

LOTTE SHOPPING CO.,LTD.

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

(With Independent Auditors' Report Thereon)

LOTTE SHOPPING CO.,LTD.

Contents

Page

Independent Auditor’s Report 1

Separate Financial Statements

Separate Statements of Financial Position4

Separate Statements of Comprehensive Income (Loss)6

Separate Statements of Changes in Equity7

Separate Statements of Cash Flows.....9

Notes to the Separate Financial Statements..... 11

Independent Auditors’ Report on Internal Control over Financial Reporting..... 114

ICFR Operating Status Report by CEO..... 116

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

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company 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 Company 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 the KSAs. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the separate 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 separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of investment in subsidiaries impairment in the LOTTE Himart Co., Ltd

As described in Note 13 to the financial statements, the carrying amount of the Company's investment in subsidiary, LOTTE Hi-Mart, as of the end of the current period is KRW 635,170 million. The Company performs an impairment test when there is an indication of impairment based on the operating performance of the subsidiary and other relevant factors.

In performing the impairment test of the investment in subsidiary, 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 financial statements, we identified the impairment of the investment in subsidiary, LOTTE Himart Co., Ltd, 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 Company's processes and internal controls related to impairment assessment of investment in subsidiary
- 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

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

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

In preparing the separate financial statements, management of the Company is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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.
- 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 Company'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 separate 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Deloitte.

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 separate 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.
Separate Statements of Financial Position
As of December 31, 2025 and 2024

(In Korean won)	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Assets			
Current assets			
Cash and cash equivalents	6,7,35,40	₩ 199,212,977,370	1,013,653,403,995
Trade and other receivables	5,7,38,39,40	431,704,542,213	474,144,629,713
Other financial assets	6,7,23,40	801,127,208,754	394,393,059,739
Inventories	8	841,907,685,865	416,585,055,764
Income tax refund receivables	34	5,471,706,649	8,765,087,423
Other non-financial assets	9	20,500,450,934	26,585,622,048
Assets held for sale	10	267,994,586,595	177,763,576,968
		<u>2,567,919,158,380</u>	<u>2,511,890,435,650</u>
Non-current assets			
Other receivables	5,7,38,39	35,702,229,307	41,390,169,799
Investments in subsidiaries, associates and joint ventures	11,12,13,38	3,485,019,380,933	3,528,685,017,381
Other financial assets	6,7,23,40	1,210,298,189,184	1,213,488,389,862
Property, plant and equipment, net	14,38	19,279,092,540,263	19,337,106,229,254
Right-of-use assets	39	2,130,890,952,190	2,360,615,900,173
Investment property, net	15	1,406,060,517,295	1,471,385,195,778
Goodwill	16	35,401,640,910	34,605,394,978
Intangible assets, net	16	100,579,439,397	53,190,355,210
Other non-financial assets	9	2,492,396,891	2,089,357,018
Defined benefit assets	22	95,201,189,787	50,808,693,969
		<u>27,780,738,476,157</u>	<u>28,093,364,703,422</u>
Total assets		₩ <u>30,348,657,634,537</u>	<u>30,605,255,139,072</u>

See accompanying notes to the separate financial statements.

LOTTE SHOPPING CO.,LTD.
Separate 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	7,18,38,40	₩ 2,328,977,702,511	1,706,898,739,226
Trade and other payables	7,17,38,40	1,980,432,111,636	1,993,006,403,462
Other financial liabilities	7,23,40	369,062,465,174	492,145,168,926
Lease liabilities	7,38,39,40	713,366,877,196	724,603,744,257
Unearned revenues	19	212,575,004,294	200,259,318,234
Provisions	20,29	22,861,998,156	8,619,545,907
Other non-financial liabilities	21,29	1,151,339,965,066	1,098,924,057,217
Liabilities held for sale	10	-	92,246,101,937
		<u>6,778,616,124,033</u>	<u>6,316,703,079,166</u>
Non-current liabilities			
Borrowings and debentures, net of issuance costs	7,18,38,40	4,046,877,545,276	4,304,502,038,146
Other payables	7,17,38,40	573,981,985	1,707,804,250
Other financial liabilities	7,23,40	69,153,060,354	74,602,743,140
Lease liabilities	7,38,39	2,990,468,980,377	3,422,187,277,638
Other long-term employee benefits	22	22,975,022,373	23,718,837,189
Deferred tax liabilities	34	2,013,440,409,621	1,948,857,098,476
Unearned revenues	19	5,866,756,890	7,367,763,550
Provisions	20	153,653,914,754	153,409,559,054
		<u>9,303,009,671,630</u>	<u>9,936,353,121,443</u>
Total liabilities		<u>16,081,625,795,663</u>	<u>16,253,056,200,609</u>
Equity			
Share capital	1,24	141,443,775,000	141,443,775,000
Capital surplus	24	3,590,535,627,005	3,590,535,627,005
Capital adjustments	25	(2,900,131,377,030)	(2,861,143,072,226)
Retained earnings	26	7,725,880,208,044	7,744,469,660,731
Accumulated other comprehensive income (loss)	27	5,709,303,605,855	5,736,892,947,953
Total equity		<u>14,267,031,838,874</u>	<u>14,352,198,938,463</u>
Total liabilities and equity		<u>₩ 30,348,657,634,537</u>	<u>30,605,255,139,072</u>

See accompanying notes to the separate financial statements.

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

(In Korean won)	Notes	2025	2024
Sales	29,38	₩ 8,188,060,535,596	8,413,294,214,738
Cost of sales	8,32,38	<u>(3,562,912,774,428)</u>	<u>(3,712,752,554,673)</u>
Gross profit		<u>4,625,147,761,168</u>	<u>4,700,541,660,065</u>
Selling, general and administrative expenses	30,32,38	(4,213,966,120,828)	(4,317,619,188,110)
Bad debt recovery (expense)	30,32,40	53,364,146	(2,071,219,686)
Operating profit		<u>411,235,004,486</u>	<u>380,851,252,269</u>
Other income	31	61,716,419,386	147,792,618,174
Other expenses	31	(100,809,169,234)	(733,529,999,451)
Other bad debt expense	31	(4,363,974,398)	(38,261,221,581)
Finance income - Interest income calculated using the effective interest method	33	57,079,941,688	79,010,561,827
Finance income - Others	33	423,243,734,544	350,830,129,791
Finance costs	33	(770,971,956,248)	(1,035,895,734,625)
Profit (Loss) before income tax		<u>77,130,000,224</u>	<u>(849,202,393,596)</u>
Income tax revenue	34	33,285,787,622	90,378,841,187
Profit (Loss) for the year		<u>110,415,787,846</u>	<u>(758,823,552,409)</u>
Other comprehensive income (loss)			
Items that will never be reclassified to profit or loss			
Remeasurements of net defined benefit liabilities		9,675,307,204	(48,227,398,220)
Fair value gain through other comprehensive income on equity instruments		54,174,095,987	29,815,728,486
Other comprehensive income on revaluation surplus		-	7,886,084,533,165
Income tax effect		<u>(88,112,978,640)</u>	<u>(2,079,596,476,699)</u>
Total items that will never be reclassified to profit or loss		<u>(24,263,575,449)</u>	<u>5,788,076,386,732</u>
Items that will be subsequently reclassified to profit or loss			
Fair value gain through other comprehensive income on debt instruments		(114,084,607)	117,325,650
Gain on valuations of derivatives		11,460,062,368	8,277,401,340
Income tax effect		<u>(2,323,784,943)</u>	<u>(2,030,309,192)</u>
Total items that will be subsequently reclassified to profit or loss		<u>9,022,192,818</u>	<u>6,364,417,798</u>
Other comprehensive income (loss) for the year, net of tax	27	<u>(15,241,382,631)</u>	<u>5,794,440,804,530</u>
Total comprehensive income for the year		<u>₩ 95,174,405,215</u>	<u>5,035,617,252,121</u>
Earnings (loss) per share	28		
Basic earnings (loss) per share		₩ 3,906	(26,841)

See accompanying notes to the separate financial statements.

LOTTE SHOPPING CO.,LTD.
Separate 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>Capital adjustment</u>	<u>Retained earnings</u>	<u>Accumulated other comprehensive income (loss)</u>	<u>Total equity</u>
Balance at January 1, 2024	₩ 141,443,775,000	3,590,535,627,005	(2,856,562,337,456)	8,648,747,850,984	(95,574,062,421)	9,428,590,853,112
Comprehensive income (loss) for the year:						
Loss for the year	-	-	-	(758,823,552,409)	-	(758,823,552,409)
Other comprehensive income (loss):						
Net change in equity instruments at fair value through other comprehensive income	-	-	-	-	21,944,376,166	21,944,376,166
Net change in debt instruments at fair value through other comprehensive income	-	-	-	-	86,351,678	86,351,678
Other comprehensive income on revaluation surplus	-	-	-	-	5,804,158,216,410	5,804,158,216,410
Gain on valuation of derivatives	-	-	-	-	6,278,066,120	6,278,066,120
Remeasurements of defined benefit liabilities	-	-	-	(38,026,205,844)	-	(38,026,205,844)
Subtotal	-	-	-	(38,026,205,844)	5,832,467,010,374	5,794,440,804,530
Total comprehensive income (loss) for the year	-	-	-	(796,849,758,253)	5,832,467,010,374	5,035,617,252,121
Transactions with owners of the Company recognized directly in equity:						
Changes due to business combination	-	-	(4,580,734,770)	-	-	(4,580,734,770)
Dividends	-	-	-	(107,428,432,000)	-	(107,428,432,000)
Balance at December 31, 2024	₩ 141,443,775,000	3,590,535,627,005	(2,861,143,072,226)	7,744,469,660,731	5,736,892,947,953	14,352,198,938,463

See accompanying notes to the separate financial statements.

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

(In Korean won)	<u>Share capital</u>	<u>Capital surplus</u>	<u>Capital adjustment</u>	<u>Retained earnings</u>	<u>Accumulated other comprehensive income (loss)</u>	<u>Total equity</u>
Balance at January 1, 2025	₩ 141,443,775,000	3,590,535,627,005	(2,861,143,072,226)	7,744,469,660,731	5,736,892,947,953	14,352,198,938,463
Comprehensive income (loss) for the year:						
Profit for the year	-	-	-	110,415,787,846	-	110,415,787,846
Other comprehensive income (loss):						
Net change in equity instruments at fair value through other comprehensive income	-	-	-	-	40,136,563,622	40,136,563,622
Net change in debt instruments at fair value through other comprehensive income	-	-	-	-	(82,545,228)	(82,545,228)
Other comprehensive loss on revaluation surplus	-	-	-	-	(76,748,098,538)	(76,748,098,538)
Gain on valuation of derivatives	-	-	-	-	9,104,738,046	9,104,738,046
Remeasurements of defined benefit liabilities	-	-	-	12,347,959,467	-	12,347,959,467
Subtotal	-	-	-	12,347,959,467	(27,589,342,098)	(15,241,382,631)
Total comprehensive income (loss) for the year	-	-	-	122,763,747,313	(27,589,342,098)	95,174,405,215
Transactions with owners of the Company recognized directly in equity:						
Changes due to business combination	-	-	(38,988,304,804)	-	-	(38,988,304,804)
Dividends	-	-	-	(141,353,200,000)	-	(141,353,200,000)
Balance at December 31, 2025	₩ 141,443,775,000	3,590,535,627,005	(2,900,131,377,030)	7,725,880,208,044	5,709,303,605,855	14,267,031,838,874

See accompanying notes to the separate financial statements.

LOTTE SHOPPING CO.,LTD.
Separate 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	₩	110,415,787,846	(758,823,552,409)
Adjustments	35	1,168,114,404,662	2,083,604,391,844
Changes in operating assets and liabilities	35	19,609,251,408	71,926,772,572
Income taxes refunded (paid)		7,078,903,049	(1,050,466,689)
Net cash provided by operating activities		1,305,218,346,965	1,395,657,145,318
Cash flows from investing activities			
Decrease of lease deposit		24,716,359,946	23,687,263,999
Decrease of short-term financial instruments		162,100,000,000	573,600,000,000
Decrease in short-term loans		5,351,571,953	2,661,295,415
Proceeds from sale of debt instruments at fair value through profit or loss		120,000,000	11,700,281,114
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		1,548,721,680	-
Proceeds from sale of investment in subsidiaries, associates and joint ventures		7,417,097,640	12,224,528,888
Proceeds from disposal of property, plant and equipment		27,201,423,851	25,335,922,307
Proceeds from disposal of intangible assets		-	388,000
Proceeds from disposal of assets held for sale		385,000,000	82,938,141,270
Collection of financial lease receivables		11,445,492,923	12,477,302,519
Advances received		2,030,000,000	8,763,500,000
Cash inflows from settlement of derivatives		7,315,699,469	9,338,375,005
Cash inflow from business combination		2,110,863,996	16,436,945,743
Increase of lease deposit		(13,425,399,895)	(4,542,826,967)
Increase of short-term financial instruments		(580,000,000,000)	(578,100,000,000)
Increase in short-term loans		(6,882,932,996)	(2,817,647,352)
Purchase of long-term financial instruments		(297,278)	(362,969)
Purchase of equity instruments at fair value through other comprehensive income		-	(59,277,117,900)
Purchase of investments in subsidiaries, associates and joint ventures		(374,507,719,561)	(186,920,224,422)
Acquisition of property, plant, and equipment		(583,678,487,253)	(795,493,642,380)
Acquisition of intangible assets		(16,121,052,749)	(2,683,929,280)
Increase of advance payments		-	(4,000,000,000)
Cash outflows from settlement of derivatives		(716,004,000)	-
Interest received		33,322,328,810	53,893,055,506
Dividends received		170,770,895,211	162,576,451,428
Net cash used in investing activities	₩	(1,115,133,413,381)	(637,508,990,992)

See accompanying notes to the separate financial statements.

LOTTE SHOPPING CO.,LTD.
Separate 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			
Increase in rental deposits	₩	10,173,453,924	20,639,403,922
Proceeds from short-term borrowings		451,900,000,000	850,000,000,000
Proceeds from long-term borrowings		1,038,669,529,333	1,128,317,095,932
Proceeds from issuance of debentures		995,418,366,626	1,478,000,922,241
Decrease in rental deposits		(5,904,649,934)	(24,973,961,381)
Repayment of short-term borrowings		(968,000,000,000)	(700,000,000,000)
Repayment of long-term borrowings		(100,000,000,000)	-
Repayment of current portion of long-term borrowings		(405,000,000,000)	(1,157,996,512,833)
Repayment of debentures		(944,150,000,000)	(1,196,512,500,000)
Repayment of lease liabilities		(606,788,386,040)	(637,163,958,127)
Interest paid		(332,637,625,790)	(329,877,646,901)
Dividends paid		(141,353,200,000)	(107,428,432,000)
Net cash used in financing activities		<u>(1,007,672,511,881)</u>	<u>(676,995,589,147)</u>
Net increase (decrease) in cash and cash equivalents		(817,587,578,297)	81,152,565,179
Cash and cash equivalents at the beginning of the year		1,013,653,403,995	1,006,072,435,019
Effect of exchange rate fluctuation on cash and cash equivalents		3,147,151,672	(213,772,650)
Reclassification of disposal group held for sale		-	(73,357,823,553)
Cash and cash equivalents at the end of the year	₩	<u>199,212,977,370</u>	<u>1,013,653,403,995</u>

See accompanying notes to the separate financial statements.

LOTTE SHOPPING CO.,LTD.

Notes to the Separate Financial Statements

As of December 31, 2025 and 2024

1. Organization and description of the Company

LOTTE SHOPPING CO.,LTD. (the “Company”) was established on July 2, 1970 in the Republic of Korea to engage in retail operations through department stores. 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 Company’s stock was listed on the Korea Exchange through an initial public offering on February 9, 2006. The shareholders of the 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 Busan 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

2. Basis of Accounting

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

The separate 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 document and interpretation document announced by the International Accounting Standard Board (IASB).

These financial statements are separate financial statements prepared in accordance with K-IFRS No.1027 Separate Financial Statements presented by a parent, an investor in an associate or a venturer in a joint venture in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.

(a) Basis of measurement

The separate 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

Financial statements of the Company are prepared in the currency of the main economic environment whereby operation takes place (hereinafter “functional currency”). The financial performance and position of the Company are presented in Korean won, the functional and presentation currency.

K-IFRS permits the use of significant accounting estimates in preparing the separate 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.

Notes to the Separate Financial Statements

As of December 31, 2025 and 2024

2. Basis of Accounting, continued

(c) Estimates and assumptions

The preparation of financial statements requires assumptions and estimates of the future, and management requires judgement to apply the accounting policies of the Company. Estimates and assumptions are continuously evaluated and are made in consideration of reasonably foreseeable future events in light of past experience and current circumstances. The results of an accounting estimate will rarely be the same as the actual results, posing a significant risk of causing significant adjustments.

Estimates and assumptions regarding management's judgement 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.

3. Significant Accounting Policies and Changes in Disclosure

The following are significant accounting policies applied to the preparation of 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 Company

The Company 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 separate financial statements.

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

The following are amendments to accounting standards and interpretations which have not been adopted the Company 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 Company expects that these amendments will not have a significant impact on its separate financial statements.

LOTTE SHOPPING CO.,LTD.

Notes to the Separate 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 Company, continued

(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 Company expects that these amendments will not have a significant impact on its separate 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 Company expects that these amendments will not have a significant impact on its separate financial statements.

(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 Company expects that these amendments will not have a significant impact on its separate 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 Company expects that these amendments will not have a significant impact on its separate 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 Company expects that these amendments will not have a significant impact on its separate 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 separate financial statements.

LOTTE SHOPPING CO.,LTD.

Notes to the Separate 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 Company, continued

(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 financial statements. Adoption of the standard is not expected to have an impact on the Company’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).

3.3 Cash and cash equivalents

The Company 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.

3.4 Foreign currency translation

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 other than functional currency or translation of monetary foreign currency assets and liabilities are recognized in profit or loss. However, gains or losses on monetary items that are related to the effective portion of a qualifying cash flow hedge or a hedge of a net investment, or that arise from monetary items that form part of the net investment in a foreign operation of the reporting entity, are recognized in other comprehensive income.

Foreign exchange differences related to borrowings and private loans are shown in the income statement as finance expenses, and other foreign exchange differences are shown in other income or other expenses. Foreign exchange differences arising from non-monetary financial assets and liabilities are regarded as part of fair value fluctuation gains and losses, and foreign exchange differences arising from equity instruments measured at fair values through profit or loss are recognized as current profit or loss, and foreign exchange differences between equity instruments measured at fair value through other comprehensive income are recognized as included in other comprehensive income.

LOTTE SHOPPING CO.,LTD.

Notes to the Separate Financial Statements

As of December 31, 2025 and 2024

3. Significant Accounting Policies and Changes in Disclosure, continued

3.5 Financial assets

(a) Classification

The Company classifies the financial assets in the following categories.

- i. Financial assets measured at fair value through profit or loss
- ii. Financial assets measured at fair value through other comprehensive income
- iii. Financial assets measured at amortized cost

Classification is based on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

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 Company 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 Company 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 Company 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.

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

(b) Measurement, continued

(i) Debt instrument

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company 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.

LOTTE SHOPPING CO.,LTD.

Notes to the Separate Financial Statements

As of December 31, 2025 and 2024

3. Significant Accounting Policies and Changes in Disclosure, continued

3.5 Financial assets, continued

- 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 costs' in the year in which it arises.

(ii) Equity instrument

The Company subsequently measures all equity investments at fair value. Where the Company'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 costs' in the statement of profit or loss. The impairment loss (reversal) on equity instrument measured at fair value through other comprehensive income is not separately recognized.

(c) Impairment

The Company 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 Company 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 Company 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 Company has transferred substantially all the risks and rewards of ownership.

If the Company has retained substantially all the risks and rewards of ownership of the transferred asset, the Company 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 Company or the counterparty.

LOTTE SHOPPING CO.,LTD.

Notes to the Separate Financial Statements

As of December 31, 2025 and 2024

3. Significant Accounting Policies and Changes in Disclosure, continued

3.6 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 costs' depending on the nature of the transaction.

(a) Hedge accounting

The Company holds forward exchange contracts, interest rate swaps, currency swaps and other derivative contracts to manage interest rate risk and foreign exchange risk. The Company 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).

On initial designation of the hedge, the Company 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 derivative instruments designated as hedging instruments and qualifying for fair value hedge accounting are recognized in profit or loss for the current period. Changes in the fair value of the hedged item attributable to the hedged risk are also recognized in profit or loss. The changes in the fair value of the hedging instrument and the changes in the fair value of the hedged item attributable to the hedged risk are recognized in the same line item of the separate statement of comprehensive income related to the hedged item. The Company 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 profit or loss for the current period from the date the hedge accounting is discontinued.

(a) Hedge accounting, continued

(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. Any ineffective portion of changes in the fair value of the derivatives is recognized in profit or loss 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 loss for the current period.

(b) Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately only if the following criteria have been met: (i) the economic characteristics and risks are not closely related to that of the host contract, (ii) a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and (iii) the hybrid (combined) instrument is not measured at fair value through profit or loss. Changes in the fair value of embedded derivatives separated from the host contract are recognized in profit or loss for the current period.

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

3. Significant Accounting Policies and Changes in Disclosure, continued

3.6 Derivatives, continued

(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.

3.7 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 at amortized cost using the effective interest method, deducting the allowance for doubtful accounts.

3.8 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 following methods:

Classification	Department store	Discount store Supermarket	E-commerce
Merchandise	Retail method	Moving average method	Total weighted average method
Finished goods	-	Moving average method	-
Others	Specific identification method	Specific identification method	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.

3.9 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.

3.10 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 performed periodically to ensure that the carrying amount does not differ materially from the asset's fair value at the end of the reporting period.

Any increase in the carrying amount arising on revaluation is recognized in other comprehensive income and accumulated in equity as revaluation surplus, net of deferred tax. However, if a revaluation decrease for the same asset was previously recognized in profit or loss, the increase is recognized in profit or loss to the extent of that prior decrease.

A decrease in the carrying amount resulting from revaluation is recognized in profit or loss. However, if a revaluation surplus exists for the same asset, the decrease is recognized in other comprehensive income to the extent of the remaining surplus.

LOTTE SHOPPING CO.,LTD.

Notes to the Separate Financial Statements

As of December 31, 2025 and 2024

3. Significant Accounting Policies and Changes in Disclosure, continued

3.10 Property, plant and equipment, continued

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 directly attributable to the acquisition or construction of the asset, costs necessary to bring the asset to the location and condition required for it to operate as intended by management, and the initial estimate of the costs of dismantling and removing the asset 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 Company's property, plant and equipment are as follows:

	<u>Useful lives (years)</u>
Buildings	10 – 50
Structures	7 – 40
Machinery	5 – 30
Vehicles	5
Display fixtures	5
Furniture and fixtures	5

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.

3.11 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.

3.12 Intangible assets

The goodwill is measured in the manner described in K-IFRS 1110 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.

LOTTE SHOPPING CO.,LTD.

Notes to the Separate Financial Statements

As of December 31, 2025 and 2024

3. Significant Accounting Policies and Changes in Disclosure, continued

3.12 Intangible assets, continued

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	10 – 20
Other intangible assets	4 – 5

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 with indefinite useful lives 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 costs incurred during the research phase are recognized as expenses 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 expenses when incurred.

3.13 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 Company 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 10 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.

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

3. Significant Accounting Policies and Changes in Disclosure, continued

3.14 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.

LOTTE SHOPPING CO.,LTD.

Notes to the Separate Financial Statements

As of December 31, 2025 and 2024

3. Significant Accounting Policies and Changes in Disclosure, continued

3.15 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.

3.16 Financial liabilities

(a) Classification and measurement

The financial liabilities of the Company 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, or a derivative that is not designated as effective hedging instrument is classified as a short-term financial liability held for trading.

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.

3.17 Provisions

When the Company 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.

LOTTE SHOPPING CO.,LTD.

Notes to the Separate Financial Statements

As of December 31, 2025 and 2024

3. Significant Accounting Policies and Changes in Disclosure, continued

3.18 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 Company when reporting taxes in situations in which applicable tax code regulations may vary depending on the interpretation. The Company recognizes current tax expenses based on the amount expected to be paid to the tax authorities. The Company 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.

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 Company 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 Company 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 Company is subject to the Global Minimum Tax under Pillar Two legislation. There was no additional corporate income tax expense recognized in the current period in relation to this matter. The Company has also applied the exception to the recognition and disclosure requirements for deferred taxes related to Pillar Two income taxes.

LOTTE SHOPPING CO.,LTD.

Notes to the Separate Financial Statements

As of December 31, 2025 and 2024

3. Significant Accounting Policies and Changes in Disclosure, continued

3.19 Employee benefits

(a) Retirement benefits

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

Defined contribution plan is a retirement pension plan in which the Company 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 Company during an accounting period, the Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service. If an employee has legal or constructive obligation to be paid as a result of past services 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.

(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.

3.20 Revenue recognition

(a) Sales of goods and rendering of services

The Company operates department stores, outlet stores, discount stores, supermarkets and e-commerce business. 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 Company acts as an agent, the Company recognizes net sales, after deducting the cost of specific sales, as revenue upon delivery to customers.

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

3. Significant Accounting Policies and Changes in Disclosure, continued

3.20 Revenue recognition, continued

(b) Customer loyalty programs

The Company 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 Company acts as an agent for the principal in a transaction, the net amount of commission equal to the value generated by the Company 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.

Notes to the Separate Financial Statements

As of December 31, 2025 and 2024

3. Significant Accounting Policies and Changes in Disclosure, continued

3.21 Leases

(a) Lessor

If the Company 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. In addition, when the Company, as a lessee, subleases the underlying asset to a third party, it determines whether the sublease is classified as a finance lease based on the right-of-use asset associated with the head lease.

(b) Lessee

The Company 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 Company 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 Company (lessee) according to the residual value guarantee
- iv. Exercise price of the purchase option if it is reasonably certain that the Company (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 Company (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.

LOTTE SHOPPING CO.,LTD.

Notes to the Separate Financial Statements

As of December 31, 2025 and 2024

3. Significant Accounting Policies and Changes in Disclosure, continued

3.21 Leases, continued

(b) Lessee, continued

The Company calculates the incremental borrowing rate as follows:

- i. Interest rates based on market-observed credit ratings are reflected

The Company 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.

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 Company 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 Company which include extension and termination options. These conditions are used to maximize operational flexibility in terms of contract management.

LOTTE SHOPPING CO.,LTD.

Notes to the Separate Financial Statements

As of December 31, 2025 and 2024

3. Significant Accounting Policies and Changes in Disclosure, continued

3.22 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 Company'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, impairment losses on hedging instruments recognized in profit or loss and impairment losses on investments in subsidiaries, associates and joint ventures. Interest on borrowings is recognized in profit or loss using the effective interest method over the applied period.

3.23 Emission rights

The Company 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 Company 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 Company 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.

3.24 Government Grants

The government grants are recognized at fair value when there is reasonable assurance that the grant will be received and the conditions added to the grant will be complied with. Subsidies related to assets are presented as a deduction when calculating the carrying amount of assets, and subsidies related to income are deferred and presented as a deduction from expenses and income related to the purpose of granting government subsidies.

3.25 Authorization of financial statements

The separate 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.

Notes to the Separate 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 Company. 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 14 and 16).

(b) Income taxes

The Company 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 Company 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 Company 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 Company makes judgment for the application of these assumptions and the selection of input variables used for impairment models in consideration of the Company's experience, current market conditions and future forecast information as of the financial reporting date (see Notes 5 and 40).

(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 22).

(f) Revenue recognition

The Company 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 Company's revenue is affected by the estimated changes in the expected return rate.

(g) Provision for restoration cost

The Company 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.
Notes to the Separate Financial Statements
As of December 31, 2025 and 2024

4. Significant Accounting Estimates and Assumptions, continued

(h) Provision for restructuring cost

The Company recognizes restructuring provision when a detailed formal restructuring plan has been approved and the Company 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 Company 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 Company exercises the extension option (not exercise the termination option).
- iii. Other than the above, the Company 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 Company bears the obligation to exercise (or not exercise) the option. The Company 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) Asset revaluation

Land is measured at fair value based on valuations performed by an independent appraiser. Revaluations are conducted periodically to ensure that the carrying amount of the asset does not differ materially from its fair value as of the reporting date. The valuation is performed using the Officially Announced Reference Land Price Method, which adjusts the standard reference land price to reflect the specific characteristics of the subject land, and the Sales Comparison Method, which estimates the value by comparing it with similar properties and adjusting for differences to reflect the condition of the subject land.

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	₩	224,718,121	247,247,185	8,573,189	480,538,495
Reduction: allowance for doubtful accounts		(2,045,720)	(46,781,580)	(6,653)	(48,833,953)
Net carrying amount		<u>222,672,401</u>	<u>200,465,605</u>	<u>8,566,536</u>	<u>431,704,542</u>
Non-current:					
Total carrying amount		-	16,005,333	19,882,281	35,887,614
Reduction: allowance for doubtful accounts		-	(178,895)	(6,490)	(185,385)
Net carrying amount	₩	<u>-</u>	<u>15,826,438</u>	<u>19,875,791</u>	<u>35,702,229</u>

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

5. Trade and Other Receivables, continued

(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	₩	341,390,758	173,452,338	9,702,767	524,545,863
Reduction: allowance for doubtful accounts		(4,193,704)	(46,205,029)	(2,500)	(50,401,233)
Net carrying amount		<u>337,197,054</u>	<u>127,247,309</u>	<u>9,700,267</u>	<u>474,144,630</u>
Non-current:					
Total carrying amount		-	15,169,005	26,266,814	41,435,819
Reduction: allowance for doubtful accounts		-	(42,804)	(2,845)	(45,649)
Net carrying amount	₩	<u>-</u>	<u>15,126,201</u>	<u>26,263,969</u>	<u>41,390,170</u>

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	₩	400,000	1,400,000	Reserved for e-finance business
Other financial assets (current)		300,000	-	Pledged assets
		101,500,000	105,500,000	Deposits for mutually beneficial cooperation fund
Other financial assets (non-current)		2,163,469	2,463,172	Trust reserve, pledged assets
		8,000	8,000	Deposit for current account opening
		24,149,729	15,734,606	Performance guarantee
	₩	<u>128,521,198</u>	<u>125,105,778</u>	

LOTTE SHOPPING CO.,LTD.
Notes to the Separate 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	₩ 101,500,000	105,500,000
	Current debt instruments	2,467,752	1,472,880
	Current derivatives assets held for trading	4,777,602	637,158
	Non-current assets:		
	Non-current debt instruments	1,948,401	2,948,401
	Non-current derivatives assets held for trading	-	11,013,044
	Subtotal	<u>110,693,755</u>	<u>121,571,483</u>
Fair value through other comprehensive income	Current assets:		
	Current debt instruments	-	4,343,395
	Non-current assets:		
	Equity instruments	<u>199,457,227</u>	<u>146,831,852</u>
	Subtotal	<u>199,457,227</u>	<u>151,175,247</u>
Derivatives assets	Current derivatives assets held for hedging	30,116,780	48,818,555
	Non-current derivatives assets held for hedging	30,600,329	77,692,915
	Subtotal	<u>60,717,109</u>	<u>126,511,470</u>
Financial assets not being measured at fair value:			
Financial assets at amortized cost (*2)	Current assets:		
	Cash and cash equivalents	199,212,977	1,013,653,404
	Trade and other receivables	431,704,542	474,144,630
	Short-term financial instruments	581,811,000	158,100,000
	Short-term loans	1,687,713	156,352
	Accrued income	3,352,539	4,632,795
	Current portion of lease deposits	75,413,823	70,731,925
	Non-current assets:		
	Long-term financial instruments	652,469	2,463,172
	Deposits for current account	8,000	8,000
	Long-term accrued income	46,189	152,775
	Other receivables	35,702,229	41,390,170
	Lease deposits	<u>977,585,574</u>	<u>972,378,231</u>
	Subtotal	<u>2,307,177,055</u>	<u>2,737,811,454</u>
Total financial assets	₩	<u>2,678,045,146</u>	<u>3,137,069,654</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.
Notes to the Separate Financial Statements
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	₩ 683,311,000	263,600,000
Short-term loans	1,687,713	156,352
Accrued income	3,352,539	4,632,795
Current portion of lease deposits	75,413,823	70,731,925
Current debt instruments	2,467,752	5,816,275
Current derivatives assets held for hedging	30,116,780	48,818,555
Current derivatives assets held for trading	4,777,602	637,158
Total	<u>801,127,209</u>	<u>394,393,060</u>
Non-current:		
Long-term financial instruments	652,469	2,463,172
Deposits for current account	8,000	8,000
Long-term accrued income	46,189	152,775
Lease deposits	977,585,574	972,378,231
Equity instruments	199,457,227	146,831,852
Non-current debt instruments	1,948,401	2,948,401
Non-current derivatives assets held for hedging	30,600,329	77,692,915
Non-current derivatives assets held for trading	-	11,013,044
Total	<u>₩ 1,210,298,189</u>	<u>1,213,488,390</u>

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

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
INNOCEAN WORLDWIDE INC(*)	2,060,000	5.15%	39,943,400	38,027,600	39,943,400
Subtotal			98,370,161	197,543,093	143,111,334
Non-marketable equity instruments measured at fair value through other comprehensive income:					
Lotte Properties (Shenyang) Limited	144,501,456	17.93%	182,244,001	-	1,581,426
Others	-	-	676,946	1,914,134	2,139,092
Subtotal			182,920,947	1,914,134	3,720,518
Debt instruments measured at fair value through other comprehensive income:					
National housing bond	-	-	-	-	4,343,395
Total			₩ 281,291,108	199,457,227	151,175,247

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

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

7. Fair Value of Financial Instruments, continued

(d) Carrying amount of financial liabilities as of December 31, 2025 and 2024 is 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	-
Derivatives liabilities	Current derivatives liabilities held for hedging	459,899	-
	Non-current derivatives liabilities held for hedging	10,420,255	1,586,817
	Subtotal	<u>10,880,154</u>	<u>1,586,817</u>
Financial liabilities not being measured at fair value (*1):			
Financial liabilities at amortized cost (*2) Current:			
	Trade payables and other payables	1,980,432,112	1,993,006,403
	Short-term borrowings	451,900,000	600,000,000
	Current portion of long-term borrowings	649,130,083	110,000,000
	Current portion of long-term debentures	1,227,947,620	996,898,739
	Accrued expenses	129,589,710	124,111,186
	Current portion of rental deposits	171,273,740	168,462,520
Non-current:			
	Other payables	573,982	1,707,804
	Long-term borrowings	1,252,340,332	1,251,662,944
	Long-term debentures	2,794,537,213	3,052,839,094
	Rental deposits	58,282,729	72,465,850
	Others	450,076	550,076
	Subtotal	<u>8,716,457,597</u>	<u>8,371,704,616</u>
Other financial liabilities	Current lease liabilities	713,366,877	724,603,744
	Non-current lease liabilities	2,990,468,980	3,422,187,278
	Current financial guarantee liabilities	62,147,098	197,005,981
	Other current financial liabilities	3,582,018	2,565,482
	Subtotal	<u>3,769,564,973</u>	<u>4,346,362,485</u>
Total financial liabilities		<u>₩ 12,498,912,724</u>	<u>12,719,653,918</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.
Notes to the Separate Financial Statements
As of December 31, 2025 and 2024

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:			
Current derivatives liabilities held for trading	₩	2,010,000	-
Current derivatives liabilities held for hedging		459,899	-
Current financial guarantee liabilities		62,147,098	197,005,981
Other current financial liabilities		3,582,018	2,565,482
Accrued expenses		129,589,710	124,111,186
Current portion of rental deposits		171,273,740	168,462,520
Total	₩	<u>369,062,465</u>	<u>492,145,169</u>
Non-current:			
Non-current derivatives liabilities held for hedging	₩	10,420,255	1,586,817
Rental deposits		58,282,729	72,465,850
Others		450,076	550,076
Total	₩	<u>69,153,060</u>	<u>74,602,743</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 variables)

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

<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	₩	-	-	110,693,755	110,693,755
Financial assets at fair value through other comprehensive income		197,543,093	-	1,914,134	199,457,227
Derivatives assets held for hedging		-	60,717,109	-	60,717,109
Total		<u>197,543,093</u>	<u>60,717,109</u>	<u>112,607,889</u>	<u>370,868,091</u>

<i>(in thousands of Korean won)</i>		<u>2024</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	₩	-	-	121,571,483	121,571,483
Financial assets at fair value through other comprehensive income		143,111,334	4,343,395	3,720,518	151,175,247
Derivatives assets held for hedging		-	126,511,470	-	126,511,470
Total		<u>143,111,334</u>	<u>130,854,865</u>	<u>125,292,001</u>	<u>399,258,200</u>

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

7. Fair Value of Financial Instruments, continued

(f) Fair value hierarchy, continued

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

(in thousands of Korean won)

		2025			
		Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	₩	-	-	2,010,000	2,010,000
Derivatives liabilities held for hedging		-	10,880,154	-	10,880,154
Total	₩	-	10,880,154	2,010,000	12,890,154

(in thousands of Korean won)

		2024			
		Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	₩	-	-	-	-
Derivatives liabilities held for hedging		-	1,586,817	-	1,586,817
Total	₩	-	1,586,817	-	1,586,817

In measuring Level 2 fair values, the Company used price, index, etc. such as foreign exchange rates and interest rates.

In measuring Level 3 fair values, the Company used net asset valuation models and discounted cash flow models 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 includes financial instruments that have carrying value with 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	₩	125,292,001	139,970,844
Total gain or loss for the year		163,881	(53,304,770)
Gain (loss) included in profit and loss		388,840	(53,446,870)
Gain (loss) included in OCI		(224,959)	142,100
Purchases		-	59,277,118
Disposal, etc.		(14,857,993)	(20,651,191)
Ending balance	₩	110,597,889	125,292,001

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

7. Fair Value of Financial Instruments, continued

(h) Sensitivity analysis

For the fair value of Level 3 financial instruments, change in a single significant unobservable variable, assuming other variables are constant, would have the following effects on the fair values at the end of the reporting period:

(i) Settlement agreement

(in thousands of Korean won)

	₩	Discount rate	
		5% Decrease	5% Increase
Settlement agreement	₩	1,734	(1,834)

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	₩	353,348,575	(8,490,171)	344,858,404	366,600,495	(8,422,668)	358,177,827
Finished goods		9,360,306	-	9,360,306	11,749,372	(77)	11,749,295
Semi-finished goods		202,757	-	202,757	4	-	4
Raw materials		11,269,003	-	11,269,003	13,264,149	-	13,264,149
Ingredients		16,960	-	16,960	52,730	-	52,730
Supplies		1,392	-	1,392	636,903	-	636,903
Materials-in-transit		17,116,192	-	17,116,192	19,945,397	-	19,945,397
Unsold building		11,363,388	-	11,363,388	11,363,388	-	11,363,388
Unfinished building		446,085,321	-	446,085,321	-	-	-
Packing materials		1,633,963	-	1,633,963	1,395,363	-	1,395,363
Total	₩	850,397,857	(8,490,171)	841,907,686	425,007,801	(8,422,745)	416,585,056

(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	₩	3,539,778,624	3,697,229,236
Increase in valuation allowance of inventories		67,426	714,033

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

8. Inventories, continued

(c) 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>	<u>2025</u>	<u>2024</u>
Capitalized borrowing costs	₩ 7,944,441	-
Capitalization interest rates	4.00% ~ 4.88%	-

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	₩ 6,529,234	13,455,619
Prepaid expenses	13,734,092	12,832,007
Other current assets	237,125	297,996
Total	<u>20,500,451</u>	<u>26,585,622</u>
Non-current:		
Long-term advance payments	1,214,050	1,121,184
Long-term prepaid expenses	1,278,347	968,173
Total	₩ <u>2,492,397</u>	<u>2,089,357</u>

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

10. Assets and Liabilities Held for Sale

Details of assets and liabilities 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 of disposal groups classified as held for sale (*1)	₩	-	98,773,531
Assets held for sale		<u>267,994,587</u>	<u>78,990,046</u>
Total		<u>267,994,587</u>	<u>177,763,577</u>
Liabilities of disposal groups classified as held for sale (*1)		-	92,246,102
Total		<u>-</u>	<u>92,246,102</u>

(*1) The Company classified the assets and liabilities of the mobile gift certificate business under the e-commerce division's mobile gift certificate business as a disposal group classified as held for sale during the prior year, and sold them during the current year.

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

The Company classified the assets and liabilities of the mobile gift certificate business under 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 a disposal group classified as held for sale as of December 31, 2024 are as follows.

<i>(in thousands of Korean won)</i>		<u>2024</u>
Assets within disposal groups:		
Cash and cash equivalents	₩	73,357,824
Trade and other receivables		19,130,831
Other non-financial assets		13,913
Property, plant and equipment and intangible assets		<u>6,270,963</u>
Total		<u>98,773,531</u>
Liabilities within disposal groups:		
Trade and other payables		3,318,200
Other financial liabilities		56,348
Other non-financial liabilities		<u>88,871,554</u>
Total		<u>92,246,102</u>

(2) 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)	₩	267,994,587	78,990,046

(*1) During the current year, the Company classified assets amounting to ₩ 189,389,541 thousand as assets held for sale following decisions to dispose of properties, and others. In addition, the Company sold employee housing at two locations under the Department Store division amounting to ₩ 385,000 thousand during the current year.

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

11. Investments in Associates

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

(in thousands of Korean won)

Company	Location	Major operation	2025	
			Percentage of ownership (%)	Book value
FRL Korea Co., Ltd.	Korea	Import and selling of apparel	49.00	₩ 24,826,942
Zara Retail Korea Co., Ltd.	Korea	Import and selling of apparel	20.00	16,105,746
Coralis S.A.	Luxembourg	Holding company	22.50	39,372,940
LOTTE HOTEL & RETAIL VIETNAM PTE. LTD. (*1)	Singapore	Holding company	9.99	7,092,535
LOTTE PROPERTIES HCMC COMPANY LIMITED	Vietnam	Real estate development	40.00	79,487,854
Lotte Startup Fund I (*2,3,5)	Korea	Investment on new technology	7.35	744,040
Prototype	Korea	Service	20.00	-
Lotte-KDB Open Innovation Fund (*3)	Korea	Investment on new technology	25.52	4,640,000
Lotte Card Co., Ltd.	Korea	Credit finance business	20.00	325,238,801
Eugene Unicorn Private Equity Fund (*5)	Korea	Trust business and collective investment business	47.06	11,307,857
MUJIKOREA CO.LTD (*4)	Korea	Sale of household goods	40.00	20,350,000
LOTTE Vietnam Open Innovation Fund (*4)	Vietnam	Investment on new technology	28.25	513,041
Total				₩ <u>529,679,756</u>

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

11. Investments in Associates, continued

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

(in thousands of Korean won)

Company	Location	Major operation	2024	
			Percentage of ownership (%)	Book value
FRL Korea Co., Ltd.	Korea	Import and selling of apparel	49.00	₩ 24,826,942
Zara Retail Korea Co., Ltd.	Korea	Import and selling of apparel	20.00	16,105,746
Coralis S.A.	Luxembourg	Holding company	22.50	39,372,940
LOTTE HOTEL & RETAIL VIETNAM PTE. LTD. (*1)	Singapore	Holding company	9.99	7,092,535
LOTTE PROPERTIES HCMC COMPANY LIMITED	Vietnam	Real estate development	40.00	79,487,854
Lotte Startup Fund I (*2,3,5)	Korea	Investment on new technology	7.35	1,144,040
Prototype	Korea	Service	20.00	-
Lotte-KDB Open Innovation Fund (*3)	Korea	Investment on new technology	25.52	8,000,000
Lotte Card Co., Ltd.	Korea	Credit finance business	20.00	325,238,801
Eugene Unicorn Private Equity Fund (*5)	Korea	Trust business and collective investment business	47.06	11,307,857
MUJIKOREA CO.LTD (*4)	Korea	Sale of household goods	40.00	350,000
LOTTE Vietnam Open Innovation Fund (*4)	Vietnam	Investment on new technology	28.25	256,053
Total				₩ 513,182,768

(*1) The Company classified the investment in LOTTE HOTEL & RETAIL VIETNAM PTE. LTD. as an investment in an associate, as its subsidiary, LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD., holds a 40% equity interest in the entity.

(*2) The Company classified Lotte Startup Fund I as investment in associates, as the Company's subsidiaries Woori Home Shopping Co., Ltd and LOTTE Himart Co., Ltd. hold 7.35% of shares, respectively.

(*3) During the current year, a portion of the capital contribution was distributed.

(*4) The details of acquisitions as of December 31, 2025 and 2024 are summarized as follows.

(in thousands of Korean won)

	2025	2024
MUJIKOREA CO.LTD	₩ 20,000,000	-
LOTTE Vietnam Open Innovation Fund	256,988	256,053
	₩ 20,256,988	256,053

(*5) The Company performed an impairment test for the investee companies based on external valuation agency and, as a result of the impairment test, recognized impairment loss for the years ended December 31, 2025 and 2024 as follows.

(in thousands of Korean won)

	2025	2024
Eugene Unicorn Private Equity Fund	₩ -	833,257
Lotte Startup Fund I	-	715,960
	₩ -	1,549,217

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

12. Investments in Joint Venture

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	₩ 1,784,000
LOTTE JTB Co., Ltd. (*)	Korea	Travel business	50.00	12,841,748
Total				₩ <u>14,625,748</u>

(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	₩ 1,784,000
LOTTE JTB Co., Ltd. (*)	Korea	Travel business	50.00	896,137
Total				₩ <u>2,680,137</u>

(*) The Company recognized a reversal of impairment loss of ₩ 11,945,611 thousand during the current year based on a stock valuation of LOTTE JTB Co., Ltd.

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

13. Investments in Subsidiaries

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

(in thousands of Korean won)

Name of entity	Location	Major operation	2025	
			Percentage of ownership (%) (*1)	Book Value
Woori Home Shopping Co., Ltd.	Korea	TV Home Shopping	53.49	₩ 396,883,074
Lotte Gimhae Development Co., Ltd.	Korea	Building Maintaining Service company	100.00	300,000
Lotte GFR Co., Ltd.	Korea	Apparel manufacturing and selling	99.99	62,069,626
CS Mart Co., Ltd.	Korea	Distribution	99.95	111,677,439
LOTTE Himart Co., Ltd. (*4)	Korea	Consumer electronics retail	65.25	635,169,668
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD. (*4)	Singapore	Holding company	100.00	523,312,859
LOTTE PROPERTIES (CHENGDU) HK LIMITED (*3, 4)	Hong Kong	Holding company	77.60	125,287,323
Lotte Ulsan Development Co., Ltd.(*4)	Korea	Real estate development	98.81	-
LOTTE PROPERTIES (HANOI) SINGAPORE PTE. LTD (*3).	Singapore	Holding company	100.00	337,274,910
Lotte Cultureworks Co., Ltd. (*4)	Korea	Cinema	86.37	175,814,379
Lotte corporate venture fund No. 1 (*5)	Korea	Investment on new technology	18.78	400,000
Lotte DMC Development Co., Ltd. (*6)	Korea	Real estate development	-	-
LOTTE REIT Co., Ltd.	Korea	Real estate development	42.04	441,366,340
Lotte Incheon Town Co., Ltd (*2)	Korea	Real estate development	-	-
LOTTE Shopping Innovation Fund No.1 (*4, 7)	Korea	Investment on new technology	99.00	16,395,738
IMM Heim Coinvestment I Private Equity Fund (*4)	Korea	Asset management and operation services	83.71	46,484,521
SMART LOTTE SHOPPING INNOVATION FUND (*3)	Korea	Investment on new technology	69.08	14,700,000
FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No. 3	Korea	Finance business	98.65	53,578,000
Lotte Department Store (Chengdu) Co., Ltd. (*4)	China	Department Store	-	-
				₩ <u>2,940,713,877</u>

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

13. Investments in Subsidiaries, continued

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

(in thousands of Korean won)

Name of entity	Location	Major operation	2024	
			Percentage of ownership (%) (*1)	Book Value
Woori Home Shopping Co., Ltd.	Korea	TV Home Shopping	53.49	₩ 396,883,074
Lotte Gimhae Development Co., Ltd.	Korea	Building Maintaining Service company	100.00	300,000
Lotte GFR Co., Ltd.	Korea	Apparel manufacturing and selling	99.99	62,069,626
CS Mart Co., Ltd.	Korea	Distribution	99.95	111,677,439
LOTTE Himart Co., Ltd. (*4)	Korea	Consumer electronics retail	65.25	635,169,668
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD. (*4)	Singapore	Holding company	100.00	540,618,569
LOTTE PROPERTIES (CHENGDU) HK LIMITED (*3, 4)	Hong Kong	Holding company	77.60	-
Lotte Ulsan Development Co., Ltd.(*4)	Korea	Real estate development	98.81	25,527,400
LOTTE PROPERTIES (HANOI) SINGAPORE PTE. LTD (*3).	Singapore	Holding company	90.00	299,040,381
Lotte Cultureworks Co., Ltd. (*4)	Korea	Cinema	86.37	234,588,987
Lotte corporate venture fund No. 1 (*5)	Korea	Investment on new technology	18.78	400,000
Lotte DMC Development Co., Ltd. (*6)	Korea	Real estate development	95.00	4,750,000
LOTTE REIT Co., Ltd.	Korea	Real estate development	42.04	441,366,340
Lotte Incheon Town Co., Ltd (*2)	Korea	Real estate development	100.00	101,894,076
LOTTE Shopping Innovation Fund No.1 (*4, 7)	Korea	Investment on new technology	99.00	16,989,738
IMM Heim Coinvestment I Private Equity Fund (*4)	Korea	Asset management and operation services	83.71	79,568,814
SMART LOTTE SHOPPING INNOVATION FUND (*3)	Korea	Investment on new technology	69.08	8,400,000
FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No. 3	Korea	Finance business	98.65	53,578,000
Lotte Department Store (Chengdu) Co., Ltd. (*4)		Department Store	-	-
				₩ <u>3,012,822,112</u>

(*1) Percentage of ownership represents ownership of the Company. Percentage of ownership described in Note 38 represents an ownership of the Company and its subsidiaries.

(*2) During the current year, the Company merged Lotte Incheon Town Co., Ltd (See Note 41).

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

13. Investments in Subsidiaries, continued

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

(*3) Details acquired 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>
Lotte GFR Co., Ltd.	₩ -	9,999,995
LOTTE PROPERTIES (CHENGDU) HK LIMITED	309,716,203	140,381,027
Lotte Ulsan Development Co., Ltd.	-	744,600
Lotte Department Store (Chengdu) Co., Ltd.	-	33,402,500
FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No. 3 (*)	-	42,721,000
SMART LOTTE SHOPPING INNOVATION FUND	6,300,000	-
LOTTE PROPERTIES (HANOI) SINGAPORE PTE. LTD.	38,234,529	-
Total	₩ <u>354,250,732</u>	<u>227,249,122</u>

(*) During the prior year, the Company acquired a 78.7% equity interest in FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No. 3 for ₩ 42,721,000 thousand. Due to the change in ownership percentage, the investment in the entity was reclassified from investment in associates to investment in subsidiaries.

(*4) The Company recognized impairment loss during years 2025 and 2024. The recognized impairment loss is caused by worsened profit and loss, net assets reduction, etc. of subsidiaries.

The details of recognized impairment loss during the years 2025 and 2024 are as follows:

<i>(in thousands of Korean won)</i>	<u>2025 (*)</u>	<u>2024</u>
LOTTE Himart Co., Ltd.	₩ -	243,990,189
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD.	17,305,710	22,371,754
LOTTE PROPERTIES (CHENGDU) HK LIMITED	184,428,880	140,381,027
Lotte Department Store (Chengdu) Co., Ltd.	-	33,402,500
LOTTE Shopping Innovation Fund No. 1	-	12,710,262
IMM Heim Coinvestment I Private Equity Fund	33,084,293	-
Lotte Ulsan Development Co., Ltd.	25,527,400	-
Lotte Cultureworks Co., Ltd.	58,774,608	-
Total	₩ <u>319,120,891</u>	<u>452,855,732</u>

(*) The Company recognized impairment loss by calculating recoverable amount based on the value in use and net fair value measured by external valuation agency for the impairment test. The calculation of value in use is based on the following assumptions.

- The cash flows of PT. LOTTE SHOPPING INDONESIA, which is indirectly held through LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD., HANSSEM CO., LTD, which is indirectly held through IMM Heim Coinvestment I Private Equity Fund, and Lotte Cultureworks Co., Ltd., which is directly held by the Company, were calculated in consideration of past average growth rate based on past experience, actual operating results, and business plans for the next five years and objective average growth rate estimated by external professional institution. The cash flow after five years is estimated assuming a growth rate of 1.0%.

- In order to estimate value in use, the weighted average cost of capital ranging from 5.98% to 12.50% was used in year 2025 (6.17% to 13.49% in year 2024).

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

13. Investments in Subsidiaries, continued

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

- LOTTE PROPERTIES (CHENGDU) HK LIMITED, Lotte Ulsan Development Co., Ltd. used Net Asset Value method.

(*5) As the Company's subsidiary, Woori Home Shopping, holds a 79.81% interest in Lotte corporate venture fund No. 1, the related investment has been classified as an investment in a subsidiary.

(*6) During the current year, the Company liquidated Lotte DMC Development Co., Ltd.

(*7) During the current year, a portion of the capital contribution was distributed.

(b) The fair value of marketable shares in subsidiaries as of December 31, 2025 and 2024 are as follows:

<i>(in thousands of Korean won)</i>		<u>2025</u>	<u>2024</u>
LOTTE Himart Co., Ltd.	₩	116,294,719	111,673,737
LOTTE REIT Co., Ltd.		481,078,390	370,527,548

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

14. Property, Plant and Equipment

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

(in thousands of
Korean won)

		2025				
		Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Revaluation surplus	Book value
Land	₩	6,686,493,590	-	-	7,812,185,524	14,498,679,114
Buildings		5,757,331,856	(2,515,420,585)	(98,382,762)	-	3,143,528,509
Structures		324,470,414	(158,974,505)	(54,372,162)	-	111,123,747
Machinery		97,506,982	(65,373,913)	(26,558,232)	-	5,574,837
Vehicles		4,337,245	(3,680,209)	(306,789)	-	350,247
Display fixtures		48,615,366	(48,537,272)	(50,583)	-	27,511
Fixtures, tools and equipment		4,588,169,948	(3,603,784,282)	(368,354,790)	-	616,030,876
Construction-in-progress		903,777,699	-	-	-	903,777,699
Total	₩	<u>18,410,703,100</u>	<u>(6,395,770,766)</u>	<u>(548,025,318)</u>	<u>7,812,185,524</u>	<u>19,279,092,540</u>

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

(in thousands of
Korean won)

		2024				
		Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Revaluation surplus	Book value
Land	₩	6,760,095,301	-	-	7,874,021,983	14,634,117,284
Buildings		5,853,256,792	(2,423,997,808)	(95,542,851)	-	3,333,716,133
Structures		310,520,776	(152,473,775)	(51,519,953)	-	106,527,048
Machinery		114,138,160	(67,325,507)	(40,353,701)	-	6,458,952
Vehicles		4,311,926	(3,749,886)	(255,097)	-	306,943
Display fixtures		48,993,248	(48,892,075)	(50,552)	-	50,621
Fixtures, tools and equipment		4,387,409,001	(3,432,790,347)	(371,300,139)	-	583,318,515
Construction-in-progress		672,610,733	-	-	-	672,610,733
Total	₩	<u>18,151,335,937</u>	<u>(6,129,229,398)</u>	<u>(559,022,293)</u>	<u>7,874,021,983</u>	<u>19,337,106,229</u>

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

14. Property, Plant and Equipment, continued

(c) 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	Business Combination	Depreciation	Impairment	Disposals	Others (*)	Ending balance
Land	₩	14,634,117,284	689,327	-	-	-	(15,070,742)	(121,056,755)	14,498,679,114
Buildings		3,333,716,133	11,962,297	-	(136,398,044)	(2,667,838)	(5,443,485)	(57,640,554)	3,143,528,509
Structures		106,527,048	14,267,998	47,931	(6,580,398)	(2,852,209)	(4)	(286,619)	111,123,747
Machinery		6,458,952	701,588	-	(1,446,496)	(139,182)	(25)	-	5,574,837
Vehicles		306,943	201,505	-	(106,499)	(51,693)	(9)	-	350,247
Display fixtures		50,621	-	-	(23,042)	(31)	(37)	-	27,511
Fixtures, tools and equipment		583,318,515	134,536,127	1,290	(206,962,600)	(13,574,053)	(1,441,885)	120,153,482	616,030,876
Construction-in-progress		672,610,733	410,507,207	-	-	-	(34,716)	(179,305,525)	903,777,699
Total	₩	19,337,106,229	572,866,049	49,221	(351,517,079)	(19,285,006)	(21,990,903)	(238,135,971)	19,279,092,540

(*) Others include reclassification between accounts, etc.

(d) 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	₩	6,744,766,407	19,616,553	-	-	-	(15,990,082)	7,874,021,983	11,702,423	14,634,117,284
Buildings		3,231,948,094	9,504,997	169,810,084	(139,878,040)	(108,034,375)	(218,828)	-	170,584,201	3,333,716,133
Structures		121,517,950	392,150	15,729,853	(7,929,540)	(24,145,159)	(3,160)	-	964,954	106,527,048
Machinery		12,502,758	77,687	-	(2,526,989)	(3,250,521)	(343,983)	-	-	6,458,952
Vehicles		230,034	162,534	-	(86,347)	(3,062)	(10)	-	3,794	306,943
Display fixtures		73,717	-	-	(23,047)	-	(49)	-	-	50,621
Fixtures, tools and equipment		602,071,268	121,561,184	2,679	(220,718,387)	(121,760,867)	(5,244,089)	-	207,406,727	583,318,515
Construction-in-progress		568,306,244	626,625,793	-	-	-	(3,533)	-	(522,317,771)	672,610,733
Total	₩	11,281,416,472	777,940,898	185,542,616	(371,162,350)	(257,193,984)	(21,803,734)	7,874,021,983	(131,655,672)	19,337,106,229

(*) Others include reclassification between accounts, etc.

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

14. Property, Plant and Equipment, continued

(e) Revaluation of property, plant and equipment

During the prior year, the Company 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	₩	14,634,117,284	6,760,095,301

As a result of applying the revaluation model to land, the pre-tax other comprehensive income recognized in the statement of comprehensive income for the prior year amounted to ₩ 7,886,084,533 thousand, and the pre-tax revaluation loss recognized in profit or loss amounted to ₩ 12,062,550 thousand.

(ii) During the prior year, the following is an analysis of property, plant and equipment measured at fair value using valuation techniques. Details on the fair value hierarchy are described in Note 7. All land measured at fair value by the Company falls under Level 3 of the fair value hierarchy.

(in thousands of Korean won)

		2024		
		Level 1	Level 2	Level 3
Land (*)	₩	-	-	14,571,054,904

(*) The total fair value as of the end of the prior year differs from the total carrying amount of land due to the inclusion of land that is not subject to fair value measurement.

(iii) The company's valuation process

The Company recognizes subsequent measurements of land based on revalued amounts, which represent the fair value as of the revaluation date. The fair value of land as of December 31, 2024, was determined based on valuations conducted by independent and qualified external appraisers: Daehwa Appraisal Co., Ltd., Dooyo Appraisal & Consulting Ltd., and Taepyeongyang Appraisal Co., Ltd. The Company's finance officer reviews the assumptions and valuation changes in the independent appraisal reports for reasonableness and reports directly to the Board of Directors and the Audit Committee. Discussions and conclusions regarding the valuation process are regularly shared among the finance officer, the Audit Committee, and the Board of Directors in alignment with the Company's reporting date (at least once every three years, or more frequently when significant changes in value occur).

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

14. Property, Plant and Equipment, continued

(iv) Information on Fair Value Measurements Using Significant Unobservable Inputs

(in thousands of Korean won)

	Fair Value as of December 31, 2024 (*)	Valuation Method	Significant unobservable inputs	Relationship between unobservable inputs and fair value
W	13,350,533,188	Official Land Price-Based Valuation Method: Fair value is determined based on the officially announced standard land prices of parcels adjacent to the subject land. Adjustments are made to reflect differences in valuation dates, as well as individual and other relevant factors.	Time adjustment (fluctuation rate of land price) Individual factors Other factors	An increase (decrease) in the land price fluctuation rate leads to an increase (decrease) in fair value. An increase (decrease) in the adjustment for plot-specific conditions leads to an increase (decrease) in fair value. An increase (decrease) in the adjustment for overall land price levels leads to an increase (decrease) in fair value.
Land	1,220,521,716	Comparable Sales Method: Fair value is measured by comparing the subject property with similar properties for which transaction data is available. Adjustments are made for differences in conditions, timing, and value-forming factors to reflect the characteristics of the subject property.	Condition adjustments Time adjustments (fluctuation rate of land price) Value-forming factors	An increase (decrease) in the condition adjustment increases (decreases) the fair value. An increase (decrease) in the time adjustment increases (decreases) the fair value. An increase (decrease) in value-forming factors increases (decreases) the fair value.

(*) The total fair value at the end of the prior year differs from the total carrying amount of land by the carrying amount of land not subject to fair value measurement.

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

14. Property, Plant and Equipment, continued

(v) Changes in revaluation surplus and restrictions on dividend distributions

The book value of revaluation surplus as of December 31, 2025 and 2024, is as follows:

<i>(in thousands of Korean won)</i>		<u>2025</u>	<u>2024</u>
Revaluation surplus(*)	₩	5,727,410,118	5,804,158,216

(*) 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.

(f) The impairment losses recognized for cash-generating units for the years ended December 31, 2025 and 2024 are summarized as follows. The Company has calculated recoverable amounts for cash-generating units that have an indication of impairment based on projected financial plans which have been approved by management.

<i>(in thousands of Korean won)</i>		<u>2025</u>				
		<u>Department store</u>	<u>Discount store</u>	<u>Supermarket</u>	<u>E-Commerce</u>	<u>Total</u>
Impairment loss on property, plant and equipment	₩	4,281,453	12,488,449	2,512,060	3,044	19,285,006
Impairment loss on right-of-use assets		34,346,722	9,054,804	5,163,409	402,851	48,967,786
Impairment loss on intangible assets		285,550	9,655,352	260,996	604,596	10,806,494
Impairment loss on goodwill		-	-	-	-	-
Total	₩	<u>38,913,725</u>	<u>31,198,605</u>	<u>7,936,465</u>	<u>1,010,491</u>	<u>79,059,286</u>

<i>(in thousands of Korean won)</i>		<u>2024</u>				
		<u>Department store</u>	<u>Discount store</u>	<u>Supermarket</u>	<u>E-Commerce</u>	<u>Total</u>
Impairment loss on property, plant and equipment	₩	164,088,132	79,813,488	13,083,037	209,327	257,193,984
Impairment loss on right-of-use assets		210,329,646	80,418,929	10,626,643	4,762,265	306,137,483
Impairment loss on intangible assets		430,964	2,104,449	40,685	1,441,480	4,017,578
Impairment loss on goodwill		70,883,829	16,446	975,856	-	71,876,131
Total	₩	<u>445,732,571</u>	<u>162,353,312</u>	<u>24,726,221</u>	<u>6,413,072</u>	<u>639,225,176</u>

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

14. Property, Plant and Equipment, continued

The calculation of value in use of each cash-generating unit and fair value less costs to sell were based on the following key assumptions:

- The cash flows were estimated based on experience, actual historical results of operations and the following 5-year business plan. The annual revenue growth rate for the following 5-year business plan was estimated based on an analysis of average revenue growth rates in the past and objective growth rates estimated by external agencies. The cash flow after the 5-year period is estimated based on an assumption of inconstant growth rate about 0.0% ~ 1.0%.

- For the department store, discount store, and supermarket, weighted average cost of capital was applied at discount rate of 4.93% (2024: 4.90%) and e-commerce was applied at discount rate of 4.93% (2024: 7.40%), in determining recoverable amount of each cash-generating unit for peer industry.

The relevant values through major assumption are based on external and internal data (historical data) based on the management's estimation of future trends for the distribution industry.

(g) Pledged property, plant and equipment provided by the Company as of December 31, 2025 are as follows:

<i>(in thousands of Korean won)</i>		2025			
Pledged assets		Book amount	Guaranteed amount	Reason for pledge	Guarantee recipient
Buildings	₩	567,351,061	38,963,893	Security deposit for lease, etc.	Shinhan Bank and others
Land		305,476,906	3,711,039	Provisional attachment on interests, etc.	National Health Insurance Service and others

(h) 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	₩	27,322,176	26,196,514
Capitalization interest rates		3.77%	3.79%

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

15. Investment Property

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

(in thousands of Korean won)

		2025				2024			
		Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	₩	864,548,870	-	-	864,548,870	870,109,511	-	-	870,109,511
Buildings		542,642,852	(236,271,255)	(13,753,632)	292,617,965	559,131,288	(236,865,283)	(13,925,704)	308,340,301
Right-of-use assets		814,685,232	(341,623,457)	(224,168,093)	248,893,682	791,988,198	(296,593,017)	(202,459,797)	292,935,384
Total	₩	2,221,876,954	(577,894,712)	(237,921,725)	1,406,060,517	2,221,228,997	(533,458,300)	(216,385,501)	1,471,385,196

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

(in thousands of Korean won)

		2025			
		Beginning balance	Depreciation	Others (*)	Ending balance
Land	₩	870,109,511	-	(5,560,641)	864,548,870
Buildings		308,340,301	(12,113,580)	(3,608,756)	292,617,965
Right-of-use assets		292,935,384	(43,474,525)	(567,177)	248,893,682
Total	₩	1,471,385,196	(55,588,105)	(9,736,574)	1,406,060,517

(*) Others include reclassification between accounts and others.

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

(in thousands of Korean won)

		2024			
		Beginning balance	Depreciation	Others (*)	Ending balance
Land	₩	887,226,134	-	(17,116,623)	870,109,511
Buildings		300,498,122	(12,936,177)	20,778,356	308,340,301
Right-of-use assets		149,293,642	(52,635,111)	196,276,853	292,935,384
Total	₩	1,337,017,898	(65,571,288)	199,938,586	1,471,385,196

(*) Others include reclassification between accounts 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:

(in thousands of Korean won)

		2025	2024
Rental income	₩	129,413,395	131,943,052
Direct operating expense (including maintenance and repair expenses)		81,170,262	78,128,935

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

15. Investment Property, continued

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

<i>(in thousands of Korean won)</i>	<u>Location</u>	<u>Book value</u>	<u>Fair value</u>
Land, buildings, etc.	40-1 Jamsil-dong, Songpa-gu, Seoul and 138 others	₩ 1,406,060,517	5,875,395,141

16. Goodwill and Intangible Assets

(a) Goodwill and intangible 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>			
		<u>Acquisition cost</u>	<u>Accumulated amortization</u>	<u>Accumulated impairment losses</u>	<u>Book value</u>	<u>Acquisition cost</u>	<u>Accumulated amortization</u>	<u>Accumulated impairment losses</u>	<u>Book value</u>
Goodwill	₩	665,053,023	-	(629,651,382)	35,401,641	664,610,006	-	(630,004,611)	34,605,395
Industrial property rights		8,750,116	(7,452,719)	(914,448)	382,949	8,549,976	(7,332,690)	(863,820)	353,466
Rights to use facility		39,368,493	(38,599,585)	(608,395)	160,513	39,370,258	(38,560,129)	(608,395)	201,734
Membership		17,404,352	-	(2,571,412)	14,832,940	17,404,352	-	(2,299,089)	15,105,263
Construction-in-progress		21,634,504	-	-	21,634,504	21,425,530	-	-	21,425,530
Other intangible assets		257,932,077	(114,150,880)	(80,212,664)	63,568,533	194,150,408	(114,836,364)	(63,209,681)	16,104,363
Total	₩	<u>1,010,142,565</u>	<u>(160,203,184)</u>	<u>(713,958,301)</u>	<u>135,981,080</u>	<u>945,510,530</u>	<u>(160,729,183)</u>	<u>(696,985,596)</u>	<u>87,795,751</u>

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

<i>(in thousands of Korean won)</i>		<u>2025</u>							
		<u>Beginning balance</u>	<u>Acquisition</u>	<u>Merge</u>	<u>Amortization</u>	<u>Impairment</u>	<u>Disposals</u>	<u>Others (*)</u>	<u>Ending Balance</u>
Goodwill	₩	34,605,395	-	796,246	-	-	-	-	35,401,641
Industrial property rights		353,466	66,764	-	(119,962)	(50,628)	-	133,309	382,949
Rights to use facility		201,734	-	-	(41,221)	-	-	-	160,513
Membership		15,105,263	-	-	-	(272,323)	-	-	14,832,940
Construction-in-progress		21,425,530	943,445	-	-	-	-	(734,471)	21,634,504
Other intangible assets		16,104,363	14,984,895	-	(7,270,151)	(10,483,543)	(59,928)	50,292,897	63,568,533
Total	₩	<u>87,795,751</u>	<u>15,995,104</u>	<u>796,246</u>	<u>(7,431,334)</u>	<u>(10,806,494)</u>	<u>(59,928)</u>	<u>49,691,735</u>	<u>135,981,080</u>

(*) Others include reclassification between accounts and others.

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

16. Goodwill and Intangible Assets, continued

(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	Merge	Amortization	Impairment	Disposals	Others (*)	Ending Balance
Goodwill	₩	111,341,595	-	-	-	(71,876,131)	-	(4,860,069)	34,605,395
Industrial property rights		498,182	241,750	1	(190,425)	(367,119)	(742)	171,819	353,466
Rights to use facility		113,606	-	-	(40,035)	(514)	-	128,677	201,734
Membership		15,153,510	-	-	-	(48,247)	-	-	15,105,263
Construction-in-progress		-	1,854,402	-	-	-	-	19,571,128	21,425,530
Other intangible assets		23,692,143	862,022	1	(6,398,788)	(3,601,698)	(1,742)	1,552,425	16,104,363
Total	₩	150,799,036	2,958,174	2	(6,629,248)	(75,893,709)	(2,484)	16,563,980	87,795,751

(*) Others include reclassification between accounts and others.

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

(in thousands of Korean won)

		2025	2024
Department store	₩	34,568,537	33,772,291
Supermarket		833,104	833,104
Total	₩	35,401,641	34,605,395

The same valuation methods and assumptions used for cash generating units recoverable amount calculation have been used to calculate goodwill impairment above (See Note 14).

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

17. 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	₩ 251,397,174	272,013,317
Other payables	1,729,034,938	1,720,993,086
Total	<u>1,980,432,112</u>	<u>1,993,006,403</u>
Non-current:		
Long-term other payables	573,982	1,707,804
Total	₩ <u>573,982</u>	<u>1,707,804</u>

The Company participates in supplier financing arrangements under which payment obligations arising from the purchase of goods are transferred to financial institutions. Under these arrangements, 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 Company includes amounts subject to the supplier financing arrangements in trade and other payables. No such amounts were recognized as of the end of the current year. 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.

18. 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	₩ 451,900,000	600,000,000
Current portion of long-term borrowings	651,022,740	110,000,000
Current portion of discount on long-term borrowings	(1,892,657)	-
Current portion of long-term debentures	1,228,725,000	997,200,000
Current portion of discount on long-term debentures	(777,380)	(301,261)
Total	<u>2,328,977,703</u>	<u>1,706,898,739</u>
Non-current:		
Long-term borrowings	1,262,500,000	1,261,422,000
Discount on long-term borrowings	(10,159,668)	(9,759,056)
Long-term debentures	2,802,906,500	3,058,750,000
Discount on long-term debentures	(8,369,287)	(5,910,906)
Total	₩ <u>4,046,877,545</u>	<u>4,304,502,038</u>

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

18. 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	-	₩ -	200,000,000
Korea Investment & Securities Co., Ltd.	Commercial papers	-	-	100,000,000
Shinhan Securities Co.,Ltd.	Commercial papers	-	-	100,000,000
SK Securities.Co., Ltd.	Commercial papers	-	-	100,000,000
MUFG Bank	General loans of local currency	-	-	100,000,000
Bookook Securities Co.,Ltd.	Commercial papers	2.74 ~ 3.89	251,900,000	-
Kiwoom Securities Co.,Ltd.	Commercial papers	3.79	100,000,000	-
Daishin Securities Co.,Ltd.	Commercial papers	2.89	40,000,000	-
The Export-Import Bank of Korea	General loans of local currency	2.59	60,000,000	-
		Total	₩	
			451,900,000	600,000,000

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

18. Borrowings and Debentures, continued

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

(in thousands of Korean won)

<u>Lender</u>	<u>Details</u>	<u>Maturity</u>	<u>Annual interest rate(%)</u>	<u>2025</u>	<u>2024</u>
NongHyup Bank	General loans of local currency	2025.04.28	-	-	50,000,000
Mizuho Corporate Bank, Ltd.	General loans of local currency	2025.01.27	-	-	60,000,000
The Export-Import Bank of Korea	General loans of foreign currency	2026.03.03	6.55	118,522,740	121,422,000
The Korea Development Bank (*1)	General loans of local currency	2026.06.03	-	-	100,000,000
The Korea Development Bank	General loans of local currency	2027.08.14	3.61	200,000,000	200,000,000
Woori Bank(*2)	General loans of local currency	2026.06.17	-	-	195,000,000
Yuanta Securities Korea Co., Ltd.	Commercial papers	2026.03.30	3.55	100,000,000	100,000,000
HANWHA INVESTMENT & SECURITIES CO., LTD	Commercial papers	2026.03.30	3.55	60,000,000	60,000,000
Shinhan Securities Co.,Ltd.	Commercial papers	2026.03.30	3.55	30,000,000	30,000,000
KB SECURITIES CO.,LTD.	Commercial papers	2026.03.30	3.55	30,000,000	30,000,000
Shinhan Bank(*3)	General loans of local currency	2026.10.11	91 days, interest rate of CD+ 0.95	100,000,000	100,000,000
The Korea Development Bank	General loans of local currency	2027.11.15	3.59	150,000,000	150,000,000
NongHyup Bank(*3)	General loans of local currency	2026.11.21	MOR(3M) + 0.58	75,000,000	75,000,000
SMBC Bank	General loans of local currency	2026.12.18	3.64	100,000,000	100,000,000
Kookmin Bank	General loans of local currency	2028.03.21	3.69	100,000,000	-
Shinhan Bank(*3)	General loans of local currency	2032.03.28	91 days, interest rate of CD- 0.03	100,000,000	-
The Korea Development Bank (*3)	General loans of local currency	2027.06.28	91 days, interest rate of CD+ 0.77	100,000,000	-
STIGER PING 1ST CO.,LTD. (*3)	Borrowings of local currency	2027.06.28	91 days, interest rate of CD+ 1.07	200,000,000	-
KEB Hana Bank	General loans of local currency	2027.02.28	3.93	50,000,000	-
SMBC Bank(*3)	General loans of local currency	2028.10.31	91 days, interest rate of CD+ 0.38	200,000,000	-
Bookook Securities Co.,Ltd.	Commercial papers	2027.04.30	3.00	200,000,000	-
	Subtotal			<u>1,913,522,740</u>	<u>1,371,422,000</u>
	Less: Discount on borrowings			<u>(12,052,325)</u>	<u>(9,759,056)</u>
	Total book value			<u>1,901,470,415</u>	<u>1,361,662,944</u>
	Less: Current portion of long-term borrowings, net of discount			<u>(649,130,083)</u>	<u>(110,000,000)</u>
	Total			<u>₩ 1,252,340,332</u>	<u>1,251,662,944</u>

(*1) Prepayments as of June 18, 2025

(*2) Prepayments as of June 24, 2025

(*3) As of December 31, 2025, 91 days, interest rate of CD: 2.81%, MOR(3M): 2.74%

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

18. 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
66-3rd (local currency)	2025.06.23	-	₩ -	140,000,000
70-3rd (local currency)	2026.04.04	2.48	70,000,000	70,000,000
77-3rd (local currency)	2028.05.30	3.47	100,000,000	100,000,000
79th (local currency)	2033.08.07	3.55	70,000,000	70,000,000
80th (local currency)	2038.08.29	3.40	30,000,000	30,000,000
82-3rd (local currency)	2029.01.30	2.73	140,000,000	140,000,000
83-2nd (local currency)	2026.08.28	1.67	70,000,000	70,000,000
83-3rd (local currency)	2029.08.29	1.80	110,000,000	110,000,000
86-1st (local currency)	2025.07.18	-	-	30,000,000
86-2nd (local currency)	2030.07.19	2.58	20,000,000	20,000,000
88-1st (local currency)	2025.09.23	-	-	135,000,000
88-2nd (local currency)	2030.09.23	2.55	60,000,000	60,000,000
89-2nd (local currency)	2026.04.16	2.13	190,000,000	190,000,000
89-3rd (local currency)	2031.04.16	2.95	35,000,000	35,000,000
92nd (foreign currency)	2025.03.25	-	-	235,200,000
93-2nd (local currency)	2025.09.05	-	-	110,000,000
93-3rd (local currency)	2027.09.07	4.93	40,000,000	40,000,000
94th (foreign currency)	2025.11.28	-	-	147,000,000
95-1st (local currency)	2025.02.21	-	-	70,000,000
95-2nd (local currency)	2026.02.23	4.55	190,000,000	190,000,000
95-3rd (local currency)	2028.02.23	4.79	40,000,000	40,000,000
96-1st (local currency)	2025.07.11	-	-	130,000,000
96-2nd (local currency)	2026.07.10	4.82	120,000,000	120,000,000
96-3rd (local currency)	2028.07.11	4.96	20,000,000	20,000,000
97-1st (foreign currency) (*)	2026.08.18	SOFR + 1.20	143,490,000	147,000,000
97-2nd (foreign currency) (*)	2026.08.21	3M Term SOFR + 1.00	71,745,000	73,500,000
98-1st (local currency)	2026.01.16	4.11	110,000,000	110,000,000
98-2nd (local currency)	2027.01.18	4.27	185,000,000	185,000,000
98-3rd (local currency)	2029.01.18	4.33	40,000,000	40,000,000
99-1st (local currency)	2026.04.16	3.87	120,000,000	120,000,000
99-2nd (local currency)	2027.04.16	4.00	330,000,000	330,000,000
99-3rd (local currency)	2029.04.16	4.20	50,000,000	50,000,000
100-1st (foreign currency)	2027.05.17	4.80	143,490,000	147,000,000
100-2nd (foreign currency)	2027.05.21	5.08	143,490,000	147,000,000
100-3rd (foreign currency) (*)	2027.05.17	3M Term SOFR + 1.20	107,617,500	110,250,000
101st (foreign currency) (*)	2026.07.30	SOFR + 0.80	143,490,000	147,000,000
102nd (foreign currency) (*)	2027.09.30	SOFR + 0.95	143,490,000	147,000,000

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

18. 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
103rd (foreign currency) (*)	2028.01.24	SOFR + 1.00	71,745,000	-
104th (foreign currency)	2028.03.24	4.29	229,584,000	-
105-1st (local currency)	2027.04.30	2.97	90,000,000	-
105-2nd (local currency)	2028.04.28	3.04	160,000,000	-
106-1st (local currency)	2027.09.17	2.82	60,000,000	-
106-2nd (local currency)	2028.09.19	2.96	240,000,000	-
107th (foreign currency)	2028.11.28	3.69	143,490,000	-
	Subtotal		4,031,631,500	4,055,950,000
	Less: Discount on debentures		(9,146,667)	(6,212,167)
	Total book value		₩ 4,022,484,833	4,049,737,833
	Less: Current portion of debentures		(1,227,947,620)	(996,898,739)
	Total book value		₩ 2,794,537,213	3,052,839,094

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

(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	₩	651,022,740	1,228,725,000	1,879,747,740
2027.01.01 ~ 2027.12.31		950,000,000	1,243,087,500	2,193,087,500
2028.01.01 ~ 2028.12.31		212,500,000	1,004,819,000	1,217,319,000
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	₩	1,913,522,740	4,031,631,500	5,945,154,240

(f) In connection with certain borrowings and debentures issued as of December 31, 2025, the Company 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 Company followed all such financial covenants.

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

19. 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 (*)	₩	66,421,930	64,078,410
Unearned rental income		518,042	467,524
Deferred income (*)		145,635,032	135,713,384
Current subtotal	₩	<u>212,575,004</u>	<u>200,259,318</u>
Non-current:			
Unearned rental income		5,866,757	7,367,764
Non-current subtotal		<u>5,866,757</u>	<u>7,367,764</u>
Total	₩	<u>218,441,761</u>	<u>207,627,082</u>

(*) Membership points and deferred income for the years 2025 and 2024 include contract liabilities described in Note 29.

20. 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	₩	-	28,977,190	(28,977,190)	-
Provision for sales return		847,717	8,349,895	(8,469,422)	728,190
Provision for restoration		3,266,189	796,973	(1,480,628)	2,582,534
Provision for litigation		1,911,427	928,157	(122,574)	2,717,010
Provision for restructuring(*)		712,713	-	(191,900)	520,813
Other provisions		1,881,500	19,078,813	(4,646,862)	16,313,451
Total	₩	<u>8,619,546</u>	<u>58,131,028</u>	<u>(43,888,576)</u>	<u>22,861,998</u>
Non-current:					
Provision for restoration		153,409,559	6,072,838	(5,828,482)	153,653,915
Total	₩	<u>153,409,559</u>	<u>6,072,838</u>	<u>(5,828,482)</u>	<u>153,653,915</u>

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

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

20. Provisions, continued

(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	₩	-	15,756,260	(15,756,260)	-
Provision for sales return		903,074	18,976	(74,333)	847,717
Provision for restoration		7,983,520	1,474,295	(6,191,626)	3,266,189
Provision for litigation		2,379,115	954,014	(1,421,702)	1,911,427
Provision for restructuring(*)		453,250	6,320,568	(6,061,105)	712,713
Other provisions		2,024,588	1,876,347	(2,019,435)	1,881,500
Total	₩	<u>13,743,547</u>	<u>26,400,460</u>	<u>(31,524,461)</u>	<u>8,619,546</u>
Non-current:					
Provision for restoration		148,326,110	12,669,893	(7,586,444)	153,409,559
Total	₩	<u>148,326,110</u>	<u>12,669,893</u>	<u>(7,586,444)</u>	<u>153,409,559</u>

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

21. 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>		2025	2024
Current:			
Withholdings	₩	40,252,430	36,913,356
Withholdings of value added tax		48,726,456	35,552,305
Advances received(*)		1,062,361,079	1,025,964,983
Advance received for sale(construction)		-	493,413
Total	₩	<u>1,151,339,965</u>	<u>1,098,924,057</u>

(*) Advances received for the years 2025 and 2024 include contract liabilities described in Note 29.

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

22. 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	₩	740,790,268	764,636,013
Fair value of plan assets		(835,991,458)	(815,556,887)
Others (*)		-	112,180
Net defined benefit asset	₩	(95,201,190)	(50,808,694)

(*) 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	₩	22,975,022	23,732,392
Others (*)		-	(13,555)
Total	₩	<u>22,975,022</u>	<u>23,718,837</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.
Notes to the Separate Financial Statements
As of December 31, 2025 and 2024

22. 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	₩	764,636,013	691,281,507
Current service costs		66,325,039	69,199,131
Past service costs		7,350,237	24,417,754
Interest costs		28,867,712	29,935,931
Remeasurements:			
Actuarial gain from change in demographic assumptions		(7,710)	(506,758)
Actuarial loss (gain) from change in financial assumptions		(45,249,407)	43,102,475
Actuarial loss from experience adjustments		30,787,723	924,760
Subtotal		<u>(14,469,394)</u>	<u>43,520,477</u>
Benefit payments		(118,731,425)	(94,911,683)
Others		6,812,086	1,192,896
Ending balance	₩	<u>740,790,268</u>	<u>764,636,013</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	₩	815,556,887	807,496,745
Return on plan assets		31,425,812	35,544,689
Remeasurements		(4,794,087)	(4,706,920)
Employer contribution		100,300,000	70,700,000
Benefit payments		(110,319,416)	(95,309,372)
Others		3,822,262	1,831,745
Ending balance	₩	<u>835,991,458</u>	<u>815,556,887</u>

The estimated contribution to the plan for the next annual reporting period is ₩ 65,612,079 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	₩	835,976,785	815,539,894
Contributions to the National Pension Fund		14,673	16,993
Total	₩	<u>835,991,458</u>	<u>815,556,887</u>

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

22. 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	₩	66,325,039	69,199,131
Past service costs		7,350,237	24,417,754
Interest costs		28,867,712	29,935,931
Return on plan assets		(31,425,812)	(35,544,689)
Contributions to defined contribution plans and others(*)		37,133,047	31,289,741
Long-term employee benefits		3,180,718	5,322,289
Total	₩	<u>111,430,941</u>	<u>124,620,157</u>

(*) The company recognized ₩ 27,601,152 thousand in dismissal benefits due to voluntary retirement and others during 2025, and ₩ 29,967,953 thousand during 2024.

(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	3.49% ~ 4.92%	3.41% ~ 4.54%
Expected rate of promotion	1.15% ~ 3.06%	1.20% ~ 2.81%
Expected rate of increase in salaries	2.79% ~ 4.33%	3.00% ~ 5.03%

(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)	₩	(47,800,056)	54,128,851
Expected rate of promotion (1%p movement)		55,113,186	(42,933,037)
Expected rate of salary increase (1%p movement)		54,392,963	(48,873,633)

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	₩	96,560,864	88,583,053	243,916,684	434,016,017	1,210,773,828

The weighted average duration of the defined benefit obligation is 7.74 years.

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

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 interest rate payments in local currency.
Trade	Interest swaps	Fixed interest is paid regarding variable interest of KRW currency borrowings.
	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 Company 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.
Notes to the Separate Financial Statements
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				Profit (loss) for the year
		Assets	Liabilities	Equity	Operating revenue	
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 Company'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 Company 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 Company entered into interest swap contracts for the purpose of hedging interest rate changes for certain 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.

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

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 (won)	Annual Interest Rate	Payable interest rate	Maturity	Remarks
Currency Swap	97-1st (foreign currency)	USD 100,000,000	KRW 1,341.60	SOFR+1.68 %p	4.74%	2026.08.18	Kookmin Bank
	97-2nd (foreign currency)	USD 50,000,000	KRW 1,336.90	3M Term SOFR+1.00 %p	4.19%	2026.08.21	KEB Hana Bank
	100-1st (foreign currency)	USD 100,000,000	KRW 1,370.40	5.60%	4.15%	2027.05.17	SMBC Bank
	100-2nd (foreign currency)	USD 100,000,000	KRW 1,369.90	5.08%	4.25%	2027.05.21	MUFG Bank
	100-3rd (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
	101st (foreign currency)	USD 100,000,000	KRW 1,381.00	SOFR+0.80 %p	3.36%	2026.07.30	DBS Bank
	102nd (foreign currency)	USD 100,000,000	KRW 1,321.00	SOFR+0.95 %p	3.23%	2027.09.30	DBS Bank
	103rd (foreign currency)	USD 50,000,000	KRW 1,438.00	SOFR+1.00 %p	3.29%	2028.01.24	KEB Hana Bank
	104th (foreign currency)	USD 160,000,000	KRW 1,468.00	4.29%	3.19%	2028.03.24	MUFG Bank
	107th (foreign currency)	USD 100,000,000	KRW 1,467.00	3.69%	3.77%	2028.11.28	MUFG Bank
	Long-term borrowing (foreign currency)	USD 82,600,000	KRW 1,308.77	6.55%	5.30%	2026.03.03	The Export-Import Bank of Korea
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
	Long-term borrowing	KRW 75,000,000	Not Applicable	MOR(3M) +0.58%p	3.64%	2026.11.23	NongHyup 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	₩	60,717,109	10,420,255	126,511,470	-
	Interest swaps		-	459,899	-	1,586,817
Trade	Total return swap		4,777,602	-	11,650,201	-
	Stock options		-	2,010,000	-	-
Total		₩	65,494,711	12,890,154	138,161,671	1,586,817

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

23. Derivatives, continued

(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	₩ (33,497,760)	Profit or loss
		10,333,144	Other comprehensive income(*)
Trade	Interest swaps	1,126,918	Other comprehensive income(*)
	Total return swap	240,476	Profit or loss
	Stock options	(2,010,000)	Profit or loss

(*) The aggregate amounts of gain on valuation of derivatives incurred as of December 31, 2025 are ₩ 11,460,062 thousand. The Company recognized accumulated other comprehensive income of ₩ 9,104,738 thousand (less tax effects of ₩ 2,355,324 thousand).

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

24. Share Capital and Capital Surplus

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

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

	<u>2025</u>	<u>2024</u>
Authorized shares (shares)	60,000,000	60,000,000
Par value per share	₩ 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:

(in thousands of Korean won)

	<u>2025</u>	<u>2024</u>
Additional paid-in capital	₩ 3,414,873,024	3,414,873,024
Others	<u>175,662,603</u>	<u>175,662,603</u>
Total	<u>₩ 3,590,535,627</u>	<u>3,590,535,627</u>

25. Capital Adjustments

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

(in thousands of Korean won)

	<u>2025</u>	<u>2024</u>
Treasury stocks	₩ 3,803,077	3,803,077
Changes due to merger	96,256,096	57,267,791
Other capital adjustments	<u>2,800,072,204</u>	<u>2,800,072,204</u>
Total	<u>₩ 2,900,131,377</u>	<u>2,861,143,072</u>

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

26. Retained Earnings

(a) 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	₩	288,531,456	277,788,613
Voluntary reserves		7,320,052,125	8,220,052,125
Unappropriated retained earnings (deficit)		117,296,627	(753,371,078)
Total	₩	<u>7,725,880,208</u>	<u>7,744,469,660</u>

(b) The appropriation of retained earnings 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>
Unappropriated retained earnings carried over from prior year	₩	28,457,647	43,478,681
Interim dividends (Cash dividend %, in Korean won):			
Common stock: ₩ 1,200 (24%) in 2025		(33,924,768)	-
Remeasurements of net defined benefit liabilities		12,347,960	(38,026,207)
Profit (Loss) for the year		110,415,788	(758,823,552)
Unappropriated retained earnings (deficit)		117,296,627	(753,371,078)
Transfers such as voluntary reserves		-	900,000,000
Appropriation of retained earnings			
Legal reserve		11,308,256	10,742,843
Voluntary reserve		-	-
Dividends (Cash dividend %, in Korean won):			
Common stock: ₩ 2,800 (56%) in 2025 and ₩3,800(76%) in 2024		79,157,792	107,428,432
		<u>90,466,048</u>	<u>118,171,275</u>
Unappropriated retained earnings to be carried forward	₩	<u>26,830,579</u>	<u>28,457,647</u>

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

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	₩	(57,575,951)	54,060,012	(14,005,993)	(17,521,932)
Cash flow hedge		(9,689,317)	11,460,062	(2,355,324)	(584,579)
Revaluation surplus		5,804,158,216	-	(76,748,099)	5,727,410,117
Total	₩	<u>5,736,892,948</u>	<u>65,520,074</u>	<u>(93,109,416)</u>	<u>5,709,303,606</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	₩	(79,606,679)	29,933,054	(7,902,326)	(57,575,951)
Cash flow hedge		(15,967,383)	8,277,401	(1,999,335)	(9,689,317)
Revaluation surplus		-	7,886,084,533	(2,081,926,317)	5,804,158,216
Total	₩	<u>(95,574,062)</u>	<u>7,924,294,988</u>	<u>(2,091,827,978)</u>	<u>5,736,892,948</u>

28. Earnings (losses) per Share

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

(in Korean won, except for number of shares)

		2025	2024
Profit (loss) for the year	₩	110,415,787,846	(758,823,552,409)
Weighted average number of common shares outstanding (in shares)		<u>28,270,640</u>	<u>28,270,640</u>
Basic Earnings (loss)	₩	<u>3,906</u>	<u>(26,841)</u>

(b) Diluted earnings (losses) per share

Basic and diluted earnings (losses) per share are the same since any potential common shares have not been issued.

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

29. Sales

(a) Details of sales recognized in the separate 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	₩ 12,902,667,330	13,098,706,427
	Sales of products	697,843,436	676,410,745
	Other sales (*)	314,914,087	377,708,614
	Total sales	<u>13,915,424,853</u>	<u>14,152,825,786</u>
Revenue from contracts with customers	Sales discounts and sales returns	1,341,204,508	1,308,595,331
	Provision for sales return and deferred sales	266,957,683	256,316,539
	Cost of specific sales	5,734,151,380	5,753,689,031
	Total sales deduction	<u>7,342,313,571</u>	<u>7,318,600,901</u>
	Subtotal	<u>6,573,111,282</u>	<u>6,834,224,885</u>
	Revenue from other sources: rental revenue	1,614,949,254	1,579,069,330
	Total	<u>₩ 8,188,060,536</u>	<u>8,413,294,215</u>

(*) During the year 2025, other sales include a government grant of ₩ 22,385,535 thousand (2024: ₩ 24,967,277 thousand) received from Korea Agro-Fisheries & Food Trade Corporation and Korea Fisheries Association to promote agricultural consumption.

(b) The contract assets and liabilities of the Company recognized in relation 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 programs	₩ 144,883,108	133,923,125
	Gift vouchers	1,015,946,853	997,876,104
	Advances from house office sales	-	493,413
	Others	51,587,174	42,844,438
	Total contract liabilities	<u>₩ 1,212,417,135</u>	<u>1,175,137,080</u>

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

29. Sales, continued

(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	₩	133,923,125	131,496,207
Others		42,020,404	42,129,191
Total		<u>175,943,529</u>	<u>173,625,398</u>
Collected			
Gift vouchers		613,797,762	576,194,322
Total	₩	<u>613,797,762</u>	<u>576,194,322</u>

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

(in thousands of Korean won)

	<u>Book amount</u>	<u>Within 1 year</u>	<u>Between 1-5 years</u>	<u>Over 5 years</u>
₩	1,015,946,853	622,769,561	388,402,341	4,774,951

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

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	₩	840,086,195	869,797,284
Retirement benefits		107,341,338	118,535,280
Long-term employee benefits		3,125,430	5,254,956
Employee benefits		174,672,422	175,582,508
Training expenses		7,228,136	8,012,950
Travel expenses		11,668,600	12,310,412
Vehicle maintenance expenses		1,453,573	1,394,267
Insurance premiums		5,983,434	6,225,779
Taxes and dues		187,202,036	161,403,724
Entertainment expenses		993,925	1,026,766
Supplies expenses		34,961,836	36,436,066
Publication expenses		465,054	498,951
Communication expenses		8,762,333	8,916,273
Utility expenses		286,411,184	287,639,548
Repairs and maintenance		35,250,605	34,919,776
Rental expenses		149,253,301	144,550,379
Depreciation		784,140,702	844,230,516
Amortization		7,333,472	6,579,828
Commission expenses		535,319,249	504,516,925
Service commission expenses		726,944,522	751,610,602
Advertising expenses		94,986,866	90,335,741
Samples expenses		175,304	224,974
Sales commissions		71,583,490	102,904,543
Sales promotion expenses		79,274,323	78,596,101
Decoration expenses		17,193,293	17,880,692
Bad debt expenses (reversal)		(53,364)	2,071,220
Transportation expenses		33,183,911	34,171,439
Research and development expenses		117,597	147,397
Compensation expenses		7,572,271	10,088,618
Reversal of provisions		(184,560)	(161,679)
Others		1,466,279	3,988,572
Total	₩	<u>4,213,912,757</u>	<u>4,319,690,408</u>

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

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	₩	1,368,233	1,100,408
Gain on foreign currency translation		102,558	723,497
Gain on disposal of property, plant and equipment		8,163,166	8,079,280
Gain on disposal of intangible assets		-	388
Gain on termination of financial lease		37,873,320	14,444,046
Gain on disposal of right-of-use assets		5,426,624	20,348,038
Gain on disposal of assets held for sale		142,925	95,780,389
Miscellaneous gains		8,639,593	7,316,572
Total	₩	<u>61,716,419</u>	<u>147,792,618</u>
Other expenses:			
Loss on foreign currency transactions	₩	1,594,590	1,193,279
Loss on disposal of property, plant and equipment		2,986,144	4,483,592
Impairment loss on right-of-use assets		48,967,786	306,137,483
Impairment loss on property, plant and equipment		19,285,006	257,193,984
Loss on disposal of intangible assets		59,928	2,484
Impairment loss on intangible assets		10,806,494	75,893,710
Loss on revaluation of property, plant and equipment		-	12,062,550
Loss on lease expiration		585,599	17,850,403
Loss on disposal of right-of-use assets		2,560,797	44,280,520
Loss on disposal of assets held for sale		-	1,064,000
Donations		7,397,227	10,123,529
Other bad debt expenses		4,363,974	38,261,222
Miscellaneous losses		6,565,599	3,244,465
Total	₩	<u>105,173,144</u>	<u>771,791,221</u>

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

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	₩	3,574,455,621	3,701,679,673
Changes in inventories		17,297,976	11,458,724
Employee benefits		1,138,917,449	1,182,875,170
Rental expenses		151,581,584	146,850,338
Depreciation and amortization		800,409,073	856,468,791
Sales commissions		71,583,490	102,904,543
Sales promotion expenses		79,274,323	78,596,101
Commission expenses		535,610,141	504,810,357
Service expenses		747,256,516	770,640,077
Advertising expenses		94,986,866	90,335,741
Utility expenses		289,738,946	290,830,507
Taxes and dues		187,432,827	161,636,448
Others		88,280,719	133,356,492
Total of costs of goods sold and selling, general and administration expenses	₩	<u>7,776,825,531</u>	<u>8,032,442,962</u>

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

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	₩ 57,079,942	79,010,562
Dividend income	172,134,475	162,712,771
Gain on foreign currency transactions	4,608,001	735,843
Gain on foreign currency translation	33,056,760	-
Gain on valuation of debt instrument measured at fair value through profit or loss	1,505,308	1,120,579
Gain on disposal of debt instrument measured at fair value through profit or loss	1,840,868	1,684,715
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	-	140,233,560
Gain on valuation of derivatives held for trading	240,476	701,129
Gain on transaction of derivatives held for hedging	-	24,380,000
Gain on transaction of derivatives held for trading	202,623	2,764,477
Reversal of impairment loss on investments in subsidiaries, associates and joint ventures	11,945,611	-
Gain on disposal of investments in subsidiaries, associates and joint ventures	-	4,204,529
Reversal of financial guarantee liabilities	194,192,682	5,099,853
Financial guarantee income	3,383,215	7,137,275
Total	₩ <u>480,323,676</u>	<u>429,840,692</u>
Finance costs:		
Interest expense according to the effective interest rate method	₩ 353,309,994	349,594,037
Loss on foreign currency transactions	3,849	25,329,616
Loss on foreign currency translation	-	140,233,560
Loss on valuation of debt instrument measured at fair value through profit or loss	1,160,457	-
Loss on disposal of debt instrument measured at fair value through profit or loss	229,980	-
Impairment loss on equity instruments measured at fair value through other comprehensive income	-	57,695,692
Loss on valuation of derivatives held for hedging	33,497,760	-
Loss on valuation of derivatives held for trading	2,010,000	-
Loss on transaction of derivatives held for trading	1,732,004	-
Loss on transaction of derivatives held for trading	-	57,879
Financial guarantee costs	58,233,636	1,679,009
Impairment loss on investments in subsidiaries, associates and joint ventures	319,120,891	454,404,949
Loss on disposal of investments in subsidiaries, associates and joint ventures	1,673,385	6,900,993
Total	₩ <u>770,971,956</u>	<u>1,035,895,735</u>

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

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 assets at fair value through profit or loss	Financial assets 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	Other financial liabilities	Total
Recognized in profit or loss										
Interest income	₩	30,253,527	26,826,360	55	-	-	-	-	-	57,079,942
Interest expense(*1)		-	-	-	-	-	-	(353,309,994)	-	(353,309,994)
Dividend income		-	-	6,049,148	10,042,264	-	-	-	-	16,091,412
Valuation/ Disposal		-	-	1,955,739	133,715	(1,566,900)	(35,229,764)	-	-	(34,707,210)
Exchange differences		3,147,152	(511,726)	-	-	-	-	34,901,686	-	37,537,112
Financial guarantee income/costs		-	-	-	-	-	-	-	139,342,261	139,342,261
Subtotal		33,400,679	26,314,634	8,004,942	10,175,979	(1,566,900)	(35,229,764)	(318,408,308)	139,342,261	(137,966,477)
Recognized in other comprehensive income (loss)										
Fair value gain through other comprehensive income (*2)		-	-	-	54,060,012	-	-	-	-	54,060,012
Gain (Loss) on valuation of derivatives (*2)		-	-	-	-	-	11,460,062	-	-	11,460,062
Subtotal		-	-	-	54,060,012	-	11,460,062	-	-	65,520,074
Total	₩	33,400,679	26,314,634	8,004,942	64,235,991	(1,566,900)	(23,769,702)	(318,408,308)	139,342,261	(72,446,403)

(*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 assets at fair value through profit or loss	Financial assets 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	Other financial liabilities	Total
Recognized in profit or loss										
Interest income	₩	52,530,468	26,480,069	25	-	-	-	-	-	79,010,562
Interest expense(*1)		-	-	-	-	-	-	(349,594,036)	-	(349,594,036)
Dividend income		-	-	3,089,138	5,880,202	-	-	-	-	8,969,340
Valuation/ Disposal		-	-	2,805,294	55,399	3,407,727	164,613,560	-	-	170,881,980
Impairment loss		-	-	-	(57,695,692)	-	-	-	-	(57,695,692)
Exchange differences		(237,993)	1,254,679	-	-	-	-	(165,213,393)	-	(164,196,707)
Financial guarantee income/costs		-	-	-	-	-	-	-	10,558,118	10,558,118
Subtotal		52,292,475	27,734,748	5,894,457	(51,760,091)	3,407,727	164,613,560	(514,807,429)	10,558,118	(302,066,435)
Recognized in other comprehensive income (loss)										
Fair value gain through other comprehensive income (*2)		-	-	-	29,933,054	-	-	-	-	29,933,054
Gain (Loss) on valuation of derivatives (*2)		-	-	-	-	-	8,277,401	-	-	8,277,401
Subtotal		-	-	-	29,933,054	-	8,277,401	-	-	38,210,455
Total	₩	52,292,475	27,734,748	5,894,457	(21,827,037)	3,407,727	172,890,961	(514,807,429)	10,558,118	(263,855,980)

(*1) Interest expense includes interest on leases.

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

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

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	₩ (3,723,090)	(7,891,162)
Deferred tax due to temporary differences	60,874,066	1,999,139,107
Total income tax effect	57,150,976	1,991,247,945
Income tax charged directly to equity	<u>(90,436,764)</u>	<u>(2,081,626,786)</u>
Income tax revenue	₩ <u>(33,285,788)</u>	<u>(90,378,841)</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 loss through other comprehensive income	₩ (14,005,993)	(7,902,326)
Loss on valuation of derivatives	(2,355,324)	(1,999,335)
Remeasurements of defined benefit liabilities	2,672,652	10,201,192
Revaluation surplus	<u>(76,748,099)</u>	<u>(2,081,926,317)</u>
Income tax charged directly to equity	₩ <u>(90,436,764)</u>	<u>(2,081,626,786)</u>

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

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

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	₩	77,130,000	(849,202,394)
Income tax using statutory tax rate		18,203,460	(196,165,753)
Adjustment:		(51,489,248)	105,786,912
Tax effects on non-taxable income		(23,042,288)	(21,416,962)
Tax effects on non-deductible expense		6,084,497	4,642,513
Adjustment for prior periods		(3,723,090)	(8,043,832)
Changes in impracticable temporary difference		(46,051,492)	97,418,041
Changes in deferred tax due to change in tax rate		11,744,066	34,687,337
Changes in deferred tax assets for loss carried forward		28,721,674	4,288,304
Others		<u>(25,222,615)</u>	<u>(5,788,489)</u>
Income tax revenue	₩	<u>(33,285,788)</u>	<u>(90,378,841)</u>
Effective tax rate(*)		-	-

(*) The effective tax rates for 2025 and 2024 have not been presented due to income tax revenue incurred.

(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.

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

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				
		<u>Beginning balance</u>	<u>Changes due to a merger</u>	<u>Profit or loss</u>	<u>Equity</u>	<u>Ending balance</u>
Investments in subsidiaries and associates	₩	(29,622,211)	-	25,760,472	-	(3,861,739)
Depreciation		79,573,294	-	(20,981,070)	-	58,592,224
Allowance for doubtful accounts		3,639,955	-	18,565,528	-	22,205,483
Accrued income		(1,029,056)	-	211,171	-	(817,885)
Losses on valuation of inventories		1,687,021	-	164,117	-	1,851,138
Provision for sales return		110,106	-	(3,037)	-	107,069
Property, plant, and equipment (Capitalization of borrowing costs)		(24,956,301)	(1,254,505)	(14,932,156)	-	(41,142,962)
Land		(15,614,521)	-	(650,605)	-	(16,265,126)
Land (asset revaluation)		(2,964,165,913)	-	(35,454,810)	(76,748,099)	(3,076,368,822)
Accrued expense		5,299,544	-	(646,393)	-	4,653,151
Construction-in-progress		271,373	-	(12,321)	-	259,052
Impairment loss on intangible assets		16,768,921	-	(1,361,617)	-	15,407,304
Lease deposit		34,805,122	-	(3,495,577)	-	31,309,545
Goodwill		(293,437)	-	857,276	-	563,839
Fair value loss through other comprehensive income		20,652,243	-	-	(14,005,993)	6,646,250
Gain (loss) on valuation of derivatives		151,613	-	1,763,587	(2,355,324)	(440,124)
Salaries and retirement benefits		7,448,628	-	(10,685,965)	2,672,652	(564,685)
Right-of-use assets and lease liabilities		377,768,426	-	(24,801,798)	-	352,966,628
Loss carried forward		485,691,329	-	32,104,343	-	517,795,672
Others		52,956,766	(2,454,740)	63,161,553	-	113,663,579
Total	₩	(1,948,857,098)	(3,709,245)	29,562,698	(90,436,764)	(2,013,440,409)

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

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
Investments in subsidiaries and associates	₩	(21,813,497)	(7,808,714)	-	(29,622,211)
Depreciation		34,745,344	44,827,950	-	79,573,294
Allowance for doubtful accounts		3,950,510	(310,555)	-	3,639,955
Accrued income		(1,032,891)	3,835	-	(1,029,056)
Losses on valuation of inventories		1,689,566	(2,545)	-	1,687,021
Provision for sales return		135,271	(25,165)	-	110,106
Property, plant, and equipment (Capitalization of borrowing costs)		(11,780,410)	(13,175,891)	-	(24,956,301)
Land		(15,614,521)	-	-	(15,614,521)
Land (asset revaluation)		(885,470,277)	3,230,681	(2,081,926,317)	(2,964,165,913)
Accrued expense		6,783,427	(1,483,883)	-	5,299,544
Construction-in-progress		(8,456,783)	8,728,156	-	271,373
Impairment loss on intangible assets		19,855,405	(3,086,484)	-	16,768,921
Lease deposit		40,106,593	(5,301,471)	-	34,805,122
Goodwill		1,854,226	(2,147,663)	-	(293,437)
Fair value loss through other comprehensive income		28,554,569	-	(7,902,326)	20,652,243
Gain (loss) on valuation of derivatives		646,889	1,504,059	(1,999,335)	151,613
Salaries and retirement benefits		(6,837,344)	4,084,780	10,201,192	7,448,628
Right-of-use assets and lease liabilities		311,535,657	66,232,769	-	377,768,426
Loss carried forward		465,543,776	20,147,553	-	485,691,329
Others		85,886,498	(32,929,732)	-	52,956,766
Total	₩	50,282,008	82,487,680	(2,081,626,786)	(1,948,857,098)

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

(in thousands of Korean won)

		2025	2024
Investments in subsidiaries and associates	₩	2,415,997,604	2,414,775,921
Loss carried forward (expire at 2037)		220,159,077	102,358,136

(g) As of December 31, 2025 and 2024, the amounts of deferred and current tax assets and liabilities using gross amounts before off-setting are as follows:

(in thousands of Korean won)

		2025	2024
Deferred tax assets	₩	1,885,604,048	1,913,812,982
Deferred tax liabilities		3,899,044,457	3,862,670,081
Current tax assets		5,471,707	8,765,087
Current tax liabilities		-	-

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

35. Separate Statement of Cash Flows

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

(in thousands of Korean won)

		<u>2025</u>	<u>2024</u>
Cash	₩	11,662,343	12,151,772
Deposits		24,350,634	51,359,456
Other cash equivalents		<u>163,200,000</u>	<u>950,142,176</u>
Total	₩	<u>199,212,977</u>	<u>1,013,653,404</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:

(in thousands of Korean won)

		<u>2025</u>	<u>2024</u>
Income tax revenue	₩	(33,285,788)	(90,378,841)
Retirement benefits		71,117,177	88,008,127
Long-term employee benefits		3,180,718	5,322,289
Depreciation		792,977,740	849,839,543
Amortization		7,431,333	6,629,248
Impairment loss on property, plant and equipment		19,285,006	257,193,984
Impairment loss on intangible assets		10,806,494	75,893,710
Financial guarantee costs		58,233,636	1,679,009
Impairment losses on equity instruments measured at fair value through other comprehensive income		-	57,695,692
Impairment loss on right-of-use assets		48,967,786	306,137,483
Loss on foreign currency translation		-	140,233,560
Loss on foreign currency transactions		3,849	25,329,616
Loss on disposal of property, plant and equipment		2,986,144	4,483,592
Loss on revaluation of property, plant and equipment		-	12,062,550
Loss on disposal of intangible assets		59,928	2,484
Loss on disposal of right-of-use assets		2,560,797	44,280,520
Loss on disposal of assets held for sale		-	1,064,000
Loss on valuation of debt instrument at fair value through profit or loss		1,160,457	-
Loss on disposal of debt instrument at fair value through profit or loss		229,980	-
Bad debt expense (reversal)		(53,364)	2,071,220
Other bad debt expense (reversal)		4,363,974	38,261,222
Loss on valuation of derivatives		35,507,760	-
Loss on transactions of derivatives		1,732,004	57,879
Rental expenses (amortization of present value discount, etc.)		237,899	120,964
Loss on lease termination		585,599	17,850,403
Loss on disposal of investments in subsidiaries, associates and joint ventures		1,673,385	6,900,993
Impairment losses on investments in subsidiaries, associates and joint ventures		319,120,891	454,404,949
Interest expense		353,309,994	349,594,037
Other expenses without cash outflows, etc.		1,627,330	5,314,687
Reversal of provision		(184,560)	(161,679)
Financial guarantee income		(3,383,215)	(7,137,275)
Reversal of financial guarantee liabilities		(194,192,682)	(5,099,853)

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

35. Separate Statement 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>
Gain on foreign currency translation	₩	(33,159,318)	(723,497)
Gain on foreign currency transactions		(4,608,001)	(735,843)
Gain on disposal of property, plant and equipment		(8,163,166)	(8,079,280)
Gain on valuation of debt instrument at fair value through profit or loss		(1,505,308)	(1,120,579)
Gain on disposal of debt instrument at fair value through profit or loss		(1,840,868)	(1,684,715)
Gain on valuation of derivatives		(240,476)	(140,934,689)
Gain on transactions of derivatives		(202,623)	(27,144,477)
Gain on lease termination		(37,873,320)	(14,444,046)
Gain on disposal of right-of-use assets		(5,426,624)	(20,348,038)
Reversal of impairment loss on investments in subsidiaries, associates and joint ventures		(11,945,611)	-
Gain on disposal of investments in subsidiaries, associates and joint ventures		-	(4,204,529)
Gain on disposal of debt instruments measured at fair value through other comprehensive income		(133,715)	(55,399)
Gain on disposal of assets held for sale		(142,925)	(95,780,389)
Gain on disposal of intangible assets		-	(388)
Income without other cash inflows, etc.		(530,836)	(3,175,211)
Rental income		(2,958,659)	(3,895,307)
Interest income		(57,079,942)	(79,010,562)
Dividends income		(172,134,475)	(162,712,771)
Decrease in trade receivables		114,490,437	24,727,756
Decrease (increase) in other receivables		(69,720,941)	142,866,142
Decrease (increase) in other financial assets		(417,949)	7,090,370
Decrease in inventories		12,798,749	41,222,865
Decrease in other non-financial assets		6,455,183	3,451,137
Decrease in trade payables		(20,001,860)	(1,496,542)
Decrease in other payables		(6,295,053)	(80,956,499)
Increase in other financial liabilities		9,950,857	21,808,230
Increase (decrease) in other non-financial liabilities		57,879,025	(11,619,013)
Increase (decrease) in unearned revenues		12,237,805	(1,360,541)
Increase (decrease) in provisions		14,926,107	(406,670)
Payment of other long-term employee benefits		(3,981,100)	(3,099,200)
Payment of defined benefit liabilities		(115,918,637)	(94,342,238)
Decrease in plan assets		7,206,628	24,040,974
Total	₩	<u>1,187,723,656</u>	<u>2,155,531,164</u>

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

35. Separate Statement 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	₩	(11,146,772)	(17,553,107)
Acquisition of right-of-use assets		62,024,754	15,509,196
Acquisition of lease liabilities		59,055,278	14,961,976
Increase in debt due to merger		367,645,637	173,000,000
Increase in property, plant, and equipment and intangible assets due to merger		845,467	185,542,618
Increase in inventories due to merger		438,121,379	-
Increase in right-of-use assets due to merger		-	174,482,783
Increase in lease liabilities due to merger		-	190,581,775

(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							
		Other assets		Liabilities from financial activities					Total
		Current derivatives assets held for hedging	Non-Current derivatives assets held for hedging	Leasehold deposit received	Short-term borrowings and debentures	Long-term borrowings and debentures	Lease liabilities		
Beginning balance	₩	48,818,555	77,692,915	240,928,369	1,706,898,739	4,304,502,038	4,146,791,022	10,525,631,638	
Net cash flow from financing activities		-	-	4,268,804	(1,865,250,000)	1,934,087,896	(745,033,490)	(671,926,790)	
Non-cash flows									
Transfer to current portion		39,913,317	(39,913,317)	-	1,879,160,223	(1,879,160,223)	-	-	
Foreign currency translation		-	-	-	(12,690,260)	(21,823,500)	-	(34,513,760)	
Change in lease liabilities		-	-	-	-	-	163,833,222	163,833,222	
Merger		-	-	-	367,645,637	-	-	367,645,637	
Others		(58,615,092)	(7,179,269)	(15,640,703)	253,213,364	(290,728,666)	138,245,104	19,294,738	
Ending balance	₩	<u>30,116,780</u>	<u>30,600,329</u>	<u>229,556,470</u>	<u>2,328,977,703</u>	<u>4,046,877,545</u>	<u>3,703,835,858</u>	<u>10,369,964,685</u>	

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

35. Separate Statement of Cash Flows, continued

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

(in thousands of Korean won)

		2024						
		Other assets		Liabilities from financial activities				
		Current derivatives assets held for hedging	Non-Current derivatives assets held for hedging	Leasehold deposit received	Short-term borrowings and debentures	Long-term borrowings and debentures	Lease liabilities	Total
Beginning balance	₩	53,607,041	6,388,905	262,210,381	2,588,205,453	2,759,903,578	4,380,224,436	10,050,539,794
Net cash flow from financing activities								
Non-cash flows		-	-	(4,334,557)	(2,204,509,013)	2,606,318,018	(786,261,853)	(388,787,405)
Transfer to current portion		(6,477,595)	6,477,595	-	1,159,344,876	(1,159,344,876)	-	-
Foreign currency translation		-	-	-	71,336,000	93,277,560	-	164,613,560
Change in lease liabilities		-	-	-	-	-	213,148,769	213,148,769
Merger		-	-	-	173,000,000	-	190,581,775	363,581,775
Others		1,689,109	64,826,415	(16,947,455)	(80,478,577)	4,347,758	149,097,895	122,535,145
Ending balance	₩	48,818,555	77,692,915	240,928,369	1,706,898,739	4,304,502,038	4,146,791,022	10,525,631,638

36. Greenhouse Gases Emission Rights

(a) Emission Right

The Company 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 Company 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 Company submitted emission right of 721,012 tCO₂-eq and 717,398 tCO₂-eq to the government in 2023 and 2024. The Company has 716,156 tCO₂-eq of emission rights as of December 31, 2025.

(b) Emission liabilities

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

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

37. Contingencies and Commitments

(a) As of December 31, 2025, the Company 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 (local currency)	KRW	1,715,000,000	1,435,000,000
General loan (foreign currency)	USD	82,600,000	82,600,000
Commercial paper	KRW	1,111,900,000	811,900,000
Buyer's credit	KRW	290,000,000	-
Bank overdraft	KRW	30,000,000	-
Letter of credit	USD	23,000,000	5,084,936

(b) 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.

(c) As of December 31, 2025, the Company currently has 19 ongoing lawsuits as a plaintiff with damage claims amounting to ₩ 26,103,591 thousand and 29 lawsuits as a defendant with damage claims amounting to ₩ 41,812,751 thousand. The management believes that the ultimate resolutions of these legal actions will not have a material impact on the financial position of the Company.

The above includes 9 lawsuits as a defendant with damages related to victims of humidifier disinfectant amounting to ₩ 30,522,338 thousand. The Company 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.

(d) As of December 31, 2025, the Company has entered into loan agreements securing trade receivables with The Korea Development Bank and others amounting to ₩ 240,000,000 thousand.

(e) 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.

(f) Brand usage contracts, etc.

The Company is 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 Company is jointly liable for the debts prior to the spin-off with Lotte Corporation, in accordance with Article 530-9, Paragraph 1 of the Commercial Act.

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

37. Contingencies and Commitments, continued

- (g) The Company 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:
- ① The Company disposed of land and buildings of 3 stores including Lotte mart Jeju store to KTB Confidence Private Real Estate Investment Trust No.29 for ₩ 220 billion in 2008 and the Company has been leasing back Jeju store from FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No.3 and Daedeok store from Mirae Castle. In the case of the Jeju branch, the Company has the right to preferentially purchase the land and building of the leased property at fair value during the six-month period prior to the lease expiration date or within six months after 54 months have elapsed from the lease succession date. For the Daedeok branch, the Company has the preemptive options to purchase the land and the building at a fair value at the end of the lease. The operation of Hangdong store was discontinued during the year 2020 and the Company has no preemptive options to purchase the land and the building.
 - ② The Company disposed of land and buildings of 6 stores including Lotte department store Bundang store to Lotte Retail Real Estate Investment Trust No.1~4 for ₩ 594.9 billion in 2010 and 2011, Lotte department store Bundang store is leased from IGIS Specialized Investment Private Real Estate Investment Trust No.389, and Lotte mart Sasang store and Lotte mart Iksan store from KB Lotte Master Lease Specialized Investment Private Real Estate Investment Trust No.8. The Company has the preemptive options to purchase the land and the building at a fair value at the end of the lease. The operation of Lotte mart Suji store was discontinued in 2019 and Guro store and Dobong store were discontinued during the year 2020 and the Company has no preemptive options to purchase the land and the building.
 - ③ The Company has been leasing the building of Lotte outlet Esiapolis store from KB Star Retail Private Real Estate Investment Trust No.1 since 2013. According to the real estate sales contract concluded on June 25, 2018, Marston Specialized Investment Private Equity Investment Trust No.31 transferred its status as a lessor under the lease contract and the Company has the preferential right of negotiation to purchase the building.
 - ④ In 2013, the Company disposed of buildings of Lotte outlet Gwangmyeong store to KTB Confidence Private Real Estate Investment Trust No.55 for ₩ 146.9 billion and the Company has been leasing the assets from Kiwoomcore No.1 Reit Co. Ltd. And the Company disposed of land and buildings of Lotte mart Yangdeok to KTB Confidence Private Real Estate Investment Trust No.81 for ₩ 55.1 billion and the Company has been leasing back the assets from Koreit Masan Lotte mart Specialized Investment Private Real Estate Investment Trust No.12. The Company has the preferential right of negotiation to purchase the land and the building at the end of the lease.
 - ⑤ In 2014, the Company disposed of land and buildings of 2 Lotte department stores including Ilsan store and 5 Lotte mart stores including Bupyeong store to KB Lotte Master Lease Private Real Estate Investment Trust No.1 for ₩ 601.7 billion and the Company has been leasing back the assets. The Company disposed of land and buildings of 2 Lotte department stores including Dongrae store and 3 Lotte mart stores including Sungjung store to Capstone Private Real Estate Investment Trust No.11 for ₩ 500.1 billion and the Company has been leasing back the assets. The Company has the preferential right of negotiation to purchase the land and the building at the end of the lease.
 - ⑥ 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 and the Company has been leasing back from KORAMCO. The Company has the preferential right of negotiation to purchase the land and the building at the end of the lease.
 - ⑦ The Company has been leasing the land and buildings of Lotte department store Gangnam store of LOTTE REIT Co., Ltd. after making an investment in kind for ₩ 269.7 billion in 2019. The Company disposed of the land and buildings of 5 branches including Lotte department store Changwon store and 4 branches including Lotte mart Euiwang store for ₩ 1,062.9 billion and the Company has been leasing back the assets. The Company has the preferential right of negotiation to purchase the land and the building at the end of the lease.

LOTTE SHOPPING CO.,LTD.

Notes to the Separate Financial Statements

As of December 31, 2025 and 2024

37. Contingencies and Commitments, continued

- (g) The Company 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:, continued
- ⑧ During 2021, the Company has sold 3 branches including Lotte department store Jungdong store and 2 branches including Lotte mart Gyeyang store for ₩ 682.7 billion to LOTTE REIT Co., Ltd. and has been leasing back the assets. The Company has the preferential right of negotiation to purchase the land and the building at the end of the lease.
- (h) 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 as payment guarantees.
- (i) Lotte Cultureworks Co., Ltd., a subsidiary of the Company, 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 with cash if the Company did not hold an initial public offering (IPO) within a certain period based on agreement with the new owner. The Company confirmed that it did not oppose performance of such obligation unless it violated the law.
- (j) In accordance with stock trading agreement on May 10, 2019 with the seller and contract takeover agreement on July 19, 2022 with seller, the common shares of 2,060,000 from INNOCEAN WORLDWIDE INC. cannot be disposed of or provided as pledged assets without the prior written consent from the seller until the fifth year from the date of contract commitment or the IPO completion date of Lotte Cultureworks Co., Ltd. Also, if the Company wishes to sell the shares from INNOCEAN WORLDWIDE INC. after the prohibition period of third-party transfers, the seller can exercise its preferential right to purchase directly or by designating the third party.
- (k) During 2019, the Company granted LOTTE REIT Co., Ltd. the preferential right of negotiation to purchase 17 branches including Lotte department store Myeongdong and 67 branches including Lotte Mart Gangbyeon. During 2020, Lotte Mart Geumjung, Seohyun, Yangju, Euijungbu were terminated and Yeongtong terminated during 2024. During 2021, Lotte department Ansan, Jungdong and Lotte Mart Gyeyang, Chuncheon were transferred to LOTTE REIT Co., Ltd. Lotte Mart Worldtower was transferred to LOTTE Property & Development. LOTTE REIT Co., Ltd. does not hold any preferential right to purchase.
- (l) The Company has preferential subscription rights and preferential purchase claim rights that shall be exercised after three years from the initial date of acquisition for shares in Hanssem, held by Heim Limited Company, Heim No.1 Limited Company, and Heim No.2 Limited Company.
- (m) As of December 31, 2025, the Company has concluded agreement, in regard to asset-backed commercial papers (face value of ₩ 193,000,000 thousand, 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 it is impossible to repay principal and interests. Terms of the fund replenishment agreements with subsidiaries are detailed in Note 38 (h).

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

37. Contingencies and Commitments, continued

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

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

38. Related Party Transactions

(a) Details of the Company's major shareholders and subsidiaries 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

(*) It has a significant influence over the Company.

Subsidiaries	Percentage of ownership (%)		
	Company	Subsidiaries	Total
Woori Home Shopping Co., Ltd.	53.49	-	53.49
Lotte GFR Co., Ltd.	99.99	-	99.99
Lotte Gimhae Development Co., Ltd.	100	-	100
CS Mart Co., Ltd.	99.95	-	99.95
LOTTE Himart Co., Ltd.	65.25	-	65.25
Lotte Ulsan Development Co., Ltd.	98.81	-	98.81
Lotte Cultureworks Co., Ltd.	86.37	-	86.37
LOTTE CINEMA VIETNAM CO., LTD.	-	90.00	90.00
Lotte corporate venture fund No. 1	18.78	79.81	98.59
Lotte Homeshopping Innovation Fund No.1	-	98.52	98.52
LOTTE Shopping Innovation Fund No. 1	99.00	-	99.00
SMART LOTTE SHOPPING INNOVATION FUND	69.08	-	69.08
IMM Heim Coinvestment I Private Equity Fund	83.71	16.13	99.84
Heim No.2 Limited Company	-	100	100

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

38. Related Party Transactions, continued

(a) Details of the Company's major shareholders and subsidiaries as of December 31, 2025 are as follows:, continued

Subsidiaries	Percentage of ownership (%)		
	Company	Subsidiaries	Total
LOTTE REIT Co., Ltd.	42.04	-	42.04
LOTTE PROPERTIES (CHENGDU) HK LIMITED	77.60	-	77.60
Lotte Properties (Chengdu) Limited	-	100	100
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD.	100	-	100
LOTTE VIETNAM SHOPPING JOINT STOCK COMPANY	-	99.99	99.99
PT. LOTTE SHOPPING INDONESIA	-	80.00	80.00
PT. LOTTE MART INDONESIA	-	100	100
PT. LOTTE Shopping Avenue Indonesia	-	100	100
Lotte Shopping Plaza Vietnam Co., Ltd.	-	100	100
LOTTE E-COMMERCE VIETNAM CO., LTD	-	100	100
LOTTE PROPERTIES (HANOI) SINGAPORE PTE. LTD.	100	-	100
LOTTE PROPERTIES HANOI CO., LTD.	-	100	100
KC-K Contents Investment Association	-	96.56	96.56
FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No.3	98.65	-	98.65
NEWSTARNOVA 1ST CO.,LTD. (formerly, LKH 1st., Co., Ltd.)	-	-	-
NEW STAR NEO 1ST CO.,LTD. (formerly, New Star Gimpo Hangang 1st Co., Ltd.)	-	-	-
KS 1st Co., Ltd.	-	-	-
Momentum 1st Co., Ltd.	-	-	-
LC Memory 1ST CO.,LTD.	-	-	-

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

38. 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:

(in thousands of Korean won)

Name of related parties	2025				
	Sales	Purchase	Acquisition of property, plant and equipment and intangible assets	Other income (*3)	Other expenses (*3)
Shareholders:					
Lotte Corporation	₩ 1,427,781	-	-	-	33,529,048
Hotel Lotte Co., Ltd.	27,907,375	119,746	8,729	-	36,943,272
Hotel Lotte Pusan Co., Ltd.	5,184,805	-	779,071	-	9,234,937
Subtotal	34,519,961	119,746	787,800	-	79,707,257
Subsidiaries:					
Woori Home Shopping Co., Ltd.	1,990,956	-	-	14,443,299	18,715,307
LOTTE Himart Co., Ltd. (*1)	37,399,482	-	293,186	4,684,149	142,202
Lotte Cultureworks Co., Ltd.	65,203,911	-	-	31,771	185,813
CS Mart Co., Ltd.	17,223,921	-	-	-	334,326
LOTTE REIT Co., Ltd.	-	-	-	27,819,937	15,152,927
Others	26,930,578	-	-	7,140,350	5,793,973
Subtotal	148,748,848	-	293,186	54,119,506	40,324,548
Associates:					
FRL Korea Co., Ltd.	40,316,205	-	-	93,100,000	-
Zara Retail Korea Co., Ltd.	10,230,940	-	-	6,000,000	-
Lotte Card Co., Ltd.	3,078,243	-	-	7,825,251	134,768,188
Others (*5)	10,336,629	-	-	627,667	-
Subtotal	63,962,017	-	-	107,552,918	134,768,188
Joint ventures					
STL Co., Limited	1,413,893	-	-	-	-
Others	38	-	-	32,719	28,329
Subtotal	1,413,931	-	-	32,719	28,329
Others (*2):					
Lotte Well food Co., Ltd.	3,715,442	89,586,560	-	-	7,296,983
LOTTE CHILSUNG BEVERAGE CO., LTD.	7,545,420	31,192,870	-	-	38,740
LOTTE INNOVATE Co., Ltd.	1,119,029	-	21,372,374	-	90,847,350
Korea Seven Co., Ltd.	6,741,611	-	-	-	2,225,726
Lotte GRS Co., Ltd.	6,680,784	-	-	16,372	7,461,201
LOTTE Property & Development	12,126,490	-	-	-	32,407,648
LOTTE STATION B/D. CO.	6,467,531	-	-	-	102,943
LOTTE INTERNATIONAL CO., LTD.	49,392	61,095,717	-	-	-
LOTTE Engineering & Construction Co., LTD.	531,478	-	273,879,836	-	1,385,962
Lotte Packaging Solutions Co., Ltd.	121,206	2,643,933	-	-	2,232,103
Lotte Global Logistics Co., LTD.	331,033	-	-	-	189,167,205
Lotte Members Co., Ltd.	9,590,700	-	-	-	63,274,308
Others	11,969,918	801,535	1,914,070	43,727	47,371,498
Subtotal	66,990,034	185,320,615	297,166,280	60,099	443,811,667
Total	₩ 315,634,791	185,440,361	298,247,266	161,765,242	698,639,989

(*1) The Company sold gift vouchers to the LOTTE Himart Co., Ltd. for a total of ₩ 150,000 thousand for the year ended December 31, 2025.

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

(*3) The Company entered into lease agreements with related parties. As a result, interest income received in accordance with amortization of financial 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.
Notes to the Separate Financial Statements
As of December 31, 2025 and 2024

38. 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 (*3)	Other expenses (*3)
Shareholders:						
Lotte Corporation	₩	1,674,234	-	-	-	33,462,840
Hotel Lotte Co., Ltd.		37,277,784	13,784	82,429,492	-	36,776,200
Hotel Lotte Pusan Co., Ltd.		5,535,284	-	2,326,881	34,771	9,137,471
Subtotal		44,487,302	13,784	84,756,373	34,771	79,376,511
Subsidiaries:						
Woori Home Shopping Co., Ltd.		2,058,749	109,088	-	10,698,740	20,271,387
LOTTE Himart Co., Ltd. (*1)		47,396,962	-	145,936	4,644,206	538,408
Lotte Cultureworks Co., Ltd.		57,054,409	-	-	118,152	139,167
Lotte Suwon Station Shopping Town Co., Ltd. (*4)		1,484,019	-	-	-	2,284,404
CS Mart Co., Ltd.		13,895,317	-	-	-	284,225
LOTTE REIT Co., Ltd.		-	-	116,018	24,129,990	26,879,623
Others		22,899,276	-	-	8,309,482	5,773,077
Subtotal		144,788,732	109,088	261,954	47,900,570	56,170,291
Associates:						
FRL Korea Co., Ltd.		33,909,812	-	-	88,200,000	-
Zara Retail Korea Co., Ltd.		9,741,905	-	-	6,880,000	-
Lotte Card Co., Ltd.		3,884,875	-	-	15,637,046	143,257,087
Others (*5)		11,055,121	6,307,018	-	2,420,557	-
Subtotal		58,591,713	6,307,018	-	113,137,603	143,257,087
Others (*2):						
Lotte Well food Co., Ltd.		3,627,586	95,588,923	-	-	8,270,931
LOTTE CHILSUNG BEVERAGE CO., LTD.		8,716,776	34,594,117	-	346	60,656
LOTTE INNOVATE Co., Ltd.		1,276,890	-	43,592,731	-	94,796,862
Korea Seven Co., Ltd.		11,907,420	-	-	-	3,128,681
Lotte GRS Co., Ltd.		6,753,668	2,418,105	-	21,918	6,237,104
LOTTE Property & Development (*6)		10,152,157	-	747,392	1,964,200	31,799,610
LOTTE STATION B/D. CO.		7,269,807	-	-	326,696	135,696
LOTTE INTERNATIONAL CO., LTD.		183,931	59,739,654	-	-	-
LOTTE Engineering & Construction Co., LTD.		2,082,595	-	357,335,436	2,033	769,865
Lotte Aluminum Co., Ltd.		20,959	1,007,585	346,950	-	396,747
Lotte Global Logistics Co., LTD.		265,674	-	-	-	194,490,553
Others		17,237,571	3,518,781	2,320,053	125,117	72,053,029
Subtotal		69,495,034	196,867,165	404,342,562	2,440,310	412,139,734
Total	₩	317,362,781	203,297,055	489,360,889	163,513,254	690,943,623

(*1) The Company sold gift vouchers to the LOTTE Himart Co., Ltd. for a total of ₩ 11,591,162 thousand for the year ended December 31, 2024.

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

(*3) The Company entered into lease agreements with related parties. As a result, interest income received in accordance with amortization of financial 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.

(*4) The amount related to Lotte Suwon Station Shopping Town Co., LTD. includes transactions that occurred prior to the merger date.

(*5) The amount related to INNOCEAN WORLDWIDE INC. includes transactions that occurred before it was reclassified from an associate to another related party.

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

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

38. 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				
		Cash contribution	Purchase of shares	Return on investment and others	Loan Transaction	
					Borrow	Return
Subsidiary:						
Lotte Department Store (Chengdu) Co., Ltd.	₩	-	-	-	-	-
LOTTE PROPERTIES (CHENGDU) HK LIMITED		309,716,203	-	-	-	-
NEW STAR NEO 1ST CO.,LTD. (formerly, New Star Gimpo Hangang 1st Co., Ltd.)		-	-	-	433,810	425,140
NEWSTARNOVA 1ST CO.,LTD. (formerly, LKH 1st., Co., Ltd.)		-	-	-	2,243,478	2,198,104
LOTTE Shopping Innovation Fund No.1		-	-	594,000	-	-
SMART LOTTE SHOPPING INNOVATION FUND		6,300,000	-	-	-	-
Lotte GFR Co., Ltd.		-	-	-	-	-
Subtotal		316,016,203	-	594,000	2,677,288	2,623,244
Associates:						
LOTTE-KDB Open Innovation Fund		-	-	3,360,000	-	-
Lotte start up fund No. 1		-	-	400,000	-	-
MUJIKOREA CO.LTD		20,000,000	-	-	-	-
LOTTE Vietnam Open Innovation Fund		256,988	-	-	-	-
Subtotal		20,256,988	-	3,760,000	-	-
Others (*1):						
Lotte Properties (Shenyang) Limited		-	-	1,581,426	-	-
LOTTE Capital (*2)		-	-	-	-	-
LOTTE Engineering & Construction Co., Ltd.		-	38,157,192	-	-	-
Subtotal		-	38,157,192	1,581,426	-	-
Total	₩	336,273,191	38,157,192	5,935,426	2,677,288	2,623,244

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

38. Related Party Transactions, continued

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

(in thousands of Korean won)		2024				
		Cash contribution	Return on Investment	Loan Transaction		Borrowings
				Borrow	Return	
Name of related parties						
Subsidiary:						
Lotte Department Store (Chengdu) Co., Ltd.	₩	33,402,500	-	-	-	
LOTTE PROPERTIES (CHENGDU) HK LIMITED		140,381,027	-	-	-	
NEW STAR NEO 1ST CO.,LTD. (formerly, New Star Gimpo Hangang 1st Co., Ltd.)		-	-	164,943	149,989	
NEWSTARNOVA 1ST CO.,LTD. (formerly, LKH 1st., Co., Ltd.)		-	-	845,373	768,525	
LOTTE Shopping Innovation Fund No.1		-	-	-	-	
SMART LOTTE SHOPPING INNOVATION FUND		-	-	-	-	
Lotte GFR Co., Ltd.		9,999,995	-	-	-	
Subtotal		183,783,522	-	1,010,316	918,514	
Associates:						
LOTTE-KDB Open Innovation Fund		-	8,000,000	-	-	
Lotte start up fund No. 1		-	20,000	-	-	
MUJIKOREA CO.LTD		-	-	-	-	
LOTTE Vietnam Open Innovation Fund		256,053	-	-	-	
Subtotal		256,053	8,020,000	-	-	
Others (*1):						
Lotte Properties (Shenyang) Limited		59,277,118	-	-	-	
LOTTE Capital (*2)		-	-	-	62,179,487	
LOTTE Engineering & Construction Co., Ltd.		-	-	-	-	
Subtotal		59,277,118	-	-	62,179,487	
Total	₩	243,316,693	8,020,000	1,010,316	918,514	

(*1) Although the entities are not related parties under K-IFRS No.1024, the entities are considered to be part of the Large Enterprise Company in accordance with the Monopoly Regulation.

(*2) The amount includes borrowings of ₩ 22,179,487 thousand assumed through the merger with Lotte Suwon Station Shopping Town Co., Ltd and repayment of borrowings amounting to ₩ 40,000,000 thousand incurred through S-Bright Dongtan during the prior year.

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

38. 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	Other receivables	Financial lease receivables	Trade payables	Other payables	Lease liabilities
Shareholders:						
Lotte Corporation	₩ 6,468	112,642	-	-	324,204	26,365,879
Hotel Lotte Co., Ltd.	13,074	65,314,499	-	20,775	11,389,467	213,611,929
Hotel Lotte Pusan Co., Ltd.	-	17,189,025	-	-	1,629,005	13,813,944
Subtotal	19,542	82,616,166	-	20,775	13,342,676	253,791,752
Subsidiaries:						
Woori Home Shopping Co., Ltd. (*2)	14,061,254	190,220	-	-	2,630,823	-
LOTTE Himart Co., Ltd.	523,019	398,234	1,665,391	-	8,244,780	200,586
Lotte Cultureworks Co., Ltd.	1,580,094	758,377	77,593	-	31,169,585	-
CS Mart Co., Ltd.	9,368,743	4,907,924	-	-	344,998	2,048,120
LOTTE REIT Co., Ltd.	-	105,278,532	-	-	10,649,086	430,145,908
Others	1,955	11,818,940	-	-	9,537,182	27,115,266
Subtotal	25,535,065	123,352,227	1,742,984	-	62,576,454	459,509,880
Associates:						
FRL Korea Co., Ltd.	2,097,082	196	-	-	12,083,288	-
Zara Retail Korea Co., Ltd.	-	-	-	-	7,470,972	-
Lotte Card Co., Ltd. (*2)	22,987,916	-	-	-	26,939,568	-
Others	234,894	-	-	-	5,693,282	-
Subtotal	25,319,892	196	-	-	52,187,110	-
Joint ventures						
STL Co., Limited	-	-	-	-	508,236	-
Others	-	6,326	-	-	-	-
Subtotal	-	6,326	-	-	508,236	-
Others (*1):						
Lotte Well food Co., Ltd.	52,772	344,625	-	7,682,687	8,084,844	-
LOTTE CHILSUNG BEVERAGE CO., LTD.	124,785	169,336	-	2,130,813	10,953,185	-
LOTTE INNOVATE Co., Ltd.	-	71,531	-	-	13,924,140	3,865,117
Korea Seven Co., Ltd.	141,202	174,095	-	-	742,201	-
Lotte GRS Co., Ltd.	425,958	-	213,522	-	3,894,386	-
LOTTE Property & Development	1,050,000	2,481,873	-	-	7,324,519	259,848,405
LOTTE STATION B/D. CO.	2,536,447	7,536,749	-	-	4,288,952	1,583,487
LOTTE INTERNATIONAL CO., LTD.	-	-	-	2,835,049	73,619	-
LOTTE Engineering & Construction Co., Ltd.	2,927	8,245	-	-	54,343,688	822,438
Lotte Packaging Solutions Co., Ltd.	26,076	15,674	-	66,786	167,511	-
Lotte Global Logistics Co., Ltd.	-	59,970	-	-	17,121,582	1,389,068
Lotte Members Co., Ltd.	-	84,457,029	-	-	3,368,512	-
Others	736,707	123,454	616,887	2,826	11,147,892	2,180,864
Subtotal	5,096,874	95,442,581	830,409	12,718,161	135,435,031	269,689,379
Total	₩ 55,971,373	301,417,496	2,573,393	12,738,936	264,049,507	982,991,011

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

(*2) The receivable amount from consumer sales in trade receivables is included.

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

38. 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	Other receivables	Financial lease receivables	Trade payables	Other payables	Lease liabilities
Shareholders:						
Lotte Corporation	₩ 7,276	131,727	-	-	2,462,380	27,992,590
Hotel Lotte Co., Ltd.	1,531	63,459,119	-	-	11,471,633	190,386,000
Hotel Lotte Pusan Co., Ltd.	-	17,161,990	-	-	2,120,222	15,761,755
Subtotal	8,807	80,752,836	-	-	16,054,235	234,140,345
Subsidiaries:						
Woori Home Shopping Co., Ltd. (*2)	14,715,402	114,217	-	11,421	2,867,347	-
LOTTE Himart Co., Ltd.	2,971,758	279,399	423,936	-	9,438,821	246,266
Lotte Cultureworks Co., Ltd.	1,373,937	769,906	3,766,936	-	31,499,641	-
CS Mart Co., Ltd.	9,888,667	3,927,380	-	-	452,100	3,373,217
LOTTE REIT Co., Ltd.	-	105,278,532	-	-	10,489,944	525,819,253
Others	773	11,193,144	-	-	9,312,919	31,236,632
Subtotal	28,950,537	121,562,578	4,190,872	11,421	64,060,772	560,675,368
Associates:						
FRL Korea Co., Ltd.	1,192,304	55	-	-	11,390,303	-
Zara Retail Korea Co., Ltd.	-	-	-	-	4,997,444	-
Lotte Card Co., Ltd. (*2)	68,961,320	49,850	-	-	29,888,040	-
Others	71,236	-	-	-	6,885,035	-
Subtotal	70,224,860	49,905	-	-	53,160,822	-
Others (*1):						
Lotte Well food Co., Ltd.	865,476	99,227	-	8,636,942	8,595,238	-
LOTTE CHILSUNG BEVERAGE CO., LTD.	254,312	168,886	-	1,936,954	11,341,215	-
LOTTE INNOVATE Co., Ltd.	-	75,918	-	-	34,247,706	3,683,142
Korea Seven Co., Ltd.	267,925	825,977	-	-	2,186,516	7,513,144
Lotte GRS Co., Ltd.	431,254	-	423,287	-	3,970,513	-
LOTTE Property & Development	3,600,000	5,245,562	-	-	7,222,086	308,100,923
LOTTE STATION B/D. CO.	2,717,500	9,930,106	-	-	4,327,134	3,215,326
LOTTE INTERNATIONAL CO., LTD.	807,101	10,171	-	3,310,359	27,558	-
LOTTE Engineering & Construction Co., Ltd.	2,033	7,438	-	-	71,636,994	1,147,733
Lotte Global Logistics Co., Ltd.	-	25,313	-	-	17,989,990	5,425,883
Others	1,033,053	8,665,615	1,371,156	423,231	20,165,933	2,430,747
Subtotal	9,978,654	25,054,213	1,794,443	14,307,486	181,710,883	331,516,898
Total	₩ 109,162,858	227,419,532	5,985,315	14,318,907	314,986,712	1,126,332,611

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

(*2) The receivable amount from consumer sales in trade receivables is included.

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

38. Related Party Transactions, continued

(e) The amounts of lease payments receivable collection and lease liability payment for the years ended December 31, 2025 and 2024 are as follows:

(in thousands of Korean won)

Name of related parties	2025	
	Collection of lease payments receivable (*2)	Payment of lease liabilities (*3)
Shareholders:		
Lotte Corporation	₩ -	2,444,403
Hotel Lotte Co., Ltd.	-	85,488,509
Hotel Lotte Pusan Co., Ltd.	-	13,997,794
Subtotal	-	101,930,706
Subsidiaries:		
Lotte Cultureworks Co., Ltd.	87,318	-
LOTTE Himart Co., Ltd.	609,165	72,000
Lotte REIT Co., Ltd.	-	111,420,414
FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No. 3	-	5,056,901
Others	-	750,000
Subtotal	696,483	117,299,315
Associates:		
Lotte Card Co., Ltd.	40,323	-
Subtotal	40,323	-
Others (*1):		
LOTTE INNOVATE Co., Ltd.	-	3,628,378
LOTTE Property & Development	-	56,259,602
LOTTE STATION B/D. CO.	-	1,358,193
LOTTE Rental Co., Ltd.	-	1,770,242
Others	958,984	5,019,672
Subtotal	958,984	68,036,087
Total	₩ 1,695,790	287,266,108

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

(*2) Interest income received for lease payments receivable is included.

(*3) Interest expense paid for financial lease liabilities is included.

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

38. Related Party Transactions, continued

(e) The amounts of lease payments receivable collection and lease liability payment for the years ended December 31, 2025 and 2024 are as follows:, continued

(in thousands of Korean won)

Name of related parties	2024	
	Collection of lease payments receivable (*2)	Payment of lease liabilities (*3)
Shareholders:		
Lotte Corporation	₩ -	2,396,474
Hotel Lotte Co., Ltd.	-	83,530,273
Hotel Lotte Pusan Co., Ltd.	-	13,939,064
Subtotal	-	99,865,811
Subsidiaries:		
Lotte Cultureworks Co., Ltd.	825,372	-
LOTTE Himart Co., Ltd.	289,757	21,800
Lotte Suwon Station Shopping Town Co., Ltd. (*4)	-	5,483,083
Lotte REIT Co., Ltd.	-	109,456,858
FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No. 3	-	4,982,168
Others	-	750,000
Subtotal	1,115,129	120,693,909
Associates:		
Lotte Card Co., Ltd.	44,316	-
Subtotal	44,316	-
Others (*1):		
LOTTE INNOVATE Co., Ltd.	-	3,465,650
LOTTE Property & Development	-	56,370,306
LOTTE STATION B/D. CO.	-	1,478,770
LOTTE Rental Co., Ltd.	-	1,785,556
Others	1,048,709	8,461,673
Subtotal	1,048,709	71,561,955
Total	₩ 2,208,154	292,121,675

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

(*2) Interest income received for lease payments receivable is included.

(*3) Interest expense paid for financial lease liabilities is included.

(*4) The amounts related to Lotte Suwon Station Shopping Town Co., Ltd include transactions that occurred prior to the merger date.

(f) The contents of compensation of major management during the years ended December 31, 2025 and 2024 are as follows:

(in thousands of Korean won)

Classification		2025	2024
Short-term salary	₩	32,675,904	31,811,154
Retirement benefits		3,356,342	4,354,182
Other long-term benefits		16,083	62,107
Total	₩	36,048,329	36,227,443

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

38. Related Party Transactions, continued

(g) Details of payment guarantees, and collateral provided by the Company for the financial supports to the related parties as of December 31, 2025 are as follows, and no collateral and payment guarantees are provided by the related parties:

(in full foreign currency)

Name of company	Guaranteed by	Guaranteed amount	Guarantee period	Remarks
Subsidiaries:				
LOTTE SHOPPING HOLDINGS (SINGAPORE) PTE. LTD	DBS Bank	USD 29,300,000	July 25, 2025 ~ July 24, 2026	
LOTTE PROPERTIES HANOI CO., LTD.	Kookmin Bank	USD 50,000,000	May 23, 2025 ~ May 22, 2026	
	SMBC Bank	USD 200,000,000	May 23, 2025 ~ May 23, 2028	Payment guarantee for financing
	The Export-Import Bank of Korea	USD 62,500,000	June 27, 2022 ~ December 28, 2026	
Joint ventures:				
International Business Center Company Limited	Shinhan Bank	USD 4,000,000	May 30, 2025 ~ April 10, 2026	

(h) As of December 31, 2025, the Company entered into agreement to provide financial support for KS 1st Co., Ltd., NEWSTARNOVA 1ST CO.,LTD., NEW STAR NEO 1ST CO.,LTD., Momentum 1st., Co., Ltd. and LC Memory 1ST CO.,LTD., and 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), asset-backed commercial papers (₩ 40,700,000 thousand of par value, maturity on July 10, 2026), asset-backed short-term bonds (₩ 203,900,000 thousand of par value, maturity on February 20, 2026), and asset-backed loans (₩ 150,000,000 thousand of par value, maturity on September 24, 2055).

(i) Dividends recognized from related parties during the year ended December 31, 2025 are as follows:

(in thousands of Korean won)

Name of related parties	Dividends
Subsidiaries:	
LOTTE REIT Co., Ltd.	₩ 27,819,937
Woori Home Shopping Co., Ltd.	14,443,299
LOTTE Himart Co., Ltd.	4,620,982
FL Jeju Nohyeong General Private Equity Real Estate Investment Trust No.3	1,685,235
Subtotal	48,569,453
Associates:	
FRL Korea Co., Ltd.	93,100,000
Lotte Card Co., Ltd.	7,743,069
Zara Retail Korea Co., Ltd.	6,000,000
LOTTE HOTEL & RETAIL VIETNAM PTE. LTD.	627,667
Subtotal	107,470,736
Total	₩ 156,040,189

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

(in thousands of Korean won)

Classification	Contractual amount	Used amount	Repayment	Outstanding balance
In the perspective of user	₩ 290,000,000	2,222,928,864	2,222,928,864	-

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

39. Lease

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

Details recognized in the separate statement of financial position related to lease 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	₩	301,986,384	315,991,130
Buildings		1,811,524,990	2,034,321,006
Vehicles		1,457,873	1,447,645
Others		15,921,705	8,856,119
Total	₩	<u>2,130,890,952</u>	<u>2,360,615,900</u>
Investment property		248,893,682	292,935,384
Financial lease receivables:			
Current		8,566,536	9,700,267
Non-current		19,875,791	26,263,969
Total	₩	<u>28,442,327</u>	<u>35,964,236</u>
Lease liabilities:			
Current		713,366,877	724,603,744
Non-current		2,990,468,980	3,422,187,278
Total	₩	<u>3,703,835,857</u>	<u>4,146,791,022</u>

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

Details recognized in the separate statement of comprehensive income (loss) related to lease during 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	₩	379,423,592	405,941,003
Vehicles		1,197,143	1,284,599
Others		5,251,821	5,880,302
Total	₩	<u>385,872,556</u>	<u>413,105,904</u>
Depreciation expense on investment properties	₩	43,474,525	52,635,111
Impairment loss on right-of-use assets		48,967,786	306,137,483
Interest expense on lease liabilities		138,245,104	149,097,895
Interest income on financial lease receivables		1,410,717	1,783,429
Leases of low-value assets and short-term leases, etc.		103,327,513	98,960,121

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

39. Lease, continued

(c) Changes in right-of-use assets as of January 1, 2025 and December 31, 2025 are as follows:

(in thousands of Korean won)

		<u>Property</u>	<u>Vehicles</u>	<u>Others</u>	<u>Total</u>
January 1, 2025	₩	2,350,312,136	1,447,645	8,856,119	2,360,615,900
Depreciation expenses		(379,423,592)	(1,197,143)	(5,251,821)	(385,872,556)
Acquisition of right-of-use assets		52,256,195	1,518,983	8,249,576	62,024,754
Impairment loss on right-of-use assets		(47,591,619)	(371,442)	(1,004,725)	(48,967,786)
Others (*)		137,958,254	59,830	5,072,556	143,090,640
December 31, 2025	₩	<u>2,113,511,374</u>	<u>1,457,873</u>	<u>15,921,705</u>	<u>2,130,890,952</u>

(*) Others include modification and termination of lease contract, investment in real estate, and sub-lease replacements, etc.

(d) Changes in right-of-use assets as of January 1, 2024 and December 31, 2024 are as follows:

(in thousands of Korean won)

		<u>Property</u>	<u>Vehicles</u>	<u>Others</u>	<u>Total</u>
January 1, 2024	₩	2,828,229,039	2,122,503	10,593,467	2,840,945,009
Depreciation expenses		(405,941,003)	(1,284,599)	(5,880,302)	(413,105,904)
Acquisition of right-of-use assets		11,772,993	1,645,064	2,091,139	15,509,196
Impairment loss on right-of-use assets		(301,125,869)	(769,270)	(4,242,344)	(306,137,483)
Others (*)		217,376,976	(266,053)	6,294,159	223,405,082
December 31, 2024	₩	<u>2,350,312,136</u>	<u>1,447,645</u>	<u>8,856,119</u>	<u>2,360,615,900</u>

(*) Others include modification and termination of lease contract, investment in real estate, and sub-lease replacements, etc.

(e) The contractual maturity of lease liabilities as of December 31, 2025 is as follows:

(in thousands of Korean won)

		<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	₩	366,730,408	359,675,324	633,935,936	1,531,077,169	1,432,230,144	4,323,648,981
Net minimum lease payments		360,582,205	352,784,672	556,087,346	1,317,223,531	1,117,158,103	3,703,835,857

Total cash outflow of lease liabilities during the year of 2025 is ₩ 745,033,490 thousand.

(f) The contractual maturity of lease receivables as of December 31, 2025 are as follows:

(in thousands of Korean won)

		<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	₩	6,163,829	5,014,548	6,439,807	9,665,305	5,494,215	32,777,704
Net minimum lease payments		4,738,925	3,834,264	6,254,378	8,843,990	4,783,913	28,455,470

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

39. Lease, continued

(g) Operating lease

The Company entered and maintained an operating lease agreement to lease property, plant, and equipment. The collection plan of lease payments related to the operating lease contract as of December 31, 2025 and 2024 is as follows:

<i>(in thousands of Korean won)</i>		<u>2025</u>	<u>2024</u>
Within 1 year	₩	91,501,317	105,341,459
Within 1 ~ 2 years		46,628,031	46,702,373
Within 2 ~ 3 years		19,854,951	41,482,628
Within 3 ~ 4 years		5,838,191	19,298,438
Within 4 ~ 5 years		5,053,703	5,647,844
Over 5 years		<u>10,340,542</u>	<u>14,637,328</u>
Total (*)	₩	<u>179,216,735</u>	<u>233,110,070</u>

(*) Variable lease payment due to changes in sales are not included.

The lease income related to the operating lease consisting of variable lease payment amounting to ₩ 1,263,432,248 thousand and fixed lease payment amounting to ₩ 145,409,368 thousand are recognized during 2025 and variable lease payment amounting to ₩ 1,232,695,407 thousand and fixed lease payment amounting to ₩ 139,613,462 thousand are recognized during 2024 by the Company.

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

40. Risk Management

(a) Management of financial risks

(i) Objectives and policies of the Company

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

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

(ii) Credit risk

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

① Exposure to credit risk

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

(in thousands of Korean won)

		<u>2025</u>	<u>2024</u>
Cash equivalents (*1)	₩	187,550,634	1,001,501,632
Trade and other receivables		467,406,772	515,534,800
Other financial assets (current)		801,127,209	394,393,060
Other financial assets (non-current) (*2)		<u>1,010,840,963</u>	<u>1,066,656,538</u>
Total	₩	<u>2,466,925,578</u>	<u>2,978,086,030</u>

(*1) Cash held by the Company 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.
Notes to the Separate Financial Statements
As of December 31, 2025 and 2024

40. 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		
		Total carrying amount	Probability of default (%)	Allowance for doubtful accounts
Trade and other receivables				
Not past due	₩	472,064,866	0.00%~0.92%	10,057,737
0 ~ 3 months past due		3,823,155	0.00%~26.26%	701,970
3 ~ 6 months past due		3,988,025	0.00%~90.11%	2,216,667
6 ~ 9 months past due		1,076,183	0.00%~62.43%	606,877
9 ~ 12 months past due		68,931	0.00%~85.77%	31,138
12 ~ 15 months past due		51,467	100%	51,467
15 months past due		35,353,482	100%	35,353,482
Total		516,426,109		49,019,338
Other financial assets (current)				
Not due	₩	801,127,209	0.00%	-
Total		801,127,209		-
Other financial assets (non-current)				
Not due	₩	1,010,840,963	0.00%	-
Total		1,010,840,963		-

(in thousands of Korean won)

		2024		
		Total carrying amount	Probability of default (%)	Allowance for doubtful accounts
Trade and other receivables				
Not past due	₩	524,547,837	0.00%~0.24%	13,887,511
0 ~ 3 months past due		748,469	0.00%~28.72%	55,335
3 ~ 6 months past due		4,477,194	0.00%~50.68%	488,167
6 ~ 9 months past due		119,955	0.00%~56.25%	47,780
9 ~ 12 months past due		331,316	0.00%~80.57%	211,178
12 ~ 15 months past due		60,993	100%	60,993
15 months past due		35,695,918	100%	35,695,918
Total		565,981,682		50,446,882
Other financial assets (current)				
Not due	₩	394,393,060	0.00%	-
Total		394,393,060		-
Other financial assets (non-current)				
Not due	₩	1,066,656,538	0.00%	-
Total		1,066,656,538		-

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

40. Risk Management, continued

(a) Management of financial risks, continued

(ii) Credit risk, continued

Changes in the allowance for doubtful accounts for trade and other receivables 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	₩	50,446,882	14,600,390
Provision		4,310,610	40,368,329
Write-off		(5,738,154)	(4,530,405)
Others		-	8,568
Ending balance	₩	<u>49,019,338</u>	<u>50,446,882</u>

No changes have occurred in the allowance for doubtful accounts related to other financial assets (current) for the year ended December 31, 2025.

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	₩	-	110,888
Write-off		-	(75,000)
Reversal		-	(35,888)
Ending balance	₩	<u>-</u>	<u>-</u>

③ Payment guarantees

As of December 31, 2025, the Company has provided financial guarantees to associates and joint ventures amounting to ₩ 496,188,420 thousand.

(iii) Liquidity risk

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

The Company 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 Company deposits a reasonable amount with financial institutions with high credit ratings to make provisions for potential liquidity risks. The Company maintains a credit line for overdraft and general loans with various financial institutions and is able to raise funds through financial markets based on the Company's domestic credit rating (AA-). The management of the Company 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.
Notes to the Separate Financial Statements
As of December 31, 2025 and 2024

40. 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 and other payables	₩ 1,981,006,094	1,980,432,112	-	-	573,982	1,981,006,094
Borrowings and debentures (*1,2)	6,375,855,248	1,078,665,125	527,304,701	1,324,829,242	5,271,381,319	8,202,180,387
Lease liabilities	3,703,835,857	184,552,607	182,177,801	359,675,324	3,597,243,249	4,323,648,981
Other financial liabilities (*3)	376,068,427	267,997,023	10,168,865	23,963,958	67,756,139	369,885,985
Financial guarantee contract (*2)	62,147,098	496,188,420	-	-	-	496,188,420
Total	₩ 12,498,912,724	4,007,835,287	719,651,367	1,708,468,524	8,936,954,689	15,372,909,867

(*1) Includes interest expenses.

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

(*3) The amount includes liabilities related to capital support fees (see Note 38.(8))

The Company 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, whilst optimizing the Company's profits.

The Company 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 Company seeks to apply hedge accounting in order to manage volatility in profit or loss.

① Currency risk

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

The Company hedges currency risks of foreign currency denominated borrowings and debentures through currency swap transactions with financial institutions. The Company 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.
Notes to the Separate Financial Statements
As of December 31, 2025 and 2024

40. 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 Company'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	₩	14,275,725	1,468,079,493	13,159,200	1,431,059,803
EUR		-	2,871,112	-	1,921,971
JPY		-	40,735	-	183,828
IDR		-	-	65,896	-
CNY		-	-	3,963	-
GBP		-	115,698	-	-
CAD		-	-	-	44,014
Total	₩	14,275,725	1,471,107,038	13,229,059	1,433,209,616

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
IDR		0.0864	0.0861	0.0856	0.0911
CNY		197.78	189.20	204.76	201.27
GBP		1,875.08	1,742.68	1,932.31	1,843.67
CAD		1,017.92	995.49	1,047.72	1,023.96

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

40. Risk Management, continued

(a) Management of financial risks, continued

(iv) Market risk, continued

① Currency risk, continued

The Company 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 of each foreign currency exchange rates are 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	₩	635,047	(635,047)	447,140	(447,140)
EUR		(287,111)	287,111	(192,197)	192,197
JPY		(4,073)	4,073	(18,383)	18,383
IDR		-	-	6,590	(6,590)
CNY		-	-	396	(396)
GBP		(11,570)	11,570	-	-
CAD		-	-	(4,402)	4,402
Total	₩	332,293	(332,293)	239,144	(239,144)

The above sensitivity analysis is related to the Company's monetary assets and liabilities, denominated in a currency other than the Company'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 Company arises on 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 Company makes interest swap transactions with financial institutions for hedging interest rate risk of variable borrowings and debentures.

The book value of the Company'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	₩	-	-
Financial liabilities		1,277,460,667	1,097,433,316

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

40. 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 Company'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 Company has entered into interest rate swap transactions are not included.

(in thousands of Korean won)

		2025		2024	
		100bps increase	100bps decrease	100bps increase	100bps decrease
Interest income	₩	-	-	-	-
Interest expenses		5,981,640	(5,981,640)	3,000,000	(3,000,000)

③ Price risk

The Company 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 ₩ 197,543,093 thousand and ₩ 143,111,334 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 ₩ 19,754,309 thousand and ₩ 14,311,133 thousand, respectively.

(b) Capital Management

The objective of the Company's capital management is maximization of shareholders' profits by maintaining an appropriate capital structure. The Company 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:

(in thousands of Korean won)

		2025	2024
Liabilities (A)	₩	16,081,625,796	16,253,056,201
Equity (B)		14,267,031,839	14,352,198,938
Deposits (C)		871,522,103	1,267,572,804
Borrowings (D)		6,375,855,248	6,011,400,777
Liabilities to equity ratio (A/B)		112.72%	113.24%
Net borrowings to equity ratio ((D-C)/B)		38.58%	33.05%

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

41. Business combination

- (a) According to the resolution of the board of directors on December 12, 2024, the Company merged Lotte Incheon Town Co., Ltd., a subsidiary, as of February 18, 2025.
- (b) The above merger was a business combination under common control between the Company and its subsidiary. Accordingly, the assets and liabilities acquired were recognized at their carrying amounts as presented in the consolidated financial statements of the Company and its subsidiary. The difference between the book value of the investment in the subsidiary and the net assets recognized was accounted for as an adjustment to equity.
- (c) The assets acquired and liabilities assumed as of the merger date under the business combination under common control are as follows.

(in thousands of Korean won)

	<u>Amount</u>
I. Consideration transferred (Carrying amount of investment in subsidiary before the merger)	₩ 101,894,076
II. Amount recognized as identifiable assets and liabilities:	
Cash and cash equivalents	2,110,864
Trade and other receivables	2,841
Inventories	438,121,379
Property, plant and equipment and intangible assets	845,467
Other financial assets	4,844
Other non-financial assets	11,245
Other assets	62,432
Trade and other payables	5,676,880
Borrowings and debentures	367,645,637
Deferred tax liabilities	3,709,245
Other financial liabilities	1,221,538
Total identifiable net assets	62,905,772
III. Adjustment to equity	(38,988,304)

42. Subsequent events

The Company 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

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

We have audited the internal control over financial reporting of LOTTE SHOPPING CO.,LTD. (the "Company") as of December 31, 2025, based on 'Conceptual Framework for Design and Operation of Internal Control over Financial Reporting'.

In our opinion, the Company's internal control over financial reporting 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 separate financial statements of the Company, which comprise the separate statement of financial position as of December 31, 2025, and the separate statement of comprehensive income, separate statement of changes in shareholders' equity and separate statement of cash flows, for the year then ended, and notes to the separate financial statements, including material accounting policy information, and our report dated March 12, 2026, expressed an unmodified opinion on the separate financial statements.

Basis for Audit Opinion

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* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the internal control over financial reporting 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

Management is responsible for designing, operating and maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying ICFR Operating Status Report by CEO.

Those Charged with Governance are responsible for the oversight of internal control over financial reporting of the Company

Auditor's Responsibilities for the Audit of the Internal Control over Financial Reporting

Our responsibility is to express an opinion on the Company's internal control over financial reporting 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 was maintained in all material respects.

The audit of internal control over financial reporting 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 and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risks.



Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting 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 Korean International Financial Reporting Standards ("K-IFRS"). A company's internal control over financial reporting 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 company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with K-IFRS, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting 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 Company's internal control over financial reporting and may result in modifications to the auditor's report.

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 Internal Control over Financial Reporting (“ICFR”) for the year ending December 31, 2025.

Design and operation of 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 ICFR to prevent and detect errors or frauds which may cause a misstatement in 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 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 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	Design and Operating Effectiveness Assessment Results (Department, Timing, etc.)
Entity-Level Controls	<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.	Testing results: No material weaknesses identified (ICFR Team, July and November 2025, January 2026)
	<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.	Testing results: No material weaknesses identified (ICFR Team, July and November 2025, January 2026)
	<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.	Testing results: No material weaknesses identified (ICFR Team, July and November 2025, January 2026)
	<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.	Testing results: No material weaknesses identified (ICFR Team, July and November 2025, January 2026)
Treasury Controls (Deposit and withdrawal account management, deposit and withdrawal management, fundraising)	<Bank Account Opening/Closing> Qualified approvers such as the Finance Team Leader review and approve requests for opening and closing bank accounts.	Testing results: No material weaknesses identified (ICFR Team, July and November 2025, January 2026)
	<Account Status Management> Qualified approvers such as the Finance Team Leader review and approve the status of company-named accounts.	Testing results: No material weaknesses identified (ICFR Team, July and November 2025, January 2026)
	<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.	Testing results: No material weaknesses identified (ICFR Team, July and November 2025, January 2026)
	<Fund Execution Restriction, Firm Banking> During firm banking payments, transfers to accounts not registered in the ERP Vendor Master are blocked.	Testing results: No material weaknesses identified (ICFR Team, November 2025, January 2026)
	<Fund Execution Review> Qualified approvers such as the Finance Team Leader review and approve daily payment plans against scheduled payments in ERP.	Testing results: No material weaknesses identified (ICFR Team, July and November 2025, January 2026)
	<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.	Testing results: No material weaknesses identified (ICFR Team, July and November 2025, January 2026)

Category	Control Activities Performed by the Company	Design and Operating Effectiveness Assessment Results (Department, Timing, etc.)
	<p><Physical Access Control> Qualified approvers such as the Finance Team Leader manage access to safes storing account security devices (OTP) using security measures.</p>	<p>Testing results: No material weaknesses identified (ICFR Team, July and November 2025, January 2026)</p>
	<p><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.</p>	<p>Testing results: No material weaknesses identified (ICFR Team, July and November 2025, January 2026)</p>
	<p><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.</p>	<p>Testing results: No material weaknesses identified (ICFR Team, July and November 2025, January 2026)</p>
	<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>Testing results: No material weaknesses identified (ICFR Team, July and November 2025, January 2026)</p>
	<p><Review of Vendor Master Creation and Modification> Qualified approvers such as the Accounting Team Leader review and approve applications for Vendor Master creation and changes.</p>	<p>Testing results: No material weaknesses identified (ICFR Team, July and November 2025, January 2026)</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>Testing results: No material weaknesses identified (ICFR Team, July and November 2025, January 2026)</p>