

# LABOR PRACTICES

The most important pillar of support for a business is its human resources. We are working to establish a workplace environment where every employee can demonstrate their full potential, perform their duties in a lively manner, and maintain a healthy body and mind. In doing so, we aim to achieve corporate sustainability.

## Policy on Human Resources

Revised on April 18, 2018  
Established on October 1, 2016

We will provide a workplace that enables our employees to maximize their potential and work motivated.

- 1. Developing active, self-dependent human resources**  
We develop active, self-dependent human resources who can think and act by themselves.
- 2. Maximizing organizational performance**  
We emphasize teamwork and communication to maximize organizational performance.
- 3. Striving to establish a fair and reasonable personnel evaluation system**  
We strive to establish a fair and reasonable personnel evaluation system to maintain and improve the motivation of employees.
- 4. Promoting diversity and Life-Work balance**  
We promote diversity and the balance of life and work, and make efforts to provide a workplace that enables our employees to maximize their potential and work motivated.
- 5. Maintaining and enhancing employees' health**  
We maintain and enhance employees' health so that they can work in good health physically and mentally.

## Diversity

### Medium-Term Targets

As part of our efforts to promote diversity, we aim to increase the ratio of female managers at Japanese Group companies from 6.2% (as of March 31, 2019) to 10% or higher by FY2023. Looking further, we have established a target of 20% or higher by FY2028.

#### 2023 Target



10% or higher

#### 2028 Target



20% or higher

## Promotion of Women's Success

To ensure that we can maximize the potential of our diverse set of human resources, we are promoting both diversity and innovation. We encourage women's success, a pressing issue not only for the company but for society as a whole. In that same light, we will promote diversity by establishing a system and corporate climate where anyone can succeed, regardless of gender.

### Ratio of Female Managers

As of March 31, 2018 5.8%

As of March 31, 2019 6.2%

Included in total: LOTTE CO., LTD. and subsidiaries in Japan

### ● Training

LOTTE CO., LTD. carries out training targeting a variety of employees in order to promote women's success. In addition to training aimed at cultivating the next generation of potential female managers, we also provide training to male managers with female subordinates aimed at changing ingrained mindsets, by aiming to increase understanding that can aid both in creating a workplace that is comfortable for anyone, regardless of gender, and facilitating life events.



Training session

### ● Communication from Management

Our efforts to promote diversity and our target to increase the ratio of female managers are communicated by management to employees. By having managers outwardly endorse these initiatives, we are cultivating a corporate culture where it is easier to work toward these targets.

## ● Establishment of an Onsite Childcare Center

In April 2018, we established Happy March Nursery School, an onsite childcare center, at our Urawa and Sayama factories, so that employees who are raising children can continue to work stress free in both their work and home lives.



Happy March Nursery School

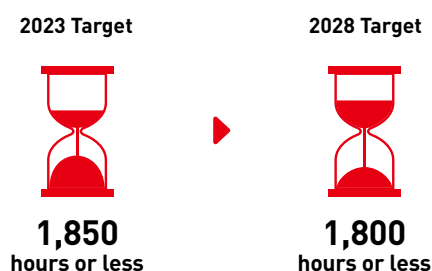
## Employing Those with Disabilities

Another aspect of our efforts to promote diversity are our initiatives to employ people with disabilities. At the head office of LOTTE CO., LTD., we are taking steps to create an environment where a wide range of people can perform their duties comfortably. These actions include renovating our bathrooms and removing unnecessary stairs, steps, or other obstacles.

## Life-Work Balance

### Medium-Term Targets

To achieve life-work balance for our employees, we have set a target to reduce the amount of annual total working hours per person at Japanese group companies from 2,016 hours in FY2018 to 1,850 hours or less by FY2023. Our target is to reduce this number further to 1,800 hours or less by FY 2028.



## Reducing Work Hours

To create a comfortable work environment for every employee, we are taking steps to reduce work hours by increasing productivity, which is in turn aimed at achieving life-work balance for employees.

### FY2018

Total working hours per employee	2,016 hours per year
Total hours worked outside of work hours per employee (excluding managerial staff)	200 hours per year

Included in total: LOTTE CO., LTD. and subsidiaries in Japan

## ● Establishment of the Work Style Reform Promotion Committee

In order to improve productivity and thereby reduce work hours, LOTTE CO., LTD. established the Work Style Reform Promotion Committee. This committee, which was formed out of the need for concrete initiatives, works with related sections to promote proper labor management and to provide support to sections that log excessive overtime hours.

## ● Telework

LOTTE CO., LTD. began tests of a teleworking system, which it introduced in FY2019, with the goal of utilizing ICT to promote flexible work styles that allow for effective use of time and place, improve productivity, and allow workers with various responsibilities such as childrearing and caregiving to continue working with peace of mind. In addition to working from home, we will investigate new workstyles that capitalize on employees' abilities and improve productivity.

## ● Promoting the Usage of Paid Leave

LOTTE CO., LTD. is working to encourage employees to use their paid leave to create time for leisure and self-study and to achieve life-work balance. We have implemented systems that include leave that is set at the beginning of the year and a refresh leave system, and are looking into more systems for the future.

## ● Work Optimization

Beginning in FY2019, LOTTE CO., LTD. has been making changes to its basic work system, with work to increase efficiency by standardizing operations underway. In addition, by utilizing ICT, introducing tablets, and other initiatives, we will work to improve office work efficiency, devote more time to work that increases added value, and make changes that improve productivity.

## Column

### Efforts to Reduce Working Hours (LOTTE CO., LTD. Work Style Reform Promotion Committee)

We believe that to increase productivity and thereby reduce working hours it is essential that we maintain our system infrastructure while also introducing reforms to adjust our corporate culture and increase employee awareness.

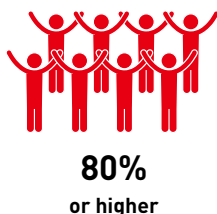
With this in mind, the Work Style Reform Promotion Committee held a Work Style Reform orientation targeting 400 managerial workers, with the goal of raising awareness about the importance of a comfortable workplace environment for every employee and to reduce the number of working hours. During the orientation, presenters explained the different flexible workstyles being promoted by the company (such as telework and flextime), and some changes to infrastructure that includes a reworking of the attendance system to visualize overtime hours. In order to encourage attendees to incorporate company reforms to corporate climate and foster employee awareness, presenters explained the need to reduce working hours from multiple perspectives, not only in terms of compliance and health management but also in terms of increasing productivity and industry competitiveness. The event proved to be a good chance to reaffirm the importance of reducing working hours on a day-to-day basis, eliciting praise from one attendee for the company's level of commitment and a desire from another attendee to proactively implement these Work Style Reform for their subordinates' sake.



## Employee Engagement

### Medium-Term Targets

We are working to create a workplace where employees can grow and feel motivated. Therefore, we have set a target to have 80% or more of employees at Japanese Group companies report high job satisfaction by FY2023, with a further target of maintaining an 80% or higher ratio through to FY2028.



### Employee Satisfaction Survey

We believe that a workplace where employees can perform their duties in a lively manner while staying motivated and sensing their own development is linked to both personal and corporate growth and leads to higher corporate value. Within our Japanese Group companies, employees complete an annual employee satisfaction survey, which serves

as a means to quantitatively assess motivation, identify issues, and make improvements.

#### Percentage of Employees Who Report Feeling Motivated

FY2017 survey	62.1%
FY2018 survey	58.7%

Included in total: LOTTE CO., LTD. and subsidiaries in Japan

## Human Resource Cultivation

### Human Resource Cultivation Programs

We believe that by encouraging the growth of every employee, they become able to demonstrate their individuality and potential to the maximum and perform their duties in a lively manner. This in turn leads to growth of the company and higher corporate value. We implement a variety of human resource cultivation programs to support employees as they make independent efforts toward their own growth.

#### Training Expenses

FY2017	¥53 million
FY2018	¥87 million

Included in total: LOTTE CO., LTD.

## ● Position-Based Training Program

We have put in place a detailed position-based training program that is suited to an employee's stage of growth and their goals. This program begins by providing training for new employees, which provides them with the knowledge and frame of mind they will need as employees. From that point, annual training helps employees improve necessary work skills and gets them thinking about the future stages of their careers. In addition, we provide training to learn the basic mindset and management skills for employees interested in advancing their position. We also provide concurrent on-the-job training (OJT) utilizing on-location work as a means to ensure that people can work stress free.

## ● Departmental Training Programs

Each department provides training in order to impart specialized knowledge and skills.

## ● Elective Self-Development Training Programs

We offer multiple opportunities for self-directed development to support employees making independent efforts toward their own growth. In addition to foreign language training, employees can apply to take courses to acquire a wide variety of knowledge and skills in a lecture environment or through correspondence.

## ● Selective Training Programs

For employees to learn from a wide range of perspectives, we send employees for training with external groups, which is particularly important for training the next generation of leaders and managers. We have also implemented training programs which promote women's success and cultivate more globally minded human resources. Looking specifically at the latter, we have in place an overseas training system where participants are selected among a series of applicants who are then sent to our overseas subsidiaries after management and language training in Japan. Once arriving overseas, participants gain practical experience and conduct research on the business environment of their assigned area.

## Encouraging Career Planning (Self-Reporting System)

Once a year, employees at LOTTE CO., LTD. are given a chance to speak with their supervisor about any sense of burden they may be experiencing or the suitability of their duties, as well as future career plans. Employees are encouraged to think about their future career plans, and the company makes an effort to understand each

employee's situation, aptitude, and manner of thinking and uses them to provide and develop opportunities for success.

## Health Management

### Certified as an Organization with Outstanding Health & Productivity Management (White 500)

We are committed to creating a workplace environment where employees can work with a healthy body and mind, working under the belief that a company develops with the health of its personnel. In recognition for these efforts, LOTTE CO., LTD. was recognized as a White 500 company under the 2019 Certified Health & Productivity Management Outstanding Organizations Recognition Program, organized by the Ministry of Economy, Trade and Industry.



\* Certification period: February 21, 2019–March 31, 2020

## Occupational Health and Safety

### Occupational Health and Safety System

LOTTE CO., LTD.'s Central Health and Safety Committee is connected with the Health and Safety Committee at each business location and coordinates efforts to reduce the risk of occupational accidents. In addition, to prevent the recurrence of these accidents, we promote education that includes sharing cases of past accidents through bulletins and training.

### Safety Audits and Inspections

LOTTE CO., LTD. conducts safety audits and inspections to safeguard against compliance violations and reduce the risk of occupational accidents. In the unfortunate occurrence of an accident, a thorough investigation is coupled with extensive countermeasures in order to prevent repeat occurrences.

#### Number of Accident Victims

FY2017	Accident with absence: 24	Serious accidents: 0
FY2018	Accident with absence: 20	Serious accidents: 0

Included in total: LOTTE CO., LTD. and subsidiaries in Japan

#### Number of Work-Related Deaths

FY2017	0
FY2018	0

Included in total: LOTTE CO., LTD. and subsidiaries in Japan

## Human Resources Data

### Employee Information

▶ Number of Employees (People)		As of March 31, 2018			As of March 31, 2019		
		Total	Men	Women	Total	Men	Women
Group		10,496	—	—	10,652	—	—
	Full-time employees	6,198	—	—	6,396	—	—
	Part-time employees	4,298	—	—	4,256	—	—
Japan		6,122	—	—	6,279	—	—
	Full-time employees	2,983	1,914	1,069	3,096	1,988	1,108
	Part-time employees	3,139	—	—	3,183	—	—
	LOTTE CO., LTD.	4,649	—	—	4,851	—	—
	Full-time employees	2,261	1,607	654	2,361	1,679	682
	Part-time employees	2,388	—	—	2,490	—	—
	Subsidiaries	1,473	—	—	1,428	—	—
	Full-time employees	722	307	415	735	309	426
	Part-time employees	751	—	—	693	—	—
Overseas		4,374	—	—	4,373	—	—
	Full-time employees	3,215	—	—	3,300	—	—
	Part-time employees	1,159	—	—	1,073	—	—
Asia		2,868	—	—	2,760	—	—
	Full-time employees	2,419	—	—	2,390	—	—
	Part-time employees	449	—	—	370	—	—
Europe and the United States		1,506	—	—	1,613	—	—
	Full-time employees	796	—	—	910	—	—
	Part-time employees	710	—	—	703	—	—

▶ Average Age of Employees (Age)		As of March 31, 2018			As of March 31, 2019		
		Total	Men	Women	Total	Men	Women
Japan		38.6	39.3	37.4	38.9	39.5	37.7
	LOTTE CO., LTD.	38.5	39.0	37.3	38.7	39.2	37.5
	Subsidiaries	38.8	40.6	37.5	39.3	41.1	38.1

▶ Average Length of Employment (Years)		As of March 31, 2018			As of March 31, 2019		
		Total	Men	Women	Total	Men	Women
Japan		14.9	15.4	13.7	14.9	15.6	13.8
	LOTTE CO., LTD.	15.9	15.5	16.4	16.0	15.8	16.4
	Subsidiaries	11.6	14.6	9.5	11.5	14.5	9.6

## Hiring and Dismissal / Retirement

▶ Number of Employees Hired (People)	FY2017			FY2018		
	Total	Men	Women	Total	Men	Women
Japan	181	93	88	236	123	113
New graduates	135	78	57	164	94	70
Mid-career	46	15	31	72	29	43
LOTTE CO., LTD.	128	75	53	151	97	54
New graduates	119	72	47	141	89	52
Mid-career	9	3	6	10	8	2
Subsidiaries	53	18	35	85	26	59
New graduates	16	6	10	23	5	18
Mid-career	37	12	25	62	21	41

▶ Number of Employees Retired / Dismissed (People)	FY2017			FY2018		
	Total	Men	Women	Total	Men	Women
Japan	137	74	63	152	80	72
Retirement	40	26	14	51	29	22
Personal reasons	97	48	49	101	51	50
LOTTE CO., LTD.	87	60	27	88	62	26
Retirement	20	20	0	20	20	0
Personal reasons	67	40	27	68	42	26
Subsidiaries	50	14	36	64	18	46
Retirement	20	6	14	31	9	22
Personal reasons	30	8	22	33	9	24

▶ Turnover Rate (%)	FY2017			FY2018		
	Total	Men	Women	Total	Men	Women
LOTTE CO., LTD.	2.7	2.2	3.9	2.7	2.3	3.7

▶ Number of Re-Hires (People)	FY2017			FY2018		
	Total	Men	Women	Total	Men	Women
Japan	24	23	1	28	22	6
LOTTE CO., LTD.	19	19	0	17	17	0
Subsidiaries	5	4	1	11	5	6