

3Q22 Business Results

Nov, 2022 | Investor Relations



Disclaimer

The aim of this document is to provide practical assistance to shareholders and potential investors by reporting the recent performance and business status of LOTTE Confectionery and its major subsidiaries.

LOTTE Confectionery uses the Korean version of International Financial Reporting Standards (K-IFRS).

This document includes the prospects and judgements of LOTTE Confectionery, based on recent business circumstances.

In practice, adjustments can be made due to the likes of changes in the business environment or modifications to our strategy.

Nothing in this document shall be considered evidence of legal responsibility towards investors nor as a solicitation to invest.

We kindly remind you that LOTTE Confectionery accepts no responsibility for the actions of any third party acting on the information provided in this document.

Nov, 2022
Lotte Conf. IR

Merger Overview

	<p>KRW 2,145.4 billion (721.9 billion)</p>	<p>Sales (Market Cap)</p>		<p>KRW 1,607.8 billion (376 billion)</p>
<p>7 Locations (Yeongdeungpo, Daejeon, etc.)</p>	<p>Factories</p>	<p>10 Locations (Cheonan, Gimcheon, etc.)</p>		
<p>4,349</p>	<p>Employees</p>	<p>1,940</p>		
<p>9 (India, Kazakhstan, Russia, Belgium, etc.)</p>	<p>Overseas Subsidiaries</p>	<p>N/A</p>		
<p>Confectionery, Ice Cream, Bakery</p>	<p>Business Areas</p>	<p>Ice Cream, Fats & Oils, Food, Processed Meats, Dairy Products, HMR, etc.</p>		
		<p>Popular Products</p>		

Note1. Sales, number of employees: as of 2021
 Note2. Market cap: Based on the closing price of June 24, 2022

Merger with Lotte Confectionery on July 1 to improve profitability by integrating overlapping businesses and enhancing organizational efficiency.

Financial Highlights_3Q22Results

	Q3 2021	Q3 2022	YoY	
			KRW (billion won)	%(%P)
Sales	1,000.6	1,103.3	102.7	10.3
Confectionery	495.3	505.1	9.8	2.0
Foods	345.9	403.1	57.2	16.6
Global	169.7	208.6	38.9	22.9
Operating Profit	62.3	57.2	▲5.1	▲8.1
Confectionery	43.8	45.8	2.0	4.5
Foods	8.3	3.3	▲5.0	▲59.6
Global	13.1	11.7	▲1.4	▲10.7
Margin (%)	6.2	5.2	▲1.0P	
Confectionery	8.8	9.1	0.3P	
Foods	2.4	0.8	▲1.6P	
Global	7.7	5.6	▲2.1P	

Note1. This data is a simple sum of Lotte Food's performance before the merger (Difference from official announced data)

※ Official announced data : (Present) Lotte confectionery Jan~Sep + Lotte foods Jul~Sep / (Previous) Lotte confectionery Jan~Sep (Do not add Lotte foods)

Sales +10.3%, Operating Profit ▲8.1% decrease

Operating Profit increased by 3% in 3Q, excluding one-off expenses of KRW 6.9 billion related to the merger ✓

Confectionery Confectionery (gum, candy, chocolate, etc.), ice cream, Bakery, etc.



Although sales and profit declined due to the implementation of the PMI for ice cream, the earnings of the domestic confectionery business was protected thanks to the increase in confectionery prices.

Foods Fats and oils, food, etc., processed meat, dairy products, HMR



Although sales increased due to price hikes and re-opening, profits from the fat and oil business declined and earnings deteriorated due to an increase in B2C costs.

Global India, Kazakhstan, Belgium, Russia, Pakistan, etc.

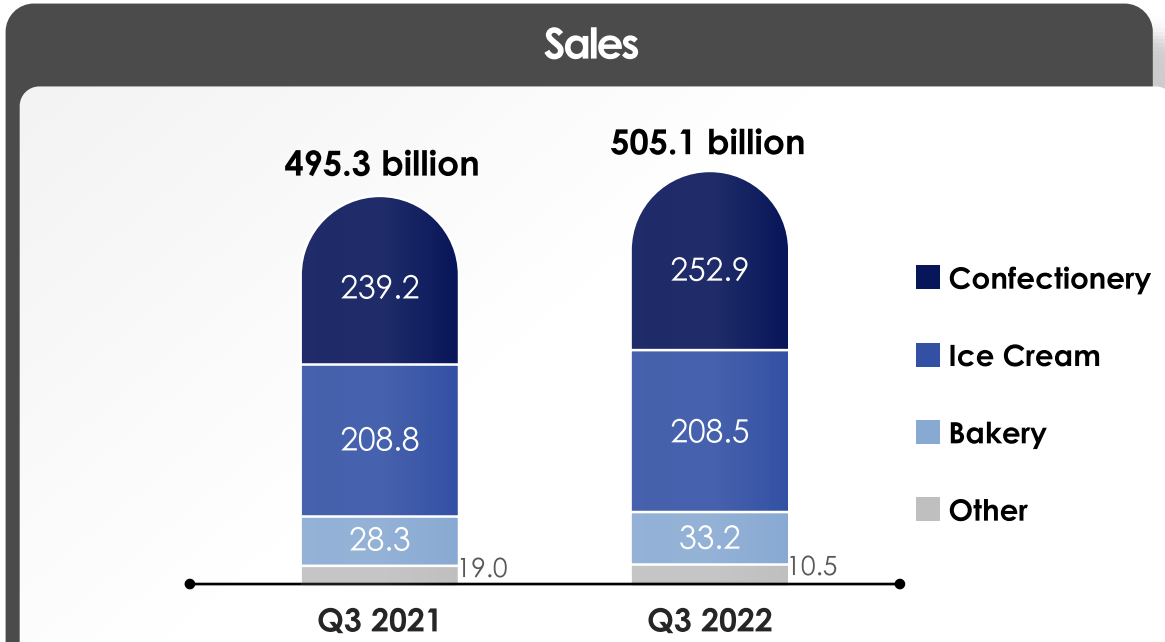


Sales of major subsidiaries increased significantly due to the re-opening effect, but earnings deteriorated due to a decrease in the base effect and an increase in manufacturing costs.

(Due to the increase in fixed cost burden due to the low season at the Indian ice cream subsidiary)

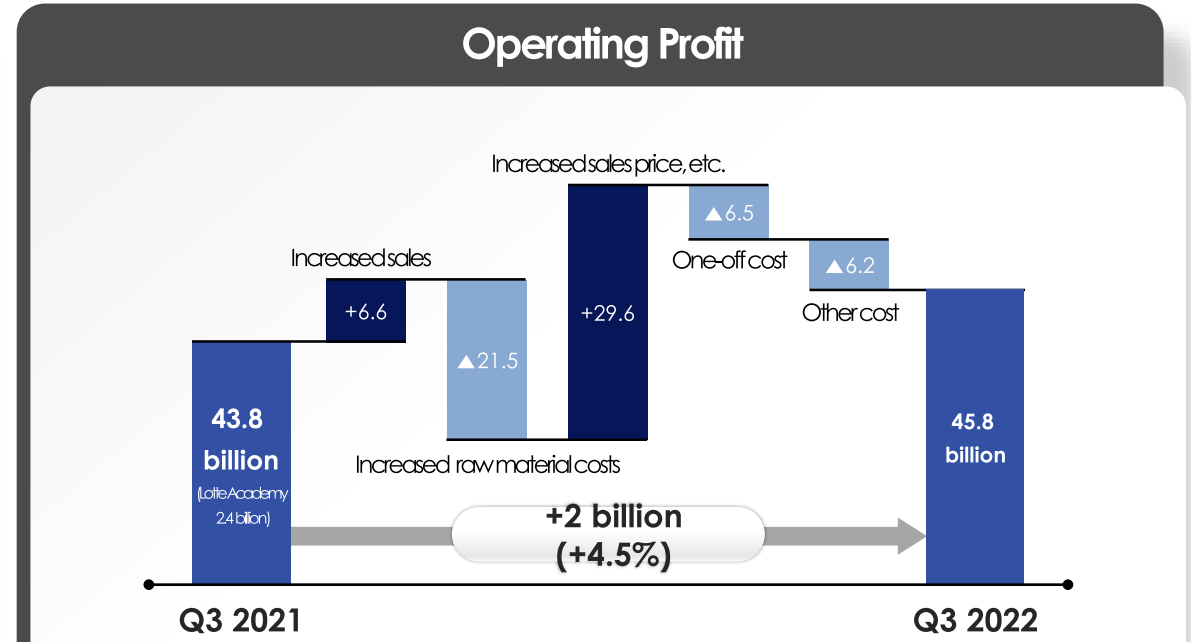
Confectionery Business_3Q22 Results

Cost burden offset by price hikes and improved efficiency in the ice cream business



Confectionery business's sales increased by +2.0% (+ 9.8 billion won)

Description	YoY
Confectionery Impact of the price increase in April 2022 reflected.	+5.7%
Ice Cream Reduced product volume due to unfriendly weather and optimization of SKUs	▲0.1%
Bakery Strong sales of character breads and price increase at retailers	+17.1%
Lotte Academy Transfer of education business to Lotte Corporation in January 2022	▲7.9 billion

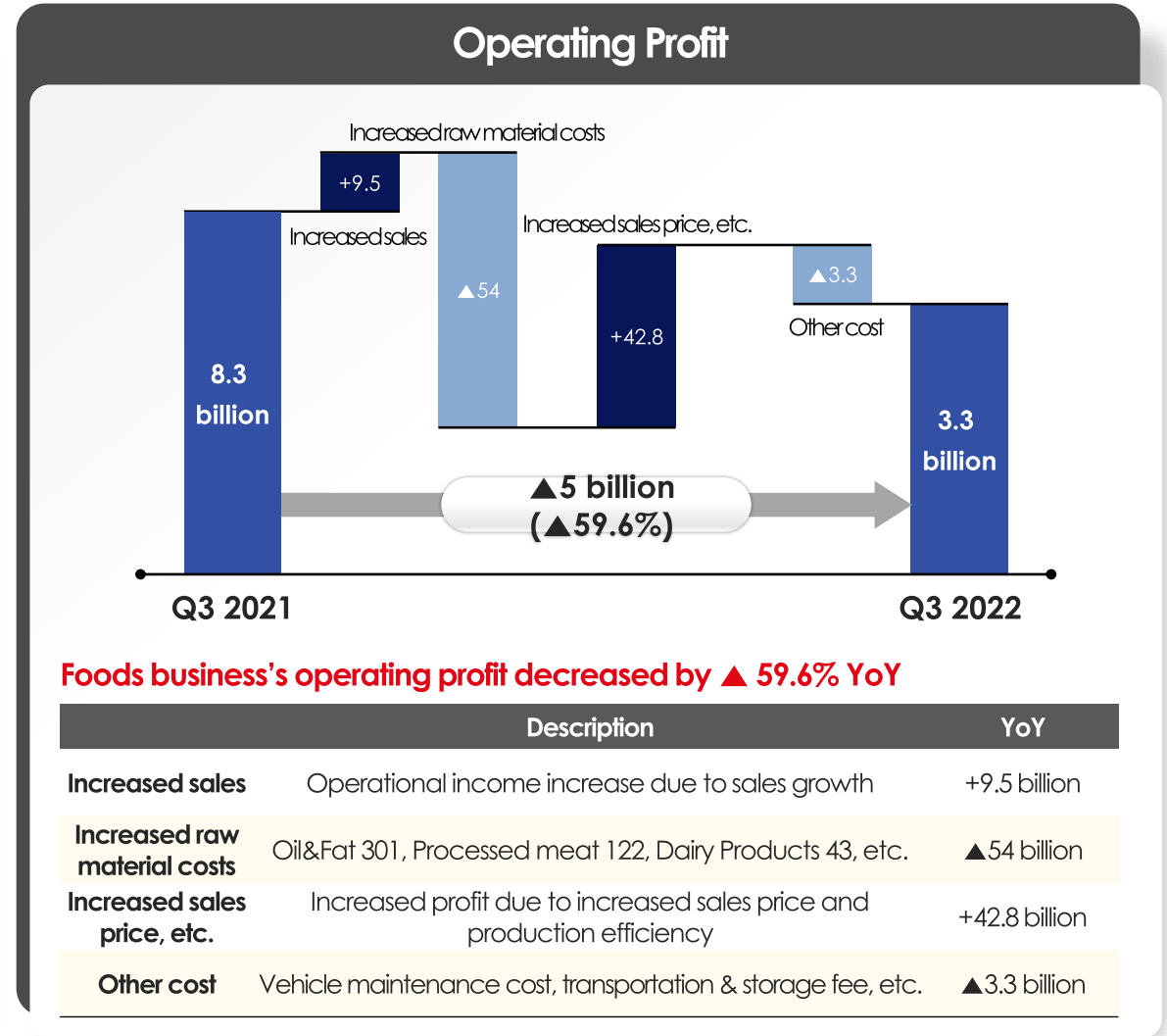
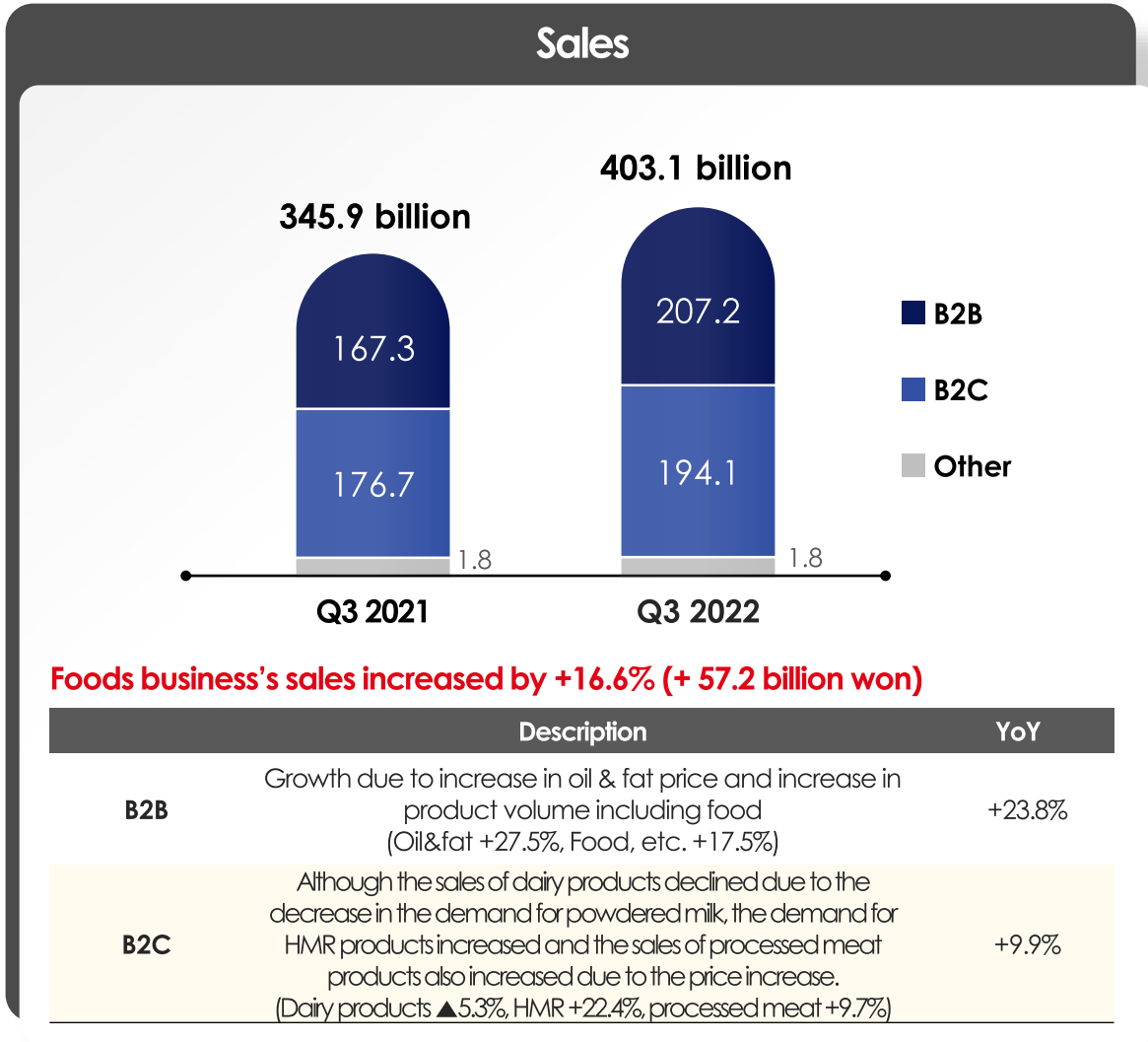


Confectionery business's operating profit increased by +4.5%

Description	YoY
Increased sales Operational income increase due to sales growth	+6.6 billion
Increased raw material costs Dairy products 62, oils and fats 34, wheat flour 25, etc.	▲21.5 billion
Increased sales price, etc. Increased profit due to increased sales price and production efficiency	+29.6 billion
One-off cost Acquisition tax on merger and consulting fees, etc.	▲6.5 billion
Other cost Sales commission, export transportation costs, etc.	▲6.2 billion

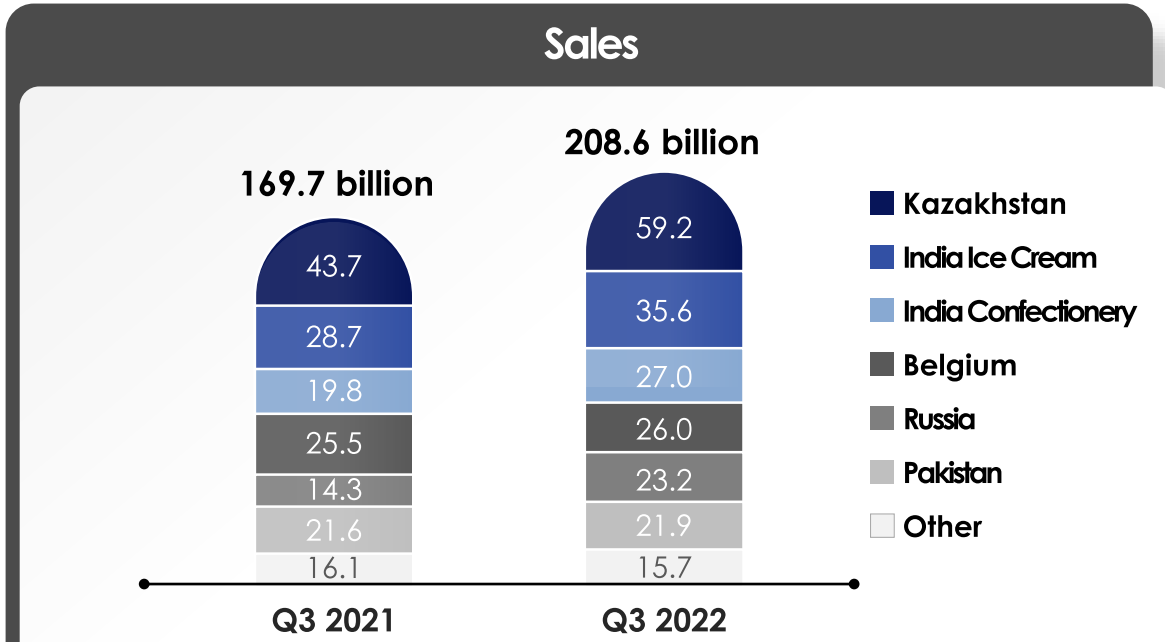
Foods Business_3Q22 Results

Earnings improved due to B2B price hike and re-opening, but overall profit decreased due to B2C cost burden



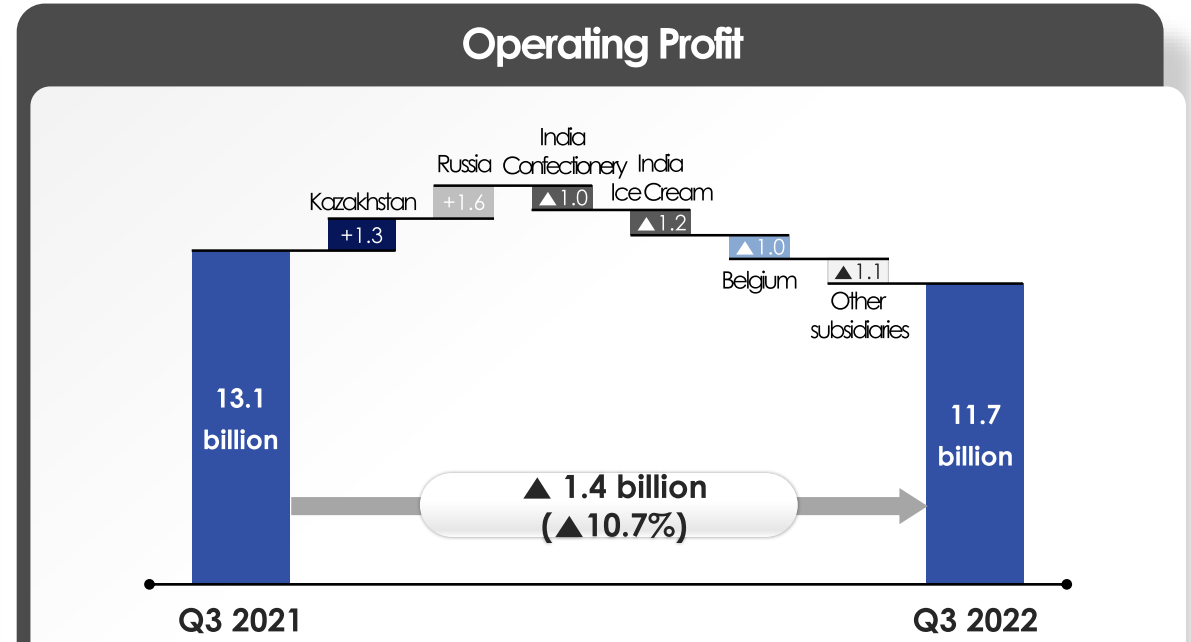
Global Business_3Q22Results

Sales increased due to re-opening, but operational income decreased due to cost burden



Global business's sales increased by +22.9% (+ 38.9 billion won)

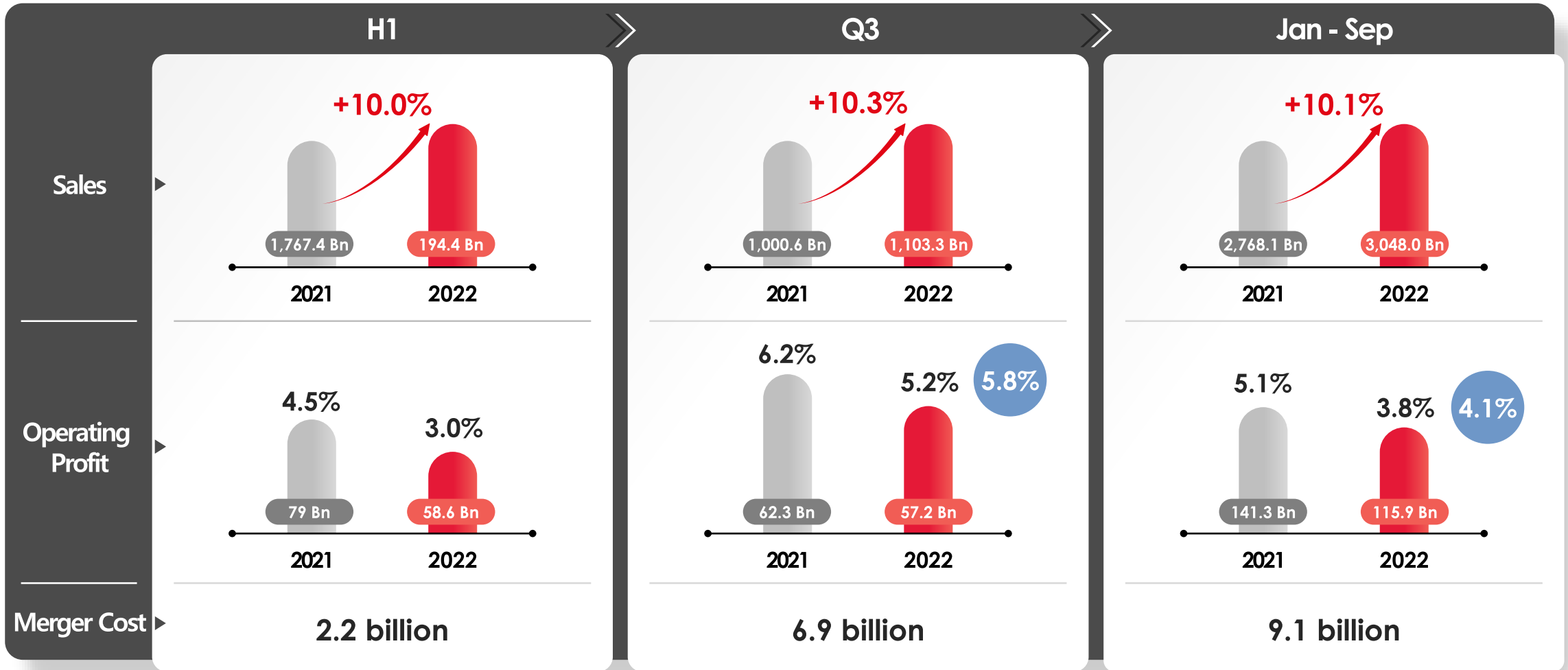
	Description	YoY
India	Growing sales thanks to continuous expansion of market coverage (Growth slowed compared to Q2 due to a decrease in the base effect of the previous year and the off-peak season for ice cream)	+29.1%
Kazakhstan	Price increase and new chocolate bar launch	+35.6%
Russia	Price increase and favorable exchange rates	+62.3%
Pakistan	Increased sales of snacks and pasta (local currency +18.4%)	+1.6%



Global business's operating profit decreased by ▲10.7% YoY

	Description	YoY
Kazakhstan	Profit increase due to sales growth	+1.3 billion
Russia	Reduced foreign raw material purchase cost thanks to stable exchange rate	+1.6 billion
India	Increase in raw material cost (shortening, chocolate, cream, etc.)	▲2.2 billion
Belgium	Investing in advertising expenses to promote brand renewal	▲1 billion
China	Fixed costs incurred due to a decrease in sales following sluggish domestic demand	▲1 billion

Financial Highlights_1~3Q22 Results



Note1. Please note that this data is a simple sum of the results of Lotte Food before the merger to help readers better understand. (May differ from published data)

Expected to spend about 10 billion won per year on one-off costs related to the merger.
Excluding merger costs, Q3 operating income should improve by 1.9 billion won YoY.

Business Strategy_Domestic Business

Enhancing Business Efficiency

Streamlining Products

Avoid reckless product launches/Optimize the operation of SKUs

- Confectionery SKUs : 582 (Dec 2021) → 457 (Sep 2022)
- Ice Cream SKUs : 700 (Before merger) → 400 (After merger) → 303 (Dec 2022)

Enhancing Price Competitiveness

Reduce promotional sales (10+1 promo, support rate management, etc.)

- Discount rate (Jan-Sep): Confectionery ▲3.7P, Ice cream ▲10.8P
- Sales unit price (Jan-Sep): Confectionery +11.9%, Food +19.3%

Eliminate PUSH sales / Stop trading with low-profit vendors

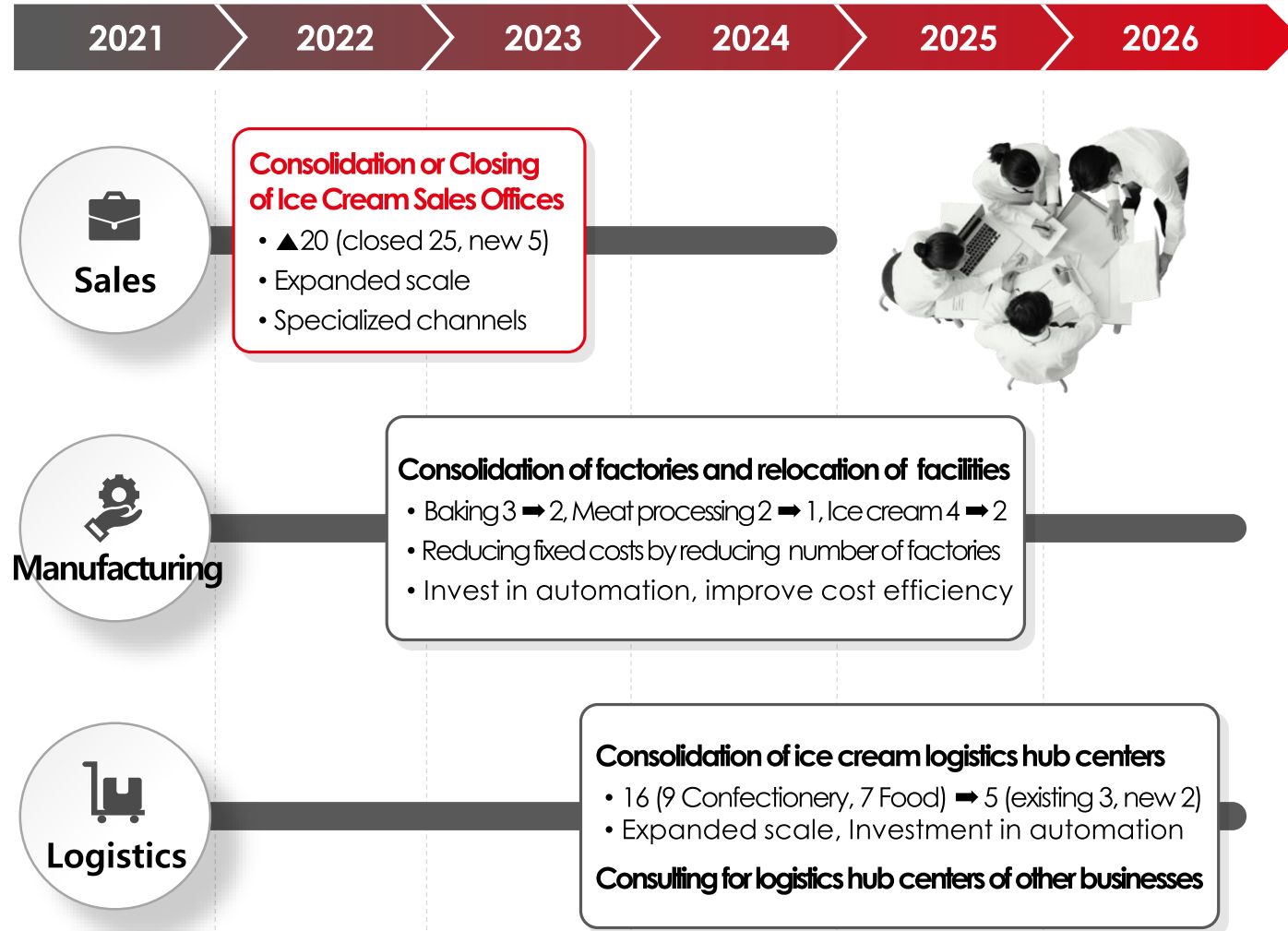
- Return (Jan-Sep): ▲2.2 billion won

Increasing Exports

Sales of 44.3 billion won in Q3 2022 (+30% YoY)

- Completed trading partners for Confectionery/Food and exchanging items
- Mongolia, Kazakhstan : Started selling food ingredients, canned ham, etc. (Oct 2022)
- Pakistan: Trading partners for milk powder selected and product registration completed (to be sold in 2023)

Improving Value Chain Efficiency



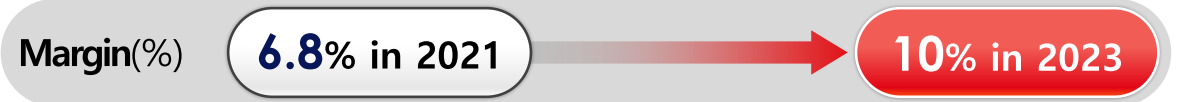
Business Strategy Consolidation of Ice Cream Business

	Q3	Q4	2023
Structure	<ul style="list-style-type: none"> Operate on the basis of One Leader. 20 branches / 63 sales offices 	<ul style="list-style-type: none"> Integrate the sales units. 12 branches (▲8) 45 sales offices (▲18) 	<ul style="list-style-type: none"> Improve the efficiency of the integrated entities. 43 sales offices (▲2)
System	<ul style="list-style-type: none"> Dual sales system for Confectionery and Food 	<ul style="list-style-type: none"> Unification of sales system from Oct 1st Incentives to partners/support rates, etc. 	<ul style="list-style-type: none"> Fixed price policy for bar ice creams Fixed price policy applied to all categories
Brand	<ul style="list-style-type: none"> Reduce inefficient SKUs. (478 SKUs → 400 SKUs, ▲78) Concentrate on the 7 Mega Brands¹ 	<ul style="list-style-type: none"> Continue to reduce inefficient SKUs (Operation of 303 SKUs, ▲97) 	<ul style="list-style-type: none"> Operate SKUs with fewer than 300. Reinforce the market position of mega-branded products
Logistics	<ul style="list-style-type: none"> Dualized centers for Confectionery(9)/Food(7) → stocks mixed placed. 	<ul style="list-style-type: none"> Incorporate partner agreements. 	<ul style="list-style-type: none"> Coordinate shipping regions / Combine shipping

Note1. 7 Ice Cream Mega Brands : World Cone, Fanfare, Snow Ice, Crunch Bar, Papico, Double Bianco, Goo Goo

Synergy ▶ • Merger synergy generated about 4 billion won (20% of 19.4 billion won achieved)

* Q3 raw material cost for ice cream _ 6.3 billion won



Business Strategy_Overseas Businesses

- For sustainable growth, **establish and foster the LOTTE brand and streamline local brands.**
- In the mid/long-term, **streamline the business based on ①growth potential, ②profitability, and ③scalability.**

Short Term Strategies

Focusing on the LOTTE brand

- Ⓞ **Focus on developing mega brands**
 - Choco Pie : India, Russia, Pakistan, China
 - Pepero : India, Russia, Kazakhstan
- Ⓞ **Strengthen LOTTE brand awareness**
 - Aggressive spending on advertising (active communication)
- Ⓞ **Diversify the LOTTE brand's business categories**
 - Confectionery + Food (HMR, frozen food, oil & fat, etc.)

Streamlining Local Brands

- Ⓞ **Improving the profit structure through streamlining of local brands**
 - Reduce low-growth categories for each country.
 - 437 brands and 1,846 SKUs in operation internationally (as of the end of 2021)
- Ⓞ **Revamping through streamlining business**
 - SKU ➔ Production Line ➔ Each Country



Long Term Strategies

Revamp Business through Selection & Concentration



Strengthen the market share of the LOTTE brand

- Streamline the management of the LOTTE brand in key regions.
- Significantly increase the awareness and market share of LOTTE brand.



Increase investment in modernizing the production of the LOTTE brand products.

- Establish a global virtuous cycle of investment resources.



Secure future growth engines.

- M&A with global big brands (based on stability and scalability)

Business Strategy _ Strengthening Competitiveness

Health & Wellness

Purpose	Development of integrated strategies to strengthen the competitiveness of healthy foods	
Organization		<ul style="list-style-type: none"> Plan to make Health&Wellness TF Team confectionery/chilsung marketing + Research

Target	Developing products for alternatives to meals, snacks, and drinking concerning Life-cycle	
Category	<ul style="list-style-type: none"> Meal : Dining, HMR, Care-food Non-meal : Health functional food Alternative : Plant-based, alternative animal meat, etc. 	

Discovering Alternative Foods (Insect Proteins)



Established on
January 1, 2016

Located in
London, Ontario, Canada

Main Business	Automated breeding of crickets → Supply to pet food companies
Sales Volume	Annual sales expected to reach \$22 million in 2022
Investment Method	Invested KRW 9 billion, acquired 3.6% stake
Market Outlook	Insect Protein Market ¹ : KRW 358 billion in 2020 / CAGR of 27% (2021-2028)
Business Synergy	<ul style="list-style-type: none"> Obtaining opportunities to supply edible insect protein products to Asian market Expanding categories containing insect protein (food, feed, etc.)

Note1. U.S. market research organization, Grand View Research

Strengthening HMR Manufacturing Capacities (Meal Kits)



Established on
June 8, 2018

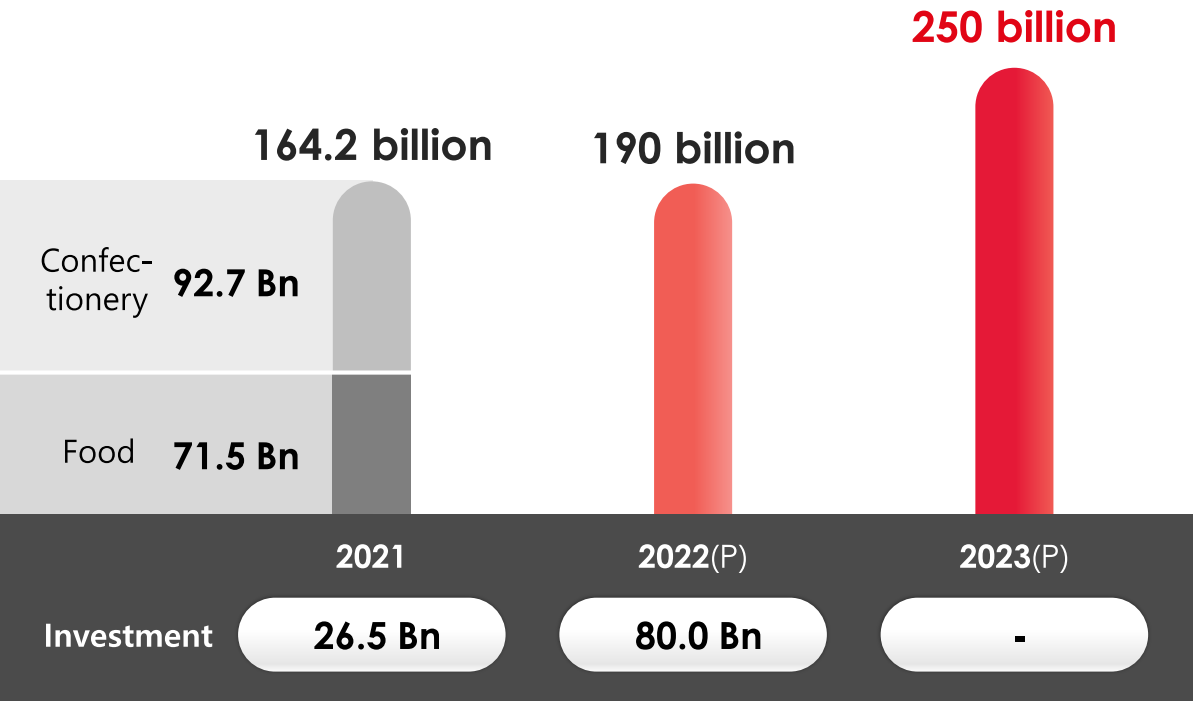
Located in
Gijang-gun, Busan

Main Business	Development and manufacturing of refrigerated meal kit products
Sales Volume	Annual sales expected to reach KRW 40 billion in 2022 (3rd in the industry)
Investment Method	Invested KRW 6.5 billion, acquired 19.6% stake
Market Outlook	Domestic HMR ² (Meal Kits) : KRW 238.5 billion in 2021 → KRW 725 billion in 2025 (CAGR 32%)
Business Synergy	<ul style="list-style-type: none"> Strengthening cost competitiveness and capacity (30,000 meals/day) Improving product development competency and on-site capabilities

Note2. Euromonitor

CapEx / Financial Highlights

CapEx plan (Domestic)



1 Stabilization of subsidiaries → Gradual reduction of investment
 - Investment in 2021: 22.5 billion won in Russian subsidiary

2 Plans to make stable investment by considering cash flow
 - Establishing strategies for each scenario in response to the increase in market volatility

Financial Highlights

Credit Rating

Long Term

AA
Stable

Short Term

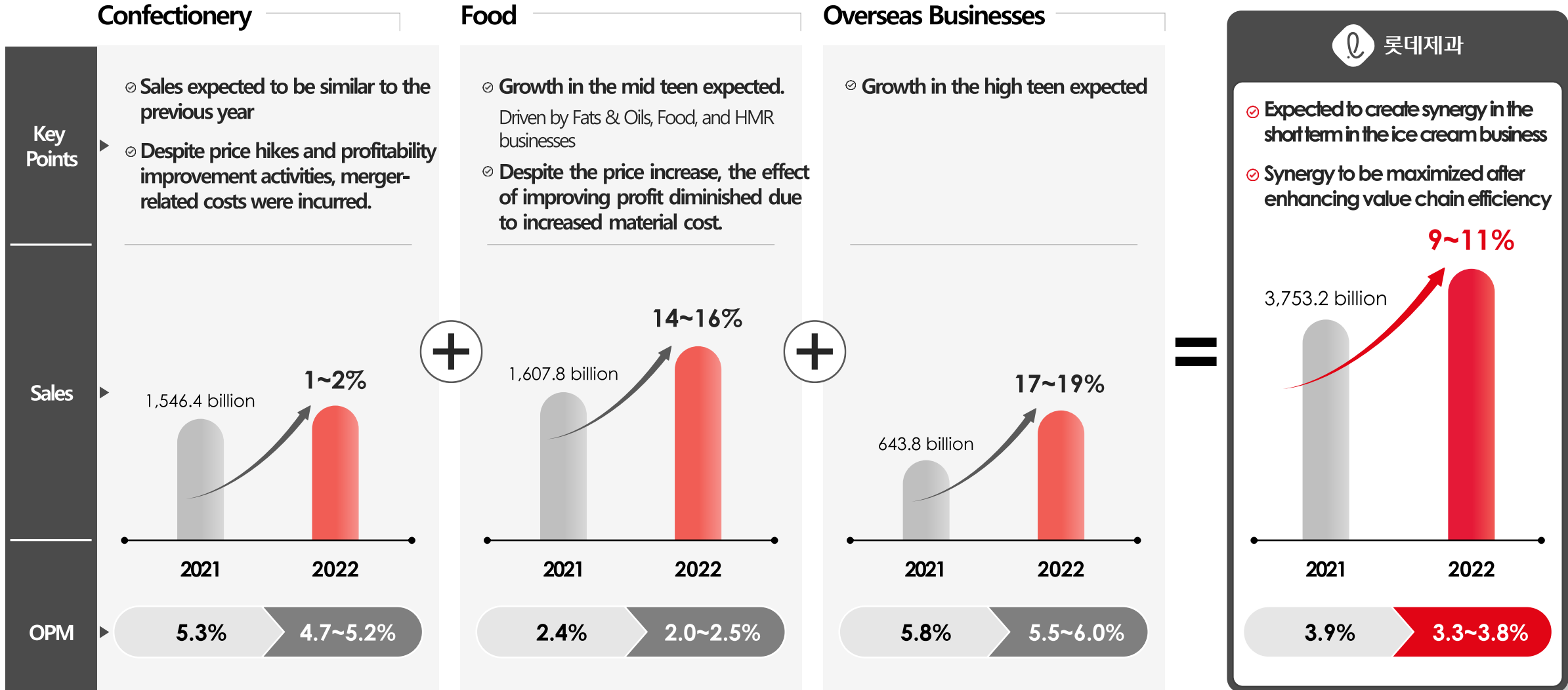
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	End of 2021	End of Sep 2022
Assets	3,938.2 Bn	4,200.5 Bn
Stockholders' Equity	2,113.0 Bn	2,226.4 Bn
Liabilities	1,825.2 Bn	1,974.1 Bn
Total Debt	1,066.5 Bn	1,204.3 Bn
Net Debt	659.6 Bn	826.8 Bn
(D/E Ratio)	86.4%	88.7%
(Total Debt Ratio)	27.1%	28.7%
Sales	3,753.2 Bn	3,048 Bn
Operating profit	147 Bn	115.9 Bn
(OPM)	3.9%	3.8%
Annual Basis EBITDA	320.9 Bn	337 Bn

Note1. Financial status in 2021 : a simple sum of the results of each of Lotte Confectionery and Lotte Food before the merger

Note2. Accumulated profit and loss as of September 2022: including results of Lotte Food (may differ from published data)

2022 Guidance



Note 1. Results for 2021: A simple sum of the results of each of Lotte Confectionery and Lotte Food before the merger

Conclusion

If you have any questions about this document, please contact us and we will explain in detail under compliance regulations.
Thank you !



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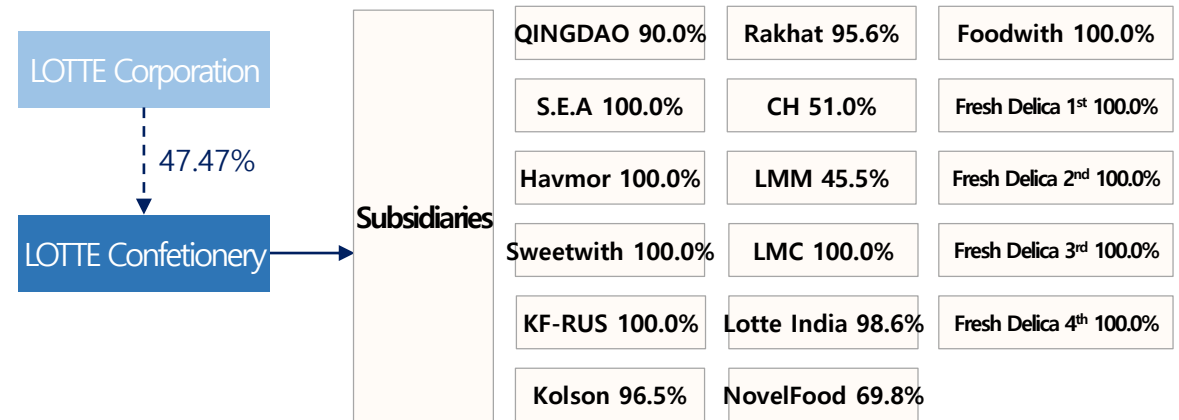
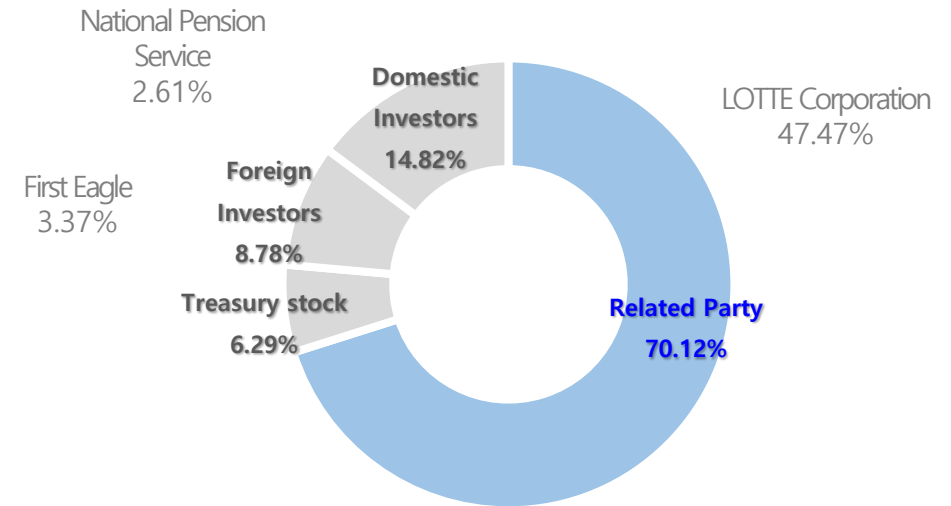
Appendix _Company Overview

General Information

- Established : Mar 24, 1967
- Main Business : Total Food Company
- Production : Domestic 17 / Overseas 21
- Credit Ratings : AA/Stable, A1
- Website : <https://www.lotteconf.co.kr>
- Shareholders : As of Sep 30, 2022

Name	No. of Shares	Ownership (%)
LOTTE Corporation	4,478,208	47.47
LOTTE Aluminum Co., Ltd.	643,381	6.82
LOTTE Scholarship Foundation	496,144	5.26
LOTTE Holdings Co., Ltd.	416,338	4.41
SHIN, Yeong ja	236,742	2.51
SHIN, Dong bin	182,117	1.93
L2 Investment Company	137,722	1.46
Jang, Jeong an	12,964	0.14
Shin, You mi	10,623	0.11
Lee, Young goo	1,000	0.01
Related Party Total	6,615,239	70.12
Treasury stock	593,104	6.29
Others	2,225,227	23.59
Total	9,434,574	100.00

Shareholding Structure



Appendix_Dividends

	Y2018	Y2019	Y2020	Y2021	Remarks
Par Value (KRW)	500	500	500	500	
Price (KRW)	151,000	149,500	102,000	120,500	• Closing Price
Net profit (100 million KRW)	94	381	410	349	• Domination shares
Cash Dividends (100 million KRW)	83	83	103	103	• DPS x number of shares
DPS (KRW)	1,300	1,300	1,600	1,600	
Dividend Rate	260%	260%	320%	320%	• $DPS \div \text{Par Value}$
Dividend Yield	0.9%	0.9%	1.6%	1.3%	• $DPS \div \text{Price}$
Dividend Rate	89.03%	21.90%	25.03%	29.42%	• $\text{Cash Dividends} \div \text{Net profit}$

Dividends paid to shareholders are determined by comprehensive consideration of increasing shareholder dividends and increasing corporate value through the mid to long term investments.

In addition, in order to increase shareholder value, Lotte Confectionery set the mid to long term goal of [30% of dividend payout ratio](#).

Appendix_3Q22 Consolidated Financial Statements (Official announced)

Income Statement

(Unit : 100 million KRW, %)

	3Q						1~3Q					
	2021		2022		YoY		2021		2022		YoY	
	KRW	%	KRW	%	KRW	%	KRW	%	KRW	%	KRW	%
Sales	5,797	100.0	11,033	100.0	5,236	90.3	15,968	100.0	21,768	100.0	5,800	36.3
G.P	2,045	35.3	2,853	25.9	808	39.5	5,514	34.5	6,541	30.1	1,027	18.6
SG&A	1,596	27.5	2,281	20.7	685	42.9	4,558	28.5	5,612	25.8	1,054	23.1
O.P	449	7.7	572	5.2	123	27.4	956	6.0	929	4.3	▲27	▲2.8
R.P	407	7.0	440	4.0	33	8.3	830	5.2	803	3.7	▲27	▲3.3
N.P	310	5.4	354	3.2	44	14.0	616	3.9	614	2.8	▲2	▲0.4

Balance Sheet

(Unit : 100 million KRW, %)

	2021.12.31	2022.09.30
Current assets	8,279	14,389
Non current assets	18,387	27,616
Total assets	26,666	42,005
Current liabilities	6,856	8,734
Non current liabilities	6,540	11,007
Borrowings (a)	8,465	12,043
Total liabilities (b)	13,397	19,741
Share capital	32	47
Total equity (c)	13,270	22,264
Debt to equity ratio (b/c)	101.0	88.7
Borrowings to total equity ratio (a/c)	63.8	54.1

※ Official announced data

- PL : (Present) Lotte confectionery Jan~Sep + Lotte foods Jul~Sep / (Previous) Lotte confectionery Jan~Sep (Do not add Lotte foods)

- BS : (Present) Lotte confectionery End of Sep + Lotte foods End of Sep / (Previous) Lotte confectionery End of Dec

Appendix _3Q22 Parent Financial Statements (Official announced)

Income Statement

(Unit : 100 million KRW, %)

	3Q						1~3Q					
	2021		2022		YoY		2021		2022		YoY	
	KRW	%	KRW	%	KRW	%	KRW	%	KRW	%	KRW	%
Sales	4,202	72.5	9,082	82.3	4,880	116.1	11,751	100.0	16,366	100.0	4,615	39.3
G.P	1,597	27.6	2,523	22.9	926	58.0	4,347	37.0	5,121	31.3	774	17.8
SG&A	1,251	21.6	2,032	18.4	781	62.5	3,601	30.6	4,409	26.9	808	22.4
O.P	347	6.0	491	4.5	144	41.6	746	6.4	712	4.4	▲34	▲4.5
R.P	297	5.1	416	3.8	119	40.1	768	6.5	605	3.7	▲163	▲21.3
N.P	227	3.9	339	3.1	112	49.6	620	5.3	496	3.0	▲124	▲20.0

Balance Sheet

(Unit : 100 million KRW, %)

	2021.12.31	2022.09.30
Current assets	5,270	10,373
Non current assets	18,037	26,805
Total assets	23,307	37,178
Current liabilities	5,691	6,792
Non current liabilities	5,138	9,963
Borrowings (a)	7,326	10,831
Total liabilities (b)	10,829	16,755
Share capital	32	47
Total equity (c)	12,478	20,423
Debt to equity ratio (b/c)	86.8	82.0
Borrowings to total equity ratio (a/c)	58.7	53.0

※ Official announced data

- PL : (Present) Lotte confectionery Jan~Sep + Lotte foods Jul~Sep / (Previous) Lotte confectionery Jan~Sep (Do not add Lotte foods)

- BS : (Present) Lotte confectionery End of Sep + Lotte foods End of Sep / (Previous) Lotte confectionery End of Dec

Appendix _Sales Breakdown

(Unit : 100 million KRW)

	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22
Sales	8,551	9,438	9,623	8,703	8,579	8,803	9,699	8,679	8,756	9,150	10,108	9,361	9,129	10,462	11,168
Confectionery	3,952	4,618	4,709	3,767	3,962	4,518	4,821	3,905	4,072	4,469	4,953	4,022	3,922	4,405	5,051
Confectionery	2,667	2,451	2,436	2,637	2,650	2,333	2,489	2,606	2,523	2,258	2,392	2,585	2,392	2,251	2,529
Ice Cream	851	1,701	1,845	719	908	1,773	1,901	859	1,084	1,755	2,088	930	1,139	1,758	2,085
Bakery	305	293	245	286	250	230	231	271	265	269	283	324	280	308	332
Global	1,329	1,516	1,463	1,692	1,448	1,180	1,509	1,689	1,474	1,380	1,697	1,888	1,607	1,989	2,086
Kazakhstan	432	444	468	584	448	377	435	523	389	380	437	548	423	505	592
Pakistan	225	232	229	233	200	235	218	214	197	231	216	211	201	216	219
Belgium	224	184	266	379	221	101	225	348	213	146	255	378	206	133	260
India(Conf)	-	-	-	-	144	109	166	163	168	109	198	194	210	198	270
India(Ice)	204	405	219	192	166	117	168	137	249	240	287	218	311	602	356
China	37	36	36	47	35	47	49	55	54	59	54	63	42	41	39
Russia	112	113	138	151	133	108	145	134	115	108	143	159	122	190	232
Singapore	29	28	28	23	26	15	29	34	31	28	27	30	25	27	29
Myanmar	65	75	79	83	73	71	74	82	59	78	81	86	67	77	88
Foods	3,270	3,304	3,451	3,243	3,169	3,105	3,369	3,085	3,210	3,301	3,459	3,451	3,600	4,068	4,031
B2B	1,603	1,672	1,652	1,644	1,508	1,514	1,546	1,512	1,518	1,677	1,673	1,806	1,851	2,309	2,072
Fats&Oils	945	934	912	932	898	898	925	953	954	1,058	1,054	1,179	1,248	1,598	1,344
Food, etc.	658	738	740	712	610	616	621	559	564	619	620	627	603	711	728
B2C	1,647	1,612	1,779	1,578	1,640	1,572	1,800	1,556	1,673	1,606	1,767	1,618	1,731	1,735	1,941
Dairy	516	524	541	483	509	484	489	460	480	495	469	455	472	468	444
Processed Meats	677	617	763	606	678	600	774	543	675	577	720	586	684	620	790
HMR	454	471	475	489	453	488	537	553	518	534	578	577	575	647	707

Note1. The combined performance of the business sector differs from the overall consolidated performance (Excluding consolidation adjustment between subsidiaries)

Appendix _Exchange Rate

Country	Currency	Jan 1 st ~ Jun 30 th				Jan 1 st ~ Sep 30 th			
		2020	2021	2022	YoY(%)	2020	2021	2022	YoY(%)
Kazakhstan	KZT	2.99	2.63	2.74	4.2	2.94	2.66	2.77	4.1
Pakistan	PKR	7.56	7.15	6.63	▲7.3	7.41	7.12	6.42	▲9.8
Belgium	EUR	1330.55	1346.83	1346.94	0.0	1350.34	1352.89	1,347.13	▲0.4
India	INR	16.28	15.24	16.18	6.2	16.18	15.37	16.38	6.6
China	CNY	171.41	172.75	190.04	10.0	171.50	174.80	191.84	9.7
Russia	RUB	17.41	15.04	16.59	10.3	16.99	15.27	18.53	21.3
Singapore	SGD	862.88	838.79	903.02	7.7	863.41	844.46	921.61	9.1
Myanmar	MMK	0.7821	0.8418	0.6970	▲17.2	0.7919	0.7991	0.6952	▲13.0


Note1. Standard Exchange Rate : Cumulative average exchange rate between Jan 1st~Present

Appendix _Confectionery Portfolio

Reinforcing Mega-Brands (Marketing)

Xylitol	<ul style="list-style-type: none"> • Global Campaign 'Good Teeth, Good Smile' with BTS • TV commercials : (1st) August-September → (2nd) November 
Snow Ice/ World cone	<ul style="list-style-type: none"> • Snow Ice : Expanding the TPO for indoor eating, targeting the gen MZ • World Cone : Supporting campaign to be continued 
Ghana/ Pepero	<ul style="list-style-type: none"> • Pepero : Day global campaign, TV commercials (October-November) • Ghana : Promoting the efficacy of cacao (September-), positioning of desserts (December-)

Responding to Market Trends (New Products)

ZERO	<ul style="list-style-type: none"> • Secure a leading position as a sugar-free brand in the market <ul style="list-style-type: none"> - Concept : 'Zero Sugar, as sweet as it is' • Expand product lines and promote re-boom up in the 2nd half <ul style="list-style-type: none"> - Release 5 products (May) → Release 2 additional products (after September) 
Protein	<ul style="list-style-type: none"> • Review the launch of a brand specializing in protein. <ul style="list-style-type: none"> - Concept : Protein bar + Chocolate (high protein, low calorie, vegetarian, etc.)

Note1. This plan is subject to change according to company policy.

Appendix_Foods Portfolio

Reinforcing Marketing Activities

Processed Meats

- Collaborative Collaborative
- Product Renewal (increase the proportion of meat in ham products)



- Expand marketing of 'Health & Wellness' concept products
- Expand market response reflecting increased interest in healthy food



Dairy

Responding to Market Trends (New Products)

Subscription service

- Conducting a subscription service for home convenience meals
- Expand curation service followed by monthly snack subscription service



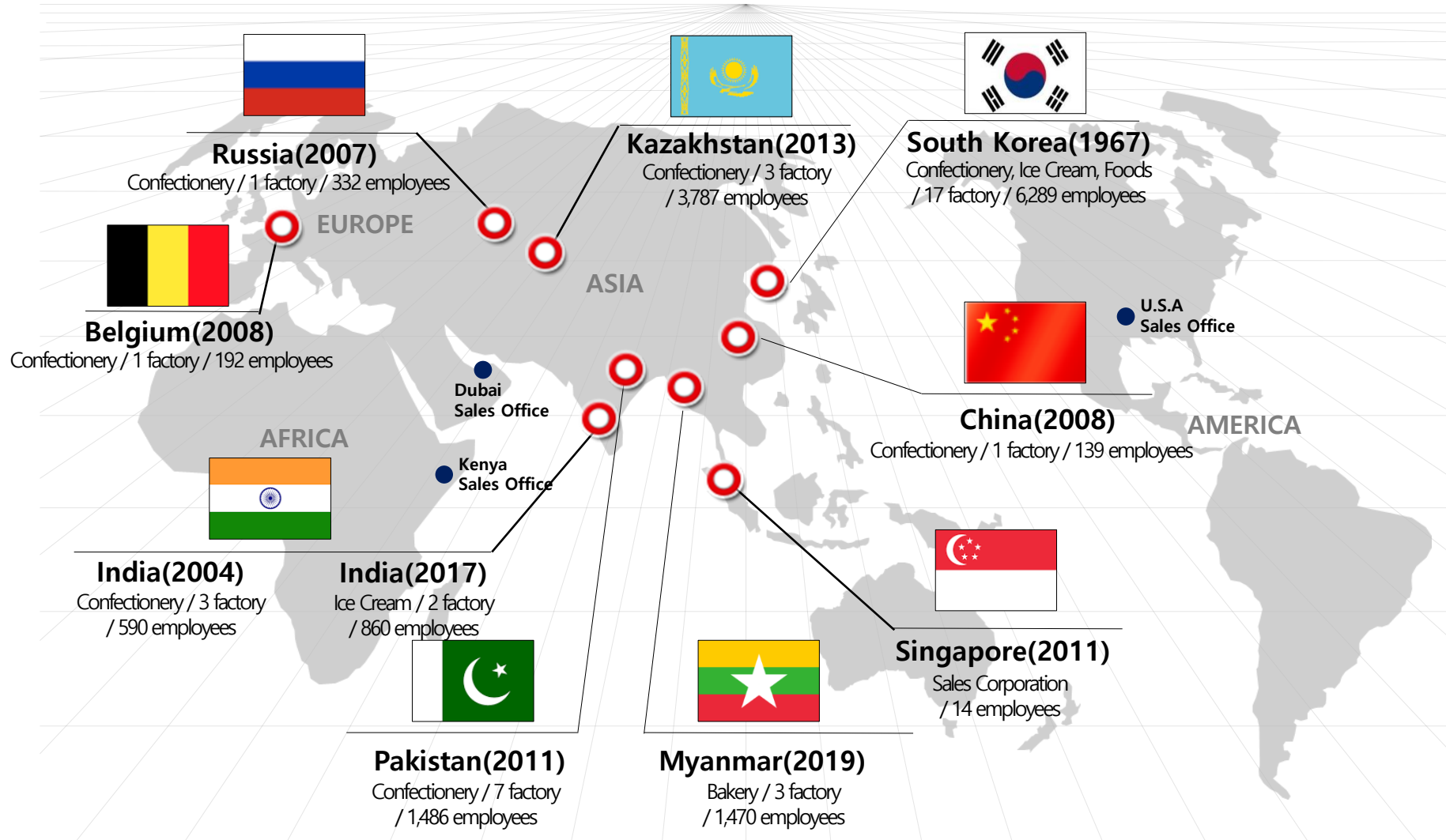
- 7 kinds of autumn menus are released (Chefood meal kit)
- Released 20 kinds of menus that cover four seasons (New product to be released continuously)

Convenience Food for Single



Note1. This plan is subject to change according to company policy.

Appendix _Overseas Subsidiaries

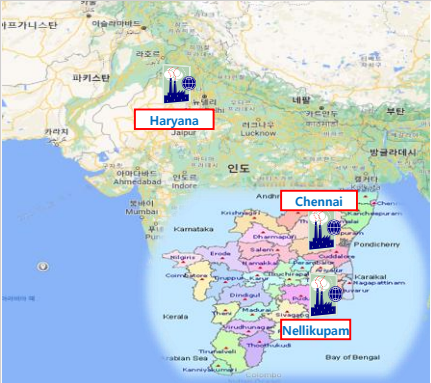

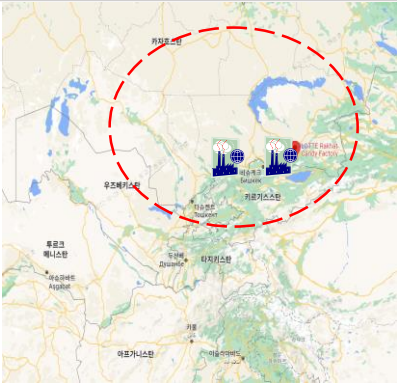


	Number of factories
Confectionery	7 factories
Foods	10 factories
Overseas	21 factories
Total	38 factories

The number of employees (Dec 2021)

Total 15,159

Appendix _Overview of Main Subsidiaries

	India	Kazakhstan	
	<p>Lotte India Co., Ltd. (The first subsidiary of Confectionery)</p>  <p>Acquisition (M&A) : May 2004</p> <p>Ownership : 98.57%</p> <p>Number of employees : 590</p> <p>Number of business establishments : 3</p>	<p>Havmor Ice cream Private Limited (The first subsidiary of Ice Cream)</p>  <p>Acquisition (M&A) : Dec 2017</p> <p>Ownership : 100%</p> <p>Number of employees : 860</p> <p>Number of business establishments : 2</p>	<p>Lotte Rakhat JSC (The largest subsidiary in sales)</p>  <p>Acquisition (M&A) : Nov 2013</p> <p>Ownership : 95.57%</p> <p>Number of employees : 3,787</p> <p>Number of business establishments : 3</p>
Status	<ul style="list-style-type: none"> • Take over Parry's Confectionery in 2004 • Operates mainly in southern Chennai and northern Haryana • Candy, choco pie, and gum(Spaut) are sold throughout India • Have 1,400 distributors and 5,000 sub distributors 	<ul style="list-style-type: none"> • Take over Havmor in 2017 • Major production area for dairy products and adjacent to the consumption area • Seasonal fluctuation is low and consumption is increasing • Ice Cream are sold throughout India mainly in western Gujarat • Sales are growing double digits every year except 2019 	<ul style="list-style-type: none"> • Take over "No1. Chocolate company" Rakhat in 2013 • Population, sales and GDP continue to grow • Chocolate, biscuit and candy are sold mainly in southeastern region • Expand both domestic and export sales to nearby CIS countries such as Russia
Business Strategy	<ul style="list-style-type: none"> • Securing No.1 market position of choco pie - To be established choco pie 3rd line in 2023 • To be released domestic LOTTE mega brand products in India - Pepero, etc 	<ul style="list-style-type: none"> • Released domestic LOTTE mega brand products in India - Launched and sold "Worldcone" (Sep 2021) - Launched "Snow Ice" on test marketing (May 2022) • To be established 3rd factory in Pune region by 2023 	<ul style="list-style-type: none"> • Strengthen brand and expand channel in CIS region • Settling the choco bar market • Entering the Russian modern trade chain and e-commerce market

Appendix _Introduction of Main Products

	Line-up	Brand / Product				Note
Confectionery	Gum, Candy					
	Chocolate, Biscuit					
	Pie, Snack					
Ice Cream	Bar, Pencil					
	Cone, Cup					
	Home					
Bakery	Mass produced, Bread, Pastry, etc					

	Line-up	Brand / Product				Note
Fats&Oils	Processed oil, Shortening, Magarine, Butter, etc					
Food, etc.	Roasted coffee, RTD(Ready to drink), Set, etc					
	Additives, Chocolate, Processed food materials					
	Seasoning food, Agricultural products, Food ingredients, etc					
Dairy	Milk, Dairy products, Baby food, etc					
Processed Meats	Ham, Sausage, Fish and meat, Set, etc					
HMR	Frozen food, Dumpling					

Appendix _Introduction of Main Products

Corporation		Line-up	Brand / Product				Note
	Kazakhstan (Rakhat)	Choco, Biscuit, Candy	Kazakhstanski	Tomyris	Yablachiko	Aigerim	
	Pakistan (Kolson)	Snack, Pasta, Biscuit, Gum	Slanty	Pasta	Macaroni	Spout	
	Belgium (Guylian)	Chocolate (Guylian brand, Private brand)	Guylian Seashell	Master's Selection	La Truffina	Guylian Bar	
	India Conf. (Lotte India)	Pie, Candy, Gum	Choco Pie	Cacao Pie	Coffee Bite	Spout	
	India Ice. (Havmor)	Ice Cream (Bulk, Bar, Cone, Cup, etc.)	Vanilla	Zulubar	AAM CANDY	World Cone	
	Russia (KF-RUS)	Pie, Candy, Pepero	Choco Pie	Cacao Pie	Banana Pie	Strawberry Pie	
	Myanmar (L&MM)	Bakery (Mass-produced bread, Artisan bread)	Fruit cake	Layer cake	Cup cake	Square Bread	
	China (QINGDAO)	Pie, Biscuit, Candy	Choco Pie	Koala's March	Yogurt Jelly	Pepero	
	Singapore (S.E.A)	Sales Corporation (Import and sales of domestic product)	Pepero	Choco Pie	Custard	Chic-choc	