

Report on Activities for FY2018

# Report on Sustainability Activities Based on the Seven Core Subjects of ISO26000

LOTTE CO., LTD. utilizes themes determined under ISO26000, the International Organization for Standardization's standard for social responsibility, as the basis for its sustainability activities. This section introduces the sustainability activities conducted by LOTTE and its subsidiaries in terms of the seven core subjects laid out in ISO26000: Organizational Governance, Human Rights, Labor Practices, The Environment, Fair Operating Practices, Consumer Issues, and Community Involvement and Development.

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# ORGANIZATIONAL GOVERNANCE

Report on Activities for FY2018

We conduct all corporate activities with the LOTTE Group Philosophy at their core. We are moving forward with steps to further strengthen corporate governance in order to remain a company with the trust of its stakeholders. Through our actions, we aim to realize sustainable growth and increased corporate value.

## Corporate Governance

As of June 26, 2019

|   |   |
|---|---|
| Type of System  | Company with Board of Corporate Auditors                |
| Number of Directors (of which, Outside Directors)                   | 8 Directors (4 Outside Directors, of Whom 1 is a Woman) |
| Number of Corporate Auditors (of which, Outside Corporate Auditors) | 3 Corporate Auditors (2 Outside Corporate Auditors)     |
| Number of Executive Officers  | 15  |
| Accounting Auditor  | Deloitte Touche Tohmatsu LLC                            |
| Internal Audit Department   | Audit Department  |

## Risk Management

### Risk Management System

The Risk Management Committee comprises representatives from each department and plays a role in overseeing risk management across the entire company. The committee is not only responsible for measures to minimize damage when it occurs but also for taking a preventative approach to risk by assessing the potential risks that may occur when engaging in business activities with consideration given to both internal and external environments.

### Countermeasures for Large-Scale Disasters

In response to the 2011 Great East Japan Earthquake, we created the *Large-Scale Disaster Response Manual* in 2012. This manual contains clear instructions on how to stay calm and act in order to ensure employee safety when a large-scale disaster occurs, how to prevent secondary disasters, and regular preparatory details. We also formulated a business continuity plan (BCP) to promptly restart business activities after a disaster or similar event takes place.

## LOTTE Group Philosophy

### Spreading the LOTTE Group Philosophy

In order to spread the LOTTE Group Philosophy, it is posted at each workplace and continuously communicated by directors. In addition, we have also incorporated it into an online book infused with our founding spirit, which employees can view at any time. As well, we distribute booklets with the same content to subsidiaries and other entities to further spread our philosophy.



Multilingual booklet for overseas subsidiaries (available in seven languages: English, Japanese, Thai, Vietnamese, Indonesian, Chinese, and Polish)

### LOTTE Awards

Every year we give out LOTTE Awards to acknowledge outstanding efforts that exemplify LOTTE Values implicit in the LOTTE Group Philosophy: “User Oriented,” “Originality,” and “Quality”. By bestowing these awards, we aim to increase employee motivation, while also promoting understanding and dissemination of our philosophy and encouraging actions that embody it. In addition, the ESG Award was newly established in FY2018 as a means to recognize employees engaged in activities that promote sustainability.



# HUMAN RIGHTS

Report on  
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All of our business is conducted on the condition that human rights are respected. We make every effort to ensure that we do not commit any direct human rights violation as a matter of course. In addition, we work together with stakeholders to make sure that there are no indirect human rights violations through our business.

## Policy on Human Rights

Established on April 18, 2018

We respect the human rights of all people involved in our business operations and do not engage in any discrimination or harassment.

### 1. Prohibition of discrimination or harassment

We respect individual fundamental human rights, personality, and diversity and do not engage in any discrimination or harassment based on race, ethnicity, nationality, gender, age, religion, language, disability, or any other characteristic.

### 2. Prohibition of forced and child labor

We do not utilize forced or child labor under any circumstances.

### 3. Avoiding any complicity in the violation of human rights

We work together with a wide array of stakeholders to avoid any complicity in the violation of human rights invasion through our business.

### 4. Consideration for workplace

We strive to maintain a safe, secure workplace that enables our employees to work motivated and work in good health physically and mentally.

### 5. Respect for fundamental rights of employees

We respect fundamental rights of employees regarding freedom of association and collective bargaining.

## Employee-Related Initiatives

### Training

LOTTE CO., LTD. is in the process of putting all of its employees through harassment prevention training, with approximately 400 employees attending lectures as of FY2018. In accordance with the Policy on Human Rights, which prohibits discrimination and harassment, we provide training to promote understanding of harassment and to create a harassment-free workplace. Moreover, we inform employees about our consultation desk and the process in case an incident does occur.

In addition, new managers receive training on harassment and labor management from visiting lawyers based on precedents and case studies. We also provide new employees with training on how to use the harassment consultation desk.

### Consultation Desk

LOTTE CO., LTD. has established a dedicated in-company consultation desk for harassment issues as part of the "Clean Line," the company's internal whistleblowing system. For more details on the Clean Line, please refer to page 39.

## Human Rights in Business

### Avoiding Human Rights Violations in the Supply Chain

We are committed to respecting human rights and are, accordingly, working to avoid human rights violations throughout the supply chain. The LOTTE Supplier Guidelines, established in April 2019, clearly specify respect for human rights, and share basic ideas with suppliers. With the guidelines in mind, we are working closely with suppliers to help ensure that human rights are respected. For more information on how we share our value system, please refer to pages 38–39.

### Human Rights and Research

We have established rules at the LOTTE Central Laboratory to uphold the dignity and human rights of test subjects, in accordance with the Ethical Guidelines for Medical and Health Research Involving Human Subjects put forth by the Ministry of Education, Culture, Sports, Science and Technology and the Ministry of Health, Labour and Welfare. In addition, regular seminars are held to raise awareness of the rules and increase awareness of human rights.

# LABOR PRACTICES

Report on  
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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

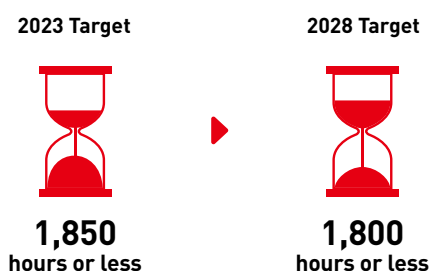
### Employing Those with Disabilities

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.



**80%**  
or higher

### 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 reoccurrence 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

|                                       | As of March 31, 2018 |       |       | As of March 31, 2019 |       |       |
|---------------------------------------|----------------------|-------|-------|----------------------|-------|-------|
|                                       | Total                | Men   | Women | Total                | Men   | Women |
| <b>▶ Number of Employees (People)</b> |                      |       |       |                      |       |       |
| 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                  | —     | —     |

|   | As of March 31, 2018 |      |       | As of March 31, 2019 |      |       |
|---|----------------------|------|-------|----------------------|------|-------|
|   | Total                | Men  | Women | Total                | Men  | Women |
| <b>▶ Average Age of Employees (Age)</b> |                      |      |       |                      |      |       |
| 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  |

|   | As of March 31, 2018 |      |       | As of March 31, 2019 |      |       |
|---|----------------------|------|-------|----------------------|------|-------|
|   | Total                | Men  | Women | Total                | Men  | Women |
| <b>▶ Average Length of Employment (Years)</b> |                      |      |       |                      |      |       |
| 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     |

# THE ENVIRONMENT

Report on  
Activities for  
FY2018

Global environmental conservation is the most important issue for our survival. Moreover, our business relies on the gifts provided by the earth's environment. As such, we believe that contributing to a sustainable global environment is one of our most important duties and are continuously working to lessen the environmental impact of our business activities.

## Policy on Environment

Revised on April 18, 2018  
Established on May 10, 2000

We recognize global environmental conservation to be the most important issue for our survival, constantly work to improve our environmental performance as citizens of the earth, and envision to be trusted by our customers.

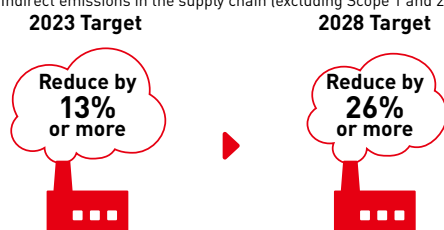
1. We continue to conduct energy saving and waste reducing activities to promote efficient use of natural resources.
2. We conduct environmental conservation so that future generations can use limited natural resources.
3. We appropriately control and reduce substances produced from our business operations that may contaminate living things, water, or air.
4. We reduce the emission of greenhouse gases to contribute to the countermeasures against global warming.
5. We comply with applicable laws and regulations as well as our own management standards.
6. We continuously conduct educational activities to accomplish the efforts mentioned above which are required for realization of a sustainable society.

## Reducing CO<sub>2</sub> Emissions

### Medium-Term Targets

We aim to reduce Scope 1 and 2\* energy-related CO<sub>2</sub> emissions, our primary producer of greenhouse gases, by 13% or more per unit of sales by FY2023 compared to levels in FY2013, and by 26% or more by FY2028.

\* Scope of calculations based on GHG Protocol  
Scope 1: Direct emissions from the Company  
Scope 2: Indirect emissions through the use of purchased electricity, heat, and steam  
Scope 3: Indirect emissions in the supply chain (excluding Scope 1 and 2)

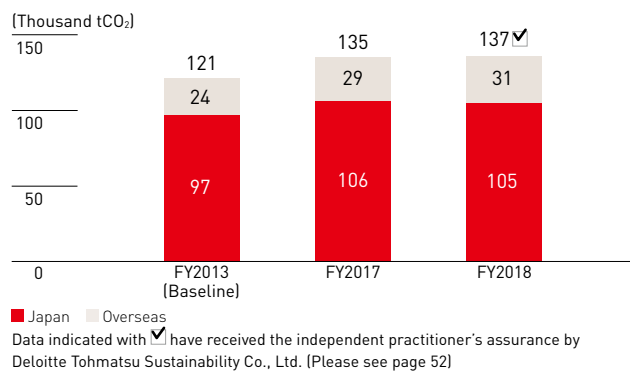


Note: CO<sub>2</sub> emissions intensity comparison to FY2013

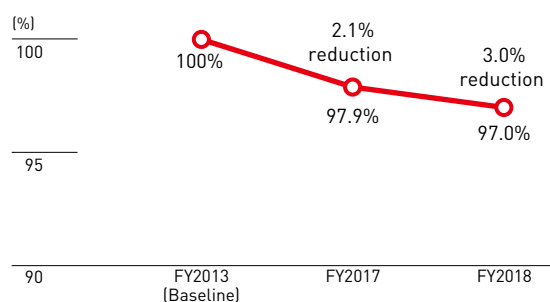
## CO<sub>2</sub> Emissions

Scope 1 and 2 energy-related CO<sub>2</sub> emissions per unit of sales for FY2018 were reduced by 3.0% compared to FY2013 and 0.9 points compared to FY2017. Higher efficiency from consolidation and integration of production sites combined with energy-saving activities were factors in this reduction.

### Energy-Related CO<sub>2</sub> Emissions



### Baseline Comparison of Energy-related CO<sub>2</sub> Emissions Intensity\*



\* CO<sub>2</sub> emissions intensity: Volume of CO<sub>2</sub> / Net sales

#### Scope of Tabulation

Japan: Fixed emissions sources operated by LOTTE CO., LTD. and domestic subsidiaries (Mary Chocolate Co., Ltd. and CHIBA LOTTE MARINES CO., LTD.)

Overseas: Fixed emissions sources operated by major overseas subsidiaries (THAI LOTTE CO., LTD., LOTTE VIETNAM CO., LTD., PT LOTTE TRADE AND DISTRIBUTION, PT. LOTTE INDONESIA, and LOTTE Wedel sp. z o.o.)

#### Calculation Methods

Scope 1: Volume of emissions =  $\sum (\text{Fuel consumption} \times \text{CO}_2 \text{ emission factor})$   
Scope 2: Volume of emissions =  $\sum (\text{Volume of purchased electricity, etc} \times \text{CO}_2 \text{ emission factor})$

#### CO<sub>2</sub> Emission Factor

Japan: The emission factor for Scope 1 emissions is based on the Act on Promotion of Global Warming Countermeasures, while the emission factor for Scope 2 emissions has been separately determined by power companies based on the same Act.

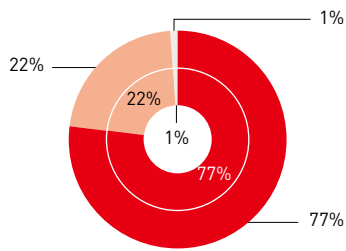
Overseas: The emission factor for Scope 1 emissions has been determined according to the 2006 Intergovernmental Panel on Climate Change (IPCC) Guidelines for National Greenhouse Gas Inventories, while the emission factor for Scope 2 emissions has been determined according to the International Energy Agency (IEA)'s CO<sub>2</sub> Emissions from Fuel Combustion. In instances where these emission factors are difficult to obtain, an emission factor based on the Act on Promotion of Global Warming Countermeasures is used.

## Energy Input

### Volume of Energy Input

|        |          |
|--------|----------|
| FY2017 | 2,685 TJ |
| FY2018 | 2,773 TJ |

### Energy Conversion Ratio (Converted to Thermal Units) (Inner: FY2017, Outer: FY2018)



■ Purchased electricity ■ Gas and related ■ Other  
Companies included in totals: Same as CO<sub>2</sub> emissions

## Utilizing Renewable Energy

The head office of LOTTE CO., LTD., located in the Shinjuku ward of Tokyo, adopted the Aqua Premium program, which uses 100% hydroelectric power. Aqua Premium is one of the programs offered by the TEPCO Group and is notable for utilizing renewable hydroelectric power and producing zero CO<sub>2</sub> emissions when generating electricity. Moving forward, we will continue to constrain our greenhouse gas emissions by utilizing renewable energy, thereby contributing to the prevention of global warming.



LOTTE CO., LTD. head office

## Logistics Initiatives

LOTTE CO., LTD. is working to reduce the environmental impact associated with logistics. In addition to our efforts to improve loading efficiency through packaging, we are also working to reduce CO<sub>2</sub> emissions by promoting cooperative distribution\*<sup>1</sup> and modal shifts\*<sup>2</sup>.

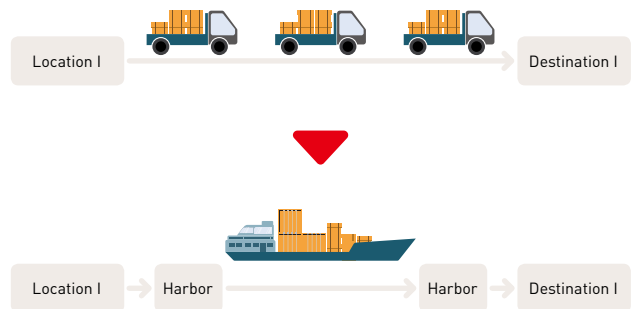
### \*1 Cooperative distribution

We are engaged in joint product delivery in cooperation with other companies in the same industry as well as carriers and warehouses. This serves to lower the number of trucks necessary for deliveries, which in turn reduces CO<sub>2</sub> emissions.



### \*2 Modal shift

Modal shift refers to a shift away from trucks toward sea and rail delivery, which have a lower environmental impact and support higher-volume delivery. LOTTE CO., LTD. is promoting marine transport as part of this shift, and is currently working to reduce CO<sub>2</sub> emissions by utilizing marine transport from Kyushu to Osaka and from Tokyo to Hokkaido.



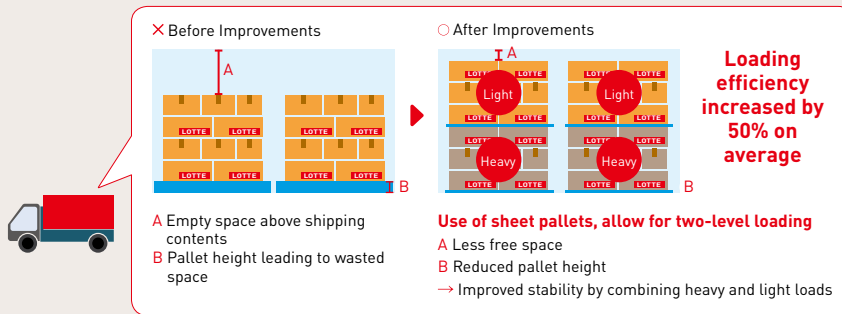
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## Efforts to Optimize Shipping (LOTTE CO., LTD. Sayama Factory)

Logistics in Japan is currently rife with issues, including a shortage of labor, rising logistics costs, and a push to reduce greenhouse gases and make other environmental considerations.

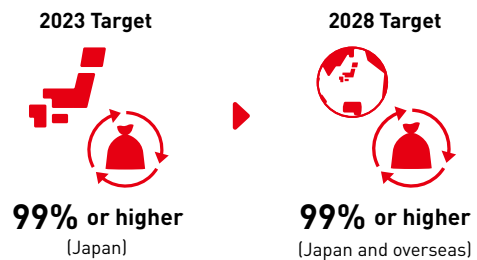
With this in mind, we have taken a three-pronged approach to optimizing shipping practices at our Sayama Factory, incorporating sheet pallets to facilitate two-level shipping; introducing tablets to optimize shipping; and utilizing Advanced Service Support Information System Technology (ASSIST). As a result, we have increased load efficiency, which in turn has reduced our number of shipping trucks by 25%. In addition, automation of shipping processes has reduced the amount of time and employees required for operations. These efforts have helped resolve social issues related to logistics by mitigating labor shortages, reducing greenhouse gases, and providing other benefits while also reducing company costs. The Sayama Factory has received high praise for these efforts, including an ESG Award at LOTTE Awards 2018. We will continue to promote automation in the future, with the goal of sustainable logistics through reduced labor needs and optimization.



## Waste Reduction and Recycling

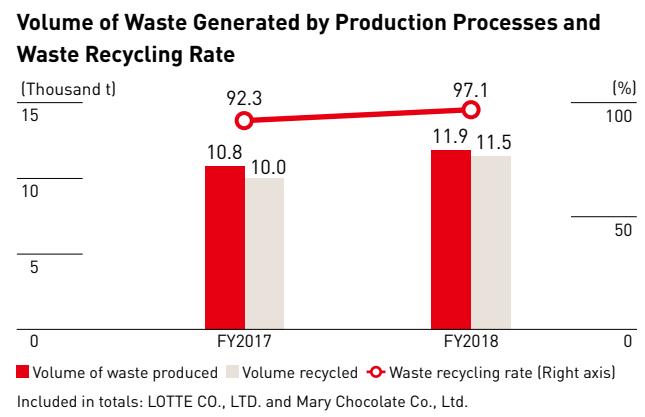
### Medium-Term Targets

For waste generated by production processes at domestic factories, the company's goal is to realize a waste recycling rate of 99% or higher by FY2023. Our target is to extend this recycling rate to include overseas factories by FY2028.



### Waste Production and Waste Recycling Rate

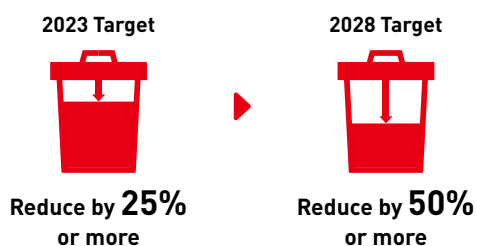
In FY2018, 12.3 thousand tons of waste was produced at major domestic bases. Of that total, 97.1%, or 11.9 thousand tons of waste generated by production processes was recycled, a year-on-year improvement of 4.8 percentage points. Going forward, we will make efforts throughout the value chain to restrict waste production and promote proper recycling to achieve a waste recycling rate of 99% or higher.



## Food Loss and Waste Reduction

### Medium-Term Targets

Our food loss and waste reduction rate target (from collection of raw materials to product delivery) is 25% or more by FY2023 and 50% or more by FY2028, using FY2017 as our baseline point of comparison.



Note: Collection of raw materials to product delivery comparison to FY2017

### Food Loss and Waste Duction

In FY2018, the company produced a total of 1,553 tons of food loss and waste from collection of raw materials to product delivery, a 1.6% increase compared to the previous fiscal year. Going forward, we will work across the entire value chain to improve the accuracy of supply and demand forecasts, extend and properly display expiration dates, reduce losses in the production process, and use food banks to limit food waste.

### Volume of Food Loss and Waste Produced (From Collection of Raw Materials to Product Delivery)

|        |         |
|--------|---------|
| FY2017 | 1,529 t |
| FY2018 | 1,553 t |

Included in total: LOTTE CO., LTD., subsidiaries in Japan, and major overseas subsidiaries  
Totals have been made with reference to the Food Loss and Waste (FLW) Protocol

### Food Banks

We are working with food banks that provide free food to welfare facilities and those who may not have full access to food. In solidarity with food bank activities, we donate our products with the cooperation of non-profit organizations (NPOs). We believe that these efforts not only help spread deliciousness and joy of food but also serve as a meaningful way to use food effectively. As such, we will continue to cooperate with food banks in the future.

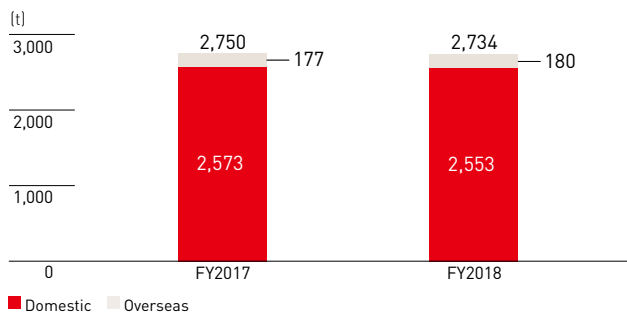


Food bank

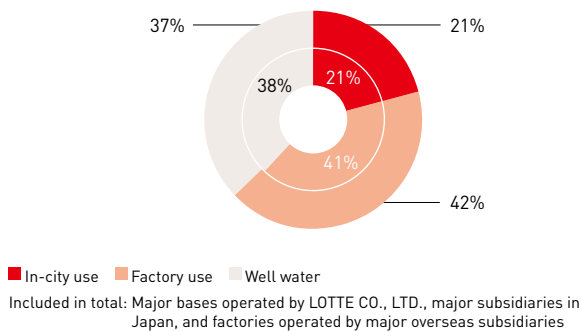
## Water Resources

### Water Consumption

#### Volume of Water Used



#### Water Usage Ratio (Inner: FY2017, Outer: FY2018)



### Water Risks

We utilize the World Resources Institute (WRI)'s AQUEDUCT Water Risk Atlas to evaluate water risks at our factories in Japan and overseas. We are constantly evaluating factories that are assessed to be high risk through such means as collecting local information and monitoring water consumption, and are looking into measures to mitigate related risks.

## Ingredients

### Ingredients Procurement Volume

#### Procurement Volume of Product Ingredients

| (Thousand t)        | FY2017 | FY2018 |
|---------------------|--------|--------|
| Total Ingredients   | 271.1  | 276.2  |
| Raw materials       | 201.2  | 203.5  |
| Packaging materials | 69.9   | 72.7   |
| Paper               | 50.2   | 51.8   |
| Plastic             | 14.7   | 15.6   |
| Other               | 5.1    | 5.4    |

Included in total: LOTTE CO., LTD., Mary Chocolate Co., Ltd., and major overseas subsidiaries

### Environment-Friendly Packaging Materials

Reducing the amount of packaging materials used in products not only saves resources but also reduces the amount of garbage generated when customers eat our products. We conduct various quality tests on packaging materials to ensure they can fulfill their most important role, which is protecting product quality, but also to reduce the amount and weight of materials used.

### Examples of Initiatives

#### ● Slim Trays

By reducing tray thickness, we are able to reduce plastic usage. (Product name: Toppo bags)

Tray thickness  
0.30 mm → 0.28 mm



Plastic weight  
Reduced by **6.6%**



#### ● Miniaturized Paper Boxes

After reviewing product designs, we reduced the weight of our paper boxes to lower the amount of paper used per unit. (Product name: Ghana Excellent)

Dimension width  
Reduced by 12 mm



Plastic weight  
Reduced by **5.5%**



## Column

### Environment-Friendly Product Packaging (LOTTE CO., LTD. Packaging Group)

When designing product packaging, we work to conserve resources by minimizing the amount of materials used as much as possible while still ensuring that the packaging can fulfill its original function of preserving quality. We also endeavor to increase the barrier capabilities of our packaging in order to extend expiration dates and therefore help prevent food waste. Moreover, we are also developing environment-friendly packaging from the perspective of more efficient product loading and therefore fewer greenhouse gas emissions from transport. From a Universal Design (UD) perspective, we are also trying to design easy-to-use product packages that are easy for everyone to open and hold.



## Environmental Management

### Environmental Activities Promotion System

To promote Groupwide environmental activities, the company established the CSR Promotion Department as secretariat of the Corporate Strategy Division. Furthermore, the Executive Committee looks into important environment-related policies and medium-term targets and monitors the progress toward targets that are already in place.

### ISO14001

Urawa Factory, Sayama Factory, Kyushu Factory, and Shiga Factory, operated by LOTTE CO., LTD., have acquired ISO14001 certification, the International Organization for Standardization's standard for environmental management systems.

### Environmental Audits

Urawa Factory, Sayama Factory, Kyushu Factory, and Shiga Factory, operated by LOTTE CO., LTD., receive annual internal audits pertaining to environmental matters. Internal audits are conducted by in-house certified lead auditors and auditors using a checklist based on ISO14001. Each factory works to make continuous improvements based on improvement points highlighted in the audits.

### Number of Improvement Points Identified

|        |            |
|--------|------------|
| FY2017 | 102 points |
| FY2018 | 98 points  |

Included in total: Urawa Factory, Sayama Factory, Kyushu Factory, and Shiga Factory (LOTTE CO., LTD.)

## Environmental Education

To properly address environmental issues, each LOTTE CO., LTD. factory offers environmental education to all employees. In addition, an environmental education grading system has been introduced to increase the effectiveness of the environmental education program and the effectiveness of environmental activities. In addition, the environmental manager, the ISO14001 secretariat, and the Quality Assurance Department meet regularly to share information regarding the environment and improve the company's response.

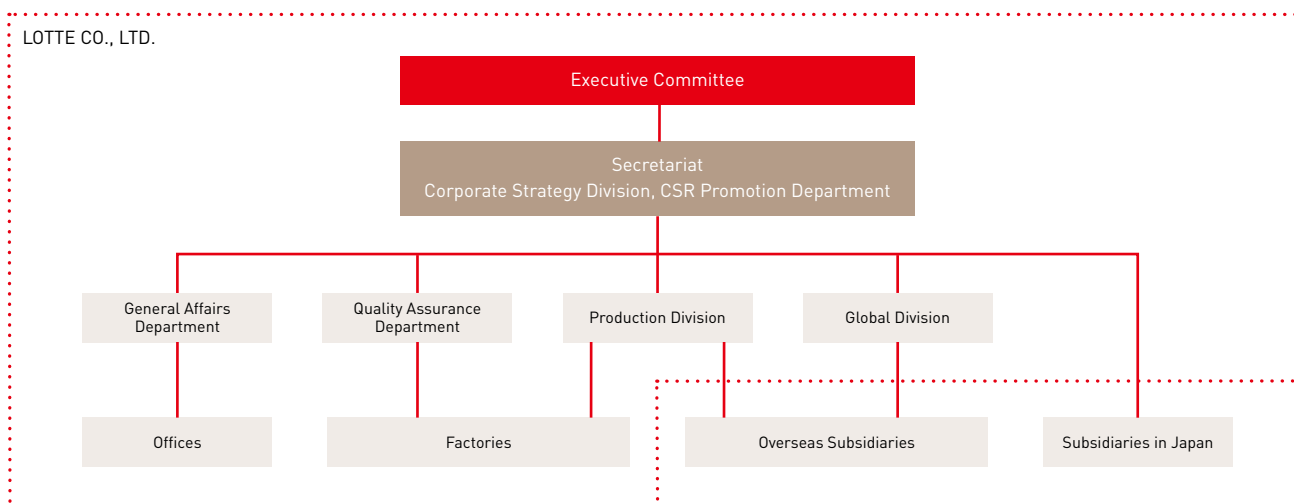


Environmental education

## Environmental Accidents and Compliance Violations

In case of an environmental accident or a compliance violation, we have a system in place for promptly responding in cooperation with relevant departments and government bodies. In FY2018, there were no serious environmental accidents or compliance violations.

## Environmental Activities Promotion System





# FAIR OPERATING PRACTICES

The entire company is built upon ethical and honest business practices. To conduct sustainable and stable business activities in the future, it is crucial that we be committed to thorough compliance, but also to sustainable procurement that is both environment friendly and considerate of human rights.

## Policy on Procurement

Established on April 18, 2018

We conduct fair, impartial, and transparent procurement with high ethical standards to provide safe, high-quality products and services based on the LOTTE Group Philosophy and promote procurement to fulfill our social responsibilities with our business partners.

### 1. Ensuring compliance

We conduct fair and transparent procurement while respecting the social norms of all countries concerned and complying with purchasing-related laws and regulations.

### 2. Securing high quality and safety

We conduct procurement that secures high quality and safety so that our products and services are trusted and our customers feel safe and secure.

### 3. Evaluating and selecting our business partners in a fair manner

We always provide fair business opportunities and comprehensively evaluate quality, price, delivery time, stable supply, technology, and management stability when we select our business partners.

### 4. Consideration for human rights and work environment

We respect human rights and promote procurement considering the work environment while avoiding any complicity in the violation of human rights in the supply chain.

### 5. Consideration for environmental issues

We ascertain the environmental impact of our business operations and promote procurement considering.

## Sustainable Procurement

### Primary Ingredients

The company determines which of the ingredients it utilizes in their products are "primary ingredients" after a comprehensive assessment based on amounts used, dependence, potential for substitutions, and environmental and social factors. The list is regularly reviewed and updated to reflect changes in business and natural environments as well as the changing demands of society.

#### Primary Ingredients

Cacao beans: Primary ingredient in chocolate products

Palm oil: Oil used in a wide range of products; food additive

Paper: Packaging for a wide range of products

## Primary Ingredients #1: Cacao Beans

### Medium-Term Targets

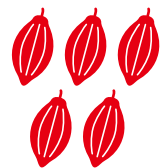
We have set a target for FY2023 of a 20% or higher usage rate of Fair Cacao out of total cacao beans procured, with the target of increasing this ratio to 50% or higher by FY2028.

2023 Target



20%  
or higher

2028 Target



50%  
or higher

### Fair Cacao Project

Many of the cacao beans produced come from subsistence farmers working in regions below the equator. Cacao beans are the primary ingredient in chocolate, which is one of our main products, meaning that stable procurement of cacao beans in the future is an important issue for the company. Therefore, we have been working to establish ties with cacao bean-producing regions and conducting procurement activities under the Fair Cacao Project, which contributes to economic and social development of these areas. Based on these activities, we will increase our ratio of cocoa beans procured as Fair Cacao, where production areas are clear and supported by a portion of procurement costs.



### Results Related to Cacao Bean Procurement

In FY2018, the Company procured 6,353 tons of cacao beans, 7.9% of which was Fair Cacao. Going forward, we will work to increase this ratio in our efforts toward sustainable cacao bean procurement.

#### Amount of Cacao Beans Procured

|        |                          |
|--------|--------------------------|
| FY2017 | 5,800 t, Fair Cacao 8.6% |
| FY2018 | 6,353 t, Fair Cacao 7.9% |

Included in total: LOTTE CO., LTD.

### Connecting with Society

Efforts to support farmers, promote economic development of producing areas, and help raise the education level of farmers' children, who will bear the responsibility of farming in the future, are tied to the stable procurement of cacao beans in the future. To that end, we are working with NPOs and NGOs to engage in these support efforts.

### World Cocoa Foundation

The World Cocoa Foundation is an international NPO established in the United States in 2000 with the aim of supporting cacao farmers. Activities are directed at providing technical support to farmers in cacao cultivation regions below the equator and to realize a society free of child labor.



### Japanese Organization for International Cooperation in Family Planning (JOICFP)

JOICFP is an international NGO established in Japan in 1968 that is engaged in activities to promote women's health and well-being.



Through JOICFP, we have been supporting donations of reconditioned bicycles and other items to the Republic of Ghana since 2008. These bicycles are sent to villages that do not have sufficient medical facilities and are used by health promotion workers and midwives to provide health education via home visits.



JOICFP Activities

### UN World Food Programme (WFP)

UN World Food Programme (WFP) is an organization dedicated to providing food assistance and is working toward a hunger-free world. One of its pillars in this mission is its school feeding programme.



We participate in the "Red Cup Campaign," designed to help deliver school meals and supports the WFP school feeding programme in the Republic of Ghana.

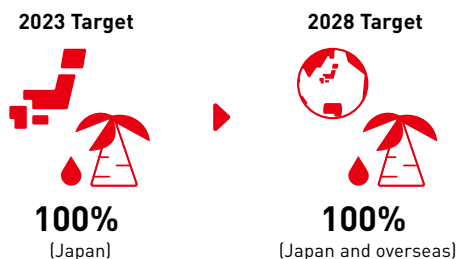


School feeding programme ©WFP / Mandang-ba Mustapha

## Primary Ingredients #2: Palm Oil

### Medium-Term Targets

We have set a target for FY2023 to have 100% of palm oil procured for use by Japanese Group companies be certified by the Roundtable on Sustainable Palm Oil (RSPO) and other third parties, with the additional target of extending certification to palm oil for use by overseas companies by FY2028.



### Results Related to Palm Oil Procurement

In FY2018, the Company procured 15.9 thousand tons of palm oil for use in Japan, an increase of 0.6 thousand tons compared to the previous fiscal year.

#### Amount of Palm Oil Procured

|        |                 |
|--------|-----------------|
| FY2017 | 15.3 thousand t |
| FY2018 | 15.9 thousand t |

Included in total: Weight of palm oil utilized by LOTTE CO., LTD. and Mary Chocolate Co., Ltd., including oil and oils contained in processed goods

### Connecting with Society

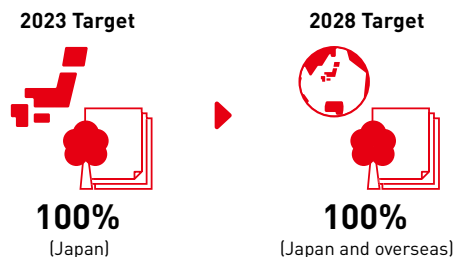
To promote the sustainable procurement of palm oil, we joined the RSPO. Through our association with the RSPO, we will work with palm-oil oriented companies and organizations and contribute to the sustainable development of the entire palm oil industry.



## Primary Ingredients #3: Paper

### Medium-Term Targets

We have set a target to expand our use of recycled paper and paper that has been certified by the Forest Stewardship Council (FSC) to 100% in Japan by FY2023 and to 100% in Japan and overseas by FY2028.



### Results Related to Paper Procurement

In FY2018, 45.5 thousand tons of paper was procured as packaging materials for Japanese products, of which 92.0% was environment friendly—a 0.5% increase from the previous fiscal year. We will continue our work to increase this ratio in our efforts toward sustainable paper procurement.

#### Amount of Paper Procured (for Product Packaging)

|        |   |
|--------|---|
| FY2017 | 44.0 thousand t, environment-friendly paper 91.5% |
| FY2018 | 45.5 thousand t, environment-friendly paper 92.0% |

Included in total: LOTTE CO., LTD. and Mary Chocolate Co., Ltd.

## Supplier-Related Initiatives

### Sharing Our Values

We advocate for sustainable procurement based on our procurement policy, which promotes consideration for the environment and society throughout the supply chain in addition to ethical transactions, quality, and safety. However, as our supply chain becomes more globalized, it is more difficult to control every aspect and therefore difficult to control its environmental and social impact on our own. In that light, it is essential that we work alongside our suppliers and formulated the LOTTE Supplier Guidelines in April 2019 to this end. These guidelines allow us to share our fundamental value system with suppliers and, coupled with more effective relationships built through dialogue, are helping achieve our goal of realizing a sustainable society.

We also hold orientations to further understanding of our guidelines. We intend to hold more of these orientations in the future and are encouraging dialogues through questionnaires and other means to deepen understanding and further strengthen supplier relationships.

### Quality-Related Initiatives

We ask that suppliers provide self-assessments on quality. Based on these assessments, we provide feedback and conduct sanitation inspections. In this way, we are promoting continuous improvement over food safety and quality in general. Sanitation inspections confirm a comprehensive checklist of criteria and requests for improvement are made when necessary, which are then followed up upon.

## Compliance

### Our Behavior Charter, the LOTTE Group Way

The LOTTE Group Way, established in 2008, is the policy that informs all work that takes place in the Group, and is understood by all directors and employees at LOTTE CO., LTD. and its subsidiaries. The LOTTE Group Way is published on our corporate website, and serves as our promise to society to engage in ethical and honest business practices. Its seven points make up the behavioral guidelines necessary to achieve the LOTTE Group Mission and embody the LOTTE Values.

In addition to our corporate website, the LOTTE Group Way is also included in the LOTTE Group Philosophy online book and our multilingual booklet to disseminate the behavior charter among employees and directors and to promote understanding.



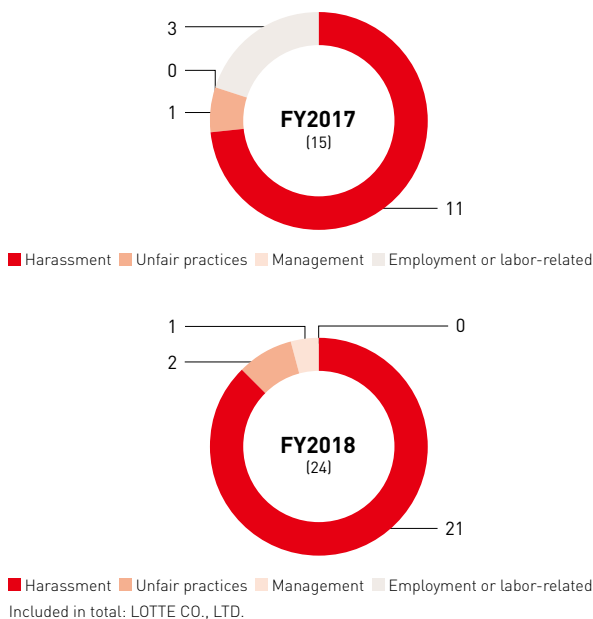
### Compliance Training

As another means to communicate our behavior charter and encourage ethical and honest business practices, we provide compliance training to our employees. In Fiscal 2017 and 2018, this training was given to all new employees, and we will continue to deliver this training systematically in the future.

### Whistleblowing System

LOTTE CO., LTD. established the "Clean Line," its internal whistleblowing system for matters within the company, in 2006, allowing employees to send whistleblowing reports or receive consultations by email, letter, etc. In response, we strive to protect the privacy of the whistleblower and take the utmost care to prevent any potential drawbacks and hindrances to filing a report. Beginning in 2018, we have started to roll out an external whistleblowing system for LOTTE CO., LTD. and subsidiaries in Japan and overseas, in addition to steps taken to improve our internal system.

### Number of Consultations and Reports



### Information Security

LOTTE CO., LTD. has established the Information Security Management Committee to protect and manage confidential information related to customers, employees, and technology. The committee also provides information security education. In addition to training new employees, the committee regularly raises alerts regarding targeted attack emails and implements practical training.

# 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 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

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

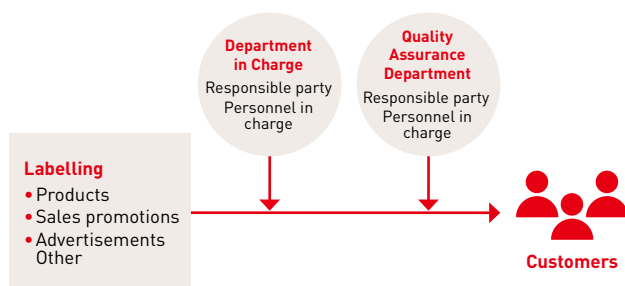
Measures to protect against contamination from foreign substances are implemented at factories belonging to LOTTE CO., LTD. with great care. Those entering a production site must wash their hands and use an alcohol disinfectant as a standard measure, and must undergo an additional three-step process 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.

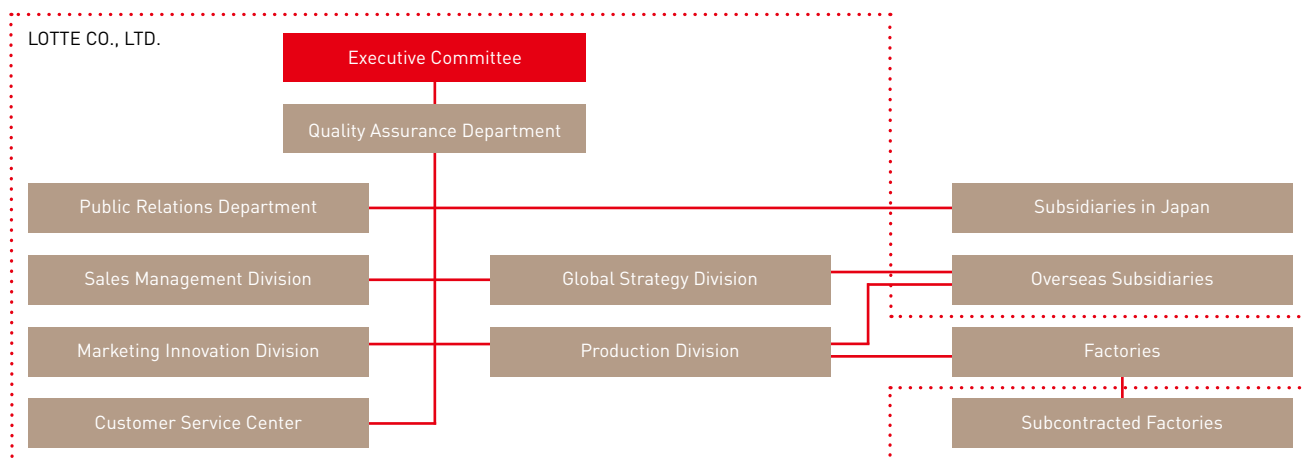
#### Labelling Checking System



### 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.

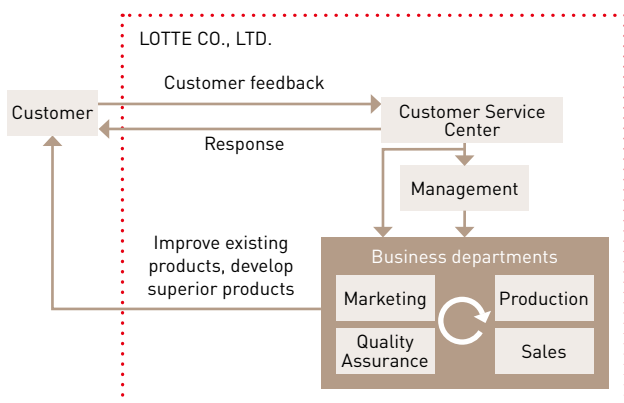
Therefore, to raise awareness and to prevent labelling errors, the Quality Assurance Department is holding workshops for employees at production sites. In Fiscal 2018, a total of 615 employees from LOTTE CO., LTD.'s factories participated in these workshops, which provided basic food labelling knowledge, 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

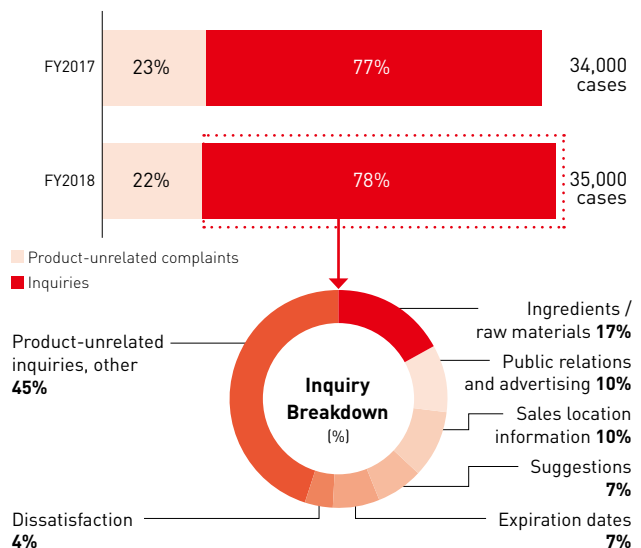
LOTTE CO., LTD. has established a Customer Service Center as a means to handle customer inquiries and consultations, which is part of our commitment to providing sincere support and clear information so that customers can use our products and services with relief. Customer feedback is shared with management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



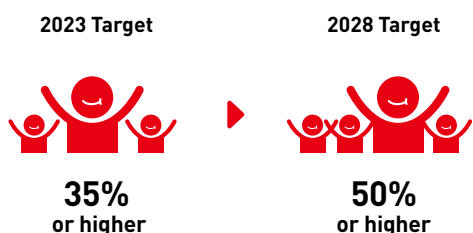
Included in total: LOTTE CO., LTD. Customer Service Center



## 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

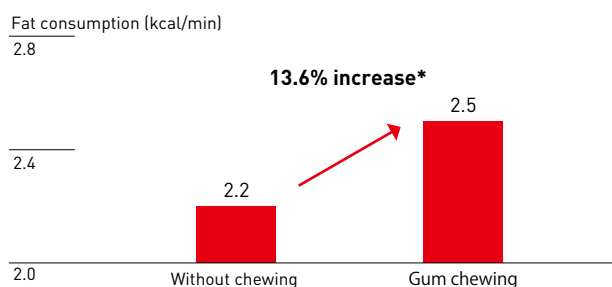
We are working with outside organizations to better spread awareness of *kamukoto* and its positive effects on health as a way to help enrich people’s lives.

### ● 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.



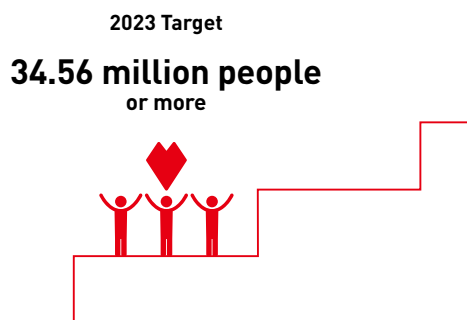
Health Gamu-Kamu Dumbbells Exercise

## 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.



# COMMUNITY INVOLVEMENT AND DEVELOPMENT

The values and culture surrounding food varies, not only by country and region but also by generation. As a company that operates globally, and as a member of local and international communities, we respect a wide range of cultures and values while contributing to local sustainable development and providing food education to future generations.

## Support for Devastated Areas

### 2018 Japan Floods

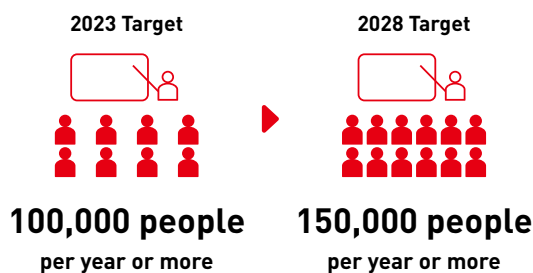
LOTTE CO., LTD. sent a total of 11,840 confectionery and 480 *Hiyaron* cooler packs to government-designated areas in the wake of the 2018 Japan floods. In addition, CHIBA LOTTE MARINES CO., LTD. held a pre-game fundraiser on July 16, collecting ¥459,296 from fans and donating an additional ¥1 million through the Japanese Red Cross Society.

LOTTE HOLDINGS CO., LTD., the parent company of LOTTE CO., LTD., also donated ¥20 million through the Japanese Red Cross Society.

## Food Education

### Medium-Term Targets

We view food as a resource for good health, and on that basis we are engaged in food education activities aimed at spreading accurate food knowledge and promoting greater understanding. We have set a target for FY2023 to have 100,000 people per year more attend our food education lectures per year, with 150,000 people per year or more as a target for FY2028.



## Food Education Activities

We utilize various opportunities to provide food education, including factory visits and hands-on workshops.

### ● Factory Visits

The Urawa Factory and Sayama Factory operated by LOTTE CO., LTD. are open for factory visits, accepting 36,030 visitors in fiscal 2018. Visitors are able to experience our efforts to ensure food safety and reliability first-hand and on location, and also get to learn about our environmental initiatives.

### Number of Factory Visit Attendees

|        |        |
|--------|--------|
| FY2017 | 31,655 |
| FY2018 | 36,030 |

Included in total: LOTTE CO., LTD. (Urawa Factory, Sayama Factory)



Hands-on workshops



## ● Hands-On Workshops

LOTTE CO., LTD. holds hands-on workshops and seminars in cooperation with the government and experts. These workshops and seminars, which focus on chewing gum and chocolate, are planned and run in a manner that allows participants have fun while learning about ingredients and manufacturing processes, acquiring health-related information, and gaining some familiarity through the hands-on nature. A total of 2,184 participants joined these events in FY2018.

### Number of Participants at Hands-On Workshops

|        |       |
|--------|-------|
| FY2017 | 3,826 |
| FY2018 | 2,184 |

Included in total: LOTTE CO., LTD.



Hands-on workshops

## Initiatives at Subsidiaries in Japan

### Mary Chocolate Co., Ltd.

Mary Chocolate Co., Ltd. has been engaged in Mary's Cherry Blossom Project since 2009. For this project, the Japanese chocolate maker plants cherry trees at Japanese elementary schools together with children. In FY2018, the company held three such planting events at three schools: Nagoya Municipal Mitsuke Elementary School in Aichi Prefecture, and Sagara Sonritsu Sagarakita Elementary School and Sagara Minami Elementary School in Kumamoto Prefecture.

In addition, the company has been giving chocolates to children at orphanages during the Christmas season since 2009, and donated to 61 facilities in FY2018.



Tree planting

### CHIBA LOTTE MARINES CO., LTD.

CHIBA LOTTE MARINES CO., LTD. has participated in LEADS TO THE OCEAN (LTO), a joint project of the Japan Foundation and NGO



Umisakura since 2018. LTO is a project dedicated to collecting garbage in cities to reduce the amount that flows into the sea, raising awareness of marine and natural environments, and ensuring that the beauty of nature is preserved for future generations. In FY2018, 16 postgame garbage collection events were held, where fans cleaned up the area around ZOZO Marine Stadium.



Commemorative photo with LTO participants

**Initiatives at Overseas Subsidiaries**

**LOTTE Wedel sp. z o.o. (Poland)**

LOTTE Wedel sp. z o.o. has been working to maintain the exterior façade of its company Head Office, which is rich in historical value. The building, located in Poland’s capital city of Warsaw, was constructed from 1927–1931, and survived the chaos of the Second World War with the same appearance as the time it was built. As a result, the building has been designated an important piece of industrial heritage, and a window into Warsaw architectural styles of the time. In order to preserve the building façade, LOTTE Wedel sp. z o.o. conducted a cleanup of the exterior walls from 2007–2010. When other renovations or improvements are made, they are carried out with all necessary permissions in compliance with the laws of Warsaw and the local government.



Head Office

**THAI LOTTE CO., LTD.**

THAI LOTTE CO., LTD. conducts activities to support dental health. In the mountainous areas of northern Thailand, where knowledge on dental health is not yet common, we provide dental examinations conducted by dentists and guidance on proper toothbrushing technique, and engage in activities to promote the use of xylitol. In FY2018, 300 elementary school students attended these events.



Free dental examinations (Thailand)

**LOTTE VIETNAM CO., LTD.**

LOTTE VIETNAM CO., LTD. is also working to support dental health. The company works with local dentist associations at universities in Hanoi and Ho Chi Minh City, provide free dental examinations in addition to activities to promote the use of xylitol.

Moreover, the company also supports activities that encourage exchange between Japan and Vietnam, sponsoring the Soccer Youth Cup in December 2018, an event held in commemoration of the 45th anniversary of the establishment of diplomatic relations between Japan and Vietnam.



Free dental examinations (Vietnam)

**PT. LOTTE INDONESIA**

Since 2016, PT. LOTTE INDONESIA has been working to deepen the relationships between parents and their children with Mothers’ Day activities (December 22nd in Indonesia). In FY2018, the company distributed 50,000 *Choco Pie* and message cards in areas surrounding Jakarta to help children show thanks to their mothers.

In July 2018, the island of Lombok experienced a major earthquake. In response, the company sent *Choco Pie* to the affected areas.



Elementary schools in areas surrounding Jakarta



Sending *Choco Pie* to Lombok