponsorship and volunteer work for the Milbat Shelter in Jangan-dong</p> <p>Local bazaar event</p> <ul style="list-style-type: none"> - Helping flood victims, a bazaar for adopted children and for the disabled donated 3 million KRW <p>Extra social contribution</p> <ul style="list-style-type: none"> - In favor of the neighborhood-Jung-gu, supporting needy neighbors - Cheonggyecheon Walkathon/ Sharing Kimchi Jar
<p>② Jamsil Store (Songpa-gu area)</p> 	<p>Volunteer work with employees</p> <ul style="list-style-type: none"> - Charlotte Volunteer Group ; Sungnam foreign laborers' house, solitary elderly in Guyuh-dong, the Rainbow Rehabilitation Facility, the House of Hope in Macheon-dong (Kimchi and side dishes) - Cleaning Acha Mt. <p>Local bazaar event</p> <ul style="list-style-type: none"> - Charity bazaar for solitary elderly, a bazaar related to the Beautiful Foundation donated more than 10 million KRW, etc - Social contribution Donation of recalled articles- select recalled articles with good condition and donation to local society
<p>③ Yeongdeungpo Store (Yeongdeungpo-gu area)</p> 	<p>Volunteer work with employees</p> <ul style="list-style-type: none"> - Small love-big love coterie : support Sungwon in Noryangjin - Seoul environment coterie : cleaning up the nature around the Seoul area monthly - Cleaning up Anyangchun, Han River Park, Gwanak Mt., OB part in Youngdeungpo <p>Local bazaar event</p> <ul style="list-style-type: none"> - A bazaar in collaboration with the Youngdeungpo Disabled Association, a charity bazaar in favor of needy neighbors, and donations of more than 5 million KRW <p>Social contribution</p> <ul style="list-style-type: none"> - Various events at the square on the 1st floor, support street cheering during the World Cup, a rock festival for teenagers, a world pottery festival in Yichun, and other events for teenagers
<p>④ Cheongnyang-ni Store (Dongdaemun-gu area)</p> 	<p>Volunteer work with employees</p> <ul style="list-style-type: none"> - Assist distribution of meals at Dasomi Dongdaemun Elderly Health, assist the elderly with dementia, assist disabled children in Seunggawon <p>Local bazaar event</p> <ul style="list-style-type: none"> - Charity Bazaar at the square of the Cheongnyang-ni Station in collaboration with the Dongdaemun District Office and the National Railroad Administration and a donation of 4 million KRW <p>Social contribution</p> <ul style="list-style-type: none"> - The English room, English courses for elementary school kids with native instructors - An educational program targeting elementary school students for traffic safety in collaboration with the Dongdaemun-gu Association

Name of Store (respective area)	Contents of events
Related photos	
<p>⑤ Gwanak Store (Gwanak-gu area)</p> 	<p>Volunteer work with employees</p> <ul style="list-style-type: none"> - Gwanak Sarang ; Regular volunteer work at the Dong Myung Children's Welfare Center - Cleaning up Boramae Park and Gwanak Mt. <p>Local bazaar event</p> <ul style="list-style-type: none"> - A charity bazaar for poorly-fed children, solitary elderly, and the Gwanak Filial Piety Festival; donations of 4 million KRW <p>Social contribution</p> <ul style="list-style-type: none"> - Integrated training of Eulji, Gwanak-gu
<p>⑥ Bundang Store (Bundang-gu area)</p> 	<p>Volunteer work with employees</p> <ul style="list-style-type: none"> - Volunteer work at Yongsin Johan's House by the Sungshim Coterie - Cleaning up Tanchun and Bulgok Mt. <p>Local bazaar event</p> <ul style="list-style-type: none"> - A charity bazaar for ill-fated patients ; bazaar events for poor patients who cannot afford their medical expenses, donation of 7 million KRW <p>Social contribution</p> <ul style="list-style-type: none"> - Distributing local bus commuting tickets for the preservation of energy and the environment - Explore the Nolto Deer Town with children from local communities - Tanchun Walkathon
<p>⑦ Bupyeong Store (Bupyeong-gu area)</p> 	<p>Volunteer work with employees</p> <ul style="list-style-type: none"> - Regular visits and volunteer work at Yerimwon by Nanum Sarang - Cleaning up Cheolma Mt. <p>Social contribution</p> <ul style="list-style-type: none"> - Kimchi Festival in favor of teenagers who do not have their parents - Spring Song Festival for housewives - Puppet show for children
<p>⑧ Ilsan Store (Ilsan-gu Area)</p> 	<p>Volunteer work with employees</p> <ul style="list-style-type: none"> - Regular voluntary work at Han Wool Ta Ri Bok Rak Won, Bethel's House - Environmental campaign to protect Jungbal Mt. <p>Local bazaar event</p> <ul style="list-style-type: none"> - Fundraising for crime victims, a bazaar for flood victims ; donations of 14 million KRW <p>Social contribution</p> <ul style="list-style-type: none"> - Education on the ecosystem, stories about plant life, and the natural dying experience - Protection of Gobong Mt., volunteer campaign targeting teenagers, Ki Bbeum Children's Center

Name of Store (respective area)	Contents of events
Related photos	
<p>⑨ Gangnam Store (Gangnam-gu area)</p> 	<p>Volunteer work with employees</p> <ul style="list-style-type: none"> - Regular volunteer work at the Sunrays Sarang Kwang Lim Nursing Home, the Elderly's Welfare Center - Cleaning Daemo Mt. and Yangjaechun <p>Local bazaar event</p> <ul style="list-style-type: none"> - Sharing kimchi with solitary elderly; donation of 1 million KRW <p>Social contribution</p> <ul style="list-style-type: none"> - Making Christmas cakes with a patisserie chef who is a native English speaker - Yangjaechun Walkathon/ Environmental campaign in favor of Yangjaechun and Daemo Mt.
<p>⑩ Anyang Store (Manan-gu area)</p> 	<p>Volunteer work with employees</p> <ul style="list-style-type: none"> - Regular voluntary work at the Sarang Maru Association and the Gyeonggi Mental Retardation Association - Cleaning up Samsung Mt., Anyangchun <p>Local bazaar event</p> <ul style="list-style-type: none"> - A bazaar by the Pyungchon Association, a teahouse event, a charity concert and a fundraising party in collaboration with the Gyeonggi Social Welfare Foundation <p>Social contribution</p> <ul style="list-style-type: none"> - Anyangchun Family Walkathon, a job fair for women in Anyang
<p>⑪ Incheon Store (Namdong-gu area)</p> 	<p>Volunteer work with employees</p> <ul style="list-style-type: none"> - Charn Sarang Volunteer Group; regular visits to the Incheon Elderly Health Center - Cleaning up the Olympic Park <p>Local bazaar event</p> <ul style="list-style-type: none"> - Bazaar in collaboration with Finding New Life Center and donation of 3 million KRW <p>Social contribution</p> <ul style="list-style-type: none"> - Michu Hall Tea Culture Exhibition, Asian Checkers Association Cup Youth Asian Checker Competition, Lotte Song festival, Miss Incheon Pageant - Namdong-gu welfare network founders association
<p>⑫ Nowon Store (Nowon-gu area)</p> 	<p>Volunteer work with employees</p> <ul style="list-style-type: none"> - Regular visits to Cheon Sa Mo House of Peace, Jung Gye welfare center - Cleaning up the Surak Mountain and Buram Mountain <p>Local Bazaar Event</p> <ul style="list-style-type: none"> - Bazaar for disabilities within Nowon-gu area, Bazaar to support secluded olds and disabilities and donation of 12 million KRW <p>Social Distribution</p> <ul style="list-style-type: none"> - Winter Campaign for fire prevention in the forest, Hiking in Surak Mountain campaign for family - Jung Rang Cheon Environmental campaign, Encouraging residents of Nowon-gu to hike in the mountain, emotional supporting volunteering works, etc.

Local activities - Provincial Areas



Name of Store (respective area)	Contents of events
① Busan Main Store (Jin-gu area)	<p>Volunteer work with employees</p> <ul style="list-style-type: none"> - "Love, Happiness, Hope" supports 80th birthdays of low-income citizens, a nursing home for dementia/ the Maesil Orphans House, sponsorship for a rehabilitation center for mental retardation - Cleaning up the paths of Baekyang Mt. and the mineral spring areas - Blood drive in collaboration with Busan Red Cross - Event cafe for needy neighbors, provide lunch for them <p>Local bazaar events</p> <ul style="list-style-type: none"> - A bazaar event at the Trebie Square - A bazaar event in favor of children with cancer in collaboration with the Busan Broadcasting Corporation; donations of 9 million KRW <p>Social contribution</p> <ul style="list-style-type: none"> - Drug abuse prevention campaign for teenagers - A concert for the prevention of deviated local teenagers at the Charlotte Square
② Gwangju Store (Dong-gu area)	<p>Volunteer work with employees</p> <ul style="list-style-type: none"> - Little Jesus' s House, House of Hope for Infants, Happy Rehabilitation Center - Cleaning up Mudeung Mt. <p>Local bazaar events</p> <ul style="list-style-type: none"> - A bazaar for poorly-fed children; donations of over 6 million KRW Social Contribution - Blood drive campaign / Traffic assistance / Shocking! Artists Who Went to Dept. Stores / Environment drawing contest for children
③ Daejeon Store (Seo-gu area)	<p>Volunteer work with employees</p> <ul style="list-style-type: none"> - Regular volunteer work for the Daejeon area by Dasarang <p>Local bazaar events</p> <ul style="list-style-type: none"> - A bazaar for flood victims, Gabcheon, , donations of 9 million KRW <p>Social contribution</p> <ul style="list-style-type: none"> - 2 million KRW to the MBC fund for flood victims on July 19, 2006

Name of Store (respective area)	Contents of events
④ Pohang Store (Buk-gu area)	<p>Volunteer work with employees</p> <ul style="list-style-type: none"> - Donations and regular visits to houses of the disabled and the elderly - Cleaning up northern beaches and Naeyeon Mt. <p>Local bazaar events</p> <ul style="list-style-type: none"> - A bazaar for environmental issues and needy neighbors; donations of 9 million KRW <p>Social contribution</p> <ul style="list-style-type: none"> - Flea market
⑤ Ulsan Store (Nam-gu area)	<p>Volunteer work with employees</p> <ul style="list-style-type: none"> - Regular visits to the House of Mok Ryun - Rehabilitation center, House of Love - Cleaning up Tahwa River and the surrounding area <p>Local bazaar events</p> <ul style="list-style-type: none"> - A bazaar for disabled veterans, etc; donations of 7 million KRW <p>Social contribution</p> <ul style="list-style-type: none"> - Events for needy neighbors and music concerts
⑥ Dongnae Store (Dongnae-gu area)	<p>Volunteer work with employees</p> <ul style="list-style-type: none"> - Regular visits to Hee Rak Won and Sung Ae Won - Cleaning up Oncheonchun <p>Local bazaar events</p> <ul style="list-style-type: none"> - Bazaars for needy neighbors and flood victims; donations of 9 millions <p>Social contribution</p> <ul style="list-style-type: none"> - Event teahouse supports the Busan economy, a job fair in collaboration with the Busan Labor Office

Name of Store (respective area)	Contents of events
⑦ Changwon Store (Changwon City area)	<p>Volunteer work with employees</p> <ul style="list-style-type: none"> - Regular volunteer work at Sung Sim Won, Nanumi - Cleaning up Jungbyung Mt. <p>Local bazaar events</p> <ul style="list-style-type: none"> - Bazaars for flood victims, poorly-fed children, and patients with an incurable disease; donations of 11 million KRW <p>Social contribution</p> <ul style="list-style-type: none"> - Model contest in collaboration with the Kyung Nam Entertainment Association Evergreen Apple Tree Concert / Field trip to local manufacturers - Visiting local plants such as Bing-grea, Dong-suh Food, and Mong-go Food & Providing souvenirs
⑧ Daegu Store (Buk-gu Area)	<p>Volunteer work with employees</p> <ul style="list-style-type: none"> - Regular visits to the Sa Na Sa (People who share love) Rehabilitation Center, homes and welfare centers <p>Local bazaar events</p> <ul style="list-style-type: none"> - Bazaars for damaged sellers within the Seomun Market and Kum Ho River ; donations of 28 million KRW <p>Social contribution</p> <ul style="list-style-type: none"> - Daegu Moms' Cultural Coterie Festival, Daegu residents' song festival, photo exhibition by She-hyun Cho, Experience the Cheong Do Folk Town, photos of water exhibition, distributing masks
⑨ Sangin Store (Dalseo-gu area)	<p>Volunteer work with employees</p> <ul style="list-style-type: none"> - DaSom Hoi ; regular visits to welfare centers of Sangin, Daegu - Cleaning up Palgong Mt. and so on <p>Local bazaar events</p> <ul style="list-style-type: none"> - Donations of 2 million KRW through bazaars in collaboration with the Korean Entertainer Association and local communities <p>Social contribution</p> <ul style="list-style-type: none"> - Chung-do Folk town experience for vacation: Pottery, Got-gam, tea-ism, etc and various events for experience - Daegu cable TV Music festival for customer who are housewives in Dalseo-gu
⑩ Jeon-ju Store (wansan-gu area)	<p>Volunteer work with employees</p> <ul style="list-style-type: none"> - On-goeul volunteer group agape house, house of Angel .Delivered rice and love house, etc - Cleaning up Moak Mountain <p>Local bazaar events</p> <ul style="list-style-type: none"> - Bazaar for poorly fed children and children without parents, and bazaar in favor of environment and donating more than 4 millions. <p>Social contribution</p> <ul style="list-style-type: none"> - Volunteer group of love: volunteer works in collaboration with high school students in Jeon Ju - Sharing love project : Diagnose service for elders in agricultural area - Love the local area: Exploring cultural properties in local area, visiting museums and historical places

Lotte Department Store fulfills the social responsibilities of a corporation within the shared community and endeavors for the development of the regional society. We will become a reassuring fence of the society that can be always trusted.



 Think **PARTNERSHIP**

We make the fence called
'Harmony' within the society.



UN Global Compact



Lotte Department Store supports the purpose of the UN entirely regarding human rights, labor standards, the environment, and anti-corruption and declares that the 10 principles of the UN Global Compact have become part of the actual corporate strategies, the corporate culture, and the corporate management.

The Ten Principles of UN Global Compact

UN 글로벌콤팩트 10개원칙

Human Rights Principle 1 : Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2 : make sure that they are not complicit in human rights abuses.	인권 원칙 1 : 기업은 국제적으로 선언된 인권 보호를 지지하고 존중한다. 원칙 2 : 기업은 인권 확대에 연루되지 않을 것을 확실히 한다.
Labour Standards Principle 3 : Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4 : the elimination of all forms of forced and compulsory labour; Principle 5 : the effective abolition of child labour; and Principle 6 : the elimination of discrimination in respect of employment and occupation.	노동 기준 원칙 3 : 기업은 결사의 자유와 단체교섭권의 실질적인 인정을 지지한다. 원칙 4 : 기업은 모든 형태의 강제 노동을 배제한다. 원칙 5 : 기업은 아동 노동을 효과적으로 철폐한다. 원칙 6 : 기업은 고용 및 업무에서 차별을 배제한다.
Environment Principle 7 : Businesses should support a precautionary approach to environmental challenges; Principle 8 : undertake initiatives to promote greater environmental responsibility; and Principle 9 : encourage the development and diffusion of environmentally friendly technologies	환경 원칙 7 : 기업은 환경 문제에 대한 예방적 접근을 지지한다. 원칙 8 : 기업은 환경적 책임을 증진하는 조치를 수행한다. 원칙 9 : 기업은 환경 친화적인 기술의 개발과 확산을 촉진한다.
Anti-Corruption Principle 10 : Businesses should work against all forms of corruption, including extortion and bribery.	반부패 원칙 10 : 기업은 부당취득 및 뇌물 등을 포함하는 모든 형태의 부패에 반대한다.

※ As of January 2007, Lotte Department Store is the first one which joined the UN Global Compact within the industry.

Current Condition of Employees

Lotte Department Store currently has 23 stores nationwide, and the number of employees excluding fellow employees is around 6,500 as of the end of 2006.

The present situation of the manpower by form of employment

(As of the end of 2006)

Classification		Number of employees		
		Sales	Support	Total
Full-time	Male	1,300	800	2,100
	Female	1,600	900	2,500
	Subtotal	2,900	1,700	4,600
Part-time	Male	100	30	130
	Female	1,300	500	1,800
	Subtotal	1,400	530	1,930
Total		4,300	2,230	6,530

▶ Full-time job: technicians, level 5 or above, sales, and entrusts / Part-time job: Long-term A/R, part-time

※ Number of people above is excluding 26 executives.

The percentage of full-time job employees is 74.79%, and the average wage of full-time is 36,977 thousands KRW. The percentage of female workers at sales and P/T is relatively high, so there is a gender difference in the average wage. The wage of the new employees of Lotte Dept. Store is 161% to the legal lowest wage. Lotte Department Store grants standard wages and premiums as well as semiannual accomplishment prizes considering special accomplishments and/or the profit of the corporation. Also, it grants additional rewards by evaluating the whole accomplishments of the corporation achieved in a year.

Index related to wages

1) Average wage by form of employment

Full-time: 36.667 million KRW

Part-time: 10.062 million KRW

2) Average wage by gender

Male: 46.590million

Female: 28.952 million

3) Wage of new employees compared to the lowest wage

Lotte - 5,616 won hourly

Legalized wage - 3,480 won hourly (161% greater than legalized wage)

Comparisons of Lotte Department Store's average wages by job position and by gender (level 4, 5)

(Unit: thousand won)

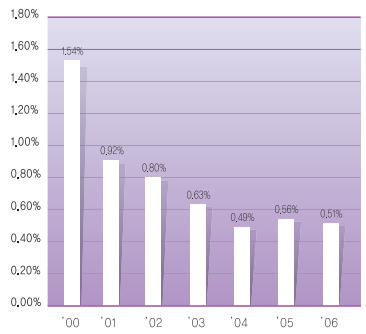
Job Position	Gender	Average Wage
Level 4	Male	4,917
	Female	4,896
	Average	4,903
Level 5	Male	4,228
	Female	4,165
	Average	4,190

※ There is no gender difference in the job positions at Lotte Department Store, and the difference shown in the data is the difference of salary classes.

※ As of the payment in December, 2006

Number of retirees and the rate of retirement

Because of the reinforcement of the employees' welfare and the achievement-oriented reward system, the rate of retirement is constantly decreasing.



Employee Protection Policy

Operation of Nanumjari

Lotte Department Store operates a complaint counseling system dubbed "Nanumjari (Place for Sharing)" to handle employee concerns. The system exists to solve problems raised by employees, including regular employees, contractual workers, and associates, and to improve various kinds of inappropriate practices found within the organization. Counseling is provided through diverse channels, such as personal visits, phone, the Internet, and e-mail. Nanumjari, which was established on April 1, 2001, is staffed by 23 counselors who have earned the trust of colleagues because of their outstanding counseling skills. Every store has one counselor who handles various human resources issues, including the working environment, complaints, sexual harassment, and conflict mediation. From 2001 to 2006, about 51,000 employees sought advice from the counselors.



※ Nanumjari specialist education

Training of new counselors who deal with employees' complaints and difficulties is consisted of a beginning course and an advanced course. The beginning course goes side by side with on-site education through three days of brief in-company education and allocation of a practice site. Also, we try to educate new counselors with the basic role and attitude as a Nanumjari agent through three days of an entrusted education course, such as outside counselor education. Outside workshop education and advanced courses have the purpose of educating counseling experts in order to develop the capacity of the Nanumjari agent. We provide monthly discussions to have continuous information sharing.

Sexual Harassment Prevention Education

Lotte Department Store strives to create a pleasant and wholesome workplace culture through the Sexual Harassment Prevention Education. In June 2006, 806 employees attended class at the headquarters, from June 2006 to October 2006, 42,508 employees at other stores, where they learned what constitutes sexual harassment and how to file a sexual harassment complaint. Practical advice was also given by analyzing examples of sexual harassment cases. Also, we are showing "Worksite without Sexual Harassment, Go! Go!", which is a 15 min.-length video produced by the Ministry of Labor and having discussion sessions and getting feedback after the movie to recognize the sexual issues within the worksites. We are going to operate Sexual Harassment Prevention Education at least once a year for a secure corporate culture.



Sexual harassment prevention education at the main store

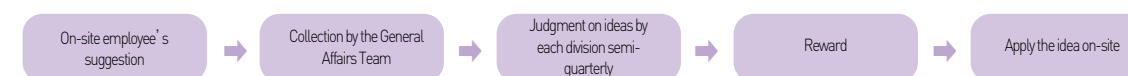
Improvement in Internal Customer Satisfaction

Recognizing employees as our internal customers, we strive to apply our business motto "Always with Our Customers" to our relationships with our employees. First of all, to uplift the morale of the employees by solving the problems of brand shop managers, we operate discussion sessions for shop managers quarterly for better satisfaction and also operate the "voluntary service manager system," which leads the voluntary participation of fellow employees, for better service by having recommended voluntary service managers. The voluntary service manager is in charge of the on-site education of the fellow employees within the store and can be a representative of the fellow employees by having discussions with the head of the store every month.

Employee Communication

Lotte Department Store newly established the "Lotte Groupware System" for better communication among the employees, and the "Employees' Suggestion System" to get innovative ideas from on-site employees.

〈Employee's suggestion System〉



For innovation of the business process, Lotte Department Store operates a communication network among the employees. Each store has its employee who is in charge of the employee's suggestions using idea pools. For ideas which can be used for all stores, the general affairs division in the main store collects the ideas and applies ideas to all stores after the making of judgments by the heads of the divisions and the evaluation of practicality. Rewards related to such suggestions are given semiannually, and the evaluation is done through the judgment of heads of divisions and considering their expected effects. Rewards related to suggestions are divided into the general suggestion part and the cost reduction part. A general suggestion is rewarded with a maximum of 1 million KRW, and a cost reduction suggestion is rewarded with a maximum of 47 million KRW in accordance with how much cost has been reduced due to the suggestion. Actually, in the case of an employee who suggested the "reduction of the CM fee by managing the renewing by the store itself" was rewarded 17 million KRW at the end of 2006.

Development of Groupware System

Lotte Department Store introduced the Groupware System and the messenger for its exclusive use to prevent the emanation of major information and to activate the employees' communication. It enables to make announcements on real time, and to uplift the convenience of the employees. Individuals have an exclusive e-mail address, and emanation of information has been prevented by blocking log-in from different e-mail addresses. Also, the human resources system, purchasing system, education system, and approval of documents have been linked onto the groupware; the efficiency of work process has been enhanced. Also, the newly developed Lotte messenger prevents emanation of information and enables smooth sharing of information.



Liberal human resources system

Personnel changes reflecting individual's opinions

We try our best to reflect individuals' opinions in personnel changes for better working conditions.

Development of highflier

We try to have new human resources by having internship programs and searching for human resources for globalization within China, Russia, India, and Vietnam as well as in Korea.

Scientific HR system

We are managing goals properly by using one-on-one feedbacks when setting the goals. Also, we have introduced a scientific HR system to bring convenience to the work processes and to establish a fair evaluation culture.

Human Resources-oriented Management

Education system

Lotte Department Store pursues the concept of "active and positive human resources" under the goal of "always with you" to become reborn as a premium global retailer of the 21st century. In order to educate and develop specialized global retailers, we operate a group/reading/cyber education system within the self-development, service education, management education, and work education divisions.



Educational accomplishment in 2006

In 2006, full-time employees, part-time employees, and associates went through 175, 31, and 34 education hours, respectively. To satisfy the demands for various kinds of education, the education hours are constantly increasing year by year

Classification	2004	2005	2006
Total education hour	1,708,790	1,875,960	2,190,620
Education hour per person	38	42	48

Support Continued Learning

Operation of Outsourced Internal Universities. In order to satisfy employees' desire for continued learning, Lotte Department Store operates internal universities for high school graduates by outsourcing two-year regular courses for a professional degree and for two-year college graduates by outsourcing the bachelor's degree. We also offer associates educational opportunities to raise their working morale and increase the staff retention levels. We run bachelor's degree courses on business administration in collaboration with Kyung Hee University, and 55 employees are currently attending. Myungji College in the capital region, Kyungnam University of Information and Technology in Busan, Hyecheon College in Daejeon, Youngjin College in Daegu, and Dongang College in Gwangju offer professional degree courses. A total of 647 employees, including associates, are enrolled in female resources development, retail management, fashion business, etc.

〈Outsourced Internal Universities〉

Classification	Two-year colleges	Four-year universities
College	10 departments, six schools, including Han Yang Women's college, Myungji College, Kyungnam University of Information and Technology, Hyecheon College, Youngjin College, and Dongang College	Business Administration at Kyung Hee University
Freshmen	Total of 272	55
Current students	Total of 375	-
Alumni	Total of 238	-

※ Total of seven colleges, 11 departments

Cultivating Retail Specialists

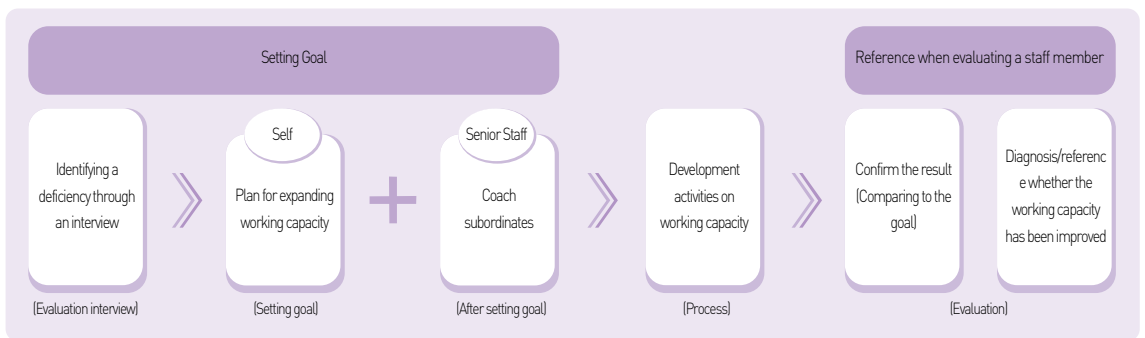
In order to cultivate retail specialists, Lotte Department Store offers training courses tailored to each official employee grade. We provide Grade 2 employees with Retail Graduate School and Grades 3 and 4 with Retail University. We also have Retail Junior College for Grade 4 and 5 workers and those who have transferred from other jobs. In 2006, 20 employees graduated from Retail Graduate School, while 40 from Retail University, and 30 from Retail Junior College. Retail University, a leading program for developing retail professionals, has produced 581 retail specialists until 2006 during its 13-year history. During the four-semester curriculum, students take business administration basics, including marketing, HR, and organizational and consumer behavior, in the first semester, which is followed by advanced courses in retail business practices, including retail management and sales planning, in the second semester. Courses for the third semester include theme-specific studies, and the fourth semester provides students with overseas training opportunities.

〈Retail specialist training program〉

Classification	Retail Junior College	Retail University	Retail Graduate School
No. of times (base on 2006)	4th	13th	2nd
Participants per year	30	40	20
Subject	Staff in grades 4-5	Staff in grades 3-4	Executives in grade 2

Senior Staff Coaching System

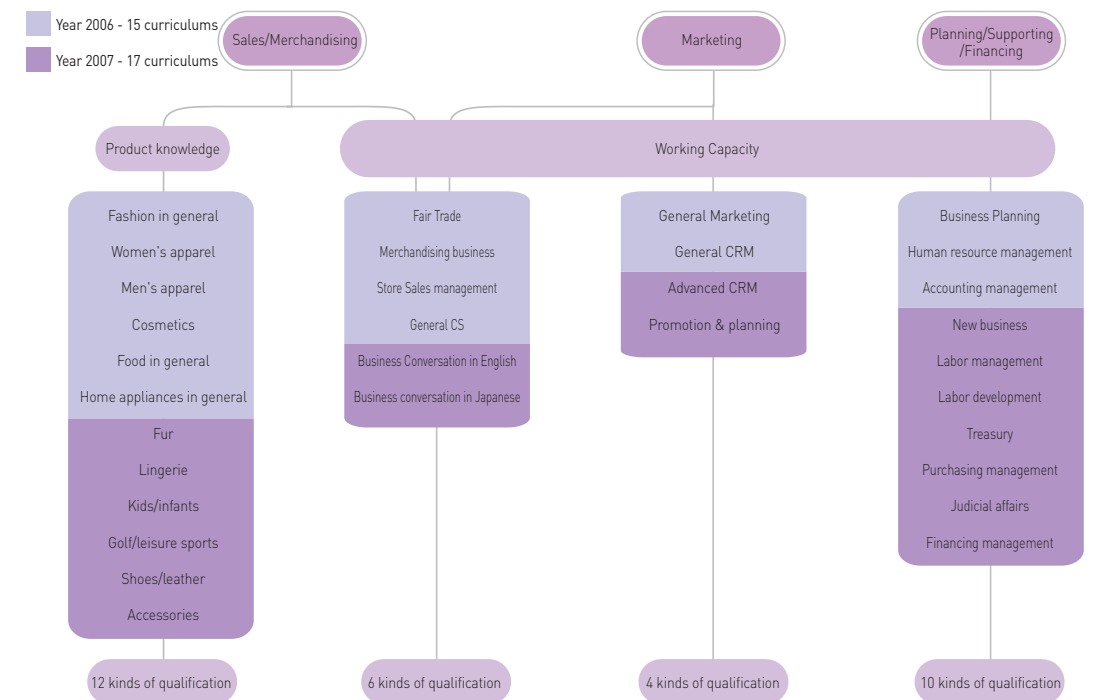
To reinforce the connection between work and education, we developed the Senior Staff Coaching System, targeting grade 3-5 full-time employees. The Senior Staff Coaching System is designed so that senior staffs support the improvement of subordinates' work capacity by diagnosing problems and so that subordinates improve their capacity under senior staff's coaching. Also, we reflect the results of this in personnel evaluation for better results.



Job Qualification System

Lotte systemized by operating the Job Qualification System along with an educational system for job positions to reinforce the effectiveness of education.

〈Job Qualification System〉

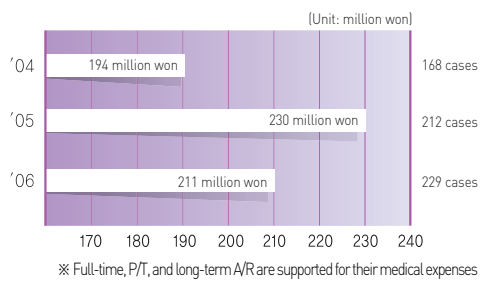


Employee-Focused Welfare System

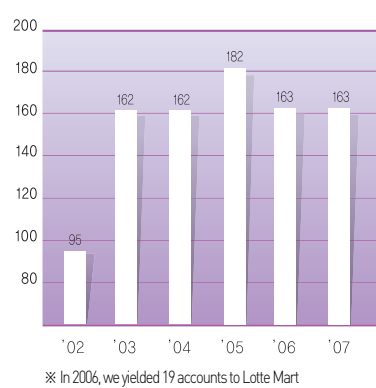
Major Welfare System

Lotte Department Store offers various loan programs to provide employees with financial support. We also fully subsidize tuition for their children, from kindergarten to university. In addition, to enhance employees' leisure time, we provide vacation homes and sponsor recreational clubs. Employees relocating to stores in provincial areas are paid housing stipends and moving costs, and they are reimbursed for their transportation expenses when they visit their hometowns. We also offer personal accident insurance policies that provide up to 200 million won in coverage. We provide subsidies for routine medical expenses and medical treatment to employees and their families in the event of an accident or disease. In particular, we offer contractual workers with the same benefits given to regular employees through major welfare programs, including financial support for medical expenses, personal accident insurance, and use of vacation homes. Especially, from 2006, we have been providing the advantages of leisure time and the medical field to full-time employees as well as associates and part-time employees through various partnerships. In consideration of the retirement grants, we set aside reserves for them. We provide retirement insurance to ensure their retirement grants. Retirement grants are calculated in consideration of the average of the regular wages and the average of the special grants per year and the period of employment. Also, all employees join the national pension annuity, and Lotte pays half of their insurance fee, which is equivalent to 4.5% of the employee's income, every month.

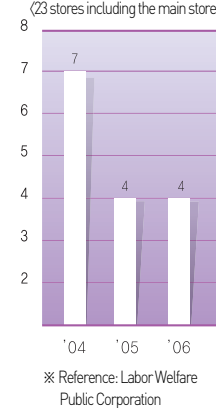
〈Medical expenses supported for employees〉



〈Number of condominium accounts for employees〉



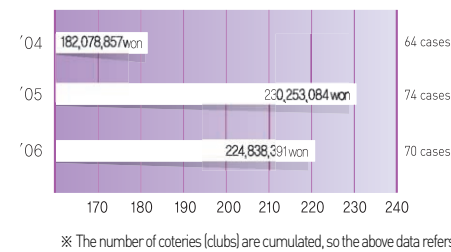
〈Changes in the occurrence of industrial disaster〉



Operation and Sponsoring of Employee Clubs

At the headquarters and 23 stores, 8,129 employees, including associates, have formed a total of 70 clubs, including volunteer groups, hiking clubs, religious clubs, and various sports groups. In 2006, the clubs held 1,400 gatherings in total. We have sponsored the clubs with 224,838,391 won annually, disbursing the money in proportion to the number of members of each club.

〈Sponsoring of coteries〉



Alpine Club of Sangin Store



Soccer Club of Daegu Store

Win-Win Labor-Management Relationship

At Lotte Department Store, the labor and management make efforts to share and further develop the core values of the labor-management relationship, which are trust, communication, mutual respect, autonomy, participation, and cooperation. Pending issues and conflicts are resolved through dialogue between the labor and management, such as collective bargaining and/or the Labor-Management Consultative Council. Management briefings are held to enhance the understanding between labor and management. Twice a year, a labor-management joint team is sent overseas to benchmark mutually beneficial management practices at leading companies and explore their applications to Lotte. In 2006, we had provided joint overseas opportunities for distinguished employees and the management to understand each other well. As a result of these efforts, Lotte Department Store has been free of labor strife since the establishment of the labor union. In recognition of the efforts in establishing a fair personnel operation system, including a profit-sharing program and the promotion of the employee welfare, Lotte Department Store was selected as the Best Practice Workplace for New Labor-Management Relations by the Ministry of Labor. And we are going to continue our constant efforts.

Current Condition of Labor Union
(as of June 2007)

Number of people who can join the labor union : 2,466
 ※ Open Shop (Grades 4 or below can join and Grades 3 or above are automatically withdrawn)
 People who joined : 1,953
 People who constantly work : 10
 Institutions of belonging: Labor Union Korea, National Labor Union
 Others: Excluding the human resources, labor, general affairs, planning, accounting, security, inspection, broadcasting, and computing divisions

Spirit-up Campaign for employees and associates having lunch with executives at Jeonju Store



Executives in Jeonju Store distribute lunches to all employees on Fridays, Saturdays, and Sundays every week. Every executive participates in the distribution of lunches and have free conversations with employees.

Lotte Department Store's Security Personnel Education

Lotte Department Store has security service education once or twice a month by each store targeting security personnel. The major content of the education is about special education of arresting in case of emergency, accident prevention, and responding to customers. Especially, human rights education and kind service education regarding customers and employees of the stores are done as well.



Ethical Management

Details of ethical behavior

Lotte Department Store champions ethical management as its corporate culture by putting it into practice every day. We try to gain greater trust from customers by carefully managing customer information, rewarding excellent employees, and monitoring customer service. To promote ethical behavior among the employees, we have introduced the voluntary reporting system on misbehaviors, the signing of pledges, the self-examinations of the code of ethics, and the questionnaire surveys on ethics awareness. In order to firmly establish ethical management mindset, we have intensified internal education and promotion.

Major contents
in details of ethical
behaviors

1. 10 rules while working
2. Promise for customers
3. Objective and fair work process
4. Relationship with partnerships
5. Prohibition of taking benefit by using corporation's assets
6. Protection of corporate information
7. Social responsibilities

Lotte Department Store tries to have ethical management as a firm corporate culture of Lotte by systemized actions.

〈Current condition of ethical management〉

Education	Beginning level for ethical education, Sexual harassment prevention education, Fair trade education, Work efficiency education	Continuing during the year
Advertising	Posters, announcements when opening and closing the store, POP attachments, POP-up windows	Continuing during the year
Action Campaign	No Holiday Gift Bribery Campaign	Continuing during the year
	Husbandry Campaign, etc.	Occasional events
Monitoring	Report windows at the Ethical Management Office, MR Team, Voluntary Fair Trade Compliance, Counselor's office, Customer service	Continuing during the year
Evaluation and awards	Evaluation and rewards for business	Once a year
	Evaluation of customer service and telephone monitoring	Once a month

Our promise
to establish ethical
management

Lotte Department Store and its partners promise the following to establish order among retailers through free competition and to affirm transparent trade as we are in a global age.
One, Lotte Department store guarantees equal opportunities for partners and reveals the process of opening and closing the store.
One, we establish fair trade order as partners.
One, Lotte Department Store will be an example of transparent management by eradicating any bribery.
One, we try our best for better life for customers by providing good products at reasonable prices.

Win-Win Partnership Management

Lotte Department Store makes its efforts to establish symbiotic partnership management in the position of a collaborating company through the following details of ethical management. Especially, we keep promises with our partners, give equal opportunities to them and evaluate them with no injustice.

2007 Lotte Department Store Convention

Lotte Department Store tries to establish symbiotic partnership management. Related to this, Lotte Department Store held the "Inviting Partnerships: 2007 Lotte Department Store Convention" on April 30, 2007. The purpose of this event is to remove the conflicts and distrust between our company and our partners and to establish new partnerships based on trust. We declared "The Joint Declaration on Ethical Management" at this event as well as the awards for 20 distinguished partner companies. Also, we selected 30 associates who supported the development of the company despite all obstacles and gave them a total of 60 million KRW as scholarships.



The Joint Declaration on Ethical Management



Lotte Convention 2007



Chul-Woo Lee, CEO of Lotte Department Store, having an interview with partnership



Opening address

Voluntary Fair Trade Compliance

For the first time in the retail industry, Lotte Department Store set up an organization dedicated to fair trade practices and declared voluntary compliance with fair trade practices on September 19, 2001. Since then, we have consistently performed monitoring, supervision, training, and evaluation activities. The outcome of voluntary compliance activities is reported to the CEO and the Board of Directors regularly. Lotte Department Store requires prior consultation with partners when there are joint events, movements of stores, and remodeling of the interior. In case of serious matters, we systematically prevent unfair trade as well as bribery and corruption through a prior screening system and intense legal examination. As a result of such efforts, we were awarded the “Fair Trade Association Award” in 2005, no example has been pointed out as an illegal act, and we acquired the AA Grade from the CP Grade Evaluation in 2006.

Voluntary Fair Trade Compliance Program

System to prevent violation of law

In order to prevent violation of fair trade, Lotte Department Store produces and distributes the “Business Manual” and the “Voluntary Compliance Handbook.” The Voluntary Compliance Handbook includes voluntary compliance guidelines, including Q&A’ s, examples of related issues and laws, etc. And the Business Manual includes guidelines for business processes, such as brand advertising, various events, and the opening and closing of the store. Lotte Department Store focuses the distribution of manuals to the Sales Division and the Product Division, where the possibility of a violation of law is the highest. Also, any employees can assess the manual online.

※ Current Condition of the Distribution of Manuals in 2006

- Voluntary Compliance Handbook (5th edition) and Business Manual
- Subcontract Business Manual and the Guidelines for Sales Promotion Events
- Standard and rules of branded marketing

Employee Training and Evaluation System

Lotte Department Store makes focused efforts on systematic training of all employees on fair trade practices to enhance their awareness of the law and foster a mindset for voluntary fair trade compliance. We have established a comprehensive curriculum involving both online and off-line programs, including introductory training for new hires, supplementary training for existing employees, and an internal expert cultivation program. Accordingly, all employees must complete at least one training hour in each quarter. In addition, all employees in sales-related departments are required to take fair trade tests twice a year. This allows us to measure the effectiveness of the training and adjust future training to reflect the findings.

〈Training on Fair Trade Practices in 2006〉

Title	Description
Introductory training for new hires	Explain the basic concepts and work manual of the Fair Trade Law
Sales individual education	Review the corresponding manual according to the concerned work, such as interior work and sales promotion events work
Cultivation program for experts of fair trade	Analyze regulations, work manual, screening cases, violation cases of fair trade, & deepening studying, discussion, and Q&A
Invited speaker from the FTC	Brief on pending question, screening cases and Q&A’ s about fair trade
Sales Dept. and Product Dept. education	Check-points related to fair trade by dept.
Fair trade test of the entire employees	Lectures and tests on relevant laws & regulations

Fair Trade Inspection System

For effective inspection, Lotte Department Store inspects for items with a high possibility of violating the law. Misinformed advertising, forced participation in sales promotions, and any unfair trade acts are the subjects of the inspection. We regularly and randomly inspect such violations to prevent any disadvantages.

※ Inspection activities in 2006

- Misinformed advertising on the occasions of bargains
- Enforced activity for participation in promotion and discount events
- Work practice other than sales work
- Opening and closing processes when adjusting merchandising / interior construction
- Activity of changing the contract during its term
- Costs not related to sales promotion

Supplier Opinion Collection System

In order to objectively evaluate the extent of fair trade compliance, Lotte Department Store hires an outside research firm to conduct the Supplier Satisfaction Survey each year. Meanwhile, we have adopted the Comprehensive Assessment of Voluntary Compliance internally to evaluate the degree of fair trade compliance by sales departments each year. In order to address unreasonable practices quickly, we have also established the Online Reporting System, which enables the suppliers to report unfair trade practices via the Internet. Every year, the management and employees of our suppliers fill out our Supplier Satisfaction Survey, and all areas in which we have scored poorly are improved proactively. We also make focused efforts on areas with improvement opportunities. All employees are motivated to participate in voluntary fair trade compliance as we reward high performers, as determined by the outcome of the Supplier Satisfaction Survey and the Comprehensive Assessment of Voluntary Compliance of sales departments.

※ Research in satisfactory index of partnerships

- Surveyor: Korea Research
- Survey participants: Employees of suppliers that have a presence in Lotte Department Store as well as other department stores
- Survey items: System of Lotte Department Store, employees, suppliers’ satisfaction level with regard to fair trade
- Research method: PI (Personal Interviews)

Classification	Description
System section	Reasonable criteria for evaluating suppliers, Fairness in allocating shops to suppliers
Employee section	Professionalism, kindness, and ethical awareness of employees in product sourcing and MD ability and serving suppliers
Fair trade section	Degree of various unfair requests, Fulfilment of contract details

Acquisition of the AA grade from the CP grading evaluation presented by the Fair Trade Commission

Lotte Department Store received the AA grade, which is the best grade among the 60 participants, from the CP grading evaluation presented by the Fair Trade Commission in 2006. This means the Voluntary Fair Trade Compliance Program of Lotte Department Store is the model program for others. The CP grading evaluation is to grade by evaluating the discipline, education, and willingness regarding fair trade shown by the CEO.

〈CP Grading Evaluation in 2006〉

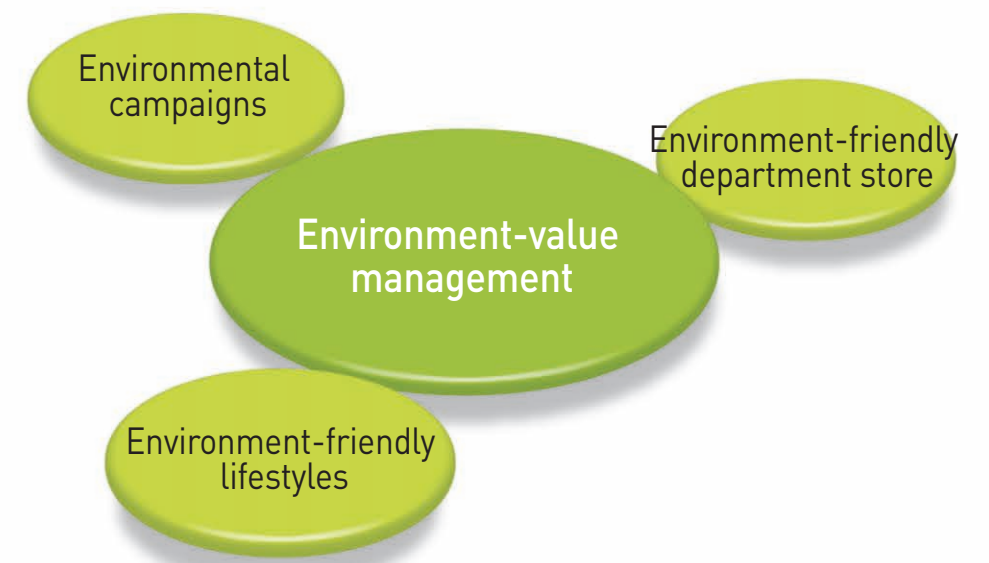
Classification	Description
In charge of evaluation	Fair Trade Commission (Service accomplishment: Korea Fair Competition Federation)
Period	July 2006 to October 2006 (4 months)
Methods	Interviews and on-site evaluations by the CP retinue (Experts on competition policy, laws, accounting, and business)
Items evaluated	①Declaration of voluntary fair trade compliance (VFTC) by CEO ②Assignment of manager of VFTC ③Internal inspection of VFTC and establishment of a reporting system ④Restrictions and rules on employees who violate VFTC ⑤Management system for related documents ⑥Production and distribution of a voluntary compliance handbook ⑦Training system for VFTC
Grade	Total of 8 Grades; AAA, AA, A, BBB, BB, B, C, D
Participants	60 corporations (manufacturing, distribution, and financing)

Lotte Department Store provides environment-friendly services directed toward the customers and the society under the flag of environment-valued management and creates environment-friendly lifestyles. We will always be a big, green forest between human beings and the environment.



 Think **ENVIRONMENT**

We grow a forest called
'Environment-friendly' between human
beings and the environment.

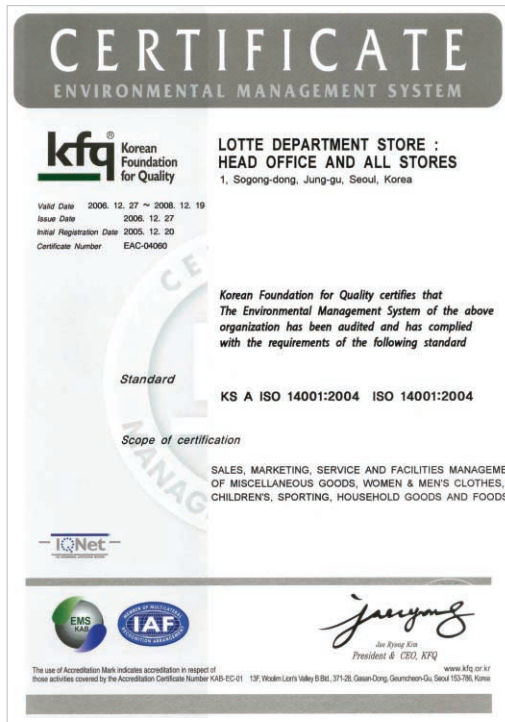


Environmental management system

ISO14001 certification

As of December 29, 2006, 22 stores, including headquarter, obtained the ISO14001 certification, which is the global standard for environmental management. 15 teams from headquarter, 12 stores in the capital region, 10 stores in provincial areas, and 14,000 employees had participated in the process of certification. We developed the 3R activities ("Reuse", "Reduce", and "Recycle"), environmental innovations, inside-company training, as well as discussion activities. Also, an education program for all the employees has been prepared and a supervising system for environmental goals and plans, for improvement, has been established. Since 2005, the organization of the ISO 14001 Task Force has been organized by 32 key members of major teams from headquarter and 25 members within all stores to evaluate the environmental impacts, the establishment of the environmental management and conduct inside evaluation and comply with environmental laws.

※ 'ISO 14001' is a standard for environmental management systems designed by the ISO (International Organization for Standardization), obtaining the ISO 14001 certification means the establishment of a management system, structure, and policy to perform environmental management.



ISO14001 certification

Major investments related to the environment

- Donations in 2006: 800 million KRW
- Extra donations in 2006: 250 million KRW
- ※ ISO certification, Ilsan Eco-park, environmental prize contest

Environmental Value Management Policies

Lotte Department Store, which has led the Korean retail industry based on customer-oriented management, declares the following environmental value management policies for environment-friendly development of the society and corporations:

1. Through environmental value management, we shall make the Korean retail market more environment-friendly and establish ourselves as a global retailer with strong environmental values.
2. We provide customers with a variety of products and lifestyle ideas that convey the value for our environment and encourage environmentally sound consumption.
3. By sharing environmental value management with our suppliers, we take the lead in the management of suppliers with environmental ethics.
4. We strive to reduce waste and resource consumption and conduct environmental remediation on a continuing basis.
5. We comply with environmental regulations and establish and practice the company rules that are more rigorous than the mandated regulations.
6. We raise funds for, and participate in, various environmental conservation activities. In particular, we communicate the preciousness of the environment through bird conservation campaigns.

Environment and Lotte Department Store

As the importance of the environment becomes a major social issue because of global warming, there have been many analysis reports of weather changes. Lotte Department Store has focused on the temperature changes and weather changes because we think the weather changes are not only a simple environmental problem but, ultimately, they will heavily influence the management system. We are preparing several events and marketing according to the weather changes, and the sales tendency has been reported day by day. Since 2004, when we declared environment-valued management, we have been operating several campaigns for the prevention of global warming.

Efforts for the prevention of global warming

Lotte Department Store participates in the STOP CO2 Campaign, which is a campaign to reduce carbon dioxide gas. In 2005, we presented the "Cool Biz Fashion Show" in the lobby of the government complex to suggest new fashion trends which can save energy and the earth. Sponsored by the Ministry of Environment and the Ministry of Commerce, Industry, and Energy, this event is constantly held. This fashion show took place in the lobby of the government complex in 2007 as well. Celebrities participated as models for this fashion show. Lotte Department Store promotes campaigns related to this cool biz fashion and lifestyle to lead customers' participation through various points of contact. Also, to reduce the unnecessary exhausted gas and carbon dioxide within the store areas, we attached an announcement about the prohibition of idling cars in parking lots. We are the first one in the industry who have reduced the occurrence of green gas and saved energy by bringing the cool biz fashion into practical use and adjusting the indoor temperature.



2007 Cool Biz Fashion Show

Weather management of Lotte Department Store (Analysis of influences of weather changes)

Weather changes are the main factor that has the largest influence on the sales. Lotte Department Store tries to maximize the profit by planning a marketing strategy, events, and a product strategy in accordance with the weather changes.

Example of analysis on Lotte Town in 2006

According to the analysis, the sales of the department store increases during cold days and decreases when it snows or rains during weekends. However, the sales tend to increase on beautiful days of Spring and Fall. This data is analyzed based on Lotte Town.

< The sales changes due to the weather changes (Lotte Town) >

classification	Sales	purchasing customers	days	average sales per day	Average number of customers per day
Below -5	38,340	410,496	10	3,834	41,050
-5° ~ 0°c	105,768	1,049,180	25	4,231	41,967
0° ~ 5°c	226,021	2,380,440	60	3,767	39,674
5° ~ 10°c	195,768	1,977,530	48	4,079	41,199
10° ~ 15°c	119,776	1,288,944	32	3,743	40,280
15° ~ 20°c	224,929	2,428,716	58	3,878	41,874
20° ~ 25°c	276,191	3,253,270	84	3,288	38,729
25°	106,443	1,395,557	36	2,957	38,765
Average per day	1,295,222	14,184,135	353	3,669	40,182

Environment-friendly management

Voluntary agreement on green products

In December 2006, Lotte Department Store became the first one among the retail industry who concluded a voluntary agreement on green products with the Ministry of Environment. Interest related to purchasing green products has been raised after the legislation of the law related to green products. However, the sales of green products are on an insignificant level. Lotte Department Store will expand the purchasing of green products as a global environment-friendly retailer.

Self-generating flashlights

Self-generating flashlights, which were first introduced to Lotte Department Store in Busan, have been introduced to all the stores within the capital region. Self-generating flashlights are safe because they do not get turned off due to a discharge of the battery. Also, they enable the reduction of 6,500 used batteries.

Recycling of unnecessary appliances

Using the groupware mail inside the company that all employees use, we recycle the appliances that are needed in different areas.

Publishing weekly environmental information report

Lotte Department Store publishes a weekly environmental information report every week and forwards it to all divisions through an electronic system. This report includes recent environment-related issues, news, and strategic changes as well as marketing trends.

Personal Shopping Bag Campaign

Since developing a personal shopping bag in August 2004, Lotte Department Store has been launching regular campaigns through all of its 23 stores to promote the use of personal shopping bags. As a result, more than 300,000 of personal shopping bags whose design is improved by year by year, have been distributed since 2004, while the sales of disposable plastic bags have declined. In addition, we have initiated a campaign where we give a discount equal to the cost of a disposable shopping bag, which is 50 won, when a customer uses his or her personal shopping bag. Through this campaign, we want to help customers realize the value of retaining a personal shopping bag.

〈 Sales of Disposable Shopping Bags 〉

Expenditure breakdown		1st half of the year	2nd half of the year
Profit	Expenditure breakdown	484,308	456,152
	Results of returned shopping bags	105,157	108,395
	Personal shopping bag discounts	29,490	32,813
Sales profit of shopping bags	Offering personal shopping bags	44,718	301,616
	Clean Mountains and Streams Campaign	21,212	34,842
	Sponsoring environmental NGO' s	29,234	16,800
	Other environmental events (bazaars, campaigns, etc)	272,852	69,615
	Subtotal	502,663	564,081
Total		- 18,355	- 170,929

(Unit : 1,000 won)



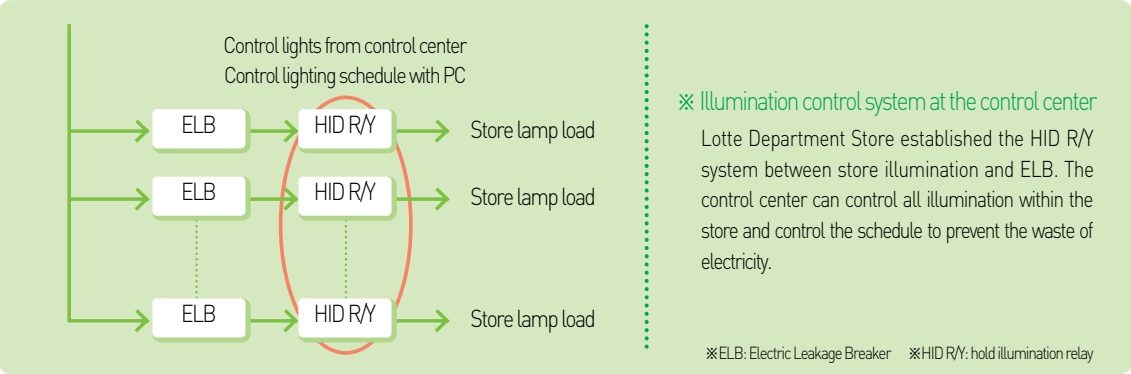
Ceremony for environment-friendly management



Self-generating flashlights

Efforts to save energy

By using touch-sensitive lamps, improving natural lighting, controlling the lighting schedules, Lotte Department Store saves energy.



Using recycled materials

Lotte Department Store shows its fondness of the environment by expanding the use of recycled materials. We use business cards and posters made of recycled paper and expand the recycling of materials for construction when remodeling.

- Recycled paper-based business cards and posters

By using recycled paper and soy oil-based ink, the posters of Lotte Department Store save 25,000 trees every year. Also, all employees of the department store use recycled paper-based business cards.



- Application of materials for construction when remodeling

The interior of Lotte Department Store uses only secured nonflammable materials. Also, for recycling and reusing, we recommend using glass and chrome steel, and the rate of recycling appliances is 20%.



Food court at Main store



Grocery section at Main store

Love of the Environment Campaign with customers



2006 Bird Watching School

Bird Watching School

Bird watching means, literally, watching birds. It is a kind of leisure activity of observing the life cycles of wild birds. It is a generalized activity in Japan, but it has only been recently introduced to us. To observe birds that only can live in clean environments, people go out to the mountains, oceans and meadows. It is a leisure activity which lets us understand the importance of the environment. Lotte Bird Watching School is designed to understand the right bird watching culture with a theoretical background. It is the first bird-watching program targeting adults in the country. In the 2006 program, wetland teams from Environmental Movement Incorporation and the National Science Museum had helped to prepare lectures for better experiences and knowledge. Customers joined the activities to observe an eagle (national monument 243), a crane (national monument 202), wild geese, and sea gulls by visiting Cheolwon and Ganghwa-do

Environmental Marketing Contest for College Students

The Environmental Marketing Contest held by Lotte is an annual event to enlighten the importance of the environment to the young and to develop new ideas. In terms of the authority and size, this contest is the best and is the largest environmental event in the country. In 2006, the contest added one more category- character. The presentations also provided participants with an opportunity to share their ideas about environmental issues. The prize-winning posters were displayed at the Main Store and the Cultural Center and utilized in environmental campaigns. Unlike the existing events rewarding with prize money, we gave tickets for the "2007 Peace and Green Boat", which are a meaningful prize.



Medal-awarding ceremony



Greetings from the representative of the Korea Green Foundation



Watching prize-winning works

College Student of Environment Study Group

The second green product convention had been in the Atlantic Hall of COEX, sponsored by the Environmental Foundation and the Green Product Promotion Office, in November 2006. Lotte Department Store managed a booth with energy-saving fashion and the Warm Biz Fashion Show, which was the main event of this convention. Lotte Department Store observed domestic environmental conventions in association with young people and experts who are interested in the environment and learned the level of green products and premium environment-friendly technology from the Tokyo International Environmental Convention, which is the largest environmental convention in the world, in December 2006.



Environment seminar



College student of environment study group



Visiting Tokyo environment exhibition

PEACE & GREEN BOAT

Peace and Green Boat, which is an East Asian exchange program, is a representative program sponsored by the Environment Foundation. Lotte Department Store sponsors this event every year and tries to raise the environmental issue among customers. In 2006, 10 of Lotte Department Store's customers were on board, and we plan to provide the support so that more customers can participate in this event in 2007.

Cultivation of Environmental Leaders of Tomorrow

Lotte Children's Environment School

The first Lotte Children's Environment School was held for elementary school students in the capital region in August 2004. Once admitted to the environment school, young children learn to appreciate the value of the environment through monthly environment camps. And by working on special assignments, students learn to put into practice their love for the environment in their daily life. In addition, they are invited to participate in an online environment school community and share friendship and passion with their peers. Lotte Environment School held five terms of schooling so far in 2006, and plan to invite students for the sixth term under the title of "Global Warming" in 2007.

Environment school with global sense

Lotte Environment School for kids was first held in September 2004 and has provided an opportunity to explore Cheon Su Man. The fourth environment school, which was operated in summer 2006, learned the traces of Goryeo predecessors and explored the ecosystem of Baek Du Mt. Also, we had an exchange program in collaboration with Chosun School in Jib Ahn, and visited the Yong Jung Middle School in Yong Jung to share our knowledge about history. The fourth environment school in winter 2006 was planned as a cooperation program with Hong Kong World Wildlife Fund (WWF) and International NGO's such as Taipei Wild Birds Society, etc.

Hoi Ha Wan Marine Centre and Maipo March Nature Reserve operated by Hong Kong WWF are the places to enter only for the approved visitors. They have been equipped the education system for visitors, but operated for research than education. Also, to minimize influence into environment, they limit the number of visitors daily.

Members in Taipei Wild Birds Society, which operates Guandu Nature Park, are mostly volunteers.

Volunteers are various people such as office workers, teacher, etc., and operate volunteer services on weekend in the park such as ecology lecture, etc. Students experienced environment program operated in cooperation with domestic environmental organizations and international NGOs. Especially, they heard Nature restoration projects operated together by several countries such as the Project for saving black-faced spoonbill and watched for the result of the projects. Having this experience, they were able to understand not that environmental conservation operates just in one country, but that global cooperation and assistance are needed, and it is possible to educate the international eye in environmental conservation.



Mt. Paektu exploration team in 2006 - A child observing



Wet land exploration team of East Asia in 2006



Mt. Paektu exploration team in 2006

Environment-Friendly Lifestyle

Cool Biz Fashion Show

In June 12th, 2006, a fashion show took place in the lobby of the government complex. Known as the Cool Biz Look Fashion Show, it was organized by Lotte Department Store in connection with a casual business dress code policy introduced among civil servants for the summer. The cool biz look, which refers to wearing a dress shirt without a necktie, can help lower office energy costs. If you don't wear a tie, 2 degree of sensory temperature decreases. If the temperature of the room in summer increases by 2 degrees, we can save up to 300 billion KRW which corresponds to the amount of electricity produced by nuclear plant for two quarter terms. As such, it is gaining appeal as an environmentally conscious fashion statement in countries with best environmental practices, such as Japan. With the casual business dress code spreading to the private sector and men showing greater interest in apparel with the introduction of the five-day workweek, the stylish and neat cool biz look is expected to draw more attention in the future. The Cool Biz Look Fashion Campaign was organized to publicize and spread the cool biz look to civil servants who adopted the casual business dress code and, thus, is sponsored by key government ministries, including the Ministry of Government Administration and Home Affairs, the Ministry of Environment, and the Ministry of Commerce, Industry and Energy. With major figures in society, including the Minister of Environment and National Assemblymen, participating as models, the event drew the public eye. Actually, Chi-Beom Lee, the minister of Environment, Senator Jong-Gil Jeh, Senator Byung-Du Min, Yeol Choi, the representative of Environmental Foundation, Jung-Hoon Park, SBS Producer and Hyung Mo Lee, the president of "the newspaper for citizen" had participated as models in the fashion show. In addition, a cool biz look coordination zone was operated within the Central Government Complex to provide workers with fashion tips. Along with this, we distributed Cool Biz Fashion brochure targeting the public servants.



Declaratory ceremony of major figures at the Cool Biz Fashion Show



Cool Biz Fashion Zone in 2006

Warm Biz Fashion Campaign

In November 2006, the Korean Green Foundation and Lotte Department Store held the Warm Biz Fashion Campaign. The basic style of the warm biz campaign is the layered look. Wearing clothes that are layered, the look can be applied to indoors as well as outdoors while staying fashionable. It was also the opening show of the 2006 Green Product Convention in the Atlantic Hall, COEX. Also we distributed 20,000 brochures which introduced the warm biz fashion to customers.



COEX Warm Biz Fashion Zone

Eco-shop: Cutting-Edge Green Products

Green products are environment-friendly products which are good both for humans and the environment. Nonetheless, due to a lack of understanding on the part of consumers and fragmented manufacturing, their supply and propagation are expected to take a while. Lotte Department Store and the Korea Green Foundation, in an effort to provide consumers with a place that introduces high-quality Korean- and foreign-made green products, have jointly held an Eco-shop on the 8th floor of the Main Store. All proceeds were donated to an environment fund.



Major merchandising of Eco-shop



Green toys and stationery

Green clothing and accessories

New themed products

Activities in collaboration with the government

Lotte Department Store actively assists the governmental policies for the protection of the environment. In fall 2006, when used cell phones were an issue, we operated the "Collecting Used Cell Phones Campaign", sponsored by the Ministry of Environment. And we have been trying to inform the importance of the environment as well as of saving energy through the cool biz campaign in collaboration with the Ministry of Environment every year. An environmental marketing contest for college students was held for the third time this year. The receiver of the grand prize was given the prize by the Minister of Environment. Also, the voluntary agreement on green products in 2006 can be another example of assistance for the government policies. Lotte Department Store is involved as a member of the Council of Environment Advisors and makes its efforts for better communication between corporations and the government.

Collecting Used Cell Phones Campaign

Lotte Department Store managed a campaign for collecting used cell phones in collaboration with the Ministry of Environment and the Korean Electronics Association. Every year, 13 millions new cell phones are being sold in Korea. However, only 40% of the used cell phones are collected through mobile phone service providers. As a result, approximately 8 million cell phones are discarded every year. When a used cell phone is recycled, it is beneficial for the manufacturing industry because it contains valuable metal such as gold, silver and cobalt. However, when it is buried underground or burnt, then it causes serious pollution due to the hazardous sustenance such as lead or cadmium. Lotte Department Store gave small gifts to customers who participated in the campaign for collecting used cell phones in October 2006. This campaign is supposed to be continued.

LOHAS Business Management Award

Lotte Department Store won a special prize as a representative of the retail industry. It was the LOHAS Business Management Award presented by the Korean Green Foundation in November 2006. This is a result of leading the LOHAS lifestyle, along with the declaration of environment-valued management and with the keeping of sustainability reports.



Rooftop Eco-Garden at Mia Store

Expansion of Environment-friendly Facilities

Environment-friendly department store

The Mia Store of Lotte Department Store, which was opened in December 2006, was planned and designed considering environmental management before opening. Environment-friendly materials had been used when constructing the major facilities for customers. On the rooftop, we created a garden to provide a comfortable rest area and increase the energy efficiency. The recycling store at the basement level is the model store in collaboration with the Environment-friendly Products Promotion Agency. All storage areas of Mia Store have been equipped with self-generating flashlights. Also, in the rear area and disposal facilities, there is the large container for separate garbage collections and the workroom in order to separate garbage more efficiently. Extra-large size of refrigerator is installed to handle the food garbage and used cooking oil, and there are various ongoing campaigns in order to reduce the food garbage.

Make it green on the roof

Making it green on the roof generates a number of positive effects, including mitigating the heat island phenomenon, improving urban ecosystems, and saving energy. When the rooftop garden is built up at the entire floor space, it can reduce the energy used for air-conditioning the building up to 16.6%. the rooftop garden can reduce the “heat-island” phenomenon as well as the level of CO₂. In such a concrete city, a rooftop garden takes a great role in preventing the break between surrounding eco system. Lotte Department Store built up the largest rooftop garden in Ilsan Store, The rooftop gardening is expanding to Nowon and Mia Store as well, and we plan to design a large-scale park in the Centum City Store in Busan, which opens in 2007. This kind of a garden will not only serve as an ecological stepping-stone for northern Seoul, but as a tool for various public campaigns. This project is expanded gradually to newly opened stores and stores that are expected to be renewal

Creating Eco-Gardens on Rooftops

Lotte Department Store created the 1,884m² of rooftop garden in the Nowon Store in 2005 in order to provide comfortable rest area to local community and to have exhibitions related to environment, and created another eco-garden, which is the largest in Korea(1,938m²), in the Ilsan Store in April 2006. The Ilsan Store’s rooftop garden, which opened in April 2006, consists of a pond and a variety of plants, including seasonal flowering plants, hydrophytes, and floating plants, as well as diverse tree species, including shrubs and woodland trees. It was planned to be an environment-friendly area where human and wildlife can live together. With the environment-friendly design, it perfectly recaptured the small ecosystem that small animals and plants can grow wild, so it plays a role as the bridge that connects Gobong Mountain, Jungbal Mountain, and Lake Park. The rooftop garden in the Ilsan Store, which is built within the large building in the downtown, is quite accessible for customers and has the advantage that customers can use the existing infrastructure of the department store such as parking lot, cultural center and shopping mall while enjoying this quite new rest area. An eco-garden not only reduces the amount of CO₂ by preventing radiant heat but also is helpful to increase the morale of the employees. This is the best place for children to learn the ecosystem as it is a miniature version of the nature-there are arboreal place, small rice fields and garden where children can actually experience the nature. The garden has been praised as a fine spot for the children in the neighborhood to learn about nature.



Rooftop Eco-Garden at Nowon Store



Rooftop Eco-Garden at Ilsan Store

Environmental Gift Certificate Campaign

Environmental gift certificate campaign

After it declared environment-valued management in 2004, Lotte Department Store donated a part of the earnings from the sales of gift certificates to the Environment Fund. The Environmental Gift Certificate Campaign is an activity which forms a benign cycle; benefits from the sales of gift certificates are donated to the Environment Fund, and the result of such a kind of consumption is the bountiful environment. The Environmental Gift Certificate Campaign leads customers to participate in environmental donation. Lotte Department Store donated 3.03 billion KRW to environmental organizations from 2004 to 2007, and the details are the following:

Gift Certificate Fund in 2004 / Total 600 million KRW	1st Environmental Movie Night	200 million	Environmental education books for children	50 million
	Protecting winter migration birds	75 million	Environmentally advanced nations research	100 million
	New Love Scholarship	150 million	Others	25 million
Gift Certificate Fund in 2005 / Total 650 million KRW	Environmental education program for families	150 million	2nd Environmental Movie Night	200 million
	Environmental school for children	30 million	Environment experience program	50 million
	Tokyo Environmental Convention	50 million	“Protect the Birds” Campaign, etc	170 million
Gift Certificate Fund in 2006 / Total 800 million KRW	Environmental school for children	200 million	3rd Environmental Movie Night	200 million
	Environment-friendly fashion campaign	80 million	Environmentally advanced nations research	80 million
	Environment scholarship	80 million	Support environmental activities, etc.	160 million
Gift Certificate Fund in 2007 / Total 980 million KRW (Scheduled)	Environmental school for children	170 million	DB of bird information	280 million
	Bird Love Campaign	135 million	Environmental communities support	130 million
	Campaign for the Prevention of Global Warming	170 million	Earth Day events	95 million

Clean Mountains and Streams Campaign

Each store has cleaned at least one mountain and one river/stream in the surrounding area since 2004.

Store	Main Store	Jamsil	Yeongdeungpo	Chungryang-ri	Gwanak	Bundang	Bupyeong	Ilsan	Gangnam	Anyang	Incheon
Subject of protection	Bukhan Mt./ Cheongyecheon	Acha Mt.	Anyangcheon/Terrace land of the river	Dobong Mt./ Bukhan Mt.	Gwanak Mt./ Boramae Park	Bulgok Mt./ Tanchon	Streets surrounding department store	Jungbal Mt./ Hosu Park	Daemo Mt./Yanggacheon in Tanchon	Suri Mt./ Anyangcheon	Olympic Park
Number of operation(s)	9	12	5	10	6	16	12	12	12	12	10
Store	Nowon	Busan	Gwangju	Daejeon	Pohang	Ulsan	Dongnae	Changwon	Daegu	Sangin	Jeonju
Subject of protection	Nowon Surak Mt./ Jungangcheon	Baekyang Mt.	Mudeung Mt.	Gabcheon	Naeyeon Mt.	Munsu Mt./ Taehwa River	Oncheoncheon	Jungbyeong Mt.	Palgong Mt.	Juhole Mt.	Moak Mt./ Jeonjucheon
Number of operation(s)	12	1	4	4	3	10	1	6	1	1	12



Streets near the Bupyeong Store



Moak Mt. & Jeonjucheon at Jeonju Store



Mudeung Mt. at Gwangju Store

Environmental Accomplishments of Lotte

Accomplishments regarding energy in 2006

Lotte Department Store pays attention to energy resources management by analyzing the details of the usage of water and electricity.

〈 Usage of energy per year, CO₂ emission and cost per pyeong〉 The floor space is based on the managed dimensions. Managed Dimensions = Business area + rented area

Classification	No. of stores	Electricity (10,000kWh)		Water (tons)		LNG (10,000 Nm ³)		CO2 emission per each store	Extra
		Yearly usage (10,000kWh)	kWh/year, pyeong	Yearly usage (tons)	ton/year, pyeong	Yearly usage(10,000 Nm ³)	Nm ³ /year, pyeong		
04	22 stores	42,254	177	3,543,870	1.5	1,523	6.4	242,039	Opening Sangin and Jeonju Store
04	22 stores	42,740	170	3,603,432	1.4	1,513	6.0	244,157	Opening Avenuel
04	22 stores	42,335	162	3,532,134	1.4	1,387	5.3	239,078	Excluding Mia Store (opened in December)

※ It shows a little difference from the usage of energy in 2004 and 2005, as mentioned in the 2005 report, just because of some errors and omissions of the unit digit.

Accomplishments of managing the usage of water in 2006

〈Unit: ton〉

Usage of potable water	Usage of underground water	Usage of deuterium oxide	The rate of using deuterium oxide	Polluted water	Amount of generation of slender tube water
3,411,730	516,092	793,062	20.2%	3,927,822	286.0

※ potable water is provided by water service ※ Slender tube water is from boilers and refrigerators. The handling is consigned to a company specializing in slender tube water.

Accomplishments of managing waste matter in 2006

〈Unit: ton〉

Classification		Accomplishments
Living wastes from business place	Incineration and reclamation	8,552.32
	Recycle	-
Waste paper	Incineration and reclamation	525.00
	Recycle	9,789.58
Scrap iron, cans	Incineration and reclamation	3.00
	Recycle	356.42
Waste containers	Incineration and reclamation	33.20
	Recycle	229.31
Waste plastics	Incineration and reclamation	71.80
	Recycle	307.93
Styrofoam	Incineration and reclamation	16.12
	Recycle	254.63
Used oil	Incineration and reclamation	0.10
	Recycle	282.43
Total of disposal		9,201.53
Total of recycling		11,220.31
Total		20,421.84

※We assume that "㉔ = kg" for better understanding.

Emission of Green Gas

Lotte Department makes efforts for continued and systemized management of green gas to protect the ozone layers and prevent global warming.

〈Unit: kg, no.〉

Rate of emission from refrigerants Refrigerator for central use in 2006					Rate of possession of Halon fire extinguishers			
Freon 123	Freon 22	R11	Others	Total	Halon fire extinguishers	Others	Total	Rate of possessing Halon fire extinguishers
3,550	7,279	1,950	220	12,999	6,158	12,180	18,338	33.58%

Sustainable management index (DMA)

Guidelines			Index	Guidelines			Index
Economy	Economic achievements	Domestic economic growth	Sales and net profit	Society	Working conditions and customs	Domestic social contribution	Secured employment/ labor-management relationship/ sanitation and safety
		Foreign economic growth	Maximize the benefits for shareholders			Education and training/ diversity and equal opportunities	
	Market status	Domestic economic growth	- Global retailer - One of the 10 largest department stores in the world (market share, ranking)		Human rights	Domestic social contribution	Prohibition of discrimination/ freedom of negotiation / prohibition of child labor/ prohibition of enforced labor/ dealing with employees' complaints/ human rights concept held by security manager
		Indirect economical effects (supporting internal market)	Foreign economic contribution			Expansion of investment New hires	Foreign economical contribution
	Environment	Resources, energy, and water	Domestic environmental management		Policies of the constant reduction of energy and complying with related laws	Society	Domestic social contribution Foreign economical contribution
Products and services, transportation		Domestic environmental management	Strict disposal of wastes and complying with related laws	Social contribution/ participation of legislation of public policies			
Waste gas, polluted water, and waste matter		Domestic environmental management	Environment-friendly campaign	Product responsibilities	Domestic social contribution	Complying with the laws of labeling the products and services / protect confidential information of customers and comply with related laws	
Biodiversity		Foreign environmental management	Public PR Improve the environment within stores		Foreign economical contribution	Managing customers' health/ complying with laws related to marketing	

* DMA (Disclosure on Management Approach)

Major accomplishments of Lotte Department Store in 2006

Lotte Department Store receives many outside evaluations as a result of performing sustainable management in all aspects.

Dates	Description	Others
January 2006	Busan Store. Testimonial from the Commissioner of the National Police Agency (NPA)	Testimonial related to assistance with holding APEC
March 2006	The 1st place in the division of brand power in the department store	Korea Management Association (KMA)
April 2006	Grand Prize in the division of brand star in the department store	Brandstock, The Korea Economic Daily
April 2006	Incheon Store. Commendation from the Minister of the Korea Chamber of Commerce & Industry (KCCI) and the Ministry of Commerce, Industry and Energy	Social contributions such as helping needy neighbors and events for foreign labor force
September 2006	Selected as the best corporation in retailer division among the excellent Korean corporations	Korean Business Association
September 2006	Busan Store. Commendation from the Commissioner of the National Emergency Management Agency (MEMA)	Excellence in its safety condition
October 2006	The 1st place in the division of National Brand Competitiveness Index (NBCI) in the department	Korean Productivity Center (KPC), The JoongAng Ilbo
October 2006	Anyang Store. The 1st Prize for public subscription of beautiful rest rooms	The Province of Gyeonggi
November 2006	The 5th Korea National Safety Award. Jeonju Store, Award from the Prime Minister Pohang Store. Award from the Minister of Government Administration and Home Affairs	Kyunghyang Shinmun, National Emergency Management Agency (MEMA), Korea Fire Equipment Inspection Corporation (KFI), Korea Safety Zone-Certi,
December 2006	1st place in the division of National Customer Satisfaction Index (NCSI) in the department store	Korea Productivity Center, The Chosun Ilbo
December 2006	Received LOHAS Business Management Award	Korea Green Foundation
March 2007	Main Store, Commendation from the Minister of Commerce, Industry, and Energy on Commerce Day	Selected an excellent manager by the Head of the Main Store

GRI G3 Content Index

G3 Provision Number	Details	Page	Level of Report	Remarks
Strategies and profiles				
Profiles				
1.1	Statement from the most senior decision maker of the organization	4	●	
1.2	Descruotuib if jet unoactsm rusjsm abd iooirtybutues	11	●	
Organizational profile				
2.1	Name of the organization	7	●	
2.2	Orunart brabdsrn idryctsm abd.ir servuces	7, 12	●	
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	8	●	
2.4	Location of organization's headquarters	7	●	
2.5	Number of countries where the organization operates and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	16	●	
2.6	Nature of ownership and legal form	9-10	●	
2.7	Markets served (including geographic breakdown sectors served, and types of customers/beneficiaries)	7, 11-12	●	
2.8	Scale of the reporting organization	7-8, 11-12, 15	●	
2.9	Significant changes during the reporting period regarding size, structure, or ownership	7-10, 19	●	
2.10	Awards received in the reporting period	68	●	
Reporting parameter				
3.1	Reporting period (e.g., fiscal/calendar year) for information provided	1	●	
3.2	Date of the most recent previous report (if any)	1	●	
3.3	Reporting cycle (annual, biennial, etc)	1	●	
3.4	Contact point for questions regarding the report of its contents	76	●	
3.5	Process for defining report content	1, 5-6	●	
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance	1	●	
3.7	State any specific limitations on the scope or boundary of the report8	1	●	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	1	●	
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report	1	●	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods)	1	●	
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	1	●	
3.12	Table identifying the location of the Standard Disclosures in the report	69-71	●	
3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s)	74-75	●	
Governance structure, committees, and participation				
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	8	●	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement)	9	●	
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	9	●	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	10, 46	●	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance)	72	●	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	9	●	
4.7	process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics	9	●	


G3 Provision Number	Details	Page	Level of Report	Remarks
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	3, 31, 51, 53, 57	●	
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	9	●	
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	72	●	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	21-22	●	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	43, 57, 59, 64	●	
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations	72	●	
4.14	List of stakeholder groups engaged by the organization	5-6	●	
4.15	Basis for identification and selection of stakeholders with whom to engage	5-6	●	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	5-6	●	
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	5-6	●	
Management Approach and performance indicators				
Economic				
	Disclosure on Management Approach	3, 68	●	
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	15	●	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	58	●	Global Compact No.9
EC3	Coverage of the organization's defined benefit plan obligations	49	●	
EC4	Significant financial assistance received from government	72	●	
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	44	●	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	72	●	
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	16, 34	●	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind, or pro bono engagement	30, 33-40, 65	●	
Environment				
	Disclosure on Management Approach	57, 68	●	Global Compact No.7
EN1	Materials used by weight or volume	67, 72	●	
EN2	Percentage of materials used that are recycled input materials	59, 72	●	Global Compact No.9
EN3	Direct energy consumption by primary energy source	67	●	
EN4	Indirect energy consumption by primary source	67	●	
EN8	Total water withdrawal by source	67	●	
EN11	Kicatuib and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	73	●	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	73	●	
EN16	Total direct and indirect greenhouse gas emissions by weight	67	●	
EN17	other relevant indirect greenhouse gas emissions by weight	73	●	
EN19	Emissions of ozone-depleting substances by weight	67, 73	●	
EN20	NO, SO, and other significant air emissions by type and weight	73	●	
EN21	Total water discharge by quality and destination	67	●	
EN22	Total weight of waste by type and disposal method	67	●	
EN23	Total number and volume of significant spills	73	●	
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	57, 59-64	●	Global Compact No.8/No.9

Reference List of GRI Guidelines

G3 Provision Number	Details	Page	Level of Report	Remarks
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	73	●	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	73	●	
Social Performance Indicators				
	Labor Practices and Decent Work	43, 68	●	
LA1	Total workforce by employment type, employment contract, and region	44	●	
LA2	Total number and rate of employee turnover by age group, gender, and region	44	●	
LA4	Percentage of employees covered by collective bargaining agreements	50	●	Global Compact No.3
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	73	●	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities by region	49	●	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members, their families, or community members regarding serious diseases	49	●	
LA10	Average hours of training per year per employee by employee category	47	●	
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	9, 44	●	Global Compact No.6
LA14	Ratio of basic salary of men to women by employee category	44	●	Global Compact No.6
Human Rights				
	Disclosure on Management Approach	43, 68	●	
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	73	●	Global Compact No.2
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	73	●	Global Compact No.2
HR4	Total number of incidents of discrimination and actions taken	73	●	Global Compact No.1
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	50	●	Global Compact No.3
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	73	●	Global Compact No.5
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor	45	●	Global Compact No.4
Society: Society				
	Disclosure on Management Approach	68	●	
S01	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	33-40	●	
S02	Percentage and total number of business units analyzed for risks related to corruption	53-54	●	Global Compact No.10
S03	Percentage of employees trained in organization's anti-corruption policies and procedures	53-54	●	Global Compact No.10
S04	Actions taken in response to incidents of corruption	53-54	●	Global Compact No.10
S05	Public policy positions and participation in public policy development and lobbying	64	●	
S08	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	53-54, 57	●	
Society: Product responsibilities				
	Disclosure on Management Approach	25, 26, 68	●	
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	32	●	
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements	31	●	
PR6	programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	31, 51, 53-54	●	
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	31, 53-54	●	

※ The G3 provision numbers that are not written are additional indicators

● : Disclosed in the report ● : Partially disclosed in the report ○ : Not disclosed in the report N/A: Not Available

G3 Provision Number	Details																																
4.5	There is no direct linkage between compensation for the members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization` s performance (including social and environmental performance).																																
4.10	We try to protect the shareholders` benefits by allowing shareholders to have their benefits in the range of the payment for a director of the Board of Directors. We do not have any separate performance process of the Board of Directors` own accomplishments (Please refer to p 9.) Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization belongs:																																
4.13	Major organizations in which Lotte Department Store participates 〈 Department Store Association 〉 Lotte Department Store is the founding member of the Department Store Association, which was established in 1983. Currently, Chul-woo Lee, the CEO of Lotte Dept Store is the President of the association. Shinsegye, Hyundai, Galleria, Daegu, DongA, and GS are the other members of the association and help the sustainable management of the member corporations by activities such as trend researches and management rationalization plans. 〈 ManBun Club - One ten thousandth club 〉 In April 2004, Lotte Department Store was the first one which joined the ManBun Club within the industry. The ManBun Club is a community which invests one ten thousandth of net profit for the environment and future society. As a member of the ManBun Club, Lotte Department Store has made constant investments and donations for the environment, thereby leading environmental management within the industry.																																
EC4	Lotte Department Store actively assists governmental policies. [Please refer to P. 64] We reveal the details of tax deductions in this report due to the lack of a concerned adding system. <div><div>〈Unit: KRW〉</div><table><tr><th>Classification</th><th>Related Law Article</th><th>Code</th><th>Tax deduction</th></tr><tr><td>Deduction for the improvement of the notes payable/receivable system</td><td>2 of Article 7</td><td>02</td><td>20,890,601</td></tr><tr><td>Deduction on improvement of productivity</td><td>Article 24</td><td>08</td><td>211,482,007</td></tr><tr><td>Deduction on investments in the environment and facilities for safety</td><td>Article 25</td><td>09</td><td>7,936,975</td></tr><tr><td>Deduction on investments in energy-efficiency facilities</td><td>2 of Article 25</td><td>10</td><td>488,537,679</td></tr><tr><td>Deduction on temporary investments</td><td>Article 26</td><td>11</td><td>421,322,258</td></tr><tr><td>Deduction on electronic documenting</td><td>5 of Article 104</td><td>19</td><td>1,000,000</td></tr><tr><td colspan="3">Total</td><td>1,151,169,520</td></tr></table></div>	Classification	Related Law Article	Code	Tax deduction	Deduction for the improvement of the notes payable/receivable system	2 of Article 7	02	20,890,601	Deduction on improvement of productivity	Article 24	08	211,482,007	Deduction on investments in the environment and facilities for safety	Article 25	09	7,936,975	Deduction on investments in energy-efficiency facilities	2 of Article 25	10	488,537,679	Deduction on temporary investments	Article 26	11	421,322,258	Deduction on electronic documenting	5 of Article 104	19	1,000,000	Total			1,151,169,520
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Deduction on electronic documenting	5 of Article 104	19	1,000,000																														
Total			1,151,169,520																														
EC6	Lotte Department Store operates a purchasing system, and it is our principle to purchase products listed on the purchasing system. Decisions on prices and products for purchasing are done by the merchandising team in the Main Store, and we follow arbitrary decision rules to purchase unlisted products. The standard of the arbitrary decision rules is followed by account, item, and price. Purchasing a product is possible for each store or limited by the main store due to the rule. This rule is based on an undisclosed document and the ratios of on-site purchasing are not recorded on this report. The basic principle of Lotte Department Store related to purchasing products is single purchasing by the Merchandising Team in the Main Store, and the team tries to purchase good quality products. However, all purchasing is done by the MD Team in the Main Store and on-site purchasing is not possible in principle. <div></div>																																
EN1	Materials used by weight or volume.																																
EN2	Percentage of materials used that are recycled input materials. Due to the special characteristic of the business, a part related to purchasing is product purchasing, and we do not have data of the usage of resources and processing materials that might influence the environment. Direct single purchasing also does not include resources that are directly related to the environment. Due to the size and variety of products, we do not have a system that manages the total weight or total volume of a specific product.																																

Statement of Verification on Lotte Department Store’s Sustainability Report in 2007

G3 Provision Number	Details
EN11	Protected areas and Lotte Department Store
EN12	All Lotte Department Stores are located in the centers of business areas of cities, which are far from protected areas due to their special characteristic. So, the influence of the stores on the environment/eco-system is very little because the occurrence of polluted water or industrial wastes is rare. In addition, Lotte Department Store has established an environmental-valued management office performing various activities related to biodiversity.
EN17	Encouraging employees to use public transportation Lotte Department Store encourages employees to use public transportation by limiting employees parking spots. Also, most of the stores are located within the center of cities and nearby subway stations, so the use of public transportation is accessible. When an employee is on a business trip, he or she is encouraged to pay the traveling costs with a corporate credit card in the case of using public transportation. Through such activities, we minimize the green gas emissions.
EN19	The major pollutants of ozone layers that retailers produce are refrigerants and gases from fire extinguishers. We reveal the ratio of Halon fire extinguishers and the usage of refrigerants in 2006. (p. 67)
EN20	Because of the usage of LNG, NOx, and SOx are not subjects of restriction.
EN23	Systemized environmental management
EN28	After the declaration of environment-valued management in 2004, by operating an environment-related system such as ISO14001, all stores basically restrict the possibility of a violation of environmental laws and regulations and emission of serious pollutants.
EN27	Lotte Department Store supports the “reduce the disposable items” campaign sponsored by the Ministry of Environment, and in the case of disposable shopping bags, we regularly report the number of bags sold and returned to the Ministry of Environment (p59). However, we prohibit the re-use of returned bags in order to manage the shopping bags and dispose all after use.
LA5	Lotte Department Store notifies major operational changes to all employees through various channels whenever necessary. There is no consent related to the period of reporting on the group agreement. However, after a decision is made, we usually report the decision within a week at the most.
HR1	Lotte Department Store had not agree on any investment agreement which could become an issue of human rights during the year of 2006 and does not officially examine human rights matters in investment decisions
HR2	Lotte Department Store makes its best efforts to respect partners and protect associates. Part of that effort is the operation of Nanumjari (P. 45) and the Voluntary Fair Trade Compliance Act. (P.53) However, we do not scrutinize the human rights of the employees of partners.
HR4	Lotte Department Store makes its best efforts to protect the rights of the employees by having the Employees’ Welfare Team. (P. 45) Nanumjari, in the stores, is prepared to prevent the violation of human rights, such as enforced labor or discrimination, through counseling. When we have related examples, strict analyses and follow-up management are done by the related department in order to prevent recurrence. Individuals’ confidentiality is the number one priority of counseling, and all data are confidential during the counseling, so this report does not contain any examples.
HR6	Child labor is fundamentally prohibited inside the company, so the elimination of child labor is done systematically.

Introduction	The Korean Foundation for Quality (KFQ) was asked to verify Lotte Department Store’s 2007 Sustainability Report (hereinafter called “Report”). The management of Lotte Department Store is responsible for preparing this Report properly, while KFQ provides verification of the Report.
Independence of Verification	Except for providing verification services as a third party, KFQ retains no interest in Lotte Department Store in terms of pursuing business profits from throughout the activities of Lotte Department Store. In addition, KFQ does not hold any biased opinion(s) toward any stakeholders of Lotte Department Store.
Criteria and Scope of Verification	Lotte Department Store describes its efforts and progress made in sustainable management in the Report. This verification was planned and executed to ensure that this Report, which contains such information, is free of serious error. To this end, KFQ applied the verification procedures established by KFQ by referring to the GRI Guidelines for Preparing Sustainability Reports and the 2003 AA 1000 Assurance Standard, which are widely accepted internationally in preparing reports. The range of the verification encompasses the efforts and accomplishments of Lotte Department Store’s Main Store and 23 stores, and we verified this report based on the verification principles about counter-planning, completeness, and importance.
Verification Procedures	This verification is planned to ensure rationally that there is no serious error or inappropriate information in this Report. Accordingly, KFQ verified the accuracy of the Report and the internal processes and systems for preparing the Report according to the following steps: <div><div>Document review</div><div>On-site verification</div><div>Confirmation screening</div></div> <p>Gap analysis compared to the GRI Guidelines was conducted for the provided Report. First, we evaluated the level of application. Then, the key issues and performance areas described in the Report were benchmarked. In addition, the performance data and activities were reviewed for on-site verification.</p> <p>In order to evaluate the validity of the process of writing this report and/or the related information management system and the accuracy of the information included in this report, we conducted on-site verification. Excluding the Main Store and the stores that had been selected as samples in the last two years, we selected Youngdeungpo Store and Ilsan Store, based on the principle of sampling considering the importance of information. Evidences of sustainable management activities as revealed in the Report were collected from internal documents and by the interviewing staff. Processes and systems for managing such information were surveyed and analyzed.</p> <p>Issues identified in the above-described phases were discussed with Lotte Department Store. In order to confirm the corrections and the incorporation of the findings, the final version of the Report was re-examined. Then, a gap analysis compared to the GRI Guidelines was conducted once more for the final Report, and we wrote the statement of verification based on the conclusion of the verification process and the evaluation on the level of application of the final Report, and provided this statement of verification after a review.</p>
Considerations and Constraints	The financial information provided in this Report was verified by comparing it to the Audit Report on the Financial Statements of Lotte Shopping 2006. For complete comprehension of the financial condition of Lotte Department Store, please refer to the Lotte Shopping Co. Ltd.’s business report verified on December 31, 2006. The information about “Waste matters, contaminated water, and substances hazardous to ozone layers” was only verified during the stage of document review.
Conclusions of Verification Merits	KFQ believes that the above-described verification procedures provide reasonable grounds for expressing the following conclusions about this Report: <div><div>1.</div><div>2.</div><div>3.</div><div>4.</div></div> <p>Lotte Department Store disclosed proper and reliable sustainability information in the Report to meet its purposes.</p> <p>Lotte Department Store performed the process to identify and to comprehend the sustainable accomplishments related to its activities, products, and services.</p> <p>Lotte Department Store effectively executed the managing system of sustainable accomplishments and properly used the writing process of the report to respond to the expectations of beneficiaries.</p> <p>Lotte Department Store self-tested the application standards of the GRI Sustainability Reporting Guidelines (G3) used in this Report and declared properly the level of the application standards in accordance with the evaluating standards of GRI.</p>

Special comments	We highly evaluate this report, the third sustainability report of Lotte Department Store, because the Lotte Department Store intends to report all essential indices by first applying GRI G3 in the retail industry. Visible efforts were made in the process of preparing the Report to exclude biased opinions and eliminate methods that exaggerate the performance.
Suggestions for Improvement	If Lotte Department Store develops a sustainability strategy reflecting social and environmental issues as well as general understanding of social responsibility, it would reveal the success index among the supplement indices of the G3 guidelines as having great effects in all aspects. Especially, we suggest using the sustainability report for the decision process of executives when identifying and satisfying the requirements of diverse partners by "settling down the accomplishment of strategic, sustainable management through the early establishment of an environment-friendly management system" and "reinforcing the social, economic, and environmental responsibilities through an increase in the sales of environment-friendly products", in consideration of the characteristics of Lotte Department Store.
Verification Procedures	This verification is planned to have rational confirmation on whether this report has significant errors or inappropriate information. Accordingly, KFQ verified the accuracy of the Report and the internal processes and systems for preparing the Report by after going through the steps below:



September 24, 2007

CEO Jae-Ryong Kim

Korean Foundation for Quality



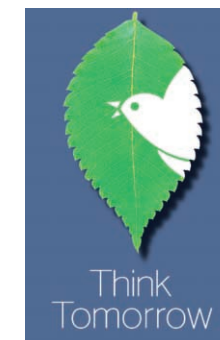
Application level of GRI G3



Lotte Department Store applied the GRI G3 Guidelines while writing the sustainability report for 2007 and self-declared that this report satisfied the requirements of the A level according to the evaluation of the application level. KFQ also confirmed that this same report is adequate for the A+ level and the A, B, and C levels by verification.

GRI Application Levels Table

Level of application of the report		C	C+	B	B+	A	A+
Standard announcements	Announcement of G3 management	Announced items: 1.1, 2.1-2.10, 3.1-3.8, 3.10-3.12 4.1-4.4, 4.14-4.15	External verification of the report	Announced items: All items of the C level and 1.2, 3.9, 3.13, 4.5-4.13, 4.16-4.17	External verification of the report	Announced items: The same as the requirements of level B	External verification of the report
	Announcement of the G3 management method	Unnecessary		Indication of DMA of each index		Indication of DMA of each index	
	G3 accomplishment index and supplementary index for each industry	At least 10 or more performance indices must be reported (Must include 1 or more of each of economic, environmental, and social indices)		At least 10 or more performance indices must be reported (Must include 1 or more of each of economic, environmental, human rights, labor, social, and product responsibility indices)		In accordance with the rule of importance, all essential parts of the G3 core performance indices and the industrial guidelines indices are a) reported b) not reported, please explain	



Contact us

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