

Sustainability Activities

Basic Approach

In line with our corporate philosophy, we have continued to grow by providing new value to customers and society through innovations. *Xylitol gum* launched in 1997 was one such example in a way that went against a conventional image of confectionery being believed to cause cavities. We provided new value that chewing gum can help us maintain strong and healthy teeth while addressing the importance of promoting “cavity-free teeth in society” as a social issue. This example is referred to as Creating Shared Value (CSV), aiming to solve social issues while creating economic value simultaneously. We will contribute to solving the issues of our society, including climate change and human rights, by realizing CSV in line with the LOTTE Group Philosophy. In 2018, we established the Policy on Sustainability, which clarifies our approaches to realize sustainable management.

Our corporate philosophy is defined by three important LOTTE values we have upheld as the basis for all of our corporate activities since our founding to achieve our mission. These LOTTE values consisting of User Oriented, Originality, and Quality are the driving force behind innovations to realize CSV goals.

▶ LOTTE Group Philosophy

<https://www.lotte.co.jp/english/charter/>

▶ Policy on Sustainability

<https://www.lotte.co.jp/english/charter/pdf/sustainability.pdf>

Promotion System

The executive officer in charge of the Sustainability Promotion Department serves as the representative, with the Planning Section of this department functioning as the secretariat. They work in cooperation with related departments and Group companies. The department promotes sustainability-related activities together with related divisions, prepares sustainability-related policies and strategies, and manages the progress of targets. Based on updates reported by executive officers in charge, Executive Committee and the Board of Directors review and approve important matters related to sustainability, such as materiality identification,

strategies, and progress on goals. In FY2024, six reports (on seven topics) were submitted to the Executive Committee, and three reports (on five topics) were submitted to the Board of Directors.

The Risk Management Committee takes the lead on and manages sustainability-related risks that may have a significant impact on our business (page 18-20 for climate-related risks, page 27-29 for nature-related risks, page 34 for human rights) under the risk management structure (page 59).

In addition, the Sustainability Section is responsible for disclosing information; it references GRI*¹ and SASB*² standards while also working to expand the breadth of information disclosed and contribute to dialogues with all of our stakeholders.

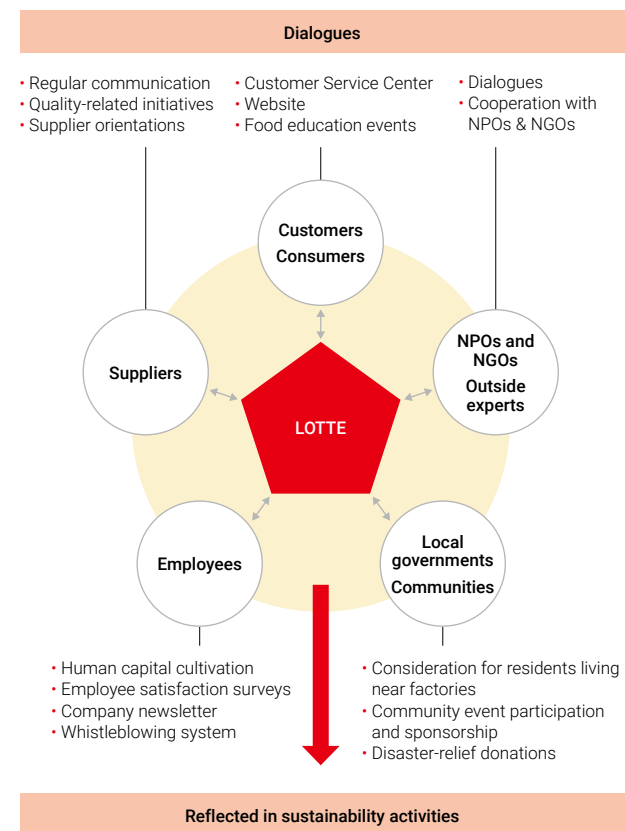
*1 Global Reporting Initiative. A non-profit organization that establishes sustainability-related international standards.

*2 Sustainability Accounting Standards Board. Founded in 2011, this non-profit organization based in San Francisco, U.S., provides industry-specific disclosure standards on ESG factors for companies that are expected to have a significant financial impact in the future.



Stakeholder Engagement

Our business operations are supported by relationships with various stakeholders. To build a sustainable society and environment, we continuously engage each stakeholder through bidirectional communication. We also hold annual dialogues with outside experts who represent each stakeholder. Feedback from stakeholders is reflected in our sustainability activities, including materiality and target adjustments and enhanced disclosures (page 10–16).



Employee Education

To promote sustainable management, we believe that employees who play an integral role in this process must have a full understanding of the concept. We employ various methods to ensure that employees receive the information and training they need. Our online company newsletter is distributed on a timely basis and contains articles about sustainability. In addition, information pertaining to sustainability is included in all training programs offered by the Human Resources Division, such as training for new hires and newly appointed managers and assistant managers.

◆ Collaboration with External Initiatives

Main Industry Organizations in Which LOTTE Participates

As of March 31, 2025

All Nippon Kashi Association (ANKA)	(Vice Chairperson)
Japan Food Industry Association	
Japan Food Industry Central Council	
Japan Chewing Gum Association	(Chairperson, Executive Director)
Chocolate and Cocoa Association of Japan	(Vice Chairperson, Director)
Japan Biscuit Association	(Director)
National Candy Industry Association	(Honorary Advisor)
Japan Confectionery Better Business Association	(Chairperson)
Japan Ice Cream Association	(Chairperson)
Paper Packaging Recycling Council	(Director)
Plastic Packaging Recycling Council	(Auditor)
Japan Pocket Warmer Association	
All Japan Trade Association of Confectionery Manufacturers (Japan TACOM)	
Flexible Packaging Hygiene Association	

Mapping Materiality in the Value Chain

Our business has diverse impacts on society throughout the value chain.

Below is a matrix of the most material items in our value chain, mapped to the six materiality themes defined in the LOTTE MIRAI CHALLENGE 2048.

Materiality Themes	Raw material procurement	Company operations	Transportation	Sales	Product use	Product end life
 Mental and Physical Health		●		●	●	
 Sustainable Procurement	●					
 Circular Economy	●	●		●	●	●
 Decarbonization	●	●	●	●	●	●
 Social Engagement	●	●	●	●		
 Human Capital		●				

Initiatives Joined

United Nations Global Compact (UNGC)
Roundtable on Sustainable Palm Oil (RSPO)
World Cocoa Foundation (WCF)
Science-Based Targets initiatives (SBTi)
Task Force on Climate-Related Financial Disclosures (TCFD)
Task Force on Nature-Related Financial Disclosures (TNFD) Forum
Women's Empowerment Principles (WEPs)
The Consumer Goods Forum (CGF)
Japan Sustainability Local Group (JSLG)
TCFD Consortium
Japan Clean Ocean Material Alliance (CLOMA)
United Nations Food Systems Summit (FSS)
GX League
10X20x30 Food Loss and Waste Initiative—Japan Project
xSDG Consortium
Platform for Sustainable Cocoa in Developing Countries
The Japan Business Coalition for a Global Plastics Treaty
TOKYO ETHICAL ACTION PROJECT

External Recognition and Certifications

2025 Certified Outstanding Organization of KENKO Investment for Health in the Large Enterprise Category (White 500)
Work with Pride 2024 (Gold)
Environmental management system standard ISO 14001 certification
GFSL Approval Scheme (FSSC22000/BRC) certification



Dialogues with Experts

Since 2018, we have invited outside experts to hold dialogues with us. These dialogues provide us with honest opinions and advice for the future regarding our sustainability initiatives, which we reflect in our activities. In 2025, for the eighth year of holding these dialogues, we invited seven outside experts to engage in dialogues regarding each of our three sustainability visions.



Evolving Our Brand Tailored to Customers for a Happier Future



(held March 5, 2025)

Experts

Norichika Kanie

Professor, Graduate School of Media and Governance, Keio University

Chisako Gono

Secretary General, Consumers Japan
CEO, Fairtrade Label Japan

Maiko Shiozaki

CEO, Fairtrade Label Japan

Participants

1. Hideki Nakashima

President / Representative Director

2. Hiroshi Hirata

Managing Executive Officer / Director
Division Director of Production Division*1

3. Toshihiro Sato

Managing Executive Officer
In charge of Quality Assurance
Department and Customer Service
Office*2

4. Koji Sakakibara

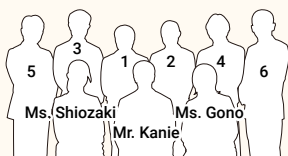
Executive Officer
Division Director of Marketing Division

5. Keiji Miyano

Executive Officer
In charge of Corporate Strategy
Department, Sustainability Promotion
Department, and Internal Control
Department

6. Tetsuya Seki

Deputy Director of Research and
Development Center*3



Connecting People, Creating a Sustainable Planet



(held May 9, 2025)

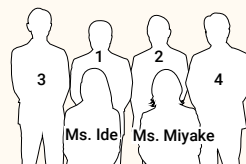
Experts

Rumi Ide

Journalist specializing in the issue of
food loss and waste
Winner of the FY2020 Consumer Affairs
Agency Commissioner's Award, Food
Loss and Waste Reduction Grand Prize

Kahori Miyake

Sumitomo Mitsui Trust Bank, Limited
Fellow Officer, Sustainability Business
Department
Co-Chair, Japan Climate Leaders'
Partnership



Participants

1. Hideki Nakashima

President / Representative Director

2. Hiroshi Hirata

Managing Executive Officer / Director
Division Director of SCM Division*1

3. Masayoshi Matsukura

Executive Officer
Division Director of Production Division

4. Keiji Miyano

Executive Officer
In charge of Corporate Strategy
Department, Sustainability Promotion
Department, and Internal Control
Department



Becoming a Company with Diverse Talent and Continuous Innovation Through Original Ideas



(held May 9, 2025)

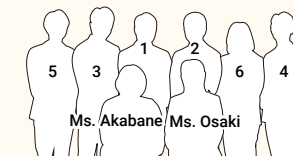
Experts

Makiko Akabane

Director Japan, CSR Asia

Asako Osaki

Director, Gender Action Platform (GAP)



Participants

1. Hideki Nakashima

President / Representative Director

2. Kenichi Ishikawa

Executive Officer
In charge of the Human Resources
Strategy Department, Human Resources
Department, Labor Relations
Department, and Legal Department

3. Keiji Miyano

Executive Officer
In charge of Corporate Strategy
Department, Sustainability Promotion
Department, and Internal Control
Department

4. Koichi Saeki

General Manager of Labor Relations
Department

5. Kenta Yoshizawa

General Manager of Human Resources
Strategy Department

6. Mariko Mochizuki

Manager of Human Resources Planning
Section, Human Resources Strategy
Department

*1 Appointed to Director / Managing Executive Officer and Division Director of the SCM Division, effective April 1, 2025

*2 Appointed as an Audit & Supervisory Board member of LOTTE HOLDINGS, CO., LTD., effective June 27, 2025

*3 Appointed as Division Director of the Research and Development Center, effective May 1, 2025



Evolving Our Brand Tailored to Customers for a Happier Future



Chisako Gono

Secretary General, Consumers Japan

After graduating from university, Ms. Gono served as a childcare worker for school-age children at a children's culture center for nine years.

After that, while engaging in child-rearing and caregiving, she participated in educational volunteer activities at elementary schools and activities at consumer cooperatives. After serving as director of the U CO-OP Consumers' Cooperative and managing director of the Kanagawa Prefecture Consumers Cooperative Union, she assumed her current role as secretary general of Consumers Japan. She has also served as a member of committees at the Cabinet Office; the Consumer Affairs Agency; the Ministry of Health, Labour and Welfare; and the Ministry of Agriculture, Forestry and Fisheries, while giving her opinions from the perspective of consumers.

Norichika Kanie

Professor, Graduate School of Media and Governance, Keio University

Mr. Kanie is currently the director of the xSDG Laboratory, which is part of the Keio Research Institute at SFC. Before joining Keio in 2015, he was an associate professor at the University of Kitakyushu and an associate professor in the Graduate School of Decision Science and Technology at the Tokyo Institute of Technology.

He was one of the 15 Independent Group of Scientists appointed by the UN Secretary General to write *Global Sustainable Development Report 2023*. His areas of expertise are international relations, sustainability, and earth system governance. He is a leader in SDGs research, combining both theory and practice. He holds a PhD in Media and Governance.

Maiko Shiozaki

CEO, Fairtrade Label Japan

After working for Deloitte Tohmatsu Consulting LLC, Ms. Shiozaki worked as a manager at Owls Consulting Group. As a consultant, she has extensive experience in human rights due diligence, sustainability strategy, and policy development. She wrote *Child Labor White Paper 2020—Business and Child Labor*. She holds a B.A. in Economics and an M.A. in Development Economics from Hitotsubashi University. She has completed the SA8000 Auditor Certification Training, the international standard for human rights and labor.

Evaluating LOTTE's Sustainability Promotion Activities

Kanie It is reassuring to see LOTTE reinforce its sustainability initiatives year after year. As 2030, the target year for the Sustainable Development Goals (SDGs), approaches, discussion is starting to turn toward what is beyond the SDGs. However, I am glad to see that the LOTTE MIRAI CHALLENGE is already looking to the future, since its goals have been set by backcasting from 2048. As the Company moves forward with its initiatives, I think it will become increasingly important for LOTTE to take its entire value chain into consideration. The Company has to think about not only upstream issues but also issues downstream, such as packaging disposal. I hope that LOTTE will work in cooperation with its suppliers to address these issues.

Nakashima (LOTTE) Last year marked the 60th anniversary of the Company's chocolate business, so I made an in-person visit to production areas in Ghana, which have been providing us with a steady supply of cocoa beans for many years. During my visit, I felt there was still more we can do to help. There are several issues that must be addressed to achieve sustainable cocoa production, but we are determined to address them. As for downstream, I believe the retail industry raises its standards with each passing year. Food safety and security are important—that's a given—but now more and more eyes are looking at human rights and environmental factors as well. Making the correct changes across the entire value chain can positively change society as a whole, and LOTTE fully intends to fulfill its responsibility to be a part of this change.

Gono I took part for the first time in one of these dialogues last year, and it showed me how much LOTTE is committed to sustainability. On the other hand, I think it's a shame that, despite all the hard work being put into the Company's sustainability initiatives, they aren't widely known among consumers. Since consumers do not have many opportunities to access this information of their own accord, it is important to inform people in a way that catches their attention. In particular, if products are designed to convey this information, it will be easy to inform consumers in this regard. LOTTE has many points of contact with consumers, so I hope you will take advantage of this strength to spread word of your sustainability initiatives.

Sakakibara (LOTTE) I agree. Products are a key point of contact with consumers. We tend to emphasize how delicious and fun

our products are, but I would like us to promote our sustainability initiatives with confidence as well, in a way that is true to LOTTE.

Miyano (LOTTE) I think another effective approach would be to raise awareness of initiatives that consumers can take part in. For instance, some companies and local governments run food drives and other similar activities, and I would like us to conduct unique LOTTE initiatives in the same spirit.

Shiozaki In human rights efforts, economic aspects, such as improving livelihoods, are important. At the same time, it is becoming more commonplace to take an integrated approach to human rights that also incorporates environmental efforts. LOTTE's current biochar pilot project is a commendable initiative to take on in this regard, since it can help improve the livelihoods of cocoa farmers while helping the environment. Although the Child Labor Monitoring and Remediation System (CLMRS)* and other methods have been adopted to better understand local needs, I would encourage you to keep providing support appropriate to meet these needs.

* CLMRS is a child labor monitoring and improvement system developed by the International Cocoa Initiative (ICI), an NPO that promotes activities to eliminate child labor in cocoa-producing areas. This is a system for identifying child labor risks and taking measures to curb them.

Contributing to Food and Health

Gono LOTTE is working to promote "chewing," or as you call it, *KAMUKOTO*, which is an issue society actually needs to address more earnestly. In recent years, there has been a growing spotlight on preventing oral frailty* among the elderly. From my own experience as a caregiver, I know firsthand the importance of maintaining oral health and being able to eat with one's own teeth for as long as possible. What I would like to see, however, is the development of various solutions for people who cannot chew gum which is generally how LOTTE promotes *KAMUKOTO*.



Seki (LOTTE) We recognize the need for solutions tailored to the different oral health conditions of each person, and we are continuing our research in this regard. We are working on a variety of approaches to support the development of the habit of chewing over the long term, with the hope that people will eventually be able to chew gum properly.

Kanie LOTTE's commitment to *KAMUKOTO* is one of the Company's standout positives, in my opinion, and it is something I have tried to emphasize. Keio University is also conducting research linking medicine and the SDGs, and I hope that there will be more research that explores *KAMUKOTO* in more depth.

Shiozaki I think one good example would be the estimated effect *KAMUKOTO* has on reducing the cost of long-term care. It is very important to communicate social value by using easy-to-understand quantitative indicators such as financial value and the number of people who benefit. Additionally, there are cases in Europe and the United States in which advertising of high-calorie products is regulated. LOTTE has worked diligently to promote *KAMUKOTO*, but it's also worth looking at how products other than chewing gum can be used to tackle social issues such as obesity and lifestyle-related diseases.

* A state of frailty in which oral function is slightly reduced. Oral frailty is said to be closely related to overall frailty.

Future Expectations

Shiozaki It is particularly encouraging to know that LOTTE mentions farmer poverty as an issue it aims to address when procuring cocoa beans, alongside the issues of child labor and deforestation. Poverty is often seen as a governmental issue, but the cocoa industry itself has structural problems, suggesting that companies also share responsibility for improving farmers' livelihoods.

Hirata (LOTTE) We primarily source cocoa beans from Ghana and have been working hard on the country's supply chain. At the same time, we are also looking into diversifying our production areas to ensure stable procurement. In the future, we will keep working to expand our production areas while making sure procurement remains sustainable.

Kanie In my talks with different company executives, it seems that, in some cases, companies downplay their initiatives for fear that they will be seen as "washing," or proclaiming that they are working to address a certain issue when they are not really doing anything of substance.

And, yes, a one-off effort could be considered washing. I believe that LOTTE will maintain its commitment to realizing its 2048 Vision, so, please, communicate these efforts openly and confidently, without worrying about such accusations. There may be some criticism, but take it seriously, engage with it through dialogue, and use it to seek better solutions. I support LOTTE in its courageous first step.



Gono I agree—the fear of washing should not stop you from communicating. If you believe in your actions, sharing will attract people who sympathize with your cause, which can lead to major movements throughout society.

Nakashima (LOTTE) I truly believe that the efforts we are making toward achieving our 2048 Vision are essential for sustainable growth and will lead to increased corporate value. So, we will move forward with our initiatives with confidence in our stride.



Connecting People, Creating a Sustainable Planet



Rumi Ide

Journalist specializing in the issue of food loss and waste
Winner of the FY2020 Consumer Affairs Agency Commissioner's Award, Food Loss and Waste Reduction Grand Prize

Ph.D. Kagawa Nutrition University (Nutritional Science), MSc University of Tokyo Graduate School of Agricultural and Life Sciences, BSc Nara Women's University. After working at Lion Corporation and then participating in JICA, held various positions at Kellogg (JAPAN) K.K. including section head in the PR department. Founded office 3.11 due to the appalling food loss and waste of food during the 3.11 crisis. Worked on public relations for Japan's first food bank, creating the impetus for establishment of the Food Loss Reduction Promotion Act in 2016. Publications include Shoumi Kigen no Uso (The Myth of Best-Before Dates), Shokuryo Kiki (Food Crisis), Aru Mono de Mikanau Seikatsu (Life with What You Have), Sutenai Panya no Chousen (The Zero Waste Bakery Challenge) (assigned book for the 68th National Youth Book Report Competition) or others.

Kahori Miyake

Sumitomo Mitsui Trust Bank, Limited
Fellow Officer, Sustainability Business Department
Co-Chair, Japan Climate Leaders' Partnership

Ms. Miyake joined JUSCO Co., Ltd. (Currently AEON Co., Ltd.) in 1991. In 2014, she became an executive officer for AEON RETAIL CO., LTD., and in 2017 she became the executive officer in charge of environmental and social contributions, investor relations, public relations, and customer service for AEON Co., Ltd. Since 2019, she has served as co-chair of the Japan Climate Leaders' Partnership, a corporate network leading the way in building a decarbonized society. In 2022, she joined Sumitomo Mitsui Trust Bank, Limited. In the same year, she served as a member of the High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities convened by UN Secretary-General António Guterres. Since 2023, she has served as a fellow officer in the Sustainability Business Department of Sumitomo Mitsui Trust Bank, supporting the decarbonization efforts of various companies in the financial industry.

Evaluating LOTTE's Sustainability Promotion Activities

Miyake Overall, I believe that LOTTE, as a food company, addresses important issues comprehensively and in a well-balanced manner through its sustainability initiatives. My particular area of focus is decarbonization, so I find it encouraging that the Company is making steady efforts in this direction. Many companies hesitate to act when faced with challenges that don't have clear-cut answers, such as decarbonization and upcycling, so I am in support of companies that possess an adventurous spirit to try to do whatever is possible at the time and stick to their goals.

Nakashima (LOTTE) Generally speaking, we are on a steady path toward achieving our targets for decarbonization and reducing food waste. However, there are several issues as well. When it comes to reducing the amount of petroleum-based plastics used in packaging, we have to make decisions based on a full range of factors, such as the ability to protect contents and the ease of use. For example, paper straws, which became commonplace quite rapidly, are being replaced by straws made from biomass-derived plastics. However, I feel that we will encounter the same problem we had with paper straws. In other words, these products are unlikely to gain acceptance simply because they are good for the planet. I want us to push ourselves to innovate and offer products that can be both functional and sustainable.

Matsukura (LOTTE) I think that young people are highly aware of and extremely concerned by environmental issues. What's more, they feel proud and motivated when the company they work for is proactive about the environment. When I was the factory manager of our Kyushu Factory, we were the first in Japan to sell ice cream held with bamboo sticks, which grow faster than trees and have a smaller impact on the environment. At that time, young employees at the Kyushu Factory showed their enthusiasm by voluntarily holding study sessions about deforestation. I intend to keep supporting such endeavors.

Ide Even when I was working as a PR manager for a food company, I had a strong sense that LOTTE was very serious about dental and oral health, with a heavy emphasis on evidence and data when communicating information on these topics. I also felt that the Company's messaging was balanced with effective communication of the flavor and enjoyment of their food products. I think you can say the same about LOTTE's sustainability initiatives, which are well-balanced and resonate within society. I've

mentioned this in previous dialogues, but it is also worth mentioning LOTTE's work with Meals on Wheels Japan to establish an efficient and sustainable food surplus donation scheme, and I am especially glad to hear that you were recognized for your efforts with the Chairman's Award at the 2024 Food Loss and Waste Reduction Promotion Awards. Congratulations on the achievement.

Hirata (LOTTE) It was certainly an honor to receive the award. Thank you for the kind words. What is most important is trying not to generate surplus food, so we strive to improve the accuracy of our demand forecasts. However, if we do end up with a food surplus, we regularly donate it to food banks and children's cafeterias so that such food can be used effectively by those in need. We intend to maintain this spirit as we head toward our goal of halving food loss and waste.

Sustainability Initiatives That Delve Deeper

Ide I believe that efforts to reduce food loss and waste can be taken further if we frame the impact in monetary terms, as opposed to just the weight of food waste. When the Japanese government valued the economic loss due to food loss and waste at an estimated 4 trillion yen, it was widely covered in the media. An initiative that really stands out due to its framing of food loss and waste in economic terms is Toppo Craft Brew (page 27), which upcycles Toppo pretzels. I really hope this initiative receives more coverage. I wrote an article providing examples of how surplus food in Japan and overseas is upcycled into beer and other products, but most of the cases used leftover bread. I think this is a particularly good example for other companies to draw from, as it shows that this process can be applied to other foods.



Hirata (LOTTE) LOTTE does calculate the monetary value of a portion of waste, and I distinctly remember being surprised at how big the economic impact was. Disposal is another aspect that incurs costs, so we will try and figure out the overall economic loss within the Company while also working to reduce these costs.

Miyano (LOTTE) To tell you the truth, plans for Toppo Craft Brew started as an idea from some young employees at one of our factories. Personally, I think young people are highly mindful of environmental issues, and I want to support them as their ideas and determination drive them toward their goals.

Miyake I mentioned earlier that I felt LOTTE's sustainability initiatives were being carried out in a well-balanced manner overall. However, it is difficult to understand how much progress is being made toward the LOTTE MIRAI CHALLENGE or the degree of impact that each separate initiative is having on the whole. Also, since LOTTE is such a leader in tackling food loss and waste, I would like to see more detailed disclosure, not only of the positive aspects but also of the challenges ahead. Such disclosures will enable those dealing with the same issues to assemble, get society involved, and start a movement to solve these issues, together.

Matsukura (LOTTE) Yes, I would agree that there are issues when it comes to communicating, both inside and outside the Company. Going back to the earlier example of selling ice cream held on bamboo sticks, there are some employees in the Company who don't even know about this endeavor, even though it won the Confectionery Packaging Award at the Japan Packaging Contest 2024. I want us to better deliver news, both inside and outside the Company, about the efforts and ingenuity of the people who are realizing such accomplishments. I also think that spreading information in this regard will motivate people working on the front lines.

Expectations for Co-Creation

Miyake As companies make various changes to help bring about a sustainable society, it will become increasingly important for them to provide thorough explanations to stakeholders, consumers included. I believe that if companies provide proper explanations detailing the circumstances and the underlying issues, customers will find it easier to understand if companies have to pass on costs to them or reduce convenience to some extent.

Ide To borrow an example, there is a company that sells biscuits that were broken during production as outlet items, which



has proven quite popular. There are cases where design flaws that do not violate laws and regulations have been accepted by customers when backed up with a proper explanation.

Miyake Reducing food loss and waste requires cooperation with stakeholders in the supply chain; it is not something that one company can solve on its own. It is important to have a larger discussion about what parts of the supply chain need review, but deciding who will lead that discussion can be difficult. I would like LOTTE to take on this role and lead the way in co-creation with stakeholders.

Nakashima (LOTTE) Speaking with you all has reminded me of LOTTE's responsibilities as a leading company and its duty to fulfill them. Ever since I was appointed president, I have been thinking about how best to promote co-creation with our stakeholders. We got the ball rolling by increasing employee engagement, but recently we have been building relationships with our business partners that can open the door to talks about sustainability. For instance, we were able to set up backhaul matching with one of our competitors thanks to a shared logistics provider that brought us together. In that same way, we at LOTTE would like to serve as a hub for connecting a variety of stakeholders.



Becoming a Company with Diverse Talent and Continuous Innovation Through Original Ideas



Makiko Akabane

Director Japan, CSR Asia

Ms. Akabane majored in political science and biology at Waseda University. She has a total of over 10 years of experience overseeing corporate social responsibility (CSR) initiatives for multinational companies in a variety of industries and spearheaded the launch of CSR sections for a number of major companies in Japan, including Starbucks Coffee Japan, Ltd., Salesforce.com, Inc., and Nikko Asset Management Co., Ltd. Ms. Akabane has led CSR Asia Japan since 2010.

Asako Osaki

Director, Gender Action Platform (GAP)

Master of International Affairs (majoring in International Human Rights), Columbia University, United States. At the United Nations, Ms. Osaki was in charge of promoting gender equality and women's empowerment and led numerous initiatives such as in education, employment and entrepreneurship, and political participation. She currently works as an independent gender expert, who is in a unique position to connect global and local, as well as public and private sectors. She serves as a member of the Experts' Meeting on the Implementation and Monitoring of the National Action Plan for Gender Equality, the Cabinet Office, as the Representative of Japan to the United Nations Commission on the Status of Women, and as the Expert Japanese Representative for the ISO 53800 Gender Equality Guidelines International Working Group, as well as in other roles. She coordinated the production of the Japanese edition of a handbook on "Women's Empowerment Principles (WEPs)."

Evaluating LOTTE's Sustainability Promotion Activities

Akabane I have been taking part in these dialogues since 2018, and I have come to feel that LOTTE is a company that has a really sincere attitude toward its stakeholders. In 2018, the sustainable procurement of cacao was still in the planning stages, but LOTTE has kept the promises it made then and made solid progress in that direction. It is also moving forward with new initiatives, which I think is wonderful. On the other hand, the majority of information that LOTTE releases is about how delicious or enjoyable its products are, which, in my opinion, is squandering an opportunity. I hope that LOTTE will utilize its friendly style of conveying information and start talking more about its sustainability initiatives.

Miyano (LOTTE) I would definitely like to spread this type of information, in a way that is uniquely LOTTE. When it comes to disclosing sustainability-related information, we have worked with our in-house designers to improve the way we provide our messaging, in order to make it more approachable and consistent with the Company's signature aesthetic. That being said, I also recognize there is room for improvement in the type of information we put forth in our corporate announcements and on our product packaging. I want us to work on corporate branding in order to increase our corporate value moving forward, which includes spreading information about our sustainability initiatives.

Osaki LOTTE's sustainability information disclosure is carried out with the reader in mind, which reflects LOTTE's deep sense of duty toward society. This also enables LOTTE to broaden its horizons by reaching the next generation, for example by effectively incorporating engaging illustrations into its disclosure materials to make them appealing to younger audiences. I find it especially commendable that LOTTE's food education initiatives take an inclusive approach, involving students and teachers as well as employees. I also value LOTTE's efforts to include employees' families through initiatives such as Family Day. These efforts demonstrate that LOTTE is mindful of the perspectives of young people and is aligning its future-oriented goals through backcasting from 2048, which provides a strong foundation for the Company's initiatives.

Nakashima (LOTTE) When I was appointed president, I took a fresh look at our relationships with stakeholders. Upon doing so, I felt that the relationship we had with our employees was the



one needing the most improvement, so we have implemented a variety of initiatives to this end. Family Day (page 51) is one such initiative, and our inaugural event was held last year. I believe that employees feel more pride in and engage more with the company they work for when their families feel the same way. This year, we are planning to invite even more employees' families to join in on the fun.

Employee Engagement as a Vital Indicator

Akabane LOTTE also needs to disclose information related to its human capital, with employee engagement as a vital indicator. However, there is no shortcut to improving employee engagement, which makes it a complex topic for managers. It probably goes without saying, but it is important to keep up sincere efforts to eliminate harassment and ensure psychological safety.

Occupational health and safety is also important in factories. Other companies have experienced serious accidents at their food factories, so creating conditions where employees can work with peace of mind will ultimately increase employee engagement.

Ishikawa (LOTTE) Occupational health and safety is something we take very seriously. Each of our factories is therefore working to improve the level of occupational health and safety, and we have established an awards system to reward factories that excel in this regard. Even though we took such measures, it didn't occur to us that we should share much information about them. However, I would like to make these efforts known to people besides our factory employees. Mr. Nakashima is taking the lead in improving employee engagement, but I, along with all the other executives, intend to work with him to further accelerate the Company's efforts. Eliminating harassment and ensuring

psychological safety are crucial first steps. From there, I believe the only way forward is to work sincerely toward highly transparent and fair management.

Osaki Analyzing engagement survey results by gender, age group, and department can reveal a variety of important trends. I would like LOTTE to gain deeper insights into areas of the Company with low engagement scores by conducting interviews that ensure psychological safety.

Mochizuki (LOTTE) At LOTTE CO., LTD., engagement scores for women tend to be around 3.8 points lower than those for men. Once we can firmly ensure the psychological safety of employees, I would like to analyze the issues we have and work on improving them.

Expectations for Further Leaps Forward

Osaki I am happy to hear that management has clearly stated their commitment to diversity, equity, and inclusion (DE&I). It is encouraging that management creates opportunities like this for dialogue and exchanging opinions with people outside the Company. The UN's WEPs* provides a globally recognized framework. By using these principles as a reference to analyze the current situation, plan, implement, and evaluate measures, LOTTE will be able to take meaningful steps that will generate greater corporate value. For example, when looking at the issue of childcare leave, if you recognize the underlying problem, you will understand that it is not only the percentage of men taking leave that matters, but also the length of time they take. Similarly, when addressing the gender wage gap, we need to move step by step toward equal pay for work of equal value. This requires carefully reassessing the true value of each job and making evidence-based decisions to close the gap.

Ishikawa (LOTTE) We do bear in mind the length of time that men take for childcare leave. When we introduced this initiative, we focused on increasing the ratio of men who take childcare leave. According to recent Company data, it is now becoming the norm for men to take childcare leave, with the average period increasing to 18 days, and with a median of 16.5 days. In terms of the gender wage gap, in our case, the main reason for this gap is the small number of female managers. I want us to take steady steps forward with essential initiatives, taking into consideration the WEPs, as you have advised.

Akabane I love LOTTE's *Yukimi Daifuku* mochi ice cream, and when I'm on a bullet train, my daughter and I always get excited

looking at the *Yukimi Daifuku* sign from the window as we pass by LOTTE's Urawa Factory. It might not be apparent to everyone at LOTTE, because they belong to the Company, but LOTTE has strong appeal for people of all ages, from children to the elderly. I hope that activities under the LOTTE MIRAI CHALLENGE banner, in preparation for the Company's 100th anniversary in 2048, will be publicized more and that the number of people who love LOTTE will continue to grow.

Osaki I also see many people today who are reluctant to take on management roles. I would encourage LOTTE to actively use digital tools and generative AI to fundamentally change work processes and management styles, making these roles more appealing. By doing so, LOTTE can increase the number of female managers and improve job satisfaction. It is crucial to position this as a forward-looking management strategy, rather than seeing it solely as a matter for the HR Department.

Nakashima (LOTTE) A company is built on its human resources—this talk has reminded me of that fact. To improve employee engagement, we are promoting diverse workstyles and reforming our corporate culture, but I also believe that having the understanding of our other stakeholders, including our business partners, is important as well. I will continue to take the lead in promoting these efforts, and I will continue involving stakeholders in the process, so society as a whole can change for the better. This talk has also been encouraging in terms of sharing information and educating people about food, so I will take what I have heard today and move forward with confidence.

* Principles for companies voluntarily committing to the empowerment of women, created jointly with the UN Global Compact and the UN Development Fund for Women (now UN Women)

