

# CONSUMER ISSUES

Report on  
Activities for  
FY2018

One of the LOTTE Values that bolsters the LOTTE Group Philosophy is “User Oriented,” which is fitting as all of our corporate activities stem from our customers. We are committed not only to food safety and reliability but also to meeting the diverse food needs of different countries and regions as well as the changing times.

## Policy on Quality

Established on April 18, 2018

We enrich people’s lives in the world by providing safe, high-quality products and services.

### 1. Seeing things from the customers’ point of view

We always see things from the customers’ point of view and provide products and services that satisfy our customers.

### 2. Giving first priority to producing safe products

We control our products based on the international food safety management system to provide safe products and services.

### 3. Complying with laws and regulations

We comply with applicable laws and regulations to provide products and services that our customers trust.

### 4. Producing superior products

We are conducting surveys and research as thoroughly as possible to provide high-quality and original products and services.

### 5. Providing accurate information

We appropriately provide accurate information to our customers so that they trust us and feel safe.

## Policy on Food Safety

Established on April 18, 2018

We continue to produce products based on LOTTE Group Philosophy and Policy on Quality to provide safe products to our customers.

1. We produce products by setting food safety objectives based on the food safety management system and continue to make improvements.
2. We comply with applicable laws and regulations.
3. We make effort to improve quality of our products by paying full attention to the requests of our customers and cooperating with relevant organizations.
4. We produce safe products together with our business partners by obtaining their understanding of our way of thinking.
5. We keep all employees informed of the importance of food safety and promote efforts for food safety.

## Food Safety and Reliability

### Medium-Term Targets

All of our Japanese and overseas factories have acquired certifications recognized by GFSI\*1 (FSSC22000\*2/BRC\*3). To further improve quality and ensure a high level of safety in the future, we are developing LOTTE ADVANCE, a new proprietary quality assurance system to be deployed at all Japanese and overseas factories by FY2023.

\*1 Global Food Safety Initiative: An international NPO established in May 2000 dedicated to the continued improvement of food safety management systems.

\*2 FSSC22000: A globally recognized food safety standard that supplements ISO 22000, the International Organization for Standardization’s standard for food safety management systems, with additional requirements

\*3 British Retail Consortium: An association operating a third-party certification scheme for food safety

### LOTTE ADVANCE, Our New Quality Assurance System

We are currently working on developing LOTTE ADVANCE, a new proprietary quality assurance system based on FSSC22000 and BRC, the international food safety and

**LOTTE  
ADVANCE**

security certifications we have acquired as a company recognized by GFSI. Starting from this base, LOTTE ADVANCE incorporates the approach toward design and development from ISO9001\*, the International Organization for Standardization’s standard for quality management systems, as well as the company’s own proprietary rules for high quality and safety.

LOTTE ADVANCE comprises “Provision” associated with the Policy on Quality and the Policy on Food Safety, “standards” for each item under scrutiny, and “guidelines” that determine specific rules. LOTTE CO., LTD. Quality Assurance Department will play a central role in determining standards and guidelines, which will also apply to the Group subsidiaries.

\* ISO9001: International standard for quality management systems

## Quality Assurance Promotion System

Quality assurance promotion for the entire Group is primarily handled by the Quality Assurance Department. In addition, LOTTE CO., LTD. Executive Committee examines important policies regarding quality assurance and medium-term targets, and confirms the status of efforts to reach these targets. Moreover, the company provides internal training related to quality and sanitation in order to improve levels at each subsidiary and among the people responsible at each department.

## Quality Assurance Audits

To make good on our promise to customers to offer the highest quality and safety, LOTTE CO., LTD. Quality Assurance Department conducts regular audits of factories. In FY2018, LOTTE CO., LTD. factories were subject to two regular audits and subsidiaries in Japan were subject to one regular audit. In addition, factories belonging to subsidiaries in Southeast Asia were subject to one regular sanitation inspection. Sanitation audits were carried out at subcontracted factories as well.

## Measures to Avoid Contamination from Foreign Substances

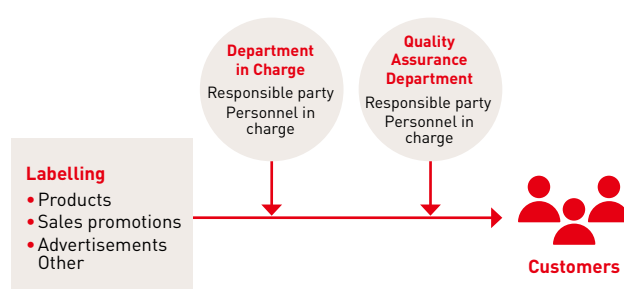
Measures to protect against contamination from foreign substances are implemented at factories belonging to LOTTE CO., LTD. with great care. Those entering a production site must wash their hands and use an alcohol disinfectant as a standard measure, and must undergo an additional three-step process to remove any foreign hair or dust affixed to their clothing, comprising an air shower that utilizes pneumatic jets, a vacuum hair and dust removal system, and an adhesive roller system. In the

manufacturing process, metal detectors, X-ray devices, and several other tools are employed to inspect for foreign objects and ensure safe products.

## Proper Labelling

Labelling related to products, sales promotions, and advertisements is conducted in accordance with all relevant laws and regulations, with every effort made to provide information to customers in an easy-to-comprehend manner that avoids misunderstandings. LOTTE CO., LTD. maintains a system where information to be disclosed is subjected to checks by multiple departments and people in order to prevent errors. Furthermore, the Quality Assurance Department leads in-house training on food labelling to improve the knowledge of those in charge of the task.

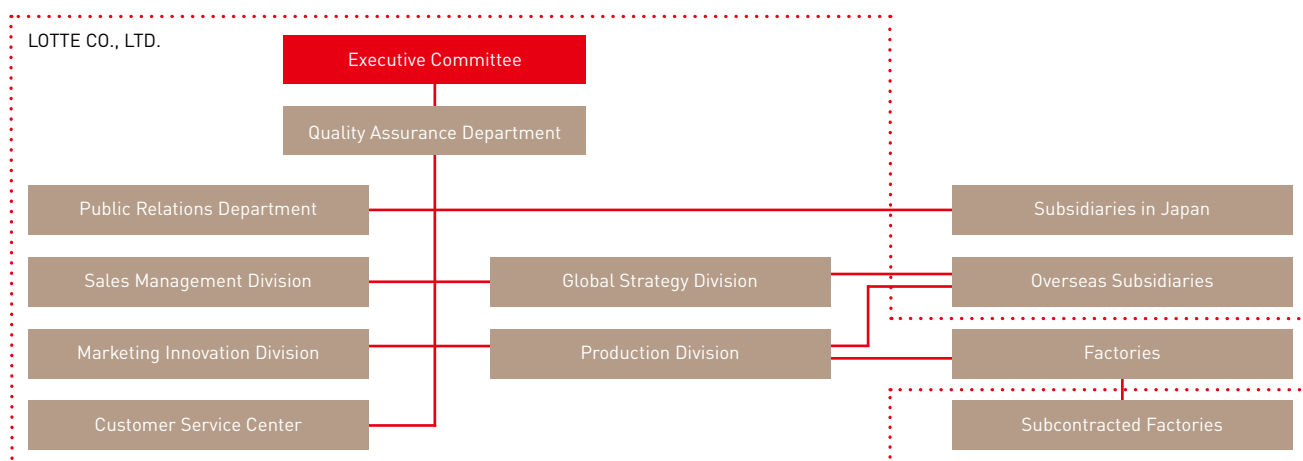
### Labelling Checking System



## Recalls

LOTTE CO., LTD. recalled two items in FY2018. An exhaustive investigation was conducted to identify the causes of these recalls and measures were put in place to prevent reoccurrence.

### Quality Assurance Promotion System



## Column

### Efforts to Reduce Labelling Errors (LOTTE CO., LTD. Quality Assurance Department)

Labelling errors are not limited to packaging and promotional material designs; they can also occur at the manufacturing stage. These risks can manifest as misprinted expiration dates, allergen-contaminated products, and packaging errors.

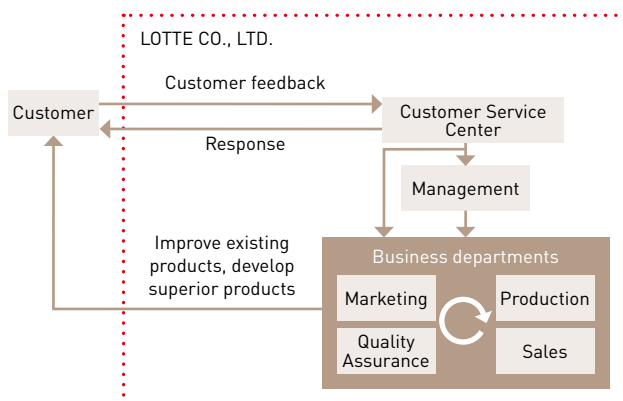
Therefore, to raise awareness and to prevent labelling errors, the Quality Assurance Department is holding workshops for employees at production sites. In Fiscal 2018, a total of 615 employees from LOTTE CO., LTD.'s factories participated in these workshops, which provided basic food labelling knowledge, case studies of errors that occurred at other companies, and other information in an easy-to-understand manner, using concrete examples. In addition, we explained the potential risks that could occur in the event of a violation, such as harm to customers and penalties, and deepened their understanding of the importance of food labelling. Based on feedback from participants, the workshops turned out to be a successful opportunity to reaffirm the importance of day-to-day management at production sites; the workshop increased their awareness of allergens and that they would work in production with more care than before, it alarmed them to make more vigorous checks to ensure that there were no packaging mistakes.



## Communication with Customers

### Utilizing Feedback

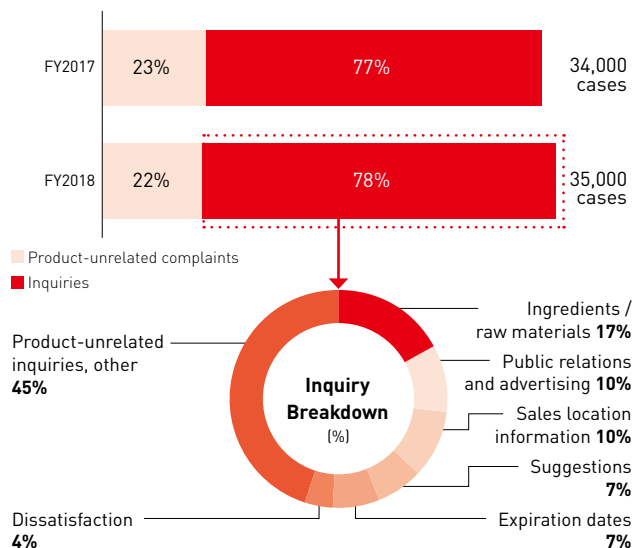
LOTTE CO., LTD. has established a Customer Service Center as a means to handle customer inquiries and consultations, which is part of our commitment to providing sincere support and clear information so that customers can use our products and services with relief. Customer feedback is shared with management and related departments to develop new products and improve existing products.



### Number of Customer Feedback Cases and Breakdown

In FY2018, LOTTE CO., LTD. Customer Service Center received roughly 35,000 customer feedback cases.  
(FY2017: 34,000 cases)

#### Number of Customer Feedback Cases

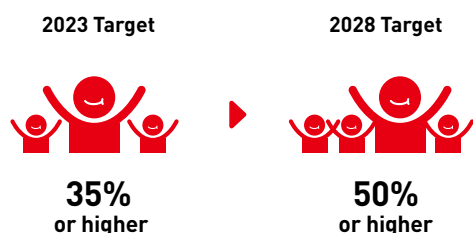


Included in total: LOTTE CO., LTD. Customer Service Center

## Spreading “Kamukoto [Chewing]” Awareness

### Medium-Term Targets

We study the positive effects of *kamukoto* on health and disseminate the results to spread *kamukoto* awareness and help enrich people’s lives. Our target of this initiative in Japan is to increase the percentage of people who are conscious of *kamukoto* from the current 22% (based on a May 2019 survey\*) to 35% or higher by FY2023 and to 50% or higher by FY2028.



\* Internet questionnaire with 3,000 surveyed

### Initiatives from the Kamukoto Research Laboratory

We are the company with postwar origins in chewing gum, and which has accumulated years of research in the area of *kamukoto*. In order to further our research and better share these results with the public, we have established the *Kamukoto* Research Laboratory.



In FY2018, we also launched the *Kamukoto* and Health Research Society, which researches the relationship between *kamukoto* and health related to the entire body. This is a new initiative, aimed at conducting multifaceted research on *kamukoto* in cooperation with researchers from different fields, such as medicine, nutrition, and sports, as well as dentistry.



Kamukoto and Health Research Society launch event

## Connecting with Society

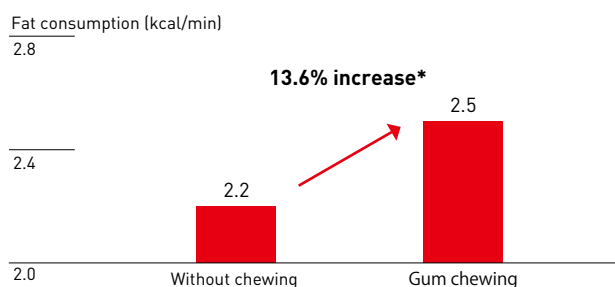
We are working with outside organizations to better spread awareness of *kamukoto* and its positive effects on health as a way to help enrich people’s lives.

### ● Tsukin Gym Project

LOTTE CO., LTD., working with Asics Japan Corp., announced the *Tsukin Gym* Project in March 2019. The project, which combines chewing gum and walking, is based on research showing that fat consumption increases by gum chewing while walking, and proposes it as an exercise that makes effective use of regular commuting time.



### Changes in Fat Consumption by Chewing Gum while Walking



\* Gum chewing conditions vs. without chewing (eating tablet) conditions  
 [Data was compared using paired t-test. A p-value of <0.05 was considered statistically significant.]  
 Reference: Kanno et al. *The Journal of Physical Therapy Science*. 31: 435-439(2019)

### ● Kamukoto-Themed Health Seminars

We have been organizing or sponsoring health seminars with topics such as “A healthy life extended by chewing,” “Preventing cavities before the age of one,” and “Preventing periodontal disease.” In FY2018, these seminars were held in seven locations across Japan.



A kamukoto-themed health seminar

### ● “Chewing and Health” Family Forum

LOTTE CO., LTD. is the special sponsor of the forum started in 1995 by the Japanese Society of Mastication Science and Health Promotion, a specified NPO built on the idea that “Health begins with *kamukoto*.” A variety of lecturers, ranging from experts to opinion leaders, are invited to speak at the forum, communicating the importance and health effects of *kamukoto* to a large number of people. In October 2018, one such forum was held in Tokyo.



“Chewing and Health” Family Forum

### ● *Mirai* (Future) Contribution Project

Working from the stance that there is a need for various measures to be put in place for a viable future, this project, sponsored by *The Yomiuri Shimbun*, supports the efforts of the government, municipalities, and private companies through newspapers, symposiums, and various events. Since 2016, we have sponsored a symposium that introduces various industry initiatives aimed at extending healthy life expectancy based on the idea of preventative health.



*Mirai* Contribution Project

### ● Healthy Parents and Children 21

In 2001, the Ministry of Health, Labour and Welfare launched Healthy Parents and Children 21, a national campaign aimed at raising the health levels of mothers and children. Since 2005, LOTTE CO., LTD. has been a supporter of the Healthy Parents and Children 21 National Conference. Participating as a corporate member, we are working to raise awareness of cavity prevention from the perspective of avoiding cavities among mothers and children.



Healthy Parents and Children 21 National Conference

### ● Heart Ring Movement

The Heart Ring Movement is an NPO aimed at creating a society that is compassionate and understanding of dementia through various activities related to dementia, including seminars and symposiums. As part of efforts to support our own activities to promote “the power of chewing,” we have been supporters of the Heart Ring Movement since 2014. In FY2018, we supported a September forum held in Sendai City, Miyagi Prefecture, on the theme of “Dementia in terms of the mouth.”



Heart Ring Movement



## ● Health Gamu-Kamu Dumbbells Exercise

This health-themed exercise event is aimed at spreading the importance of health and *kamukoto* among those middle-aged as well as the elderly. We have been supporting this event every year since its beginning in 1999. One such event was held in September 2018, with 250 people participating.



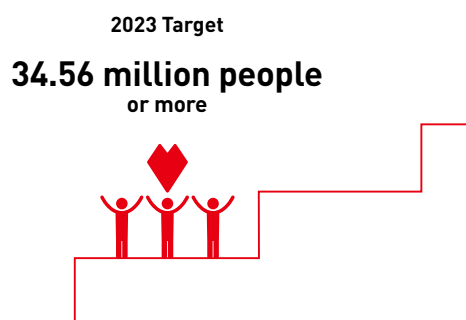
Health Gamu-Kamu Dumbbells Exercise

## Helping People Lead Healthy Lives through Our Products

### Medium-Term Targets

Since the company was founded, we have helped people lead healthy lives by developing products with new health-oriented value. One example of these products is *Xylitol Gum*, launched in 1997, which went against conventional thinking as a chewing gum that maintains robust and healthy teeth, and by providing this new value we were able to help address dental cavities as a social issue.

We are working to ramp up efforts in this regard, making use of the knowledge and technology we have accumulated to date. Therefore, we have set a FY2023 target of helping 34.56 million people or more per year lead healthy lives through sales of our products\* in Japan, with the additional target of growing that number further in later years.



\* Purchase rate of target brands SCI purchase rate [over target period] × Japanese population. Target brands refer to *Xylitol*, functional food products, *Nodoame*, *Zero*, *Nyusankin Chocolat*, *Polyphenol Chocolat*, etc.

## LOTTE-novation

Amid increasing health awareness, the declining birthrate and aging population, and other shifts in society, there is growing demand among consumers for food that is at once delicious but also good for the body and easy to prepare and eat. In order to develop products with delicious, health-oriented value and meet this demand, we are actively promoting LOTTE-novation, dedicated to helping resolve social issues.

### ● Xylitol Oratect Gum

We have reviewed the various features of chewing gum and have focused our research on chewing gum not as an “indulgence” but rather as something to which we can add value. One of the results of this approach has been the development of *Xylitol Oratect Gum*, which contains eucalyptus extract that suppresses plaque growth and maintains healthy gums. As we combine chewing gum and giving it a new function—the ability to maintain gum health—we strongly believe to contribute to enrich people’s lives.



### ● Nyusankin Chocolat

We have continued to conduct research as to whether we can provide new value by combining the qualities of confectionery and ice cream with healthy ingredients. This research has given birth to *Nyusankin Chocolat*. This product features lactic-acid bacteria covered in chocolate that utilizes proprietary manufacturing methods to keep the bacteria alive and stable, allowing people to easily enjoy its health benefits anywhere and anytime, and therefore providing new value to society.

