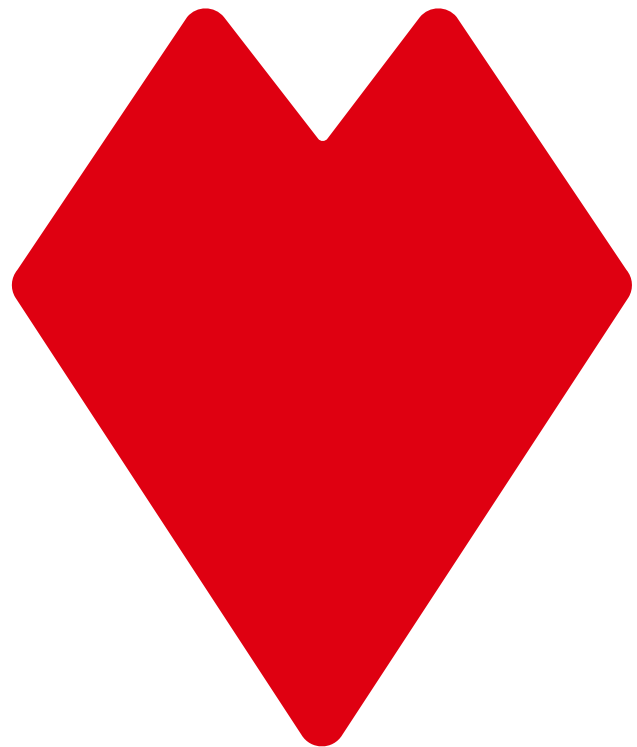


LOTTE SUSTAINABILITY REPORT 2019



The History of LOTTE is the History of “LOTTE-novation.”

Since its founding over 70 years ago, LOTTE has generated new value rooted in taking on bold challenges

in order to meet the needs of its customers and the changing times.

Now, we have stated our goal to help realize a sustainable society in our Medium-Term ESG Targets.

We will harness the actualizing power and spirit of “LOTTE-novation” to face social issues one after another.





Our Philosophy

お口の恋人

Everyday sweet life

Corporate Message

LOTTE

LOTTE

LOTTE Group Philosophy

LOTTE Group Mission

We enrich people's lives by providing superior products and services that our customers love and trust.

LOTTE Values

- User Oriented
- Originality
- Quality


LOTTE Group Way


- 🏢 Safety 🤝 Fair 🗣️ Communication
- 👤 Employees 🌱 Environment
- 🌐 Contribution to Society
- 🌍 Local Communities


The Company name "LOTTE" comes from Charlotte, the heroine of the novel "The Sorrows of Young Werther," by noted German author Goethe. LOTTE aims to be loved by everyone through enriching their lives, just like Charlotte does in the story. Our Group Mission put this idea into words, and we have highlighted three important LOTTE Values to actualize this mission. The LOTTE Group Philosophy is completed by the LOTTE Group Way, which serves as our code of conduct. The LOTTE Group Philosophy forms the basis for our approach to sustainability and all other business activities.

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Information Related to Report Contents

Editorial Policy	LOTTE CO., LTD. SUSTAINABILITY REPORT 2019 has been published in order to further understanding among all stakeholders as to our approach and initiatives related to sustainability, with particular focus given to activities conducted in FY2018. This report has been edited referencing ISO 26000, the International Organization for Standardization’s standard for social responsibility.
Period of Reporting	FY2018 (April 1, 2018–March 31, 2019) For CHIBA LOTTE MARINES CO., LTD. and overseas subsidiaries, FY2018 has been adjusted to match their accounting period, which is January 1, 2018–December 31, 2018. Furthermore, some contents may include information from before or after the periods stated above. Information regarding LOTTE CO., LTD. prior to FY2018 has been reported by combining the information of the three companies that merged in April 2018 (LOTTE CO., LTD., LOTTE SHOJI CO., LTD., and LOTTE ICECREAM CO., LTD.).
Scope of Reporting	As a general rule, this report covers the Group, which comprises LOTTE CO., LTD., and its consolidated subsidiaries, as of March 31, 2019. In each instance where the scope being reported is not immediately understood, it is clearly indicated.
Date of Reporting	October 2019



Eiichi Gochou
President
Representative Director

Realizing a Sustainable Planet and Society through “LOTTE-novation”-Fueled Initiatives

Our mission is “We enrich people’s lives by providing superior products and services that our customers love and trust.” This mission was originally designed in the postwar period, a time when goods were scarce and found to be poor quality. It encapsulates the strong conviction of our company founder, that by producing better goods we could enrich people’s lives and society.

As an extension of this same conviction, and to fully realize our mission, we uphold three important LOTTE Values—“User Oriented,” “Originality,” and “Quality”—which have come to permeate all of our business activities. This has created a challenging and innovative spirit that creates new value and continues to make proposals to customers and society in ways that no one has ever done. As an example, *Xylitol Gum*, launched in 1997, went against conventional wisdom that snacks and candies cause cavities. In fact, we were able to provide new value in the form of chewing gum that maintains tooth health, and help address the issue of dental cavities as a social issue. In essence, our initiatives follow a creating shared value (CSV) approach in that they are aimed at resolving social issues while also creating financial value.

On the other hand, there are serious issues facing today’s society, not limited to climate change, resource depletion, child labor, and overwork. Our business relies on agricultural raw materials such as cacao beans, palm oil, and paper, so changes in ecosystems are a direct risk to the survival of our business. Furthermore, it will become difficult for us to create new value and therefore achieve sustainable growth if we are unable to maintain a work environment where a variety of human resources can actively demonstrate their abilities.

As such, I believe that contributing to the sustainability of the planet and society through our business activities is a crucial matter going forward. To clarify this statement, we established our Medium-Term ESG Targets in November 2018. We have set ambitious targets within five themes: Food Safety and Security, Food and Health, Environment, Sustainable Procurement, and Demonstrating Employees’ Abilities, in order to contribute to the United Nations’ Sustainable Development Goals (SDGs).

For instance, one target directly applicable to the food industry is reducing food loss and waste. The SDGs aim to reduce half of food loss and waste by 2030, but we have set out to achieve this goal by 2028, two years ahead of schedule. These ambitious targets are difficult to achieve through conventional methods, and as we have done before I expect challenging and innovative efforts continuously.

This will serve to strengthen LOTTE’s unique spirit, and it is this attitude of continuing to create new value and addressing issues in contemporary society that we call “LOTTE-novation.” As we go forward, we will continue to work alongside all of our stakeholders toward realizing a sustainable planet and society through “LOTTE-novation”-fueled initiatives. We ask for your continued support as we undertake this process.



President
Representative Director

THE HISTORY OF “LOTTE-NOVATION”

The history of LOTTE CO., LTD. began in 1948, with the manufacturing and sales of chewing gum in Tokyo, and the Company welcomed its 70th anniversary in 2018. Since our founding, we have maintained three important LOTTE Values, “User Oriented,” “Originality,” and “Quality.” Based on these values, we have taken on the task of “LOTTE-novation,” constantly creating new value.

1948

Founding

Everyday sweet life



During the postwar period, when goods were scarce and those that were available were of poor quality, Takeo Shigemitsu (Kyukho Shin) found LOTTE with hopes of providing better items to the people. This hope lives on in the LOTTE Group Philosophy. LOTTE is named after “Charlotte,” the heroine of Goethe’s “The Sorrows of Young Werther,” and in our name we bear her same spirit, to be loved by everyone by enriching their lives, and to create products that everyone loves.



1957

Launch of Green Gum



1964

LOTTE Begins Chocolate Manufacturing and Sales

Back then, chocolate with a light, “American” flavor was popular. Taking a different direction, we invited Swiss chocolate experts to give birth to the rich, smooth *Ghana Milk Chocolate*. While continuing to evolve with proprietary technologies (such as the micro-grind manufacturing method that pursued a melt-in-your-mouth quality), sales increased through original promotions such as “Mother’s Day *Ghana*” and *Ghana* became the No. 1* chocolate brand in Japan.

* Source: INTAGE Inc. FY2018 SRI Data



1958

LOTTE Uta no Album (LOTTE Album of Songs) Begins Broadcast

Broadcast television started its popularity in the latter half of the 1950s. LOTTE took its place on a brand-new media as a company sponsor for “*LOTTE Uta no Album* (LOTTE Album of Songs),” a music feature show. As a result of this program, our corporate message reached a wide audience.



Corporate History

- 1948 LOTTE CO., LTD. founded in Ogikubo, Suginami ward of Tokyo
- 1950 Head office and factory relocation to Hiyakunincho, Shinjuku ward of Tokyo

- 1958 Broadcast of *LOTTE Uta no Album* (LOTTE Album of Songs)
- 1964 Chocolate manufacturing and sales

Product Launch History

1957 *Green Gum*

1964 *Ghana Milk Chocolate*

1984
Launch of *Koala's March*



1981
Launch of *Yukimi Daifuku*



1972

LOTTE Begins Ice Cream Manufacturing and Sales

At the time, ice cream was made using milk fat. Bucking that trend, we launched *Italiano*, an ice cream that used vegetable fat for a refreshing and invigorating flavor that met the tastes of Japanese people. From then, we developed *Yukimi Daifuku*, *Soh*, and *Coolish* brands utilizing unique, home-grown technology. After acquiring LOTTE SNOW CO., LTD. in 2002, we became the No. 1* company for ice cream sales in Japan.

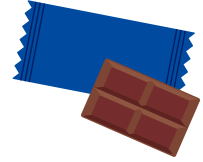
* Source: INTAGE Inc. FY2018 SRI Data



1983
Launch of *Choco Pie*



Present



LOTTE-novation

Utilizing the technology and expertise cultivated to date, and rooted in the three LOTTE Values infused with our founding spirit, we continue to take on the task of "LOTTE-novation" to create new value that will enrich people's lives.

For instance, in 2015 we launched *Nyusankin Chocolat*, lactic-acid bacteria covered in chocolate that utilizes proprietary manufacturing methods to keep the bacteria alive and stable. In this way, we have been able to provide new value to society by allowing people to enjoy the benefits of lactic-acid bacteria anytime, anywhere. In addition, as an example of a product that addresses Japan's aging society, in 2017 we launched *Ha Ni Tsukinikui Gum <Kiokuryoku Wo Iji-suru Type>* (Gum that Doesn't Stick to Teeth <Memory Health Maintenance Type>), which utilizes ginkgo biloba extract as it has been reported to help preserve memory in middle-aged and older people.

2003
Launch of *Coolish*



1997

Launch of *Xylitol Gum*

In the 1970s, research began on xylitol, which captured attention for its role in Finnish dental health. Once xylitol was licensed as a food additive in 1997, we launched *Xylitol Gum*, and were the first food company to do so. This chewing gum offered value in the way of maintaining healthy teeth and by helping address dental cavities as a social issue. In 2015, we continued this approach by launching *Xylitol Oratect Gum*, which maintains gum health. Today, *Xylitol Gum* is the No. 1-selling domestic chewing gum brand in Japan*.

* Source: INTAGE Inc. FY2018 SRI Data



1970 Candy manufacturing and sales
1971 LOTTE ORIONS baseball team (currently CHIBA LOTTE MARINES)
1972 Ice cream manufacturing and sales
1976 Biscuit manufacturing and sales
1978 Head office and factory relocation to Nishi-Shinjuku, Shinjuku ward of Tokyo
1988 THAI LOTTE CO., LTD.

1993 PT. LOTTE INDONESIA
1996 LOTTE VIETNAM CO., LTD.
2002 LOTTE SNOW CO., LTD.
2008 Mary Chocolate Co., Ltd. joined as a subsidiary company

2010 LOTTE Wedel sp. z o.o. joined as a subsidiary company
2018 70th anniversary of LOTTE CO., LTD.

1974 *Crunky Chocolate*
1979 *Pie no Mi*
1981 *Yukimi Daifuku*
1983 *Choco Pie*
1984 *Koala's March*

1994 *Toppo*
1997 *Xylitol Gum*
1999 *Soh*
2003 *Coolish*

2015 *Nyusankin Chocolat*
2017 *Ha Ni Tsukinikui Gum <Kiokuryoku Wo Iji-suru Type>*

AT A GLANCE

Group

- LOTTE CO., LTD.

LOTTE

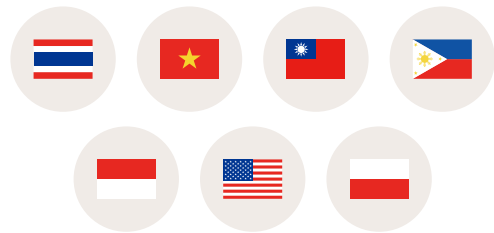
Subsidiaries in Japan

- CHIBA LOTTE MARINES CO., LTD.
- Mary Chocolate Co., Ltd.



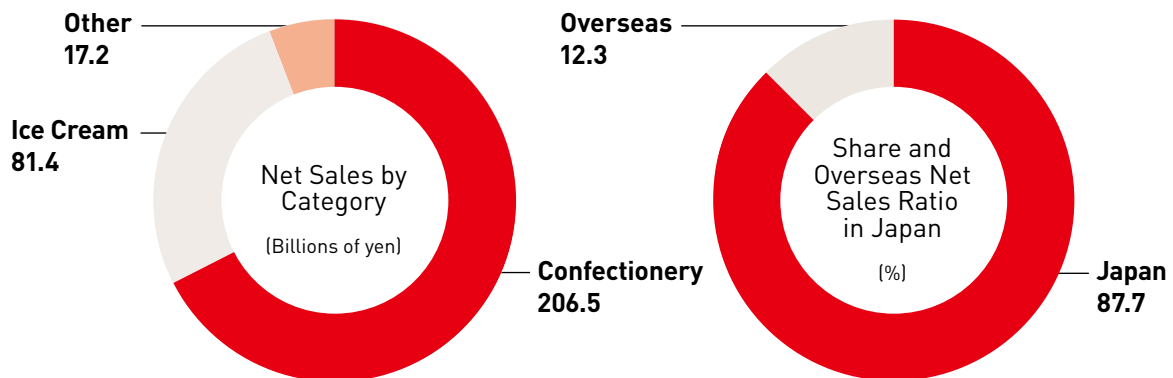
Overseas Countries and Regions

- Thailand
- Vietnam
- Taiwan
- Philippines
- Indonesia
- USA
- Poland



Performance Results for FY2018

Net Sales **¥305.1 billion**



Share of Chewing Gum Sales in Japan

No. 1* manufacturer



Share of Chewing Gum in Japan

No. 1* brand

Xylitol



Share of Chocolate in Japan

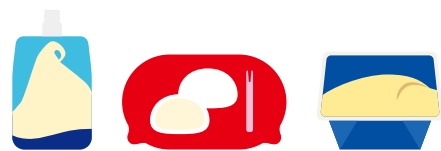
No. 1* brand

Ghana



Share of Ice Cream in Japan

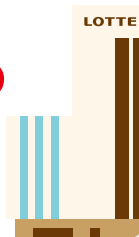
No. 1* manufacturer



Number of Employees

Non-consolidated **2,361**
Consolidated **6,396**

(As of March 31, 2019)



Number of Factories

11

(excluding factories dedicated to intermediary stages)

7 Factories in Japan

- Factories operated by LOTTE CO., LTD.: 4
- Factories operated by Mary Chocolate Co., Ltd.: 3

4 Overseas Factories

- Thailand
- Indonesia
- Vietnam
- Poland

The factories listed have been certified according to the international food safety standard below.

GFSI: Global Food Safety Initiative (FSSC22000/BRC)



Health Management



(Certification period: February 21, 2019–March 31, 2020)

* Source: INTAGE Inc. FY2018 SRI Data

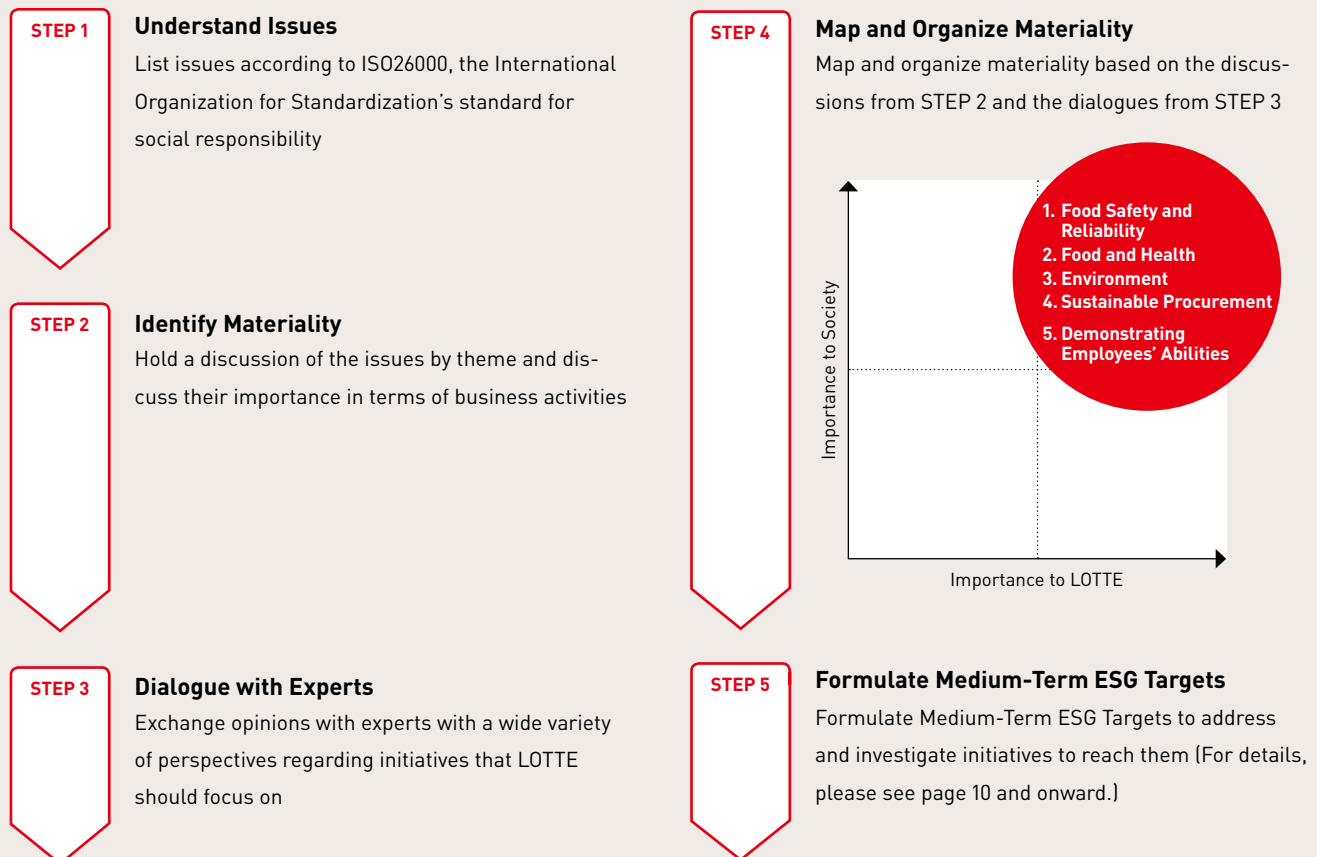
LOTTE'S APPROACH

Since our founding, we have upheld the three LOTTE Values of "User Oriented," "Originality," and "Quality" as the basis for all of our corporate activities. Under the LOTTE Group Philosophy, on which these values are based, we have continued to grow by providing new value for customers, local communities, and society.

One example of these efforts is the launch of *Xylitol Gum* in 1997, which was able to generate new value and

contribute to society by helping to preserve strong and healthy teeth. In order to help realize a sustainable society, we have been promoting initiatives in line with ISO26000 in recent years. Furthermore, we have also identified and mapped key priority issues (materiality) based on their impact on society and their importance to our business activities. Going forward, we will create specific targets regarding these issues, and work to reach these targets.

▶ Process for Determining Materiality and Setting Medium-Term ESG Targets



TO MATERIALITY

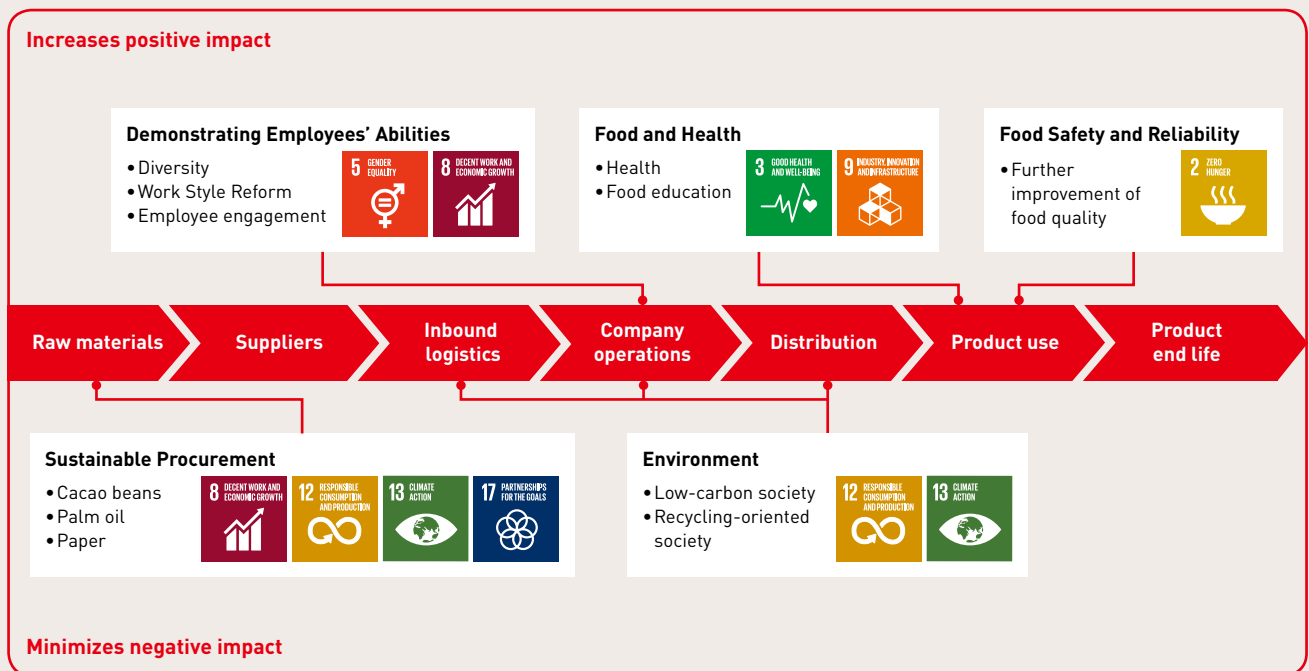
About the SDGs

In 2015, the United Nations established 17 Sustainable Development Goals (SDGs) to be achieved by 2030, addressing various issues such as poverty, inequality, eradicating injustice, and climate change. The SDGs are not just a series of expectations but rather a concrete action plan that seeks broad cooperation from governments, communities, and companies around the world to achieve the prosperity of mankind and the planet. It is expected that companies worldwide will create a long-term framework and actively contribute to sustainability in order to achieve the SDGs and build a better world.



▶ Mapping Materiality in the Value Chain

We analyzed the impact of each materiality on the value chain and identified whether each materiality “increases positive impact” or “minimizes negative impact.”



Note: Created referencing the SDG Compass

LOTTE'S Materiality and Medium-Term ESG Targets

Materiality Map

1. Food Safety and Reliability
2. Food and Health
3. Environment
4. Sustainable Procurement
5. Demonstrating Employees' Abilities

Importance to Society

Importance to LOTTE

To properly address each materiality in a concrete manner, we formulated the Medium-Term ESG Targets. These targets consist of “key items” that focus materiality in light of LOTTE CO., LTD.’s specific business activities and business areas, with concrete indicators for each item.

These targets have also been formulated with consideration given to their potential contribution to the SDGs. Looking at the 17 goals that comprise the SDGs, we have selected the goals that LOTTE CO., LTD. can contribute to, and will make a focused effort to help achieve these goals.

Materiality	Contributing to the SDGs
1 Food Safety and Reliability ▶ Page 12	<ul style="list-style-type: none"> ▶ Ensuring food safety and reliability
2 Food and Health ▶ Page 13	<ul style="list-style-type: none"> ▶ Promoting “chewing to improve health” ▶ Creating and distributing products that contribute to a healthy diet ▶ Sharing accurate food knowledge
3 Environment ▶ Page 14	<ul style="list-style-type: none"> ▶ Reducing greenhouse gas emissions ▶ Addressing dwindling food resources ▶ Helping realize a recycling-oriented society
4 Sustainable Procurement ▶ Page 15	<ul style="list-style-type: none"> ▶ Realizing a sustainable supply chain
5 Demonstrating Employees' Abilities ▶ Page 16	<ul style="list-style-type: none"> ▶ Reinforcing business competitiveness by showing respect for diversity ▶ Responding to labor shortages by increasing productivity

LOTTE CO., LTD. has established five materiality themes through which it conducts its business activities: Food Safety and Reliability, Food and Health, Environment, Sustainable Procurement, and Demonstrating Employees' Abilities. We are working together throughout the Group to promote these themes, which are indispensable for achieving sustainable development alongside society. To this end, we have formulated our Medium-Term ESG Targets, decided on concrete indicators of success, with the aim of incorporating both when creating plans for each business division. To ensure that these targets are met, we will confirm progress on an annual basis and disclose information publicly. In the following pages, we will introduce each of our goals along with the concrete efforts aimed at achieving them.

Medium-Term ESG Targets

Key Items	Indicators	2023 Targets	2028 Targets
▶ Further improve product quality	GFSI: Global Food Safety Initiative (FSSC22000/BRC)	Maintain certification at all Japanese and overseas factories	Maintain certification at all Japanese and overseas factories
	Introduction of new "LOTTE ADVANCE," our new quality assurance system	Introduce at all Japanese and overseas factories	Continue use for operations in all Japanese and overseas factories
▶ Health	Percentage of people who practice "kamukoto (chewing)" with proper awareness (Japan)	35% or higher	50% or higher
	Number of people we have helped lead healthy lives through our products (Japan)	34.56 million people or more	Expand this number even further
Food education	Number of people who have attended food education lectures	100,000 people per year or more	Over 150,000 per year or more
Low-carbon society	Reduction rate of CO ₂ emissions (CO ₂ emissions intensity comparison to FY2013)	Reduce by 13% or more	Reduce by 26% or more
▶ Recycling-oriented society	Reduction rate of food loss and waste (Collection of raw materials to product delivery comparison to FY2017)	Reduce by 25% or more	Reduce by 50% or more
	Recycling rate of waste generated by production processes	99% or higher (Japan)	99% or higher (Japan and overseas)
Cacao beans	Usage rate of Fair Cacao	20% or higher	50% or higher
▶ Palm oil	Usage rate of third-party verified oil	100% (Japan)	100% (Japan and overseas)
Paper	Usage rate of environment-friendly paper (for product packaging)	100% (Japan)	100% (Japan and overseas)
Diversity	Ratio of female managers (Japan)	10% or higher	20% or higher
▶ Work Style Reform	Annual total working hours per person (Japan)	1,850 hours or less	1,800 hours or less
Employee engagement	Percentage of employees with high job satisfaction (Japan)	80% or higher	Stay at 80% or higher



1 Food Safety and Reliability

Basic Approach

In food manufacturing, safety, reliability, and product quality are all must-haves, but we believe that our products must also be able to convey the added value of “enjoyment,” “delicious flavor,” and “repose.” These are all aspects of the “Quality” that we strive for, and is something that each of our employees works to further improve.

Further Improve Product Quality

GFSI recognised certification schemes (FSSC22000/BRC)

All domestic and overseas factories have acquired FSSC22000/BRC certifications and are thus recognized under the Global Food Safety Initiative (GFSI). Both certifications are approved by GFSI, which is operated by The Consumer Goods Forum (TGCF), organized by approximately 400 major distributors and food companies in 70 countries worldwide. These certifications add additional requirements to ISO22000 based on Hazard Analysis and Critical Control Point (HACCP) and have also been established as global standards for food defense and other food safety measures.

▶ For details, please see page 40.

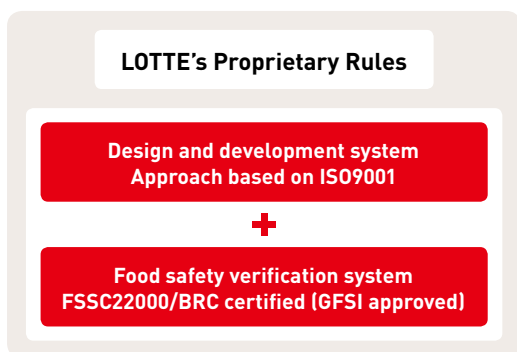
Introduction of “LOTTE ADVANCE,” our new quality assurance system

To further improve quality in the future and to promote the dissemination of information, we are working to build and implement a proprietary quality assurance system. This system will consist of proprietary rules based on the certifications we have acquired as a company recognized by GFSI (FSSC22000/BRC) and incorporates the approach toward design and development from ISO9001, the International Organization for Standardization’s standard for quality management systems. Standards and guidelines related to the new quality assurance system are to be established and systematized in sequence, and will be deployed to all factories in Japan and overseas by FY2023.

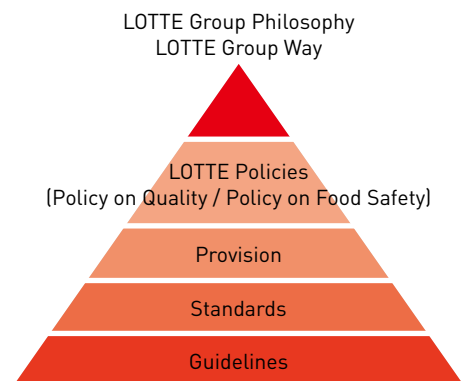
LOTTE ADVANCE

▶ For details, please see page 40.

LOTTE ADVANCE Framework



LOTTE ADVANCE—Related Standards and Guidelines



2 Food and Health



Basic Approach

We have continued to grow by utilizing the knowledge and technology we have developed since our founding toward providing new value to local communities and society. One example of these efforts is the launch of *Xylitol Gum* in 1997, which was able to generate new value and contribute to society by helping to preserve strong and healthy teeth. Going forward, we will continue to place an emphasis on R&D of products that support health of both the body and the mind, and by disseminating information and engaging in activities that raise awareness, thus using food rooted in delicious flavor—an important concept for us—to provide health-oriented value. In doing so, we will contribute to the resolution of social issues.

Health

Percentage of people who practice “kamukoto (chewing)” with proper awareness (Japan)

As a company with its origins in chewing gum, we have accumulated years of research in the field of *kamukoto*. What has been made clear is that *kamukoto* is at once a basic physical function for manipulating food and also something that exerts a major influence both physically and mentally. We will continue to enrich people’s lives by working to communicate the importance of *kamukoto* and by disseminating the results of our research, thereby making *kamukoto* more common knowledge.

▶ For details, please see pages 43-45.

2023 Targets

35% or higher



2028 Targets

50% or higher

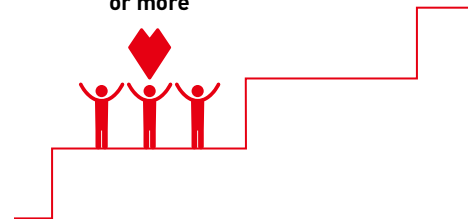


Number of people we have helped lead healthy lives through our products (Japan)

Among various shifts in society that include increasing health awareness, the declining birthrate and aging population, and diversifying eating habits, there is growing demand among consumers for food that is not only delicious but also good for the body and easy to prepare and eat. Making use of the knowledge and technology that we have acquired since the founding of the company, we are developing products that possess new health-oriented qualities in order to contribute to the healthy eating habits of our customers.

▶ For details, please see page 45.

34.56 million people or more



Food Education

Number of people who have attended food education lectures

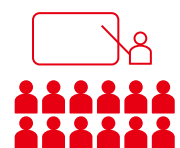
Working with the understanding that food acts as a resource for health, we are engaged in food education activities aimed at spreading correct food knowledge and deepening understanding. We conduct factory tours, hands-on workshops, and school visits to provide opportunities to help participants learn about healthy eating habits in an easy-to-understand manner.

▶ For details, please see pages 46-47.

100,000 people per year or more



150,000 people per year or more



3 Environment



Basic Approach

Global environmental conservation is the most important issue for our survival. Moreover, our business relies on the gifts provided by the earth's environment. Therefore, we believe that contributing to a sustainable global environment is one of our most important responsibilities. We have currently positioned realizing both a low-carbon and recycling-oriented society as priority issues and are focusing our efforts toward achieving those ends.

Low-Carbon Society

Reduction rate of CO₂ emissions

Our measures to combat global warming by reducing CO₂ emissions are crucial for attaining a sustainable global environment. We have set targets for reducing emissions and will promote Groupwide efforts to reach these targets through both energy-saving activities and by incorporating renewable energy.

▶ For details, please see page 30.

2023 Targets



2028 Targets



Note: CO₂ emissions intensity comparison to FY2013

Recycling-Oriented Society

Reduction rate of food loss and waste

As one of our responsibilities as a member of the food industry, we have set a FY2028 target of reducing food loss and waste, from collection of raw materials to product delivery, half the amount compared to FY2017. To reach this target, we will work across the entire value chain and in each business division and utilize food banks to promote effective food use.

▶ For details, please see page 33.

Reduce by **25%**
or more



Reduce by **50%**
or more



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

Recycling rate of waste generated by production processes

While it goes without saying that we should work to avoid wasting finite resources, and that we should aim to limit the amount of waste produced, we also believe it is important that any waste generated should be used as completely and effectively as possible. Therefore, we have set a target to recycle 99% or higher of waste generated by production processes from our factories and will work toward reaching this target.

▶ For details, please see page 32.

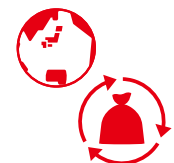
99%
or higher

[Japan]



99%
or higher

[Japan and overseas]



4 Sustainable Procurement



Basic Approach

While the role of safety and reliability in the stable provision of high-quality goods and services cannot be overstated, we also believe in the importance of sustainable procurement of ingredients, with due consideration given to the environment and society. To this end, we are working with clients and stakeholders both inside and outside of the food industry to promote sustainable procurement throughout the supply chain.

Cacao Beans

Usage rate of Fair Cacao

With international demand for cacao beans on the rise, sustainable and stable procurement of cacao beans is an important matter for our business activities. Accordingly, LOTTE CO., LTD. is expanding procurement efforts through the Fair Cacao Project (FCP), aimed at building ties with producing areas while carrying out procurement activities which contribute to the economic and social development of surrounding areas.



2023 Targets

20%
or higher



2028 Targets

50%
or higher



▶ For details, please see pages 36-37.

Palm Oil

Usage rate of third-party verified oil

We utilize palm oil in a wide range of products, such as chocolate, biscuits, and ice cream. As one of our initiatives to promote sustainable palm oil, we are expanding use of palm oil that has been certified by the Roundtable on Sustainable Palm Oil (RSPO) and other third parties.

100%

(Japan)



100%

(Japan and overseas)



▶ For details, please see page 38.

Paper

Usage rate of environment-friendly paper (for product packaging)

To ensure the effective use of forest resources and to help combat global warming, we promote environment-friendly paper procurement. Specifically, we are expanding our usage of recycled paper and paper that has been certified by the Forest Stewardship Council (FSC) and other third parties.

100%

(Japan)



100%

(Japan and overseas)



▶ For details, please see page 38.

5 Demonstrating Employees' Abilities



Basic Approach

The most important pillar of support for our business is our human resources. We are committed to creating a lively work environment where each and every employee is able to demonstrate their abilities, which will lead to our sustainable development.

Diversity

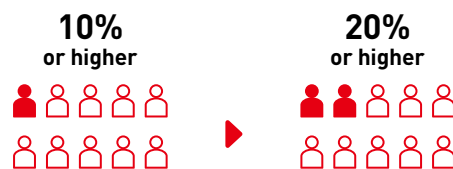
Ratio of female managers (Japan)

To ensure that a wide variety of human resources are capable of demonstrating their abilities to the fullest, we are promoting diversity and innovation. As a first step, we are using the ratio of female managers as an indicator of our efforts to promote women's success, a pressing issue not only for the company but also for society. We will continue our work to promote diversity and establish a system where employees can flourish regardless of gender.

▶ For details, please see pages 24-25.

2023 Targets

2028 Targets



Work Style Reform

Annual total working hours per person (Japan)

To create a comfortable work environment for every employee, we are working to improve productivity and thereby reduce the total number of working hours, aimed at achieving a life-work balance for our employees. Our target in these efforts is to allow employees to lead fulfilling lives, with a healthy body and mind, and, using annual total working hours per person as an indicator, we are taking steps to create a comfortable work environment through Work Style Reform such as telecommuting and flextime while working to increase employee awareness of life-work balance.

▶ For details, please see page 25.

1,850 hours or less

1,800 hours or less



Employee Engagement

Percentage of employees with high job satisfaction (Japan)

We are focused on improving employee engagement—creating a workplace where each employee can perform their duties with vigor while being aware of their own growth and motivations. To promote engagement, all domestic employees complete a periodic employee satisfaction survey. From this survey, we are able to derive a quantitative understanding of motivation, which we use as an indicator for employee engagement. Using this information, we will continue to identify employee issues and make efforts to improve upon them.

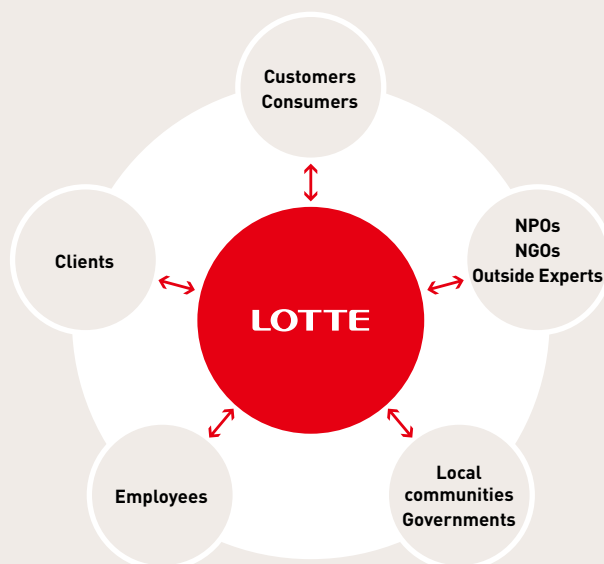
▶ For details, please see page 26.

80% or higher



Stakeholder Engagement

LOTTE CO., LTD. conducts corporate activities while engaging with a variety of stakeholders. Through these activities, we collect opinions and expectations that we aim to incorporate in the future, while also working to help realize a sustainable society.



Stakeholders	Means of Engagement	Results and Achievements
Customers and Consumers	<ul style="list-style-type: none"> • Customer service center • Homepage • Food education events 	<ul style="list-style-type: none"> • Means of utilizing systems that gather customer feedback, and inquiry breakdown (page 42) • Factory tours and hands-on workshops (pages 46–47)
Clients	<ul style="list-style-type: none"> • Daily communication • Efforts related to quality control 	<ul style="list-style-type: none"> • Sharing value system through supplier guidelines (pages 38–39) • Self-evaluations, feedback, and sanitation inspections (page 39)
Employees	<ul style="list-style-type: none"> • Human resource cultivation • Company newsletter • Employee satisfaction surveys • Whistleblowing system 	<ul style="list-style-type: none"> • Human resource cultivation program and career planning (pages 26–27) • Shifting to web-based company newsletter (implemented in May 2019) • Employee satisfaction survey results (page 26) • Number of whistleblowing reports (page 39)
Local Communities and Governments	<ul style="list-style-type: none"> • Consideration for residents near factory locations • Local events participation and sponsorship • Supporting devastated areas 	<ul style="list-style-type: none"> • Community exchanges (pages 46–48) • Efforts to support devastated areas (page 46)
NPOs / NGOs and Outside Experts	<ul style="list-style-type: none"> • Dialogues • Cooperation with NPOs and NGOs 	<ul style="list-style-type: none"> • Summary of dialogues (pages 18–20) • Sustainable procurement efforts (pages 36–39) • Efforts to spread <i>kamukoto</i> (chewing) awareness (pages 43–45)

Dialogues with Experts

In April 2019, we sat down for a discussion with four experts regarding our five materiality themes and our newly formulated Medium-Term ESG Targets. From each of these experts, representing a variety of perspectives, we received assessments of our sustainability initiatives as well as advice regarding moving forward.

MAKIKO AKABANE / RUMI IDE / YUKI URAGO / JUNICHI MIZUO

LOTTE's materiality and Medium-Term ESG Targets are highly comprehensible

The newly set Medium-Term ESG Targets focus on five themes, making them highly comprehensible. It is also noteworthy that the theme of Sustainable Procurement encompasses the three major raw materials of—cacao beans, palm oil, and paper. Traceability of cacao beans, palm oil, and other primary commodities is particularly important both in terms of food safety and reliability as well as sustainable procurement, and I hope that the company continues to work toward achieving these targets. Looking toward the future, I advise LOTTE to ensure responsible supply chain management that takes into account not only environmental and human rights perspectives but also animal welfare. As far as quality is concerned, it is commendable that all factories, including those overseas, have acquired relevant. I also have high expectations for LOTTE's new proprietary quality assurance system, one of the flagship initiatives within the Food Safety and Reliability category. While I am aware that the sustainability report has been renewed for this edition, I would expect an even higher degree of disclosure on various initiatives taken by the company. For example, if the company discloses information on initiatives taken in their early stages, I believe it can stimulate active conversations both within and outside the company.



Makiko Akabane

Director Japan, CSR Asia

Career History

Ms. Akabane majored in political science and biology at Waseda University, and has over a decade of experience specializing in CSR in multi-sector and multinational companies. She spearheaded the launch of CSR sections for a number of companies including Starbucks Coffee Japan, Ltd., Salesforce.com, Inc., and Nikko Asset Management Co., Ltd. She leads CSR Asia Japan since 2010.

I hope the Company will hit its targets while reflecting them within.

I am impressed that LOTTE has settled on numerical targets that are ahead of those set by the government. Generally speaking, medium- and long-term environmental goals tend not to manifest quickly, so I would like the company to maintain continuous efforts. For this to take place, it is important that these targets are internalized within the company. In my personal experience, one effective strategy is to use various in-company tools to regularly communicate these targets, while another is to communicate these targets in combination with the financial merits. As an example of the second strategy, one can take the goal of reducing food loss and waste and then explain how it leads to lower costs. I believe it is also effective to raise awareness because employees can then do simple actions, such as trying the 30/10 campaign* at social gatherings.

My view on Environment as a theme is the same as last year, in that I would like companies to promote the 3Rs, with particular attention giving to "Reduce." My hope is that by reducing the amount of waste overseas we are able to realize the SDG of "leaving no one behind." In addition, given the inevitability of natural disasters, I have a certain expectation of the company to put forth ideas for products that will improve the quality of life at emergency shelters, in addition to effective ways to eat them. Lastly, looking at "Demonstrating Employees' Abilities," I would like LOTTE to set indicators related to employee health.

* A campaign to reduce food loss and waste by having guests stay seated for 30 minutes after starting a party and returning to their seats 10 minutes before the end, to encourage them to enjoy their meals



Rumi Ide

Journalist in the Problem of Food Loss and Waste

Career History

Ph.D. Kagawa Nutrition University (Nutritional Science), MSc University of Tokyo Graduate School of Agricultural and Life Sciences, BSc Nara Women's University. After working at Lion Corporation and then participating in JICA, held various positions at Kellogg (JAPAN) K.K. including section head in the PR department. Founded office3.11 due to the appalling food loss and waste of food aid during the 3.11 crisis. Put in charge of PR at Japan's first food bank, where we were then awarded the PR Award Grand Prix Award of Excellence in Social Communication. Wrote and published *The Myth of Best-Before-Dates* [Shoumi Kigen no Uso] [Gentosha Literary Publication] now in its 4th printing. Awarded the 2018 Grand Prize in the category of "Food Culture" for the Second Food Life Journalist Award for her work focusing attention on the food loss problem at a national level. Awarded the 2018 Yahoo! News Editorial Section Author Award.



Yuki Urago

Secretary General, Consumers Japan*

* A nationwide liaison for consumer organizations that participates in various councils and submits public comments to disseminate opinions on behalf of the consumer regarding various life-related topics

Career History

Ms. Urago graduated from Kanagawa University. After seven years of working at a company, she became involved in co-op activities while raising children as a full-time housewife. After serving as a director of the cooperative UCOOP and the Japanese Consumers' Co-operative Union, she assumed her current position in May 2017. She serves as a council member of the Ministry of Health, Labour and Welfare, the Food Safety Committee, the Consumer Affairs Agency, and the Consumer Committee.

I would like greater communication of LOTTE's unique initiatives so more people can learn about LOTTE's appeal.

I find the contents of LOTTE's efforts to be easy to understand as it goes through, with a clear path toward reaching these targets. The theme of Food Safety and Reliability holds particular importance for consumers and is something that LOTTE needs to work at continuously. It goes without saying that this is something that needs to take place at production sites, but at that same time proper inspections are also particularly important. However, food itself comes with a variety of risks. I believe that storefronts and entrances are a very effective means of communicating this sort of information with consumers, and I hope that LOTTE becomes aware of this in the future. I would also like LOTTE to promote "food and health" through food education at a variety of locations, using experience-based and other easy-to-remember methods.

I believe that LOTTE should continue to promote its materiality initiatives, and at the same time, I would like to see greater communication of these unique initiatives so that more people can learn about LOTTE's appeal. For instance, LOTTE has established a website about "kamukoto (chewing)," but if the effects of proper chewing can be communicated to a large population, including elderly people, LOTTE could potentially contribute to longer, healthier lives. From the viewpoint of Sustainable Procurement, I do believe it important that LOTTE be more active in the disclosure of its initiatives related to cacao beans and other materials.



Junichi Mizuo

Emeritus Professor and Ph.D. in Business Administration, Surugadai University
Outside Audit & Supervisory Board Member, Daicel Corporation
Outside Member of the Business Ethics Committee, Seibu Holdings, Inc.

Career History

After working at Shiseido Co., Ltd., Mr. Mizuo was a professor at Surugadai University until his retirement in March 2018, assuming his current positions. He serves as Deputy Chairman of the Japan Society of Business Ethics Society, Outside Member of the Business Ethics Committee of Seibu Holdings, Head Researcher at the Business Ethics Research Center, and in 2010 he was a visiting scholar at the University of London. As an author, he has published several works.

The company deserves praise for taking the proper steps to formulate its materiality.

The company deserves praise for taking the proper steps to formulate its materiality. In addition to current issues, the problem of plastic waste is gaining attention on the global stage. I would like LOTTE to look into a response to this issue in the future.

While the company has assembled five materiality themes, it is the employees who are responsible for business activities, meaning the theme of Demonstrating Employees' Ability is the basis for all other themes, and that its related activities need to be given the highest priority. Although LOTTE was recognized under the 2019 Certified Health & Productivity Management Outstanding Organizations Recognition Program (White 500), I believe the company should continue to improve its health management further and drive employee satisfaction even higher. In 2016, LOTTE established the Department of Employee Empowerment to promote diversity, and I expect that efforts and results will be reported internally and externally. Specifically, I would like to see the company establish a work culture that allows male employees to take childcare leave. By establishing itself as a company where employees can be active members at any life stage and irrespective of gender, LOTTE will raise its value as an organization and draw greater attention from students as they enter the workforce. I would like to see the Company continue its march forward, spurred on by the strong leadership of top management.

Responding to the Experts



Kenichiro Sakai

Executive Officer
Head of Corporate Strategy Division
LOTTE CO., LTD.

We will put our full strength behind reaching our Medium-Term ESG Targets.

We set new Medium-Term ESG Targets to ramp up our sustainability efforts. Starting from this fiscal year, we just kicked off specific actions to reach these targets. Looking at these expert opinions, I can tell that our direction is in keeping with the demands of society. Knowing this, we will put our full strength behind reaching these targets.

At the same time, these opinions have also contained valuable advice pointing toward specific actions we can take, and have highlighted issues we have yet to take into account. One particular example of an issue we need to consider is that of plastic waste, which has received a lot of attention from society. Moving forward, we will deepen internal discussions about how to address this issue. We will also continue to conduct investigations based on the advice and opinions received from these experts, and continue to hold regular dialogues and listen closely to outside opinions.

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.

-
- 22 Organizational Governance
 - 23 Human Rights
 - 24 Labor Practices
 - 30 The Environment
 - 36 Fair Operating Practices
 - 40 Consumer Issues
 - 46 Community Involvement and Development
-

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
Activities for
FY2018

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
Activities for
FY2018

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

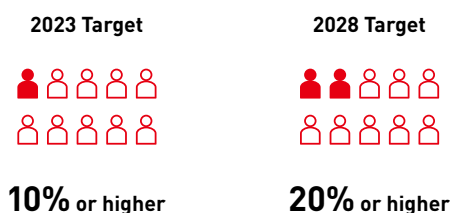
We will provide a workplace that enables our employees to maximize their potential and work motivated.

- 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.



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

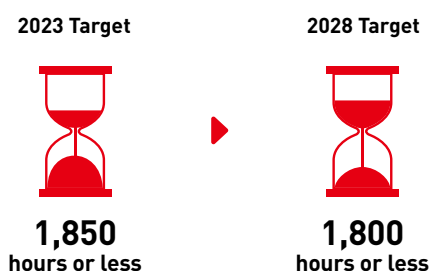
Employing Those with Disabilities

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 recurrence of these accidents, we promote education that includes sharing cases of past accidents through bulletins and training.

Safety Audits and Inspections

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

Number of Accident Victims

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

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

Number of Work-Related Deaths

FY2017	0
FY2018	0

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

Human Resources Data

Employee Information

	As of March 31, 2018			As of March 31, 2019		
	Total	Men	Women	Total	Men	Women
▶ Number of Employees (People)						
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
▶ Average Age of Employees (Age)						
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
▶ Average Length of Employment (Years)						
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.

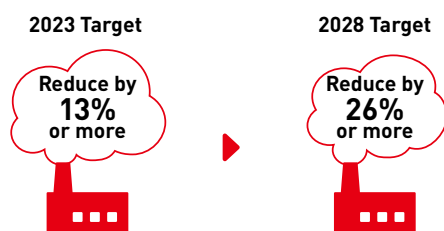
1. We continue to conduct energy saving and waste reducing activities to promote efficient use of natural resources.
2. We conduct environmental conservation so that future generations can use limited natural resources.
3. We appropriately control and reduce substances produced from our business operations 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 CO₂ Emissions

Medium-Term Targets

We aim to reduce Scope 1 and 2* energy-related CO₂ 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)

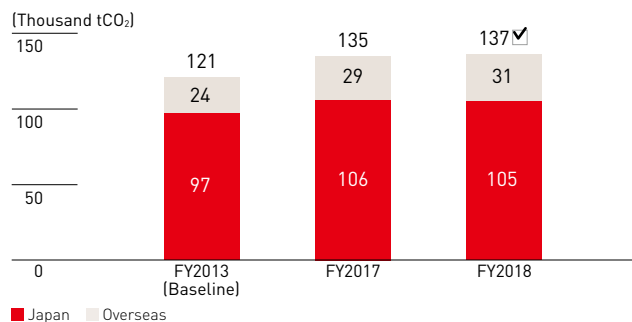


Note: CO₂ emissions intensity comparison to FY2013

CO₂ Emissions

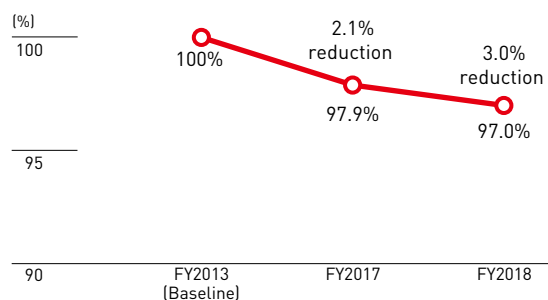
Scope 1 and 2 energy-related CO₂ emissions per unit of sales for FY2018 were reduced by 3.0% compared to FY2013 and 0.9 points compared to FY2017. Higher efficiency from consolidation and integration of production sites combined with energy-saving activities were factors in this reduction.

Energy-Related CO₂ Emissions



■ Japan ■ Overseas
Data indicated with ✓ have received the independent practitioner's assurance by Deloitte Tohmatsu Sustainability Co., Ltd. (Please see page 52)

Baseline Comparison of Energy-related CO₂ Emissions Intensity*



* CO₂ emissions intensity: Volume of CO₂ / 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 = Σ (Fuel consumption x CO₂ emission factor)
Scope 2: Volume of emissions = Σ (Volume of purchased electricity, etc x CO₂ emission factor)

CO₂ 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.

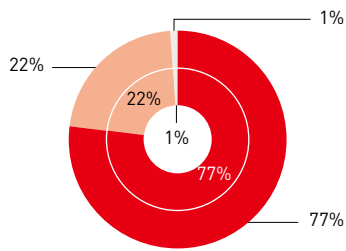
Overseas: The emission factor for Scope 1 emissions has been determined according to the 2006 Intergovernmental Panel on Climate Change (IPCC) Guidelines for National Greenhouse Gas Inventories, while the emission factor for Scope 2 emissions has been determined according to the International Energy Agency (IEA)'s CO₂ 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 CO₂ 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 CO₂ 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 CO₂ emissions by promoting cooperative distribution*¹ and modal shifts*².

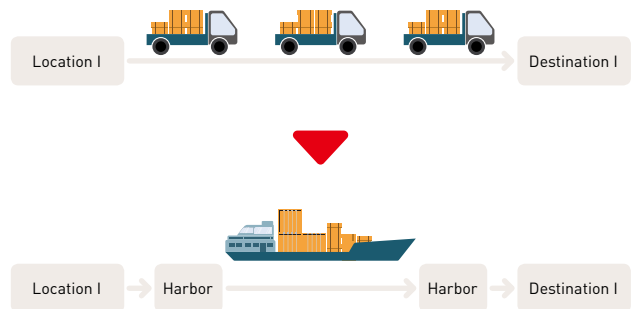
*1 Cooperative distribution

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 CO₂ 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 CO₂ emissions by utilizing marine transport from Kyushu to Osaka and from Tokyo to Hokkaido.



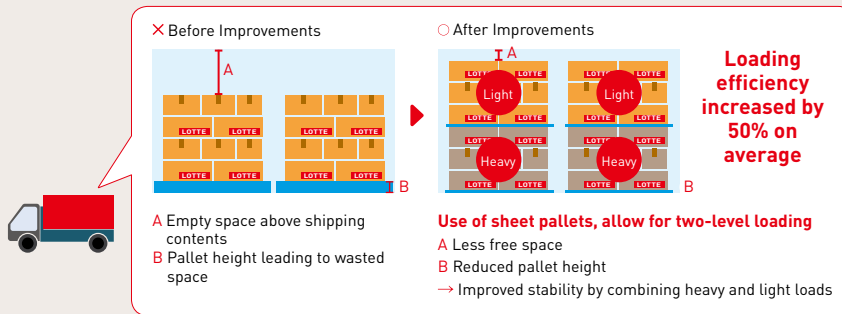
Column



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.

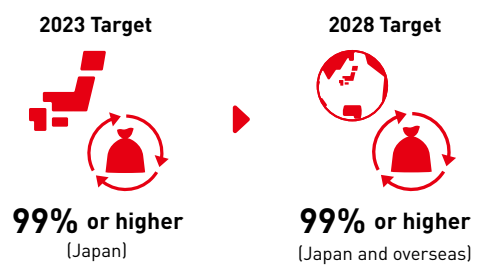
With this in mind, we have taken a three-pronged approach to optimizing shipping practices at our Sayama Factory, incorporating sheet pallets to facilitate two-level shipping; introducing tablets to optimize shipping; and utilizing Advanced Service Support Information System Technology (ASSIST). As a 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

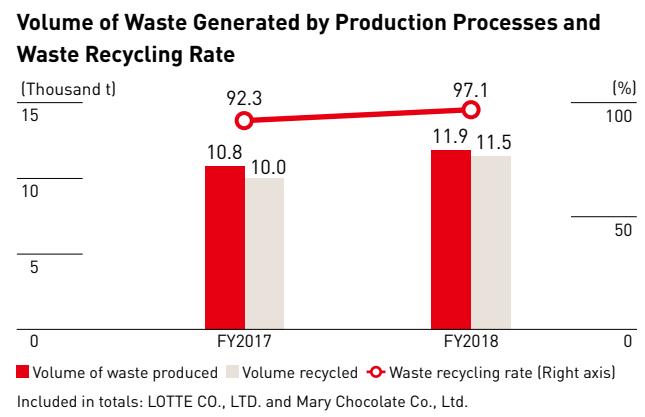
Medium-Term Targets

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

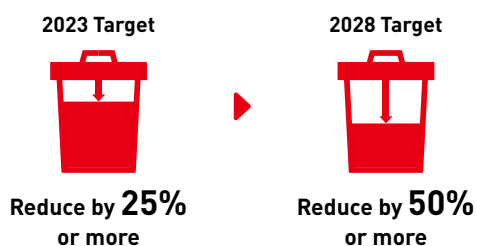
In FY2018, 12.3 thousand tons of waste was produced at major domestic bases. Of that total, 97.1%, or 11.9 thousand tons of waste generated by production processes was recycled, a year-on-year improvement of 4.8 percentage points. Going forward, we will make efforts throughout the value chain to restrict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

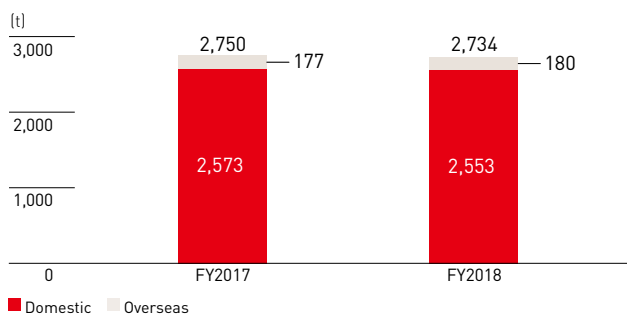


Food bank

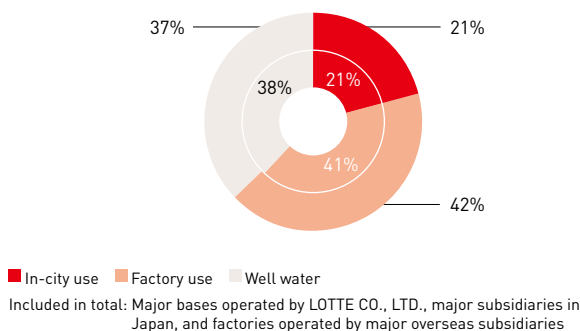
Water Resources

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.

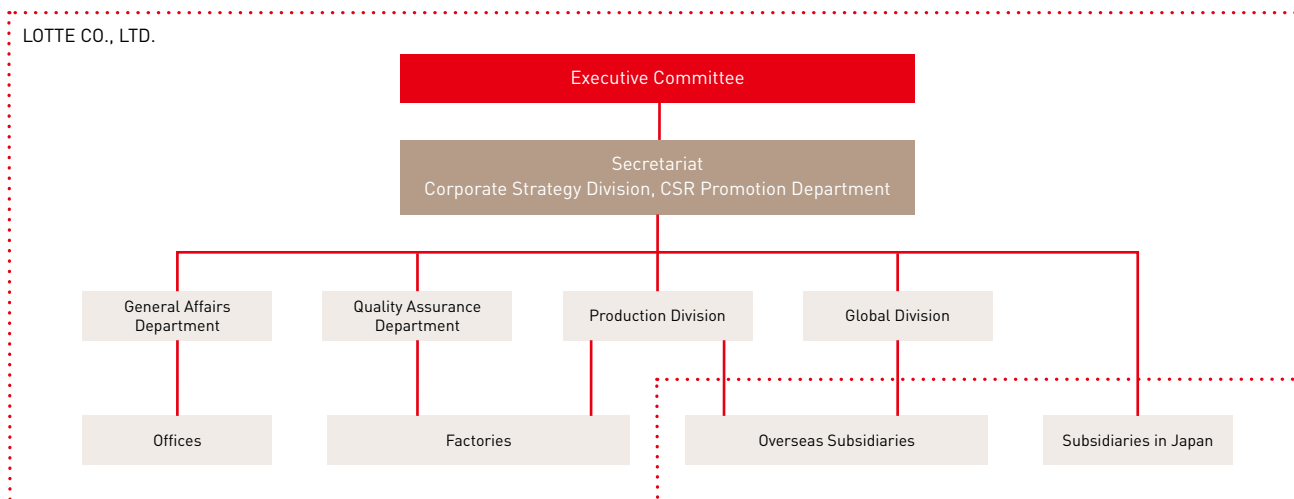


Environmental education

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

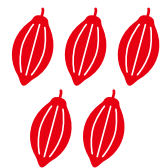
We have set a target for FY2023 of a 20% or higher usage rate of Fair Cacao out of total cacao beans procured, with the target of increasing this ratio to 50% or higher by FY2028.

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.

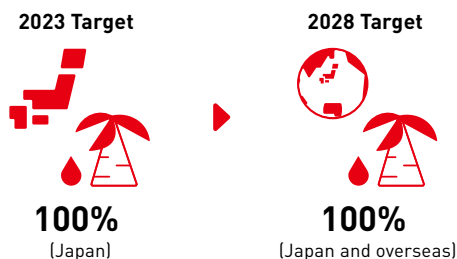


School feeding programme ©WFP / Mandang-ba Mustapha

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

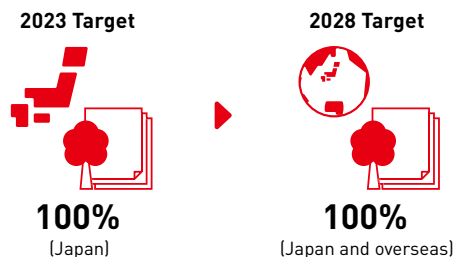
To promote the sustainable procurement of palm oil, we joined the RSPO. Through our association with the RSPO, we will work with palm-oil oriented companies and organizations and contribute to the sustainable development of the entire palm oil industry.



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.



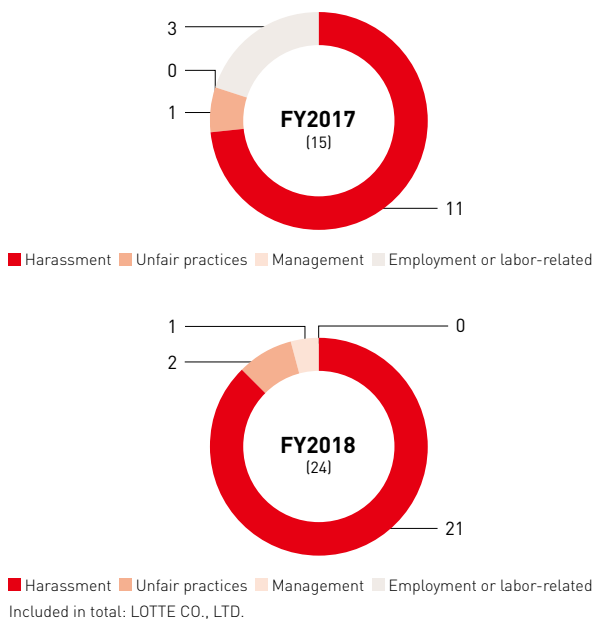
Compliance Training

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

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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

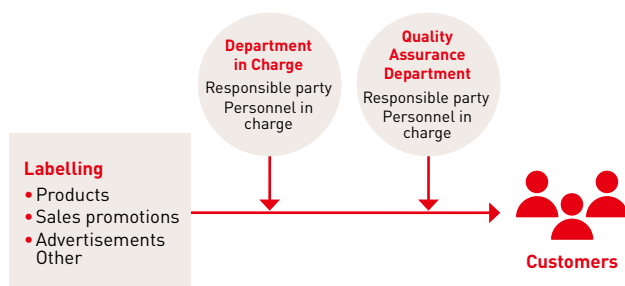
Measures to protect against contamination from foreign substances are implemented at factories belonging to LOTTE CO., LTD. with great care. Those entering a production site must wash their hands and use an alcohol disinfectant as a standard measure, and must undergo an additional three-step process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

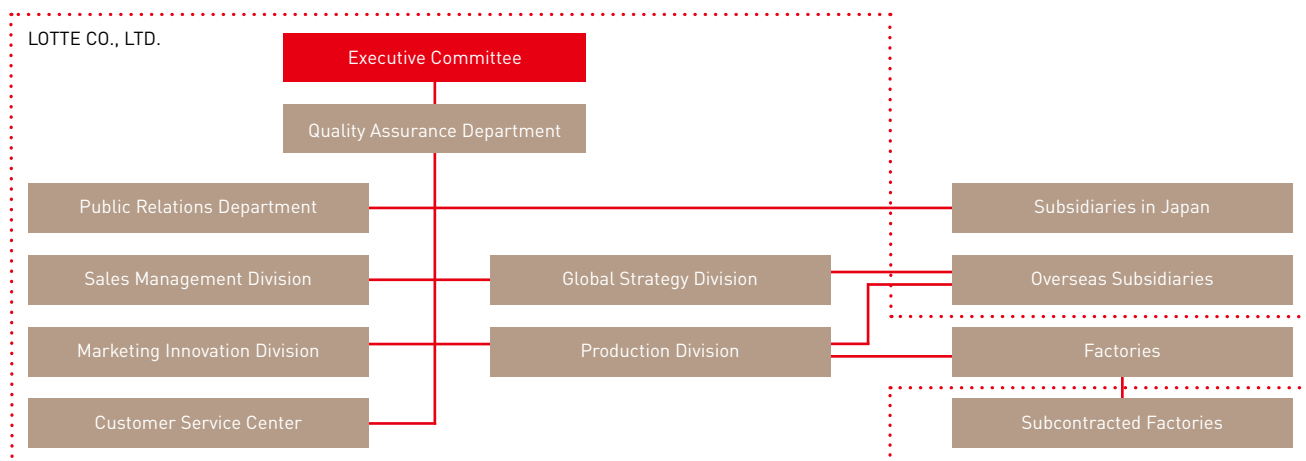
Labelling Checking System



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.

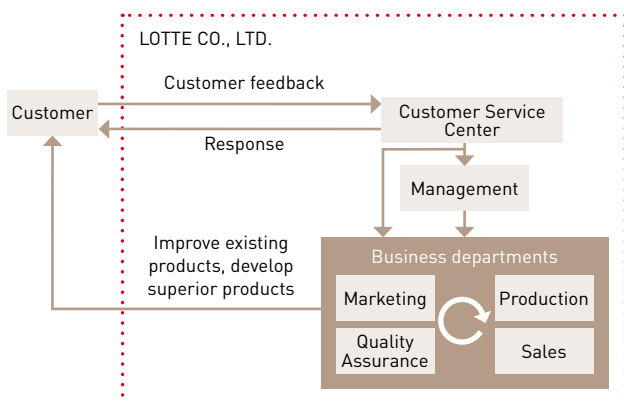
Therefore, to raise awareness and to prevent labelling errors, the Quality Assurance Department is holding workshops for employees at production sites. In Fiscal 2018, a total of 615 employees from LOTTE CO., LTD.'s factories participated in these workshops, which provided basic food labelling knowledge,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

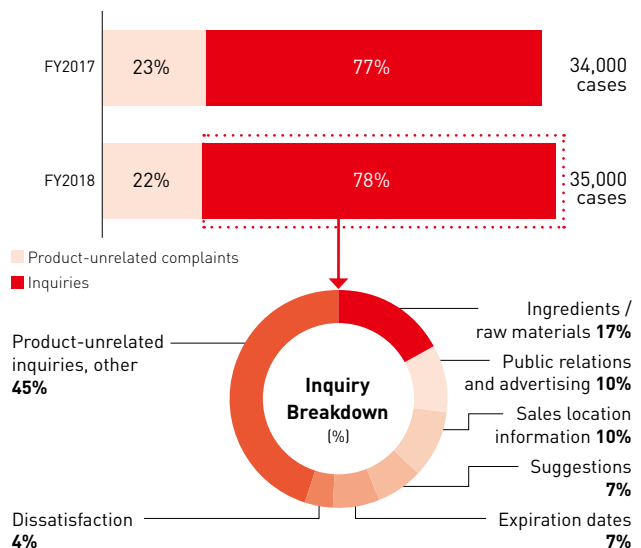
LOTTE CO., LTD. has established a Customer Service Center as a means to handle customer inquiries and consultations, which is part of our commitment to providing sincere support and clear information so that customers can use our products and services with relief. Customer feedback is shared with management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

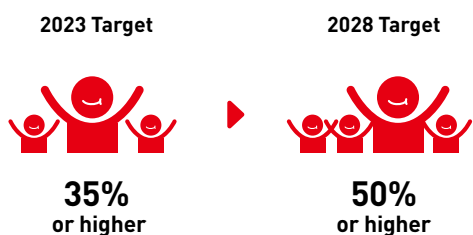


Included in total: LOTTE CO., LTD. Customer Service Center

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

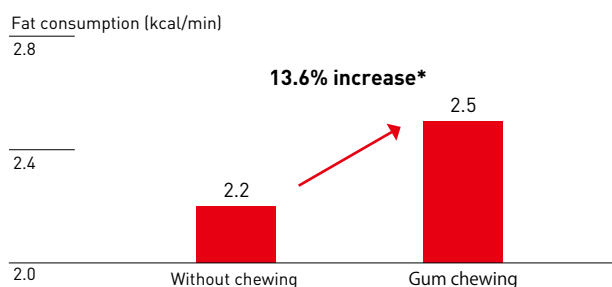
We are working with outside organizations to better spread awareness of *kamukoto* and its positive effects on health as a way to help enrich people’s lives.

● 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.



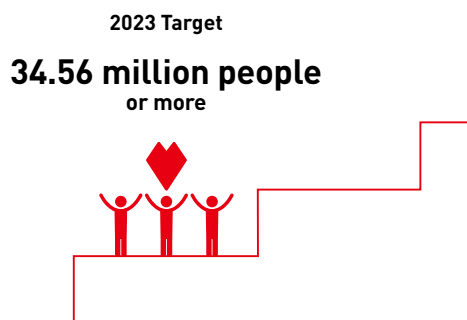
Health Gamu-Kamu Dumbbells Exercise

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

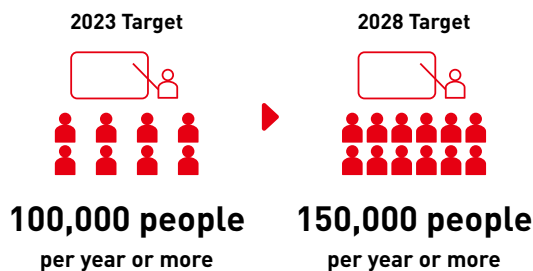
LOTTE CO., LTD. sent a total of 11,840 confectionery and 480 *Hiyaron* cooler packs to government-designated areas in the wake of the 2018 Japan floods. In addition, CHIBA LOTTE MARINES CO., LTD. held a pre-game fundraiser on July 16, collecting ¥459,296 from fans and donating an additional ¥1 million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

Sustainability Activities

Policy on Sustainability

Established on April 18, 2018

We aim to improve our corporate value through LOTTE Group Philosophy and contribute to the realization of a sustainable society.

- 1. Solving social issues through our business operations**
 We make proactive efforts to achieve a society in which people can be physically and mentally healthy and contribute to solving social issues through our business operations.
- 2. Pursuing safety**
 We extensively pursue the safety of products and services and contribute to improving the well being of society by providing "good taste," "fun," and "comfort."
- 3. Reducing the impact of our business on the environment**
 We understand that we are growing upon the blessings of nature as citizens of the earth and contribute to a low-carbon society and recycling-oriented society through our business operations.
- 4. Creating a workplace that enables our employees to maximize their potential**
 We respect the personalities and workstyles of employees, promote Life-Work balance, and create a workplace that enables our employees to maximize their potential.
- 5. Contributing to the realization of a sustainable society throughout the entire value chain**
 We contribute to realization of a sustainable society throughout the entire value chain in cooperation with stakeholders.
- 6. Establishing trust through productive dialogues with society**
 We comply with all laws and regulations, respect human rights, and conduct sincere and fair business operations based on ethics.
 We establish appropriate and positive relationships with stakeholders and fulfill our social responsibilities such as fair competition, appropriate disclosure of corporate information, etc.

Dialogues with Outside Parties

The Company pays close attention to outside feedback in regard to its sustainability activities and holds regular dialogues with outside experts, whose opinions are reflected in these activities. In addition, the Company promotes these efforts based on ISO26000, the International Organization for Standardization's standard for social responsibility, as well as the SDGs and other international initiatives. In terms of disclosure, the company references Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) standards while also working to expand the breadth of information disclosed and contribute to the dialogues with all of our stakeholders.

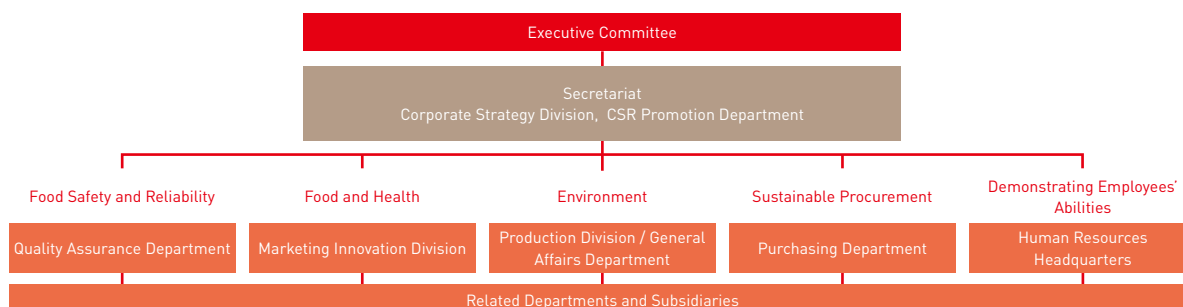
Educating Employees

To promote sustainability, it is important that employees, to whom this duty falls, have a full understanding of the concept. We employ various methods to ensure that employees receive and understand this information.

- Company Newsletter**
 A company newsletter issued monthly by LOTTE CO., LTD. contains articles explaining materiality and Medium-Term ESG Targets. In addition, since May 2019 we have switched to an online format, allowing us to disseminate information in a timelier manner.
- Education through Training Held by the Human Resources Division**
 Information pertaining to sustainability is included in each form of training held by the Human Resources Division. In FY2018, the Company held workshops aimed at senior management, which contained explanations of sustainability-related content as well as the stance adopted by LOTTE CO., LTD. Furthermore, from FY2019 onward we plan to include an explanation on sustainability when providing feedback to managers in the employee satisfaction survey.
- ESG Lecture Series**
 The CSR Promotion Department, part of LOTTE CO., LTD. Corporate Strategy Division, holds a lecture series arranged by materiality themes and led by outside experts. Moreover, these lectures are published on the Company's internal intranet in order to share them with employees who are unable to attend in person. In FY2018, a series of lectures were held on food loss and waste, diversity, and food labelling.

Sustainability Promotion System

The CSR Promotion Department, part of LOTTE CO., LTD. Corporate Strategy Division, also serves as the secretariat and promotes sustainability activities for the entire Group in cooperation with related departments. In addition, the Executive Committee looks into important sustainability policies, materiality, and medium-term targets, and then confirms the progress of related efforts.



LOTTE's Sustainability Initiatives

ESG	ISO 26000 Seven Core Subjects	Major Issues	Items in This Report	Materiality
G	Organizational Governance	Corporate Governance (page 22)	Corporate Governance, etc.	
		Risk Management (page 22)	Risk Management System Countermeasures for Large-Scale Disasters	
S	Human Rights	Employee-Related Initiatives (page 23)	Training Consultation Desk	
		Human Rights in Business (page 23)	Avoiding Human Rights Violations in the Supply Chain Human Rights and Research	
	Labor Practices	Diversity (page 24)	Promotion of Women's Success Employing Disabled Employees	Demonstrating Employees' Abilities
		Life-Work Balance (page 25)	Reducing Work Hours	
		Employee Engagement (page 26)	Employee Satisfaction Survey	
		Human Resource Cultivation (page 26)	Human Resource Cultivation Program Encouraging Career Planning (Self-Reporting System)	
		Health Management (page 27)	Certified as an Organization with Outstanding Health & Productivity Management (White 500)	
	Occupational Health and Safety (page 27)	Occupational Health and Safety System Safety Audits and Inspections		
	Fair Operating Practices	Sustainable Procurement of Cacao Beans (page 36)	Fair Cacao Project Connecting with Society, etc.	Sustainable Procurement
		Sustainable Procurement of Palm Oil (page 38)	Results Related to Palm Oil Procurement Connecting with Society	
		Sustainable Procurement of Paper (page 38)	Results Related to Paper Procurement	
		Supplier-Related Initiatives (page 38)	Sharing Our Values Quality-Related Initiatives	
		Compliance (page 39)	Compliance Training Whistleblowing System Information Security, etc.	
	Consumer Issues	Food Safety and Reliability (page 40)	LOTTE ADVANCE, Our New Quality Assurance System Quality Assurance Promotion System, etc.	Food Safety and Reliability
		Communication with Customers (page 42)	Utilizing Feedback Number of Customer Feedback Cases and Breakdown	
Spreading "Kamukoto (Chewing)" Awareness (page 43)		Initiatives from the Kamukoto Research Laboratory Connecting with Society		
Helping People Lead Healthy Lives through Our Products (page 45)		LOTTE-novation	Food and Health	
Community Involvement and Development	Food Education (page 46)	Food Education Activities (Factory visits, hand-on workshops)		
	Support for Devastated Areas (page 46)	2018 Japan Floods		
	Initiatives at Subsidiaries in Japan (page 47)	Mary Chocolate Co., Ltd. CHIBA LOTTE MARINES CO., LTD.		
	Initiatives at Overseas Subsidiaries (page 48)	LOTTE Wedel sp. z o.o. (Poland) THAI LOTTE CO., LTD. LOTTE VIETNAM CO., LTD. PT. LOTTE INDONESIA		
E	The Environment	Reducing CO ₂ Emissions (page 30)	CO ₂ Emissions Energy Input Utilizing Renewable Energy Logistics Initiatives	Environment
		Waste Reduction and Recycling (page 32)	Waste Production and Waste Recycling Rate	
		Food Loss and Waste Reduction (page 33)	Volume of Food Loss and Waste Produced Food Banks	
		Water Resources (page 33)	Water Consumption Water Risks	
		Ingredients (page 34)	Ingredients Procurement Volume Environment-Friendly Packaging Materials	
		Environmental Management (page 35)	Environmental Activities Promotion System, etc.	

● Primary Related SDGs ○ Related SDGs

Relationship with the 17 SDGs

1 POPEETY	2 GOOD FOOD	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR GOALS
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Independent Practitioner's Assurance of CO₂ Emissions

Energy-related CO₂ emissions for FY2018 (data indicated with ☑), on page 30 in the Japanese version of the report, have received the independent practitioner's assurance by Deloitte Tohmatsu Sustainability Co., Ltd.

Deloitte.

デロイト トーマツ

(TRANSLATION)

Independent Practitioner's Assurance Report

August 23, 2019

Mr. Eiichi Gochou,
President / Representative Director,
LOTTE CO., LTD.

Masahiko Sugiyama
Representative Director
Deloitte Tohmatsu Sustainability Co., Ltd.
3-2-3, Marunouchi, Chiyoda-ku, Tokyo

We have undertaken a limited assurance engagement of the energy-related CO₂ emissions (Scope 1 and Scope 2) indicated with ☑ for the year ended March 31, 2019 (the "CO₂ Information") included in the "LOTTE CO., LTD. SUSTAINABILITY REPORT 2019" (the "Report") of LOTTE CO., LTD. (the "Company").

The Company's Responsibility

The Company is responsible for the preparation of the CO₂ Information in accordance with the calculation and reporting standard adopted by the Company (indicated with the CO₂ Information included in the Report). The CO₂ Information quantification is subject to inherent uncertainty for reasons such as incomplete scientific knowledge used to determine emissions factors and numerical data.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. We apply International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the CO₂ Information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements ("ISAE") 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board ("IAASB"), ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the IAASB and the *Practical Guideline for the Assurance of Sustainability Information*, issued by the Japanese Association of Assurance Organizations for Sustainability Information.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. These procedures also included the following:

- Evaluating whether the Company's methods for estimates are appropriate and had been consistently applied. However, our procedures did not include testing the data on which the estimates are based or reperforming the estimates.
- Undertaking site visits to assess the completeness of the data, data collection methods, source data and relevant assumptions applicable to the sites.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the CO₂ Information is not prepared, in all material respects, in accordance with the calculation and reporting standard adopted by the Company.

The above represents a translation, for convenience only, of the original Independent Practitioner's Assurance report issued in the Japanese language.

Member of
Deloitte Touche Tohmatsu Limited

Company Information

Company Name	LOTTE CO., LTD.
Head Office	20-1, Nishi-Shinjuku 3-chome, Shinjuku-ku, Tokyo 160-0023, Japan
Date of Establishment	June 1948
Capital	¥217,000,000
Closing Date	March 31
Number of Employees	2,361 6,396 (Consolidated)
	[As of March 31, 2019]

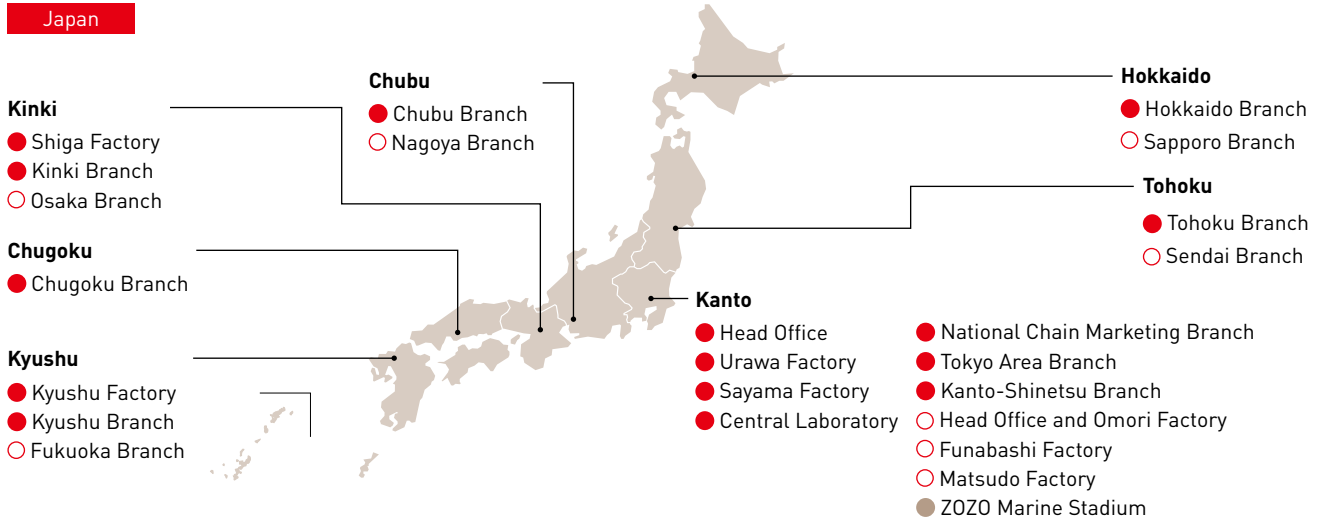
Website

Please visit our website for more information.

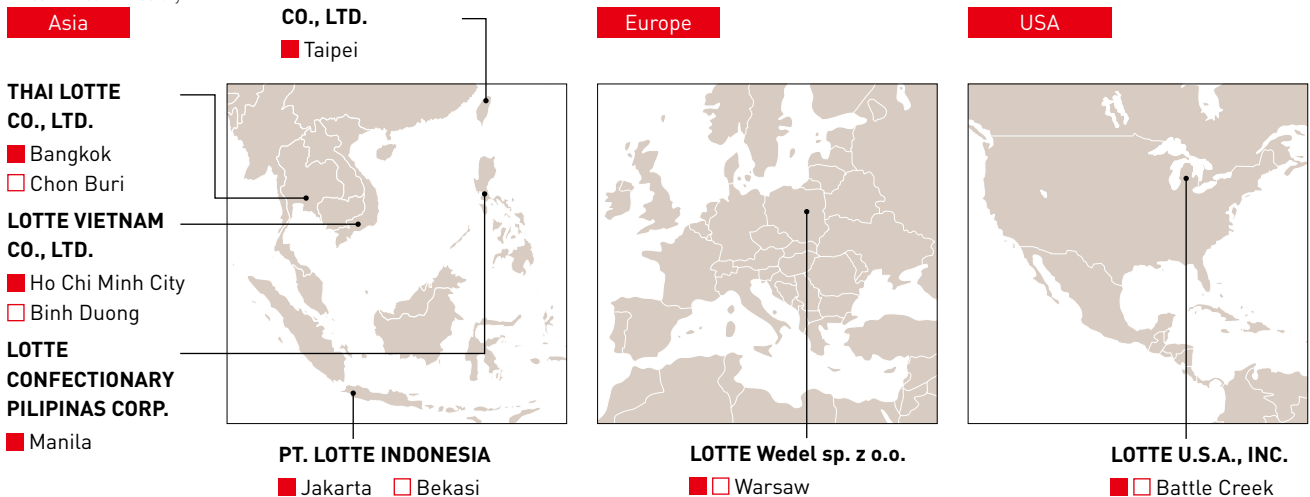
 Sustainability
<https://www.lotte.co.jp/english/sustainability/>

Business Locations

● LOTTE CO., LTD. ○ Mary Chocolate Co., Ltd. ● CHIBA LOTTE MARINES CO., LTD.



■ Head Office □ Factory



Everyday sweet life



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20-1, Nishi-Shinjuku 3-chome, Shinjuku-ku, Tokyo 160-0023
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