

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

**Consolidated Financial Statements
As of December 31, 2025 and 2024**

(With Independent Auditors' Report Thereon)

LOTTE SHOPPING CO.,LTD.

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INDEPENDENT AUDITOR'S REPORT

English Translation of Independent Auditor's Report Originally Issued in Korean on March 12, 2026

To the Shareholders and the Board of Directors of LOTTE SHOPPING CO.,LTD.:

Audit Opinion

We have audited the consolidated financial statements of LOTTE SHOPPING CO.,LTD. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2025 and the consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows, for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

We have also audited, in accordance with the Korean Standards on Auditing ("KSAs"), the internal control over financial reporting of the Group as of December 31, 2025, based on the criteria established in *Conceptual Framework for Design and Operation of Internal Control over Financial Reporting*, and our report dated March 12, 2026.

Basis for Audit Opinion

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

Key Audit Matters

The key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of Goodwill in the Consumer Electronics Retail Segment

As described in Note 15 to the consolidated financial statements, the carrying amount of goodwill allocated to the consumer electronics retail segment as of the end of the current period is KRW 132,596 million. The Group performs an impairment test by estimating the recoverable amount of the cash-generating unit, including goodwill, at least annually and whenever there is an indication of impairment.

In performing the impairment test of goodwill, the recoverable amount is estimated based on value in use using discounted cash flow methods. The assumptions used in estimating value in use, such as future expected cash flows, discount rates, and terminal growth rates, involve significant management judgment and estimation. Given that management's judgments and estimates have a significant impact on the consolidated financial statements, we identified the impairment assessment of goodwill allocated to the consumer electronics retail segment as a key audit matter.

How the Key Audit Matter Was Addressed in the Audit

The primary audit procedures we performed in relation to this key audit matter included the following:

- Understanding and evaluating the Group's processes and internal controls related to goodwill impairment assessment
- Assessing the appropriateness of the valuation model applied in estimating value in use
- Evaluating the competence, capabilities and objectivity of management's experts involved in the estimation of value in use
- Assessing the reasonableness of key assumptions used in the estimation of value in use
- Testing the mathematical accuracy of the valuation calculations

Other Matter

The consolidated financial statements of the Group for the reporting period ended December 31, 2024 were audited by another auditor in accordance with Korean Standards on Auditing, and that auditor expressed an unmodified opinion in their auditor's report dated March 14, 2025.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

Deloitte.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We are solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wie, Ho Kwang.

Deloitte Idnjin LLC

March 12, 2026

Notice to Readers

This report is effective as of March 12, 2026, the auditor's report date. Certain subsequent events or circumstances may have occurred between the auditor's report date and the time the auditor's report is read. Such events or circumstances could significantly affect the consolidated financial statements and may result in modifications to the auditor's report.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Consolidated Statements of Financial Position
As of December 31, 2025 and 2024

| (In Korean won) | Notes | 2025 | 2024 |
|--|-----------|-----------------------------|---------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 6,7,35,41 | ₩ 571,525,104,252 | 1,554,846,752,455 |
| Trade and other receivables | 5,7,40,41 | 657,443,295,333 | 720,271,163,413 |
| Other financial assets | 6,7,23,41 | 1,878,768,968,083 | 1,418,383,508,962 |
| Inventories | 8 | 1,458,111,823,646 | 1,540,477,789,083 |
| Income tax refund receivables | 34 | 13,544,891,332 | 20,113,707,534 |
| Other non-financial assets | 9 | 53,578,312,553 | 73,941,131,464 |
| Assets held for sale | 10 | 562,066,240,605 | 188,903,742,099 |
| | | <u>5,195,038,635,804</u> | <u>5,516,937,795,010</u> |
| Non-current assets | | | |
| Trade and other receivables | 5,7,40,41 | 56,552,734,910 | 64,001,497,317 |
| Investments in associates and joint ventures | 11,12 | 1,474,079,058,624 | 1,444,808,445,123 |
| Other financial assets | 6,7,23,41 | 1,594,401,234,519 | 1,684,117,639,153 |
| Property, plant and equipment, net | 13,40 | 24,063,480,735,799 | 24,306,398,387,622 |
| Right-of-use assets | 42 | 2,829,878,425,844 | 3,108,955,742,361 |
| Investment property, net | 14 | 1,636,705,775,832 | 1,858,781,942,370 |
| Goodwill | 15 | 472,526,703,898 | 475,012,788,874 |
| Intangible assets, net | 15 | 315,726,444,222 | 276,584,282,981 |
| Defined benefit assets | 21 | 134,825,170,547 | 76,941,333,429 |
| Deferred tax assets | 34 | 42,379,213,883 | 61,970,107,271 |
| Other non-financial assets | 9 | 94,704,713,799 | 128,534,623,202 |
| | | <u>32,715,260,211,877</u> | <u>33,486,106,789,703</u> |
| Total assets | | <u>₩ 37,910,298,847,681</u> | <u>39,003,044,584,713</u> |

See accompanying notes to the consolidated financial statements.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Consolidated Statements of Financial Position, continued
As of December 31, 2025 and 2024

| (In Korean won) | Notes | 2025 | 2024 |
|---|---------------|------------------------------------|----------------------------------|
| Liabilities | | | |
| Current liabilities | | | |
| Borrowings and debentures, net of issuance costs | 7,17,38,40,41 | ₩ 4,582,526,798,263 | 4,413,382,800,594 |
| Trade and other payables | 7,16,40,41 | 2,498,843,586,389 | 2,514,469,647,736 |
| Other financial liabilities | 7,23,41 | 424,338,949,643 | 545,389,603,618 |
| Lease liabilities | 7,40,41,42 | 739,779,085,867 | 751,239,722,399 |
| Current tax liabilities | 34 | 6,625,950,267 | 15,229,544,002 |
| Unearned revenues | 18 | 235,819,765,260 | 217,321,495,991 |
| Provisions | 19,29 | 66,982,529,795 | 29,995,390,218 |
| Other non-financial liabilities | 20,29 | 1,320,013,610,468 | 1,256,767,889,037 |
| Liabilities held for sale | 10 | 115,004,191,355 | 92,246,101,937 |
| | | <u>9,989,934,467,307</u> | <u>9,836,042,195,532</u> |
| Non-current liabilities | | | |
| Borrowings and debentures, net of issuance costs | 7,17,38,40,41 | 5,251,213,635,717 | 6,006,882,589,961 |
| Other payables | 7,16,40,41 | 573,981,985 | 1,707,804,250 |
| Other financial liabilities | 7,23,41 | 92,941,508,702 | 89,356,421,666 |
| Lease liabilities | 7,40,41,42 | 3,227,977,337,507 | 3,593,991,814,162 |
| Defined benefit liabilities and other long-term employee benefits | 21 | 34,376,995,960 | 35,348,969,896 |
| Deferred tax liabilities | 34 | 2,285,274,853,807 | 2,240,193,542,953 |
| Unearned revenues | 18 | 21,702,026,887 | 26,624,356,585 |
| Provisions | 19 | 140,107,801,619 | 139,279,583,565 |
| | | <u>11,054,168,142,184</u> | <u>12,133,385,083,038</u> |
| Total liabilities | | ₩ <u>21,044,102,609,491</u> | <u>21,969,427,278,570</u> |
| Equity | | | |
| Share capital | 1,24 | 141,443,775,000 | 141,443,775,000 |
| Capital surplus | 24 | 3,574,296,966,667 | 3,574,296,966,667 |
| Hybrid securities | 22 | - | 148,660,241,553 |
| Capital adjustments | 25 | (3,067,093,795,952) | (3,048,381,518,097) |
| Retained earnings | 26 | 7,440,521,126,282 | 7,497,657,188,328 |
| Accumulated other comprehensive income | 27 | 7,095,855,678,405 | 7,190,277,870,869 |
| Stockholders' equity attributable to owners of the Company | | 15,185,023,750,402 | 15,503,954,524,320 |
| Non-controlling interests | | <u>1,681,172,487,788</u> | <u>1,529,662,781,823</u> |
| Total equity | | <u>16,866,196,238,190</u> | <u>17,033,617,306,143</u> |
| Total liabilities and equity | | ₩ <u>37,910,298,847,681</u> | <u>39,003,044,584,713</u> |

See accompanying notes to the consolidated financial statements.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Loss)
For the years ended December 31, 2025 and 2024

| (In Korean won) | Notes | 2025 | 2024 |
|---|------------|----------------------------------|-----------------------------------|
| Sales | 29,37,40 ₩ | 13,738,354,725,833 | 13,986,578,270,060 |
| Cost of sales | 8,32,40 | <u>(7,075,160,203,967)</u> | <u>(7,251,356,165,066)</u> |
| Gross profit | | <u>6,663,194,521,866</u> | <u>6,735,222,104,994</u> |
| Selling, general and administrative expenses | 30,32,40 | (6,115,217,445,354) | (6,249,344,852,261) |
| Bad debt expense | 30,32 | <u>(939,855,417)</u> | <u>(12,763,287,953)</u> |
| Operating profit | | <u>547,037,221,095</u> | <u>473,113,964,780</u> |
| Other income | 31,40 | 83,994,171,242 | 225,525,444,554 |
| Other expenses | 31,40 | (218,290,390,678) | (1,271,507,683,314) |
| Other bad debt expense | 31,40 | (44,972,070,556) | (42,221,884,690) |
| Finance income - Interest income calculated using the effective interest method | 33 | 116,733,126,410 | 144,824,096,233 |
| Finance income - Others | 33 | 123,238,471,391 | 239,095,596,650 |
| Finance costs | 33 | (688,596,022,067) | (932,685,421,288) |
| Equity method income on instruments in associates | 11,12 | <u>164,302,456,805</u> | <u>142,625,848,221</u> |
| Profit (Loss) before income tax | | <u>83,446,963,642</u> | <u>(1,021,230,038,854)</u> |
| Income tax revenue (expense) | 34 | <u>(9,891,406,117)</u> | <u>27,154,767,352</u> |
| Profit (Loss) for the year | | <u>73,555,557,525</u> | <u>(994,075,271,502)</u> |
| Other comprehensive income (loss) | | | |
| Items that will never be reclassified to profit or loss | | | |
| Fair value loss through other comprehensive income on equity instruments | | (43,818,748,993) | (76,801,345,083) |
| Land revaluation gain (loss) through other comprehensive income | | (6,395,346,069) | 9,408,901,000,239 |
| Remeasurements of net defined benefit liabilities | | 42,098,074,474 | (57,964,569,624) |
| Net changes in equity of equity method investments | | (34,334,442) | 10,082,700,406 |
| Income tax effect | | <u>(67,853,988,240)</u> | <u>(2,175,307,703,981)</u> |
| Total items that will never be reclassified to profit or loss | | <u>(76,004,343,270)</u> | <u>7,108,910,081,957</u> |
| Items that will be subsequently reclassified to profit or loss | | | |
| Fair value gain (loss) through other comprehensive income on debt instruments | | (114,084,607) | 117,325,650 |
| Exchange rate differences on translating foreign operations | | (26,683,586,301) | 28,510,821,433 |
| Gain on valuations of derivatives | | 24,578,329,433 | 32,471,294,610 |
| Net changes in equity of equity method investments | | (6,998,203,821) | 28,791,829,392 |
| Income tax effect | | <u>(2,526,916,290)</u> | <u>(7,166,795,252)</u> |
| Total items that will be subsequently reclassified to profit or loss | | <u>(11,744,461,586)</u> | <u>82,724,475,833</u> |
| Other comprehensive income (loss) for the year, net of tax | 27 | <u>(87,748,804,856)</u> | <u>7,191,634,557,790</u> |
| Total comprehensive income (loss) for the year | | <u>₩ (14,193,247,331)</u> | <u>6,197,559,286,288</u> |

See accompanying notes to the consolidated financial statements.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Loss), continued
For the years ended December 31, 2025 and 2024

| (In Korean won) | <u>Notes</u> | <u>2025</u> | <u>2024</u> |
|--|--------------|-------------------------|--------------------------|
| Profit (loss) attributable to: | | | |
| Owners of the Company | ₩ | 51,555,579,106 | (968,016,249,419) |
| Non-controlling interests | | <u>21,999,978,419</u> | <u>(26,059,022,083)</u> |
| | | <u>73,555,557,525</u> | <u>(994,075,271,502)</u> |
| Total comprehensive income (loss) attributable to: | | | |
| Owners of the Company | | (10,205,054,510) | 6,188,851,158,076 |
| Non-controlling interests | | <u>(3,988,192,821)</u> | <u>8,708,128,212</u> |
| | ₩ | <u>(14,193,247,331)</u> | <u>6,197,559,286,288</u> |
| Earnings (loss) per share | 28 | | |
| Basic earnings (loss) per share | ₩ | 1,824 | (34,674) |
| Diluted earnings (loss) per share | | 1,824 | (34,674) |

See accompanying notes to the consolidated financial statements.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended December 31, 2025 and 2024

| (In Korean won) | <u>Share capital</u> | <u>Capital surplus</u> | <u>Hybrid securities</u> | <u>Capital adjustments</u> | <u>Retained earnings</u> | <u>Accumulated other comprehensive income (loss)</u> | <u>Non- controlling interests</u> | <u>Total equity</u> |
|--|----------------------|------------------------|--------------------------|----------------------------|--------------------------|--|-----------------------------------|---------------------|
| Balance at January 1, 2024 | ₩ 141,443,775,000 | 3,574,349,413,965 | 178,660,241,553 | (3,019,674,385,605) | 8,630,122,588,229 | (11,380,255,108) | 1,342,928,340,777 | 10,836,449,718,811 |
| Comprehensive income (loss) for the year: | | | | | | | | |
| Loss for the year | - | - | - | - | (968,016,249,419) | - | (26,059,022,083) | (994,075,271,502) |
| Other comprehensive income (loss): | | | | | | | | |
| Fair value gain (loss) through other comprehensive income on financial instruments | - | - | - | - | 1,605,906,284 | (21,674,066,027) | (36,513,063,184) | (56,581,222,927) |
| Exchange rate differences on translating foreign operations | - | - | - | - | - | 32,048,231,994 | (3,537,410,561) | 28,510,821,433 |
| Revaluation gain through other comprehensive income | - | - | - | - | - | 7,128,571,571,466 | 75,630,478,446 | 7,204,202,049,912 |
| Gain on valuations of derivatives | - | - | - | - | - | 28,326,780,223 | 2,199,382,621 | 30,526,162,844 |
| Remeasurements of defined benefit liabilities | - | - | - | - | (43,176,879,287) | - | (3,044,400,377) | (46,221,279,664) |
| Interest in other comprehensive income (loss) for investments in associates | - | - | - | - | (3,219,745,479) | 34,385,608,321 | 32,163,350 | 31,198,026,192 |
| Subtotal | - | - | - | - | (44,790,718,482) | 7,201,658,125,977 | 34,767,150,295 | 7,191,634,557,790 |
| Total comprehensive income (loss) for the year | - | - | - | - | (1,012,806,967,901) | 7,201,658,125,977 | 8,708,128,212 | 6,197,559,286,288 |
| Transactions with owners of the company recognized directly in equity: | | | | | | | | |
| Repayment of hybrid securities | - | - | (30,000,000,000) | - | - | - | - | (30,000,000,000) |
| Interest paid of hybrid securities | - | - | - | - | (12,230,000,000) | - | - | (12,230,000,000) |
| Dividends | - | - | - | - | (107,428,432,000) | - | (35,767,122,793) | (143,195,554,793) |
| Changes in the scope of consolidation | - | - | - | - | - | - | (291,586,105) | (291,586,105) |
| Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control, equity | - | - | - | (28,505,191,011) | - | - | 214,085,021,732 | 185,579,830,721 |
| Interest in capital changes for investments in associates etc. | - | (52,447,298) | - | (201,941,481) | - | - | - | (254,388,779) |
| Balance at December 31, 2024 | ₩ 141,443,775,000 | 3,574,296,966,667 | 148,660,241,553 | (3,048,381,518,097) | 7,497,657,188,328 | 7,190,277,870,869 | 1,529,662,781,823 | 17,033,617,306,143 |

See accompanying notes to the consolidated financial statements.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity, continued
For the years ended December 31, 2025 and 2024

| (In Korean won) | Share capital | Capital surplus | Hybrid securities | Capital adjustments | Retained earnings | Accumulated other comprehensive income (loss) | Non- controlling interests | Total equity |
|--|-------------------|-------------------|-------------------|---------------------|-------------------|---|----------------------------|--------------------|
| Balance at January 1, 2025 | ₩ 141,443,775,000 | 3,574,296,966,667 | 148,660,241,553 | (3,048,381,518,097) | 7,497,657,188,328 | 7,190,277,870,869 | 1,529,662,781,823 | 17,033,617,306,143 |
| Comprehensive income (loss) for the year: | | | | | | | | |
| Profit for the year | - | - | - | - | 51,555,579,106 | - | 21,999,978,419 | 73,555,557,525 |
| Other comprehensive income (loss): | | | | | | | | |
| Fair value gain (loss) through other comprehensive income on financial instruments | - | - | - | - | 456,495,964 | 26,460,794 | (34,577,501,249) | (34,094,544,491) |
| Exchange rate differences on translating foreign operations | - | - | - | - | - | (24,358,779,270) | (2,324,807,031) | (26,683,586,301) |
| Revaluation loss through other comprehensive income | - | - | - | - | - | (83,969,005,280) | (14,412,227) | (83,983,417,507) |
| Gain on valuations of derivatives | - | - | - | - | - | 21,037,084,199 | 1,168,997,654 | 22,206,081,853 |
| Remeasurements of defined benefit liabilities | - | - | - | - | 32,208,256,445 | - | 9,786,010,616 | 41,994,267,061 |
| Interest in other comprehensive income (loss) for investments in associates | - | - | - | - | (3,193,561) | (7,157,952,907) | (26,459,003) | (7,187,605,471) |
| Subtotal | - | - | - | - | 32,661,558,848 | (94,422,192,464) | (25,988,171,240) | (87,748,804,856) |
| Total comprehensive income (loss) for the year | - | - | - | - | 84,217,137,954 | (94,422,192,464) | (3,988,192,821) | (14,193,247,331) |
| Transactions with owners of the company recognized directly in equity: | | | | | | | | |
| Changes in hybrid securities | - | - | (148,660,241,553) | - | - | - | 138,876,221,553 | (9,784,020,000) |
| Dividends | - | - | - | - | (141,353,200,000) | - | (53,253,455,024) | (194,606,655,024) |
| Changes in the scope of consolidation | - | - | - | - | - | - | (64,515,813) | (64,515,813) |
| Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control, equity | - | - | - | (18,712,277,855) | - | - | 69,939,648,070 | 51,227,370,215 |
| Balance at December 31, 2025 | ₩ 141,443,775,000 | 3,574,296,966,667 | - | (3,067,093,795,952) | 7,440,521,126,282 | 7,095,855,678,405 | 1,681,172,487,788 | 16,866,196,238,190 |

See accompanying notes to the consolidated financial statements.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended December 31, 2025 and 2024

| (In Korean won) | <u>Notes</u> | <u>2025</u> | <u>2024</u> |
|---|--------------|---------------------------------|-----------------------------------|
| Cash flows from operating activities | | | |
| Profit (Loss) for the year | ₩ | 73,555,557,525 | (994,075,271,502) |
| Adjustments | 35 | 1,621,081,306,246 | 2,707,749,105,950 |
| Changes in operating assets and liabilities | 35 | 46,106,743,633 | (114,824,934,868) |
| Income tax paid | | (16,992,954,683) | (10,950,247,583) |
| Net cash provided by operating activities | | <u>1,723,750,652,721</u> | <u>1,587,898,651,997</u> |
| Cash flows from investing activities | | | |
| Decrease of short-term financial instruments | | 1,161,910,147,946 | 1,755,659,294,089 |
| Collection of short-term loans | | 481,299,361,366 | 238,942,693,275 |
| Proceeds from sale of debt instruments at fair value through other comprehensive income | | 4,363,024,872 | 693,309,084 |
| Proceeds from sale of equity instruments at fair value through other comprehensive income | | 3,299,979,013 | 6,006,384,485 |
| Proceeds from sale of debt instruments at fair value through profit or loss | | 6,568,970,848 | 15,900,335,398 |
| Decrease of leasehold deposits provided | | 36,709,834,456 | 46,406,414,464 |
| Proceeds from sale of investments in associates and joint ventures | | 6,731,315,701 | 17,175,497,568 |
| Proceeds from disposal of assets held for sale | | 26,765,000,000 | 82,938,141,270 |
| Proceeds from disposal of right-of-use assets | | 504,280,290 | - |
| Advances received | | 27,152,726,000 | 8,763,500,000 |
| Proceeds from disposal of property, plant and equipment | | 28,304,147,349 | 26,366,716,948 |
| Proceeds from disposal of intangible assets | | - | 291,248,616 |
| Proceeds from disposal of investment property | | 6,000,000,000 | - |
| Collection of lease receivable | | 14,076,097,433 | 15,036,224,814 |
| Cash inflows from settlement of derivatives | | 7,315,699,469 | 7,374,175,091 |
| Decrease of long-term advance payments | | 6,176,699,888 | 15,394,252,875 |
| Cash inflows from changed in the scope of consolidation | | 702,882,500 | 28,670,014 |
| Cash inflows from other investing activities | | 379,788,359 | - |
| Increase of short-term financial instruments | | (1,638,268,006,497) | (1,740,460,388,259) |
| Increase of long-term financial instruments | | (868,213,778) | (1,021,479,469) |
| Increase in short-term loans | | (493,815,830,576) | (237,470,147,352) |
| Increase in long-term loans | | (2,315,800,000) | (3,240,000,000) |
| Purchase of debt instrument at fair value through profit or loss | | (23,331,583,005) | (11,822,821,346) |
| Purchase of equity instruments at fair value through other comprehensive income | | - | (66,277,117,900) |
| Increase of leasehold deposits provided | | (16,215,623,057) | (8,533,867,658) |
| Purchase of investments in associates and joint ventures | | (20,976,987,500) | (1,916,053,000) |
| Acquisition of property, plant, and equipment | | (651,764,091,594) | (905,977,976,086) |
| Acquisition of intangible assets | | (46,018,060,938) | (21,308,285,635) |
| Acquisition of investment property | | (10,684,154,240) | (359,133,019,905) |
| Increase of advance payments | | - | (4,000,000,000) |
| Increase of long-term advance payments | | (13,594,812,314) | (22,413,224,135) |
| Cash outflows from settlement of derivatives | | (716,004,000) | - |
| Cash outflows from other investing activities | | (1,400,000,000) | (184,000,000,000) |
| Cash outflows from changes in the scope of consolidation | | (9,409,095) | (11,065,404,616) |
| Interest received | | 89,339,995,781 | 105,599,957,710 |
| Dividends received | | 141,450,581,538 | 168,498,891,123 |
| Net cash used in investing activities | ₩ | <u>(870,928,043,785)</u> | <u>(1,067,564,078,537)</u> |

See accompanying notes to the consolidated financial statements.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Consolidated Statements of Cash Flows, continued
For the years ended December 31, 2025 and 2024

| (In Korean won) | <u>Notes</u> | <u>2025</u> | <u>2024</u> |
|--|--------------|-----------------------------------|---------------------------------|
| Cash flows from financing activities | | | |
| Proceeds from short-term borrowings | ₩ | 3,065,416,855,331 | 2,957,124,083,179 |
| Proceeds from long-term borrowings | | 1,627,118,762,122 | 1,857,047,136,825 |
| Proceeds from issuance of debentures | | 1,386,664,255,454 | 2,811,280,315,827 |
| Increase of leasehold deposits received | | 25,362,380,785 | 56,775,848,712 |
| Capital contribution from subsidiaries | | 90,093,747,741 | 186,919,097,600 |
| Issuance of hybrid securities | | 148,183,480,000 | - |
| Cash inflows from settlement of derivatives transactions | | - | 1,964,199,914 |
| Cash inflows from other financing activities | | 12,917,766 | - |
| Repayment of short-term borrowings | | (3,940,419,530,192) | (2,900,832,528,358) |
| Repayment of current portion of long-term borrowing | | (1,250,542,943,750) | (1,666,760,970,300) |
| Repayment of long-term borrowing | | (144,245,965,433) | (25,953,661,360) |
| Redemption of debentures | | (1,184,150,000,000) | (2,328,512,500,000) |
| Decrease of leasehold deposits received | | (17,087,940,543) | (31,728,559,524) |
| Payment of hybrid securities interest | | (7,967,500,000) | (12,230,000,000) |
| Repayment of lease liabilities | | (611,122,934,263) | (643,511,540,716) |
| Repayment of hybrid securities | | (150,000,000,000) | (30,000,000,000) |
| Decrease of non-controlling interest liabilities | | (39,000,000) | (15,000,000) |
| Acquisition of subsidiary | | (38,157,191,881) | (744,600,000) |
| Cash outflows from changes in the scope of consolidation | | (161,215,665) | - |
| Cash outflows from other financing activities | | - | (1,358,662,880) |
| Interest paid | | (545,947,492,639) | (583,889,259,371) |
| Dividends paid | | (194,606,655,024) | (143,195,554,793) |
| Net cash used in financing activities | | <u>(1,741,595,970,191)</u> | <u>(497,622,155,245)</u> |
| Net increase (decrease) in cash and cash equivalents | | (888,773,361,255) | 22,712,418,215 |
| Cash and cash equivalents as at the beginning of the year | | 1,554,846,752,455 | 1,589,717,984,770 |
| Effect of exchange rate fluctuation on cash and cash equivalents | | (10,004,242,384) | 15,774,173,023 |
| Reclassification of disposal group held for sale | | (84,544,044,564) | (73,357,823,553) |
| Cash and cash equivalents at the end of the year | ₩ | <u>571,525,104,252</u> | <u>1,554,846,752,455</u> |

See accompanying notes to the consolidated financial statements.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2025 and 2024

1. General Information of Reporting Entity

(a) Organization and description of the Company

LOTTE SHOPPING CO.,LTD. (the “Company” or the “Parent Company”) was established on July 2, 1970 in the Republic of Korea to engage in retail operations through department stores. The Company’s operations is comprised of 31 department stores (including 2 consignment operation locations), 17 outlet stores, 112 discount stores (including 1 consignment operation location), 166 supermarkets, and 10 shopping malls (including 1 consignment operation location) as of December 31, 2025. The consolidated financial statements are comprised of the interest of the Company, its subsidiaries (together referred to as the “Group”) and the Group’s associates and joint ventures.

The Company’s stock was listed on the Korea Exchange through an initial public offering on February 9, 2006. The shareholders of the Parent Company as of December 31, 2025, are as follows:

| <i>(in thousands of Korean won, except number of shares)</i> | Number of shares (in shares) | | Amount | Percentage of ownership (%) |
|--|---|----------|--------------------|--|
| Lotte Corporation | 11,315,503 | ₩ | 56,577,515 | 40.00 |
| Shin, Dong Bin | 2,893,049 | | 14,465,245 | 10.23 |
| Hotel Lotte Co., Ltd. | 2,507,158 | | 12,535,790 | 8.86 |
| Hotel Lotte Pusan Co., Ltd. | 220,326 | | 1,101,630 | 0.78 |
| Treasury shares | 18,115 | | 90,575 | 0.06 |
| Others | 11,334,604 | | 56,673,020 | 40.07 |
| Total | 28,288,755 | ₩ | 141,443,775 | 100.00 |

(b) Description of subsidiaries

(i) A summary of the subsidiaries of the Company as of December 31, 2025, is as follows:

| Subsidiaries | Location | Main business | Fiscal year end | December 31, 2025 | | | |
|--------------------------------------|----------|---------------------------------|-----------------|-------------------------------------|-----------------------------|------------|--------|
| | | | | Capital (in millions of Korean won) | Percentage of ownership (%) | | |
| | | | | | Parent Company | Subsidiary | Total |
| Woori Home Shopping Co., Ltd. | Korea | TV Home-shopping | Dec. 31 | ₩ 40,000 | 53.49 | - | 53.49 |
| Lotte GFR Co., Ltd. | Korea | Apparel manufacturing and sales | Dec. 31 | 48,325 | 99.99 | - | 99.99 |
| Lotte Gimhae Development Co., Ltd. | Korea | Building management service | Dec. 31 | 300 | 100.00 | - | 100.00 |
| CS Mart Co., Ltd. | Korea | Distribution | Dec. 31 | 6,384 | 99.95 | - | 99.95 |
| LOTTE Himart Co., Ltd. | Korea | Consumer electronics retail | Dec. 31 | 118,039 | 65.25 | - | 65.25 |
| Lotte Ulsan Development Co., Ltd. | Korea | Real estate development | Dec. 31 | 25,200 | 98.81 | - | 98.81 |
| Lotte Cultureworks Co., Ltd. (*1) | Korea | Cinema | Dec. 31 | 24,366 | 86.37 | - | 86.37 |

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2025 and 2024

1. General Information of Reporting Entity, continued

(b) Description of subsidiaries, continued

(i) A summary of the subsidiaries of the Company as of December 31, 2025, is as follows:, continued

| Subsidiaries | Location | Main business | Fiscal year end | December 31, 2025 | | | | |
|---|-----------|---|-----------------|-------------------------------------|-----------------------------|------------|--------|--|
| | | | | Capital (in millions of Korean won) | Percentage of ownership (%) | | | |
| | | | | | Parent Company | Subsidiary | Total | |
| LOTTE CINEMA VIETNAM CO., LTD. | Vietnam | Cinema | Dec. 31 | ₩ 33,440 | - | 90.00 | 90.00 | |
| Lotte corporate venture fund No. 1 | Korea | Investment on new technology | Dec. 31 | 2,130 | 18.78 | 79.81 | 98.59 | |
| Lotte Homeshopping Innovation Fund No. 1 | Korea | Investment on new technology | Dec. 31 | 5,684 | - | 98.52 | 98.52 | |
| LOTTE Shopping Innovation Fund No. 1 | Korea | Investment on new technology | Dec. 31 | 29,400 | 99.00 | - | 99.00 | |
| SMART LOTTE SHOPPING INNOVATION FUND | Korea | Investment on new technology | Dec. 31 | 21,280 | 69.08 | - | 69.08 | |
| IMM Heim Coinvestment I Private Equity Fund | Korea | Assets managements | Dec. 31 | 352,857 | 83.71 | 16.13 | 99.84 | |
| Heim II Limited | Korea | Assets managements | Dec. 31 | 342,900 | - | 100.00 | 100.00 | |
| LOTTE REIT Co., Ltd. (*2) | Korea | Real estate business, real estate lease | Dec. 31 | 144,484 | 42.04 | - | 42.04 | |
| KC-K Contents Investment Association | Korea | Investment on movie production | Dec. 31 | 10,875 | - | 96.56 | 96.56 | |
| NEWSTARNOVA 1ST CO.,LTD. (formerly, LKH 1st., Co., Ltd.) (*3) | Korea | Finance | Dec. 31 | 0 | - | - | - | |
| NEW STAR NEO 1ST CO.,LTD. (formerly, New Star Gimpo Hangang 1st Co., Ltd.) (*3) | Korea | Finance | Dec. 31 | 0 | - | - | - | |
| KS 1st Co., Ltd. (*3) | Korea | Finance | Dec. 31 | 0 | - | - | - | |
| FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No. 3 | Korea | Real estate business | Dec. 31 | 37,000 | 98.65 | - | 98.65 | |
| Momentum 1st Co., Ltd. (*3) | Korea | Finance | Dec. 31 | 0 | - | - | - | |
| LC Memory 1ST CO.,LTD. (*3) | Korea | Finance | Dec. 31 | 0 | - | - | - | |
| LOTTE PROPERTIES (CHENGDU) HK LIMITED | Hong Kong | Holding company | Dec. 31 | 785,913 | 77.60 | - | 77.60 | |
| Lotte Properties (Chengdu) Limited | China | Real estate lease | Dec. 31 | 491,973 | - | 100.00 | 100.00 | |
| LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD. | Singapore | Holding company | Dec. 31 | 980,142 | 100.00 | - | 100.00 | |
| LOTTE VIETNAM SHOPPING JOINT STOCK COMPANY | Vietnam | Distribution | Dec. 31 | 420,281 | - | 99.99 | 99.99 | |

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2025 and 2024

1. General Information of Reporting Entity, continued

(b) Description of subsidiaries, continued

(i) A summary of the subsidiaries of the Company as of December 31, 2025, is as follows:, continued

| Subsidiaries | Location | Main business | Fiscal year end | December 31, 2025 | | | |
|--|-----------|-----------------|-----------------|-------------------------------------|-----------------------------|------------|--------|
| | | | | Capital (in millions of Korean won) | Percentage of ownership (%) | | |
| | | | | | Parent Company | Subsidiary | Total |
| PT. LOTTE SHOPPING INDONESIA | Indonesia | Distribution | Dec. 31 | 56,414 | - | 80.00 | 80.00 |
| PT. LOTTE MART INDONESIA | Indonesia | Distribution | Dec. 31 | 256,182 | - | 100.00 | 100.00 |
| PT. LOTTE Shopping Avenue Indonesia | Indonesia | Distribution | Dec. 31 | 94,145 | - | 100.00 | 100.00 |
| Lotte Shopping Plaza Vietnam Co., Ltd. | Vietnam | Distribution | Dec. 31 | 29,708 | - | 100.00 | 100.00 |
| LOTTE E-COMMERCE VIETNAM CO., LTD | Vietnam | Distribution | Dec. 31 | 29,807 | - | 100.00 | 100.00 |
| LOTTE PROPERTIES (HANOI) SINGAPORE PTE. LTD. | Singapore | Holding company | Dec. 31 | 316,634 | 100.00 | - | 100.00 |
| LOTTE PROPERTIES HANOI CO., LTD. | Vietnam | Distribution | Dec. 31 | 317,577 | - | 100.00 | 100.00 |

(*1) In accordance with the stock repurchase agreement (see Note 38), shares issued to non-controlling shareholders as of December 31, 2019 have been classified as financial liabilities. The legal ownership of the Company on Lotte Cultureworks Co., Ltd., is 86.37%. However, 100% ownership has been applied for the purpose of reporting the consolidated financial statements.

(*2) Although the voting rights of the shares held by the Company do not exceed 50%, the entity has been classified as a subsidiary considering the Company's control in substance. The business year starts on January 1 and ends on June 30, with the subsequent business year starting on July 1 and ending on December 31.

(*3) Although the Company do not hold any shares, the entities have been classified as subsidiaries considering the Company's control in substance in accordance with the fund supplementation agreement (see Note 39).

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2025 and 2024

1. General Information of Reporting Entity, continued

(b) Description of subsidiaries, continued

(ii) A summary of the subsidiaries of the Company as of December 31, 2024, is as follows:

| | | | | | | | | December 31, 2024 | |
|---|----------|---|-----------------|---|-------------------------------------|-----------------------------|------------|-------------------|--|
| Subsidiaries | Location | Main business | Fiscal year end | | Capital (in millions of Korean won) | Percentage of ownership (%) | | | |
| | | | | | | Parent Company | Subsidiary | Total | |
| Woori Home Shopping Co., Ltd. | Korea | TV Home-shopping | Dec. 31 | ₩ | 40,000 | 53.49 | - | 53.49 | |
| Lotte GFR Co., Ltd. | Korea | Apparel manufacturing and sales | Dec. 31 | | 48,325 | 99.99 | - | 99.99 | |
| Lotte Gimhae Development Co., Ltd. | Korea | Building management service | Dec. 31 | | 300 | 100.00 | - | 100.00 | |
| CS Mart Co., Ltd. | Korea | Distribution | Dec. 31 | | 6,384 | 99.95 | - | 99.95 | |
| LOTTE Himart Co., Ltd. | Korea | Consumer electronics retail | Dec. 31 | | 118,039 | 65.25 | - | 65.25 | |
| Lotte Ulsan Development Co., Ltd. | Korea | Real estate development | Dec. 31 | | 25,200 | 98.81 | - | 98.81 | |
| Lotte Cultureworks Co., Ltd. (*1) | Korea | Cinema | Dec. 31 | | 24,366 | 86.37 | - | 86.37 | |
| LOTTE CINEMA VIETNAM CO., LTD. | Vietnam | Cinema | Dec. 31 | | 33,440 | - | 90.00 | 90.00 | |
| Lotte corporate venture fund No. 1 | Korea | Investment on new technology | Dec. 31 | | 2,130 | 18.78 | 79.81 | 98.59 | |
| Lotte Homeshopping Innovation Fund No. 1 | Korea | Investment on new technology | Dec. 31 | | 7,917 | - | 98.52 | 98.52 | |
| LOTTE Shopping Innovation Fund No. 1 | Korea | Investment on new technology | Dec. 31 | | 30,000 | 99.00 | - | 99.00 | |
| SMART LOTTE SHOPPING INNOVATION FUND | Korea | Investment on new technology | Dec. 31 | | 12,160 | 69.08 | - | 69.08 | |
| IMM Heim Coinvestment I Private Equity Fund | Korea | Assets managements | Dec. 31 | | 352,857 | 83.71 | 16.13 | 99.84 | |
| Heim II Limited | Korea | Assets managements | Dec. 31 | | 342,900 | - | 100.00 | 100.00 | |
| Lotte DMC Development Co., Ltd. | Korea | Real estate development | Dec. 31 | | 5,000 | 95.00 | - | 95.00 | |
| LOTTE REIT Co., Ltd. (*2) | Korea | Real estate business, real estate lease | Dec. 31 | | 144,484 | 42.04 | - | 42.04 | |
| Lotte Incheon Town Co., Ltd | Korea | Real estate development | Dec. 31 | | 65,000 | 100.00 | - | 100.00 | |
| KC-K Contents Investment Association | Korea | Investment on movie production | Dec. 31 | | 7,250 | - | 96.56 | 96.56 | |
| LKH 1st., Co., Ltd. (*3) | Korea | Finance | Dec. 31 | | 0 | - | - | - | |
| New Star Gimpo Hangang 1st Co., Ltd. (*3) | Korea | Finance | Dec. 31 | | 0 | - | - | - | |
| KS 1st Co., Ltd. (*3) | Korea | Finance | Dec. 31 | | 0 | - | - | - | |

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2025 and 2024

1. General Information of Reporting Entity, continued

(c) Description of subsidiaries, continued

(ii) A summary of the subsidiaries of the Company as of December 31, 2024, is as follows:, continued

| Subsidiaries | Location | Main business | Fiscal year end | December 31, 2024 | | | |
|--|-----------|----------------------|-----------------|-------------------------------------|-----------------------------|------------|--------|
| | | | | Capital (in millions of Korean won) | Percentage of ownership (%) | | |
| | | | | | Parent Company | Subsidiary | Total |
| FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No. 3 | Korea | Real estate business | Dec. 31 | 37,000 | 98.65 | - | 98.65 |
| Momentum 1st Co., Ltd. (*3) | Korea | Finance | Dec. 31 | 0 | - | - | - |
| New star K-town 1st Co., Ltd. (*3) | Korea | Finance | Dec. 31 | 0 | - | - | - |
| New star K-town 2nd Co., Ltd. (*3) | Korea | Finance | Dec. 31 | 0 | - | - | - |
| LS Incheon 1st Co., Ltd. (*3) | Korea | Finance | Dec. 31 | 0 | - | - | - |
| LOTTE PROPERTIES (CHENGDU) HK LIMITED | Hong Kong | Holding company | Dec. 31 | 386,813 | 77.60 | - | 77.60 |
| Lotte Properties (Chengdu) Limited | China | Real estate lease | Dec. 31 | 491,973 | - | 100.00 | 100.00 |
| LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD. | Singapore | Holding company | Dec. 31 | 980,142 | 100.00 | - | 100.00 |
| LOTTE VIETNAM SHOPPING JOINT STOCK COMPANY | Vietnam | Distribution | Dec. 31 | 420,281 | - | 99.99 | 99.99 |
| PT. LOTTE SHOPPING INDONESIA | Indonesia | Distribution | Dec. 31 | 56,414 | - | 80.00 | 80.00 |
| PT. LOTTE MART INDONESIA | Indonesia | Distribution | Dec. 31 | 256,182 | - | 100.00 | 100.00 |
| PT. LOTTE Shopping Avenue Indonesia | Indonesia | Distribution | Dec. 31 | 94,145 | - | 100.00 | 100.00 |
| Lotte Shopping Plaza Vietnam Co., Ltd. | Vietnam | Distribution | Dec. 31 | 29,708 | - | 100.00 | 100.00 |
| LOTTE E-COMMERCE VIETNAM CO., LTD | Vietnam | Distribution | Dec. 31 | 29,807 | - | 100.00 | 100.00 |
| LOTTE PROPERTIES (HANOI) SINGAPORE PTE. LTD. | Singapore | Holding company | Dec. 31 | 316,634 | 90.00 | - | 90.00 |
| LOTTE PROPERTIES HANOI CO., LTD. | Vietnam | Distribution | Dec. 31 | 317,577 | - | 100.00 | 100.00 |

(*1) In accordance with the stock repurchase agreement (see Note 38), shares issued to non-controlling shareholders as of December 31, 2019 have been classified as financial liabilities. The legal ownership of the Company on Lotte Cultureworks Co., Ltd., is 86.37%. However, 100% ownership has been applied for the purpose of reporting the consolidated financial statements.

(*2) Although the voting rights of the shares held by the Company do not exceed 50%, the entity has been classified as a subsidiary considering the Company's control in substance. The business year starts on January 1 and ends on June 30, with the subsequent business year starting on July 1 and ending on December 31.

(*3) Although the Company do not hold any shares, the entities have been classified as subsidiaries considering the Company's control in substance in accordance with the fund supplementation agreement (see Note 39).

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2025 and 2024

1. General Information of Reporting Entity, continued

(c) Financial information of significant subsidiaries as of December 31, 2025 and 2024 are summarized as follows:

(i) December 31, 2025

| | | 2025 | | | | |
|--|---|---------------|--------------------|---------------|---------------|---------------------------------------|
| <i>(in thousands of Korean won)</i> | | | | | | |
| <u>Subsidiaries (*)</u> | | <u>Assets</u> | <u>Liabilities</u> | <u>Equity</u> | <u>Sales</u> | <u>Profit (loss) for the year</u> |
| Woori Home Shopping Co., Ltd. | ₩ | 1,474,458,008 | 240,073,568 | 1,234,384,440 | 902,293,586 | 59,373,649 |
| CS Mart Co., Ltd. | | 194,712,073 | 57,049,827 | 137,662,246 | 284,784,219 | (1,883,955) |
| LOTTE Himart Co., Ltd. | | 1,786,408,127 | 910,583,370 | 875,824,757 | 2,300,095,883 | (9,233,371) |
| Lotte Cultureworks Co., Ltd. | | 697,801,291 | 567,749,256 | 130,052,035 | 367,884,464 | (62,987,381) |
| LOTTE REIT Co., Ltd. | | 2,594,407,041 | 1,454,908,461 | 1,139,498,580 | 140,407,695 | 36,174,227 |
| IMM Heim Coinvestment I Private Equity Fund | | 53,370,631 | 3,023,836 | 50,346,795 | - | (47,013,199) |
| Heim II Limited | | 404,642,525 | 352,079,699 | 52,562,826 | - | (53,534,893) |
| FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No. 3 | | 123,017,071 | 72,101,562 | 50,915,509 | 5,458,727 | 1,007,289 |
| LOTTE PROPERTIES (CHENGDU) HK LIMITED | | 194,284,783 | 32,839,530 | 161,445,253 | - | (40,663,101) |
| Lotte Properties (Chengdu) Limited | | 254,240,991 | 115,004,191 | 139,236,800 | 531,001 | (7,911,200) |
| LOTTE VIETNAM SHOPPING JOINT STOCK COMPANY | | 474,234,923 | 176,214,649 | 298,020,274 | 426,553,839 | 26,420,074 |
| LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD. | | 628,233,324 | 42,217,923 | 586,015,401 | - | (32,394,778) |
| PT. LOTTE SHOPPING INDONESIA | | 346,439,149 | 215,910,891 | 130,528,258 | 917,416,171 | 3,220,802 |
| PT. LOTTE MART INDONESIA | | 93,823,808 | 93,467,262 | 356,546 | 202,132,472 | (1,982,648) |
| LOTTE PROPERTIES (HANOI) SINGAPORE PTE. LTD. | | 367,115,947 | 29,407 | 367,086,540 | - | (51,013) |
| LOTTE PROPERTIES HANOI CO., LTD. | | 666,938,934 | 474,848,614 | 192,090,320 | 84,426,335 | (32,178,107) |
| LOTTE CINEMA VIETNAM CO., LTD. | | 59,458,865 | 257,813,805 | (198,354,940) | 67,233,328 | (4,749,182) |
| PT. LOTTE Shopping Avenue Indonesia | | 75,023,898 | 140,536,541 | (65,512,643) | 21,380,330 | (7,694,895) |

(*) This information does not reflect consolidated adjustments such as fair value adjustments and is based on the separate financial statements.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2025 and 2024

1. General Information of Reporting Entity, continued

(c) Financial information of significant subsidiaries as of December 31, 2025 and 2024 are summarized as follows, continued

(ii) December 31, 2024

| | | 2024 | | | | |
|--|---|---------------|--------------------|---------------|---------------|---------------------------------------|
| <i>(in thousands of Korean won)</i> | | | | | | |
| Subsidiaries (*) | | Assets | Liabilities | Equity | Sales | Profit (loss) for the year |
| Woori Home Shopping Co., Ltd. | ₩ | 1,559,831,001 | 282,958,693 | 1,276,872,308 | 924,883,774 | 68,373,762 |
| CS Mart Co., Ltd. | | 200,952,278 | 60,351,346 | 140,600,932 | 280,236,257 | (3,756,267) |
| LOTTE Himart Co., Ltd. | | 1,880,255,212 | 1,013,614,600 | 866,640,612 | 2,356,656,540 | (592,556,522) |
| Lotte Cultureworks Co., Ltd. | | 820,754,348 | 608,326,131 | 212,428,217 | 394,801,533 | (18,478,000) |
| LOTTE REIT Co., Ltd. | | 2,623,648,647 | 1,454,150,864 | 1,169,497,783 | 125,423,320 | 16,455,032 |
| Lotte Incheon Town Co.,Ltd | | 414,891,698 | 374,970,251 | 39,921,447 | - | (6,434,568) |
| IMM Heim Coinvestment I Private Equity Fund | | 98,915,211 | 1,525,357 | 97,389,854 | - | (2,949,669) |
| Heim II Limited | | 443,686,649 | 337,588,930 | 106,097,719 | - | 9,544,896 |
| FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No. 3 | | 123,690,492 | 72,073,952 | 51,616,540 | 5,336,293 | 335,983 |
| LOTTE PROPERTIES (CHENGDU) HK LIMITED | | 164,631,819 | 359,400,159 | (194,768,340) | - | (166,540,185) |
| Lotte Properties (Chengdu) Limited | | 255,007,526 | 110,093,126 | 144,914,400 | 19,461 | (124,295,971) |
| LOTTE VIETNAM SHOPPING JOINT STOCK COMPANY | | 515,572,690 | 228,692,151 | 286,880,539 | 396,465,521 | 19,000,116 |
| LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD. | | 678,479,330 | 44,645,942 | 633,833,388 | - | (8,336,120) |
| PT. LOTTE SHOPPING INDONESIA | | 345,947,057 | 210,872,057 | 135,075,000 | 897,934,890 | 9,662,357 |
| PT. LOTTE MART INDONESIA | | 102,684,871 | 100,235,505 | 2,449,366 | 202,589,480 | (8,191,241) |
| LOTTE PROPERTIES (HANOI) SINGAPORE PTE. LTD. | | 376,202,356 | 83,552 | 376,118,804 | - | (33,297) |
| LOTTE PROPERTIES HANOI CO., LTD. | | 809,683,011 | 584,423,407 | 225,259,604 | 67,514,536 | (53,482,600) |
| LOTTE CINEMA VIETNAM CO., LTD. | | 71,597,707 | 277,678,603 | (206,080,896) | 57,501,152 | (10,856,675) |
| PT. LOTTE Shopping Avenue Indonesia | | 96,349,615 | 157,993,218 | (61,643,603) | 21,382,976 | (6,571,962) |

(*) This information does not reflect consolidated adjustments such as fair value adjustments and is based on separate financial statements.

(d) Changes in the scope of consolidation

(i) Entities included in the subject of consolidated financial statements to subsidiaries in 2025 are as follows:

| Subsidiaries | Description |
|------------------------|--------------------|
| LC Memory 1ST CO.,LTD. | Newly Incorporated |

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2025 and 2024

1. General Information of Reporting Entity, continued

(d) Changes in the scope of consolidation, continued

(ii) Entities excluded from subsidiaries in 2025 are as follows:

| Subsidiaries | Description |
|---------------------------------|--|
| Lotte Incheon Town Co., Ltd | Merger |
| New star K-town 1st Co., Ltd. | Loss of Control (Termination of Agreement) |
| New star K-town 2nd Co., Ltd. | Loss of Control (Termination of Agreement) |
| LS Incheon 1st Co., Ltd. | Loss of Control (Termination of Agreement) |
| Lotte DMC Development Co., Ltd. | Liquidated |

(e) Non-controlling interests

Financial information relating to each of the Group's subsidiaries that has material non-controlling interest as of December 31, 2025 and 2024 are summarized as follows:

(i) December 31, 2025

(In thousands of Korean won)

| Subsidiaries | LOTTE REIT Co., Ltd. (*2) | Woori Home Shopping Co., Ltd. (*1,2) | LOTTE Himart Co., Ltd. (*2) |
|---|------------------------------|--|--------------------------------|
| NCI percentage (*3) | 57.96% | 46.51% | 33.42% |
| Current assets | ₩ 58,448,614 | 966,721,969 | 478,545,111 |
| Non-current assets | 2,524,414,901 | 604,312,562 | 1,134,086,850 |
| Current liabilities | 621,336,979 | 173,153,548 | 482,773,771 |
| Non-current liabilities | 833,571,482 | 71,274,027 | 433,214,172 |
| Net assets | 1,127,955,054 | 1,326,606,955 | 696,644,018 |
| Carrying amount of NCI | 653,755,424 | 615,608,117 | 233,150,386 |
| Dividends paid to NCI | 38,353,937 | 12,556,701 | 2,319,731 |
| Revenue | 140,407,695 | 902,293,586 | 2,300,095,883 |
| Profit (loss) for the year | 36,174,227 | 66,266,096 | (5,808,796) |
| Total comprehensive income | 36,174,227 | 8,018,784 | 2,485,430 |
| Profit (loss) attributable to NCI | 20,966,341 | 30,817,909 | (1,941,421) |
| Total comprehensive income attributable to NCI | 20,966,341 | 3,729,240 | 830,683 |
| Cash flows from operating activities | 126,043,106 | 40,838,763 | 156,549,131 |
| Cash flows from investing activities | (7,720,936) | (23,520,911) | 28,457,055 |
| Cash flows from financing activities | (119,011,009) | (29,824,991) | (214,915,366) |
| Effect due to changes in exchange rate | - | 1 | - |
| Net decrease in cash and cash equivalents | ₩ (688,839) | (12,507,139) | (29,909,180) |

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

(*2) The information of the above subsidiaries has been adjusted to reflect fair value adjustments from business combination and others, but not intercompany transactions.

(*3) The NCI percentage is effective interest.

1. General Information of Reporting Entity, continued

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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As of December 31, 2025 and 2024

(e) Non-controlling interests, continued

(ii) December 31, 2024

(In thousands of Korean won)

| Subsidiaries | LOTTE REIT Co., Ltd. (*2) | Woori Home Shopping Co., Ltd. (*1,2) | LOTTE Himart Co., Ltd. (*2) |
|--|--------------------------------------|---|--|
| NCI percentage (*3) | 57.96% | 46.51% | 33.42% |
| Current assets | ₩ 40,918,283 | 955,225,760 | 553,721,430 |
| Non-current assets | 2,571,186,838 | 689,354,044 | 1,154,798,998 |
| Current liabilities | 470,627,858 | 200,286,503 | 521,259,296 |
| Non-current liabilities | 983,523,006 | 85,477,366 | 503,192,731 |
| Net assets | 1,157,954,257 | 1,358,815,935 | 684,068,401 |
| Carrying amount of NCI | 671,142,575 | 630,587,321 | 228,947,353 |
| Dividends paid to NCI | 24,130,003 | 9,301,260 | 2,319,731 |
| Revenue | 125,423,320 | 924,883,774 | 2,356,656,540 |
| Profit (loss) for the year | 16,455,032 | 64,687,264 | (53,042,481) |
| Total comprehensive income (loss) | 16,455,032 | (16,770,423) | 163,345,482 |
| Profit (loss) attributable to NCI | 8,711,358 | 30,083,653 | (17,726,295) |
| Total comprehensive income (loss) attributable to NCI | 8,711,358 | (7,799,303) | 54,595,080 |
| Cash flows from operating activities | 116,725,912 | 41,830,807 | 109,494,124 |
| Cash flows from investing activities | (341,271,072) | (76,926,847) | 90,939,040 |
| Cash flows from financing activities | 230,240,968 | (24,473,171) | (227,184,550) |
| Effect due to changes in exchange rate | - | (3,303,332) | - |
| Net increase (decrease) in cash and cash equivalents | ₩ 5,695,808 | (62,872,543) | (26,751,386) |

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

(*2) The information of the above subsidiaries has been adjusted to reflect fair value adjustments from business combination and others, but not intercompany transactions.

(*3) The NCI percentage is effective interest.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2025 and 2024

1. General Information of Reporting Entity, continued

(f) Changes in the Company's ownership interest in subsidiaries

The changes in the Company's ownership interest in subsidiaries during the current period due to paid-in capital increases, return of investments and additional acquisition are summarized as follows:

| <i>(In thousands of Korean won)</i> | | | The Parent Company's percentage of ownership | | The Parent Company's portion in net assets | |
|--|------------------------|---------------|---|--------------|---|--------------|
| Subsidiaries | Type | Amount | Before | After | Before | After |
| LOTTE PROPERTIES (CHENGDU) HK LIMITED | Capital increase | ₩ 399,100,320 | 77.60% | 77.60% | ₩ (269,636,421) | 40,079,783 |
| LOTTE Shopping Innovation Fund No. 1 | Return of commitment | (600,000) | 99.00% | 99.00% | 14,408,690 | 13,814,690 |
| Lotte Homeshopping Innovation Fund No. 1 | Return of commitment | (2,233,000) | 98.52% | 98.52% | 7,883,328 | 5,683,376 |
| SMART LOTTE SHOPPING INNOVATION FUND | Capital increase | 9,120,000 | 69.08% | 69.08% | 8,143,186 | 14,443,282 |
| KC-K Contents Investment Association | Capital increase | 3,625,000 | 96.56% | 96.56% | 4,679,401 | 8,179,701 |
| LOTTE PROPERTIES (HANOI) SINGAPORE PTE. LTD. | Additional acquisition | 38,157,192 | 90.00% | 100.00% | 286,629,606 | 318,477,340 |

2. Basis of the Accounting

The following are the important accounting policies that have been applied to the preparation of consolidated financial statements. Unless otherwise stated, these policies will continue to be applied during the indicated accounting period.

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

(a) Basis of measurement

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

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

(b) Functional and presentation currency

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

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

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2025 and 2024

3. Significant Accounting Policies and Changes in Disclosure

The following are significant accounting policies applied to the preparation of consolidated financial statements. These policies will continue to be applied in the period shown, unless otherwise mentioned.

3.1 Amendments and enactments of standards and interpretations applied by the Group

The Group applied the following enacted/amended standards and interpretations for the first time for the annual reporting period commencing on January 1, 2025:

(a) Amendments to K-IFRS No. 1021 'Effects of Changes in Foreign Exchange Rates' and K-IFRS No. 1101 'First-time Adoption of International Financial Reporting Standards' – Lack of Exchangeability

These amendments clarify the assessment of whether a currency is exchangeable for another currency for accounting purposes and set out the requirements for estimating the spot exchange rate and making related disclosures when exchangeability is lacking. If a currency is not exchangeable, the entity estimates the spot exchange rate at the measurement date, either by using an observable exchange rate without adjustment or by applying an alternative estimation method. The amendments to this standard do not have a significant impact on the consolidated financial statements.

3.2 Amendments and enactments of standards and interpretations not applied by the Group

The following are amendments to accounting standards and interpretations which have not been adopted the Group as it is not yet effective for the annual reporting period commencing on January 1, 2025:

(a) Amendments to K-IFRS No. 1109 'Financial Instruments' and K-IFRS No. 1107 'Financial Instruments: Disclosures' – Classification and Measurement of Financial Instruments

These amendments clarify the conditions related to the settlement of financial liabilities using electronic payment systems; the assessment of interest and contingent features when evaluating whether contractual cash flows are solely payments of principal and interest; financial assets with non-recourse features; and the characteristics of contractually linked instruments. In addition, the amendments introduce enhanced disclosure requirements for investments in equity instruments designated at fair value through other comprehensive income and for contractual terms that may change the timing or amount of contractual cash flows. The amendments are effective retrospectively for annual reporting periods beginning on or after January 1, 2026, with early application permitted. The Group expects that these amendments will not have a significant impact on its consolidated financial statements.

(b) Amendments to K-IFRS No. 1109 'Financial Instruments' – Accounting for Derecognition of Lease Liabilities and Definition of Transaction Price

These amendments clarify that gains or losses arising from the derecognition of lease liabilities are recognized in profit or loss, and also amend the definition of transaction price to ensure consistency with K-IFRS 1115. The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with early application permitted. The Group expects that these amendments will not have a significant impact on its consolidated financial statements.

(c) Amendments to K-IFRS No. 1110 'Consolidated Financial Statements' – Determination of a De Facto Agent

These amendments amend the wording in K-IFRS 1110 regarding the assessment of de facto agents to eliminate inconsistencies within the Standard. The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with early application permitted. The Group expects that these amendments will not have a significant impact on its consolidated financial statements.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2025 and 2024

3. Significant Accounting Policies and Changes in Disclosure, continued

3.2 Amendments and enactments of standards and interpretations not applied by the Group, continued

(d) Amendments to K-IFRS No. 1101 'First-time Adoption of International Financial Reporting Standards' – Application of Hedge Accounting

These amendments clarify that the conditions for applying hedge accounting are determined by reference to specific paragraphs in K-IFRS 1109 and align the related terminology. The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with early application permitted. The Group expects that these amendments will not have a significant impact on its consolidated financial statements.

(e) Amendments to K-IFRS No. 1107 'Financial Instruments: Disclosures' – Gain or Loss on Derecognition

These amendments clarify that fair value measurement is determined by reference to K-IFRS 1113 and align the related terminology. The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with early application permitted. The Group expects that these amendments will not have a significant impact on its consolidated financial statements.

(f) Amendments to K-IFRS No. 1007 Statement of Cash Flows – Cost Method

The amendment replaces the term 'cost method' with 'at cost'. The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with early application permitted. The Group expects that these amendments will not have a significant impact on its consolidated financial statements.

(g) Amendments to K-IFRS 1109 'Financial Instruments' and K-IFRS 1107 'Financial Instruments: Disclosures' – Contracts Referencing Nature-dependent Electricity

Contracts referencing nature-dependent electricity are defined contracts that expose an entity to variability in the underlying amount of electricity because the source of electricity generation depends on uncontrollable natural conditions (for example, the weather). The amendments clarify that 'contracts to buy or sell such electricity' are assessed for eligibility under the own-use exemption. In addition, the amendments modify hedge accounting requirements by allowing an entity to designate as the hedged item a variable nominal amount of forecast electricity transactions that reflect the nature-dependent variability of electricity and introduce additional disclosure requirements. The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with early application permitted. The amendments to this standard do not have a significant impact on the consolidated financial statements.

(h) Enactments to K-IFRS No. 1118 'Presentation and Disclosure in Financial Statements'

K-IFRS No. 1118 'Presentation and Disclosure in Financial Statements' replaces K-IFRS 1001 'Presentation of Financial Statements' and includes new requirements aimed at enhancing comparability of financial performance between similar entities and providing more relevant information to users. While the amendments do not affect the recognition or measurement of items in the financial statements, they are expected to have a significant impact on presentation and disclosure, including the income statement and the disclosure of management-defined performance measures.

The standard should be applied for annual periods beginning on or after January 1, 2027, and earlier application is permitted. In accordance with the retrospective application requirements, comparative information for the year ended December 31, 2026, shall be restated under K-IFRS 1118.

Management is in review for the impact of applying the new standard on the consolidated financial statements. Adoption of the standard is not expected to have an impact on the Group's net profit or loss; however, it will require revenues and expenses in the income statements to be classified into new categories, which is expected to have an impact on the calculation and presentation of operating profit (loss).

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2025 and 2024

3. Significant Accounting Policies and Changes in Disclosure, continued

3.3 Basis of Consolidation

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

(a) Subsidiaries

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

The Group accounts for business combinations using the acquisition method. The consideration transferred is measured at fair value of acquisition date, and in case of identifiable assets / liabilities / contingent liability being acquired from business combination, it is initially measured at the fair value of acquisition date. The Group judges non-controlling interests, which provide a proportional share of net assets upon the liquidation, on each business combination, and measures with fair value or proportionate share among net assets of the acquiree. Unless required by other standards, other non-controlling interests are measured at fair value. Acquisition costs are recognized as a loss incurred in the reporting period.

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

Any bonds, outstanding liabilities, profit and expense, and unrealized gains, etc. arising from intercompany transactions within the Group is removed. Moreover, the accounting policy of subsidiaries are modified for the consistent application of the accounting policies adopted by the Group, in the case that differences exist.

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

When the Group loses control over subsidiaries, the remaining shares are re-measured at fair value at the time of the event and the related difference is recognized as profits and losses for the current period.

(b) Associates

Associates are entities over which the Group has significant influence. Investment in associates are initially recognized at cost when acquired with equity method applied subsequently. Unrealized gains arising from transactions between the Group and its associates is removed according to the proportionate share held by the Group in associates. The equity method shall be discontinued if the Group's interest for the loss of associates equals or exceeds the investment interest in the associates (including the long-term investment interest that forms part of the net investment). However, if the Group has a legal obligation to the associates for additional losses or if the Group is obligated to make payments on behalf of the associates after the Group's interest is reduced to zero (0), only that amount shall be recognized as a loss and liability. Furthermore, if there are any objective indicators of impairment on the investment in associates, the difference between the recoverable amount of the investment and the carrying amount is recognized as an impairment loss. When using the financial statements of the associate to apply the equity method, the Group reviews whether the Group's accounting policies have been applied to the same transactions or events in similar circumstances and adjusts the financial statements of the associate if necessary.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2025 and 2024

3. Significant Accounting Policies and Changes in Disclosure, continued

3.3 Basis of Consolidation, continued

(c) Joint Arrangements

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

3.4 Cash and cash equivalents

The Group classifies investment assets with maturity of less than 3 months from the acquisition date as cash and cash equivalents. Equity investments are excluded from cash equivalents unless they are, in substance, cash equivalents, for example in the case of preferred stocks when it has a short maturity with a specified redemption date.

3.5 Foreign currency translation

(a) Functional and presentation currency

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

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

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

Foreign exchange differences related to borrowings are recognized in the income statement as financial expenses, whereas other foreign exchange differences are recognized in other income or other expenses.

Foreign exchange differences arising from non-monetary financial assets and liabilities are regarded as part of gain or loss from change in fair value. Foreign exchange differences arising from equity instruments measured at fair value through profit or loss are recognized in profit or loss, and foreign exchange differences arising from equity instruments measured at fair value through other comprehensive income are recognized in other comprehensive income.

3.6 Financial assets

(a) Classification

The Group classifies the financial assets in the following categories.

- ① Financial assets measured at fair value through profit or loss
- ② Financial assets measured at fair value through other comprehensive income
- ③ Financial assets measured at amortized cost

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

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2025 and 2024

3. Significant Accounting Policies and Changes in Disclosure, continued

3.6 Financial assets, continued

(a) Classification, continued

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

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

(b) Measurement

At initial recognition, the Group measures a financial asset at fair value. For financial asset not measured at fair value through profit or loss, transaction costs directly attributable to the acquisition is added to its fair value. Transaction costs of financial assets measured at fair value through profit or loss are expensed through profit or loss. And any difference between the fair value and the transaction price at the initial recognition is recognized in profit or loss.

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

(i) Debt instrument

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into the following three measurement categories:

- Financial assets measured at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'Finance income' using the effective interest rate method.

- Financial assets measured at fair value through other comprehensive income

Assets that are held for collection of contractual cash flows and for sale, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

- Financial assets measured at fair value through profit or loss

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

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2025 and 2024

3. Significant Accounting Policies and Changes in Disclosure, continued

3.6 Financial assets, continued

(b) Measurement, continued

(ii) Equity instrument

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

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'Finance income or expenses' in the statement of profit or loss. The impairment loss (reversal) on equity instrument measured at fair value through other comprehensive income is not recognized.

(c) Impairment

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

(d) Recognition and derecognition

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

If the Group has retained substantially all the risks and rewards of ownership of the transferred financial asset—such as through recourse in the event of the debtor's default—the Group continues to recognize the asset in its entirety and recognizes a financial liability for the consideration received.

(e) Offsetting of financial instruments

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

3.7 Derivatives

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

(a) Hedge accounting

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

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2025 and 2024

3. Significant Accounting Policies and Changes in Disclosure, continued

3.7 Derivatives, continued

(a) Hedge accounting, continued

On initial designation of the hedge, the Group formally documents the relationship between the hedging instruments and hedged items including the risk management objectives and strategy. The document includes risk management methods, related hedged items, commencement of the hedge relationship and the methods used to assess the effectiveness of the hedging instrument at offsetting the change in the fair value or cash flow of the hedged items due to hedging risk during subsequent periods.

(i) Fair value hedge

Changes in the fair value of a derivative designated as a hedging instrument and that qualifies for fair value hedge accounting are recognized in profit or loss for the current period. The gain or loss from remeasuring the hedging instrument at fair value for a derivative hedging instrument and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss in the same line item of the consolidated statement of comprehensive income. The Group discontinues fair value hedge accounting if the hedge relationship is not designated or the hedging instrument expires, is sold, terminated, exercised, or the hedge no longer meets the criteria for hedge accounting. Any adjustment arising from gain or loss on the hedged item attributable to the hedged risk is amortized to profits and losses for the current period from the date the hedge accounting is discontinued.

(ii) Cash flow hedge

When a derivative is designated to hedge the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivatives is recognized in other comprehensive income, net of tax, and presented in the hedging reserve in equity, while the ineffective portion is recognized in profit or loss. Any ineffective portion of changes in the fair value of the derivatives is recognized in profits and losses for the current period. If the hedging instrument no longer meets the criteria for hedge accounting, expires, or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss on hedging instrument that has been recognized in other comprehensive income is reclassified to profit or loss in the period during which the forecasted transaction occurs. However, if the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or losses for the current period.

(b) Embedded derivative

If an embedded derivative is not closely related to the economic characteristics and risks of the host contract, and if a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, the embedded derivative is accounted for separately from the host contract unless the hybrid financial instrument is classified as at fair value through profit or loss. Changes in the fair value of the separated embedded derivative are recognized in profit or loss.

(c) Other derivatives

Changes in the fair value of derivatives, excluding derivatives designated as a hedging instrument which effectively hedge risk, are recognized in profit or loss for the current period.

3.8 Trade receivables

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

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2025 and 2024

3. Significant Accounting Policies and Changes in Disclosure, continued

3.9 Inventories

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

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

When inventories are sold, the carrying amount is recognized as cost of sales in the period in which the related revenue is recognized. Write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. Reversal of any write-down of inventories, arising from an increase in net realizable value, is deducted from cost of sales for the period in which the reversal occurs.

3.10 Non-current assets held for sale

Non-current assets are classified as held for sale when the carrying amount is primarily recovered through the sale transaction and is highly likely to be sold. Such assets are measured at the lower of the carrying amount and fair value less cost of sales.

3.11 Property, plant and equipment

Land, excluding land for employee housing, is measured at fair value based on valuations performed by an independent external appraiser. Revaluations are conducted periodically to ensure that the carrying amount of the asset does not differ materially from its fair value at the reporting period-end.

If the carrying amount of an asset increases due to revaluation, the increase is recognized in other comprehensive income (OCI) and added to equity under the revaluation surplus category, net of deferred tax. However, if a revaluation decrease was previously recognized in profit or loss for the same asset, the revaluation increase is recognized in profit or loss to the extent of the previously recognized decrease.

Conversely, if the carrying amount of an asset decreases due to revaluation, the decrease is recognized in profit or loss. However, if there is a balance in the revaluation surplus for that asset, the revaluation decrease is recognized in OCI to the extent of that balance.

Property, plant and equipment are initially measured at cost. Except for land to which the revaluation model is applied, all property, plant and equipment are subsequently carried at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Property, plant and equipment, excluding land, are depreciated over the estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed on a straight-line basis.

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

| | <u>Useful lives (years)</u> |
|--|-----------------------------|
| Buildings | 5 – 50 |
| Structures | 7 – 40 |
| Machinery | 5 – 30 |
| Tools and equipment | 3 – 5 |
| Vehicles | 5 |
| Display fixtures | 5 |
| Furniture and fixtures | 5 |
| Other property, plant and equipment (“Other PP&E”) | 5 – 20 |

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2025 and 2024

3. Significant Accounting Policies and Changes in Disclosure, continued

3.11 Property, plant and equipment, continued

Depreciation methods, useful lives and residual values of property, plant and equipment are reviewed at the end of each reporting date and adjusted, if appropriate, as a change in accounting estimates.

A component of an asset with a cost significant in comparison to the total cost of property, plant and equipment, is depreciated individually.

Gains and losses on disposal of an item of property, plant and equipment are recognized in other non-operating profit or loss as the difference between the proceeds from disposal and the carrying amount of property, plant and equipment. Revaluation surplus recognized in equity in relation to an item of property, plant and equipment is transferred to retained earnings upon disposal of the asset

3.12 Borrowing costs

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

3.13 Intangible assets

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

Club membership is not amortized as there is no foreseeable limit to the available period. The following intangible assets with a limited useful life are amortized on a straight-line basis during the estimated useful life.

| | <u>Useful lives (years)</u> |
|-----------------------------|-----------------------------|
| Industrial property rights | 5 |
| Rights to use facility | 5 – 20 |
| Other intangible assets (*) | 4 – 10 |

(*) Among other intangible assets, film copyrights are expensed as cost of sales during the period when the related sales are realized. If uncertainties to the realization of related sales arise, intangible asset impairment losses are recognized.

Useful lives and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. The useful lives of intangible assets that are not amortized are reviewed at the end of each reporting period to determine whether events and circumstances continue to support indefinite useful life assessments for those assets. Any changes are accounted for as changes in accounting estimates.

Research and internally generated development cost during the research phase are recognized as an expense when incurred. Development costs are recognized as intangible assets when there is technical feasibility to complete the asset, the company has intention and exerts effort to complete the asset for sale or use, acquisition of required resources are probable, future benefits for the asset is demonstrated and the cost of the asset can be measured reliably. Other development costs are recognized as an expense when incurred.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2025 and 2024

3. Significant Accounting Policies and Changes in Disclosure, continued

3.14 Investment property

Property held for the purpose of rentals or benefiting from capital appreciation is classified as investment property. However, if the property held by the Group does not meet the requirements of investment property in accordance with K-IFRS No.1040, it is classified as property, plant and equipment. Whether investment property requirements are met is judged based on the degree of significant exposure to the risk of changes in cash flows arising from property use, and the significant service provision to property users. Investment property is measured at cost at initial recognition, including transaction costs incurred at acquisition, and presented at initial cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of investment property at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will arise and the cost of the item can be measured reliably. The carrying amount related to the item replaced by the subsequent cost is derecognized. The costs of regular repair and maintenance are recognized in profit or loss as incurred.

Investment property, excluding land, are depreciated on a straight-line basis over its estimated useful life between 5 to 50 years. Depreciation methods, useful lives and residual values of the investment property are reviewed at the end of each reporting date and adjusted, if appropriate, as a change in accounting estimates.

3.15 Impairment of non-financial assets

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

If the recoverable amount for the individual asset cannot be estimated, assets are grouped together into smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets ("CGU" or Cash Generating Unit). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. The value in use is estimated by applying a discount rate that reflect current market assessments of the time value of money and other risks specific to the asset or CGU for which estimated future cash flows have not been adjusted.

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

Goodwill acquired from a business combination is allocated to each CGU that is expected to benefit from the synergies arising from the business combination. Any impairment identified at the CGU level will first reduce the carrying value of goodwill and then be used to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Impairment loss for goodwill cannot be reversed in subsequent periods. Reversal of impairment losses are only allowed if there has been a change in the estimates used to determine the recoverable amount subsequent to the recognition of the loss after reviewing the assets (except goodwill) for existence of impairment losses recognized in previous periods or indications of decrease in value. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.16 Trade payables and other payables

Trade payables and other payables are liabilities relating to goods or services received before the end of the reporting period that have not been settled. Trade payables and other payables are presented as current liabilities unless the payment due is 12 months after the reporting period. The payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2025 and 2024

3. Significant Accounting Policies and Changes in Disclosure, continued

3.17 Financial liabilities

(a) Classification and measurement

The financial liabilities measured at fair value through profit or loss are financial instruments held for trading. Financial liabilities incurred principally for the purpose of repurchasing in the near term are classified as short-term financial liabilities held for trading. In addition, an embedded derivative separated from a host contract or a derivative that is not designated as effective hedging instrument is classified as a short-term financial liability held for trading. In accordance with stock repurchase agreement (See Note 38.(h)), shares issued to non-controlling shareholders are classified as financial liabilities.

Non-derivative financial liabilities, excluding financial liabilities measured at fair value through profit or loss, financial guarantee contracts, and financial liabilities arising from a transfer of financial assets which do not qualify for derecognition, are classified as financial liabilities measured at amortized cost. It is represented as 'trade and other payables', 'borrowings and debentures' or 'other financial liabilities', etc. on the statement of financial position.

The preferred stock whose redemption is mandatory at a specific future date is classified as a liability. Along with interest expenses resulting from other financial liabilities, the interest expense incurred from the redemption of the preferred stock using effective interest method is recognized as a finance cost on the statement of comprehensive income.

(b) Derecognition

Financial liabilities are removed from the statement of financial position when the obligation specified in the contract is discharged or cancelled or expired or when the terms of an existing financial liability are substantially modified. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

3.18 Provisions

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

3.19 Current and deferred income taxes

Income tax expense consists of current and deferred income taxes. Income tax directly attributable to other comprehensive income or equity is recognized in the relevant items. Other income tax are recognized in profit or loss.

The current income tax expense is measured based on tax laws enacted or substantially enacted as of the end of the reporting period. The management periodically assesses the tax policies applied by the Group when reporting taxes in situations in which applicable tax code regulations may vary depending on the interpretation. The Group recognizes current tax expenses based on the amount expected to be paid to the tax authorities. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is recognized as the expected income tax effect of recovering or settling the carrying amount of assets and liabilities for temporary differences between the carrying amount and the tax base. However, deferred tax assets and liabilities arising from the initial recognition of assets and liabilities in transactions other than business combinations are not recognized if the transaction does not affect accounting or taxable income and does not result in temporary differences that would be added and deducted in equal amounts. In addition, deferred tax assets and liabilities are measured using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply to the period when the asset is realized or the liability is settled.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2025 and 2024

3. Significant Accounting Policies and Changes in Disclosure, continued

3.19 Current and deferred income taxes, continued

Deferred tax assets are recognized when there is a high probability of future taxable income where deductible temporary differences may be used.

Deferred tax liabilities are recognized excluding cases where the timing of reversal for the temporary differences to be added related to investment interests in subsidiaries, associates and joint ventures can be controlled and the temporary differences are highly unlikely to be reversed in the foreseeable future. Furthermore, deferred tax assets are recognized only when the deductible temporary differences arising from such assets are highly likely to be reversed in the foreseeable future and the taxable income is expected to arise where temporary differences can be used.

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

The Group is subject to the global minimum tax under the Pillar Two legislation. However, no additional corporate tax expense was recognized during the current period. Additionally, the group has applied the exception to the recognition and disclosure requirements for deferred taxes related to the Pillar Two corporate tax.

3.20 Employee benefits

(a) Retirement benefits

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

Defined contribution plan is a retirement pension plan in which the Group pays a fixed amount of contributions to a separate fund, which is recognized as an expense when the employees provide employment service.

Defined benefit plan is all retirement pension plans other than the defined contribution plan. Generally, defined benefit plans determine the amount of retirement pension benefits to be paid when employees retire due to factors such as age, service period or salary level. The liabilities accounted for in the statement of financial position in relation to the defined benefit plan are the current value of the defined benefit obligation as of the end of the reporting period less the fair value of the plan assets. The defined benefit obligation is calculated according to the projected unit credit method by an independent actuary every year, and the present value of the defined benefit obligation is calculated by discounting the expected future cash outflow at the interest rate of the high-quality corporate bonds with a similar maturity to the payment date. The remeasurement component related to the net defined benefit liability is recognized in other comprehensive income.

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

(b) Short-term employee benefits

Short-term employee benefits which will be settled within 12 months from the end of the reporting period in which the employee provided the service are recognized in profit or loss at the time the service is provided. When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service. If an employee has a legal or constructive obligation to be paid as a result of past service and is able to reliably estimate the amount of debt, the amount expected to be paid as a profit distribution and bonus is recognized as a liability.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2025 and 2024

3. Significant Accounting Policies and Changes in Disclosure, continued

3.20 Employee benefits, continued

(c) Other long-term employee benefits

Other long-term employee benefits include employee benefits that are expected to be settled beyond 12 months after the end of the annual reporting period in which the employees have rendered the related service. The net obligation in respect of long-term employee benefits is the present value of future benefits that employees have earned in return for their service in the current and prior periods. Variables arising from remeasurements are recognized in profit or loss.

3.21 Revenue recognition

(a) Sales of goods and rendering of services

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

- ① Identify contract with customers
- ② Identify the separate performance obligations
- ③ Determine the transaction price of the contract
- ④ Allocate the transaction price to each of the separate performance obligations, and
- ⑤ Recognize the revenue as each performance obligation is satisfied.

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

(b) Customer loyalty program

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

(c) Commissions

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

(d) Rental income

Rental income from investment property, net of lease incentives granted, is recognized in profit or loss on a straight-line basis over the term of the lease, and other rental income is recognized in profit or loss as a certain proportion of the transaction amount.

(e) Self-sale Construction: apply to Korea Accounting Institute 2017-I-KQA015

Revenue from the self-sale construction is recognized as a progress criterion for contracts that meet the conditions of the 2017-I-KQA015 question and answer by the Korea Accounting Institute. This accounting treatment is effective only for K-IFRS.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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3. Significant Accounting Policies and Changes in Disclosure, continued

3.22 Leases

(a) Lessor

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

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

(b) Lessee

The Group leases multiple offices, warehouses, retail stores, equipment and vehicles. Lease contracts are generally for a fixed period, but there may be extension and termination options as described in (ii) below.

Lease terms are negotiated individually and include various terms and conditions. There are no other restrictions imposed under the lease agreements, but the leased asset cannot be provided as collateral for a loan.

The Group recognizes the right-of-use assets and its corresponding liability at the commencement of the lease on which the leased asset becomes available for use.

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

- i. Fixed lease payments (including in-substance fixed lease payment) less lease incentives to be received
- ii. Variable lease payments initially measured using indexes or rates at the commencement date
- iii. Expected payments to be made by the Group (lessee) according to the residual value guarantee
- iv. Exercise price of the purchase option if it is reasonably certain that the Group (lessee) will exercise the purchase option
- v. Amount paid to terminate the lease if the lease period reflects the exercise of the option to terminate the lease by the Group (lessee)

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

The lease payment shall be discounted using the implicit interest rate of the lease if the calculation of the rate is simple. If not, the lessee shall use the lessee's incremental borrowing rate, which is the interest rate applied to borrow the funds necessary to acquire an asset of similar value as a right-of-use asset with similar collateral over a similar economic period.

The Group calculates the incremental borrowing rate as follows:

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

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

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2025 and 2024

3. Significant Accounting Policies and Changes in Disclosure, continued

3.22 Leases, continued

(b) Lessee, continued

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

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

- i. Initial measurement amount of the lease liability
- ii. Lease payments made on or before lease commencement date less lease incentive received
- iii. Lessee's direct cost of opening a lease
- iv. Estimated cost of restoration

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

Recoverable amount is estimated by individual asset, or by its cash generating unit to which the asset belongs if the recoverable amount of individual asset cannot be estimated. The recoverable amount is determined to be the higher of the value in use and fair value less cost of disposal. Value in use is estimated by discounting the future cash flows expected to be generated by the asset or cash-generating unit at an appropriate discount rate that reflects the time value of money and the current market assessment of the specific risks of an asset which are not adjusted when estimating future cash flow.

Short-term leases for equipment and vehicles and lease payments related to all low value leases are recognized in profit or loss on a straight-line basis. Short-term lease is a lease with a lease term of 12 months or less, and low value lease assets consist of IT devices and low value office furniture.

(i) Variable lease payments

Some property leases include variable lease payment terms that subject to changes in indexes or rates, such as sales links generated by stores and the consumer price index. Individual stores may be subject to variable lease payment terms up to 100% of their lease payments. Variable lease payment terms are used for a variety of reasons, including minimizing the fixed cost of new stores. Variable lease payments linked to sales shall be recognized in profit or loss in the period in which the conditions for variability have occurred.

(ii) Extension option and termination option

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

3.23 Finance income and finance costs

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

Finance cost includes interest expense on borrowings, changes in the fair value of financial assets recognized through profit or loss and impairment losses on hedging instruments recognized in profit or loss. Interest on borrowings is recognized in profit or loss using the effective interest method over the applied period.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

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3. Significant Accounting Policies and Changes in Disclosure, continued

3.24 Operating segments

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

3.25 Emission rights

The Group accounts for greenhouse gas emission rights and the related liability as below pursuant to the Act on Allocation and Trading of Greenhouse Gas Emission.

(i) Greenhouse gas emission right

Greenhouse gas emission rights consist of emission allowances allocated from the government free of charge and allowances purchased from the market. The cost includes any directly attributable costs incurred during the normal course of business.

Emission rights held for the purpose of executing obligations are classified as an intangible asset, initially measured at cost and are carried at cost less accumulated impairment losses after initial recognition. Emission rights held for short-term profits are classified as current asset, measured at fair value with any changes in fair value recognized as profit or loss in the respective reporting period. The Group derecognizes an emission right asset when the emission allowance is unusable, disposed of or submitted to government in which future economic benefits are no longer expected to be realized.

(ii) Emission liability

Emission liability is a present obligation of submitting emission rights to the government regarding emission of greenhouse gas. Emission liability is recognized when outflow of resources in performing the obligation is probable and the costs required to perform the obligation can be reliably estimated. Emission liability is the carrying amount of emission rights held by the Group to be submitted to the government for the performing period and the expenses expected to be incurred in complying with the obligations for emissions exceeding the quantity of emission rights held. Emission liabilities are removed upon submission to the government.

3.26 Government Grants

Grants from the government are recognized at fair value when there is reasonable assurance that the grant will be received and related conditions will be complied with. Government grants related to assets are presented in the statement of financial position as a deduction to the carrying amount of the asset. Grants related to profits are deferred as a deduction to expenses related to the purpose of the grant or as deferred revenue whereby recognition is made to 'other income' on a systematic basis over the period of the useful life of each associated asset and the costs to be subsidized by the government.

3.27 Authorization of financial statements

The consolidated financial statements have been authorized through the board of directors meeting held on March 4, 2026 and may be modified subsequent to the shareholders' meeting.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2025 and 2024

4. Significant Accounting Estimates and Assumptions

The preparation of financial statements requires assumptions and estimates of the future with management's judgment required to apply the accounting policies of the Group. Estimates and assumptions are continuously evaluated and are made in consideration of reasonably foreseeable future events taking in account past experience and current circumstances. The results of an accounting estimate will rarely be consistent as the actual results, posing a significant risk of material adjustments.

Estimates and assumptions regarding management's judgment and significant risks that may affect the adjustment of the carrying amount of assets and liabilities in the following fiscal year are as follows. Additional information about significant judgement and estimation of some items is included in the individual notes.

(a) Impairment of non-financial assets

The recoverable amount of the cash generating unit for the impairment assessment of assets held, such as right-of-use assets and goodwill, is determined based on the calculation of value in use and net fair value (see Notes 13 and 15).

(b) Income taxes

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

The Group levies additional income taxes calculated according to the method provided by the tax law when certain amount of taxable income is not used for investment, wage increase, etc. for a specific period. Therefore, corresponding tax effects should be reflected when measuring current and deferred taxes. As a result, uncertainty exists in determining the final tax effect since the income tax levied on the Group varies on the level of investment and wage increase of each year.

(c) Fair value of financial instruments

In principle, the fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group makes judgment on the selection and assumptions of various valuation techniques based on important market conditions as of the end of the reporting period (see Note 7).

(d) Impairment of financial assets

The loss allowance for financial assets is measured based on assumptions about default risk and expected loss rates. The Group makes judgment for the application of these assumptions and the selection of input variables used for impairment models in consideration of the Group's experience, current market conditions and future forecast information as of the financial reporting date (see Notes 5 and 41).

(e) Net defined benefit liability

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

(f) Revenue recognition

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

(g) Provision for restoration cost

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

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

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As of December 31, 2025 and 2024

4. Significant Accounting Estimates and Assumptions, continued

(h) Provision for restructuring cost

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

(i) Leases

In determining the lease term, management considers all relevant facts and circumstances which may initiate economic incentive to exercise the extension option or to not exercise the termination option. The duration of the extension option (or the duration of the termination option) is included in the lease term only if it is reasonably certain that the extension option will be exercised (or termination option not exercised).

Factors related to the exercise of the extension or termination option are as follows:

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

The lease term is re-evaluated if the option is exercised (or not exercised) or if the Group bears the obligation to exercise (or not exercise) the option. The Group changes its judgment whether the exercise of extension option (or not) is reasonably certain only in circumstances that significant events or change of situation, that are within the scope of the lessee's control, and which affect the determination of the lease term, occur.

(j) Revaluation of property, plant, and equipment

Land is measured at fair value based on valuations conducted by an independent appraisal institution. Revaluations are performed periodically to ensure that the carrying amount of the asset does not differ materially from its fair value at the end of the reporting period.

The valuation applies the Officially Announced Land Price Method, which adjusts the standard officially announced land price according to the characteristics of the subject land, and the Comparable Sales Method, which estimates the price by comparing it to transactions of similar properties and adjusting for the specific conditions of the subject property.

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5. Trade and Other Receivables

(a) Trade and other receivables as of December 31, 2025 are as follows:

(in thousands of Korean won)

| | Trade receivables | Other receivables | Financial lease receivables | Total |
|---|------------------------------|------------------------------|--|--------------|
| Current: | | | | |
| Total carrying amount | 449,731,757 | 266,652,154 | 10,245,225 | 726,629,136 |
| Reduction: allowance for doubtful accounts | (8,901,526) | (60,229,867) | (54,448) | (69,185,841) |
| Net carrying amount | ₩ 440,830,231 | 206,422,287 | 10,190,777 | 657,443,295 |
| Non-current: | | | | |
| Total carrying amount | 157,403 | 24,069,964 | 33,234,942 | 57,462,309 |
| Reduction: allowance for doubtful accounts | - | (758,896) | (150,678) | (909,574) |
| Net carrying amount | ₩ 157,403 | 23,311,068 | 33,084,264 | 56,552,735 |

(b) Trade and other receivables as of December 31, 2024 are as follows:

(in thousands of Korean won)

| | Trade receivables | Other receivables | Financial lease receivables | Total |
|---|------------------------------|------------------------------|--|--------------|
| Current: | | | | |
| Total carrying amount | 590,139,997 | 196,318,348 | 11,091,339 | 797,549,684 |
| Reduction: allowance for doubtful accounts | (17,701,564) | (59,491,200) | (85,757) | (77,278,521) |
| Net carrying amount | ₩ 572,438,433 | 136,827,148 | 11,005,582 | 720,271,163 |
| Non-current: | | | | |
| Total carrying amount | 1,874,544 | 23,794,985 | 39,191,443 | 64,860,972 |
| Reduction: allowance for doubtful accounts | - | (622,804) | (236,671) | (859,475) |
| Net carrying amount | ₩ 1,874,544 | 23,172,181 | 38,954,772 | 64,001,497 |

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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6. Restricted Deposits

Restricted deposits included in short-term and long-term financial instruments as of December 31, 2025 and 2024 are as follows:

(in thousands of Korean won)

| Account | | 2025 | 2024 | Details |
|--------------------------------------|---|--------------------|--------------------|---|
| Cash and cash equivalents | ₩ | 5,860,000 | 7,170,000 | Reserved for e-finance business, etc. |
| Other financial assets (current) | | 233,541,497 | 253,761,551 | Deposits for mutually beneficial cooperation fund, etc. |
| Other financial assets (non-current) | | 28,071,531 | 18,371,478 | Performance guarantee, etc. |
| | ₩ | <u>267,473,028</u> | <u>279,303,029</u> | |

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2025 and 2024

7. Fair Value of Financial Instruments

(a) Carrying amount and fair value of financial assets as of December 31, 2025 and 2024 are summarized as follows:

| <i>(in thousands of Korean won)</i> | | <u>2025</u> | <u>2024</u> |
|--|---|----------------------|----------------------|
| Financial assets measured at fair value (*1): | | | |
| Fair value through profit or loss | Current assets: | | |
| | Short-term financial instruments | ₩ 219,500,000 | 230,500,000 |
| | Current debt instruments | 7,313,693 | 1,672,883 |
| | Current derivatives assets held for trading | 4,777,602 | 637,157 |
| | Non-current assets: | | |
| | Non-current debt instruments | 60,449,693 | 51,907,988 |
| | Non-current derivatives assets held for trading | - | 11,013,044 |
| | Subtotal | <u>292,040,988</u> | <u>295,731,072</u> |
| Fair value through other comprehensive income | Current assets: | | |
| | Current debt instruments | - | 4,343,395 |
| | Non-current assets: | | |
| | Equity instruments | 421,804,207 | 463,596,101 |
| | Subtotal | <u>421,804,207</u> | <u>467,939,496</u> |
| Derivatives assets | Current derivatives assets held for hedging | 41,833,531 | 74,762,476 |
| | Non-current derivatives assets held for hedging | 37,810,043 | 84,582,245 |
| | Subtotal | <u>79,643,574</u> | <u>159,344,721</u> |
| Financial assets not being measured at fair value: | | | |
| Financial assets at amortized cost (*2) | Current assets: | | |
| | Cash and cash equivalents | 571,525,104 | 1,554,846,752 |
| | Trade and other receivables | 657,443,295 | 720,271,163 |
| | Short-term financial instruments | 1,261,944,402 | 775,207,329 |
| | Short-term loans | 251,122,400 | 236,506,765 |
| | Accrued income | 13,475,681 | 14,795,229 |
| | Current portion of lease deposits | 78,801,659 | 79,958,275 |
| | Non-current assets: | | |
| | Long-term financial instruments | 3,600,854 | 3,512,289 |
| | Long-term loans | 4,791,962 | 4,775,917 |
| | Long-term accrued income | 46,190 | 152,775 |
| | Lease deposits | 1,065,898,286 | 1,064,577,281 |
| | Long-term trade and other receivables | 56,552,735 | 64,001,497 |
| | Subtotal | <u>3,965,202,568</u> | <u>4,518,605,272</u> |
| Total financial assets | ₩ | <u>4,758,691,337</u> | <u>5,441,620,561</u> |

(*1) Marketable financial assets traded in the active market are measured at fair value based on the market prices at the end of the reporting period. Non-marketable financial assets that do not have a quoted market price in an active market are measured at fair value based on valuation of external appraiser at the end of the reporting period.

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

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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As of December 31, 2025 and 2024

7. Fair Value of Financial Instruments, continued

(b) Other financial assets as of December 31, 2025 and 2024 are summarized as follows:

| <i>(in thousands of Korean won)</i> | | <u>2025</u> | <u>2024</u> |
|---|---|----------------------|----------------------|
| Current: | | | |
| Short-term financial instruments | ₩ | 1,481,444,402 | 1,005,707,329 |
| Short-term loans | | 251,122,400 | 236,506,765 |
| Accrued income | | 13,475,681 | 14,795,229 |
| Current portion of lease deposits | | 78,801,659 | 79,958,275 |
| Current debt instruments | | 7,313,693 | 6,016,278 |
| Current derivatives assets held for trading | | 4,777,602 | 637,157 |
| Current derivatives assets held for hedging | | 41,833,531 | 74,762,476 |
| Total | | <u>1,878,768,968</u> | <u>1,418,383,509</u> |
| Non-current: | | | |
| Long-term financial instruments | | 3,600,854 | 3,512,289 |
| Long-term loans | | 4,791,962 | 4,775,917 |
| Long-term accrued income | | 46,190 | 152,775 |
| Lease deposits | | 1,065,898,286 | 1,064,577,281 |
| Non-current debt instruments | | 60,449,693 | 51,907,988 |
| Non-current equity instruments | | 421,804,207 | 463,596,101 |
| Non-current derivatives assets held for trading | | - | 11,013,044 |
| Non-current derivatives assets held for hedging | | 37,810,043 | 84,582,245 |
| Total | ₩ | <u>1,594,401,235</u> | <u>1,684,117,640</u> |

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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7. Fair Value of Financial Instruments, continued

(c) Financial assets at fair value through other comprehensive income as of December 31, 2025 and 2024 are summarized as follows:

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

| | | | 2025 | | 2024 |
|---|------------------------------|-------------------------|----------------------|--------------------|--------------------|
| | Number of shares (in shares) | Percentage of ownership | Acquisition cost | Carrying amount | Carrying amount |
| Marketable equity instruments measured at fair value through other comprehensive income: | | | | | |
| BNK Financial Group Inc. | 8,543,826 | 2.75% | ₩ 56,179,407 | 135,590,519 | 88,343,161 |
| Shinhan Financial Group Co., Ltd. | 311,118 | 0.06% | 2,247,354 | 23,924,974 | 14,824,773 |
| momo.com Inc. | 20,982,806 | 7.92% | 1,259,429 | 199,889,029 | 298,637,990 |
| INNOCEAN WORLDWIDE INC. (*) | 2,060,000 | 5.15% | 39,943,400 | 38,027,600 | 39,943,400 |
| Others | - | - | 6,557,183 | 1,693,290 | 1,991,674 |
| Subtotal | | | <u>106,186,773</u> | <u>399,125,412</u> | <u>443,740,998</u> |
| Non-marketable equity instruments measured at fair value through other comprehensive income: | | | | | |
| Rael | 58,548 | 0.49% | 567,950 | 1,680,211 | 1,721,311 |
| PT. Lotte Capital Indonesia | 250,000 | 15.63% | 2,140,000 | 3,452,783 | 3,141,196 |
| Others | - | - | 200,103,366 | 17,545,801 | 14,992,596 |
| Subtotal | | | <u>202,811,316</u> | <u>22,678,795</u> | <u>19,855,103</u> |
| Debt instruments measured at fair value through other comprehensive income: | | | | | |
| National housing bond | - | - | - | - | 4,343,395 |
| Subtotal | | | - | - | <u>4,343,395</u> |
| Total | | | ₩ <u>308,998,089</u> | <u>421,804,207</u> | <u>467,939,496</u> |

(*) During the prior year, investments in associates were classified as equity instruments at fair value through other comprehensive income (FVOCI). (See Note 11.)

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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7. Fair Value of Financial Instruments, continued

(d) Carrying amount and fair value of financial liabilities as of December 31, 2025 and 2024 are summarized as follows:

| <i>(in thousands of Korean won)</i> | | <u>2025</u> | <u>2024</u> |
|--|--|-------------------------|-----------------------|
| Financial liabilities measured at fair value: | | | |
| Fair value through profit or loss | Current derivatives liabilities held for trading | ₩ 2,010,000 | - |
| | Current financial liabilities | 27,557,398 | 45,212,931 |
| | Non-current financial liabilities | 10,266,036 | 8,709,850 |
| | Subtotal | <u>39,833,434</u> | <u>53,922,781</u> |
| Derivatives liabilities | Current derivatives liabilities held for hedging | 559,212 | 3,079,724 |
| | Non-current derivatives liabilities held for hedging | 10,420,255 | 1,902,278 |
| | Subtotal | <u>10,979,467</u> | <u>4,982,002</u> |
| Financial liabilities not being measured at fair value (*1): | | | |
| Financial liabilities at amortized cost (*2) | Current: | | |
| | Trade payables and other payables | 2,498,843,586 | 2,514,469,648 |
| | Short-term borrowings | 1,409,241,531 | 2,103,660,267 |
| | Current portion of long-term borrowings | 1,396,098,288 | 879,350,119 |
| | Short-term debentures | 9,998,848 | 213,894,109 |
| | Current portion of long-term debentures | 1,767,188,131 | 1,216,478,305 |
| | Accrued expenses | 210,968,607 | 314,315,722 |
| | Current portion of rental deposits | 183,212,023 | 182,755,154 |
| | Non-current: | | |
| | Other payables | 573,981 | 1,707,804 |
| | Long-term borrowings | 2,084,809,453 | 2,415,664,266 |
| | Long-term debentures | 3,166,404,183 | 3,591,218,324 |
| | Rental deposits | 71,805,142 | 78,194,217 |
| | Others | 450,076 | 550,077 |
| | Subtotal | <u>12,799,593,849</u> | <u>13,512,258,012</u> |
| Other financial liabilities | Current lease liabilities | 739,779,086 | 751,239,722 |
| | Non-current lease liabilities | 3,227,977,338 | 3,593,991,814 |
| | Financial guarantee liabilities | 31,710 | 26,073 |
| | Subtotal | <u>3,967,788,134</u> | <u>4,345,257,609</u> |
| Total financial liabilities | | <u>₩ 16,818,194,884</u> | <u>17,916,420,404</u> |

(*1) Other financial liabilities include liabilities that are not subject to the classification by categories of financial liabilities.

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

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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7. Fair Value of Financial Instruments, continued

(e) Other financial liabilities as of December 31, 2025 and 2024 are summarized as follows:

| <i>(in thousands of Korean won)</i> | | <u>2025</u> | <u>2024</u> |
|--|---|--------------------|--------------------|
| Current: | | | |
| Accrued expenses | ₩ | 210,968,607 | 314,315,722 |
| Current portion of rental deposits | | 183,212,023 | 182,755,154 |
| Current derivatives liabilities held for hedging | | 559,212 | 3,079,724 |
| Current derivatives liabilities held for trading | | 2,010,000 | - |
| Current financial liabilities | | 27,557,398 | 45,212,931 |
| Financial guarantee liabilities | | 31,710 | 26,073 |
| Total | ₩ | <u>424,338,950</u> | <u>545,389,604</u> |
| Non-current: | | | |
| Rental deposits | ₩ | 71,805,142 | 78,194,217 |
| Non-current derivatives liabilities held for hedging | | 10,420,255 | 1,902,278 |
| Non-current financial liabilities | | 10,266,036 | 8,709,850 |
| Others | | 450,076 | 550,077 |
| Total | ₩ | <u>92,941,509</u> | <u>89,356,422</u> |

(f) Fair value hierarchy

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

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

The fair value measurements of financial instruments that are measured at fair value, classified by fair value hierarchy as of December 31, 2025 and 2024 are as follows:

(i) December 31, 2025

| <i>(in thousands of Korean won)</i> | | <u>2025</u> | | | |
|---|---|--------------------|-------------------|--------------------|--------------------|
| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Financial assets at fair value through profit or loss | ₩ | - | - | 292,040,988 | 292,040,988 |
| Financial assets at fair value through other comprehensive income | | 399,125,412 | - | 22,678,795 | 421,804,207 |
| Derivatives assets held for hedging | | - | 79,643,574 | - | 79,643,574 |
| Total | | <u>399,125,412</u> | <u>79,643,574</u> | <u>314,719,783</u> | <u>793,488,769</u> |
| Financial liabilities at fair value through profit or loss | | - | - | 39,833,434 | 39,833,434 |
| Derivatives liabilities held for hedging | | - | 10,979,467 | - | 10,979,467 |
| Total | ₩ | <u>-</u> | <u>10,979,467</u> | <u>39,833,434</u> | <u>50,812,901</u> |

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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7. Fair Value of Financial Instruments, continued

(f) Fair value hierarchy, continued

(ii) December 31, 2024

(in thousands of Korean won)

| | 2024 | | | |
|---|--------------------|--------------------|--------------------|--------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through profit or loss | - | - | 295,731,072 | 295,731,072 |
| Financial assets at fair value through other comprehensive income | 443,740,997 | 4,343,395 | 19,855,104 | 467,939,496 |
| Derivatives assets held for hedging | - | 159,344,721 | - | 159,344,721 |
| Total | <u>443,740,997</u> | <u>163,688,116</u> | <u>315,586,176</u> | <u>923,015,289</u> |
| Financial liabilities at fair value through profit or loss | - | - | 53,922,781 | 53,922,781 |
| Derivatives liabilities held for hedging | - | 4,982,002 | - | 4,982,002 |
| Total | <u>₩ -</u> | <u>4,982,002</u> | <u>53,922,781</u> | <u>58,904,783</u> |

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

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

(g) Level 3 fair values

Changes in Level 3 fair values as of December 31, 2025 and 2024 are as follows:

(in thousands of Korean won)

| | 2025 | 2024 |
|--|----------------------|--------------------|
| Beginning balance | ₩ 261,663,394 | 275,202,820 |
| Total gain or loss for the year | 17,711,975 | (58,055,507) |
| Gain (loss) included in profit and loss for the year | 15,296,387 | (57,282,817) |
| Gain (loss) included in OCI | 2,415,588 | (772,690) |
| Purchases | 23,331,583 | 78,099,939 |
| Disposal, etc. | (27,820,603) | (33,583,858) |
| Ending balance | <u>₩ 274,886,349</u> | <u>261,663,394</u> |

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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7. Fair Value of Financial Instruments, continued

(h) Sensitivity analysis

For the fair value of Level 3 financial instruments, a change in one of the significant unobservable variables, assuming other variables are constant, would have the following effects on the fair values:

(i) Financial assets at fair value through profit or loss

| <i>(in thousands of Korean won)</i> | | Discount rate | |
|---|---|---------------|--------------|
| | | 1%p Decrease | 1%p Increase |
| Financial assets at fair value through profit or loss | ₩ | 54,555 | (52,053) |

(ii) Financial assets at fair value through other comprehensive income

| <i>(in thousands of Korean won)</i> | | Discount rate | |
|---|---|---------------|--------------|
| | | 1%p Decrease | 1%p Increase |
| Financial assets at fair value through other comprehensive income | ₩ | 510,780 | (408,617) |

(iii) Settlement agreement

| <i>(in thousands of Korean won)</i> | | Discount rate | |
|-------------------------------------|---|---------------|-------------|
| | | 5% Decrease | 5% Increase |
| Settlement agreement | ₩ | 1,734 | (1,834) |

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

| <i>(in thousands of Korean won)</i> | | Discount rate | |
|--|---|---------------|--------------|
| | | 1%p Decrease | 1%p Increase |
| Financial liabilities at fair value through profit or loss | ₩ | 19,957,626 | (14,956,448) |

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8. Inventories

(a) Inventories as of December 31, 2025 and 2024 are summarized as follows:

(in thousands of Korean won)

| | 2025 | | | 2024 | | |
|----------------------|------------------|---------------------|---------------|------------------|---------------------|---------------|
| | Acquisition cost | Valuation allowance | Book value | Acquisition cost | Valuation allowance | Book value |
| Merchandise | ₩ 978,666,360 | (27,367,407) | 951,298,953 | 1,007,296,789 | (27,022,012) | 980,274,777 |
| Finished goods | 18,018,038 | (2,533,020) | 15,485,018 | 22,584,602 | (2,803,147) | 19,781,455 |
| Semi-finished goods | 202,757 | - | 202,757 | 4 | - | 4 |
| Work in process | 151,619 | - | 151,619 | 387,008 | - | 387,008 |
| Raw materials | 12,058,452 | (125,167) | 11,933,285 | 13,943,537 | (139,189) | 13,804,348 |
| Ingredients | 1,650,923 | - | 1,650,923 | 1,448,094 | - | 1,448,094 |
| Supplies | 420,327 | - | 420,327 | 1,140,506 | - | 1,140,506 |
| Materials-in-transit | 19,520,233 | - | 19,520,233 | 23,527,900 | - | 23,527,900 |
| Unsold building | 11,363,388 | - | 11,363,388 | 93,555,969 | (29,266,290) | 64,289,679 |
| Unfinished building | 446,085,321 | - | 446,085,321 | 435,824,018 | - | 435,824,018 |
| Total | ₩ 1,488,137,418 | (30,025,594) | 1,458,111,824 | 1,599,708,427 | (59,230,638) | 1,540,477,789 |

(b) For the years ended December 31, 2025 and 2024, the amount of inventories recognized as cost of goods sold and changes in allowance for valuation losses of inventories are as follows:

| | 2025 | 2024 |
|---|-----------------|---------------|
| Cost of goods sold: | | |
| Amount of inventories recognized as cost of goods sold | ₩ 6,819,267,896 | 7,005,152,489 |
| Increase (decrease) in valuation allowance of inventories | (29,205,044) | 5,314,100 |

(c) The capitalized borrowing costs and capitalization interest rates for the years ended December 31, 2025 and 2024 are as follows:

(in thousands of Korean won)

| | 2025 | 2024 |
|-------------------------------|---------------|------|
| Capitalized borrowing costs | ₩ 7,944,441 | - |
| Capitalization interest rates | 4.00% ~ 4.88% | - |

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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9. Other Non-financial Assets

Other non-financial assets as of December 31, 2025 and 2024 are summarized as follows:

| <i>(in thousands of Korean won)</i> | | <u>2025</u> | <u>2024</u> |
|-------------------------------------|---|-------------------|--------------------|
| Current: | | | |
| Advance payments | ₩ | 9,050,580 | 16,756,006 |
| Prepaid expenses | | 32,437,091 | 31,004,946 |
| Prepaid value added tax | | 8,976,467 | 23,699,898 |
| Other current assets | | 3,114,175 | 2,480,281 |
| Total | | <u>53,578,313</u> | <u>73,941,131</u> |
| Non-current: | | | |
| Long-term advance payments | | 87,654,951 | 120,812,775 |
| Long-term prepaid expenses | | 7,049,763 | 7,721,848 |
| Total | ₩ | <u>94,704,714</u> | <u>128,534,623</u> |

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

Assets and liabilities held for sale as of December 31, 2025 and 2024 are summarized as follows:

| <i>(in thousands of Korean won)</i> | | <u>2025</u> | <u>2024</u> |
|---|---|--------------------|--------------------|
| Assets of disposal group classified as held for sale | ₩ | 254,240,992 | 98,773,531 |
| Assets held for sale | | <u>307,825,249</u> | <u>90,130,211</u> |
| Total | | <u>562,066,241</u> | <u>188,903,742</u> |
| Liabilities of disposal group classified as held for sale | | <u>115,004,191</u> | <u>92,246,102</u> |
| Total | ₩ | <u>115,004,191</u> | <u>92,246,102</u> |

(a) Assets and liabilities of disposal groups classified as held for sale

The Group classified the assets and liabilities of its subsidiary, Lotte Properties (Chengdu) Limited, as a disposal group classified as held for sale as of December 31, 2025, and classified the assets and liabilities of the e-commerce division's mobile gift certificate business as a disposal group classified as held for sale as of December 31, 2024.

Details of the assets and liabilities classified as a disposal group held for sale as of December 31, 2025 and 2024 are as follows.

| <i>(in thousands of Korean won)</i> | | <u>2025</u> | <u>2024</u> |
|---|---|--------------------|-------------------|
| Assets within disposal groups: | | | |
| Cash and cash equivalents | ₩ | 84,544,045 | 73,357,824 |
| Trade and other receivables | | 1,388,053 | 19,130,831 |
| Other financial assets | | 81,735 | - |
| Inventories | | 53,441,644 | - |
| Other non-financial assets | | 7,033,585 | 13,913 |
| Property, plant and equipment and other intangible assets | | 4,790 | 6,270,963 |
| Investment property | | <u>107,747,140</u> | <u>-</u> |
| Total | | <u>254,240,992</u> | <u>98,773,531</u> |
| Liabilities within disposal groups: | | | |
| Trade and other payables | | 26,961,563 | 3,318,200 |
| Other financial liabilities | | 87,625,459 | 56,348 |
| Other non-financial liabilities | | <u>417,169</u> | <u>88,871,554</u> |
| Total | ₩ | <u>115,004,191</u> | <u>92,246,102</u> |

Cumulative income or expense recognized in other comprehensive income related to the disposal group classified as held for sale as of December 31, 2025 and 2024 are as follows:

| <i>(in thousands of Korean won)</i> | | <u>2025</u> | <u>2024</u> |
|---|---|-------------|-------------|
| Adjustments on foreign exchange translation | ₩ | 36,529,021 | - |

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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As of December 31, 2025 and 2024

10. Assets and Liabilities Held for Sale, continued

(b) Assets held for sale as of December 31, 2025 and 2024 are summarized as follows:

| <i>(in thousands of Korean won)</i> | <u>2025</u> | <u>2024</u> |
|-------------------------------------|---------------|-------------|
| Land, etc. (*1) | ₩ 307,825,249 | 90,130,211 |

(*1) During the current year, the Group classified assets amounting to ₩ 229,127,190 thousand as assets held for sale following decisions to dispose of properties, and others. In addition, the Group sold employee housing at two locations under the Department Store division amounting to ₩ 385,000 thousand and two stores under the electronics specialty store division amounting to ₩ 11,041,175 thousand, which had been classified as assets held for sale at the end of the prior year, during the current year.

11. Investments in Associates

(a) The details of associates as of December 31, 2025 and 2024, are summarized as follows:

| <i>(in thousands of Korean won)</i> | <u>2025</u> | | | |
|---------------------------------------|-----------------|--|------------------------------------|------------------------|
| <u>Company</u> | <u>Location</u> | <u>Major operation</u> | <u>Percentage of ownership (%)</u> | <u>Book value</u> |
| FRL Korea Co., Ltd. | Korea | Import and selling of apparel | 49.00 | ₩ 235,697,485 |
| Zara Retail Korea Co.,Ltd | Korea | Import and selling of apparel | 20.00 | 26,931,309 |
| LOTTE CARD Co.,Ltd. | Korea | Credit finance business | 20.00 | 490,747,977 |
| LOTTE PROPERTIES HCMC COMPANY LIMITED | Vietnam | Real estate development | 40.00 | 117,146,397 |
| Eugene Unicorn Private Equity Fund | Korea | Trust and collective investment business | 47.06 | 8,517,361 |
| LOTTE-KDB Open Innovation Fund | Korea | Investment on new technology | 41.47 | 11,778,710 |
| HANSSEM CO., LTD | Korea | Home remodeling and home furnishing | 15.19 | 405,767,909 |
| Others | - | - | - | 129,047,061 |
| Total | | | | ₩ <u>1,425,634,209</u> |

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2025 and 2024

11. Investments in Associates, continued

(a) The details of associates as of December 31, 2025 and 2024, are summarized as follows:, continued

(in thousands of Korean won)

| Company | 2024 | | | |
|---------------------------------------|----------|--|-----------------------------|------------------------|
| | Location | Major operation | Percentage of ownership (%) | Book value |
| FRL Korea Co., Ltd. | Korea | Import and selling of apparel | 49.00 | ₩ 209,175,559 |
| Zara Retail Korea Co.,Ltd | Korea | Import and selling of apparel | 20.00 | 28,282,275 |
| LOTTE CARD Co.,Ltd. | Korea | Credit finance business | 20.00 | 482,690,264 |
| LOTTE PROPERTIES HCMC COMPANY LIMITED | Vietnam | Real estate development | 40.00 | 120,803,775 |
| Eugene Unicorn Private Equity Fund | Korea | Trust and collective investment business | 47.06 | 9,698,341 |
| LOTTE-KDB Open Innovation Fund | Korea | Investment on new technology | 41.47 | 19,319,393 |
| HANSSEM CO., LTD | Korea | Home remodeling and home furnishing | 15.19 | 430,990,128 |
| Others | - | - | - | 101,865,908 |
| Total | | | | ₩ <u>1,402,825,643</u> |

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2025 and 2024

11. Investments in Associates, continued

(b) Changes in investments in associates for the years ended December 31, 2025 and 2024 are summarized as follows:

(in thousands of Korean won)

| | | 2025 | | | | | | | | |
|------------------------------------|---|-------------------|-------------|---------------|--|--|--------------|-------------|-------------|----------------|
| | | Beginning balance | Acquisition | Dividends | Profit (loss) accounted for by equity method | Changes in equity accounted for by equity method | Impairment | Disposal | Others (*1) | Ending balance |
| FRL Korea Co., Ltd. | ₩ | 209,175,559 | - | (93,100,000) | 123,885,419 | (4,263,493) | - | - | - | 235,697,485 |
| Zara Retail Korea Co.,Ltd | | 28,282,275 | - | (6,000,000) | 4,798,895 | - | - | (149,861) | - | 26,931,309 |
| Lotte Card Co., Ltd. | | 482,690,264 | - | (7,743,069) | 10,115,960 | 5,706,980 | - | - | (22,158) | 490,747,977 |
| LOTTE PROPERTIES | | | | | | | | | | |
| HCMC COMPANY LIMITED | | 120,803,775 | - | - | 2,838,134 | (6,495,512) | - | - | - | 117,146,397 |
| Eugene Unicorn Private Equity Fund | | 9,698,341 | - | - | (1,180,980) | - | - | - | - | 8,517,361 |
| LOTTE-KDB Open Innovation Fund | | 19,319,393 | - | - | 984,453 | 5,806 | - | (8,530,942) | - | 11,778,710 |
| HANSSEM CO., LTD | | 430,990,128 | - | - | 4,068,374 | 456,618 | (29,737,264) | - | (9,947) | 405,767,909 |
| Others | | 101,865,908 | 22,176,988 | (3,263,956) | 11,835,835 | (1,802,554) | - | (811,226) | (953,934) | 129,047,061 |
| Total | ₩ | 1,402,825,643 | 22,176,988 | (110,107,025) | 157,346,090 | (6,392,155) | (29,737,264) | (9,342,168) | (1,135,900) | 1,425,634,209 |

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

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2025 and 2024

11. Investments in Associates, continued

(b) Changes in investments in associates for the years ended December 31, 2025 and 2024 are summarized as follows;
continued

(in thousands of
Korean won)

| | | 2024 | | | | | | | | |
|------------------------------------|---|-------------------|-------------|---------------|--|--|------------|--------------|----------------|----------------|
| | | Beginning balance | Acquisition | Dividends | Profit (loss) accounted for by equity method | Changes in equity accounted for by equity method | Impairment | Disposal | Others (*1, 2) | Ending balance |
| FRL Korea Co., Ltd. | ₩ | 202,628,650 | - | (88,200,000) | 79,511,743 | 15,235,166 | - | - | - | 209,175,559 |
| Zara Retail Korea Co.,Ltd | | 26,417,891 | - | (6,880,000) | 8,757,680 | - | - | - | (13,296) | 28,282,275 |
| Lotte Card Co., Ltd. | | 479,181,114 | - | (15,590,842) | 22,992,379 | (2,130,660) | - | - | (1,761,727) | 482,690,264 |
| LOTTE PROPERTIES | | | | | | | | | | |
| HCMC COMPANY LIMITED | | 108,805,481 | - | - | 2,634,980 | 9,363,314 | - | - | - | 120,803,775 |
| Eugene Unicorn Private Equity Fund | | 10,724,098 | - | (57) | (1,025,700) | - | - | - | - | 9,698,341 |
| LOTTE-KDB Open Innovation Fund | | 26,202,557 | - | - | 9,670,855 | 149,780 | - | (16,703,799) | - | 19,319,393 |
| INNOCEAN | | | | | | | | | | |
| WORLDWIDE INC. (*3) | | 62,375,113 | - | (2,420,500) | (9,886) | 2,140,627 | - | - | (62,085,354) | - |
| HANSSEM CO., LTD | | 432,515,117 | - | (30,494,170) | 18,014,173 | 11,975,215 | - | - | (1,020,207) | 430,990,128 |
| Others | | 112,860,001 | 1,916,053 | - | (5,274,075) | 2,944,984 | (113,157) | (4,079,055) | (6,388,843) | 101,865,908 |
| Total | ₩ | 1,461,710,022 | 1,916,053 | (143,585,569) | 135,272,149 | 39,678,426 | (113,157) | (20,782,854) | (71,269,427) | 1,402,825,643 |

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

(*2) During the prior year, the carrying amount includes FL Jeju Nohyung Private Real Estate Investment Trust No. 3, which was classified as a subsidiary investment, and INNOCEAN WORLDWIDE INC, which was classified as an equity instrument at fair value through other comprehensive income (FVOCI).

(*3) During the prior year, due to a change in the party exercising the right to nominate directors, it was determined that significant influence could no longer be exercised. As a result, the investment in the associate was reclassified as an equity instrument at fair value through other comprehensive income (FVOCI).

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2025 and 2024

11. Investments in Associates, continued

(c) Financial information of significant associates as of and for the years ended December 31, 2025 and 2024, are summarized as follows:

| | | 2025 | | | | | | | |
|---------------------------------------|---|----------------|-------------------|---------------------|-------------------------|---------------|-------------------------|--|--|
| | | Current asset | Non-current asset | Current liabilities | Non-current liabilities | Sales | Operating income (loss) | Other comprehensive income (loss) (*2) | Total comprehensive income (loss) (*2) |
| FRL Korea Co., Ltd. | ₩ | 737,718,110 | 313,716,085 | 430,251,940 | 140,166,979 | 1,597,464,535 | 359,601,670 | (8,701,005) | 268,102,902 |
| Zara Retail Korea Co.,Ltd | | 111,798,383 | 246,298,437 | 135,908,578 | 87,531,698 | 488,896,494 | 51,406,467 | (749,307) | 33,439,856 |
| Lotte Card Co., Ltd. (*1) | | 24,447,376,167 | - | 20,878,677,445 | - | 2,864,863,318 | 117,169,502 | 28,424,116 | 108,189,165 |
| LOTTE PROPERTIES HCMC COMPANY LIMITED | | 233,562,610 | 60,232,938 | 929,556 | - | - | (1,995,824) | - | 7,095,336 |
| Eugene Unicorn Private Equity Fund | | 4,490,169 | 57,043,444 | 4,951,277 | 2,113,941 | 11,461,421 | (4,196,429) | - | (2,514,632) |
| LOTTE-KDB Open Innovation Fund | | 3,800,361 | 41,680,707 | 738,707 | - | 8,139,621 | 2,374,047 | 14,000 | 2,388,047 |
| HANSSEM CO., LTD (*3) | | 500,143,350 | 653,603,357 | 407,371,115 | 225,202,151 | 1,744,538,347 | 18,434,112 | 3,790,673 | 48,501,713 |

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

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

(*3) This financial information reflects the revaluation model applied to land among property, plant, and equipment.

| | | 2024 | | | | | | | |
|---------------------------------------|---|----------------|-------------------|---------------------|-------------------------|---------------|-------------------------|--|--|
| | | Current asset | Non-current asset | Current liabilities | Non-current liabilities | Sales | Operating income (loss) | Other comprehensive income (loss) (*2) | Total comprehensive income (loss) (*2) |
| FRL Korea Co., Ltd. | ₩ | 639,964,562 | 195,417,251 | 337,289,427 | 71,203,491 | 1,141,840,921 | 229,363,577 | 31,092,175 | 193,361,039 |
| Zara Retail Korea Co.,Ltd | | 125,755,356 | 235,692,939 | 120,663,894 | 99,373,026 | 459,182,771 | 50,774,027 | (66,478) | 43,721,920 |
| Lotte Card Co., Ltd. (*1) | | 24,947,723,940 | - | 21,421,441,732 | - | 3,034,830,705 | 168,960,216 | (19,461,939) | 117,750,607 |
| LOTTE PROPERTIES HCMC COMPANY LIMITED | | 246,804,794 | 56,695,658 | 1,491,015 | - | - | (2,213,185) | - | 6,587,450 |
| Eugene Unicorn Private Equity Fund | | 6,025,818 | 58,302,002 | 3,226,324 | 2,876,562 | 11,831,352 | (2,950,978) | - | (2,179,733) |
| LOTTE-KDB Open Innovation Fund | | 6,702,120 | 49,639,768 | 820,573 | - | 30,861,661 | 23,337,975 | 361,200 | 23,699,381 |
| HANSSEM CO., LTD (*3) | | 512,255,324 | 747,035,157 | 472,033,806 | 288,857,660 | 1,908,390,760 | 31,229,316 | (2,377,014) | 147,603,442 |

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

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

(*3) This financial information reflects the revaluation model applied to land among property, plant, and equipment.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2025 and 2024

11. Investments in Associates, continued

(d) The reconciliation of the net assets of the significant associates to the carrying amount of the equity interest in the associate as of December 31, 2025 and 2024 are as follows:

(in thousands of Korean won)

| | | 2025 | | | | | | |
|---------------------------------------|---|---------------------|-----------------|----------------------------------|---------------|-------------|---------------|-----------------|
| | | Net assets (a) (*1) | Ownership % (b) | Group's share of net asset (a*b) | Impairment | Goodwill | Others (*2) | Carrying amount |
| FRL Korea Co., Ltd. | ₩ | 481,015,276 | 49.00 | 235,697,485 | - | - | - ₩ | 235,697,485 |
| Zara Retail Korea Co.,Ltd. | | 134,656,544 | 20.00 | 26,931,309 | - | - | - | 26,931,309 |
| Lotte Card Co., Ltd. | | 3,568,698,722 | 20.00 | 713,739,637 | (105,209,336) | - | (117,782,324) | 490,747,977 |
| LOTTE PROPERTIES HCMC COMPANY LIMITED | | 292,865,992 | 40.00 | 117,146,397 | - | - | - | 117,146,397 |
| Eugene Unicorn Private Equity Fund | | 47,362,786 | 47.06 | 22,288,370 | (13,771,009) | - | - | 8,517,361 |
| LOTTE-KDB Open Innovation Fund. | | 44,742,361 | 41.47 | 18,553,451 | - | - | (6,774,741) | 11,778,710 |
| HANSSEM CO., LTD (*3, 4) | | 521,173,441 | 21.69 | 113,061,962 | (214,353,063) | 451,004,261 | 83,024,185 | 432,737,345 |

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

(*2) Others include unamortized amounts such as difference of fair values.

(*3) The effective ownership percentage is listed.

(*4) This financial information reflects the revaluation model applied to land among property, plant, and equipment.

(in thousands of Korean won)

| | | 2024 | | | | | | |
|---------------------------------------|---|---------------------|-----------------|----------------------------------|---------------|-------------|---------------|-----------------|
| | | Net assets (a) (*1) | Ownership % (b) | Group's share of net asset (a*b) | Impairment | Goodwill | Others (*2) | Carrying amount |
| FRL Korea Co., Ltd. | ₩ | 426,888,896 | 49.00 | 209,175,559 | - | - | - ₩ | 209,175,559 |
| Zara Retail Korea Co.,Ltd. | | 141,411,376 | 20.00 | 28,282,275 | - | - | - | 28,282,275 |
| Lotte Card Co., Ltd. | | 3,526,282,208 | 20.00 | 705,256,336 | (105,209,336) | - | (117,356,736) | 482,690,264 |
| LOTTE PROPERTIES HCMC COMPANY LIMITED | | 302,009,437 | 40.00 | 120,803,775 | - | - | - | 120,803,775 |
| Eugene Unicorn Private Equity Fund | | 49,872,369 | 47.06 | 23,469,350 | (13,771,009) | - | - | 9,698,341 |
| LOTTE-KDB Open Innovation Fund. | | 55,521,314 | 41.47 | 23,023,193 | - | - | (3,703,800) | 19,319,393 |
| HANSSEM CO., LTD (*3, 4) | | 404,030,678 | 21.69 | 87,649,327 | (184,615,799) | 451,004,261 | 76,952,339 | 430,990,128 |

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

(*2) Others include unamortized amounts such as difference of fair values.

(*3) The effective ownership percentage is listed.

(*4) This financial information reflects the revaluation model applied to land among property, plant, and equipment.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2025 and 2024

11. Investments in Associates, continued

(e) Current and accumulated changes in equity of associates, unrecognized due to cessation of equity method as of December 31, 2025 are as follows:

| <i>(in thousands of Korean won)</i> | 2025 | |
|-------------------------------------|---|--|
| | Unrecognized profits and losses for the year | Unrecognized accumulated losses |
| Prototype | ₩ (8,375) | (186,769) |

(f) The fair value of the shares held by material marketable associates as of December 31, 2025 and 2024 are as follows.

(□) December 31, 2025

| <i>(in thousands of Korean won, except for number of shares)</i> | Number of shares (in shares) | Market price per share (Korean Won) | Market value | Book value |
|--|---|--|---------------------|-------------------|
| HANSSEM CO., LTD | 3,574,932 ₩ | 46,150 | 164,983,112 | 405,767,909 |

(□i) December 31, 2024

| <i>(in thousands of Korean won, except for number of shares)</i> | Number of shares (in shares) | Market price per share (Korean Won) | Market value | Book value |
|--|---|--|---------------------|-------------------|
| HANSSEM CO., LTD | 3,574,932 ₩ | 47,550 | 169,988,017 | 430,990,128 |

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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12. Investments in Joint Venture

(a) The details of joint ventures as of December 31, 2025 and 2024 are summarized as follows:

(in thousands of Korean won)

| Company | Location | Major operation | 2025 | |
|---|----------|-----------------------------|-----------------------------|-----------------|
| | | | Percentage of ownership (%) | Carrying amount |
| STL Co., Limited | Korea | Import and sales of apparel | 50.00 | ₩ 4,434,178 |
| International Business Center Company Limited | Vietnam | Distribution | 50.00 | 32,244,513 |
| LOTTE JTB Co., Ltd. | Korea | Travel business | 50.00 | 11,766,159 |
| Total | | | | ₩ 48,444,850 |

(in thousands of Korean won)

| Company | Location | Major operation | 2024 | |
|---|----------|-----------------------------|-----------------------------|-----------------|
| | | | Percentage of ownership (%) | Carrying amount |
| STL Co., Limited | Korea | Import and sales of apparel | 50.00 | ₩ 4,329,966 |
| International Business Center Company Limited | Vietnam | Distribution | 50.00 | 35,042,399 |
| LOTTE JTB Co., Ltd. | Korea | Travel business | 50.00 | 2,610,437 |
| Total | | | | ₩ 41,982,802 |

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2025 and 2024

12. Investments in Joint Venture, continued

(b) Changes in joint ventures for the years ended December 31, 2025 and 2024, are summarized as follows:

(in thousands of Korean won)

| | | 2025 | | | | | | |
|---|---|-------------------|-------------|--------------------------------------|--|------------|-------------|----------------|
| | | Beginning balance | Dividends | Share of profit (loss) of associates | Share of other comprehensive income (loss) of associates | Impairment | Others (*) | Ending balance |
| STL Co., Limited | ₩ | 4,329,966 | - | 104,212 | - | - | - | 4,434,178 |
| International Business Center Company Limited | | 35,042,399 | (4,070,938) | 4,156,386 | (997,487) | - | (1,885,847) | 32,244,513 |
| LOTTE JTB Co., Ltd. | | 2,610,437 | - | 2,695,769 | - | 6,220,942 | 239,011 | 11,766,159 |
| Total | ₩ | 41,982,802 | (4,070,938) | 6,956,367 | (997,487) | 6,220,942 | (1,646,836) | 48,444,850 |

(*) Others include changes such as foreign currency translation.

(in thousands of Korean won)

| | | 2024 | | | | | | |
|---|---|-------------------|-------------|--------------------------------------|--|--------------|------------|----------------|
| | | Beginning balance | Dividends | Share of profit (loss) of associates | Share of other comprehensive income (loss) of associates | Impairment | Others (*) | Ending balance |
| STL Co., Limited | ₩ | 3,807,831 | - | 522,135 | - | - | - | 4,329,966 |
| International Business Center Company Limited | | 37,432,457 | (3,855,640) | 4,043,266 | 1,352,300 | (13,633,234) | 9,703,250 | 35,042,399 |
| LOTTE JTB Co., Ltd. | | - | - | 2,788,298 | - | - | (177,861) | 2,610,437 |
| Total | ₩ | 41,240,288 | (3,855,640) | 7,353,699 | 1,352,300 | (13,633,234) | 9,525,389 | 41,982,802 |

(*) Others include changes such as foreign currency translation.

(c) Financial information of material joint ventures as at and for the years ended December 31, 2025 and 2024 are summarized as follows:

(in thousands of Korean won)

| | | 2025 | | | | | | | |
|---|---|----------------|--------------------|---------------------|-------------------------|------------|-------------------------|-----------------------------------|-----------------------------------|
| | | Current assets | Non-current assets | Current liabilities | Non-current liabilities | Sales | Operating income (loss) | Other comprehensive income (loss) | Total comprehensive income (loss) |
| STL Co., Limited | ₩ | 9,324,870 | 991,356 | 699,045 | 34,761 | 17,496,977 | 105,462 | - | 208,424 |
| International Business Center Company Limited | | 14,726,679 | 33,194,315 | 9,761,371 | 2,770,696 | 23,163,449 | 10,380,045 | - | 8,312,773 |
| LOTTE JTB Co., Ltd. | | 122,427,700 | 38,778,167 | 133,121,830 | 6,923,403 | 20,611,031 | 1,214,659 | 478,023 | 5,869,560 |

(in thousands of Korean won)

| | | 2024 | | | | | | | |
|---|---|----------------|--------------------|---------------------|-------------------------|------------|-------------------------|-----------------------------------|-----------------------------------|
| | | Current assets | Non-current assets | Current liabilities | Non-current liabilities | Sales | Operating income (loss) | Other comprehensive income (loss) | Total comprehensive income (loss) |
| STL Co., Limited | ₩ | 9,609,622 | 965,082 | 1,192,178 | 8,529 | 17,728,512 | 791,795 | - | 1,044,270 |
| International Business Center Company Limited | | 14,047,314 | 38,970,609 | 13,942,994 | 1,861,924 | 23,539,529 | 10,511,243 | - | 8,092,589 |
| LOTTE JTB Co., Ltd. | | 136,620,157 | 42,400,833 | 157,099,470 | 6,630,447 | 19,765,012 | 2,842,708 | (355,723) | 6,516,902 |

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2025 and 2024

12. Investments in Joint Venture, continued

(d) The reconciliation of the net assets of the joint ventures to the carrying amount of the equity interest in the investment in joint ventures as of December 31, 2025 and 2024 are summarized as follows:

(in thousands of Korean won)

| | | 2025 | | | | | | |
|---|---|------------|-----------|-------------------------------|------------|--------------------|------------|--------------------|
| | | Net assets | Ownership | Group's share of net asset | Goodwill | Impairment loss | Others (*) | Carrying amount |
| | | (a) | % (b) | (a*b) | | | | |
| STL Co., Limited | ₩ | 9,582,420 | 50.00 | 4,791,210 | - | (357,032) | - ₩ | 4,434,178 |
| International Business Center Company Limited | | 35,388,927 | 50.00 | 17,694,463 | 40,415,381 | (43,900,506) | 18,035,175 | 32,244,513 |
| LOTTE JTBC Co., Ltd. | | 21,160,634 | 50.00 | 10,580,317 | 1,185,842 | - | - | 11,766,159 |

(*) Others include unrecognized amounts such as foreign currency differences arising from translation.

(in thousands of Korean won)

| | | 2024 | | | | | | |
|---|---|------------|-----------|-------------------------------|------------|--------------------|------------|--------------------|
| | | Net assets | Ownership | Group's share of net asset | Goodwill | Impairment loss | Others (*) | Carrying amount |
| | | (a) | % (b) | (a*b) | | | | |
| STL Co., Limited | ₩ | 9,373,997 | 50.00 | 4,686,998 | - | (357,032) | - | 4,329,966 |
| International Business Center Company Limited | | 37,213,005 | 50.00 | 18,606,502 | 40,415,381 | (43,900,506) | 19,921,022 | 35,042,399 |
| LOTTE JTBC Co., Ltd. | | 15,291,074 | 50.00 | 7,645,537 | 1,185,842 | (6,220,942) | - | 2,610,437 |

(*) Others include unrecognized amounts such as foreign currency differences arising from translation.

(e) Unrecognized current and accumulated changes in equity of joint ventures due to cessation of equity method as of December 31, 2025 are summarized as follows

(in thousands of Korean won)

| | | 2025 | |
|-------------------------------------|---|----------------------------------|---------------------------------|
| | | Unrecognized losses for the year | Unrecognized accumulated losses |
| LOTTE ENTERTAINMENT VIETNAM CO.,LTD | ₩ | (379,872) | (1,022,147) |

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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13. Property, Plant and Equipment

(a) Details of property, plant and equipment as of December 31, 2025 and 2024 are summarized as follows:

(in thousands of
Korean won)

| | | 2025 | | | | |
|--------------------------|---|-------------------------|---------------------------------|--------------------------------------|----------------------------|-----------------------|
| | | <u>Acquisition cost</u> | <u>Accumulated depreciation</u> | <u>Accumulated impairment losses</u> | <u>Revaluation Surplus</u> | <u>Book value</u> |
| Land | ₩ | 8,186,084,947 | - | - | 9,299,951,800 | 17,486,036,747 |
| Buildings | | 7,934,048,606 | (3,114,996,667) | (169,295,352) | - | 4,649,756,587 |
| Structures | | 341,270,301 | (167,623,212) | (56,483,709) | - | 117,163,380 |
| Machinery | | 403,509,572 | (226,883,427) | (32,754,418) | - | 143,871,727 |
| Vehicles | | 9,465,535 | (7,191,234) | (536,715) | - | 1,737,586 |
| Display fixtures | | 457,109,704 | (393,834,092) | (26,290,057) | - | 36,985,555 |
| Furniture and fixtures | | 5,149,242,656 | (4,062,490,596) | (405,723,014) | - | 681,029,046 |
| Tools and equipment | | 122,787,541 | (101,504,677) | (4,314,956) | - | 16,967,908 |
| Other PP&E | | 43,868,424 | (28,736,150) | (5,502,340) | - | 9,629,934 |
| Construction-in-progress | | 920,302,266 | - | - | - | 920,302,266 |
| Total | ₩ | <u>23,567,689,552</u> | <u>(8,103,260,055)</u> | <u>(700,900,561)</u> | <u>9,299,951,800</u> | <u>24,063,480,736</u> |

(in thousands of
Korean won)

| | | 2024 | | | | |
|--------------------------|---|-------------------------|---------------------------------|--------------------------------------|----------------------------|-----------------------|
| | | <u>Acquisition cost</u> | <u>Accumulated depreciation</u> | <u>Accumulated impairment losses</u> | <u>Revaluation Surplus</u> | <u>Book value</u> |
| Land | ₩ | 8,268,905,478 | - | - | 9,395,968,733 | 17,664,874,211 |
| Buildings | | 8,081,001,067 | (2,969,441,423) | (160,775,956) | - | 4,950,783,688 |
| Structures | | 327,777,276 | (160,385,593) | (53,595,212) | - | 113,796,471 |
| Machinery | | 427,844,276 | (215,427,483) | (46,552,020) | - | 165,864,773 |
| Vehicles | | 9,363,799 | (7,247,045) | (422,714) | - | 1,694,040 |
| Display fixtures | | 455,357,625 | (389,028,835) | (25,731,187) | - | 40,597,603 |
| Furniture and fixtures | | 4,958,083,156 | (3,893,732,953) | (409,382,733) | - | 654,967,470 |
| Tools and equipment | | 124,500,006 | (103,545,761) | (4,439,554) | - | 16,514,691 |
| Other PP&E | | 45,846,520 | (29,301,578) | (5,846,210) | - | 10,698,732 |
| Construction-in-progress | | 686,606,709 | - | - | - | 686,606,709 |
| Total | ₩ | <u>23,385,285,912</u> | <u>(7,768,110,671)</u> | <u>(706,745,586)</u> | <u>9,395,968,733</u> | <u>24,306,398,388</u> |

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2025 and 2024

13. Property, Plant and Equipment, continued

(b) Changes in property, plant and equipment for the year ended December 31, 2025 are as follows:

(in thousands of
Korean won)

| | | 2025 | | | | | | |
|--------------------------|---|-------------------|--------------|---------------|--------------|--------------|---------------|----------------|
| | | Beginning balance | Acquisitions | Depreciation | Impairment | Disposals | Others (*) | Ending balance |
| Land | ₩ | 17,664,874,211 | 689,327 | - | - | (22,743,316) | (156,783,475) | 17,486,036,747 |
| Buildings | | 4,950,783,688 | 13,725,740 | (203,304,645) | (4,601,042) | (3,971,397) | (102,875,757) | 4,649,756,587 |
| Structures | | 113,796,471 | 14,516,790 | (7,583,202) | (2,852,209) | (4) | (714,466) | 117,163,380 |
| Machinery | | 165,864,773 | 5,035,105 | (18,766,802) | (299,525) | (34) | (7,961,790) | 143,871,727 |
| Vehicles | | 1,694,040 | 965,402 | (645,562) | (154,101) | (45,111) | (77,082) | 1,737,586 |
| Display fixtures | | 40,597,603 | 10,106,555 | (14,498,070) | (1,975,002) | (199,884) | 2,954,353 | 36,985,555 |
| Furniture and fixtures | | 654,967,470 | 157,840,357 | (233,436,045) | (15,545,006) | (3,520,292) | 120,722,562 | 681,029,046 |
| Tools and equipment | | 16,514,691 | 6,416,555 | (6,161,879) | (169,994) | (41,513) | 410,048 | 16,967,908 |
| Other PP&E | | 10,698,732 | 896,016 | (3,661,278) | - | (165,326) | 1,861,790 | 9,629,934 |
| Construction-in-progress | | 686,606,709 | 421,457,022 | - | - | (452,891) | (187,308,574) | 920,302,266 |
| Total | ₩ | 24,306,398,388 | 631,648,869 | (488,057,483) | (25,596,879) | (31,139,768) | (329,772,391) | 24,063,480,736 |

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

(c) Changes in property, plant and equipment for the year ended December 31, 2024 are as follows:

(in thousands of
Korean won)

| | | 2024 | | | | | | | | |
|--------------------------|---|-------------------|--------------|----------------------|---------------|---------------|--------------|---------------------|---------------|----------------|
| | | Beginning balance | Acquisitions | Business Combination | Depreciation | Impairment | Disposals | Revaluation Surplus | Others (*) | Ending balance |
| Land | ₩ | 8,204,557,178 | 19,616,553 | 119,424,370 | - | 455,824 | (15,990,082) | 9,395,968,733 | (59,158,365) | 17,664,874,211 |
| Buildings | | 5,159,782,570 | 10,848,161 | 31,712,344 | (212,744,168) | (138,729,654) | (545,361) | - | 100,459,796 | 4,950,783,688 |
| Structures | | 133,734,166 | 1,398,130 | - | (9,129,009) | (25,667,421) | (3,160) | - | 13,463,765 | 113,796,471 |
| Machinery | | 152,778,460 | 27,887,519 | - | (22,589,893) | (3,506,406) | (357,264) | - | 11,652,357 | 165,864,773 |
| Vehicles | | 1,365,346 | 623,451 | - | (503,195) | (6,259) | (27,994) | - | 242,691 | 1,694,040 |
| Display fixtures | | 39,234,871 | 12,733,840 | - | (15,021,616) | (1,247,876) | (903,376) | - | 5,801,760 | 40,597,603 |
| Furniture and fixtures | | 701,550,355 | 154,358,098 | - | (258,660,372) | (145,732,756) | (7,299,309) | - | 210,751,454 | 654,967,470 |
| Tools and equipment | | 16,859,493 | 4,106,783 | - | (6,528,793) | (14,822) | (83,924) | - | 2,175,954 | 16,514,691 |
| Other PP&E | | 10,263,511 | 1,448,391 | - | (38,835) | (281,250) | (738,367) | - | 45,282 | 10,698,732 |
| Construction-in-progress | | 586,567,303 | 636,257,719 | - | - | - | (3,533) | - | (536,214,780) | 686,606,709 |
| Total | ₩ | 15,006,693,253 | 869,278,645 | 151,136,714 | (525,215,881) | (314,730,620) | (25,952,370) | 9,395,968,733 | (250,780,086) | 24,306,398,388 |

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

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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As of December 31, 2025 and 2024

13. Property, Plant and Equipment, continued

(d) Revaluation of property, plant and equipment

During the prior year, the Group changed the measurement model for land classified as property, plant and equipment from the cost model to the revaluation model. Accordingly, the land was revalued.

(i) The amount of land measured under the revaluation model, if recognized at historical cost, is as follows:

(in thousands of Korean won)

| | | 2024 | |
|------|---|--------------------------|-------------------|
| | | Revaluation model | Cost model |
| Land | ₩ | 17,664,874,211 | 8,268,905,478 |

In relation to the application of the revaluation model for land, the pre-tax other comprehensive income recognized in the statement of comprehensive income for the prior year amounts to ₩ 9,408,901,000 thousand, while the pre-tax revaluation loss recognized in profit or loss amounts to ₩ 12,932,267 thousand.

(ii) During the prior year, the following is an analysis of property, plant, and equipment measured at fair value using valuation techniques. A detailed explanation of the fair value hierarchy is provided in Note 7. All land measured at fair value by the group falls under Level 3 of the fair value hierarchy.

(in thousands of Korean won)

| | | 2024 | | |
|------|---|----------------|----------------|----------------|
| | | Level 1 | Level 2 | Level 3 |
| Land | ₩ | - | - | 17,394,419,289 |

(*) At the end of the prior year, the total fair value differs from the total carrying amount of land by the carrying amount of land that is not subject to fair value assessment.

(iii) Valuation process of the Group

The Group recognizes the subsequent measurement of land at its revalued amount, which represents the fair value as of the revaluation date. As of the end of the prior period, the fair value of the land was determined based on valuations conducted by independent and qualified external appraisal firms—Daehwa appraisal corporation, Duyo appraisal corporation, Taepyeongyang appraisal corporation, and Jeil appraisal corporation—as of December 31, 2024. The chief financial officer of the group reviews the assumptions in the independent valuation reports and assesses whether the changes in value are reasonable. The chief financial officer directly reports the findings to the board of directors and the Audit Committee. Discussions and results regarding the valuation process are regularly shared among the chief financial officer, the audit committee, and the board of directors in alignment with the company's reporting schedule, at least once every three years, or more frequently if significant value fluctuations occur.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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13. Property, Plant and Equipment, continued

(iv) Information on fair value measurements using significant unobservable inputs, is as follows:

| <i>(in thousands of Korean won)</i> | <u>Fair Value at the End of the prior Period (*)</u> | <u>Valuation Methodology</u> | <u>Significant Unobservable Inputs</u> | <u>Relationship Between Unobservable Inputs and Fair Value</u> |
|-------------------------------------|--|---|--|--|
| ₩ | 16,088,746,398 | Publicly Announced Land Price-Based Valuation Method: The fair value is determined based on the publicly announced standard land prices of the subject land and nearby properties. However, adjustments are made for the reporting date, individual factors, and other factors to reflect the fair value. | Adjustment for the reporting date (Land price fluctuation rate) Individual factors (Land parcel conditions, etc.) Other factors (Land price level, etc.) | If the land price fluctuation rate increases (decreases), the fair value will increase (decrease) If the adjustment for land parcel conditions, etc. increases (decreases), the fair value will increase (decrease) “If the adjustment for land price level, etc. increases (decreases), the fair value will increase (decrease) |
| Land | 1,305,672,891 | Comparable Sales Method: The fair value is determined by comparing the subject property with similar properties based on transaction cases, and then adjusting for subsequent changes, reporting date adjustments, and comparison of value drivers to reflect the current status of the subject property | Post-Adjustment Adjustment for the reporting date (Land price fluctuation rate) Factors Influencing Value | If the subsequent adjustment increases (decreases), the fair value will increase (decrease) If the adjustment for the reporting date increases (decreases), the fair value will increase (decrease) If the value drivers increase (decrease), the fair value will increase (decrease) |

(*) The total fair value at the end of the period differs by the amount of the book value of land that is not subject to fair value assessment from the total book value of all land.

(v) The book value of revaluation surplus and the restrictions on shareholder dividends related to the revaluation surplus are as follows.

| <i>(in thousands of Korean won)</i> | <u>2025</u> | <u>2024</u> |
|-------------------------------------|-----------------|---------------|
| Revaluation surplus(*) | ₩ 7,044,602,566 | 7,128,571,572 |

(*) The revaluation surplus is not available for dividend distribution. However, it may be reclassified to retained earnings upon the disposal of land and may subsequently affect dividend distributions.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

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As of December 31, 2025 and 2024

13. Property, Plant and Equipment, continued

(e) The Group performed impairment tests for cash-generating units of department stores, discount stores, consumer electronic retailers, supermarkets, cinemas, e-commerce, etc. that have an indication of impairment. The details of impairment losses recognized for the year ended December 31, 2025 are summarized as follows:

| | 2025 | | | | | | | |
|---|------------------|----------------|------------------------------|-------------|------------|------------|------------|-------------|
| | Department Store | Discount store | Consumer electronic retailer | Supermarket | Cinema | E-Commerce | Others | Total |
| Impairment loss on property, plant and equipment | ₩ 5,866,155 | 12,973,070 | 1,295,033 | 3,040,029 | 2,096,442 | 3,044 | 323,106 | 25,596,879 |
| Impairment loss on intangible assets (excluding goodwill) | 285,550 | 9,655,352 | 158,485 | 260,996 | 122,825 | 604,596 | 59,132 | 11,146,936 |
| Impairment loss on right-of-use asset | 34,346,721 | 9,054,804 | 372,363 | 6,756,225 | 24,099,434 | 402,851 | 704,145 | 75,736,543 |
| Impairment loss on investment properties | - | - | - | - | 705,042 | - | 69,925,776 | 70,630,818 |
| Total | ₩ 40,498,426 | 31,683,226 | 1,825,881 | 10,057,250 | 27,023,743 | 1,010,491 | 71,012,159 | 183,111,176 |

The Group performed impairment tests for cash-generating units of department stores, discount stores, consumer electronic retailers, supermarkets, cinemas, e-commerce, etc. that have an indication of impairment. The details of impairment losses recognized for the year ended December 31, 2024 are summarized as follows:

| | 2024 | | | | | | | | |
|---|------------------|----------------|------------------------------|-------------|-----------|------------|------------------|-------------|---------------|
| | Department Store | Discount store | Consumer electronic retailer | Supermarket | Cinema | E-Commerce | TV Home Shopping | Others | Total |
| Impairment loss on property, plant and equipment | ₩ 200,914,080 | 95,324,083 | 1,969,193 | 15,018,730 | 358,271 | 209,327 | - | 936,936 | 314,730,620 |
| Impairment loss on intangible assets (excluding goodwill) | 461,979 | 2,104,815 | (20,413) | 40,685 | 9,902 | 1,441,480 | - | 148,370 | 4,186,818 |
| Impairment loss on goodwill | 73,375,166 | 16,446 | 331,141,731 | 975,856 | - | - | 4,969,059 | - | 410,478,258 |
| Impairment loss on right-of-use asset | 217,834,556 | 74,485,154 | 3,199,957 | 15,353,984 | 6,452,659 | 4,762,265 | - | 47,151 | 322,135,726 |
| Impairment loss on investment properties | - | - | 111,147 | - | 2,529,613 | - | - | 120,503,640 | 123,144,400 |
| Total | ₩ 492,585,781 | 171,930,498 | 336,401,615 | 31,389,255 | 9,350,445 | 6,413,072 | 4,969,059 | 121,636,097 | 1,174,675,822 |

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

(f) Pledged property, plant and equipment provided by the Group as of December 31, 2025 is as follows:

| Offered assets (*) | 2025 | | | | |
|--------------------|-----------------|-------------------|-------------------------|----------------------|-------------------------|
| | Book amount | Guaranteed amount | Type of borrowings | Amount of borrowings | Guarantee recipient |
| Land and buildings | ₩ 3,294,506,738 | 1,783,502,932 | Secured Loan and others | 1,313,000,000 | Shinhan Bank and others |

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

13. Property, Plant and Equipment, continued

(g) The capitalized borrowing costs and capitalization interest rates for the years ended December 31, 2025 and 2024 are as follows:

| <i>(in thousands of Korean won)</i> | | 2025 | 2024 |
|-------------------------------------|---|-------------|--------------|
| Capitalized borrowing costs | ₩ | 30,646,072 | 55,470,443 |
| Capitalization interest rates | | 3.77%~4.71% | 3.61%~11.49% |

14. Investment Property

(a) Investment properties as of December 31, 2025 and 2024 are summarized as follows:

| <i>(in thousands of Korean won)</i> | | 2025 | | | | 2024 | | | |
|-------------------------------------|---|------------------|--------------------------|-------------------------------|---------------|------------------|--------------------------|-------------------------------|---------------|
| | | Acquisition cost | Accumulated depreciation | Accumulated impairment losses | Book value | Acquisition cost | Accumulated depreciation | Accumulated impairment losses | Book value |
| Land | ₩ | 1,137,133,657 | - | (30,154,867) | 1,106,978,790 | 1,155,679,991 | - | (643,187) | 1,155,036,804 |
| Buildings | | 640,373,476 | (194,255,609) | (3,395,567) | 442,722,300 | 665,457,328 | (193,610,211) | (4,016,412) | 467,830,705 |
| Others (*) | | 247,062,971 | (76,211,749) | (83,846,536) | 87,004,686 | 654,264,616 | (73,850,941) | (344,499,242) | 235,914,433 |
| Total | ₩ | 2,024,570,104 | (270,467,358) | (117,396,970) | 1,636,705,776 | 2,475,401,935 | (267,461,152) | (349,158,841) | 1,858,781,942 |

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

(b) Changes in investment property for the year ended December 31, 2025 are as follows:

| <i>(in thousands of Korean won)</i> | | 2025 | | | | Ending balance |
|-------------------------------------|---|-------------------|--------------|--------------|---------------|----------------|
| | | Beginning balance | Acquisitions | Depreciation | Others (*2) | Ending balance |
| Land | ₩ | 1,155,036,804 | - | - | (48,058,014) | 1,106,978,790 |
| Buildings | | 467,830,705 | 39,214 | (16,419,379) | (8,728,240) | 442,722,300 |
| Others (*1) | | 235,914,433 | 10,644,940 | (7,102,349) | (152,452,338) | 87,004,686 |
| Total | ₩ | 1,858,781,942 | 10,684,154 | (23,521,728) | (209,238,592) | 1,636,705,776 |

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

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

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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As of December 31, 2025 and 2024

14. Investment Property, continued

(c) Changes in investment property for the year ended December 31, 2024 are as follows:

| <i>(in thousands of Korean won)</i> | | 2024 | | | | Ending balance |
|-------------------------------------|---|----------------------|--------------------|---------------------|---------------------|----------------------|
| | | Beginning balance | Acquisitions | Depreciation | Others (*2) | |
| Land | ₩ | 826,255,611 | 282,689,319 | - | 46,091,874 | 1,155,036,804 |
| Buildings | | 296,457,494 | 64,562,759 | (15,818,323) | 122,628,775 | 467,830,705 |
| Others (*1) | | 426,892,520 | 11,880,942 | (12,676,153) | (190,182,876) | 235,914,433 |
| Total | ₩ | <u>1,549,605,625</u> | <u>359,133,020</u> | <u>(28,494,476)</u> | <u>(21,462,227)</u> | <u>1,858,781,942</u> |

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

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

(d) Income and expense from investment property

The details of income and expense from investment property for the years ended December 31, 2025 and December 31, 2024 are as follows:

| <i>(in thousands of Korean won)</i> | | <u>2025</u> | <u>2024</u> |
|--|---|-------------|-------------|
| Rental income | ₩ | 200,551,304 | 190,885,289 |
| Direct operating expense (including maintenance and repair expenses) | | 90,469,859 | 91,126,740 |

(e) Fair value of investment property as of December 31, 2025 is as follows:

| <i>(in thousands of Korean won)</i> | | <u>Book value</u> | <u>Fair value</u> |
|-------------------------------------|---|-------------------|-------------------|
| Land, buildings and others | ₩ | 1,636,705,776 | 6,828,387,982 |

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

(a) Goodwill and intangible assets as of December 31, 2025 and 2024 are summarized as follows:

(in thousands of Korean won)

| | 2025 | | | | 2024 | | | |
|----------------------------|------------------|--------------------------|-------------------------------|-------------|------------------|--------------------------|-------------------------------|-------------|
| | Acquisition cost | Accumulated amortization | Accumulated impairment losses | Book value | Acquisition cost | Accumulated amortization | Accumulated impairment losses | Book value |
| Goodwill | ₩ 2,557,946,110 | - | (2,085,419,406) | 472,526,704 | 2,560,440,140 | - | (2,085,427,351) | 475,012,789 |
| Industrial property rights | 147,641,011 | (10,133,908) | (929,157) | 136,577,946 | 147,378,856 | (9,979,455) | (872,905) | 136,526,496 |
| Rights to use facility | 39,440,938 | (38,659,299) | (608,762) | 172,877 | 39,446,816 | (38,619,793) | (608,762) | 218,261 |
| Membership | 29,889,625 | - | (4,052,066) | 25,837,559 | 29,889,625 | - | (3,621,258) | 26,268,367 |
| Construction-in-progress | 33,373,448 | - | - | 33,373,448 | 25,139,611 | - | - | 25,139,611 |
| Other intangible assets | 577,321,327 | (370,530,485) | (87,026,228) | 119,764,614 | 508,860,533 | (350,288,831) | (70,140,154) | 88,431,548 |
| Total | ₩ 3,385,612,459 | (419,323,692) | (2,178,035,619) | 788,253,148 | 3,311,155,581 | (398,888,079) | (2,160,670,430) | 751,597,072 |

(b) Changes in goodwill and intangible assets for the year ended December 31, 2025 are as follows:

(in thousands of Korean won)

| | 2025 | | | | | | |
|----------------------------|-------------------|-------------|--------------|--------------|-----------|-------------|----------------|
| | Beginning balance | Acquisition | Amortization | Impairment | Disposals | Others (*) | Ending Balance |
| Goodwill | ₩ 475,012,789 | - | - | - | - | (2,486,085) | 472,526,704 |
| Industrial property rights | 136,526,496 | 119,052 | (154,928) | (56,848) | (225) | 144,399 | 136,577,946 |
| Rights to use facility | 218,261 | - | (44,483) | - | - | (901) | 172,877 |
| Membership | 26,268,367 | - | - | (430,808) | - | - | 25,837,559 |
| Construction-in-progress | 25,139,611 | 11,345,191 | - | - | - | (3,111,354) | 33,373,448 |
| Other intangible assets | 88,431,548 | 36,915,877 | (75,915,384) | (10,659,280) | (59,928) | 81,051,781 | 119,764,614 |
| Total | ₩ 751,597,072 | 48,380,120 | (76,114,795) | (11,146,936) | (60,153) | 75,597,840 | 788,253,148 |

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

(c) Changes in goodwill and intangible assets for the year ended December 31, 2024 are as follows

(in thousands of Korean won)

| | 2024 | | | | | | |
|----------------------------|-------------------|-------------|--------------|---------------|-------------|-------------|----------------|
| | Beginning balance | Acquisition | Amortization | Impairment | Disposals | Others (*) | Ending Balance |
| Goodwill | ₩ 886,961,000 | - | - | (410,478,258) | - | (1,469,953) | 475,012,789 |
| Industrial property rights | 136,661,081 | 265,800 | (221,344) | (367,356) | (742) | 189,057 | 136,526,496 |
| Rights to use facility | 132,712 | - | (43,644) | (880) | - | 130,073 | 218,261 |
| Membership | 26,307,373 | 150,234 | - | (27,835) | (161,405) | - | 26,268,367 |
| Construction-in-progress | - | 7,325,569 | - | - | (213,000) | 18,027,042 | 25,139,611 |
| Other intangible assets | 108,708,856 | 14,042,539 | (57,871,425) | (3,790,747) | (748,348) | 28,090,673 | 88,431,548 |
| Total | ₩ 1,158,771,022 | 21,784,142 | (58,136,413) | (414,665,076) | (1,123,495) | 44,966,892 | 751,597,072 |

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

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15. Goodwill and Intangible Assets, continued

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

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

Details of the goodwill allocated to the groups of cash-generating units as of December 31, 2025 and 2024 are as follows:

| <i>(in thousands of Korean won)</i> | | <u>2025</u> | <u>2024</u> |
|-------------------------------------|---|--------------------|--------------------|
| Department store | ₩ | 32,077,199 | 31,280,952 |
| Discount store | | 38,692,523 | 41,178,608 |
| Consumer electronic retailer | | 132,596,485 | 132,596,485 |
| TV home shopping | | 268,327,393 | 268,327,393 |
| Supermarket | | 833,104 | 833,104 |
| Others | | - | 796,247 |
| Total | ₩ | <u>472,526,704</u> | <u>475,012,789</u> |

Recoverable amount of the cash-generating unit for each operating segment above is measured at higher of value in use and net fair value. Net fair value is the amount obtainable from the estimated proceeds from the sales of the asset in an arm's length transaction between knowledgeable and willing parties, less estimated costs of disposal. The value in use of each cash-generating unit was determined by discounting its estimated future cash flows as relevant cash-generating units are continuously used. The approach used to determine value in use as of December 31, 2025 was consistent with those used in 2024. The calculation of value in use was based on the following key assumptions:

- Cash flows were estimated based on past experience, actual historical results of operations and a 5-year business plan.
- Revenue growth rate for the following five years is estimated using the past average growth rate and the objective estimation of an external specialist. The future cash flow in 5 years has been estimated with the assumption of 0%~2.0% (2024: 0%~2.0%) growth rate.
- The weighted average cost of capital from the Group's industry is applied as the discount rate in determining the recoverable amount of the cash-generating units. The weighted average costs of capital for each cash-generating unit are as follows:

| | <u>2025</u> | <u>2024</u> |
|------------------------------|----------------|----------------|
| Department store | 4.93% | 4.90% |
| Discount store | 4.93% ~ 11.30% | 4.90% |
| Consumer electronic retailer | 5.98% | 6.17% |
| TV home shopping | 6.72% | 8.05% |
| Supermarket | 4.93% ~ 5.12% | 4.90% ~ 5.24% |
| Cinema | 7.63% ~ 10.37% | 8.09% ~ 10.93% |
| E-Commerce | 4.93% | 7.40% |
| Others | 11.26% | 11.95% |

The values through major assumption represent the management's estimation of future trends for the distribution industry. As a result of impairment testing on basis of external and internal sources (historical data) as of December 31, 2025, there were no impairment losses recognized for department stores, discount stores, supermarkets, consumer electronic retailers and e-commerce for which the recoverable amounts of the cash-generating units are less than their book value.

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15. Goodwill and Intangible Assets, continued

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

There was no impairment loss on goodwill recognized in the current period. During the prior period, an impairment loss on goodwill was recognized as the carrying amount of certain cash-generating units exceeded their recoverable amounts.

| <i>(in thousands of Korean won)</i> | | <u>2025</u> | <u>2024</u> |
|-------------------------------------|---|-------------|--------------------|
| Department store | ₩ | - | 73,375,167 |
| Discount store | | - | 16,444 |
| Supermarket | | - | 975,857 |
| Consumer electronic retailer | | - | 331,141,731 |
| TV home shopping | | - | 4,969,059 |
| Total | ₩ | <u>-</u> | <u>410,478,258</u> |

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

Details of intangible assets with indefinite estimated useful lives as of December 31, 2025 and 2024 are as follows:

| <i>(in thousands of Korean won)</i> | | <u>2025</u> | <u>2024</u> |
|-------------------------------------|---|--------------------|--------------------|
| Department store | ₩ | 11,505,028 | 11,516,356 |
| Discount store | | 1,447,834 | 1,447,834 |
| Consumer electronic retailer | | 139,755,977 | 139,914,462 |
| TV home shopping | | 6,520,844 | 6,520,844 |
| Supermarket | | 1,345,469 | 1,606,465 |
| Cinema | | 803,155 | 803,155 |
| E-Commerce | | 534,608 | 534,608 |
| Total | ₩ | <u>161,912,915</u> | <u>162,343,724</u> |

As a result of the Group's impairment test on indefinite intangible assets, ₩ 430,808 thousand was recognized as impairment loss for 2025 and ₩ 27,835 thousand was recognized as impairment loss in 2024.

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16. Trade and Other Payables

Details of trade and other payables as of December 31, 2025 and 2024 are as follows:

| <i>(in thousands of Korean won)</i> | <u>2025</u> | <u>2024</u> |
|-------------------------------------|----------------------|----------------------|
| Current: | | |
| Trade payables | ₩ 596,178,997 | 601,797,100 |
| Other payables | 1,902,664,589 | 1,912,672,548 |
| Total | <u>2,498,843,586</u> | <u>2,514,469,648</u> |
| Non-current: | | |
| Long-term other payables | 573,982 | 1,707,804 |
| Total | ₩ <u>573,982</u> | <u>1,707,804</u> |

The group participates in supplier financing arrangements under which payment obligations arising from the purchase of goods are transferred to financial institutions. Under these agreements, the financial institutions settle the Company's obligations to suppliers on its behalf, and the Company subsequently repays the financial institutions. This improves payment efficiency and enables the Company to offer early payment terms to suppliers compared to the original payment due dates.

The group includes amounts subject to the supplier financing arrangements in trade and other payables. As of the end of the period, ₩ 519 million (2024: ₩ 3,065 million) has been recognized, with no amounts paid by the financial institution to the supplier. The payment due date under the arrangement can be set flexibly for up to 180 days from the obligation recognition date, with an additional extension of up to 30 days from the scheduled payment date. In comparison, similar obligations not subject to the arrangement are generally settled within 30 days from the obligation recognition date.

17. Borrowings and Debentures

(a) Borrowings and debentures as of December 31, 2025 and 2024 are as follows:

| <i>(in thousands of Korean won)</i> | <u>2025</u> | <u>2024</u> |
|--|------------------------|----------------------|
| Current: | | |
| Short-term borrowings | ₩ 1,409,241,531 | 2,317,554,376 |
| Current portion of long-term borrowings | 1,399,082,889 | 880,644,822 |
| Current portion of discounts on borrowings | (2,984,601) | (1,294,703) |
| Short-term debentures | 9,998,848 | - |
| Current portion of debentures | 1,768,725,000 | 1,217,200,000 |
| Current portion of discount on debentures | (1,536,869) | (721,695) |
| Total | <u>4,582,526,798</u> | <u>4,413,382,800</u> |
| Non-current: | | |
| Long-term borrowings | 2,098,536,840 | 2,430,975,712 |
| Discount on long-term borrowings | (13,727,387) | (15,311,446) |
| Long-term debentures | 3,175,906,500 | 3,598,750,000 |
| Discount on debentures | (9,502,317) | (7,531,676) |
| Total | ₩ <u>5,251,213,636</u> | <u>6,006,882,590</u> |

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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17. Borrowings and Debentures, continued

(b) Short-term borrowings as of December 31, 2025 and 2024 are as follows:

(in thousands of Korean won)

| Lender | Details | Annual interest rate (%) | 2025 | 2024 |
|-------------------------------|-----------------------------------|---|-----------------|---------------|
| Shinhan Bank | Commercial papers | 2.74 ~ 5.50 | ₩ 1,005,400,000 | 1,473,094,109 |
| KEB Hana Bank and others (*1) | General loans of local currency | 2.59 ~ FTP + 2.62 | 67,800,000 | 144,500,000 |
| KEB Hana Bank and others (*2) | General loans of foreign currency | 3M term SOFR + 0.88 ~ 3M term SOFR + 3.10 | 336,041,531 | 699,960,267 |
| | Total | | ₩ 1,409,241,531 | 2,317,554,376 |

(*1) As of December 31, 2025, FTP: 3.12%

(*2) As of December 31, 2025, 3M term SOFR : 3.65%

(c) Long-term borrowings as of December 31, 2025 and 2024 are as follows:

(in thousands of Korean won)

| Lender | Details | Annual interest rate (%) | 2025 | 2024 |
|--|-----------------------------------|---|-----------------|---------------|
| Shinhan Securities Co., Ltd. and others | Commercial papers | 3.00 ~ 3.55 | ₩ 420,000,000 | 250,000,000 |
| Mizuho Corporate Bank, Ltd. and others (*1,2) | General loans of local currency | 91days, interest rate of CD+0.38 ~ 3M Financial Bonds I (Bank Bonds) AAA + 6.15 | 2,581,048,637 | 2,387,338,771 |
| The Export-Import Bank of Korea and others (*3) | General loans of foreign currency | 3M term SOFR + 1.10 ~ 6.55 | 496,571,092 | 674,281,763 |
| | Subtotal | | 3,497,619,729 | 3,311,620,534 |
| Less: Discount on long-term borrowings | | | (16,711,988) | (16,606,149) |
| | Total book value | | 3,480,907,741 | 3,295,014,385 |
| Less: Current portion of long-term borrowings, net of discount | | | (1,396,098,288) | (879,350,119) |
| | Total | | 2,084,809,453 | 2,415,664,266 |

(*1) As of December 31, 2025, 91days, interest rate of CD: 2.81%

(*2) As of December 31, 2025, 3M Financial Bonds (Bank Bonds) AAA: 2.81%

(*3) As of December 31, 2025, 3M term SOFR : 3.65%

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17. Borrowings and Debentures, continued

(d) Debentures as of December 31, 2025 and 2024 are as follows:

(in thousands of Korean won)

| Description | Maturity | Annual interest rate (%) | 2025 | 2024 |
|---|------------|-----------------------------|-------------|-------------|
| 66-3 rd (local currency) | 2025-06-23 | - | - | 140,000,000 |
| 70-3 rd (local currency) | 2026-04-04 | 2.48 | 70,000,000 | 70,000,000 |
| 77-3 rd (local currency) | 2028-05-30 | 3.47 | 100,000,000 | 100,000,000 |
| 79 th (local currency) | 2033-08-07 | 3.55 | 70,000,000 | 70,000,000 |
| 80 th (local currency) | 2038-08-29 | 3.40 | 30,000,000 | 30,000,000 |
| 82-3 rd (local currency) | 2029-01-30 | 2.73 | 140,000,000 | 140,000,000 |
| 83-2 nd (local currency) | 2026-08-28 | 1.67 | 70,000,000 | 70,000,000 |
| 83-3 rd (local currency) | 2029-08-29 | 1.80 | 110,000,000 | 110,000,000 |
| 86-1 st (local currency) | 2025-07-18 | - | - | 30,000,000 |
| 86-2 nd (local currency) | 2030-07-19 | 2.58 | 20,000,000 | 20,000,000 |
| 88-1 st (local currency) | 2025-09-23 | - | - | 135,000,000 |
| 88-2 nd (local currency) | 2030-09-23 | 2.55 | 60,000,000 | 60,000,000 |
| 89-2 nd (local currency) | 2026-04-16 | 2.13 | 190,000,000 | 190,000,000 |
| 89-3 rd (local currency) | 2031-04-16 | 2.95 | 35,000,000 | 35,000,000 |
| 92 nd (foreign currency) | 2025-03-25 | - | - | 235,200,000 |
| 93-2 nd (local currency) | 2025-09-05 | - | - | 110,000,000 |
| 93-3 rd (local currency) | 2027-09-07 | 4.93 | 40,000,000 | 40,000,000 |
| 94 th (foreign currency) | 2025-11-28 | - | - | 147,000,000 |
| 95-1 st (local currency) | 2025-02-21 | - | - | 70,000,000 |
| 95-2 nd (local currency) | 2026-02-23 | 4.55 | 190,000,000 | 190,000,000 |
| 95-3 rd (local currency) | 2028-02-23 | 4.79 | 40,000,000 | 40,000,000 |
| 96-1 st (local currency) | 2025-07-11 | - | - | 130,000,000 |
| 96-2 nd (local currency) | 2026-07-10 | 4.82 | 120,000,000 | 120,000,000 |
| 96-3 rd (local currency) | 2028-07-11 | 4.96 | 20,000,000 | 20,000,000 |
| 97-1 st (foreign currency) (*1) | 2026-08-18 | SOFR + 1.20 | 143,490,000 | 147,000,000 |
| 97-2 nd (foreign currency) (*1) | 2026-08-21 | 3M Term SOFR + 1.00 | 71,745,000 | 73,500,000 |
| 98-1 st (local currency) | 2026-01-16 | 4.11 | 110,000,000 | 110,000,000 |
| 98-2 nd (local currency) | 2027-01-18 | 4.27 | 185,000,000 | 185,000,000 |
| 98-3 rd (local currency) | 2029-01-18 | 4.33 | 40,000,000 | 40,000,000 |
| 99-1 st (local currency) | 2026-04-16 | 3.87 | 120,000,000 | 120,000,000 |
| 99-2 nd (local currency) | 2027-04-16 | 4.00 | 330,000,000 | 330,000,000 |
| 99-3 rd (local currency) | 2029-04-16 | 4.20 | 50,000,000 | 50,000,000 |
| 100-1 st (foreign currency) | 2027-05-17 | 4.80 | 143,490,000 | 147,000,000 |
| 100-2 nd (foreign currency) | 2027-05-21 | 5.08 | 143,490,000 | 147,000,000 |
| 100-3 rd (foreign currency) (*1) | 2027-05-17 | 3M Term SOFR + 1.20 | 107,617,500 | 110,250,000 |
| 101 st (foreign currency) (*1) | 2026-07-30 | SOFR + 0.80 | 143,490,000 | 147,000,000 |
| 102 nd (foreign currency) (*1) | 2027-09-30 | SOFR + 0.95 | 143,490,000 | 147,000,000 |

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17. Borrowings and Debentures, continued

(d) Debentures as of December 31, 2025 and 2024 are as follows: continued

(in thousands of Korean won)

| Description | Maturity | Annual interest rate (%) | 2025 | 2024 |
|--|------------|-----------------------------|-----------------|-----------------|
| 103 rd (foreign currency) (*1) | 2028-01-24 | SOFR + 1.00 | 71,745,000 | - |
| 104 th (foreign currency) | 2028-03-24 | 4.29 | 229,584,000 | - |
| 105-1 st (local currency) | 2027-04-30 | 2.97 | 90,000,000 | - |
| 105-2 nd (local currency) | 2028-04-28 | 3.04 | 160,000,000 | - |
| 106-1 st (local currency) | 2027-09-17 | 2.82 | 60,000,000 | - |
| 106-2 nd (local currency) | 2028-09-19 | 2.96 | 240,000,000 | - |
| 107 th (foreign currency) | 2028-11-28 | 3.69 | 143,490,000 | - |
| 6-1 st collateralized public bond (LOTTE REIT Co.,Ltd.) | 2025-08-06 | - | - | 80,000,000 |
| 6-2 nd collateralized public bond (LOTTE REIT Co.,Ltd.) | 2026-08-06 | 3.45 | 160,000,000 | 160,000,000 |
| 6-3 rd collateralized public bond (LOTTE REIT Co.,Ltd.) | 2026-08-06 | 2.89 | 80,000,000 | - |
| 7-1 st collateralized public bond (LOTTE REIT Co.,Ltd.) | 2025-10-02 | - | - | 50,000,000 |
| 7-2 nd collateralized public bond (LOTTE REIT Co.,Ltd.) | 2026-10-07 | 3.48 | 75,000,000 | 75,000,000 |
| 7-3 rd collateralized public bond (LOTTE REIT Co.,Ltd.) | 2026-10-02 | 3.10 | 50,000,000 | - |
| 8 th corporate bond (LOTTE Himart Co., Ltd.) | 2027-04-16 | 3.26 | 160,000,000 | - |
| 9-1 st corporate bond (LOTTE Himart Co., Ltd.) | 2025-02-03 | - | - | 80,000,000 |
| 9-2 nd corporate bond (LOTTE Himart Co., Ltd.) | 2026-02-03 | 5.18 | 55,000,000 | 55,000,000 |
| 10-1 st corporate bond (LOTTE Himart Co., Ltd.) | 2026-04-16 | 4.41 | 50,000,000 | 50,000,000 |
| 10-2 nd corporate bond (LOTTE Himart Co., Ltd.) | 2027-04-16 | 4.46 | 50,000,000 | 50,000,000 |
| 11-1 st corporate bond (LOTTE Himart Co., Ltd.) | 2026-10-23 | 3.78 | 50,000,000 | 50,000,000 |
| 11-2 nd corporate bond (LOTTE Himart Co., Ltd.) | 2027-10-22 | 3.95 | 80,000,000 | 80,000,000 |
| 12-1 st corporate bond (LOTTE Himart Co., Ltd.) | 2027-03-30 | 3.40 | 20,000,000 | - |
| 12-2 nd corporate bond (LOTTE Himart Co., Ltd.) | 2027-09-30 | 3.43 | 63,000,000 | - |
| 8 th (local currency) (Lotte Cultureworks Co., Ltd.) | 2025-02-08 | - | - | 10,000,000 |
| 9 th (local currency) (Lotte Cultureworks Co., Ltd.) | 2026-02-27 | 5.66 | 20,000,000 | 20,000,000 |
| 17 th (local currency) (Lotte Cultureworks Co., Ltd.) | 2026-02-10 | 5.60 | 10,000,000 | - |
| Subtotal | | | 4,954,631,500 | 4,815,950,000 |
| Less: Discount on debentures | | | (11,040,338) | (8,253,370) |
| Total book value | | | 4,943,591,162 | 4,807,696,630 |
| Less: Current portion of debentures | | | (1,777,186,979) | (1,216,478,306) |
| Total | | | 3,166,404,183 | 3,591,218,324 |

(*1) As of December 31,2025, 3M Term SOFR : 3.65%, SOFR : 4.01%

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17. Borrowings and Debentures, continued

(e) Annual repayment schedule of long-term borrowings and debentures as of December 31, 2025 is as follows:

(in thousands of Korean won)

| | | 2025 | | |
|-------------------------|---|----------------------|----------------------|----------------------|
| | | Borrowings | Debentures | Total |
| 2026.01.01 ~ 2026.12.31 | ₩ | 1,399,082,889 | 1,778,725,000 | 3,177,807,889 |
| 2027.01.01 ~ 2027.12.31 | | 1,368,000,000 | 1,616,087,500 | 2,984,087,500 |
| 2028.01.01 ~ 2028.12.31 | | 630,536,840 | 1,004,819,000 | 1,635,355,840 |
| 2029.01.01 ~ 2029.12.31 | | - | 340,000,000 | 340,000,000 |
| After 2030.01.01 | | 100,000,000 | 215,000,000 | 315,000,000 |
| Total | ₩ | <u>3,497,619,729</u> | <u>4,954,631,500</u> | <u>8,452,251,229</u> |

(f) In connection with certain borrowings and debentures issued as of December 31, 2025, the Group has entered into agreements with financial institutions, which include covenants such as maintaining a certain debt ratio and credit rating. As of December 31, 2025, the Group followed all such financial covenants.

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18. Unearned Revenues

The details of unearned revenues as of December 31, 2025 and 2024 are as follows:

| <i>(in thousands of Korean won)</i> | | 2025 | 2024 |
|-------------------------------------|---|--------------------|--------------------|
| Current: | | | |
| Membership points (*) | ₩ | 2,388,666 | 2,077,583 |
| Other points (*) | | 66,422,367 | 64,081,947 |
| Unearned rental income | | 894,067 | 836,139 |
| Others (*) | | 166,114,665 | 150,325,827 |
| Sub-total | ₩ | <u>235,819,765</u> | <u>217,321,496</u> |
| Non-current: | | | |
| Unearned rental income | | 21,702,027 | 26,624,357 |
| Sub-total | ₩ | <u>21,702,027</u> | <u>26,624,357</u> |
| Total | | <u>257,521,792</u> | <u>243,945,853</u> |

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

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19. Provisions

(a) Changes in provisions for the year ended December 31, 2025 are as follows:

| <i>(in thousands of Korean won)</i> | | Beginning balance | Increase | Decrease | Ending balance |
|-------------------------------------|---|------------------------------|--------------------|---------------------|---------------------------|
| Current: | | | | | |
| Provision for bonus payable | ₩ | - | 39,383,666 | (39,383,666) | - |
| Provision for sales return | | 7,242,492 | 12,892,410 | (11,888,234) | 8,246,668 |
| Provision for restoration | | 3,723,853 | 1,004,695 | (2,058,582) | 2,669,966 |
| Provision for litigation | | 8,078,551 | 1,351,193 | (6,340,656) | 3,089,088 |
| Provision for restructuring (*1) | | 712,713 | - | (191,900) | 520,813 |
| Other provisions (*2) | | 10,237,781 | 55,877,400 | (13,659,187) | 52,455,994 |
| Total | ₩ | <u>29,995,390</u> | <u>110,509,364</u> | <u>(73,522,225)</u> | <u>66,982,529</u> |
| Non-current: | | | | | |
| Provision for restoration | | 139,279,584 | 14,660,173 | (13,831,955) | 140,107,802 |
| Total | ₩ | <u>139,279,584</u> | <u>14,660,173</u> | <u>(13,831,955)</u> | <u>140,107,802</u> |

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

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

(b) Changes in provisions for the year ended December 31, 2024 are as follows:

| <i>(in thousands of Korean won)</i> | | Beginning balance | Increase | Decrease | Ending balance |
|-------------------------------------|---|------------------------------|-------------------|---------------------|---------------------------|
| Current: | | | | | |
| Provision for bonus payable | ₩ | - | 23,302,754 | (23,302,754) | - |
| Provision for sales return | | 7,097,464 | 3,735,022 | (3,589,994) | 7,242,492 |
| Provision for restoration | | 2,273,291 | 2,225,369 | (774,807) | 3,723,853 |
| Provision for litigation | | 9,294,265 | 7,121,138 | (8,336,852) | 8,078,551 |
| Provision for restructuring (*1) | | 453,250 | 6,320,568 | (6,061,105) | 712,713 |
| Other provisions (*2) | | 12,116,196 | 9,217,255 | (11,095,670) | 10,237,781 |
| Total | ₩ | <u>31,234,466</u> | <u>51,922,106</u> | <u>(53,161,182)</u> | <u>29,995,390</u> |
| Non-current: | | | | | |
| Provision for restoration | | 133,965,688 | 15,685,052 | (10,371,156) | 139,279,584 |
| Total | ₩ | <u>133,965,688</u> | <u>15,685,052</u> | <u>(10,371,156)</u> | <u>139,279,584</u> |

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

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

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20. Other Non-financial Liabilities

Other non-financial liabilities as of December 31, 2025 and 2024 are summarized as follows:

| <i>(in thousands of Korean won)</i> | | <u>2025</u> | <u>2024</u> |
|-------------------------------------|---|----------------------|----------------------|
| Current: | | | |
| Withholdings | ₩ | 68,060,956 | 65,623,529 |
| Withholdings of value added tax | | 62,533,572 | 49,566,424 |
| Advances received (*) | | 1,188,010,323 | 1,136,859,196 |
| Other liabilities | | 1,408,759 | 4,718,740 |
| Total | ₩ | <u>1,320,013,610</u> | <u>1,256,767,889</u> |

(*) Amounts at the end of the current period and the prior period include the contract liabilities in Note 29.

21. Employee Benefits

(a) Details of defined benefit liabilities as of December 31, 2025 and 2024 are summarized as follows:

| <i>(in thousands of Korean won)</i> | | <u>2025</u> | <u>2024</u> |
|--|---|----------------------|---------------------|
| Present value of defined benefit obligations | ₩ | 946,586,149 | 993,031,548 |
| Fair value of plan assets | | (1,075,446,435) | (1,063,691,404) |
| Others (*) | | - | 112,180 |
| Net defined benefit asset | | <u>(128,860,286)</u> | <u>(70,547,676)</u> |
| Defined benefit asset | | 134,825,170 | 76,941,333 |
| Defined benefit liability | ₩ | <u>5,964,884</u> | <u>6,393,657</u> |

(*) Reclassified to a disposal group held for sale in the prior year due to the planned transfer of the mobile gift certificate business under the e-commerce segment.

(b) Details of present value of other long-term employee benefits as of December 31, 2025 and 2024 are summarized as follows:

| <i>(in thousands of Korean won)</i> | | <u>2025</u> | <u>2024</u> |
|--|---|-------------------|-------------------|
| Present value of other long-term employee benefits | ₩ | 28,412,112 | 28,968,868 |
| Others (*) | | - | (13,555) |
| Total | ₩ | <u>28,412,112</u> | <u>28,955,313</u> |

(*) Reclassified to a disposal group held for sale in the prior year due to the planned transfer of the mobile gift certificate business under the e-commerce segment.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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21. Employee Benefits, continued

(c) Changes in the defined benefit obligations for the years ended December 31, 2025 and 2024 are as follows:

| <i>(in thousands of Korean won)</i> | | <u>2025</u> | <u>2024</u> |
|--|---|---------------------|--------------------|
| Beginning balance | ₩ | 993,031,548 | 890,003,574 |
| Current service costs | | 97,009,450 | 97,098,773 |
| Past service costs | | 6,267,682 | 32,621,141 |
| Interest costs | | 38,959,193 | 39,782,823 |
| Remeasurements: | | | |
| Actuarial gain from change in demographic assumptions | | (1,769,150) | (53,045) |
| Actuarial loss (gain) from change in financial assumptions | | (62,910,282) | 50,288,561 |
| Actuarial loss from experience adjustments | | 14,646,807 | 394,913 |
| Subtotal | | <u>(50,032,625)</u> | <u>50,630,429</u> |
| Benefit payments | | (133,990,094) | (111,967,797) |
| Others | | (4,659,005) | (5,137,395) |
| Ending balance | ₩ | <u>946,586,149</u> | <u>993,031,548</u> |

(d) Changes in the plan assets for the years ended December 31, 2025 and 2024 are as follows:

| <i>(in thousands of Korean won)</i> | | <u>2025</u> | <u>2024</u> |
|-------------------------------------|---|----------------------|----------------------|
| Beginning balance | ₩ | 1,063,691,404 | 1,064,563,799 |
| Return on plan assets | | 42,184,569 | 48,238,508 |
| Remeasurements | | (7,433,441) | (7,334,138) |
| Employer contribution | | 105,341,157 | 78,135,227 |
| Benefit payments | | (124,561,918) | (116,110,892) |
| Others | | (3,775,336) | (3,801,100) |
| Ending balance | ₩ | <u>1,075,446,435</u> | <u>1,063,691,404</u> |

The estimated contribution to the plan for the next annual reporting period is ₩ 86,472,608 thousand.

(e) The components of plan assets as of December 31, 2025 and 2024 are summarized as follows:

| <i>(in thousands of Korean won)</i> | | <u>2025</u> | <u>2024</u> |
|--|---|----------------------|----------------------|
| Principal guaranteed insurance policies | ₩ | 1,075,387,140 | 1,063,615,946 |
| Contributions to the National Pension Fund | | 59,295 | 75,458 |
| Total | ₩ | <u>1,075,446,435</u> | <u>1,063,691,404</u> |

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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21. Employee Benefits, continued

(f) Expenses recognized for the years ended December 31, 2025 and 2024 are as follows:

| <i>(in thousands of Korean won)</i> | | <u>2025</u> | <u>2024</u> |
|--|---|--------------------|--------------------|
| Current service costs | ₩ | 97,009,450 | 97,098,773 |
| Past service costs | | 6,267,682 | 32,621,141 |
| Interest costs | | 38,959,193 | 39,782,823 |
| Return on plan assets | | (42,184,569) | (48,238,508) |
| Contributions to defined contribution plans and others (*) | | 41,365,475 | 34,022,692 |
| Long-term employee benefits | | 3,953,652 | 5,157,855 |
| Total | ₩ | <u>145,370,883</u> | <u>160,444,776</u> |

(*) The Group recognized severance payments of ₩ 27,897,392 thousand during the current period (₩ 30,020,639 thousand in the prior period) due to voluntary retirement and other factors.

(g) Defined benefit obligation

(i) Actuarial assumptions

The principal actuarial assumptions used as of December 31, 2025 and 2024 are as follows:

| | <u>2025</u> | <u>2024</u> |
|---------------------------------------|-------------|-------------|
| Discount rate | 2.96~7.06% | 3.29~7.13% |
| Expected rate of promotion | 0.32~4.60% | 0.91~3.90% |
| Expected rate of increase in salaries | 0.50~7.00% | 1.00~7.00% |

(ii) Sensitivity analysis

Effects on defined benefit obligation from reasonably possible changes at the reporting date to each of the relevant actuarial assumptions are as follows:

| <i>(in thousands of Korean won)</i> | | <u>Increase</u> | <u>Decrease</u> |
|---|---|-----------------|-----------------|
| Discount rate (1%p movement) | ₩ | (61,707,713) | 69,991,708 |
| Expected rate of promotion (1%p movement) | | 70,275,409 | (56,281,082) |
| Expected rate of salary increase (1%p movement) | | 70,478,682 | (63,210,889) |

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

(h) Information about the maturity profile of the defined benefit obligation as of December 31, 2025 is as follows:

| <i>(in thousands of Korean won)</i> | | <u>Less than 1 year</u> | <u>Between 1-2 years</u> | <u>Between 2-5 years</u> | <u>Between 5-10 years</u> | <u>Over 10 years</u> |
|-------------------------------------|---|-----------------------------|------------------------------|------------------------------|-------------------------------|----------------------|
| Benefits payment | ₩ | 120,869,300 | 112,703,794 | 313,891,452 | 552,816,704 | 1,511,786,810 |

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The weighted average duration of the defined benefit obligation is 7.91 years.

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22. Hybrid securities

(a) Details of hybrid securities classified as equity as of December 31, 2025 and 2024 are as follows:

(in thousands of Korean won)

| | Issue date | Expiration date | Interest (%) | 2025 | 2024 |
|--|------------|-----------------|--------------|-------------|-------------|
| 11 th private bond type of hybrid securities | 2023-04-20 | 2053-04-20 | 8.1 | ₩ - | 40,000,000 |
| 12 th private bond type of hybrid securities | 2023-06-29 | 2053-06-29 | 7.8 | - | 30,000,000 |
| 13 th private bond type of hybrid securities | 2023-12-14 | 2053-12-14 | 7.6 | - | 50,000,000 |
| 14 th private bond type of hybrid securities | 2023-12-15 | 2053-12-15 | 8.1 | - | 30,000,000 |
| Private bond type of hybrid securities of LC Memory 1ST CO.,LTD. (*) | 2025-09-24 | 2055-09-24 | 5.5 | 150,000,000 | - |
| Subtotal | | | | 150,000,000 | 150,000,000 |
| Issuance cost | | | | (1,816,520) | (1,339,758) |
| Total | | | | 148,183,480 | 148,660,242 |

(*) The Group classifies the relevant hybrid securities as non-controlling interests.

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

(in thousands of Korean won)

| | 11 th private bond type of hybrid securities | 12 th private bond type of hybrid securities | 13 th private bond type of hybrid securities | 14 th private bond type of hybrid securities | Private bond type of hybrid securities of LC Memory 1ST CO.,LTD. |
|-------------------------------|---|---|---|---|---|
| Amount | ₩ 40,000,000 | ₩ 30,000,000 | ₩ 50,000,000 | ₩ 30,000,000 | ₩ 150,000,000 |
| Expiration date | 30 years (expiration may be extended at the Group's discretion at maturity) | | | | |
| Interest | Issue date ~ 2025.04.20: 8.10 % 2.0% step-up interest rate applied after 2 years from issuance 0.5% increase per year after application of step-up interest rates | Issue date ~ 2025.06.29: 7.80 % 2.0% step-up interest rate applied after 2 years from issuance 0.5% increase per year after application of step-up interest rates | Issue date ~ 2025.06.14: 7.60 % 2.0% step-up interest rate applied after 1 year 6 months from issuance 0.5% increase per year after application of step-up interest rates | Issue date ~ 2025.06.15: 8.10 % 2.0% step-up interest rate applied after 1 year 6 months from issuance 0.5% increase per year after application of step-up interest rates | Issue date ~ 2028.09.24: 5.50 % 2.5% step-up interest rate applied after 3 years from issuance 0.5% increase per year after application of step-up interest rates |
| Condition of interest payment | July 20, 2023 for the first time, 3 months' interest is deferred on the 20 th of every 3 months until the expiration date. | September 29, 2023 for the first time, 3 months' interest is deferred on the 29 th of every 3 months until the expiration date. | March 14, 2024 for the first time, 3 months' interest is deferred on the 14 th of every 3 months until the expiration date. | March 15, 2024 for the first time, 3 months' interest is deferred on the 15 th of every 3 months until the expiration date. | December 24, 2025 for the first time, 3 months' interest is deferred on the 24 th of every 3 months until the expiration date. |
| Others | Early repayment rights can be exercised every year after 2 years from issuance and thereafter. | Early repayment rights can be exercised every year after 2 years from issuance and thereafter. | Early repayment rights can be exercised every interest payment date after 1 year 6 months from issuance and thereafter. | Early repayment rights can be exercised every interest payment date after 1 year 6 months from issuance and thereafter. | Early repayment rights can be exercised every interest payment date after 3 years from issuance and thereafter. |

11th, 12th, 13th, 14th and LC Memory 1ST CO.,LTD. hybrid security's expiration and interest payment may be deferred by own right. If interest payment is deferred, dividends on common stock cannot be resolved or paid until the deferred interest is paid in full.

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

(a) Details of derivatives outstanding as of December 31, 2025 are as follows:

| Purpose | Type | Description |
|----------------|------------------------|--|
| Risk hedge | Currency swaps | At the maturity of the swap, the principal and the interest payments for debentures and borrowings in foreign currency based on floating rates are exchanged back with the principal and fixed interest rate payments in local currency. |
| | Interest swaps | Fixed interest is paid regarding variable interest of KRW and foreign currency borrowings. |
| Trade | Total return swap (*1) | Cash flows of an investor in beneficiary are exchanged with contracted cash flows. |
| | Stock Options (*2) | The obligation to purchase stocks in stock market. |

(*1) Total return swap of the Group as of December 31, 2025 is as follows:

(in thousands of Korean won)

| Name | Guaranteed Seller | Guaranteed Buyer (**) | Conclusion date of agreement | Maturity date | Agreement Amount | Underlying assets | Purpose of agreement | Description of agreement and settlement method | Special relationship with contract party or issuance company of underlying assets | Collateral | Brokerage financial company | Special agreement |
|-------------|--------------------------|------------------------------------|-------------------------------------|----------------------|-------------------------|---|---|--|--|-------------------|------------------------------------|--------------------------|
| | | LEP No. 1 Co., Ltd. | | | ₩ 30,000,000 | | | | | | | |
| | | LEP No. 2 Co., Ltd. | | | 70,000,000 | | | | | | | |
| | | LEP No. 3 Co., Ltd. | 2021-04-29 | 2026-04-29 | 50,000,000 | | | 1. Settlement of differences between the selling price of underlying assets and the principal of investment | | | KB Securities | |
| | | LEP No. 4 Co., Ltd. | | | 73,000,000 | | | | | | | |
| | | LOG No. 1 Co., Ltd. | | | 40,000,000 | | | | | | | |
| TRS | LOTTE SHOPPING CO., LTD. | LOG No. 3 Co., Ltd. | 2025-02-17 | 2026-04-17 | 24,300,000 | Real estate investment trust related beneficiary certificates | Settlement of disposal of underlying assets | | None | None | KB Securities | - |
| | | LOY No. 1 Co., Ltd. | | | 57,000,000 | | | 2. Settlement of differences between the actual dividends and standard dividends on each dividend payment date | | | | |
| | | LOY No. 2 Co., Ltd. | 2025-07-11 | 2026-07-10 | 65,000,000 | | | | | | KB Securities | |
| | | LOY No. 3 Co., Ltd. | | | 41,000,000 | | | | | | | |
| | | Kimpo Hangang Park No. 1 Co., Ltd. | | | 29,800,000 | | | | | | | |
| | | Kimpo Hangang Park No. 2 Co., Ltd. | 2025-07-11 | 2026-07-10 | 120,000 | | | | | | KB Securities | |

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

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As of December 31, 2025 and 2024

23. Derivatives, continued

(a) Details of derivatives outstanding as of December 31, 2025 are as follows: continued

(**) Summarized financial information for guaranteed buyer, is as follows:

(in thousands of Korean won)

| | | 2025 | | | | |
|------------------------------------|---|------------|-------------|-------------|-------------------|----------------------------|
| | | Assets | Liabilities | Equity | Operating revenue | Profit (loss) for the year |
| LEP No. 1 Co., Ltd. | ₩ | 29,898,030 | 30,208,504 | (310,474) | 1,733,937 | (34,074) |
| LEP No. 2 Co., Ltd. | | 69,729,143 | 70,000,000 | (270,857) | 4,045,853 | (108,739) |
| LEP No. 3 Co., Ltd. | | 50,529,826 | 50,611,311 | (81,485) | 3,064,785 | (598,758) |
| LEP No. 4 Co., Ltd. | | 78,580,767 | 73,367,717 | 5,213,050 | 6,733,408 | 2,487,013 |
| LOG No. 1 Co., Ltd. | | 40,443,896 | 40,465,973 | (22,077) | 2,702,050 | (22,045) |
| LOG No. 3 Co., Ltd. | | 24,620,564 | 24,300,000 | 320,564 | 1,641,496 | 81,140 |
| LOY No. 1 Co., Ltd. | | 57,383,853 | 57,383,892 | (39) | 4,046,980 | 3,900 |
| LOY No. 2 Co., Ltd. | | 65,438,357 | 65,438,710 | (353) | 4,614,977 | 7,168 |
| LOY No. 3 Co., Ltd. | | 41,276,240 | 41,276,556 | (316) | 2,910,986 | (141) |
| Kimpo Hangang Park No. 1 Co., Ltd. | | 30,063,472 | 32,122,249 | (2,058,777) | 2,134,022 | 403,747 |
| Kimpo Hangang Park No. 2 Co., Ltd. | | 123,638 | 130,148 | (6,510) | 8,594 | 1,027 |

(*2) Details of the Group's put options as of December 31, 2025, are as follows:

(in thousands of Korean won)

| | Put option |
|---------------------------------|--|
| Guaranteed buyer | LOTTE SHOPPING CO.,LTD. |
| Asset holder | IBK Securities Co.,Ltd., East Busan Theme Park Co.,Ltd. |
| Contract date | 2024-11-11 |
| Date of maturity | 2026-10-12 |
| Amount | ₩ 2,010,000 |
| Underlying assets | Beneficiary certificates issued by Osiria Thema Park PFV Co., Ltd. |
| Purpose of contract | Credit enhancement provided to support the capital raising of Osiria Thema Park PFV Co., Ltd. |
| Contract details and settlement | Purchase the investment at the agreed contract amount at the time of exercise by the option holder |
| Derivative liabilities | ₩ 2,010,000 |

(b) Hedge Accounting

As of December 31, 2025, the Group entered into currency swap contracts to hedge fair value risk related to the repayment of foreign currency-denominated debentures and borrowings, which are subject to changes in exchange rates. Effective portion of gains or losses on derivatives arising from the currency swap contracts is recognized in other comprehensive income and any ineffective portion is recognized in profit or loss for the period. The cumulative amount recognized in other comprehensive income is reclassified to profit or loss when the related debentures and borrowings issued in foreign currency are settled.

Meanwhile, the Group entered into interest swap contracts for the purpose of hedging interest rate changes for certain debentures and borrowings issued in foreign currency and borrowings in Korean won. Effective portion of gain or loss on derivatives arising from the interest rate swaps is recognized in other comprehensive income and any ineffective portion is recognized in profit or loss for the period. The gain or loss on derivatives from the interest swap contracts is recognized in other comprehensive income as it is determined to be all effective.

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23. Derivatives, continued

(b) Hedge Accounting, continued

Details of derivative contracts for hedging as of December 31, 2025 are as follows:
(in thousands of Korean won, full foreign currency)

| Type | Description | Amount | Exchange Rate (KRW, VND) | Annual Interest Rate | Payable interest rate | Maturity | Remarks | |
|---------------|--|----------------------|--------------------------|-----------------------|-----------------------|------------|---------------------------------|------------|
| | 97-1 st (foreign currency) | USD 100,000,000 | KRW 1,341.60 | SOFR + 1.68%p | 4.74% | 2026.08.18 | Kookmin Bank | |
| | 97-2 nd (foreign currency) | USD 50,000,000 | KRW 1,336.90 | 3M Term SOFR + 1.00%p | 4.19% | 2026.08.21 | KEB Hana Bank | |
| | 100-1 st (foreign currency) | USD 100,000,000 | KRW 1,370.40 | 5.60% | 4.15% | 2027.05.17 | SMBC Bank | |
| | 100-2 nd (foreign currency) | USD 100,000,000 | KRW 1,369.90 | 5.08% | 4.25% | 2027.05.21 | MUFG Bank | |
| | 100-3 rd (foreign currency) | USD 75,000,000 | KRW 1,370.00 | 3M Term SOFR + 1.20%p | 4.20% | 2027.05.17 | The Korea Development Bank | |
| | 101 st (foreign currency) | USD 100,000,000 | KRW 1,381.00 | SOFR + 0.80%p | 3.36% | 2026.07.30 | DBS Bank | |
| | 102 nd (foreign currency) | USD 100,000,000 | KRW 1,321.00 | SOFR + 0.95%p | 3.23% | 2027.09.30 | DBS Bank | |
| | 103 rd (foreign currency) | USD 50,000,000 | KRW 1,438.00 | SOFR + 1.00%p | 3.29% | 2028.01.24 | KEB Hana Bank | |
| | 104 th (foreign currency) | USD 160,000,000 | KRW 1,468.00 | 4.29% | 3.19% | 2028.03.24 | MUFG Bank | |
| | 107 th (foreign currency) | USD 100,000,000 | KRW 1,467.00 | 3.69% | 3.77% | 2028.11.28 | MUFG Bank | |
| | | USD 82,600,000 | KRW 1,308.77 | 6.55% | 5.30% | 2026.03.03 | The Export-Import Bank of Korea | |
| | | USD 100,000,000 | VND 25,970 | 3M Term SOFR + 1.10%p | 5.89% | 2028.05.23 | Woori Bank | |
| Currency Swap | Long-term Borrowing | USD 100,000,000 | VND 25,970 | 3M Term SOFR + 1.10%p | 5.89% | 2028.05.23 | Shinhan Bank | |
| | | USD 30,000,000 | VND 23,250 | 3M Term SOFR + 1.95%p | 7.35% | 2026.12.28 | Woori Bank | |
| | | USD 22,500,000 | VND 24,780 | 3M Term SOFR + 1.95%p | 6.80% | 2026.12.28 | Woori Bank | |
| | | USD 10,000,000 | VND 23,750 | 3M Term SOFR + 1.95%p | 10.10% | 2026.03.27 | Woori Bank | |
| | | USD 50,000,000 | VND 25,965 | 3M Term SOFR + 1.15%p | 5.73% | 2026.05.22 | Standard Chartered Bank | |
| | | USD 40,000,000 | VND 26,300 | 1Y Term SOFR + 1.00%p | 6.77% | 2026.08.28 | MUFG Bank | |
| | | USD 10,000,000 | VND 26,150 | 3M Term SOFR + 1.30%p | 5.99% | 2026.06.24 | Shinhan Bank | |
| | | Short-term borrowing | USD 10,000,000 | VND 26,145 | 3M Term SOFR + 1.30%p | 5.92% | 2026.06.26 | Woori Bank |
| | | USD 13,500,000 | VND 26,390 | 3M Term SOFR + 1.30%p | 6.88% | 2026.09.11 | Shinhan Bank | |
| | | USD 10,000,000 | VND 26,390 | 3M Term SOFR + 1.20%p | 6.78% | 2026.09.09 | Shinhan Bank | |
| | USD 7,000,000 | VND 26,425 | 3M Term SOFR + 3.10%p | 9.00% | 2026.09.28 | Woori Bank | | |

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23. Derivatives, continued

(b) Hedge Accounting, continued

Details of derivative contracts for hedging as of December 31, 2025 are as follows: continued

(in thousands of Korean won, full foreign currency)

| Type | Description | Amount | Exchange Rate (KRW, VND) | Annual Interest Rate | Payable interest rate | Maturity | Remarks |
|---------------|----------------------|-----------------|--------------------------|---------------------------------------|-----------------------|------------|---------------|
| Interest Swap | Long-term borrowing | KRW 100,000,000 | Not Applicable | 91 days, interest rate of CD + 0.95%p | 4.00% | 2026.10.12 | Shinhan Bank |
| | | KRW 75,000,000 | Not Applicable | MOR(3M)+ 0.58%p | 3.64% | 2026.11.23 | NongHyup Bank |
| | Short-term borrowing | KRW 40,000,000 | Not Applicable | 91 days, interest rate of CD + 1.45%p | 3.88% | 2026.11.14 | Shinhan Bank |

(c) Fair value of derivatives outstanding as of December 31, 2025 and 2024 is summarized as follows:

(in thousands of Korean won)

| Description | Type | 2025 | | 2024 | |
|-------------|-------------------|--------------|-------------|-------------|-------------|
| | | Assets | Liabilities | Assets | Liabilities |
| Risk hedge | Currency swaps | ₩ 79,536,650 | 10,519,568 | 159,315,471 | 3,395,184 |
| | Interest swaps | 106,923 | 459,899 | 29,250 | 1,586,817 |
| Trade | Total return swap | 4,777,602 | - | 11,650,201 | - |
| | Stock options | - | 2,010,000 | - | - |
| Total | | ₩ 84,421,175 | 12,989,467 | 170,994,922 | 4,982,001 |

(d) Gain or loss on valuation of derivatives for the year ended December 31, 2025 is as follows:

(in thousands of Korean won)

| Purpose | Type | Amount | Note |
|------------|-------------------|----------------|----------------------------|
| Risk hedge | Currency swaps | ₩ (25,038,213) | Profit or loss |
| | | 23,373,737 | Other comprehensive income |
| Trade | Interest swaps | 1,204,592 | Other comprehensive income |
| | Total return swap | 240,476 | Profit or loss |
| | Stock options | (2,010,000) | Profit or loss |

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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24. Share Capital and Capital Surplus

(a) The share capital of the Company as of December 31, 2025 and 2024 is as follows:

| <i>(in thousands of Korean won, except for number of shares)</i> | <u>2025</u> | <u>2024</u> |
|--|--------------------|--------------------|
| Authorized shares (shares) | 60,000,000 | 60,000,000 |
| Par value per share (in thousands of Korean won) ₩ | 5 | 5 |
| Number of shares issued (shares) | <u>28,288,755</u> | <u>28,288,755</u> |
| Share capital ₩ | <u>141,443,775</u> | <u>141,443,775</u> |

(b) Capital surplus as of December 31, 2025 and 2024 is as follows:

| <i>(in thousands of Korean won)</i> | <u>2025</u> | <u>2024</u> |
|-------------------------------------|----------------------|----------------------|
| Additional paid-in capital ₩ | 3,414,873,024 | 3,414,873,024 |
| Others | <u>159,423,943</u> | <u>159,423,943</u> |
| Total ₩ | <u>3,574,296,967</u> | <u>3,574,296,967</u> |

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25. Capital Adjustments

Capital adjustments as of December 31, 2025 and 2024 are as follows:

| <i>(in thousands of Korean won)</i> | <u>2025</u> | <u>2024</u> |
|-------------------------------------|------------------------|----------------------|
| Treasury stocks | ₩ 3,803,077 | 3,803,077 |
| Other capital adjustments | 3,063,290,719 | 3,044,578,441 |
| Total | ₩ <u>3,067,093,796</u> | <u>3,048,381,518</u> |

26. Retained Earnings

Details of retained earnings as of December 31, 2025 and 2024 are as follows:

| <i>(in thousands of Korean won)</i> | <u>2025</u> | <u>2024</u> |
|-------------------------------------|------------------------|----------------------|
| Legal reserves | ₩ 291,923,933 | 277,788,613 |
| Voluntary reserves | 7,320,052,125 | 8,220,052,125 |
| Undisposed accumulated deficit | (171,454,932) | (1,000,183,550) |
| Total | ₩ <u>7,440,521,126</u> | <u>7,497,657,188</u> |

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27. Accumulated Other Comprehensive Income (loss)

Changes in accumulated other comprehensive income (loss) for the years ended December 31, 2025 and 2024 are as follows:

(in thousands of Korean won)

| | | 2025 | | | |
|---|---|------------------------------|---------------------------------|-------------------------------------|---------------------------|
| | | Beginning balance | Changes for the year | Tax effects for the year | Ending balance |
| Fair value gain (loss) through other comprehensive income | ₩ | 43,438,713 | 1,836,262 | (1,809,801) | 43,465,174 |
| Exchange rate differences on translating foreign operations | | 32,372,523 | (24,358,780) | - | 8,013,743 |
| Cash flow hedge | | (17,407,197) | 23,403,676 | (2,366,591) | 3,629,888 |
| Revaluation surplus | | 7,128,571,572 | (6,381,480) | (77,587,526) | 7,044,602,566 |
| Interests in the other comprehensive income in investment in associates | | 3,302,260 | (6,971,745) | (186,208) | (3,855,693) |
| Total | ₩ | <u>7,190,277,871</u> | <u>(12,472,067)</u> | <u>(81,950,126)</u> | <u>7,095,855,678</u> |

(in thousands of Korean won)

| | | 2024 | | | |
|---|---|------------------------------|---------------------------------|-------------------------------------|---------------------------|
| | | Beginning balance | Changes for the year | Tax effects for the year | Ending balance |
| Fair value gain (loss) through other comprehensive income | ₩ | 65,112,779 | (28,765,816) | 7,091,750 | 43,438,713 |
| Exchange rate differences on translating foreign operations | | 324,291 | 32,048,232 | - | 32,372,523 |
| Cash flow hedge | | (45,733,977) | 30,290,028 | (1,963,248) | (17,407,197) |
| Revaluation surplus | | - | 9,313,604,422 | (2,185,032,850) | 7,128,571,572 |
| Interests in the other comprehensive income in investment in associates | | (31,083,348) | 42,825,507 | (8,439,899) | 3,302,260 |
| Total | ₩ | <u>(11,380,255)</u> | <u>9,390,002,373</u> | <u>(2,188,344,247)</u> | <u>7,190,277,871</u> |

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28. Earnings (losses) per Share

(a) Basic earnings (losses) per share and diluted earnings (losses) per share for the years ended December 31, 2025 and 2024 are as follows:

| <i>(in Korean won, except for number of shares)</i> | | <u>2025</u> | <u>2024</u> |
|--|---|----------------|-------------------|
| Net earnings (loss) attributable to controlling interests | ₩ | 51,555,579,106 | (968,016,249,419) |
| Diluted net earnings (loss) attributable to common shareholders | | 51,555,579,106 | (968,016,249,419) |
| Interest on hybrid securities | | - | (12,230,000,000) |
| Weighted average number of common shares outstanding (in shares) | | 28,270,640 | 28,270,640 |
| Weighted average number of common shares for diluted earnings per share (in shares) | | 28,270,640 | 28,270,640 |
| Basic earnings (loss) per share | | 1,824 | (34,674) |
| Diluted net earnings (loss) per share | | 1,824 | (34,674) |

The group has not issued any potential common shares; therefore, basic earnings (loss) per share and diluted earnings (loss) per share are the same.

(b) Weighted average number of common shares

| <i>(in number of shares)</i> | <u>2025</u> | <u>2024</u> |
|---|-------------------|-------------------|
| Initial number of common shares outstanding | 28,288,755 | 28,288,755 |
| Treasury share | (18,115) | (18,115) |
| Weighted average number of common shares outstanding | <u>28,270,640</u> | <u>28,270,640</u> |

29. Sales

(a) Details of sales recognized in the consolidated comprehensive income statement for the years ended December 31, 2025 and 2024 are as follows:

| <i>(in thousands of Korean won)</i> | | <u>2025</u> | <u>2024</u> |
|---|---|-----------------------|-----------------------|
| Sales of merchandise | ₩ | 17,695,935,772 | 17,859,004,234 |
| Sales of products | | 712,928,149 | 695,643,657 |
| Other sales (*) | | 1,362,560,443 | 1,435,739,479 |
| Total sales | | <u>19,771,424,364</u> | <u>19,990,387,370</u> |
| Revenue from contracts with customers | | | |
| Sales discounts and sales returns | | 1,577,379,265 | 1,522,117,223 |
| Provision for sales return and deferred sales | | 277,869,704 | 266,215,478 |
| Cost of specific sales | | 5,843,504,745 | 5,836,821,167 |
| Total sales deduction | | <u>7,698,753,714</u> | <u>7,625,153,868</u> |
| Subtotal | | <u>12,072,670,650</u> | <u>12,365,233,502</u> |
| Revenue from other sources: rental revenue | | 1,665,684,076 | 1,621,344,768 |
| Total | ₩ | <u>13,738,354,726</u> | <u>13,986,578,270</u> |

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

(a) Details of sales recognized in the consolidated comprehensive income statement for the years ended December 31, 2025 and 2024 are as follows: continued

(* Other sales include a government grant of ₩ 22,927,688 thousand (2024: ₩ 25,778,074 thousand) received in 2025 from Korea Agro-Fisheries & Food Trade Corporation and Korea Fisheries Association as part of an initiative to promote agricultural consumption.

(b) The contract assets and liabilities of the Group recognized related to the revenue from contracts with customers as of December 31, 2025 and 2024 are as follows:

| <i>(in thousands of Korean won)</i> | | <u>2025</u> | <u>2024</u> |
|-------------------------------------|---|----------------------|----------------------|
| Contract liabilities | | | |
| Customer loyalty program | ₩ | 146,955,885 | 139,804,610 |
| Gift vouchers | | 1,020,235,138 | 1,001,980,687 |
| Advances from real estate sales | | - | 983,351 |
| Others | | 156,702,848 | 156,484,590 |
| Total contract liabilities | ₩ | <u>1,323,893,871</u> | <u>1,299,253,238</u> |

(c) The amounts recognized as revenue and redemption of gift vouchers for the year ended December 31, 2025, in relation to contract liabilities carried forward from the year ended December 31, 2024 are as follows:

| <i>(in thousands of Korean won)</i> | | <u>2025</u> | <u>2024</u> |
|-------------------------------------|---|--------------------|--------------------|
| Revenue | | | |
| Customer loyalty programs | ₩ | 139,833,356 | 138,343,174 |
| Others | | 148,741,766 | 152,369,348 |
| Total | | <u>288,575,122</u> | <u>290,712,522</u> |
| Collected | | | |
| Gift vouchers | | 615,965,678 | 578,194,525 |
| Total | ₩ | <u>615,965,678</u> | <u>578,194,525</u> |

(d) Expected satisfaction of performance obligation in relation to gift vouchers by period is as follows:

(in thousands of Korean won)

| | <u>Book amount</u> | <u>1 year</u> | <u>Between 1-5 years</u> | <u>Over 5 years</u> |
|---|--------------------|---------------|--------------------------|---------------------|
| ₩ | 1,020,235,138 | 624,956,051 | 390,485,916 | 4,793,171 |

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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30. Selling, General and Administrative Expenses and Bad Debt Expenses

Details of selling, general and administrative expenses and bad debt expenses for the years ended December 31, 2025 and December 31, 2024 are as follows:

| <i>(in thousands of Korean won)</i> | | <u>2025</u> | <u>2024</u> |
|-------------------------------------|---|----------------------|----------------------|
| Salaries | ₩ | 1,284,804,857 | 1,300,510,956 |
| Retirement benefits | | 140,282,361 | 154,294,498 |
| Long-term employee benefits | | 3,898,365 | 5,090,522 |
| Employee benefits | | 259,001,321 | 254,668,843 |
| Training expenses | | 11,055,922 | 12,150,822 |
| Travel expenses | | 19,055,148 | 19,691,893 |
| Vehicle maintenance expenses | | 2,581,688 | 2,475,882 |
| Insurance premiums | | 9,135,289 | 10,150,935 |
| Taxes and dues | | 214,685,938 | 191,797,996 |
| Entertainment expenses | | 3,007,872 | 3,134,186 |
| Supplies expenses | | 53,213,157 | 53,937,491 |
| Publication expenses | | 1,169,585 | 1,185,328 |
| Communication expenses | | 18,484,856 | 18,555,713 |
| Utility expenses | | 356,828,524 | 362,378,487 |
| Repairs and maintenance | | 45,823,866 | 53,052,986 |
| Rental expenses | | 153,530,284 | 149,655,381 |
| Depreciation | | 970,122,268 | 1,051,489,941 |
| Amortization | | 29,238,493 | 29,082,185 |
| Commission expenses | | 1,100,901,047 | 1,089,905,962 |
| Service commission expenses | | 909,707,295 | 934,406,242 |
| Advertising expenses | | 164,695,000 | 159,100,538 |
| Samples expenses | | 188,298 | 230,890 |
| Sales commissions | | 92,701,108 | 128,396,934 |
| Sales promotion expenses | | 98,533,195 | 98,893,853 |
| Decoration expenses | | 18,096,549 | 19,237,584 |
| Bad debt expenses | | 939,855 | 12,763,288 |
| Transportation expenses | | 144,732,004 | 139,287,070 |
| Research and development expenses | | 238,954 | 244,407 |
| Reversal of provisions | | (307,151) | (8,754,215) |
| Compensation expenses | | 8,044,621 | 10,854,475 |
| Others | | 1,766,732 | 4,237,067 |
| Total | ₩ | <u>6,116,157,301</u> | <u>6,262,108,140</u> |

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31. Other Income and Expenses

Details of other income and expenses for the years ended December 31, 2025 and 2024 are as follows:

| <i>(in thousands of Korean won)</i> | <u>2025</u> | <u>2024</u> |
|---|----------------------|----------------------|
| Other income: | | |
| Gain on foreign currency transactions | ₩ 1,668,267 | 1,293,729 |
| Gain on foreign currency translation | 154,521 | 793,630 |
| Gain on disposal of investment in properties | 200,000 | - |
| Gain on disposal of property, plant, and equipment | 3,629,025 | 8,944,197 |
| Reversal of impairment loss on property, plant, and equipment | - | 455,823 |
| Gain on disposal of intangible assets | - | 5,862 |
| Reversal of impairment loss on intangible assets | - | 20,413 |
| Gain on lease expiration | 38,356,552 | 50,531,984 |
| Gain on disposal of right-of-use assets | 8,705,049 | 18,972,182 |
| Amortization on negative goodwill | - | 27,169,969 |
| Gain on disposal of assets and liabilities held for sale | 16,315,707 | 95,780,389 |
| Reversal of impairment losses on other non-current assets | - | 4,470 |
| Miscellaneous gains | 14,965,050 | 21,552,797 |
| Total | ₩ <u>83,994,171</u> | <u>225,525,445</u> |
| Other expenses: | | |
| Loss on foreign currency transactions | ₩ 2,220,502 | 1,673,191 |
| Loss on foreign currency translation | 125,235 | 214,022 |
| Impairment loss on investment in properties | 70,630,818 | 123,144,400 |
| Loss on disposal of property, plant and equipment | 3,692,110 | 8,483,696 |
| Loss on revaluation of property, plant and equipment | - | 12,932,268 |
| Impairment loss on property, plant and equipment | 25,596,879 | 315,186,444 |
| Loss on disposal of intangible assets | 60,153 | 838,109 |
| Impairment loss on intangible assets | 11,146,936 | 414,685,489 |
| Loss on lease expiration | 738,041 | 18,754,929 |
| Loss on disposal of right-of-use assets | 1,995,880 | 21,279,193 |
| Impairment loss on right-of-use assets | 75,736,543 | 322,135,726 |
| Loss on disposal of assets held for sale | - | 1,064,000 |
| Impairment losses on other non-current assets | - | 227,349 |
| Donations | 15,231,332 | 17,540,353 |
| Other bad debt expenses | 44,861,071 | 42,221,885 |
| Miscellaneous losses | 11,115,961 | 13,348,514 |
| Total | ₩ <u>263,151,461</u> | <u>1,313,729,568</u> |

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32. Nature of expenses

Details of nature of expenses for the years ended December 31, 2025 and 2024 are as follows:

| <i>(in thousands of Korean won)</i> | | <u>2025</u> | <u>2024</u> |
|--|---|-----------------------|-----------------------|
| Purchase of inventories | ₩ | 6,745,914,993 | 7,278,101,669 |
| Changes in inventories | | 87,899,422 | (269,863,993) |
| Employee benefits | | 1,704,486,995 | 1,731,009,069 |
| Rental expenses | | 155,880,033 | 151,977,394 |
| Depreciation and amortization | | 1,056,040,934 | 1,116,141,940 |
| Sales commissions | | 92,701,108 | 128,396,934 |
| Sales promotion expenses | | 101,581,900 | 101,347,055 |
| Commission expenses | | 1,117,573,624 | 1,103,600,046 |
| Service expenses | | 934,220,719 | 957,502,490 |
| Advertising expenses | | 174,532,910 | 165,742,265 |
| Utility expenses | | 361,770,507 | 367,091,147 |
| Taxes and dues | | 214,996,025 | 192,113,698 |
| Others | | 443,718,335 | 490,304,591 |
| Total of costs of goods sold and selling, general and administration expenses | ₩ | <u>13,191,317,505</u> | <u>13,513,464,305</u> |

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33. Finance Income and Finance Costs

(a) Details of finance income and finance costs for the years ended December 31, 2025 and 2024 are as follows:

(in thousands of Korean won)

| | <u>2025</u> | <u>2024</u> |
|---|----------------------|--------------------|
| Finance income: | | |
| Interest income according to the effective interest rate method | ₩ 116,733,126 | 144,824,096 |
| Dividend income | 28,428,992 | 21,505,002 |
| Gain on foreign currency transactions | 9,119,688 | 16,643,657 |
| Gain on foreign currency translation | 33,345,858 | 150,288 |
| Gain on valuation of debt instrument measured at fair value through profit or loss | 22,375,700 | 6,532,701 |
| Gain on disposal of debt instrument measured at fair value through profit or loss | 2,584,693 | 1,776,680 |
| Gain on disposal of debt instrument measured at fair value through other comprehensive income | 133,715 | 55,399 |
| Gain on valuation of derivatives held for hedging | 8,654,361 | 162,774,363 |
| Gain on valuation of derivatives held for trading | 240,476 | 701,129 |
| Gain on transaction of derivatives held for hedging | 11,369,772 | 24,933,754 |
| Gain on transaction of derivatives held for trading | 202,623 | 2,764,477 |
| Gain on disposal of investments in subsidiaries and associates | 504,738 | 1,194,943 |
| Reversal of impairment loss on investments in joint ventures | 6,220,942 | - |
| Financial guarantee income | 56,913 | 63,204 |
| Total | ₩ <u>239,971,597</u> | <u>383,919,693</u> |
| Finance costs: | | |
| Interest expense according to the effective interest rate method | ₩ 582,030,809 | 621,334,771 |
| Loss on foreign currency transactions | 21,005,487 | 29,156,035 |
| Loss on foreign currency translation | 8,738,034 | 164,426,969 |
| Loss on valuation of debt instrument measured at fair value through profit or loss | 1,864,410 | 9,136,529 |
| Loss on disposal of debt instrument measured at fair value through profit or loss | 2,712,275 | 90,542 |
| Loss on disposal of equity instrument measured at fair value through other comprehensive income | - | 15,678 |
| Impairment loss on equity instruments measured at fair value through other comprehensive income | - | 57,695,692 |
| Loss on valuation of derivatives held for hedging | 33,692,574 | - |
| Loss on valuation of derivatives held for trading | 2,010,000 | - |
| Loss on transaction of derivatives held for hedging | 3,469,167 | 3,598,144 |
| Loss on transaction of derivatives held for trading | - | 57,879 |
| Loss on repayment of debenture | - | 272,449 |
| Loss on repayment of borrowings | 96,343 | 99,926 |
| Loss on disposal of investments in subsidiaries and associates | 3,239,659 | 33,054,416 |
| Impairment loss on investments in associates | 29,737,264 | 13,746,391 |
| Other bad debt expenses | 111,000 | - |
| Total | ₩ <u>688,707,022</u> | <u>932,685,421</u> |

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33. Finance Income and Finance Costs, continued

(b) Details of finance income and finance costs by financial instruments category for the years ended December 31, 2025 and 2024 are as follows:

(in thousands of Korean won)

| | | 2025 | | | | | | | |
|---|---|---------------------------|------------------------------------|--|--|---|---|---|---------------|
| | | Cash and cash equivalents | Financial assets at amortized cost | Financial instruments at fair value through profit or loss | Financial instruments at fair value through other comprehensive income | Derivatives assets and liabilities held for trading | Derivatives assets and liabilities held for hedging | Financial liabilities at amortized cost | Total |
| Recognized in profit or loss : | | | | | | | | | |
| Interest income | ₩ | 59,752,129 | 56,933,558 | 47,439 | - | - | - | - | 116,733,126 |
| Interest expense (*1) | | - | - | - | - | - | - | (582,030,809) | (582,030,809) |
| Dividend income | | - | - | 6,293,205 | 22,135,787 | - | - | - | 28,428,992 |
| Valuation / Disposal | | - | - | 20,383,707 | 133,715 | (1,566,900) | (17,137,608) | (96,343) | 1,716,571 |
| Impairment loss | | - | - | - | - | - | - | - | - |
| Exchange differences | | 1,843,569 | (14,085,486) | - | 330,368 | - | - | 24,633,575 | 12,722,026 |
| Financial guarantee income | | - | - | - | - | - | - | 56,913 | 56,913 |
| Subtotal | | 61,595,698 | 42,848,072 | 26,724,351 | 22,599,870 | (1,566,900) | (17,137,608) | (557,436,664) | (422,373,181) |
| Recognized in other comprehensive income (loss)(*2) | | | | | | | | | |
| Fair value gain through other comprehensive income | | - | - | - | (43,932,834) | - | - | - | (43,932,834) |
| Gain on valuation of derivatives | | - | - | - | - | - | 24,578,329 | - | 24,578,329 |
| Subtotal | | - | - | - | (43,932,834) | - | 24,578,329 | - | (19,354,505) |
| Total | ₩ | 61,595,698 | 42,848,072 | 26,724,351 | (21,332,964) | (1,566,900) | 7,440,721 | (557,436,664) | (441,727,686) |

(*1) Interest expense includes interest on leases

(*2) The gain or loss on valuation is amount before offsetting effect of income taxes.

(in thousands of Korean won)

| | | 2024 | | | | | | | |
|---|---|---------------------------|------------------------------------|--|--|---|---|---|---------------|
| | | Cash and cash equivalents | Financial assets at amortized cost | Financial instruments at fair value through profit or loss | Financial instruments at fair value through other comprehensive income | Derivatives assets and liabilities held for trading | Derivatives assets and liabilities held for hedging | Financial liabilities at amortized cost | Total |
| Recognized in profit or loss : | | | | | | | | | |
| Interest income | ₩ | 77,928,256 | 66,893,781 | 2,059 | - | - | - | - | 144,824,096 |
| Interest expense (*1) | | - | - | - | - | - | - | (621,334,771) | (621,334,771) |
| Dividend income | | - | - | 3,391,321 | 18,113,748 | - | - | - | 21,505,069 |
| Valuation / Disposal | | - | - | (917,689) | 39,721 | 3,407,727 | 184,109,973 | (372,375) | 186,267,357 |
| Impairment loss | | - | - | - | (57,695,692) | - | - | - | (57,695,692) |
| Exchange differences | | 7,709,961 | 4,367,970 | - | (331,590) | - | - | (188,535,400) | (176,789,059) |
| Financial guarantee income | | - | - | - | - | - | - | 63,204 | 63,204 |
| Subtotal | | 85,638,217 | 71,261,751 | 2,475,691 | (39,873,813) | 3,407,727 | 184,109,973 | (810,179,342) | (503,159,796) |
| Recognized in other comprehensive income (loss)(*2) | | | | | | | | | |
| Fair value gain through other comprehensive income | | - | - | - | (76,684,019) | - | - | - | (76,684,019) |
| Gain on valuation of derivatives | | - | - | - | - | - | 32,471,295 | - | 32,471,295 |
| Subtotal | | - | - | - | (76,684,019) | - | 32,471,295 | - | (44,212,724) |
| Total | ₩ | 85,638,217 | 71,261,751 | 2,475,691 | (116,557,832) | 3,407,727 | 216,581,268 | (810,179,342) | (547,372,520) |

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(*1) Interest expense includes interest on leases

(*2) The gain or loss on valuation is amount before offsetting effect of income taxes.

34. Income Taxes

(a) Income tax expense (revenue) for the years ended December 31, 2025 and 2024 is as follows:

| <i>(in thousands of Korean won)</i> | <u>2025</u> | <u>2024</u> |
|---|---------------------|------------------------|
| Current income taxes | ₩ 15,600,106 | 21,908,544 |
| Deferred tax due to temporary differences | <u>64,672,204</u> | <u>2,133,411,188</u> |
| Total income tax effect | 80,272,310 | 2,155,319,732 |
| Income tax charged directly to equity | <u>(70,380,904)</u> | <u>(2,182,474,499)</u> |
| Income tax expense (revenue) | ₩ <u>9,891,406</u> | <u>(27,154,767)</u> |

(b) Details of income tax charged directly to equity for the years ended December 31, 2025 and 2024, are as follows:

| <i>(in thousands of Korean won)</i> | <u>2025</u> | <u>2024</u> |
|---|-----------------------|------------------------|
| Fair value gain through other comprehensive income | ₩ 9,838,289 | 20,102,797 |
| Loss on valuation of derivatives | (2,372,248) | (1,945,132) |
| Remeasurements of defined benefit liabilities | (103,807) | 11,743,290 |
| Revaluation surplus | (77,588,071) | (2,204,698,950) |
| Interests in the other comprehensive income in investment in associates | <u>(155,067)</u> | <u>(7,676,504)</u> |
| Income tax charged directly to equity | ₩ <u>(70,380,904)</u> | <u>(2,182,474,499)</u> |

Income tax related to fair value gain (loss) through other comprehensive income, gain (loss) on valuation of derivatives, remeasurements of defined benefit liabilities, changes in equity of equity method investments, and revaluation surplus are recognized in other comprehensive income (loss).

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34. Income Taxes, continued

(c) Income tax expense and related accounting benefits for the years ended December 31, 2025 and 2024 are as follows:

| <i>(in thousands of Korean won)</i> | | <u>2025</u> | <u>2024</u> |
|---|---|------------------|---------------------|
| Profit (loss) before income tax expense | ₩ | 83,446,964 | (1,021,230,039) |
| Income tax using statutory tax rate | | 19,732,165 | (235,442,139) |
| Adjustment: | | | |
| Tax effects on non-taxable income | | (7,373,492) | (27,083,748) |
| Tax effects on non-deductible expense | | 13,309,369 | 37,318,076 |
| Tax credit | | (3,122,582) | (6,118,840) |
| Adjustment for prior periods | | (5,312,108) | (6,253,874) |
| Tax effects on share of loss of subsidiaries and associates | | (866,213) | (5,749,687) |
| Changes in impracticable temporary difference | | (113,321,314) | 109,640,652 |
| Changes in deferred tax due to change in tax rate | | 23,685,592 | 51,471,932 |
| Changes in deferred tax assets for loss carried forward | | 92,628,428 | 125,177,478 |
| Others | | (9,468,439) | (70,114,617) |
| Income tax expense (revenue) | ₩ | <u>9,891,406</u> | <u>(27,154,767)</u> |
| Effective tax rate (*) | | 11.85% | - |

(*) The effective tax rates for 2024 have not been presented due to loss before income tax.

(d) As of December 31, 2025, deferred tax assets and liabilities are measured using the expected future tax rate to be applied for the year in which temporary differences are expected to be reversed.

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34. Income Taxes, continued

(e) Changes in deferred tax assets (liabilities) for the years ended December 31, 2025 and 2024 are as follows:

(in thousands of Korean won)

| | | 2025 | | | |
|--|---|------------------------------|-----------------------|---------------------|------------------------|
| | | Beginning balance | Profit or loss | Equity | Ending balance |
| Depreciation | ₩ | 65,617,567 | (16,606,992) | - | 49,010,575 |
| Allowance for doubtful accounts | | 4,131,831 | 18,530,838 | - | 22,662,669 |
| Accrued income | | (2,537,623) | (46,264) | - | (2,583,887) |
| Unearned revenues | | 470,728 | (296,761) | - | 173,967 |
| Long-term prepaid expenses | | (108,407) | 3,520 | - | (104,887) |
| Losses on valuation of inventories | | 2,871,083 | 922,877 | - | 3,793,960 |
| Provision for sales return | | 922,327 | 130,681 | - | 1,053,008 |
| Property, plant and equipment (capitalization of borrowing costs) | | (26,252,210) | (14,906,842) | - | (41,159,052) |
| Land | | (6,425,174) | 2,378,572 | - | (4,046,602) |
| Land (asset revaluation) | | (3,109,972,585) | (43,931,020) | (77,588,071) | (3,231,491,676) |
| Provision for mileage program | | 756 | (651) | - | 105 |
| Accrued expense | | 7,688,509 | (1,044,527) | - | 6,643,982 |
| Gain (loss) on foreign currency translation | | - | (284) | - | (284) |
| Construction-in-progress | | 257,059 | (491,266) | - | (234,207) |
| Other intangible assets | | (18,107,716) | 1,506,770 | - | (16,600,946) |
| Lease deposit | | 44,261,344 | (5,412,415) | - | 38,848,929 |
| Goodwill | | (348,672) | 850,427 | - | 501,755 |
| Investments in subsidiaries and associates | | (55,497,971) | 23,620,595 | (155,067) | (32,032,443) |
| Fair value gain (loss) on equity instruments through other comprehensive income | | (72,085,463) | - | 9,838,289 | (62,247,174) |
| Gain on valuation of derivatives | | 145,577 | 1,763,029 | (2,372,248) | (463,642) |
| Salaries and retirement benefits | | 7,159,291 | (9,579,686) | (103,807) | (2,524,202) |
| Right-of-use assets and lease liabilities | | 368,971,896 | (30,438,500) | - | 338,533,396 |
| Loss carried forward | | 534,472,312 | 9,350,217 | - | 543,822,529 |
| Others | | 76,142,106 | 69,406,382 | - | 145,548,488 |
| Total | ₩ | <u>(2,178,223,435)</u> | <u>5,708,700</u> | <u>(70,380,904)</u> | <u>(2,242,895,639)</u> |

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

(e) Changes in deferred tax assets (liabilities) for the years ended December 31, 2025 and 2024 are as follows: continued

(in thousands of Korean won)

| | | 2024 | | | |
|--|---|------------------------------|-----------------------|-----------------|-----------------------|
| | | Beginning balance | Profit or loss | Equity | Ending balance |
| Depreciation | ₩ | 36,376,213 | 29,241,354 | - | 65,617,567 |
| Allowance for doubtful accounts | | 4,319,850 | (188,019) | - | 4,131,831 |
| Accrued income | | (1,811,687) | (725,936) | - | (2,537,623) |
| Unearned revenues | | 633,355 | (162,627) | - | 470,728 |
| Long-term prepaid expenses | | (108,407) | - | - | (108,407) |
| Losses on valuation of inventories | | 2,886,200 | (15,117) | - | 2,871,083 |
| Provision for sales return | | 842,190 | 80,137 | - | 922,327 |
| Property, plant and equipment (capitalization of borrowing costs) | | (13,370,002) | (12,882,208) | - | (26,252,210) |
| Land | | (20,001,889) | 13,576,715 | - | (6,425,174) |
| Land (asset revaluation) | | (896,520,361) | (8,753,274) | (2,204,698,950) | (3,109,972,585) |
| Provision for mileage program | | 3,735 | (2,979) | - | 756 |
| Accrued expense | | 10,058,745 | (2,370,236) | - | 7,688,509 |
| Gain (loss) on foreign currency translation | | (300) | 300 | - | - |
| Construction-in-progress | | (8,471,097) | 8,728,156 | - | 257,059 |
| Other intangible assets | | (16,354,554) | (1,753,162) | - | (18,107,716) |
| Lease deposit | | 50,792,770 | (6,531,426) | - | 44,261,344 |
| Goodwill | | 1,798,991 | (2,147,663) | - | (348,672) |
| Investments in subsidiaries and associates | | (50,334,205) | 2,512,738 | (7,676,504) | (55,497,971) |
| Fair value gain (loss) on equity instruments through other comprehensive income | | (92,188,260) | - | 20,102,797 | (72,085,463) |
| Gain on valuation of derivatives | | 617,991 | 1,472,718 | (1,945,132) | 145,577 |
| Salaries and retirement benefits | | (9,018,854) | 4,434,855 | 11,743,290 | 7,159,291 |
| Right-of-use assets and lease liabilities | | 325,969,247 | 43,002,649 | - | 368,971,896 |
| Loss carried forward | | 525,362,815 | 9,109,497 | - | 534,472,312 |
| Others | | 103,705,267 | (27,563,161) | - | 76,142,106 |
| Total | ₩ | (44,812,247) | 49,063,311 | (2,182,474,499) | (2,178,223,435) |

(f) As of December 31, 2025 and 2024, the temporary differences related to investments in subsidiaries and associates for which deferred tax assets and liabilities were not recognized are as follows:

(in thousands of Korean won)

| | | 2025 | 2024 |
|-----------------------------|---|---------------|-------------|
| Investments in associates | ₩ | 350,114,256 | 329,092,456 |
| Investments in subsidiaries | | 104,510,983 | 57,954,490 |
| Loss carried forward | ₩ | 1,350,541,828 | 983,127,353 |

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

(a) As of December 31, 2025 and 2024, the details of cash and cash equivalents are as follows:

| <i>(in thousands of Korean won)</i> | | <u>2025</u> | <u>2024</u> |
|-------------------------------------|---|--------------------|----------------------|
| Cash | ₩ | 14,342,987 | 15,321,702 |
| Deposits | | 102,220,826 | 321,841,997 |
| Other cash equivalents | | 454,961,291 | 1,217,683,054 |
| Total | ₩ | <u>571,525,104</u> | <u>1,554,846,753</u> |

(b) Adjustments for cash flows from operating activities and changes in operating assets and liabilities for the years ended December 31, 2025 and 2024 are as follows:

| <i>(in thousands of Korean won)</i> | | <u>2025</u> | <u>2024</u> |
|--|---|-------------|---------------|
| Income tax expense (income) | ₩ | 9,891,406 | (27,154,767) |
| Retirement benefits | | 100,051,756 | 121,264,229 |
| Long-term employee benefits | | 3,953,652 | 5,157,855 |
| Depreciation | | 979,926,139 | 1,058,005,526 |
| Amortization | | 76,114,795 | 58,136,413 |
| Loss on disposal of intangible assets | | 60,153 | 838,109 |
| Impairment loss on intangible assets | | 11,146,936 | 414,685,489 |
| Loss on foreign currency translation | | 8,863,269 | 164,640,991 |
| Loss on foreign currency transactions | | 21,005,487 | 29,156,035 |
| Loss on disposal of property, plant and equipment | | 3,692,110 | 8,483,696 |
| Impairment loss on property, plant and equipment | | 25,596,879 | 315,186,444 |
| Impairment loss on investment properties | | 70,630,818 | 123,144,400 |
| Loss on lease termination | | 738,041 | 18,754,929 |
| Loss on disposal of right-of-use assets | | 1,995,880 | 21,279,193 |
| Impairment loss on right-of-use assets | | 75,736,543 | 322,135,726 |
| Bad debt expense | | 939,855 | 12,763,288 |
| Other bad debt expense | | 44,972,071 | 42,221,885 |
| Reversal of provisional liabilities | | (307,151) | (8,754,215) |
| Loss on revaluation of property, plant and equipment | | - | 12,932,268 |
| Other non-current impairment loss | | - | 227,349 |
| Loss on valuation of debt instrument at fair value through profit or loss | | 1,864,410 | 9,136,529 |
| Loss on disposal of debt instrument at fair value through profit or loss | | 2,712,275 | 90,542 |
| Loss on disposal of equity instrument at fair value through other comprehensive income | | - | 15,678 |
| Impairment loss on equity instrument at fair value through other comprehensive income | | - | 57,695,692 |
| Loss on transactions of derivatives | | 3,469,167 | 3,656,023 |
| Loss on valuation of derivatives | | 35,702,574 | - |
| Loss on repayment of debenture | | - | 272,449 |
| Loss on repayment of borrowings | | 96,343 | 99,926 |
| Equity method loss on investments in associates and joint ventures | | 3,133,104 | 7,144,967 |
| Loss on disposal of investments in subsidiaries and associates | | 3,239,659 | 33,054,416 |
| Impairment loss on investments in associates and joint ventures | | 29,737,264 | 13,746,391 |

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

(b) Adjustments for cash flows from operating activities and changes in operating assets and liabilities for the years ended December 31, 2025 and 2024 are as follows:, continued

| <i>(in thousands of Korean won)</i> | <u>2025</u> | <u>2024</u> |
|--|------------------------|----------------------|
| Loss on disposal of assets held for sale | - | 1,064,000 |
| Other expenses without cash outflows, etc. | 6,437,062 | 9,512,760 |
| Interest expense | 582,030,809 | 621,334,771 |
| Gain on foreign currency translation | (33,500,379) | (943,918) |
| Gain on foreign currency transactions | (9,119,688) | (16,643,657) |
| Gain on disposal of property, plant and equipment | (3,629,025) | (8,944,197) |
| Gain on disposal of intangible assets | - | (5,862) |
| Gain on disposal of investment property | (200,000) | - |
| Gain on disposal of assets held for sale | (16,315,707) | (95,780,389) |
| Gain on lease termination | (38,356,552) | (50,531,984) |
| Gain on disposal of right-of-use assets | (8,705,049) | (18,972,182) |
| Gain on valuation of debt instrument at fair value through profit or loss | (22,375,700) | (6,532,701) |
| Gain on disposal of debt instrument at fair value through profit or loss | (2,584,693) | (1,776,680) |
| Gain on disposal of debt instrument at fair value through other comprehensive income | (133,715) | (55,399) |
| Gain on transactions of derivatives | (11,572,395) | (27,698,231) |
| Gain on valuation of derivatives | (8,894,837) | (163,475,492) |
| Equity method profit on instrument in associates and joint ventures | (167,435,561) | (149,770,815) |
| Gain on disposal of investments in subsidiaries and associates | (504,738) | (1,194,943) |
| Other income without cash inflows, etc. | (13,859,843) | (33,524,333) |
| Interest income | (116,733,126) | (144,824,096) |
| Dividend income | (28,428,992) | (21,505,002) |
| Decrease in trade receivables | 131,651,621 | 54,607,582 |
| Decrease (increase) in other receivables | (59,554,254) | 148,082,140 |
| Decrease (increase) other financial assets | (2,105,321) | 7,023,344 |
| Decrease (increase) in inventories | 19,893,594 | (68,552,246) |
| Decrease in other non-financial assets | 21,960,236 | 12,848,735 |
| Increase (decrease) in trade payables | 68,825 | (8,422,810) |
| Increase (decrease) in other payables | 3,108,084 | (131,817,163) |
| Increase (decrease) in other financial liabilities | (5,464,776) | 13,844,136 |
| Increase (decrease) in unearned revenues | 17,862,288 | (5,550,254) |
| Increase (decrease) in provisions | (1,422,267) | 3,710,423 |
| Increase (decrease) in other non-financial liabilities | 39,427,047 | (62,863,916) |
| Payment of defined benefit liabilities | (131,177,307) | (111,521,533) |
| Payment of other long-term employee benefits | (4,549,000) | (3,620,640) |
| Decrease in plan assets | 16,407,974 | 37,407,267 |
| Total | ₩ <u>1,667,188,050</u> | <u>2,592,924,171</u> |

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

(c) Non-cash transactions for the years ended December 31, 2025 and 2024 are as follows:

(in thousands of Korean won)

| | | 2025 | 2024 |
|---|---|---------------|---------------|
| Other payables for acquisition of property, plant and equipment | ₩ | (20,115,223) | (36,699,331) |
| Other payables for acquisition of intangible assets | | 2,362,059 | 475,856 |
| Acquisition of right-of-use assets | | 62,024,754 | 46,703,820 |
| Reclassification of borrowings and debentures from non-current to current | | 2,294,689,616 | 2,097,844,822 |

(d) Adjustments in liabilities arising from financial activities for the years ended December 31, 2025 and 2024 are as follows:

(in thousands of Korean won)

| | | 2025 | | | | | | |
|---|---|---------------------------------------|--------------------------------------|-------------------------------------|---|-------------------|-------------------------|-----------------|
| | | Liabilities from financing activities | | | | | | |
| | | Leasehold Deposits Received | Short-term borrowings and debentures | Long-term borrowings and debentures | Financial liabilities at fair value through profit or loss (*2) | Lease liabilities | Derivatives for hedging | Total |
| Beginning balance | ₩ | 260,949,372 | 4,413,382,801 | 6,006,882,590 | 53,922,781 | 4,345,231,537 | (154,362,720) | 14,926,006,361 |
| Net cash flow from financing activities | | 8,274,440 | (2,345,555,767) | 1,905,397,201 | - | (786,842,761) | - | (1,218,726,887) |
| Non-cash flows (*1) | | (14,206,648) | 2,514,699,764 | (2,661,066,155) | (14,089,347) | 409,367,647 | 85,698,613 | 320,403,874 |
| Ending balance | ₩ | 255,017,164 | 4,582,526,798 | 5,251,213,636 | 39,833,434 | 3,967,756,423 | (68,664,107) | 14,027,683,348 |

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

(*2) Due to the conditional repurchase agreement of trading in-kind contributions of Lotte Cultureworks Co., Ltd, the estimated repurchase amount for the future were classified as current financial liabilities at fair value through profit or loss.

(in thousands of Korean won)

| | | 2024 | | | | | | |
|---|---|---------------------------------------|--------------------------------------|-------------------------------------|---|-------------------|-------------------------|----------------|
| | | Liabilities from financing activities | | | | | | |
| | | Leasehold Deposits Received | Short-term borrowings and debentures | Long-term borrowings and debentures | Financial liabilities at fair value through profit or loss (*2) | Lease liabilities | Derivatives for hedging | Total |
| Beginning balance | ₩ | 250,464,665 | 5,145,975,766 | 4,266,225,219 | 44,418,121 | 4,845,792,412 | (28,179,563) | 14,524,696,620 |
| Net cash flow from financing activities | | 25,047,289 | (3,938,981,915) | 4,642,373,791 | - | (833,451,709) | - | (105,012,544) |
| Non-cash flows (*1) | | (14,562,582) | 3,206,388,950 | (2,901,716,420) | 9,504,660 | 332,890,834 | (126,183,157) | 506,322,285 |
| Ending balance | ₩ | 260,949,372 | 4,413,382,801 | 6,006,882,590 | 53,922,781 | 4,345,231,537 | (154,362,720) | 14,926,006,361 |

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

(*2) Due to the conditional repurchase agreement of trading in-kind contributions of Lotte Cultureworks Co., Ltd, the estimated repurchase amount for the future were classified as current financial liabilities at fair value through profit or loss.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

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36. Greenhouse Gases Emission Rights

(a) Emission Right

The Group has participated in the allocation and trading system of emissions since 2015. From year 2021 to 2025 is the third plan of the commitment period, and in December 2020, the emission rights for each implementation year of the plan period are 770,535 tCO₂-eq for year 2021, 2022, and 2023, and 748,998 tCO₂-eq for year 2024 and 2025 and allocated respectively.

Furthermore, the Group has carried forward emission right of 70,693 tCO₂-eq from the previous compliance period. As of December 31, 2025, there is no pledged emission, and the Group submitted emission right of 721,012 tCO₂-eq and 717,398 tCO₂-eq to the government in 2023 and 2024. The Group has 716,156 tCO₂-eq of emission rights as of December 31, 2025.

(b) Emission liabilities

The Group sold 8,851 tCO₂-eq of emission rights in 2025 and estimated 716,156 tCO₂-eq of emission in 2025.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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37. Operating Segment

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

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

(*) During the current period, due to the merger of Lotte Incheon Town Co., Ltd, its business segment was reclassified, and the related segment information for the prior period was restated accordingly.

(b) Information about reportable segments as of and for the years ended December 31, 2025 and 2024 are as follows:

(in thousands of Korean won)

| | | 2025 | | | | | | | | |
|------------------------|---|------------------|----------------|------------------------------|---------------|------------------|-------------|-------------|-------------|----------------|
| | | Department store | Discount store | Consumer electronic retailer | Supermarket | TV home shopping | Cinema | E-commerce | Others | Total |
| Revenue from customers | ₩ | 3,339,352,358 | 5,471,330,239 | 2,300,095,883 | 1,226,064,172 | 902,293,586 | 434,517,421 | 108,896,395 | 255,233,296 | 14,037,783,350 |
| Inter-segment sales | | 86,877,087 | 41,156,277 | 500,279 | 25,334,307 | 12,892,581 | 224,425 | 7,424,617 | 125,019,051 | 299,428,624 |
| External sales | | 3,252,475,271 | 5,430,173,962 | 2,299,595,604 | 1,200,729,865 | 889,401,005 | 434,292,996 | 101,471,778 | 130,214,245 | 13,738,354,726 |

(in thousands of Korean won)

| | | 2024 | | | | | | | | |
|------------------------|---|------------------|----------------|------------------------------|---------------|------------------|-------------|-------------|-------------|----------------|
| | | Department store | Discount store | Consumer electronic retailer | Supermarket | TV home shopping | Cinema | E-commerce | Others | Total |
| Revenue from customers | ₩ | 3,319,326,592 | 5,576,453,783 | 2,356,656,540 | 1,296,162,132 | 924,883,774 | 451,729,454 | 119,807,052 | 235,687,287 | 14,280,706,614 |
| Inter-segment sales | | 81,425,685 | 39,038,268 | 702,970 | 14,290,810 | 13,751,817 | 204,177 | 18,448,977 | 126,265,640 | 294,128,344 |
| External sales | | 3,237,900,907 | 5,537,415,515 | 2,355,953,570 | 1,281,871,322 | 911,131,957 | 451,525,277 | 101,358,075 | 109,421,647 | 13,986,578,270 |

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37. Operating Segment, continued

(c) Segment sales and profit for the years ended December 31, 2025 and 2024 are as follows:

(in thousands of Korean won)

| | | Sales | | Operating profit (loss) | |
|--------------------------------------|---|----------------|----------------|-------------------------|--------------|
| | | 2025 | 2024 | 2025 | 2024 |
| Department store | ₩ | 3,339,352,358 | 3,319,326,592 | 504,124,582 | 394,713,257 |
| Discount store | | 5,471,330,239 | 5,576,453,783 | (6,980,680) | 64,997,842 |
| Consumer electronic retailer | | 2,300,095,883 | 2,356,656,540 | 9,650,752 | 1,720,858 |
| Supermarket | | 1,226,064,172 | 1,296,162,132 | 7,991,523 | 29,309,007 |
| TV home shopping | | 902,293,586 | 924,883,774 | 45,037,915 | 49,806,976 |
| Cinema | | 434,517,421 | 451,729,454 | (10,510,526) | 276,635 |
| E-Commerce | | 108,896,395 | 119,807,052 | (29,399,684) | (68,511,400) |
| Others | | 255,233,296 | 235,687,287 | 76,808,825 | 60,352,672 |
| Segment total | | 14,037,783,350 | 14,280,706,614 | 596,722,707 | 532,665,847 |
| Intercompany transaction adjustments | | (299,428,624) | (294,128,344) | (49,685,486) | (59,551,882) |
| After consolidation adjustments | ₩ | 13,738,354,726 | 13,986,578,270 | 547,037,221 | 473,113,965 |

(in thousands of Korean won)

| | | Depreciation and amortization | | Net profit (loss) for the year | |
|--------------------------------------|---|-------------------------------|---------------|--------------------------------|---------------|
| | | 2025 | 2024 | 2025 | 2024 |
| Department store | ₩ | 632,755,914 | 680,019,503 | 786,432,836 | 55,515,411 |
| Discount store | | 214,481,878 | 228,864,211 | (413,980,900) | (357,116,590) |
| Consumer electronic retailer | | 112,378,930 | 116,071,700 | 37,045 | (376,870,004) |
| Supermarket | | 43,660,921 | 44,659,986 | (53,008,374) | 36,156,801 |
| TV home shopping | | 19,698,936 | 21,799,524 | 67,085,495 | 59,400,996 |
| Cinema | | 115,978,920 | 97,445,180 | (89,693,789) | (51,108,656) |
| E-Commerce | | 1,620,277 | 5,058,236 | (41,686,821) | (70,896,727) |
| Others | | 42,194,902 | 41,855,980 | (128,679,994) | (161,967,916) |
| Segment total | | 1,182,770,678 | 1,235,774,320 | 126,505,498 | (866,886,685) |
| Intercompany transaction adjustments | | (126,729,744) | (119,632,380) | (52,949,940) | (127,188,587) |
| After consolidation adjustments | ₩ | 1,056,040,934 | 1,116,141,940 | 73,555,558 | (994,075,272) |

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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37. Operating Segment, continued

(d) Segment assets and liabilities as of December 31, 2025 and 2024 are as follows:

(in thousands of Korean won)

| | | Assets | | Liabilities | |
|--------------------------------------|---|-----------------|-----------------|----------------|-----------------|
| | | 2025 | 2024 | 2025 | 2024 |
| Department store | ₩ | 22,695,145,005 | 23,416,542,877 | 14,767,907,824 | 15,079,912,723 |
| Discount store | | 8,898,096,081 | 8,961,566,506 | 2,120,946,219 | 2,291,763,738 |
| Consumer electronic retailer | | 1,631,149,521 | 1,725,806,338 | 910,583,370 | 1,013,614,600 |
| Supermarket | | 947,653,496 | 957,281,706 | 238,674,181 | 257,682,648 |
| TV home shopping | | 1,839,768,335 | 1,912,461,106 | 244,456,592 | 285,792,885 |
| Cinema | | 671,232,425 | 821,959,899 | 705,530,043 | 757,176,859 |
| E-Commerce | | 90,675,796 | 194,175,498 | 93,386,154 | 192,843,780 |
| Others | | 5,170,350,889 | 5,660,285,923 | 2,914,474,077 | 3,607,277,928 |
| Segment total | | 41,944,071,548 | 43,650,079,853 | 21,995,958,460 | 23,486,065,161 |
| Intercompany transaction adjustments | | (4,033,772,700) | (4,647,035,268) | (951,855,851) | (1,516,637,882) |
| After consolidation adjustments | ₩ | 37,910,298,848 | 39,003,044,585 | 21,044,102,609 | 21,969,427,279 |

(e) Sales, before consolidation adjustments, by geographical areas for the years ended December 31, 2025 and 2024 are as follows:

(in thousands of Korean won)

| Region | | 2025 | 2024 |
|-----------|---|----------------|----------------|
| Domestic | ₩ | 12,297,220,611 | 12,610,509,960 |
| China | | 531,001 | 7,581,539 |
| Vietnam | | 599,102,765 | 540,707,770 |
| Indonesia | | 1,140,928,973 | 1,121,907,345 |
| Total | ₩ | 14,037,783,350 | 14,280,706,614 |

(f) The Group has no external customers contributing to more than 10% of sales in 2025 and 2024.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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As of December 31, 2025 and 2024

38. Contingencies and Commitments

(a) As of December 31, 2025, the Group has the following credit commitments with financial institutions:

(in thousands of Korean won, full foreign currency)

| | <u>Currency</u> | <u>Credit line</u> | <u>Amount used under credit facility</u> |
|------------------|-----------------|--------------------|--|
| General loan | KRW | 2,991,272,273 | 2,648,848,637 |
| | VND | 1,525,000,000,000 | 85,506,970,802 |
| | USD | 548,100,000 | 485,600,000 |
| | IDR | 1,790,000,000,000 | 1,020,000,000,000 |
| | EUR | 2,000,000 | - |
| Commercial paper | KRW | 1,491,645,847 | 1,191,645,847 |
| Buyer's credit | KRW | 460,000,000 | 518,870 |
| Bank overdraft | KRW | 53,000,000 | - |
| Letter of credit | USD | 34,000,000 | 8,904,626 |
| | CAD | 1,426,188 | 1,426,188 |
| | EUR | 500,000 | - |

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

(i) LOTTE SHOPPING CO.,LTD.

In accordance with the management contracts with LOTTE STATION B/D.CO., Lotte Property & Development Co., Ltd., CS MART CO., LTD and Hanwha Connect Co., Ltd., the Company is responsible for the operation of department stores, shopping malls, supermarkets and mart. In return, the Company receives 10% of operating profits (before depreciation expenses) for department stores and supermarkets, 9% of operating profits (before depreciation expenses) for shopping malls and the amount derived by deducting costs from sales revenue based on reasonable criteria agreed upon by both parties as management fees which is recorded as other sales.

(ii) Woori Home Shopping Co., Ltd.

Woori Home Shopping Co., Ltd., a subsidiary of the Group, has concluded a partnership card issuance agreement with Lotte Card Co., Ltd. and BC Card Co., Ltd. The agreement is renewed annually after the contract end date. Furthermore, Woori Home Shopping Co., Ltd. has concluded an agreement with Lotte Global Logistics Co., Ltd., CJ Logistics Corporation and HANJIN CO., LTD for logistics services. Additionally, there are multiple supply contracts for broadcast programs with cable TV broadcasters.

(c) As of December 31, 2025, the Group currently has 33 ongoing lawsuits as a plaintiff with damage claims amounting to ₩ 36,618,085 thousand and 44 lawsuits as a defendant with damage claims amounting to ₩ 54,696,915 thousand. Regarding 14 lawsuits as a defendant, the Group recorded ₩ 3,089,088 thousand as provision.

The above includes 9 lawsuits as a defendant with damages related to victims of humidifier disinfectant amounting to ₩ 30,522,338 thousand. The Group has estimated the expected loss and has recognized a provision of ₩ 1,702,146 thousand in regard to the claim on victims of humidifier disinfectant as of December 31, 2025.

The Group management believes that the ultimate resolutions of these legal actions, excluding the abovementioned lawsuits, will not have a material impact on the financial position of the Group.

(d) As of December 31, 2025, the commitment limit of the secured loan of credit sales the Group has entered with The Korea Development Bank and others amounts to ₩ 416,100,000 thousand.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2025 and 2024

38. Contingencies and Commitments, continued

(e) As of December 31, 2025, LOTTE Himart Co., Ltd., a subsidiary of the Group, may issue short-term electronic bonds with a limit of ₩ 200,000,000 thousand. No related bond has been issued.

(f) Performance guarantees and others

(i) LOTTE SHOPPING CO.,LTD.

As of December 31, 2025, the Company has been provided performance guarantees for its operation amounting to ₩ 57,434,993 thousand (101 cases) from Seoul Guarantee Insurance Company.

(ii) Woori Home Shopping Co., Ltd.

As of December 31, 2025, Woori Home Shopping Co., Ltd., a subsidiary of the Group, has been provided payment guarantees for product sales from The Korea Development Bank (₩ 4,500,000 thousand) and agreement performance guarantee from Seoul Guarantee Insurance Company (₩ 1,719,620 thousand).

(iii) LOTTE Himart Co., Ltd.

As of December 31, 2025, LOTTE Himart Co., Ltd., a subsidiary of the Group, has been provided guarantees from Seoul Guarantee Insurance Company in connection with agreement performance and others amounting to ₩ 1,985,654 thousand.

(iv) Lotte Cultureworks Co., Ltd.

As of December 31, 2025, Lotte Cultureworks Co., Ltd., a subsidiary of the Group, has been provided guarantees from Seoul Guarantee Insurance Company in connection with agreement performance and others amounting to ₩ 21,652,796 thousand.

(g) Brand usage contracts, etc.

The Group and some subsidiaries are in contracts with Lotte Corporation for the use of brand, management consulting, and management support service as of December 31, 2025. The cost for use of brand is 0.2% of sales less advertising expenses. Management consulting and management support service fees are allocated by Lotte Corporation, based on objective and reasonable allocation criteria, for the costs that have been incurred in the course of performing such relevant business plus 5% mark up of such allocated amount.

On the other hand, the Group is jointly liable for the debts of Lotte Corporation and consolidated company prior to spin-off, in accordance with Article 530-9, Paragraph 1 of the Commercial Act.

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

(i) In accordance with stock trading agreement concluded on May 10, 2019 with the seller and contract takeover agreement on July 19, 2022, the common shares of 2,060,000 of INNOCEAN WORLDWIDE INC. cannot be disposed of or provided as pledged assets without the prior consent from the seller until the fifth year from the date of contract takeover agreement or the IPO completion date of Lotte Cultureworks Co., Ltd. Furthermore, if the Group wishes to sell the shares of INNOCEAN WORLDWIDE INC. after the listing date to a third party, the seller can exercise its preferential right to purchase directly or by designating the third party.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

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As of December 31, 2025 and 2024

38. Contingencies and Commitments, continued

(j) As of December 31, 2025, the Company has provided investment commitments (LOC, LOU) to Standard Chartered Bank Korea Ltd and others in relation to loan agreements for the following subsidiaries: PT. LOTTE MART INDONESIA. However, the investment commitment is not considered a payment guarantee.

(k) Lotte Cultureworks Co., Ltd., a subsidiary of the Group, has purchased ₩ 300,000 thousand of subordinate debentures issued by Kodit 2023 1st Securitization Specialty Co., Ltd. of the SPC who has the right of pledge for the debentures. Meanwhile, in relation to the 17th private equity bond, an early redemption of ₩ 10,000,000 thousand exists if the credit rating of the subsidiary, Lotte Cultureworks Co., Ltd., falls below A30 or if it is excluded from the Lotte Group.

(l) The Group holds a preferential subscription right and a preferential purchase claim right that can be exercised after three years from the date of initial acquisition for shares in Hanssem CO., LTD owned by Heim CO., Ltd, Heim No.1 CO.,Ltd, and Heim No.2 CO., Ltd. In accordance with the loan agreement, 8,339,691 shares with voting rights in Hanssem CO., LTD, owned by Heim CO., Ltd, Heim No.1 CO.,Ltd, and Heim No.2 CO., Ltd are pledged to Korea Investment & Securities Co., Ltd and 21 others which is subject to loss in benefits of the time if financial criteria are not met. Financial criteria include the maintenance of the net debt to EBITDA ratio related to Hanssem CO., LTD Investment below a certain level annually, starting from December 2026 and the quarterly LTV(Loan to Value Ratio) below 85% from December 2026. However, if Hanssem CO., LTD's EBITDA exceeds the standard amount, the LTV is not considered to be violated.

(m) Others

The Group disposed of land and buildings to structured entities and has been leasing back assets and operation of some stores has been discontinued following end of lease term. Details are as follows:

(i) The Group disposed of land and buildings of 2 stores including Lotte mart Daeduk branch to KTB Confidence Private Real Estate Investment Trust No.29 for ₩ 166 billion in 2008. The Group has since been leasing back the Daeduk branch from Mirae Castle. The Group has the preemptive options to purchase the land and the building at fair value at the end of the lease. During 2020, the operation for Lotte mart Hangdong store was discontinued for which the Group does not have preemptive options to purchase.

(ii) The Group disposed of land and buildings of 6 stores including Lotte department store Bundang branch to Lotte Retail Real Estate Investment Trust No.1~4 for ₩ 594.9 billion in 2010 and 2011. The Group has since been leasing back Lotte department store Bundang branch from IGIS Specialized Investment Private Real Estate Investment Trust No.389 and Lotte mart Sasang store, Lotte mart Iksan store from KB Lotte Master Lease Specialized Investment Private Real Estate Investment Trust No.8. The Group has the preemptive options to purchase the land and the building at fair value at the end of the lease. During the 2019, the operation for Lotte mart Suji store was discontinued and during the year 2020, the operation for Lotte mart Guro, Dobong branch was discontinued for which the Group does not have preemptive options to purchase.

(iii) The Group has been leasing the building of Lotte outlet Esiapolis branch from KB Star Retail Private Real Estate Investment Trust No.1 since 2013. In accordance with the real estate sales contract concluded on June 25, 2018, Mastern Specialized Investment Private Real Estate Investment Trust No.31 took over the status as a lessor. The Group has the preferential right of negotiation to purchase the building.

(iv) In 2013, the Group sold the buildings of Lotte outlet Gwangmyeong store to KTB Confidence Private Real Estate Investment Trust No.55 for ₩ 146.9 billion for which the Group has been leasing the assets from Kiwoomcore Retail No. 1 Reit Co. Ltd. The Group disposed of land and buildings of Lotte mart Yangdeok branch to KTB Confidence Private Real Estate Investment Trust No.81 for ₩ 55.1 billion for which the Group has been leasing back the assets from Koreit Masan Lotte mart Specialized Investment Private Real Estate Investment Trust No.12. The Group has the preferential right of negotiation to purchase the land and the building at the end of the lease.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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38. Contingencies and Commitments, continued

(m) Others, continued

(v) In 2014, the Group sold land and buildings of 2 Lotte department stores including Ilsan branch and 5 Lotte mart stores including Bupyeong branch to KB Lotte Master Lease Private Real Estate Investment Trust No.1 for ₩ 601.7 billion for which the Group has been leasing back the assets. The Group sold land and buildings of 2 Lotte department stores including Dongrae branch and 3 Lotte mart stores including Sungjung branch to Capstone Private Real Estate Investment Trust No.11 for ₩ 500.1 billion for which the Group has been leasing back the assets. The Group has the preferential right of negotiation to purchase the land and the building at the end of the lease.

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

The Group does not consolidate these structured entities.

(n) As of December 31, 2025, the Group has concluded agreement, in regard to asset-backed commercial papers (₩ 193,000,000 thousand of par value, balance of amount to replenish debt: ₩ 192,920,000 thousand, maturity on July 10th, 2026) issued by NEW STAR NOBA 2ND CO.,LTD. (formerly, LKH 2nd Co., Ltd.), NEW STAR NEO 2ND CO.,LTD. (formerly, New Star Gimpo Hangang 2nd Co., Ltd.), to replenish funds in case of failures in repayment of principal and interests. Terms of the fund replenishment agreements with subsidiaries are detailed in Note 39 (b), (c).

(o) As of December 31, 2025, details of payment guarantees provided regarding foreign currency debentures issued by the Group are as follows.

| Description | Advisor | Maturity | Guaranteed Amount (Full amount in USD) |
|--|---------------|------------|---|
| 97-1 st (foreign currency) | Kookmin Bank | 2026.08.18 | 100,000,000 |
| 97-2 nd (foreign currency) | KEB Hana Bank | 2026.08.21 | 50,000,000 |
| 100-1 st (foreign currency) | SMBC Bank | 2027.05.17 | 100,000,000 |
| 100-2 nd (foreign currency) | MUFG Bank | 2027.05.21 | 100,000,000 |
| 103 rd (foreign currency) | KEB Hana Bank | 2028.01.24 | 50,000,000 |
| 104 th (foreign currency) | MUFG Bank | 2028.03.24 | 160,000,000 |
| 107 th (foreign currency) | MUFG Bank | 2028.11.28 | 100,000,000 |

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

(a) The Group has provided payment guarantees and collaterals for the Group as of December 31, 2025 as follows:

(Full foreign Currency)

| <u>Consolidated company</u> | <u>Guarantee recipient</u> | <u>Guaranteed amount</u> | <u>Guarantee period</u> | <u>Remarks</u> |
|--|---|--------------------------|---|---------------------------------|
| Subsidiaries | | | | |
| LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD | DBS Bank | USD 29,300,000 | July 25, 2025 ~ July 24, 2026 | Payment guarantee for financing |
| Lotte Cinema Vietnam Co., Ltd. | The Export-Import Bank of Korea Shinhan Bank | USD 7,000,000 | September 25, 2025 ~ September 28, 2026 | |
| | | USD 10,000,000 | June 25, 2025 ~ June 24, 2026 | |
| | | USD 13,500,000 | September 12, 2025 ~ September 19, 2026 | |
| | Kookmin Bank | USD 10,000,000 | June 27, 2025 ~ June 26, 2026 | |
| | KEB Hana Bank | USD 10,000,000 | September 12, 2025 ~ September 12, 2026 | |
| LOTTE PROPERTIES HANOI CO., LTD | Kookmin Bank | USD 50,000,000 | May 23, 2025 ~ May 22, 2026 | |
| | The Export-Import Bank of Korea | USD 62,500,000 | June 27, 2022 ~ December 28, 2026 | |
| | SMBC Bank | USD 200,000,000 | May 23, 2025 ~ May 23, 2028 | |

(b) As of December 31, 2025, the Group entered into agreement to provide fund supplementation agreement for KS 1st Co., Ltd., NEWSTARNOVA 1ST CO.,LTD. (formerly, LKH 1st, Co., Ltd.) and NEW STAR NEO 1ST CO.,LTD. (formerly, New Star Gimpo Hangang 1st Co., Ltd.), in default of the principal and interest on asset-backed commercial papers (₩ 90,000,000 thousand of par value, maturity on April 16, 2026), asset-backed commercial papers (₩ 208,900,000 thousand of par value, maturity on July 10, 2026) and asset-backed commercial papers (₩ 40,700,000 thousand of par value, maturity on July 10, 2026).

(c) For the years ended December 31, 2025 and 2024, the subsidiary Lotte CultureWorks Co., Ltd. issued the 18th and 16th private bond type hybrid securities amounting to ₩150,000,000 thousand and ₩200,000,000 thousand, respectively, to LC Memory 1ST CO.,LTD. and Momentum 1st Co., Ltd. The Group has entered into an agreement to provide financial support if Momentum 1st Co., Ltd. is unable to repay the principal and interest on the asset-backed short-term bonds (with a face value of ₩ 203,900,000 thousand, maturing on February 20, 2026) issued by Momentum 1st Co., Ltd., and has also entered into an agreement to provide financial support if LC Memory 1st Co., Ltd. is unable to repay the principal and interest on the hybrid securities (with a face value of ₩ 150,000,000 thousand, maturing on September 24, 2025).

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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40. Related Party Transactions

(a) Details of the Group's major shareholders as of December 31, 2025 are as follows:

| Related company | Percentage of ownership (%) |
|-----------------------------|-----------------------------|
| Lotte Corporation (*) | 40.00 |
| Hotel Lotte Co., Ltd. | 8.86 |
| Hotel Lotte Pusan Co., Ltd. | 0.78 |

(*) Holds significant influence over the Company.

(b) Transactions which occurred in the normal course of business with related parties for the years ended December 31, 2025 and 2024 are as follows:

(in thousands of Korean won)

| Name of related parties | 2025 | | | | |
|--|---------------|-------------|--|-------------------|---------------------|
| | Sales | Purchase | Acquisition of property, plant and equipment and intangible assets | Other income (*2) | Other expenses (*2) |
| Shareholders: | | | | | |
| Lotte Corporation | ₩ 2,417,493 | - | - | - | 46,133,848 |
| Hotel Lotte Co., Ltd. | 41,346,876 | 151,219 | 8,729 | - | 38,767,247 |
| Hotel Lotte Pusan Co., Ltd. | 5,184,805 | - | 779,071 | - | 9,238,638 |
| Subtotal | 48,949,174 | 151,219 | 787,800 | - | 94,139,733 |
| Associates and Joint ventures: | | | | | |
| FRL Korea Co., Ltd. | 40,316,205 | - | - | - | - |
| Zara Retail Korea Co., Ltd. | 10,230,940 | - | - | - | - |
| LOTTE CARD Co., Ltd. | 3,082,505 | - | - | 82,182 | 181,786,221 |
| HANSSEM Co., LTD. | 6,772,359 | 94,345 | - | 43,727 | 14,416,153 |
| Others | 13,303,579 | 4,822,357 | - | 123,511 | 577,248 |
| Subtotal | 73,705,588 | 4,916,702 | - | 249,420 | 196,779,622 |
| Others (*1): | | | | | |
| Lotte Engineering & Construction Co., Ltd. | 1,309,375 | - | 299,703,766 | - | 1,597,289 |
| Lotte Well food Co.,Ltd. | 9,115,075 | 103,319,164 | - | 11,700 | 8,034,465 |
| Lotte Chilsung Beverage Co., Ltd. | 7,775,534 | 41,325,154 | - | - | 61,651 |
| LOTTE INNOVATE Co., Ltd. | 1,125,839 | - | 38,578,380 | - | 130,421,235 |
| DAEHONG COMMUNICATIONS INC. | 527,198 | - | - | - | 26,638,938 |
| Lotte Station B/D. Co., Ltd. | 6,859,888 | - | - | 345,094 | 716,439 |
| Lotte GRS Co., Ltd. | 6,822,388 | 909,269 | 2,257 | 16,372 | 7,777,495 |
| Lotte International Co., Ltd. | 56,410 | 61,491,706 | - | - | - |
| LOTTE ALUMINIUM CO., LTD. | - | - | 121,950 | - | - |
| Lotte Global Logistics Co., Ltd. | 5,232,730 | 4,770,619 | - | 3,978 | 229,343,579 |
| Korea Fuji Film Co., Ltd. | 687,465 | 457,248 | - | - | - |
| LOTTE Property&Development | 12,155,243 | - | 473,900 | - | 34,427,494 |
| LOTTE ASSET DEVELOPMENT CO.,LTD. | 133,980 | - | - | - | 162,336 |
| Korea Seven Co., Ltd. | 6,854,489 | - | - | - | 2,285,606 |
| Lotte Members Co., Ltd. | 9,591,004 | - | - | 6,978 | 71,781,341 |
| Others | 18,438,347 | 16,477,790 | 4,495,205 | 38,492 | 39,531,527 |
| Subtotal | 86,684,965 | 228,750,950 | 343,375,458 | 422,614 | 552,779,395 |
| Total | ₩ 209,339,727 | 233,818,871 | 344,163,258 | 672,034 | 843,698,750 |

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

(*2) The Group entered into lease agreements with related parties. As a result, interest income received in accordance with amortization of lease receivables and interest expense paid in accordance with amortization of lease liabilities for the year ended December 31, 2025 are included in other income and expenses.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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40. Related Party Transactions, continued

(b) Transactions which occurred in the normal course of business with related parties for the years ended December 31, 2025 and 2024 are as follows:, continued

(in thousands of Korean won)

| Name of related parties | 2024 | | | | |
|--|---------------|-------------|--|-------------------|---------------------|
| | Sales | Purchase | Acquisition of property, plant and equipment and intangible assets | Other income (*2) | Other expenses (*2) |
| Shareholders: | | | | | |
| Lotte Corporation | ₩ 2,953,497 | - | - | - | 46,559,912 |
| Hotel Lotte Co., Ltd. | 41,685,393 | 13,784 | 82,450,192 | - | 38,549,805 |
| Hotel Lotte Pusan Co., Ltd. | 5,535,285 | - | 2,326,881 | 34,771 | 9,142,527 |
| Subtotal | 50,174,175 | 13,784 | 84,777,073 | 34,771 | 94,252,244 |
| Associates and Joint ventures: | | | | | |
| FRL Korea Co., Ltd. | 33,909,812 | - | - | - | - |
| Zara Retail Korea Co., Ltd. | 9,741,905 | - | - | - | - |
| LOTTE CARD Co., Ltd. | 3,965,037 | - | - | 953 | 189,019,524 |
| HANSSEM Co., LTD. | 7,427,261 | 66,815 | - | 76,858 | 16,437,418 |
| Others(*3) | 15,918,173 | 10,681,950 | - | 2,505,133 | 10,748,264 |
| Subtotal | 70,962,188 | 10,748,765 | - | 2,582,944 | 216,205,206 |
| Others (*1): | | | | | |
| Lotte Engineering & Construction Co., Ltd. | 2,856,711 | - | 396,276,499 | 2,033 | 1,035,451 |
| Lotte Well food Co.,Ltd. | 8,954,928 | 109,498,976 | - | 21,653 | 9,407,636 |
| Lotte Chilsung Beverage Co., Ltd. | 9,147,937 | 45,354,487 | - | 346 | 121,689 |
| LOTTE INNOVATE Co., Ltd. | 1,488,351 | - | 52,588,408 | 75,629 | 134,350,155 |
| DAEHONG COMMUNICATIONS INC. | 1,310,136 | - | 311,220 | - | 19,306,756 |
| Lotte Station B/D. Co., Ltd. | 7,724,412 | - | - | 650,515 | 1,014,346 |
| Lotte GRS Co., Ltd. | 6,952,632 | 3,358,168 | - | 21,918 | 6,521,193 |
| Lotte International Co., Ltd. | 233,650 | 60,118,431 | - | - | - |
| LOTTE ALUMINIUM CO., LTD. | 21,082 | 1,211,000 | 346,950 | - | 412,896 |
| Lotte Global Logistics Co., Ltd. | 5,671,405 | - | - | 9,896 | 233,256,254 |
| Korea Fuji Film Co., Ltd. | 653,898 | 55,700 | - | - | 3,625 |
| LOTTE Property&Development(*4) | 10,181,370 | - | 747,392 | 1,964,200 | 33,683,249 |
| LOTTE ASSET DEVELOPMENT CO.,LTD. | 1,163,723 | - | 1,664,460 | - | 33,575 |
| Korea Seven Co., Ltd. | 11,984,085 | 3,644 | - | - | 3,324,171 |
| Others | 25,110,324 | 15,027,520 | 9,706,604 | 128,256 | 83,936,864 |
| Subtotal | 93,454,644 | 234,627,926 | 461,641,533 | 2,874,446 | 526,407,860 |
| Total | ₩ 214,591,007 | 245,390,475 | 546,418,606 | 5,492,161 | 836,865,310 |

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

(*2) The Group entered into lease agreements with related parties. As a result, interest income received in accordance with amortization of lease receivables and interest expense paid in accordance with amortization of lease liabilities for the year ended December 31, 2024 are included in other income and expenses.

(*3) The amount related to INNOCEAN WORLDWIDE INC. includes transaction details prior to its reclassification from an associate to another related party.

(*4) The amount includes ₩ 1,964,200 thousand from the disposal of pre-emptive rights received from LOTTE REIT Co., Ltd. during prior year.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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40. Related Party Transactions, continued

(c) Fund transactions with related parties for the year ended December 31, 2025 and 2024 are as follows:

(in thousands of Korean won)

| Name of related parties | | 2025 | | | | |
|---|---|----------------------|--------------|------------|-------------------|--------------------|
| | | Return on Investment | Cash Lending | Redemption | Cash Contribution | Purchase of shares |
| Associates: | | | | | | |
| LOTTE-KDB Open Innovation Fund | ₩ | 5,460,000 | - | - | - | - |
| Lotte start-up fund No. 1 | | 1,200,000 | - | - | - | - |
| Lotte Home shopping – Wadiz next brand specialized Fund | | - | - | - | 720,000 | - |
| LOTTE Vietnam Open Innovation Fund | | - | - | - | 256,988 | - |
| MUJIKOREA CO.LTD | | - | - | - | 20,000,000 | - |
| Others (*1): | | | | | | |
| LOTTE Capital | | - | - | 30,000,000 | - | - |
| Lotte Properties(Shenyang) Limited | | 1,581,426 | - | - | - | - |
| PT. LOTTE R&D Center Indonesia | | - | 428,000 | - | - | - |
| Lotte Engineering & Construction Co., Ltd. | | - | - | - | - | 38,157,192 |
| Total | ₩ | 8,241,426 | 428,000 | 30,000,000 | 20,976,988 | 38,157,192 |

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

(in thousands of Korean won)

| Name of related parties | | 2024 | | | | |
|---|---|----------------------|--------------|------------|-------------------|--------------------------|
| | | Return on Investment | Cash Lending | Redemption | Cash Contribution | Paid-in Capital Increase |
| Associates: | | | | | | |
| LOTTE-KDB Open Innovation Fund | ₩ | 13,000,000 | - | - | - | - |
| Lotte start-up fund No. 1 | | 60,000 | - | - | - | - |
| Busan Lotte creative film Fund | | 1,066,676 | - | - | - | - |
| Hemisphere Film Investors III LLC | | 1,280,113 | - | - | - | - |
| Stonebridge Innovation Quarter Fund | | 900,000 | - | - | - | - |
| LOTTE-IMBC Contents Investment Association | | 669,890 | - | - | - | - |
| Lotte Home shopping – Wadiz next brand specialized Fund | | - | - | - | 360,000 | - |
| LOTTE Vietnam Open Innovation Fund | | - | - | - | 256,053 | - |
| The edition Health Co., Ltd. | | - | - | - | 500,000 | - |
| KVI-Culture works Korea film investment union 1 st | | - | - | - | 800,000 | - |
| Others (*1): | | | | | | |
| LOTTE Capital (*2, 3) | | - | 20,000,000 | 74,248,589 | - | - |
| Lotte Properties(Shenyang) Limited | | - | - | - | 59,277,118 | - |
| LOTTE Property&Development | | - | - | - | - | 58,880,000 |
| Total | ₩ | 16,976,679 | 20,000,000 | 74,248,589 | 61,193,171 | 58,880,000 |

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

(*2) It includes the amount generated through the syndicate of lenders during the current period.

(*3) Includes ₩ 22,179,487 thousand of redemptions made via Suwon Landmark the 4th and ₩ 40,000,000 thousand of redemptions made via S-Bright Dongtan during 2024.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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As of December 31, 2025 and 2024

40. Related Party Transactions, continued

(d) Account balances with related parties as of December 31, 2025 and 2024 are summarized as follows:

(in thousands of Korean won)

| Name of related parties | 2025 | | | | | | |
|--|-------------------|-----------------------------|-------------------|----------------|------------|-------------------|----------------|
| | Receivables | | | Payables | | | |
| | Trade receivables | Financial lease receivables | Other receivables | Trade payables | Borrowings | Lease liabilities | Other payables |
| Shareholders: | | | | | | | |
| Lotte Corporation | ₩ 6,468 | - | 876,601 | - | - | 26,365,879 | 1,568,804 |
| Hotel Lotte Co., Ltd. | 171,438 | - | 68,572,174 | 20,775 | - | 226,763,579 | 33,107,785 |
| Hotel Lotte Pusan Co., Ltd. | - | - | 17,189,025 | - | - | 13,813,944 | 1,629,333 |
| Subtotal | 177,906 | - | 86,637,800 | 20,775 | - | 266,943,402 | 36,305,922 |
| Associates and joint ventures: | | | | | | | |
| FRL Korea Co., Ltd. | 2,097,082 | - | 196 | - | - | - | 12,083,288 |
| Zara Retail Korea Co.,Ltd | - | - | - | - | - | - | 7,470,972 |
| LOTTE CARD Co.,Ltd. (*2) | 119,217,194 | - | 2,972,237 | - | - | - | 33,123,950 |
| HANSSEM CO., LTD | 470,136 | 616,887 | 10,096 | - | - | - | 5,158,489 |
| Others | 410,241 | - | 1,824,701 | 116,460 | - | 67,765,482 | 6,540,944 |
| Subtotal | 122,194,653 | 616,887 | 4,807,230 | 116,460 | - | 67,765,482 | 64,377,643 |
| Others (*1): | | | | | | | |
| Lotte Engineering & Construction Co., Ltd. | 2,927 | - | 8,245 | - | - | 822,438 | 54,409,639 |
| Lotte Well food Co.,Ltd. | 505,752 | - | 1,687,932 | 9,654,254 | - | 2,364,188 | 15,856,212 |
| Lotte Chilsung Beverage Co., Ltd. | 124,785 | - | 169,336 | 3,188,267 | - | - | 11,000,640 |
| LOTTE INNOVATE Co., Ltd. | - | - | 5,325,995 | - | - | 3,865,117 | 27,992,901 |
| DAEHONG COMMUNICATIONS INC. | 275,525 | - | 18,900 | - | - | - | 5,329,359 |
| Lotte Station B/D Co., Ltd. | 2,609,575 | - | 10,104,697 | - | - | 9,364,520 | 4,946,010 |
| Lotte GRS Co., Ltd. | 436,474 | 213,522 | 303,500 | 94,320 | - | - | 4,152,148 |
| Lotte International Co., Ltd. | - | - | - | 2,846,584 | - | - | 81,956 |
| Lotte Global Logistics Co., Ltd. | 451,116 | - | 68,244 | - | - | 3,967,949 | 25,818,313 |
| Korea Fuji Film Co., Ltd. | 13,127 | - | - | 20,002 | - | - | 498,086 |
| LOTTE Property & Development | 1,069,546 | - | 2,973,572 | - | - | 259,848,405 | 7,353,244 |
| LOTTE ASSET DEVELOPMENT CO., LTD | - | - | 83,822 | - | - | - | 14,989 |
| Lotte Members Co., Ltd. | 782,385 | - | 85,092,868 | - | - | - | 3,637,401 |
| Korea Seven Co., Ltd. | 146,768 | - | 175,154 | - | - | - | 813,201 |
| Others | 2,932,281 | - | 535,035 | 1,839,329 | 3,230,876 | 4,565,799 | 8,816,774 |
| Subtotal | 9,350,261 | 213,522 | 106,547,300 | 17,642,756 | 3,230,876 | 284,798,416 | 170,720,873 |
| Total | ₩ 131,722,820 | 830,409 | 197,992,330 | 17,779,991 | 3,230,876 | 619,507,300 | 271,404,438 |

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

(*2) Trade receivables include receivables from consumer sales.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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40. Related Party Transactions, continued

(d) Account balances with related parties as of December 31, 2025 and 2024 are summarized as follows:, continued

(in thousands of Korean won)

| Name of related parties | 2024 | | | | | | |
|--|-------------------|-----------------------------|-------------------|----------------|------------|-------------------|----------------|
| | Receivables | | | Payables | | | |
| | Trade receivables | Financial lease receivables | Other receivables | Trade payables | Borrowings | Lease liabilities | Other payables |
| Shareholders: | | | | | | | |
| Lotte Corporation | ₩ 7,276 | - | 909,844 | - | - | 27,992,590 | 3,604,484 |
| Hotel Lotte Co., Ltd. | 119,040 | - | 66,471,280 | - | - | 197,476,957 | 33,031,218 |
| Hotel Lotte Pusan Co., Ltd. | - | - | 17,161,990 | - | - | 15,761,755 | 2,120,731 |
| Subtotal | 126,316 | - | 84,543,114 | - | - | 241,231,302 | 38,756,433 |
| Associates and joint ventures: | | | | | | | |
| FRL Korea Co., Ltd. | 1,192,304 | - | 55 | - | - | - | 11,390,303 |
| Zara Retail Korea Co.,Ltd | - | - | - | - | - | - | 4,997,444 |
| LOTTE CARD Co.,Ltd. (*2) | 174,875,213 | - | 9,499,385 | - | - | - | 37,196,485 |
| HANSSEM CO., LTD | 446,118 | 1,371,156 | 100,000 | 63,800 | - | - | 6,815,759 |
| Others | 429,265 | - | 1,838,970 | 64,482 | - | 25,279,398 | 8,666,227 |
| Subtotal | 176,942,900 | 1,371,156 | 11,438,410 | 128,282 | - | 25,279,398 | 69,066,218 |
| Others (*1): | | | | | | | |
| Lotte Engineering & Construction Co., Ltd. | 2,033 | - | 43,438 | - | - | 1,147,733 | 71,829,687 |
| Lotte Well food Co.,Ltd. | 1,297,336 | - | 1,443,203 | 10,466,228 | - | 666,813 | 16,104,223 |
| Lotte Chilsung Beverage Co., Ltd. | 390,437 | - | 168,963 | 3,212,332 | - | - | 11,388,106 |
| LOTTE INNOVATE Co., Ltd. | - | - | 5,343,561 | 53,900 | - | 3,683,142 | 43,208,179 |
| DAEHONG COMMUNICATIONS INC. | 688,424 | - | 64,038 | - | - | - | 5,780,881 |
| Lotte Station B/D Co., Ltd. | 2,853,232 | - | 12,498,055 | - | - | 7,367,441 | 4,958,168 |
| Lotte GRS Co., Ltd. | 441,770 | 423,287 | 303,657 | 100,064 | - | - | 4,239,907 |
| Lotte International Co., Ltd. | 842,308 | - | 10,171 | 3,318,783 | - | - | 107,133 |
| Lotte Global Logistics Co., Ltd. | 439,657 | - | 34,729 | - | - | 6,285,510 | 26,614,607 |
| Korea Fuji Film Co., Ltd. | 20,346 | - | - | 1,427 | - | - | 509,631 |
| LOTTE Property & Development | 3,620,116 | - | 5,445,562 | - | - | 308,100,923 | 7,250,311 |
| LOTTE ASSET DEVELOPMENT CO., LTD | 11,451 | - | 1,135,144 | - | - | - | 9,568 |
| Others (*3) | 6,648,922 | - | 9,365,536 | 1,595,510 | 30,000,000 | 11,181,546 | 18,664,069 |
| Subtotal | 17,256,032 | 423,287 | 35,856,057 | 18,748,244 | 30,000,000 | 338,433,108 | 210,664,470 |
| Total | ₩ 194,325,248 | 1,794,443 | 131,837,581 | 18,876,526 | 30,000,000 | 604,943,808 | 318,487,121 |

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

(*2) Trade receivables include receivables from consumer sales.

(*3) Other borrowings are from Lotte Capital including the 14th unguaranteed unsecured hybrid securities of ₩ 30,000,000 thousand, issued by the subsidiary, Lotte Cultureworks Co., Ltd.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
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40. Related Party Transactions, continued

(e) The amount of financial lease payment receivable collected and lease liability paid for the year ended December 31, 2025 and 2024 are as follows:

| <i>(in thousands of Korean won)</i> | | 2025 | |
|--|---|--|--|
| Name of related parties | | Collection of financial lease receivable (*2) | Payment of lease liabilities (*3) |
| Shareholders: | | | |
| Lotte Corporation | ₩ | - | 2,444,403 |
| Hotel Lotte Co., Ltd. | | - | 89,221,430 |
| Hotel Lotte Pusan Co., Ltd. | | - | 13,997,794 |
| Subtotal | | - | 105,663,627 |
| Associates: | | | |
| Lotte Card Co, Ltd. | | 40,323 | - |
| HANSSEM CO., LTD | | 834,336 | - |
| Others | | - | 14,995,091 |
| Subtotal | | 874,659 | 14,995,091 |
| Others (*1): | | | |
| LOTTE Property & Development | | - | 56,259,602 |
| Lotte Station B/D Co., Ltd. | | - | 2,734,107 |
| Lotte Engineering & Construction Co., Ltd. | | - | 358,479 |
| LOTTE INNOVATE Co., Ltd. | | - | 3,628,378 |
| Others | | 124,648 | 8,762,257 |
| Subtotal | | 124,648 | 71,742,823 |
| Total | ₩ | 999,307 | 192,401,541 |

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

(*2) Includes interest income received for financial lease receivables.

(*3) Includes interest expense paid for lease liabilities.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2025 and 2024

40. Related Party Transactions, continued

(e) The amount of financial lease payment receivable collected and lease liability paid for the year ended December 31, 2025 and 2024 are as follows:, continued

| (in thousands of Korean won) Name of related parties | 2024 | |
|--|--|--------------------------------------|
| | Collection of financial lease receivable (*2) | Payment of lease liabilities (*3) |
| Shareholders: | | |
| Lotte Corporation | ₩ - | 2,396,474 |
| Hotel Lotte Co., Ltd. | - | 86,602,090 |
| Hotel Lotte Pusan Co., Ltd. | - | 13,939,064 |
| Subtotal | - | 102,937,628 |
| Associates: | | |
| Lotte Card Co, Ltd. | 44,316 | - |
| HANSSEM CO., LTD | 871,346 | - |
| Others | - | 5,253,511 |
| Subtotal | 915,662 | 5,253,511 |
| Others (*1): | | |
| LOTTE Property & Development | - | 58,063,778 |
| Lotte Station B/D Co., Ltd. | - | 2,601,974 |
| Korea Seven Co., Ltd. | - | 3,860,567 |
| Lotte Engineering & Construction Co., Ltd. | - | 363,479 |
| LOTTE INNOVATE Co., Ltd. | 295,305 | 3,465,650 |
| Others | 177,362 | 7,088,650 |
| Subtotal | 472,667 | 75,444,098 |
| Total | ₩ 1,388,329 | 183,635,237 |

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

(*2) Includes interest income received for financial lease receivables.

(*3) Includes interest expense paid for lease liabilities.

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

(f) Details of payment guarantees and collateral provided by the Group for the financial supports to related parties as of December 31, 2025 are as follows. No collateral or payment guarantees are provided by related parties:

(in USD)

| <u>Name of company</u> | <u>Guaranteed by</u> | <u>Guaranteed amount</u> | <u>Guarantee period</u> | <u>Remarks</u> |
|---|----------------------|--------------------------|---------------------------------------|---------------------------------|
| Joint ventures | | | | |
| International Business Center Company Limited | Shinhan Bank | USD 4,000,000 | May 30, 2025~ April 10, 2026 | Payment guarantee for financing |
| Lotte Entertainment Vietnam Co, Ltd. | Shinhan Bank | USD 3,060,000 | September 26, 2025~September 25, 2026 | |

(g) Details of purchase card transactions with Lotte Card Co., Ltd. as of December 31, 2025 are as follows:

(in thousands of Korean won)

| <u>Classification</u> | <u>Name of corporation</u> | <u>Contractual amount</u> | <u>Used amount</u> | <u>Repayment</u> | <u>Outstanding balance</u> |
|----------------------------|------------------------------|---------------------------|--------------------|------------------|----------------------------|
| In the perspective of user | LOTTE SHOPPING CO.,LTD. | ₩ 290,000,000 | 2,222,928,864 | 2,222,928,864 | - |
| | LOTTE Himart Co., Ltd. | 150,000,000 | 1,000,140,743 | 1,000,140,743 | - |
| | Lotte Cultureworks Co., Ltd. | 20,000,000 | 7,963,897 | 10,510,183 | 518,870 |

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2025 and 2024

41. Risk Management

(a) Management of financial risks

(i) Objectives and policies of the Group

Risk management activities of the Group identify credit risk, liquidity risk, market risk and any other potential risks that may affect the Group's financial performance to reduce, eliminate and avoid the potential risk to a tolerable level. The management of the risk level will support a stable and consistent business performance, contributing to strengthening the Group's competitiveness by reducing finance costs through the improvement of the financial structure and efficiency of capital operations.

The Group has established risk management policies in an integrated perspective to implement the financial risk management system and is complying with the risk management policies and procedures by performing strict controls and reviews by management.

(ii) Credit risk

Credit risk is the risk of financial loss to the Group which may occur if a customer or counterparty to a financial instrument fails to meet its contractual obligations during ordinary transaction or investment activity.

Most of the Group's profit is generated from individual customers who carry low credit risk. Furthermore, the Group deposits cash and cash equivalents and short-term financial instruments with financial institutions with high credit ratings, limiting the Group's exposure to credit risk.

① Exposure to credit risk

The book value of financial assets represents the maximum exposure to credit risk. The Group's maximum exposure to credit risk as of December 31, 2025 and 2024 is as follows:

| <i>(in thousands of Korean won)</i> | | <u>2025</u> | <u>2024</u> |
|---|---|----------------------|----------------------|
| Cash equivalents (*1) | ₩ | 557,182,117 | 1,539,525,050 |
| Trade and other receivables | | 713,996,030 | 784,272,660 |
| Other financial assets (current) | | 1,878,768,968 | 1,418,383,509 |
| Other financial assets (non-current) (*2) | | <u>1,172,597,027</u> | <u>1,220,521,538</u> |
| Total | ₩ | <u>4,322,544,142</u> | <u>4,962,702,757</u> |

(*1) Cash held by the Group is excluded as there is no exposure to credit risk.

(*2) Equity instruments at fair value through other comprehensive income are excluded as there is no exposure to credit risk.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2025 and 2024

41. Risk Management, continued

(a) Management of financial risks, continued

(ii) Credit risk, continued

② Credit risk exposure for overdue and impairment of financial assets

Aging and impairment of financial assets as of December 31, 2025 and 2024 are as follows:

(in thousands of Korean won)

| | 2025 | | | 2024 | | |
|---|-----------------------|----------------------------|---------------------------------|-----------------------|----------------------------|---------------------------------|
| | Total carrying amount | Probability of default (%) | Allowance for doubtful accounts | Total carrying amount | Probability of default (%) | Allowance for doubtful accounts |
| Trade and other receivables | | | | | | |
| Not due | ₩ 706,285,098 | 1.64% | ₩ 11,562,867 | ₩ 782,691,310 | 1.98% | 15,512,962 |
| 0 ~ 3 months overdue | 11,051,636 | 10.85% | 1,199,630 | 10,335,196 | 11.31% | 1,168,829 |
| 3 ~ 6 months overdue | 5,864,149 | 47.82% | 2,804,002 | 11,109,050 | 58.24% | 6,469,685 |
| 6 ~ 9 months overdue | 4,411,834 | 63.43% | 2,798,451 | 1,848,885 | 76.43% | 1,413,040 |
| 9 ~ 12 months overdue | 3,806,124 | 16.18% | 615,648 | 1,588,862 | 81.15% | 1,289,431 |
| 12 ~ 15 months overdue | 1,397,088 | 96.10% | 1,342,581 | 1,057,095 | 98.96% | 1,046,125 |
| More than 15 months overdue | 51,275,516 | 97.07% | 49,772,236 | 53,780,258 | 95.27% | 51,237,924 |
| Subtotal | 784,091,445 | - | 70,095,415 | 862,410,656 | - | 78,137,996 |
| Other financial assets (current) | | | | | | |
| Not due | 1,880,857,968 | 0.11% | 2,089,000 | 1,420,361,510 | 0.14% | 1,978,000 |
| Subtotal | 1,880,857,968 | - | 2,089,000 | 1,420,361,510 | - | 1,978,000 |
| Other financial assets (non-current) | | | | | | |
| Not due | 1,176,518,761 | 0.33% | 3,921,734 | 1,220,521,538 | - | - |
| More than 15 months overdue | 1,567,302 | 100.00% | 1,567,302 | 1,567,302 | 100.00% | 1,567,302 |
| Subtotal | 1,178,086,063 | - | 5,489,036 | 1,222,088,840 | - | 1,567,302 |

Changes in the allowance for doubtful accounts for trade and other receivables for the years ended December 31, 2025 and 2024 are as follows:

(in thousands of Korean won)

| | 2025 | 2024 |
|-------------------------|--------------|-------------|
| Beginning balance | ₩ 78,137,996 | 29,011,533 |
| Provision | 6,948,602 | 55,021,060 |
| Write-off | (14,409,542) | (6,474,530) |
| Collection of write-off | - | 450 |
| Others | (581,641) | 579,483 |
| Ending balance | ₩ 70,095,415 | 78,137,996 |

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
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41. Risk Management, continued

(a) Management of financial risks, continued

(ii) Credit risk, continued

② Credit risk exposure for overdue and impairment of financial assets, continued

Changes in the allowance for doubtful accounts for other financial assets (current) for the years ended December 31, 2025 and 2024 are as follows:

| <i>(in thousands of Korean won)</i> | | <u>2025</u> | <u>2024</u> |
|-------------------------------------|---|------------------|------------------|
| Beginning Balance | ₩ | 1,978,000 | 1,978,000 |
| Provision | | 111,000 | - |
| Ending balance | ₩ | <u>2,089,000</u> | <u>1,978,000</u> |

Changes in the allowance for doubtful accounts for other financial assets (non-current) for the years ended December 31, 2025 and 2024 are as follows:

| <i>(in thousands of Korean won)</i> | | <u>2025</u> | <u>2024</u> |
|-------------------------------------|---|------------------|------------------|
| Beginning Balance | ₩ | 1,567,302 | 1,678,190 |
| Provision (Reversal) | | 3,887,113 | (35,888) |
| Write-off | | 34,621 | (75,000) |
| Ending balance | ₩ | <u>5,489,036</u> | <u>1,567,302</u> |

③ Payment guarantees

As of December 31, 2025, the Group has provided financial guarantees to associates and joint ventures amounting to ₩ 10,130,394 thousand.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with its financial liabilities, requiring settlement by cash or other financial assets, due to an adverse managerial or external environment.

The Group predicts and responds to potential liquidity risk in a timely manner through consistently analyzing the schedule of cash flows and establishing short and long-term capital management plans to systematically manage liquidity risk.

Furthermore, the Group deposits a reasonable amount with financial institutions with high credit ratings to make provisions for potential liquidity risks. The Group maintains a credit line for overdraft and general loans with various financial institutions and is able to raise funds through domestic and foreign financial markets based on high credit ratings. The management of the Group believes that it is possible to redeem liabilities using cash flows from operating activities and cash in-flow from financial assets.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
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41. Risk Management, continued

(a) Management of financial risks, continued

(iii) Liquidity risk, continued

Maturities of financial liability agreements as of December 31, 2025 are as follows:

(in thousands of Korean won)

| | Book Value | 2025 | | | | Contractual Cash Flow |
|-----------------------------------|------------------|------------------|--------------|-------------------|------------------|-----------------------|
| | | 3 months or less | 3 ~ 6 months | 6 months ~ 1 year | More than 1 year | |
| Trade payables and other payables | ₩ 2,499,417,568 | 2,497,761,512 | 1,051,012 | 31,062 | 573,982 | 2,499,417,568 |
| Borrowings and debentures (*1,2) | 9,833,740,434 | 1,413,173,382 | 692,226,810 | 2,924,365,474 | 6,499,391,363 | 11,529,157,029 |
| Lease liabilities | 3,967,756,424 | 189,571,972 | 201,947,337 | 367,149,822 | 4,028,876,021 | 4,787,545,152 |
| Other financial liabilities | 517,248,748 | 273,868,192 | 12,487,114 | 61,713,370 | 3,707,025,904 | 4,055,094,580 |
| Financial guarantee contract (*2) | 31,710 | 10,130,394 | - | - | - | 10,130,394 |
| Total | ₩ 16,818,194,884 | 4,384,505,452 | 907,712,273 | 3,353,259,728 | 14,235,867,270 | 22,881,344,723 |

(*1) Includes interest expenses.

(*2) Benefit of time may be forfeited if the Group fails to comply with the clause in agreements related to borrowings and debentures (maintenance of financial ratio and credit rating, etc.).

The Group does not expect that the cash flows included in the maturity analysis will vary significantly in terms of timing and amount.

(iv) Market risk

Market risk is the risk that fair values of financial instruments and future cash flow will vary due to uncertainties in market prices. The objective of market risk management is to manage and control market risk exposures within tolerable levels, while optimizing the Group's profits.

The Group buys and sells various derivatives to manage market risks. All such transactions are carried out under strict supervision of the internal management, and generally, the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

① Currency risk

The Group is exposed to currency risk on assets and liabilities that are denominated in currencies other than Korean won, the functional currency of the Group. Major currencies which generate exchange positions include USD, CNY and others. The objective of exchange risk management is to maintain stable financial activities by minimizing uncertainties from changes in exchange rates and profit and loss fluctuations. Foreign currency trade for speculation is strictly prohibited.

The Group hedges currency risks of foreign currency-denominated borrowings and debentures through currency swap transactions with financial institutions. The Group enters into forward exchange contracts with major financial institutions to avoid the risks of exchange rate fluctuations for the use of foreign currency funds.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2025 and 2024

41. Risk Management, continued

(a) Management of financial risks, continued

(iv) Market risk, continued

① Currency risk, continued

Monetary assets and liabilities denominated in foreign currencies other than the Group's functional currency as of December 31, 2025 and 2024 are as follows:

(in thousands of Korean won)

| | | 2025 | | 2024 | |
|-------|---|------------------|----------------------|------------------|----------------------|
| | | Assets | Liabilities | Assets | Liabilities |
| USD | ₩ | 1,464,051 | 2,049,590,789 | 2,908,990 | 2,149,414,438 |
| EUR | | 292,143 | 4,954,272 | 109,426 | 4,381,011 |
| JPY | | - | 40,735 | - | 183,828 |
| GBP | | - | 115,698 | - | - |
| CNY | | 15 | - | 4,018,272 | - |
| CAD | | 2,427,348 | 540,562 | - | 630,820 |
| TWD | | 28 | - | 27 | - |
| Total | ₩ | <u>4,183,585</u> | <u>2,055,242,056</u> | <u>7,036,715</u> | <u>2,154,610,097</u> |

The exchange rates applied for the years ended December 31, 2025 and 2024 are as follows:

(in Korean won)

| | | Average rate | | Closing rate | |
|-----|---|--------------|----------|--------------|----------|
| | | 2025 | 2024 | 2025 | 2024 |
| USD | ₩ | 1,422.22 | 1,363.98 | 1,434.90 | 1,470.00 |
| EUR | | 1,607.46 | 1,475.05 | 1,685.72 | 1,528.73 |
| JPY | | 9.5079 | 9.0036 | 9.1763 | 9.3648 |
| GBP | | 1,875.08 | 1,742.68 | 1,932.31 | 1,843.67 |
| CNY | | 197.78 | 189.20 | 204.76 | 201.27 |
| CAD | | 1,017.92 | 995.49 | 1,047.72 | 1,023.96 |
| TWD | | 45.67 | 42.48 | 45.91 | 44.81 |

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2025 and 2024

41. Risk Management, continued

(a) Management of financial risks, continued

(iv) Market risk, continued

① Currency risk, continued

The Group regularly measures exchange risks on Korean won against foreign currency fluctuations. Assuming all other variables are constant, sensitivity analysis of income before taxes for 10% fluctuations in each foreign currency exchange rate is as follows. Borrowings and debentures with currency swaps are not included as currency risk is hedged.

(in thousands of Korean won)

| | | 2025 | | 2024 | |
|-------|---|--------------|--------------|--------------|--------------|
| | | 10% increase | 10% decrease | 10% increase | 10% decrease |
| USD | ₩ | (790,587) | 790,587 | (888,364) | 888,364 |
| EUR | | (466,213) | 466,213 | (427,158) | 427,158 |
| JPY | | (4,073) | 4,073 | (18,383) | 18,383 |
| GBP | | (11,570) | 11,570 | - | - |
| CNY | | 1 | (1) | 401,827 | (401,827) |
| CAD | | 188,679 | (188,679) | (63,082) | 63,082 |
| TWD | | 3 | (3) | 3 | (3) |
| Total | ₩ | (1,083,760) | 1,083,760 | (995,157) | 995,157 |

The above sensitivity analysis is related to the Group's monetary assets and liabilities, denominated in a currency other than the Group's functional currency, as of December 31, 2025.

② Interest rate risk

Interest rate risk is the risk of changes in interest income and expense from deposits and borrowings due to fluctuations in the market interest rate. Interest rate risk of the Group arises from variable interest rate financial instruments and borrowings. The purpose of interest rate risk management is to minimize value fluctuation of financial assets and liabilities from uncertainties caused by changes in interest rates.

The Group makes interest swap transactions with financial institutions for hedging interest rate risk of variable borrowings and debentures.

The book value of the Group's variable interest-bearing financial instruments as of December 31, 2025 and 2024 is as follows:

(in thousands of Korean won)

| | | 2025 | 2024 |
|-----------------------|---|---------------|---------------|
| Financial assets | ₩ | 32,561,952 | 26,838,212 |
| Financial liabilities | | 2,685,732,611 | 3,691,473,461 |

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2025 and 2024

41. Risk Management, continued

(a) Management of financial risks, continued

(iv) Market risk, continued

② Interest rate risk, continued

The table below summarizes the impact of changes in interest rates on deposits and borrowings with floating interest rate on the Group's interest income and expense that would be incurred in relation to the deposits and borrowings for the years ended December 31, 2025 and 2024. The analysis is based on the assumption that the interest rate has increased or decreased by 100 basis points with all other variables held constant. Borrowings and debentures for which the Group has entered into interest rate swap transactions are not included.

| | | 2025 | | 2024 | |
|-------------------|---|-----------------|-----------------|-----------------|-----------------|
| | | 100bps increase | 100bps decrease | 100bps increase | 100bps decrease |
| Interest income | ₩ | 325,620 | (325,620) | 268,382 | (268,382) |
| Interest expenses | | 13,863,693 | (13,863,693) | 21,387,903 | (21,387,903) |

③ Price risk

The Group is exposed to fluctuations of price in equity instrument at fair value through other comprehensive income. The book value of the marketable equity instrument at fair value through other comprehensive income as of December 31, 2025 and 2024 is ₩ 399,125,413 thousand and ₩ 443,740,997 thousand, respectively. Assuming that other variables are constant, 10% fluctuation of the prices of the equity instruments will affect other comprehensive income in 2025 and 2024 by ₩ 39,912,541 thousand and ₩ 44,374,100 thousand, respectively.

(b) Capital Management

The objective of the Group's capital management is maximization of shareholders' profits by maintaining an appropriate capital structure. The Group makes necessary improvements to the capital structure through monthly monitoring of financial ratios such as liabilities to equity ratios and net borrowings to equity ratios to achieve an optimal capital structure.

The liabilities to equity ratios and net borrowings to equity ratios as of December 31, 2025 and 2024 are as follows:

| | | 2025 | 2024 |
|--|---|----------------|----------------|
| Liabilities (A) | ₩ | 21,044,102,609 | 21,969,427,279 |
| Equity (B) | | 16,866,196,238 | 17,033,617,306 |
| Deposits (C) | | 2,041,040,822 | 2,548,744,669 |
| Borrowings (D) | | 9,833,740,434 | 10,420,265,391 |
| Liabilities to equity ratio (A/B) | | 124.77% | 128.98% |
| Net borrowings to equity ratio ((D-C)/B) | | 46.20% | 46.21% |

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2025 and 2024

42. Lease

(a) Amount recognized in the consolidated statement of financial position

Details of leases recognized in the consolidated statement of financial position as of December 31, 2025 and 2024 are as follows:

| <i>(in thousands of Korean won)</i> | | <u>2025</u> | <u>2024</u> |
|-------------------------------------|---|----------------------|----------------------|
| Right-of-use assets: | | | |
| Land | ₩ | 644,461,984 | 695,386,875 |
| Buildings | | 2,129,953,749 | 2,364,959,749 |
| Vehicles | | 2,233,367 | 2,593,243 |
| Others | | 53,229,326 | 46,015,875 |
| Total | | <u>2,829,878,426</u> | <u>3,108,955,742</u> |
| Investment property | | 86,953,841 | 191,211,828 |
| Financial Lease receivables: | | | |
| Current | | 10,190,777 | 11,005,582 |
| Non-current | | 33,084,264 | 38,954,772 |
| Total | | <u>43,275,041</u> | <u>49,960,354</u> |
| Lease liabilities: | | | |
| Current | | 739,779,086 | 751,239,722 |
| Non-current | | 3,227,977,338 | 3,593,991,814 |
| Total | ₩ | <u>3,967,756,424</u> | <u>4,345,231,536</u> |

(b) Amount recognized in the consolidated statement of comprehensive income (loss)

Details of leases recognized in the consolidated statement of comprehensive income (loss) for the years ended December 31, 2025 and 2024 are as follows:

| <i>(in thousands of Korean won)</i> | | <u>2025</u> | <u>2024</u> |
|--|---|--------------------|--------------------|
| Depreciation expense on right-of-use assets | | | |
| Land and buildings | ₩ | 456,426,419 | 492,518,809 |
| Vehicles | | 1,905,225 | 2,002,424 |
| Others | | 10,015,284 | 9,773,937 |
| Total | ₩ | <u>468,346,928</u> | <u>504,295,170</u> |
| Depreciation expense on investment properties | ₩ | 7,102,349 | 12,676,153 |
| Interest expenses on lease liabilities | | 175,719,827 | 189,940,168 |
| Interest income on financial lease receivables | | 2,850,312 | 3,371,471 |
| Leases of low-value assets and short-term leases, etc. | | 106,633,099 | 100,935,230 |
| Impairment loss on right-of-use assets | | 75,736,543 | 322,135,726 |

Total cash outflow for leases for the year ended December 31, 2025 and 2024 are ₩ 775,026,421 thousand and ₩ 820,394,962 thousand.

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2025 and 2024

42. Lease, continued

(c) Changes in right-of-use assets for the years ended December 31, 2025 and 2024 are as follows:

| <i>(in thousands of Korean won)</i> | | <u>2025</u> | <u>2024</u> |
|--|---|----------------------|----------------------|
| Beginning balance | ₩ | 3,108,955,742 | 3,633,004,249 |
| Acquisition of right-of-use assets | | 62,024,754 | 46,703,820 |
| Depreciation expenses | | (468,346,928) | (504,295,170) |
| Impairment loss on right-of-use assets | | (75,736,543) | (322,135,726) |
| Others (*) | | 202,981,401 | 255,678,569 |
| Ending balance | ₩ | <u>2,829,878,426</u> | <u>3,108,955,742</u> |

(*) Others include lease contract modification and termination, investment in properties, sub-lease replacement, etc.

(d) The contractual maturity of lease liabilities as of December 31, 2025 and 2024 is as follows:

(in thousands of Korean won)

| | | <u>2025</u> | | | | | |
|------------------------------|---|-------------------------------|-----------------------------|--------------------|--------------------|------------------------------|---------------|
| | | <u>Less than 6 months</u> | <u>6 months~ 1 year</u> | <u>1 ~ 2 years</u> | <u>2 ~ 5 years</u> | <u>More than 5 years</u> | <u>Total</u> |
| Total minimum lease payments | ₩ | 391,357,107 | 367,312,024 | 784,141,186 | 1,483,831,986 | 1,760,902,847 | 4,787,545,150 |
| Net minimum lease payments | | 380,869,683 | 358,909,403 | 654,940,808 | 1,234,863,004 | 1,338,173,526 | 3,967,756,424 |

(in thousands of Korean won)

| | | <u>2024</u> | | | | | |
|------------------------------|---|-------------------------------|-----------------------------|--------------------|--------------------|------------------------------|---------------|
| | | <u>Less than 6 months</u> | <u>6 months~ 1 year</u> | <u>1 ~ 2 years</u> | <u>2 ~ 5 years</u> | <u>More than 5 years</u> | <u>Total</u> |
| Total minimum lease payments | ₩ | 395,987,270 | 374,954,715 | 691,431,411 | 1,710,580,028 | 2,164,652,602 | 5,337,606,026 |
| Net minimum lease payments | | 385,789,169 | 365,450,553 | 578,143,601 | 1,389,882,397 | 1,625,965,816 | 4,345,231,536 |

(e) The contractual maturity of financial lease receivables as of December 31, 2025 and 2024 is as follows:

(in thousands of Korean won)

| | | <u>2025</u> | | | | | |
|------------------------------|---|-------------------------------|-----------------------------|--------------------|--------------------|------------------------------|--------------|
| | | <u>Less than 6 months</u> | <u>6 months~ 1 year</u> | <u>1 ~ 2 years</u> | <u>2 ~ 5 years</u> | <u>More than 5 years</u> | <u>Total</u> |
| Total minimum lease payments | ₩ | 5,705,526 | 4,881,382 | 12,262,164 | 16,763,124 | 7,842,281 | 47,454,477 |
| Net minimum lease payments | | 5,520,287 | 4,724,938 | 11,756,452 | 14,653,613 | 6,824,877 | 43,480,167 |

(in thousands of Korean won)

| | | <u>2024</u> | | | | | |
|------------------------------|---|-------------------------------|-----------------------------|--------------------|--------------------|------------------------------|--------------|
| | | <u>Less than 6 months</u> | <u>6 months~ 1 year</u> | <u>1 ~ 2 years</u> | <u>2 ~ 5 years</u> | <u>More than 5 years</u> | <u>Total</u> |
| Total minimum lease payments | ₩ | 8,410,693 | 6,321,198 | 13,225,182 | 22,457,855 | 7,970,366 | 58,385,294 |
| Net minimum lease payments | | 6,510,869 | 4,580,470 | 11,750,869 | 20,228,291 | 7,212,283 | 50,282,782 |

LOTTE SHOPPING CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2025 and 2024

42. Lease, continued

(f) Operating lease

The Group has operating lease agreements to lease property, plant and equipment. The collection plan of lease receivables related to the operating lease contracts as of December 31, 2025 and 2024 are as follows:

| <i>(in thousands of Korean won)</i> | <u>2025</u> | <u>2024</u> |
|-------------------------------------|----------------------|--------------------|
| Within 1 year | ₩ 105,845,240 | 101,137,003 |
| Within 1 ~ 2 years | 46,696,754 | 45,405,261 |
| Within 2 ~ 3 years | 31,158,207 | 35,229,441 |
| Within 3 ~ 4 years | 20,614,771 | 25,680,209 |
| Within 4 ~ 5 years | 13,463,805 | 15,487,723 |
| Over 5 years | 10,062,922 | 15,247,874 |
| Total(*) | <u>₩ 227,841,699</u> | <u>238,187,511</u> |

(*) Variable lease payments due to changes in sales are not included.

The lease income related to the operating lease recognized by the Group during 2025 and 2024 are ₩ 1,665,684,076 thousand and ₩ 1,621,344,768 thousand respectively.

43. Subsequent Events

The Group resolved a paid-in capital increase of ₩ 60,000,000,000 for Lotte Ulsan Development Co., Ltd. at the Board of Directors meeting on March 4, 2026.

Independent Auditor's Report on Internal Control Over Financial Reporting for Consolidation Purpose

English Translation of Independent Auditor's Report on Internal Control over Financial Reporting Originally Issued in Korean on March 12, 2026

To the shareholders and the Board of Directors of LOTTE SHOPPING CO.,LTD.

Audit Opinion on Internal Control over Financial Reporting for Consolidation Purposes

We have audited the internal control over financial reporting of LOTTE SHOPPING CO.,LTD. and its subsidiaries (the "Group"), as of December 31, 2025, based on 'Conceptual Framework for Design and Operation of Internal Control over Financial Reporting'.

In our opinion, the Group's internal control over financial reporting for consolidation purposes is designed and operated effectively as of December 31, 2025, in all material respects, in accordance with the 'Conceptual Framework for Design and Operation of Internal Control over Financial Reporting'.

We have also audited, in accordance with the Korean Standards on Auditing ("KSAs"), the consolidated financial statements of the Group, which comprise the consolidated statement of financial position as of December 31, 2025, and the consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows, for the years then ended, and notes to the consolidated financial statements, including material accounting policy information, and our report dated March 12, 2026, expressed an unmodified opinion on consolidated financial statements.

Basis for Audit Opinion on Internal Control over Financial Reporting for Consolidation Purposes

We conducted our audits in accordance with the KSAs. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Internal Control over Financial Reporting for consolidation purposes* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audits of the internal control over financial reporting for consolidation purposes in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Internal Control over Financial Reporting for Consolidation Purposes

Management is responsible for designing, operating and maintaining effective internal control over financial reporting for consolidation purposes, and for its assessment of the effectiveness of internal control over financial reporting for consolidation purposes, included in the accompanying Consolidated ICFR Operating Status Report by CEO. Those Charged with Governance are responsible for the oversight of internal control over financial reporting for consolidation purposes of the Group.

Auditor's Responsibilities for the Audit of the Internal Control over Financial Reporting for Consolidation Purposes

Our responsibility is to express an opinion on the Group's internal control over financial reporting for consolidation purposes based on our audit. We conducted our audit in accordance with the KSAs. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting for consolidation purposes was maintained in all material respects.



The audit of internal control over financial reporting for consolidation purposes involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks of that a material weakness exists. The audit includes obtaining an understanding of internal control over financial reporting for consolidation purposes and testing and evaluating the design and operating effectiveness of internal control over financial reporting for consolidation purposes based on the assessed risks.

Definition and Limitations of Internal Control over Financial Reporting for Consolidation Purposes

A group's internal control over financial reporting for consolidation purposes is a process implemented by those charged with governance, management and other personnel, and designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with K-IFRS. A group's internal control over financial reporting for consolidation purposes includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the group; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with K-IFRS, and that receipts and expenditures of the group are being made only in accordance with authorizations of management and directors of the group; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the group's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting for consolidation purposes may not prevent or detect material misstatements in the financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that evaluation of and projections to the future periods may change as internal control over financial reporting becomes inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The engagement partner on the audit resulting in this independent auditor's report is Wie, Ho Kwang.

Deloitte Idnjin LLC

March 12, 2026

Notice to Readers

This report is effective as of March 12, 2026, the auditor's report date. Certain subsequent events or circumstances may have occurred between the auditor's report date and the time the auditor's report is read. Such events or circumstances could significantly affect the Group's internal control over financial reporting for consolidation purposes and may result in modifications to the auditor's report.

Consolidated ICFR Operating Status Report by CEO

To the Shareholders, Board of Directors, and Audit Committee of LOTTE SHOPPING CO.,LTD.

We, as the Chief Executive Officer and the Internal Accounting Manager of LOTTE SHOPPING CO.,LTD. (“the Company”), assessed operating status of the Company’s consolidated Internal Control over Financial Reporting (“ICFR”) for the year ending December 31, 2025.

Design and operation of the consolidated ICFR is the responsibility of the Company’s management, including the Chief Executive Officer and the Internal Accounting Manager (collectively, “We”, “Our” or “Us”).

We evaluated whether the Company effectively designed and operated its consolidated ICFR to prevent and detect errors or frauds which may cause a misstatement in the consolidated financial statements to ensure preparation and disclosure of reliable financial information.

We used the ‘Conceptual Framework for Designing and Operating Internal Control over Financial Reporting’ issued by the Operating Committee of Internal Control over Financial Reporting in Korea (the “ICFR Committee”) as the criteria for design and operation of the Company’s consolidated ICFR. And, we conducted an evaluation of ICFR based on the Annex 6 ‘Standards for Evaluating and Reporting on Internal Control over Financial Reporting’ for the Detailed Enforcement Rule of the Regulation on External Audit and Accounting.

Based on our assessment, we concluded that the Company’s consolidated ICFR is designed and operated effectively as of December 31, 2025, in all material respects, in accordance with the ‘Conceptual Framework for Designing and Operating Internal Control over Financial Reporting.

We certify that this report does not contain any untrue statement of a fact, or omit to state a fact necessary to be presented herein. We also certify that this report does not contain or present any statements which might cause material misunderstandings of the readers, and we have reviewed and verified this report with sufficient care.

<Attachment>

- Internal control activities implemented to address treasury-related fraud risks, including embezzlement

February 5th, 2026

Kim Won Jae (Signature)

Chief Executive Officer

Lim Jae Cheol (Signature)

Internal Accounting Manager

English translation of report originally issued in Korean

<Attachment>

- Internal control activities implemented to address treasury-related fraud risks, including embezzlement

| Category | Control Activities Performed by the Company | Applicable Entity | Design and Operating Effectiveness Assessment Results (Department, Timing, etc.) |
|-----------------------|--|---|---|
| Entity-Level Controls | <p><Anti-Fraud Program Operation> Management operates an ethics hotline website where internal and external stakeholders can anonymously report fraud such as embezzlement, corruption, and regulatory violations.</p> | <p>LOTTE SHOPPING CO.,LTD. and 9 other entities</p> | <p>Testing results: No material weaknesses identified (Utilization of ICFR Team of LOTTE SHOPPING and 8 other entities, Finance Team of LOTTE PROPERTIES HANOI, and external experts, July and November 2025, January 2026 and others)</p> |
| | <p><Establishment and Operation of Internal Accounting Management Regulations> Management has oversight responsibility for internal control over financial reporting (ICFR). The Chief Executive Officer and senior management have direct responsibility for designing and operating the ICFR.</p> | <p>LOTTE SHOPPING CO.,LTD. and 9 other entities</p> | <p>Testing results: No material weaknesses identified (Utilization of ICFR Team of LOTTE SHOPPING and 8 other entities, Finance Team of LOTTE PROPERTIES HANOI, and external experts, July and November 2025, January 2026 and others)</p> |
| | <p><Management of Segregation of Duties> Management considers segregation of duties and access rights (restrictions) in accordance with the ICFR guidelines when designing (new or modified) transaction-level control activities. The ICFR team monitors changes in business processes to ensure that the segregation of duties in control design remains up-to-date and operates effectively.</p> | <p>LOTTE SHOPPING CO.,LTD. and 9 other entities</p> | <p>Testing results: No material weaknesses identified (Utilization of ICFR Team of LOTTE SHOPPING and 8 other entities, Finance Team of LOTTE PROPERTIES HANOI, and external experts, July and November 2025, January 2026 and others)</p> |
| | <p><Fraud Risk Assessment> Management identifies and assesses potential fraud risks, keeping such assessments up-to-date in consideration of changes in business processes, and appropriately reflects the results in relevant controls. Where prior incidents of fraud have occurred, such matters are taken into consideration.</p> | <p>LOTTE SHOPPING CO.,LTD. and 9 other entities</p> | <p>Testing results: No material weaknesses identified (Utilization of ICFR Team of LOTTE SHOPPING and 8 other entities, Finance Team of LOTTE PROPERTIES HANOI, and external experts, July and November 2025, January 2026 and others)</p> |

| Category | Control Activities Performed by the Company | Applicable Entity | Design and Operating Effectiveness Assessment Results (Department, Timing, etc.) |
|---|---|---|---|
| Treasury Controls (Deposit and withdrawal account management, deposit and withdrawal management, fundraising) | <p><Bank Account Opening/Closing> Qualified approvers such as the Finance Team Leader review and approve requests for opening and closing bank accounts.</p> | <p>LOTTE SHOPPING CO.,LTD. and 9 other entities</p> | <p>Testing results: No material weaknesses identified (Utilization of ICFR Team of LOTTE SHOPPING and 8 other entities, Finance Team of LOTTE PROPERTIES HANOI, and external experts, July and November 2025, January 2026 and others)</p> |
| | <p><Account Status Management> Qualified approvers such as the Finance Team Leader review and approve the status of company-named accounts.</p> | <p>LOTTE SHOPPING CO.,LTD. and 9 other entities</p> | <p>Testing results: No material weaknesses identified (Utilization of ICFR Team of LOTTE SHOPPING and 8 other entities, Finance Team of LOTTE PROPERTIES HANOI, and external experts, July and November 2025, January 2026 and others)</p> |
| | <p><Seal Management> Qualified approvers such as the General Affairs Team leader review and approve the appropriateness of applications for use of corporate seals and authorized seals.</p> | <p>LOTTE SHOPPING CO.,LTD. and 9 other entities</p> | <p>Testing results: No material weaknesses identified (Utilization of ICFR Team of LOTTE SHOPPING and 8 other entities, Finance Team of LOTTE PROPERTIES HANOI, and external experts, July and November 2025, January 2026 and others)</p> |
| | <p><Fund Execution Restriction, Firm Banking> During firm banking payments, transfers to accounts not registered in the ERP Vendor Master are blocked.</p> | <p>LOTTE SHOPPING CO.,LTD. and 8 other entities</p> | <p>Testing results: No material weaknesses identified (Utilization of ICFR Team of LOTTE SHOPPING and 7 other entities, Finance Team of LOTTE PROPERTIES HANOI, and external experts, November 2025, January 2026 and others)</p> |
| | <p><Fund Execution Review> Qualified approvers such as the Finance Team Leader review and approve daily payment plans against scheduled payments in ERP.</p> | <p>LOTTE SHOPPING CO.,LTD. and 9 other entities</p> | <p>Testing results: No material weaknesses identified (Utilization of ICFR Team of LOTTE SHOPPING and 8 other entities, Finance Team of LOTTE</p> |

| Category | Control Activities Performed by the Company | Applicable Entity | Design and Operating Effectiveness Assessment Results (Department, Timing, etc.) |
|----------|--|--|--|
| | | | PROPERTIES HANOI, and external experts, July and November 2025, January 2026 and others) |
| | <Segregation of Duties for Fund Disbursement Journal Entry Approval> The preparer of fund-related journal entries and the approver of such journal entries and fund disbursements are segregated. | LOTTE SHOPPING CO.,LTD. and 9 other entities | Testing results: No material weaknesses identified (Utilization of ICFR Team of LOTTE SHOPPING and 8 other entities, Finance Team of LOTTE PROPERTIES HANOI, and external experts, July and November 2025, January 2026 and others) |
| | <Physical Access Control> Qualified approvers such as the Finance Team Leader manage access to safes storing account security devices (OTP) using security measures. | LOTTE SHOPPING CO.,LTD. and 8 other entities | Testing results: No material weaknesses identified (Utilization of ICFR Team of LOTTE SHOPPING and 7 other entities, Finance Team of LOTTE PROPERTIES HANOI, and external experts, July and November 2025, January 2026 and others) |
| | <Daily Fund Deposit and Withdrawal Management> Qualified approvers such as the Finance Team Leader review and approve whether the balances and transaction details in the daily cash closing report are consistent with the bank statement records. | LOTTE SHOPPING CO.,LTD. and 9 other entities | Testing results: No material weaknesses identified (Utilization of ICFR Team of LOTTE SHOPPING and 8 other entities, Finance Team of LOTTE PROPERTIES HANOI, and external experts, July and November 2025, January 2026 and others) |
| | <Physical Management of Cash/Securities> Qualified approvers such as the Finance Team Leader review and approve physical cash count and management records of cash and securities on hand. | LOTTE SHOPPING CO.,LTD. and 9 other entities | Testing results: No material weaknesses identified (Utilization of ICFR Team of LOTTE SHOPPING and 8 other entities, Finance Team of LOTTE PROPERTIES HANOI, and external experts, July and November 2025, January 2026 and others) |

| Category | Control Activities Performed by the Company | Applicable Entity | Design and Operating Effectiveness Assessment Results (Department, Timing, etc.) |
|-------------------------------------|---|---|--|
| | <p><Fundraising Review> Finance Team Leader reviews and approves the appropriateness of key requirements in borrowing and bond issuance proposals; if a board resolution is required, the matter is submitted to the board.</p> | <p>LOTTE SHOPPING CO.,LTD. and 7 other entities</p> | <p>Testing results: No material weaknesses identified (Utilization of ICFR Team of LOTTE SHOPPING and 6 other entities, Finance Team of LOTTE PROPERTIES HANOI, and external experts, July and November 2025, January 2026 and others)</p> |
| | <p><Review of Vendor Master Creation and Modification> Qualified approvers such as the Accounting Team Leader and others review and approve applications for Vendor Master creation and changes.</p> | <p>LOTTE SHOPPING CO.,LTD. and 6 other entities</p> | <p>Testing results: No material weaknesses identified (ICFR Team of LOTTE SHOPPING and 6 other entities, July and November 2025, January 2026 and others)</p> |
| <p>Other Process-Level Controls</p> | <p><Inventory Inspection and Reporting> Qualified approvers such as the Inventory Management Team Leader receive inventory inspection reports conducted by inventory inspectors and review and approve investigation results including discrepancies between book inventory and physical inventory.</p> | <p>LOTTE SHOPPING CO.,LTD. and 6 other entities</p> | <p>Testing results: No material weaknesses identified (ICFR Team of LOTTE SHOPPING and 6 other entities, July and November 2025, January 2026 and others)</p> |