Sustainability Activities

Basic Approach

In keeping with our corporate philosophy, we have continued to grow by providing new value to customers and society through innovation. *Xylitol Gum*, launched in 1997, was one such example, going against the conventional belief that confectionery caused cavities. We provided new value by showing that chewing gum can help maintain strong and healthy teeth while addressing the importance of promoting "cavity-free teeth in society" as a social issue. This is an example of Creating Shared Value (CSV), which aims to solve social issues while creating economic value at the same time. We will contribute to solving the issues of our society, including those of climate change and human rights, by implementing CSV in line with the LOTTE Group Philosophy. In 2018, we established the Policy on Sustainability, which clarifies our approach to achieving sustainable management.

The LOTTE Group Philosophy forms the basis of all our corporate activities and is defined by the LOTTE Group Mission and the LOTTE Values, three values upheld since our founding aimed at achieving our Mission. These values, embodied by the phrases "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 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, the 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 FY2025, three reports (on four topics) were submitted to the Executive Committee, and three reports (on four topics) were submitted to the Board of Directors.

The Risk and Crisis Management Committee takes the lead on and manages sustainability-related risks that may have a significant impact on our business (pages 20–26 for climate- and nature-related risks, page 37 for human rights) under our risk management structure (page 66).

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

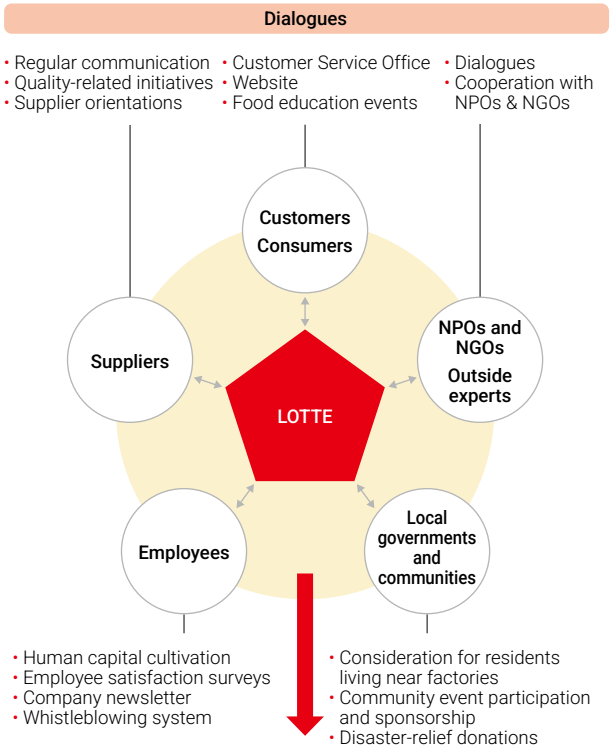
*1 Global Reporting Initiative. A non-profit organization that establishes sustainability-related international standards.

*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 adjustments to materiality themes and targets and enhancements to disclosures (pages 12–18).



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. Therefore, we employ various methods to ensure that employees receive any information or 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, newly appointed managers, and newly appointed assistant managers.

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 6 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		●				

Collaboration with External Initiatives

Main Industry Organizations in Which LOTTE Participates

As of March 31, 2026

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	(Advisor)
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	

Initiatives Joined

United Nations Global Compact (UNGC)
Roundtable on Sustainable Palm Oil (RSPO)
World Cocoa Foundation (WCF)
Science Based Targets initiative (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)
Japan Clean Ocean Material Alliance (CLOMA)
United Nations Food Systems Summit (FSS)
GX Future Consortium
xSDG Consortium
Platform for Sustainable Cocoa in Developing Countries
The Japan Business Coalition for a Global Plastics Treaty
TOKYO ETHICAL ACTION PROJECT

External Recognition

2026 Certified Outstanding Organization of KENKO Investment for Health (Large Enterprise Category)
Work with Pride 2025 (Gold)
Environmental management system standard ISO 14001 certification
GFSI Approval Scheme (FSSC22000 / BRCGS) 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 2026, our ninth year of holding these dialogues, we invited seven outside experts to engage with us regarding each of our three sustainability visions.

Evolving Our Brand Tailored to Customers for a Happier Future



(held March 16, 2026)

Experts

Norichika Kanie
Professor, Graduate School of Media and Governance, Keio University

Chisako Gono
Secretary General, Consumers Japan

Maiko Shiozaki
CEO, Fairtrade Label Japan

Participants

1. Hideki Nakashima
President / Representative Director

2. Seiji Takazaki*1
Executive Officer,
In Charge of Public Relations
In Charge of General Affairs
Quality Assurance Department
Customer Service Office

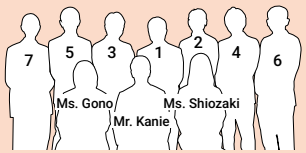
3. Keiji Miyano
Executive Officer,
Corporate Strategy Department
Profit Planning Department
Sustainability Department

4. Koji Sakakibara
Executive Officer,
Division Director of Marketing Division

5. Masayoshi Matsukura
Executive Officer,
Division Director of Production Division

6. Tetsuya Seki
Division Director of R&D Center

7. Emiko Sugai
General Manager of Sustainability Department



Connecting People, Creating a Sustainable Planet



(held April 7, 2026)

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

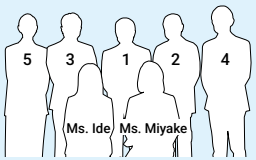
1. Hideki Nakashima
President / Representative Director

2. Hiroshi Hirata*2
Managing Executive Officer / Director
Division Director of SCM Division

3. Keiji Miyano
Executive Officer,
Corporate Strategy Department
Profit Planning Department
Sustainability Department

4. Masayoshi Matsukura
Executive Officer,
Division Director of Production Division

5. Emiko Sugai
General Manager of Sustainability Department



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



(held April 20, 2026)

Experts

Makiko Akabane
Director Japan, CSR Asia

Asako Osaki
Director, Gender Action Platform (GAP)

Participants

1. Hideki Nakashima
President / Representative Director

2. Keiji Miyano
Executive Officer,
Corporate Strategy Department
Profit Planning Department
Sustainability Department

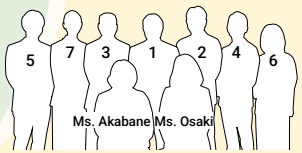
3. Kenichi Yamada
LOTTE HOLDINGS CO., LTD.
Senior Manager of Human Resources Development Group, Human Resources Department

4. Koichi Saeki
LOTTE HOLDINGS CO., LTD.
Senior Manager of Labor Relations Group, Human Resources Department

5. Kenta Yoshizawa
LOTTE HOLDINGS CO., LTD.
Senior Manager of Human Resources Strategy Group, Human Resources Department

6. Mariko Inoue
LOTTE HOLDINGS CO., LTD.
Manager of DEI & Engagement Promotion Team, Human Resources Strategy Group, Human Resources Department

7. Emiko Sugai
General Manager of Sustainability Department



*1 Appointed executive officer In Charge of public relations, In Charge of general affairs and assigned position at Customer Service Office on June 21, 2026.
*2 Appointed managing executive officer, Division Director of SCM Division, and assigned position at Quality Assurance Department on June 21, 2026.

Dialogues with Experts

Evolving Our Brand Tailored to Customers for a Happier Future



Chisako Gono

Secretary General, Consumers Japan

After graduating from university, Ms. Gono served for nine years as a childcare worker for school-age children at a children's culture center. Thereafter, while engaging in child-rearing and caregiving, she participated in educational voluntary 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, all the 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 assuming his position at Keio University in 2015, he was an associate professor at the University of Kitakyushu and an associate professor at the Graduate School of Decision Science and Technology at the Tokyo Institute of Technology. He was also one of the 15 members of the 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 served as a senior manager at Owls Consulting Group. As a consultant, she has extensive experience in human rights due diligence, sustainability strategy, and policy development. Her publications include *An Introduction to Business and Human Rights for All Business People* (co-author; Nikkei Business Publications) and the *Child Labor White Paper 2020/2025*. She holds a B.A. in Economics and an M.A. in Development Economics from Hitotsubashi University. She has also completed the SA8000 Auditor Certification Training, the international standard for human rights and labor.

Evaluating *Sustainability Report 2025*

Kanie: I feel that LOTTE's Sustainability Report continues to evolve with each passing year. The latest report included a number of forward-looking and engaging initiatives, which made for an enjoyable read. In LOTTE MIRAI CHALLENGE 2048, well-being is discussed as a key aspect of the Company's Purpose, to "create a happier future," but I believe the scope of well-being and what it covers should be more clearly defined. Well-being for individuals is important, which goes without saying. However, I think it would be helpful if the report made it clear that when LOTTE uses the term it is also referring to the well-being of society and the earth's environment. Notably, you are advancing initiatives toward 2048 with a view toward decarbonization and the circular economy. Next, I think you need to emphasize adapting to climate change.

Nakashima (LOTTE): Yes, our vision for a happier future includes support for people's psychological and physical well-being alongside a sustainable future in harmony with the environment and society. I believe the key point is finding how to use our business to achieve this vision, which is why we promote sustainability management.

Sakakibara (LOTTE): On the matter of adapting to climate change, we definitely need measures to tackle the intense summer heat. I think that brands such as *Hiyaron* and *COOLish* could be useful in this regard. We will explore how ice cream can help "beat the heat" by offering use cases to test for effectiveness.

Gono: I appreciate that the report allows us to see some of the faces behind LOTTE. Instead of placing the focus on President Nakashima, the report puts the spotlight on the employees working on the front lines, which conveys the friendly character of LOTTE. I commend this decision. Given how often "the future" is referenced, I think the report could be made even stronger if it showcased more initiatives that involve children, the ones who will shape the future.

Sugai (LOTTE): We put a lot of thought into crafting a report that would communicate LOTTE's distinct character, so I am very pleased to hear that it resonated with you. Right now, our most significant point

Dialogues with Experts

of engagement with children is our food education activities. Our current focus is visiting lectures, but eventually we would like to broaden our efforts to incorporate educational content on sustainability.

Shiozaki: The report is well-structured for ease of reading, and I can also feel the care that went into its design, which I find excellent as well. Although the report does feature the head office, it also highlights employees working on-site at factories, which is effective in expressing the themes of LOTTE MIRAI CHALLENGE 2048. The booklet organizes information in a compact and easy-to-read package, but I believe inclusion of the background and objectives behind each initiative would help build a deeper understanding. The report also contains substantial disclosure regarding human capital, but it might be worth considering the idea of incorporating sustainability-related criteria into employee evaluation frameworks.

Matsukura (LOTTE): Our factories are staffed by a diverse workforce, covering a wide range of ages and genders, and the younger employees are particularly interested in sustainability. Many of these employees have expressed a desire to contribute toward sustainability through their work, which I find quite reassuring. More recently, we have seen a growing number of factory employees proactively volunteering for initiatives such as food education, and the clear and positive effect of these efforts is starting to show.

Miyano (LOTTE): I think it is highly important for us to recognize and praise contributions to society and the environment made possible through our business. So, instead of setting targets with low relevance to what we do, we are trying to develop a system that highlights LOTTE-specific initiatives that go the extra mile and align with our 6 materiality themes, and give these initiatives proper credit. With that in mind, we will continue to evolve the sustainability report, taking it from a tool solely for external disclosure into one that helps employees deepen their understanding of the LOTTE MIRAI CHALLENGE 2048 and take ownership of it in their day-to-day work.

Realizing a Circular Economy Through Consumer Co-Creation

Kanie: Any real talk about the future requires balanced, respectful dialogue with younger generations. Similarly, a crucial component of achieving a circular economy is co-creation with consumers, particularly in terms of resource collection. Bringing these ideas together, it might be worthwhile to involve children in these initiatives, through visiting lectures or other means. I would also recommend looking into ways to utilize the Chiba Lotte Marines*1, since they are an untapped strength within the Group. I think they offer up a very compelling opportunity, since sports can serve as a powerful catalyst for building connections with young people and with local communities.

Takazaki (LOTTE): We are definitely making use of the Marines brand with some unique initiatives. As an example, we hold events in which children can take part in upcycling uniforms. Since the Marines and LOTTE brands go hand in hand, I definitely want to bring the two together for similar efforts.

Gono: I agree; co-creation with consumers plays a critical role in advancing the circular economy. I hope these kinds of activities will serve as a starting point for children to think about sustainability and that this awareness will continue to spread. One idea that could work well is a workshop in which discarded chewing gum containers from the production process are turned into *Koala's March* key chains, which children can decorate. This kind of experience can teach the value of making consistent efforts, beginning with small, relatable actions close to everyday life. The joint initiative (page 31) launched with other companies to collect and recycle polystyrene packaging could also be scaled up by working in partnership with educational groups.

Miyano (LOTTE): It would be difficult for LOTTE to implement recycling and collection initiatives within society all on its own. However, we intend to work with a wide range of stakeholders and bring more partners on board as we expand the impact of our efforts to achieve a circular economy.

Working with Stakeholders to Make a Greater Impact

Shiozaki: I understand that full farm-level traceability exists for Ghana-sourced cocoa beans. Looking ahead, do you anticipate that diversification of sourcing regions could impact achieving your sustainability targets?

Matsukura (LOTTE): At this stage, we are on track to achieve them. At LOTTE, Venezuela is our second largest source for cocoa beans after Ghana. Despite some temporary political instability in the past, we have been able to continue procurement without issue so far. The recent "Cocoa Shock" has given us the chance to reaffirm the importance of sustainable sourcing.

Shiozaki: When discussing this topic, I think it is essential that the parties involved address farmer poverty alongside issues such as child labor and deforestation. Ensuring a living income is critically important, and approaches such as technical support to improve farm productivity can help achieve it. Overseas, there are examples of competitors setting aside rivalries and working together to tackle these shared challenges. I expect that deeper collaboration with a wide range of stakeholders will be the key to making a much larger impact in the future.
I should also add, though LOTTE's commitment to *KAMUKOTO* has been an effective way to respond to the issues raised by an aging population, it would be very meaningful to include the issue of young carers*2.

Kanie: Extending healthy life expectancy and managing social security costs are pressing issues when we think about Japan's future. In particular, extending healthy life expectancy is one of the key points of order that will emerge in a post-SDGs future. A meaningful step would be framing this as less of a goal to be achieved by this company or that company and more of a shared goal to be achieved by society at large.

Seki (LOTTE): We recently issued a release outlining the estimated impact of proper *KAMUKOTO* on lowering long-term care costs, based on the results of a pilot project in Toyota City, Aichi Prefecture (page 49). This was extremely important in helping clearly convey what we are working to achieve. That said, *KAMUKOTO* is not only about addressing one specific issue or another. Ultimately, it is about creating a more enriching society.

Going forward, we will keep exploring concrete ways to turn this aspiration into reality. We are currently advancing partnership agreements with Fukuoka City, other local governments, and regional dental associations. At the same time, we are considering ways to reach younger generations, which includes young carers.

Nakashima (LOTTE): I would like to thank you all for sitting down and sharing such valuable insights covering a range of perspectives. Our conversation today has been a strong reminder that realizing the "happy future" from our vision calls for initiatives across a broad scope, covering global issues like climate change adaptation and sustainable procurement, alongside social issues such as extending healthy life expectancy and providing support for young carers.

The most important factor in successfully implementing these initiatives is the momentum created by employees from the bottom up, so strengthening internal engagement is essential. We fully intend to take the advice received today to heart as we continue to promote our unique brand of sustainability management with even more resolve.





*1 A baseball team owned by LOTTE based in Chiba Prefecture that is part of the Nippon Professional Baseball League.

*2 Children under the age of 18 who regularly take on caregiving or household responsibilities for family members. This has been identified as a serious social issue, as it can deprive children of their fundamental rights by impacting their education and career paths and by leading to social isolation, psychological stress, and restrictions on future life choices.

Dialogues with Experts

Connecting People, Creating a Sustainable Planet



Rumi Ide

Journalist specializing in the issue of food loss and waste
Winner of the Fiscal 2020 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 Makanau Seikatsu (Life with What You Have), and 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. 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.

Promoting Stronger Environmental Disclosure

Ide: I have taken part in these dialogues since 2018, so I have been able to see LOTTE's sustainability report evolve, its content becoming more specific with each year. In that same vein, I have to applaud the establishment of long-term goals extending to 2048 and the decision to set clear quantitative targets for packaging. That being said, when put in contrast to the extensive coverage of social topics such as human rights and human capital, the sections relating to environmental initiatives feel relatively modest in both depth and volume. I would welcome a more visible and assertive presentation of these initiatives in reports to come.

Nakashima (LOTTE): First of all, I would like to thank you both for all the advice and guidance you have provided to LOTTE over the years. Having you with us has made it possible for our efforts to evolve over time. Giving equal importance to both the environment and society is fundamental to achieving a sustainable and happy future. With regard to how these topics are presented in the report, we will work to improve our approach by reflecting on the comments and suggestions shared today.

Miyake: One aspect that stood out to me as I reviewed the report was the approach taken to climate-related disclosure. Corporate climate-related disclosure has made considerable strides, following the publication of recommendations by the Task Force on Climate-Related Financial Disclosures (TCFD) in 2017. At our current stage, expectations have shifted toward more sophisticated and in-depth disclosures. Unfortunately, global warming continues to progress and, as the prospect of a 4°C scenario becomes increasingly real, mitigation efforts are increasingly critical. Though this is true, I would like LOTTE to view climate change adaptation in a more grounded and realistic manner.

This point aside, I think the report has improved year after year. In particular, I find it impressive that usability, including readability and ease of navigation, has clearly improved, even as the amount of disclosed information continues to grow.

Dialogues with Experts

Miyano (LOTTE): We developed this report with readability very much in mind, so your compliments are truly appreciated. With the amount of information disclosed growing year by year, we make the utmost effort to maintain a careful balance between comprehensive disclosure and ease of reading. I am just as thankful for your frank and constructive feedback about the TCFD disclosures. We will ensure transparent disclosure of the sources and references underpinning our scenarios and use ongoing dialogues with stakeholders to continue refining and updating to better reflect real-world conditions.

The Climate Crisis—An Unprecedented Global Threat that Demands a Clear and Urgent Response

Miyake: Over the past year, we have seen a growing backlash toward ESG and, for those of us around the world who have been pushing for decarbonization, myself included, it has been a particularly trying time. However, not all hope is lost. Asset owners with a long-term perspective have a heightened sense of urgency around climate change and are increasingly reassessing it as a major risk. I would welcome clear and strong messaging from LOTTE acknowledging that the climate crisis poses a critical risk, with the potential to materially affect business operations and, ultimately, the company's ability to survive.

Nakashima (LOTTE): At LOTTE, we also recognize the climate crisis as a highly significant risk, with particularly dire implications for our supply chain. Climate change and the growing frequency of extreme weather events are already having adverse effects on the production of agricultural raw materials. We have deeply felt the impact on our supply chain as a result of the "Cocoa Shock" in recent years. Beyond climate-related risks, geopolitical procurement risks are also on the rise, and we view this with an equally strong sense of urgency.

Ide: You are absolutely right. The climate crisis is an unprecedented threat affecting the entire planet. I agree that it is important to send a clear message to those outside the Company that LOTTE recognizes this as a matter of great concern. In the EU and elsewhere, there are examples of companies that have gained greater backing from consumers and investors by framing this sense of urgency as a global issue and ramping up their sustainability-related efforts. I think these cases could serve as helpful reference points. There is also a growing global movement to investigate alternatives to raw materials that are particularly vulnerable to the effects of climate change. One example that may be relevant is the move toward substituting carob or coffee grounds in place of cocoa.

Matsukura (LOTTE): Cocoa bean prices have finally started to show signs of stabilizing. The "Cocoa Shock" was a turning point for us at LOTTE, reminding us that what matters most is delivering what our customers want in a reliable way, as opposed to blind adherence to traditional standards for chocolate. This opens the door to a wide range of possibilities to explore, such as new flavors using dairy ingredients and using alternative raw materials derived from foodtech and other technologies.

Ide: Meanwhile in Japan, the Food System Act came into full effect in April 2026. This will encourage efforts to ensure a stable food supply in response to the global jump in raw material prices and environmental changes, while also promoting the development of more sustainable production and distribution systems. In this context, appropriately reflecting costs in pricing and building partnerships that take environmental and resource considerations into account will become all the more vital. This should also help facilitate further negotiations to reform business practices, such as measures aimed at cutting food loss and waste.

Hirata (LOTTE): Revisions to business practices are already under way, led primarily by major retailers. We expect the implementation of the Food System Act to further accelerate this trend and will continue making well-targeted efforts to support it. In addition, we are working to extend the shelf life of products with relatively short best-before dates, like *Choco Pie*, while maintaining quality.



Reaffirming the Ongoing Need to Update Scenarios and Strategies

Miyake: It is worth mentioning the pilot project for collecting polystyrene containers and packaging that is currently moving forward in collaboration with other companies in the same industry, as I find it to be both a groundbreaking and wonderful initiative. I am very much looking forward to future developments. As social implementation of this initiative moves forward, I think it would be beneficial for the entire industry to engage in discussion on how plastic materials should be labeled. If consumers can sort materials intuitively, it would further enhance the effectiveness of these types of initiatives. I would also like to highlight the forest monitoring initiatives being implemented at your procurement sites in Ghana, which I find highly commendable. I think these efforts deserve to be shared more actively. If LOTTE takes the lead in communicating this message, others across the industry are likely to follow. That collective shift toward sustainability would ultimately feed back into LOTTE's own interests. I also have high hopes that the wider adoption of shade trees will help promote agroforestry.

Miyano (LOTTE): Interestingly enough, I recently attended a press briefing regarding the pilot project you mentioned earlier and I was struck by the level of interest from outside the Company. The response confirms the social significance of this initiative. I was also genuinely impressed by the strong commitment shown by our partner companies, and by how seriously they are engaging in this field. What stands out is the high level of interest from retailers, our direct customers, which leads me to believe that this initiative represents not only a response to environmental issues, but also a significant business opportunity.

Ide: LOTTE is also producing clear results with regard to reducing food loss and waste, which is thanks to its emphasis on reuse and recycling. Although those results are certainly impressive, I believe that shifting greater attention toward reduction will enable more fundamental progress in reducing food loss and waste going forward. I often come across LOTTE products in stores and I have noticed that products like *Custard Cake* have already adopted a simplified format for their best-before dates, moving from a year-month-day format to a year-month format.

Hirata (LOTTE): Extending the best-before date of our products and adopting this simplified labeling has helped reduce food loss and waste while raising the efficiency of our logistics operations. Looking ahead, we will continue to search for ways to extend best-before date from a technological perspective while improving the accuracy of our demand forecasting to further reduce loss. We hope to use these efforts to build a system that allows customers to enjoy our products to the fullest while avoiding unnecessary waste.

Ide: I sincerely hope that you will continue your work toward reducing food loss and waste, and I look forward to the goals set out in LOTTE MIRAI CHALLENGE 2048 being achieved. One strategy taken up by another company is the installation of an upcycling center within its factory grounds to convert food loss generated during the manufacturing process into raw materials for new products. I hope initiatives like these can serve as a useful reference and drive further progress toward your goals.
Shifting the focus slightly, I believe that how we as a society deal with refrigerants will be a key factor in moving forward with decarbonization.

Matsukura (LOTTE): At LOTTE, we fully recognize the serious impact that refrigerant leakage, including fluorocarbons, can have on global warming. In addition to routine equipment inspections that aim to prevent leakage, we are systematically transitioning to lower-impact natural refrigerants by pioneering the use of ice cream freezers that use CO_2 refrigerants, among other efforts.

Nakashima (LOTTE): I would like to thank you all for sitting down and sharing such valuable insights covering a range of perspectives. Your strong support for our initiatives has given us added confidence, and we will move ahead with renewed determination to achieve our goals. In a world clouded with uncertainty, this talk has been a reminder of the ongoing need to keep a wide-ranging view and to continuously update our scenarios and strategies. With the advice received today close at hand, we will come together and continue to promote LOTTE's unique brand of sustainability management with even stronger drive.

Dialogues with Experts

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 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, for example 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, local, 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 ISO 53800 Gender Equality Guidelines International Working Group alongside other roles. In addition, she coordinated the production of the Japanese edition of a handbook on the Women's Empowerment Principles (WEPs).

Occupational Health and Safety as a Crucial Foundation on Which Employees Can Realize Their Potential

Akabane: Among all the indices included in human capital disclosure, occupational health and safety is both the most fundamental starting point and a critical indicator of risk management. Since this is such basic information, it is often left out of the spotlight so long as it is being properly addressed. However, I think that this is the very reason it should be disclosed more rigorously. To give some examples, key points include whether, in line with the latest court rulings, overtime is accurately recorded on a to-the-minute basis and whether time spent changing clothes is counted as working time. Since inadequate management of human capital can give rise to legal risks, it is essential to publicize the fact that appropriate measures are being implemented.

Saeki (LOTTE): You frame it very well, and it reinforces our belief that occupational health and safety is a crucial foundation for employees, enabling employees to realize their potential. LOTTE has aligned its practices with recent judicial precedents and social expectations. To return to your examples, we do record overtime on a to-the-minute basis and treat any required changing time at our factories as working time, alongside other policies. We will continue to monitor legal revisions and changes in labor conditions and incorporate them into our management framework accordingly.

Akabane: I would like to encourage you to build on this momentum by reviewing the Company's evacuation drill program. Ideally, evacuation drills should be carried out both during the day and at night, with arrangements that enable participation by all workers, including part-time staff. Do workers know the evacuation routes they should take in the event of a power outage? How about the proper methods for opening and closing shutters? Drills need to thoroughly cover all of these things. If the Company makes it clear the lives of its employees are its top priority, employee engagement will naturally grow. I think it is important to not limit such efforts to LOTTE itself, but to also call on partners across the supply chain to strengthen their safety measures.

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Saeki (LOTTE): Although we already conduct evacuation drills during nighttime hours, we will take this opportunity to review the details of how they are carried out and update our approach where necessary.

In addition, occupational health and safety committees are in place at all LOTTE factories and at the head office, and we strive to create safe workplaces tailored to the specific conditions of each site. At the same time, we make an active effort to share information. Your words are a reminder of our commitment to placing human life above all else and we will make every effort to ensure safety at LOTTE.

Exclusion Increases Risk

Osaki: Although there has been political pushback against diversity, equity and inclusion (DE&I) in the U.S., many companies continue to regard DE&I as essential to their medium- and long-term growth. They continue to pursue substantive initiatives, while reframing them in terms of "culture" and "well-being." In the EU, human rights due diligence remains an important regulatory expectation, with large companies expected to address risks across their operations and business relationships. How does LOTTE see Japanese companies responding to these trends?

Nakashima (LOTTE): From my interactions with companies across the industry and our business partners in Japan, there is little sign of a reversal on DE&I. On the contrary, there seem to be several companies ramping up their efforts. Although there is still room for progress, LOTTE has seen steady improvement amongst certain indicators, including the rate of childcare leave taken by male employees, suggesting that a gradual shift is taking place within the Company. We are also reflecting advice we have received to date by embedding gender perspectives into various policies and measures. One such initiative, launched as part of our efforts to address child labor in cocoa-sourcing communities in Ghana, focuses on promoting accurate education about menstruation and supporting the provision of menstrual hygiene products. In these communities, inadequate access to menstrual products and limited knowledge about menstruation often keep girls out of school, which in turn increases the risk of child labor. We believe that fostering conditions that draw from a range of perspectives helps ensure that children can continue their education, which is key to addressing child labor at its core.

Osaki: I'm very glad to hear that the feedback you receive is being translated into concrete action. It is encouraging to see how integrating gender perspectives helps LOTTE's initiative evolve. Gender is no longer a peripheral fringe issue viewed solely through a human rights lens; it is now discussed in terms of business resilience and risk management.

The harassment cases we have seen in Japan show that exclusion increases risk and can undermine business performance. This is particularly true when women's perspectives are excluded. Such exclusion can directly impact a company's long-term sustainability. We have seen numerous cases in which overly homogeneous management teams have undermined effective governance, creating significant risk.

Employees Who Cover for Those on Childcare Leave Need Support Too

Akabane: We touched on childcare leave earlier. While support for people who take leave is important, the employees who cover for those on childcare leave need support, too. Since the job vacancies that arise from childcare leave are not permanent, it can be difficult for companies to hire people to take on these roles. I have discussed this issue with other companies in my role as an outside director and find that it is a particularly challenging topic, since there is no clear or definitive solution.

Inoue (LOTTE): At LOTTE, we encourage employees taking childcare leave to prepare for a smooth and early handover of their duties, while also fostering a culture of mutual consideration by showing thanks to the people providing support. We also offer multilayered support on our end. As an example, we provide opportunities for employees to receive advice from colleagues who have previously taken childcare leave, including tips on how to help the people around them. In addition, we hold annual DE&I training for managers to deepen their understanding of this important concept while working tirelessly to cultivate a workplace environment that helps employees feel comfortable taking childcare leave.

Nakashima (LOTTE): There are still tasks within the Company that require the attention of certain individuals, which poses a business continuity risk. For this reason, we are taking steps to standardize operations and reduce our dependence on any one person. At the same time, we are discussing ways to ensure that employees who temporarily take on extra workloads get the recognition and praise they deserve. In addition, we are looking into systems that can provide follow-up support for temporary staffing gaps that occur across different departments.

Akabane: One idea that could be highly effective is bringing in "senior talent" to help cover these gaps. In other words, the expertise of experienced former employees could be put to use in a number of ways and, not just for supporting childcare leave. For instance, they could provide close, hands-on support for more complex tasks, enabling busy managers to focus on their core management roles.

Strong Engagement and Strong Risk Management Go Hand in Hand

Osaki: The fact that everyone at LOTTE takes our suggestions and advice seriously and turns them into concrete actions makes these dialogues truly rewarding. What is especially impressive is LOTTE's use of a backcasting approach, starting with a clearly defined vision what LOTTE should look like in the future and then working backward to develop measures needed to achieve it. This demonstrates the value of a clear, well-articulated vision.

LOTTE also has a well-established PDCA cycle in place to drive continuous improvement. The significant rise in the employee engagement score is likely a result of these efforts. It is clear that you are identifying bottlenecks across the organization and systematically implementing measures to address them. Younger employees recognize the sincerity of senior management's commitment, and this is translating into greater trust in the Company. Above all, creating psychological safety requires senior leaders and managers to engage in genuine dialogue with younger employees and listen with an open mind. Once employees feel unheard, information about problems from the front lines tends to stop reaching senior management, directly increasing the risk of serious compliance failures. Put another way, strong employee engagement and effective risk management go hand in hand.

Nakashima (LOTTE): I share the same sense of urgency, and for that reason we have set improving engagement as an important issue for management, incorporating it into officer evaluations. The engagement rating from our FY2025 employee satisfaction survey was BBB, an increase of two levels from the previous fiscal year, a sign that our efforts are starting to bear fruit.

As part of our efforts to improve even further, we have newly introduced multifaceted evaluations for our officers. Under this system, officers are evaluated by subordinates in their own department as well as by employees in related departments who come into contact with the officer in day-to-day duties. Our intent is to give the officer a greater awareness of how they are perceived by the people around them. When it comes to raising engagement, it comes down to the fundamentals in the end: attentive day-to-day communication and high moral conduct. On that note, we will take into account the valuable insights shared today and continue our efforts to enhance employee engagement and strengthen our organization, aiming to achieve sustainable growth hand in hand with society.



