

life.love.
LION

Lion
Annual Report
2018

life.love.
LION



“life. love.”

Every day is full of wonderful moments.

Birds singing outside your window.

The clean feel of a freshly washed shirt.

A blue sky without a cloud in sight.

The smiling faces of children at play.

A tasty meal after a hard day's work.

Some days are special —

weddings, birthdays, holidays ...

But even the ordinary days are precious.

At Lion our business revolves around ordinary days.

Providing the products people need

to maintain good lifestyle habits.

Supporting cleanliness, health and comfort,

while protecting our global environment.

This is our mission, one in which we take pride.

Inspired by the wonder of everyday life.

Dedicated to creating a future full of health, hope and happiness.

For people everywhere around the world.

life. love.
LION

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Editorial Policy

This annual report has been prepared to assist shareholders, investors, and other stakeholders to better understand Lion's financial information, including its Management Vision and performance as well as its initiatives to enhance corporate governance, contribution to society and the natural environment.

Period Covered

From January 1, 2018 to December 31, 2018 (In part, figures for 2019 have been included)

Website for Shareholders and Investors: <http://www.lion.co.jp/en/invest/>
Sustainability (ESG) Website: <http://www.lion.co.jp/en/csr/>

Regarding Forward-Looking Statements

This Annual Report contains "forward-looking statements," including matters related to future business plans, corporate strategies, forecasts of performance, and other matters. Such statements were formulated based on information that was available at the time of the preparation of this Annual Report and may contain matters that are uncertain, such as economic conditions, market trends, and foreign currency risks. Please understand that the actual results may not be identical to and may differ from the forecast outlook.

Corporate Motto / Management Philosophy

Corporate Motto

**Lion Corporation positions
“Fulfilling a Spirit of Love”
as fundamental to its management,
and thus contributes to the enrichment
of the happiness and lives of people.**

Management Philosophy

1. We bring together the power of our personnel, the power of our technology and the power of our marketing, as we provide superior products that are helpful in the daily lives of people.
2. We respect the “Spirit of Tenacity and Creativity” that we have maintained since our founding, as we continue developing our business.
3. We deeply appreciate all those who extend their valuable support to us, as we prosper together through sincerity and mutual trust.

Corporate Message

Lion has been a regular part of everyday life for more than 120 years.

In that time, we have seen how ordinary days, one at a time, add up to a lifetime. Moreover, we have come to believe that each new day is the first step into a bright future, and that living every day positively and to the fullest is the essence of happiness.

That is why we have made it our mission at Lion to contribute to ordinary life, every day, and reflected this commitment in our corporate slogan.

**life.love.
LION**

A video of the Lion Statement can be found here ▼

<https://www.youtube.com/watch?v=F6S5TvojjC0&feature=youtube>

Lion Corporation History

Since its foundation, originating from soap and toothpaste, Lion has been promoting good daily habits through its products and educational activities for more than 120 years.

Currently, Lion's operation is not limited to Japan, but also is expanding to countries and regions throughout Asia.



Lion Products That Value Everyday Life

1900

Develops *Lion Hamigaki*, a tooth brushing powder that comes with charity coupons



1911 First in Japan

Launches *Lion Dental Cream*, Japan's first toothpaste that comes in a tube



1920 First in Japan

Launches *Plant-derived Lion Laundry Soap*. First time for plant materials to be used in soap and also for the praises of plants to be sung in Japan



1938 First in Japan

Launches *Lipon*, a high-grade, alcohol-based detergent for washing silks and furs and for cleaning tableware. Japan's first mineral oil-based synthetic detergent for home use



1948 First in Japan

Launches *Lion F Cream*, Japan's first toothpaste with fluorine. Effect of fluorine in preventing cavities becomes more widespread



1950s-

Develops many first-in-Japan products

1956 First in Japan

In response to health hazards caused by parasites, launches *Lipon F*, Japan's first kitchen detergent for washing fruit and vegetables as well as tableware



1962 First in Japan

Launches *Hi TOP*, Japan's first foam-suppressing laundry detergent, in rapid response to foam in rivers caused by synthetic detergents



1963

Commences sales of *BUFFERIN* antipyretic analgesics



1966

Launches *Mama Lemon* lotion-type detergent for washing tableware and vegetables



1979

Launches *TOP with Enzyme Power* laundry detergent. Improves detergency by incorporating as a component, enzymes that break down protein grime



1980s-

Diversification of cleanliness business

1981

Launches *Clinica Lion* toothpaste that breaks down plaque with enzymes. Advances prevention of cavities by research that is more scientific



1992

Launches *Emeron Shokubutsu-Monogatari* (Plant Story) 100% plant-derived soap, expands lineup of products based on plant-derived materials



1993

Launches *Dentor Systema Lion* (liquid toothpastes, toothbrushes, dental rinses) for prevention of periodontal disease



1997

Launches *KireiKirei Medicated Hand Soap* that features sterilizing components. Along with its product promotes hand-washing habits to raise awareness for cleanliness



2000s

Responses to lifestyle diversification

2000

Launches *Charmy V*, a detergent for use in the kitchen that with one application retains its cleaning power for a long time and can disinfect sponges



2001

Launches *Heyaboshi* (Hang-to-Dry Indoors) *TOP*, a laundry detergent that prevents unpleasant odors when drying clothing indoors



2007

Launches *CHARMY Awa no Chikara* (Power of Suds) dishwashing detergent. Realizes high washing performance by means of proprietary foaming technology and thus makes dishwashing easier



2007

Launches *Clinica Cavity Protect* toothpaste formulated with plaque-degrading enzymes and antibacterial agents as well as fluorine



2010s

Toward a new growth stage

2010

Launches *TOP NANOX*, a super-concentrated liquid laundry detergent. Enhances detergency by means of new ingredients that lift grime from fibers



2012

Launches *LOOK Bath Antimold Fogger*, which uses silver ion fog to sterilize and prevent mold growth. Expands market for mold remover



2014

Releases renewed *CLINICA* brand "from a Preventive Dentistry Perspective"



2016 First in Japan

Launches *hadakara Body Soap*, featuring Japan's first moisture-adsorbing formula, which ensures moisturizer is not washed away



V-1 Plan 2012-2014

Management Indicators (Actual Results)

| | | |
|------------------|------|-----------------|
| Net Sales | 2014 | ¥367.3 billion |
| | | (Japanese GAAP) |
| Operating Margin | 2014 | 3.4% |
| ROE | 2014 | 6.2% |

V-2 Plan 2015-2017

Management Indicators (Actual Results)

| | | |
|------------------|------|----------------|
| Net Sales | 2017 | ¥342.7 billion |
| | | (IFRS) |
| Operating Margin | 2017 | 8.9% |
| ROE | 2017 | 12.7% |

The LIVE Plan 2018-2020

Management Indicators (Targets)

| | | |
|------------------|------|----------------|
| Net Sales | 2020 | ¥400.0 billion |
| | | (IFRS) |
| Operating Margin | 2020 | 10% |
| ROE | 2020 | 12% level |

Over the three-year period of the LIVE Plan, Lion will designate ¥100 billion for growth investment to accelerate business growth toward "becoming an advanced daily healthcare company" and continually increase earnings.

Vision and Strategy

Lion's Value Creation Model

Since its founding, Lion has sought to build a healthy and comfortable living for people through the creation of better lifestyle habits, in line with its Company motto of "Fulfilling a Spirit of Love." By striving to realize its new Management Vision of "becoming an advanced daily healthcare company," and taking the lead in fostering people's contentment from a new perspective, Lion aims to increase corporate value and help build a sustainable society.

Creating value for business and society through the resolution of social issues

- The main social issues resolved through business operations
- Protection of global environment
- Response to rapidly advancing ultra-aging society
- Improving quality of life (QOL)

Financial Capital
 Net assets **¥204.2** billion
 Total assets **¥355.3** billion

Manufactured Capital
 Planned capital investment **¥33.0** billion (2019)

Human Capital
 No. of Lion Group employees **6,941** persons

Intellectual Capital
 R&D expenditures **¥10.9** billion

Social and Relationship Capital
 Participants in Oral Health Event—Tooth Brushing for Children
 Approx. **240** thousand children (2019)

Natural Capital
 Energy input **78,924** kl

- Four Strategies of the LIVE Plan**
- 1 Expand and Evolve Our Business Domains through New Value Creation
 - 2 Accelerate Growth in Overseas Businesses through Glocalization
 - 3 Reinforce Our Management Base through Business Structure Reform
 - 4 Create Dynamism to Foster Innovative Change

Business Activities and Strategy

Health Comfort Cleanliness
Creation of Better Lifestyle Habits

Consumer Products Business
 Oral Care Products Beauty Care Products Fabric Care Products Living Care Products Pharmaceuticals (OTC)

Overseas Business
 Southeast Asia Northeast Asia

Industrial Products Business
 Chemical Products Detergents for Institutional Use Products

Foundation Supporting Lion's Value Creation
 Human Resources Development (p.45) Research and Development (p.49) Supply Chains (p.53)

Response to the Environment and Society (p.23)
 Corporate Governance (p.57)

Creation of Shared Value

2020
 Group Targets
 Achievement of Medium-Term Financial Targets (p.15)
 Achievement of Sustainability Targets (p.25)

2030
 Vision: **Becoming an advanced daily healthcare company**
 Social Value:
 Extension of healthy life expectancy
 Ensuring people's everyday wellbeing
 Environmental contribution in building a sustainable planet

Investment for resolving social issues

Management Vision

Looking toward 2030

Becoming an Advanced Daily Healthcare Company

The Group has worked to improve business performance under Vision 2020. But, in light of the drastically changing environment going forward, Lion believes that it must clarify the orientation of its businesses and accelerate efforts aimed at innovation in order to meet the needs of society and customers and sustainably increase its corporate value.

Lion has set its new vision for 2030 as “Becoming an advanced daily healthcare company.”



Lion's Purpose

ReDesign the Everyday

Aiming to become an advanced daily healthcare company, Lion will "ReDesign" everyday rituals to become more natural, easy and enjoyable.

From bothersome to easy.

From chores to things you want to do.

From effort to what you do naturally.

We will create happiness never before experienced, and realize healthy minds and bodies for all.

And we believe that this is the very purpose of Lion.

ReDesign



The Four Strategies/Goals of the Medium-Term Management Plan: The LIVE Plan

Basic Strategy

Aiming to achieve the management vision, we will implement a medium-term management plan, the LION Value Evolution Plan (LIVE Plan), over the three-year period of 2018 to 2020.



1. ■ Expand and Evolve Our Business Domains through New Value Creation ■

Creating new combinations of various technologies and services, we will create new business value that realizes “healthy minds and bodies for all”.

● Oral-to-Body Solution

We aim for expansion and evolution that will create an “oral health care business” in which oral care contributes to whole-body health care.

● Daily Self-Care Enhancement

We will work toward evolution aimed at creating a health care business that will, in turn, “ReDesign” daily living to create healthful habits that help enhance QOL.

● Infotech Health Support

We will create new health care business models that leverage cutting-edge technologies, such as IoT and AI.

2. ■ Accelerate Growth in Overseas Businesses through Glocalization ■

Focusing on growing markets in Asia, we will integrate globalization and localization approaches to create unique competitive advantages and thereby expand the scale of our businesses and the areas in which we operate.

- We will evolve Group management by reinforcing regional management.
- We will aim for business area expansion based on e-commerce channels and M&A.

3. ■ Reinforce Our Management Base through Business Structure Reform ■

By improving management infrastructure and revising the business portfolio to stay ahead of changes in the environment, we will reinforce our management base to enable sustainable business growth.

- We will reinforce investment in the flexible, efficient manufacturing infrastructure that will drive business growth.
- We will build more advanced and sustainable supply chains.
- We will reinforce information system foundations to promote more-sophisticated Group management.
- We will advance revisions of business fields and the Group structure to improve the efficiency of management resources and business activities.

4. ■ Create Dynamism to Foster Innovative Change ■

We aim to foster corporate strength that will win out over global competition by promoting diversity and openness in our human resources, organizations, and corporate culture.

- We will create human dynamism by utilizing diverse human resources.
- We will create organizational dynamism that fosters ambition and creativity through open innovation.
- We will create management dynamism through environmental, social, and governance (ESG) initiatives and the reinforcement of health and productivity management.

Investment Strategy

Under the LIVE plan, Lion plans to invest a total of ¥100 billion over a three-year period. Funds will be allocated to further strengthen the management foundation and gain new growth opportunities, including considerable increases in such areas as R&D, production infrastructure, and IT infrastructure. In addition, both in Japan and overseas, we will designate funds to acquiring external resources and exploring new businesses through M&A.

Total
¥100 billion
over three years

Strengthen the management base

- R&D
- Production and IT infrastructure

Gain growth opportunities

- M&A
- New businesses

The Live Plan Financial Target (Consolidated)

| (Billions of yen) | Targets for 2020 | |
|--|------------------|--------------------|
| | | Ratio to net sales |
| Net sales | 400 | — |
| Core operating income | 40 | 10.0% |
| Operating profit | 40 | 10.0% |
| Profit for the period attributable to owners of the parent | 28 | 7.0% |
| ROE | 12% level | — |

* Effective from the fiscal year ended December 31, 2018, the Lion Group voluntarily adopted International Financial Reporting Standards (IFRS).

Top Message



“Becoming an advanced daily healthcare company”

The foundation of Lion Corporation’s management is “Fulfilling a Spirit of Love,” a value that has continued unchanged since our founding. For over 120 years, Lion has offered exceptional products and services that make everyday life better. Going forward, with the aim of realizing advanced health care, Lion is taking the lead in fostering contentment from a new perspective in order to increase corporate value and help build a sustainable society.

Itsuo Hama

Representative Director,
Chairman of the Board of Directors



Masazumi Kikukawa

Representative Director,
President and Executive Officer

Aims of the New Management Vision

Lion’s new Management Vision for 2030 is to “become an advanced daily healthcare company.” This vision, formulated in 2018, aims to accelerate the shift to a new stage of growth by clarifying Lion’s direction for the future, increasing the pace of reform while being responsive to changes in the business environment, and sustainably enhancing corporate value.

The business environment for Lion is changing rapidly as a result of the aging population, greater health consciousness, and an expansion in products and

services utilizing digital technologies. Considering this market, we formulated our Management Vision with the aim of being a company with an even greater presence, and that is considered essential by society and customers, both in Japan and throughout Asia. Through the ReDesign of the everyday rituals to become more natural, easy, and enjoyable, we will contribute to healthy minds and bodies for all customers, and establish a solid position for Lion as a leading company. This is, in essence, the purpose of Lion Corporation.

Both inside and outside the company, Lion is demonstrating the reason that it exists, the contributions it makes to the world, and the type of company that it endeavors to be.

In 2018, with the aim of being an advanced daily healthcare company, Lion launched the three-year LION Value Evolution (LIVE) Plan. Through this plan, we accelerate business growth, placing priority on creating a new growth engine looking ahead to 2030. To achieve this, in January 2019, Lion put in place a two-person top management structure comprising

the chairman (CEO) and president (COO). The chairman will integrate the business strategy of the corporate group, and work to generate business value from a medium- to longer-term perspective, in order to establish powerful growth engines. The president will handle business execution overall, further accelerating the growth of existing businesses, and advancing them to a higher level.

We believe that this “dual-handed management” will further enhance corporate value.

Review of the First Year of the LIVE Plan

Four Basic Strategies of the LIVE Plan

1 Expand and Evolve Our Business Domains through New Value Creation

2 Accelerate Growth in Overseas Businesses through Glocalization

3 Reinforce Our Management Base through Business Structure Reform

4 Create Dynamism to Foster Innovative Change

Expand and Evolve Our Business Domains through New Value Creation

Through the integration of various technologies and services, Lion is working to create new business value that realizes “healthy minds and bodies for all”.

■ Continued growth for high value-added products

The market environment for existing businesses remains harsh, but Lion is continuing to focus on customer experience-based value that elicits a sympathetic or emotional response, developing brands and enhancing added value. During 2018, we received a

positive response for value-creating products such as *LOOK Plus Bath Cleansing* bathtub cleaner, *hadakara Body Soap*, and *NONIO* toothpaste and dental rinse. We expect these positive effects to continue in 2019 and beyond.

■ Initiatives in new business fields

Lion is venturing into new businesses utilizing leading-edge technologies. Examples include the development of a smartphone app that uses digital data to support bad breath care, and the commercialization of *VISOURIRE*, a beauty appliance launched through a crowdfunding platform.



Accelerate Growth in Overseas Businesses through Glocalization

Focusing on the growing markets in Asia, we will integrate globalization and localization approaches to create unique competitive advantages and thereby expand the scale of our business and the areas in which we operate.

■ Growth in Southeast Asian markets

Lion expanded sales mainly in Thailand and Malaysia, while also managing to counter the negative impact from higher material costs through cost reductions and other measures, with a significant increase in earnings.

■ Structural reforms in Northeast Asia

Lion reformed the business structure in China, creating a foundation for future business growth. We feel that this will allow us to increase the pace of growth from 2019.

■ Promoting preventive dentistry

Preventive dentistry is an initiative backed by governments, health experts, and retailers. The aim of preventive dentistry is to improve people's health, and at the same time expand business. Lion is making efforts in countries and regions in Asia for further expansion going forward.

Reinforce Our Management Base through Business Structure Reform

By improving management infrastructure and revising the business portfolio to stay ahead of changes in the environment, we will reinforce our management base to enable sustainable business growth.

■ Expanded production capacity in the oral care sector

Under the LIVE plan, Lion plans to invest a total of ¥100 billion over a three-year period on R&D, M&A, and facilities. During the initial year of the plan, we expanded production capacity in anticipation of growth in the oral care sector, both in Japan and

overseas. As part of this expansion, Lion established a new toothbrush manufacturing plant in Sakaide, Kagawa Prefecture and launched its operations. Lion also built a new facility for dental rinse at the Akashi Plant (Akashi, Hyogo Prefecture), increasing domestic production capacity. Moreover, the Company decided to build a new toothbrush manufacturing plant to be completed in 2021.

Create Dynamism to Foster Innovative Change

We aim to foster corporate strength that will win out over global competition by promoting diversity and openness in our human resources, organizations, and corporate culture.

■ Establishment of the Innovation Lab

The Innovation Lab was established in January 2018 as part of the Research and Development Headquarters as an initiative to create new business. Instead of a pyramid-type organization, the lab has a flat structure, with all members encouraged to pursue development with the mindset of an entrepreneur. During its initial year, the lab developed a smartphone app to support bad breath care and, as the next step to practical application, conducted verification tests with employees working for customer service industries. The lab also developed the new beauty device *VISOURIRE*, using Japan's largest crowdfunding service Makuake to support commercialization. The product is expected to be available in 2019.

■ ReDesign Forum

Lion brought together around 100 young employee volunteers to advance internal reforms. The aim of this forum is to consider management messages such as the new Management Vision and Purpose and apply them to everyday business practices, suggesting their own ideas and discussing directly with the management. In effect, this was an effort to ReDesign the mindset of management and employees and change the future of Lion.

Achieving the LIVE Plan

Management Acceleration

The keyword for 2019 is “Acceleration”. To achieve this, Lion will implement reforms from the three standpoints of sensitivity, decision-making, and business implementation. We aim to reach new levels of sensitivity that will detect signs of risks and opportunities before others, make decisions quickly in response, and take immediate action. We expect to see the benefits from this in fiscal 2019 and fiscal 2020.

To support continued business growth, in the domestic market we will generate high value-added products, while for the overseas market we will further enhance the pace of profitable growth.

■ Domestic Business

Japan has entered a period of population decline, but we expect to realize sustainable growth by stepping up the pace of our ongoing efforts to offer high value-added products. We find untapped high value-added areas, the “blank spaces” in the market, and target these with focused activity. For example, one of the new products launched in 2019 *CLINICA ADVANTAGE NEXT STAGE Toothpaste*, a toothpaste enhancing preventive dentistry for adults. This product expands the category of cavity prevention toothpaste, an area where there have been few advances in high value-added products. *BUFFERIN Light*, an antipyretic analgesic and has a milder efficacy that greatly reduces the burden on the body, is uncovering demand among consumers who have reduced their use of antipyretic analgesics, or who’ve never taken them before.

These products stimulate the market by raising unit prices and generating new demand.

In the fabric care sector, where price competition remains fierce, we feel that fundamental innovation is needed. Without adding excessive price competition for liquid and powdered detergents, we are focusing on super-concentrated liquid laundry, continuing on a high value-added track. We are also pursuing development of new style detergents.

■ Overseas Business

Penetrating the Chinese market is the key to expansion in the overseas business. Lion reformed its business structure in China in 2018, and this fiscal year is taking steps for profitable growth. We are concentrating on specific brands and regions, and developing online sales channels, as well as offline channels from the standpoint of the product ripple effect. Lion’s greatest strength is the sense of trust that comes from “Made in Japan.” The number of visitors to Japan is expected to rise sharply with the 2019 Rugby World Cup and 2020 Tokyo Olympic Games, and we will seize this opportunity to raise awareness of Lion products among inbound visitors and encourage trial purchases, generating repeat demand after they return to their own countries.

Through these activities, we plan to build trust in Lion brands such as *CLINICA* and *SYSTEMA*, and then utilize that reputation to ultimately expand sales of locally-produced products in China and other areas.

In 2019, we established the Cross-Border Business Promotion Department to support these activities. This office will integrate the various business promotion divisions to conduct company-wide activities.

Lion currently conducts business in eight countries and regions, and is planning further expansion. We will establish an identity in Asia as a company originating in Japan, confronting the global giants.

Measures for Sustainable Management

Since its founding, Lion has placed importance on contributing to society through its business activities, and sustainability management continues in Lion’s corporate DNA. We also believe that “sustainability” will be a vital keyword to realizing our management purpose. In the LIVE plan, with a thorough understanding of the requirements of societies described in the ISO 26000 international standard for social responsibility, as well as universal issues such as the UN Sustainable Development Goals (SDGs), we put our heads together on management issues, and identified the important sustainability issues for Lion to pursue as a company, and set targets for 2020. Along with ESG (environmental, society and governance) measures aimed at establishing a stronger

management foundation, Lion is also actively pursuing CSV (creating shared value) for its business and society, and generating opportunities. These efforts have been recognized and highly regarded, leading to Lion being included in various ESG indices in Japan and overseas.

Further, in 2019 we plan to establish a Sustainability Promotion Meeting comprising management members, in order to strengthen sustainability management.

Going forward, Lion will continue to pursue sustainability management, in order to be a highly trusted company that meets the expectations of society.



Vision and Strategy

Lion's Sustainability

Basic Approach

With its origins in soap and toothpaste, Lion has aimed to promote daily health for people, since its foundation, by providing useful products and have driven educational activities and provision of information to consumers, thus helping to foster good habits. We have long been deeply aware that the pollution of the global environment is a worldwide issue and have taken steps to respond to environmental concerns such as by developing environment-friendly products. Lion has, and will continue to respond to social issues, which change overtime, and will promote initiatives for a sustainable, society and business growth.

We are committed to providing solutions to social issues both in and outside Japan such as improvement of QOL, and to contributing to the UN Sustainable Development Goals (SDGs) through our business activities in the field of healthcare.

In line with this, the Lion Group will contribute to achieving Goal 3 of the SDGs—ensure healthy lives and promote well-being for all at all ages—through our products and services. We aim to turn the world vision of the SDGs into reality through the pursuit of our medium-term management plan, the LIVE Plan.



Materiality

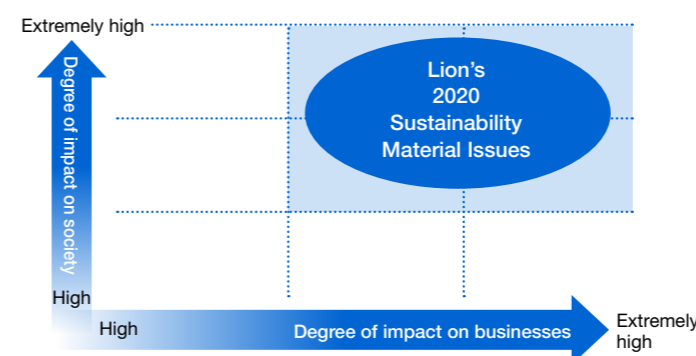
Toward realization of the LIVE Plan and Management Vision, we have identified our 2020 Sustainability Material Issues through the steps indicated on the right and have classified them into risks and opportunities with careful consideration for the entire supply chain and stakeholders. We have also defined the directions for initiatives to be executed in response to each issue and have set targets and KPI.

We will dedicate ourselves to strengthening our management foundation by reducing risks and to realizing individual "healthy minds and bodies for all" through oral health care and cleanliness and hygiene rituals.

Steps for identifying Sustainability Material Issues

- Step 1 Identify social issues**
39 social issues were identified based on ISO 26000, the SDGs, the GRI Standard and the ten principles of the UN Global Compact.
- Step 2 Consider their degrees of impact on society and businesses**
The issues identified in Step 1 were arrived at by conducting important evaluation from the perspective of degrees of impact on society and businesses respectively, and by conducting reviews related departments, the director in charge of sustainability, and the Board of Directors.
- Step 3 Investigate validity of material issues**
The validity of each item was investigated while incorporating the viewpoints of third-party institutions, and reviews were conducted as necessary.
- Step 4 Obtain approval from the Executive Committee and Board of Directors**
The identified 2020 Sustainability Material Issues were approved by the Executive Committee and Board of Directors.

Approach to identify our Sustainability Material Issues
















Risks and Opportunities Regarding Sustainability Material Issues in the Supply Chain

| | | Procurement of Raw Materials, Packages and Containers ▶▶▶▶ | ▶▶▶ Major Initiatives Undertaken by Lion ▶▶▶▶ | ▶▶▶▶▶ Use by Consumers ▶▶▶ | ▶▶▶▶▶▶ Disposal by Consumers |
|--------------------------------|---------------|---|---|----------------------------|------------------------------|
| Sustainability Material Issues | Opportunities | | <ul style="list-style-type: none"> Promoting Diversity Promoting a Work-Life Balance Developing Human Resources Reinforcement of Health and Productivity Management | | |
| | Risks | <ul style="list-style-type: none"> Promoting Environmental Initiatives for a Sustainable Planet Respecting Human Rights | <ul style="list-style-type: none"> Enhancing the Occupational Safety Management System | | |
| Key Stakeholders | | Business Partners | | | Customers |
| | | | Employees | | |
| | | | | Shareholders and Investors | |
| | | | | | Local Communities |

2020 Sustainability Material Issues and Objectives

The following are the Lion Group's Sustainability Material Issues and Objectives to be implemented by 2020. Further details in relation to the status of progress toward the implementation of the objectives are updated in Lion's Sustainability Report and on the website.

(Websites are only in Japanese)

| | Core Subjects | Sustainability Material Issues | Directions for Initiatives toward the 2020 Objectives | 2020 Objectives and KPI | Web |
|-----------------------------------|--|---|--|---|---|
| E | The Environment | 1 Promoting Environmental Initiatives for a Sustainable Planet | Work together with consumers and local communities actively to promote environmental conservation activities, aiming harmonization of a sustainable society and the development of our businesses. | <ul style="list-style-type: none"> Promotion of environmental business management Promote and achieve the "Eco Vision 2020" environmental objectives (Global) Establish the "New Environmental Objectives 2030" to minimize environmental impacts over the entire life cycle of products, including at the stage of their use in customer households (Global) Promote appropriate use and management of chemical substances (Global) Confirm and review the progress of environmental management through top environmental audits and the Sustainability Promotion Meeting*1 (Domestic) |  |
| | | 2 Respecting Human Rights | Build a Group system which respects human rights. | <ul style="list-style-type: none"> Enhancement of initiatives for respecting human rights based on the Group philosophy Formulate human rights policies for all Lion companies (Global) Expansion of internal and external contacts for reporting and consultations 100% recognition rate for the "AL Heart Hotline" (Domestic) |  |
| S | Labor Practices | 3 Promoting Diversity | Expand creative business activities through the application of diverse human resources. | <ul style="list-style-type: none"> Promotion of activity by women at the management level Develop female employees to drive the next generation of management (Global) 20% proportion of female employees at the management level (Domestic) |  |
| | | 4 Promoting a Work-Life Balance | Create an uplifting feeling among employees through work style reforms. | <ul style="list-style-type: none"> Realization of smart work*2 to harmonize productive work and personal lives Implement employee awareness and behavior surveys (Domestic) 70% usage rate of annual paid leave (Domestic) |  |
| | | 5 Developing Human Resources | Create personal dynamism by developing human resources with diverse and abundant ideas which enable to fulfill the expectations of global stakeholders. | <ul style="list-style-type: none"> Arrangement of human resources development systems to successfully cultivate personnel who can learn and act independently |  |
| | | 6 Enhancing the Occupational Safety Management System | Enhance and thoroughly enforce the Occupational Health and Safety Management System across the entire Group. | <ul style="list-style-type: none"> Thorough enforcement of occupational safety and the safety of facilities 0 serious accident and 0 serious incident (Global) |  |
| | | 7 Reinforcement of Health and Productivity Management | Build a Lion's health management model, which will be appropriate for an advanced daily healthcare company. | <ul style="list-style-type: none"> Expansion of support programs to aid employees in forming health care habits 100% health checkups (Domestic) 100% dental checkups (Domestic) 100% rate of receiving examinations for cancer classified by age (Domestic) |  |
| | | 8 Building Responsible Supply Chain Management | Promote management with high effectiveness in the supply chain. | <ul style="list-style-type: none"> Build more advanced and sustainable supply chains Implement supplier sustainability self-checks related to procurement (Global) 100% implementation rate of supplier sustainability self-checks related to procurement (Domestic) |  |
| | | 9 Pursuing Customer Trust and Satisfaction | Thoroughly promote corporate activities with a high level of credibility to customers across the entire Group, and further develop customer-oriented management. | <ul style="list-style-type: none"> Enhancement of reliability assurance systems covering the entire supply chain Improvement of customer satisfaction through enhancement of customer support quality Enhancement of security system through system construction and supervisory management enhancement |  |
| 10 Creating Healthy Living Habits | Contribute to the creation of healthy living habits such as oral health care, and cleanliness and hygiene practices and habits, in order to extend healthy life expectancy of all people and to ensure people's everyday well-being. | <ul style="list-style-type: none"> Implementation of activities to establish health care habits such as preventive dentistry and hand washing, in coordination with business activities Contribution to the resolution of social issues based on co-existence with communities, involvement by employees, and enhancement of partnerships |  | | |
| G | Organizational Governance | 11 Promoting Risk Management | Enhance the risk management system for the entire Group. | <ul style="list-style-type: none"> Promotion of comprehensive and extensive risk management across the entire Group |  |
| | | 12 Embedding Compliance | Enhance the effectiveness of compliance activities across the entire Group. | <ul style="list-style-type: none"> Construction of a compliance management system Expand familiarity with the Lion Group Charter for Corporate Behavior and the Behavioral Guidelines (Global) 100% rate of participation in compliance-related training (Domestic) |  |
| | | 13 Enhancing Group Governance | Engage in enhancing governance for the entire Group. | <ul style="list-style-type: none"> Arrangement of a Group Governance System in accordance with the Basic Policy for Corporate Governance |  |

*1 Was held as the "Environmental Action Promotion Committee" until 2018.

*2 Work styles to promote highly-concentrated work in order to improve productivity.

Financial and ESG Highlights

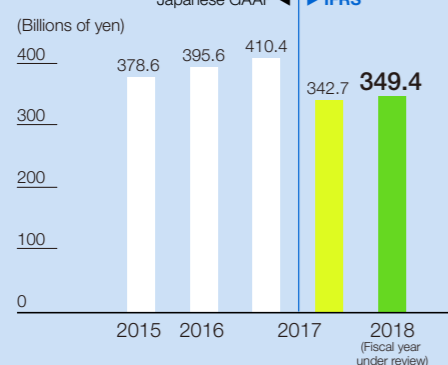
Financial Highlights

Net Sales

¥349.4 billion

Net sales rose ¥6.6 billion,
a year-on-year increase of 2.0%.

Net Sales

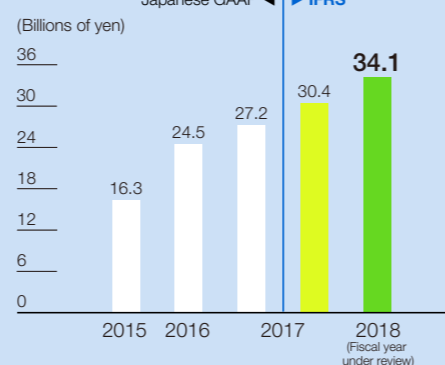


Operating Profit

34.1 billion

Substantial year-on-year increase of 12.2%.

Operating Profit*

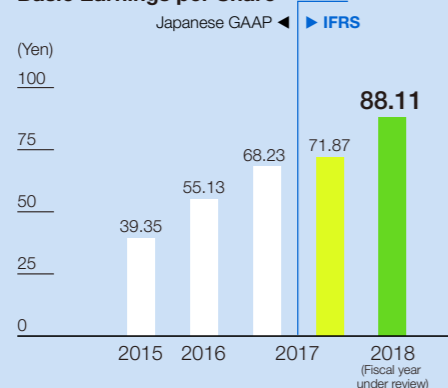


Basic Earnings per Share

¥88.11

Year-on-year increase of 12.3%.

Basic Earnings per Share*



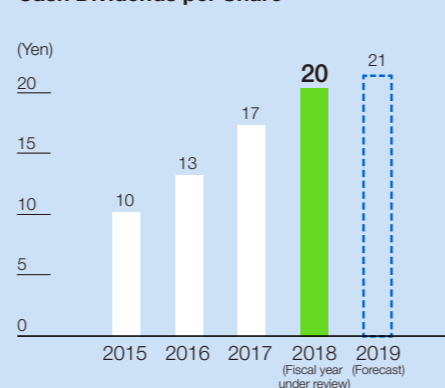
* Listed as Earning per Share under Japanese GAAP.

Cash Dividends per Share

¥20

Third consecutive fiscal year of dividend
growth. Annual dividend projected to again
increase in 2019 to ¥21 per share.

Cash Dividends per Share



ESG Highlights

Reduction of Greenhouse Gas Emissions from Business Activities*¹

-48%

*¹ Compared to 1990 levels; Absolute quantity; Business locations in Japan



Lion is promoting energy-saving activities throughout the entire Company, including the production, administration, sales, and R&D divisions.



Participants in the Oral Health Event of Tooth Brushing for Children

Approx. **1.45 million**

(cumulative from 1932 to 2018)



The Oral Health Event of Tooth Brushing for Children is held annually in June during the “Dental/Oral Health Week” for elementary school students. The goal of the event is to raise awareness toward the importance of dental and oral health. In 2018, a record number of schools and students participated. The event was attended by roughly 210,000 students from elementary schools across Japan and six other Asian countries and regions.



Reduction of Water Use in Business Activities*²

-48%

*² Compared to 2000 levels; Absolute quantity; Business locations in Japan



In addition to the full-scale operation of facilities to recycle waste water at the Chiba Plant, where the volume of water used is the largest of any of the Company’s domestic production facilities, Lion is promoting a raft of water saving activities at each of its operating sites.



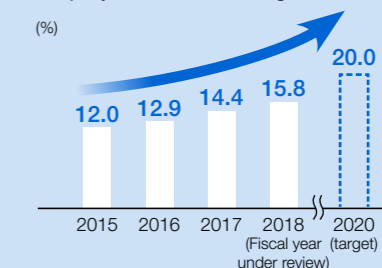
Proportion of Female Employees at the Management Level

15.8%



Lion is working to promote diversity with an eye toward the 20% target set for 2020.

Trends in the Proportion of Female Employees at the Management Level (%)



Consumer Products Business

This business encompasses products and services for everyday living, especially oral care, beauty care, fabric care, living care and pharmaceuticals.



Deodorizing cat litter (sand-type cat litter) Share No. 1

16%
Other

Eye drops to deal with issues associated with aging Share No. 1

Antipyretic analgesics Share No. 2

13%
Pharmaceutical Products

8%
Living Care Products

25%
Oral Care Products

Toothpastes and toothbrushes Share No. 1

10%
Beauty Care Products

Hand soaps Share No. 1

28%
Fabric Care Products



Consumer Products Business

Enhancing the status of our mainstay categories and securing a growth foundation by creating value for customers

Yugo Kume

Director, Executive Officer
Executive General Manager of
Health and Home Care Products
Division

Market Size by Category



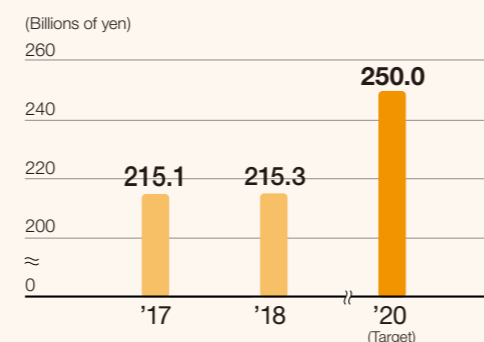
Source: INTAGE Inc., SRI survey, each category. Data are from January through to December 2018 on the basis of sales amount.

Result of Activities in FY2018

Percentage of Consolidated Net Sales



Net Sales* (External Sales)



From 2018, Lion began applying International Financial Reporting Standards (IFRS). Values before this have been recalculated to conform to IFRS.

Review of 2018

During the first year of the LIVE Plan, the Consumer Products Business (domestic business) focused on creating high-value-added products and on improving the product mix. We introduced new toothpastes, toothbrushes, dental rinses, body soaps, laundry detergents, fabric softeners, eye drops, and other new products, and pursued growth through aggressive marketing strategies. In Living Care

Products, our launch of *LOOK Plus Bath Cleansing* as a new product that offers new lifestyle habits received a positive response. Meanwhile, under the influence of an increasingly competitive environment for liquid detergents, overall net sales in the Consumer Products Business fell 4.0% compared to the previous year and external sales increased 0.1%.

Consumer Products Business Related Market Environment and Consumption

Against a backdrop of less disposable time among consumers, advancing digitalization, population decline, and other major changes in the market, the Consumer Products Business is now experiencing more intense domestic competition.

Likewise, in the Consumer Products market, as a result of each person having less disposable time, the amount of time and effort consumers spend on making purchasing decisions is falling. In this operating environment, Lion must now acquire a deeper understanding of its customer's life style to ensure our products bring about a positive impact on them. Further, it has become ever more important for

the Company to implement more easily understandable brand communication in every realm, from the point-of-sale in retail stores to digital.

To drive market growth given the state of population decline, it has become important for Lion to maintain a greater sense of speed in developing high-value-added products whose significance stems from the creation of new value for its customers.

The Lion products that are well-received by our customers are based on these initiatives. And we believe that accelerating these initiatives will lead to future growth.

Towards Realizing the LIVE Plan

The Consumer Products Business is investing its priority resources in the following areas to realize the LIVE Plan.

- Establishing overwhelming competitive advantages in Oral Care Products
- Maintaining a stable presence in Fabric Care Products
- Expanding the Pharmaceutical (OTC) Business
- Creating a new customer experience through the use of technology

Establish Overwhelming Advantage in Oral Care

In Oral Care, from all directions Lion conveys the best product solutions and the benefits brought about by these for consumers in every stage of life, starting from before their first birthday. Lion believes that raising the oral care consciousness of Japanese consumers and making proper care habitual will improve the QOL of all generations.

Lion creates new lifestyle habits for our customers through the know-how we have acquired from our many years of oral care educational activities and through our deep network within the dentistry world. For example, we have expanded the practice of preventive dentistry domestically through continued communications since 2014. Spreading these preventive dentistry practices has both expanded the market and connected to a higher QOL among the population.

Lion will continue to provide outstanding products, communication, and point-of-sale activities as a means of creating an excellent oral care experience among our customers and of continuing to drive market expansion.



SYSTEMA Haguki (the Gums) Plus Toothpastes and Toothbrushes

Expanding Our Presence in Fabric Care Products

Among housework, the one chore that consumes the greatest amount of disposable time of busy consumers is laundry. Doing laundry in Japan is fraught with many challenges, including rain, humidity, pollen, and intense heat. Against this backdrop, Lion believes that fabric care products that simply fulfill the basic capabilities of detergency, conditioning, and deodorizing cannot provide value to our customer's lives.

Likewise, Lion offers convenient products that help laundry dry quickly, continue to deodorize throughout the day, and continuously give off an unchanging scent, thereby expanding support among our customers.



TOP Hareta

SOFLAN Premium Deodorizer

SOFLAN Aroma Rich

Expanding the Pharmaceutical (OTC) Business

The OTC Business contributes to a higher QOL among consumers through the continued creation and delivery of new value. At the same time, by pioneering new markets as a leader in promoting self-medication, Lion is undertaking the challenge of establishing its presence in logistics and maintaining a balance with the shift to highly profitable businesses.

In aiming for further growth in the OTC Business, Lion foresees the greater occurrence of diseases related to macro-trends, including higher stress levels, the social advancement of women, more allergies, aging, and the spread of digital devices. We therefore prioritize the enhancement of these areas and continue to undertake these challenges.

More recently, a personalized use of OTC pharmaceuticals is increasing, and therefore a shift from family-use to pharmaceuticals suited to individual needs is continuing. Lion will capture these needs and enhance our digital-based marketing in the future.



Smile Medical A

Creating a New Customer Experience Through the Use of Technology

One important step in aiming to "become an advanced daily healthcare company" is the creation of a new customer experience through the use of AI and IoT. Lion is advancing these types of unprecedented, breakthrough initiatives in our existing businesses and new businesses.

Technology-Based Services

NONIO MIRROR

As an oral care brand to fight bad breath, *NONIO* launched the *NONIO MIRROR* mobile phone app. This app checks for the risk of bad breath and supports smiles as a means of assisting communication among consumers. This app goes beyond simply evaluating the user's smile. Instead, it assists smiling-based communication between peers by checking and ranking smiles of those in group photographs. Furthermore, by simply using your smartphone to take a photograph of your tongue, the app enables users to evaluate their risk of bad breath, which is difficult for individuals to recognize on their own and is thus a source of uncertainty.

Moreover, the app also gives advice on how to reduce bad breath using our oral care brand *NONIO*.



Bad Breath Risk Check

Smile Check

Our Purpose: "ReDesign the Lifestyle Habits of Our Customers"

Our purpose is, without question, to change everyday rituals to become more natural, easy, and enjoyable. This is the concept that is expressed by "ReDesign" as the keyword raised in the LIVE Plan.

By instilling this concept of "ReDesign" into each one of our brands, we enhance the support (engagement) for our brands.

Promoting CSV (Creating Shared Value)

Since our founding, Lion has been continuously involved in solving social issues that change with the times under its spirit of "Benefiting Society through Business Activities."

Even today, this spirit continues to serve as Lion's DNA as we promote CSV in creating value for both society and business.

Promoting a Toothbrush Recycling Program

Since 2015, in collaboration with TerraCycle Japan, Lion has promoted a program established to collect and recycle used toothbrushes.

Through this program, Lion encourages consumers to replace toothbrushes at a rate that we consider appropriate in order to maintain a healthy mouth (once a month), thereby providing a location for recycling activities in which our customers can freely participate.

Resulting Business Value

Increase in toothbrush sales
Greater Lion presence

Resulting Social Value

Maintain and promote health through the replacement of toothbrushes at the appropriate rate (once a month)
Higher environmental consciousness among society



Overseas Business

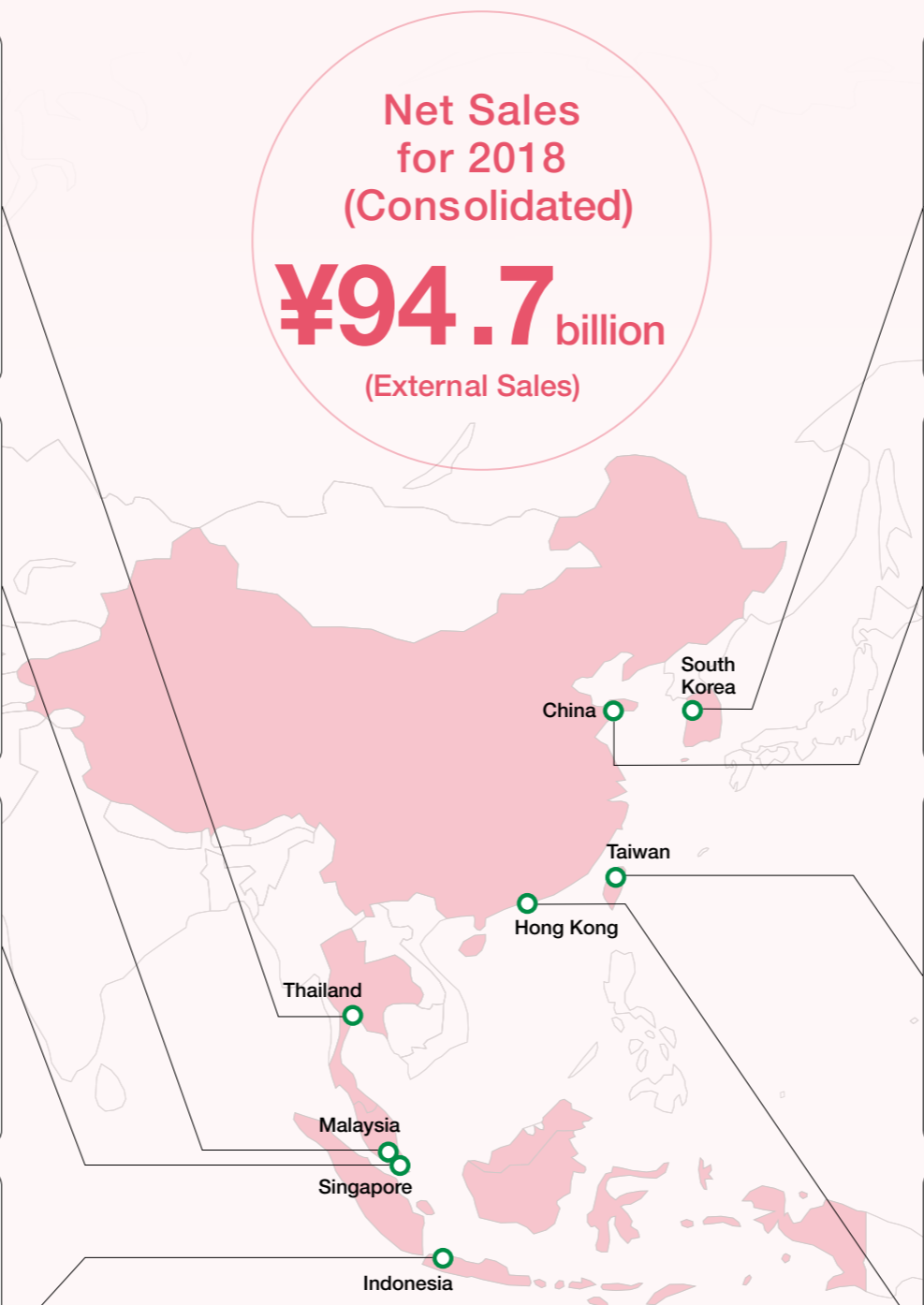
By promoting the adoption of health care habits, we will contribute to comfortable and healthy living environments for people throughout Asia.

Thailand Toothpastes, toothbrushes, and laundry detergents
Share No.2

Malaysia Laundry detergents
Share No.1

Singapore Laundry detergents and dishwashing detergents
Share No.1

Indonesia Dishwashing detergents
Share No.2



South Korea Hand soaps
Share No.1

China Toothbrushes (e-commerce)
Share No.1

Taiwan

Hong Kong

Note: P.T. Lion Wings in Indonesia is not covered in scope of consolidation.

Market share information above is based on surveys by Lion.



Overseas Business

Think Global, Act Local

Hitoshi Suzuki

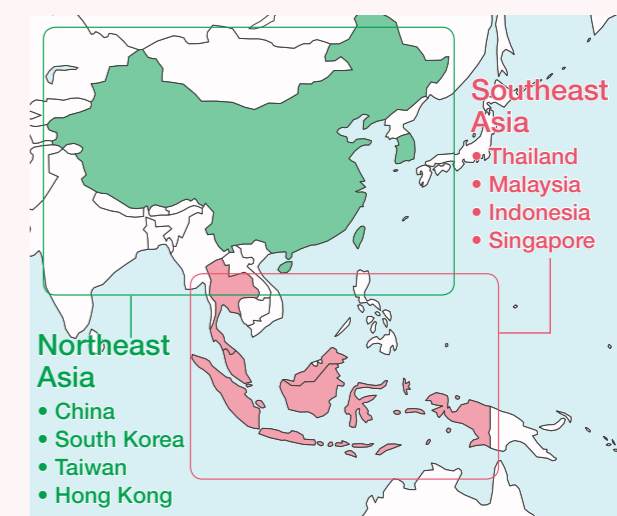
Senior Executive Officer
Executive General Manager of
International Division

Basic Policy

In aiming to “become an advanced daily healthcare company” in Asia, Lion has been expanding business in Northeast and Southeast Asia.

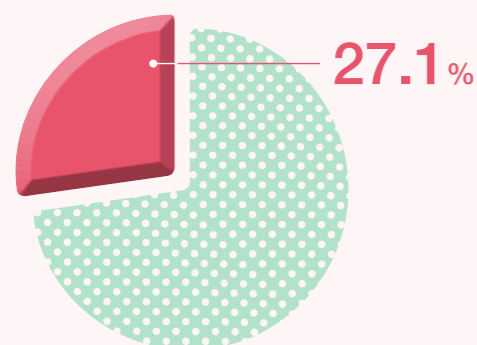
In its overseas businesses, Lion expends its full energies on accelerating growth through Glocalization as one of the strategy frameworks in the LIVE Plan. In order to realize this goal, in addition to addressing the shared regional needs of today's rapidly growing middle-income households and the diversity that stems from the unique cultures, customs, and preferences of individual countries, Lion is constructing and evolving new cooperative frameworks with both its overseas affiliates and various business partners.

Business Area

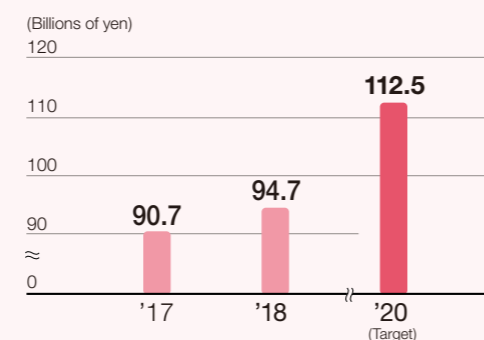


Result of Activities in FY2018

Percentage of Consolidated Net Sales



Net Sales* (External Sales)



From 2018, Lion began applying International Financial Reporting Standards (IFRS). Values before this have been recalculated to conform to IFRS.

Review of 2018

During the first year of the LIVE Plan, Lion steadily expanded oral care, laundry detergents, and other aspects of its overseas business in Southeast Asia, in particular Thailand and Malaysia. In Northeast Asia, Lion advanced structural reforms in China and improved profitability. As a result, overseas business total net sales grew 2.4% compared with the previous year (actual growth of 0.5% after account-

ing for the impact of exchange rates). External sales increased by 4.5% compared with the previous year (actual growth of 2.5% after accounting for the effect of foreign exchange rates), while segment income expanded significantly by 55.8%.

Constructing and Evolving New Cooperative Frameworks

Enhancing Personal Care

Lion has positioned personal care as the foremost important field in supporting the future growth of its overseas business. Until now, detergents and other fabric care products have accounted for a significant portion of net sales from its overseas business.

In the Asian region, while some countries are experiencing declining birthrates and aging populations, in developing countries populations and incomes are growing. This growth along with leap-frog adoption of the latest technologies, are rapidly leading to the formation of new markets. Likewise, Lion expects to see greater interest in personal care and health care in these countries. In order to maintain growing profits from overseas businesses amid this market environment, Lion is further strengthening its business foundation by aiming to increase the sales ratio of oral care products that contribute to health maintenance, the principal domestic battlefield, OTC products, and other high-value-added products.

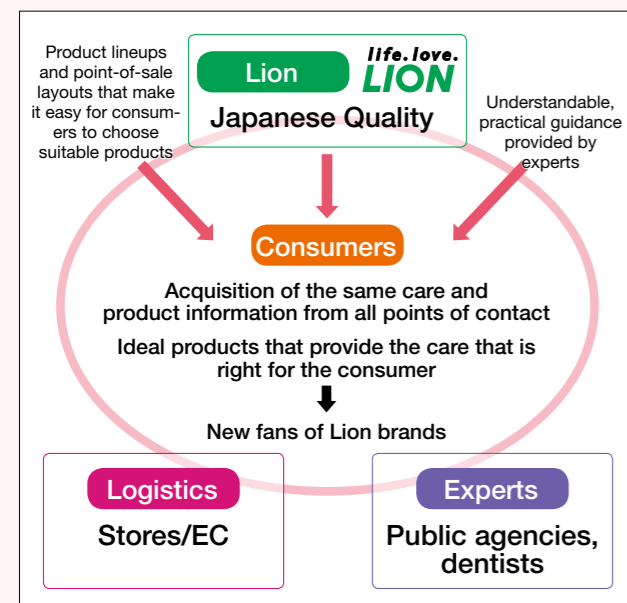
Preventive Dentistry

Among these, Lion placed a particular focus on the oral care business. Oral care is strongly linked to overall health and is extremely important in extending healthy life expectancies. Lion maximizes the use of the technologies and know-how we have accumulated in Japan in our overseas businesses, thereby aiming to become the number one oral care company in Asia.

The key to preventive dentistry activities is for dental experts, logistics, and Lion to act in unison. Through every contact point between these three and consumers, we communicate the same, consistent message and information related to preventive dentistry, and continuously deliver products ideally suited to putting preventive dentistry into practice in the home. In this way, Lion strives to raise the quality of life and value for as many people around the world as possible, and to convert these consumers into fans of Lion Brands.

Lion is not simply concerned with delivering high quality products. Rather, our aim is to be a company that helps instill healthy habits, contributes to extending healthy life expectancies, and provides value to society through the delivery of health care solutions that suit our customers as we continue to grow.

Preventive Dentistry Educational Activities



Realizing Regional Optimization

Until now, Lion's overseas business has focused on "specific optimization," whereby we sold locally manufactured products suited to markets in specific countries, as well as on selling global brands common to the region, including Japan, in product areas where there is little difference in basic functionality between countries (oral care, liquid soaps, etc.). In each country, lifestyles and needs are converging and standardizing as seen among today's middle-income households. Therefore, if Lion can develop products shared by different countries from a more global perspective, we can accelerate the speed of manufacturing, from production to sale, as well as improve efficiency in terms of cost.

The strategy designed to realize this capability is the evolution to "regional optimization," whereby business management straddles the boundaries of countries to cover the larger areas of Northeast Asia and Southeast Asia.

From 2019, Lion will boost the number of Lion resident officers that promote this kind of regional deployment. And will work to accelerate and increase the efficiency of overseas businesses, while at the same time strengthening quality.

Even when the content of a product commonly found in different countries is the same, the product must still be designed with tailored fragrances, packages, and sizes in

order to suit the needs and preferences of each country. Therefore, it is important to expand concepts globally while putting on locally-tailored final touches. This is the very definition of what we call "Glocalization". While taking a bird's-eye view of the overall global market, we analyze and comprehend the trends, characteristics, and features of each country in order to enable regional product development. By raising our sensitivity to these differences, we will acquire various types of primary information while furthering the best approaches to business expansion in each country.

Expanding the China Business

The "Made in Japan" product market, continues to see growing sales in both the inbound and outbound market sectors especially in the Northeast Asia region. Lion believes that the demand for "Made in Japan" products will continue to grow into the future, and therefore, is launching new initiatives aimed at expanding business in China as one of the countries targeted for priority expansion.

The sales routes by which Japanese products reach Chinese consumers comprise inbound routes, through which products are sold domestically while travelers are visiting Japan, and outbound routes based within China. Although there are many outbound routes, including

cross-border e-commerce (EC), domestic EC in China, and in-store sales, of these, EC holds the greatest importance, and capturing this market is the key to expanding sales.

Therefore, in Japan, Lion merged the business promotion functions delivered through cross-border EC and local domestic EC related to Japanese products, which had previously been independently managed by domestic business divisions and the International Division. Moreover, Lion is advancing more effective expansion by centralizing our product/channel strategies, promotional measures, sales management, and business analysis capabilities throughout the Lion Group, and through ties between channels, including directly targeting promotional activities for inbound Chinese travelers in Japan, customer service, enhancing initiatives with cross-border and domestic EC platform providers, and developing new domestic retail outlets in China. The demand for Japanese products is also extremely high in regions elsewhere in Northeast Asia, where the quality of Lion's products, in particular, are held in high regard. Going forward, Lion will continue to utilize these advantages as a Japanese company and drive business forward in aims of attaining a company position that is deeply embedded in lifestyles in countries throughout Asia.

Preventive Dentistry Activities in Thailand

Activities in Cooperation with Community Health Centers

Phrae Province located in the northern part of Thailand is a region within Thailand that has an aging population. Since 2018, Lion Corporation (Thailand) has cooperated with health centers in Phrae Province in undertaking activities to improve issues with swallowing, chewing, and dry mouth among the elderly, and to improve quality of life. Dentists hold regular lectures for local communities that are home to the elderly and help residents practice the *Kenkobi* (Healthy and Beautiful Gum and Mouth) exercises recommended by Lion. These *Kenkobi* exercises are designed to help individuals recognize any drop in oral function early-on, and thereby maintain and improve levels of oral health. Positive results among many participants have been observed since the start of these activities, and issues with swallowing and dry mouth are improving.



Participants Practicing *Kenkobi* Exercises in the Local Community

Activities in Cooperation with Government Hospitals, Health Centers, and Retail Outlets

Baby teeth tend to be neglected more often than adult teeth because they fall out and are replaced. Oral health, however, is said to have an impact on overall health over time, so it is important to put oral care into practice from a young age.

Lion Corporation (Thailand) cooperates with government hospitals and health centers in conducting oral health activities, including dental check-ups, cavity treatments, and tooth-brushing instruction. When cavities are found in children during dental check-ups at local schools, dentists apply a treatment called the SMART technique.

Since 2018, Lion has worked with local retail outlets that hold these activities and put on dramas using the *KODOMO* brand to convey proper toothbrushing methods to children.



These Children Received Dental Check-ups

Preventive Dentistry Activities in Malaysia

Activities in Cooperation with Dental Experts

The support of dental experts is indispensable for increasing the awareness of oral care among the people of Malaysia, and for instilling and establishing Preventive Dentistry. Therefore, Southern Lion (Lion's Group company in Malaysia) actively conducts Preventive Dentistry activities in cooperation with dental experts.

As part of these activities, in 2018, Southern Lion organized the *SYSTEMA* gum care brand booth during the Scientific Convention & Trade Exhibition, an exhibition held by the Malaysian Dental Association in Kuala Lumpur. As a way of helping dental experts participating in the exhibition understand the value of Preventive Dentistry, Southern Lion provided explanations of the capabilities and effects of the *SYSTEMA* gum care brand and handed-out samples of *Systema* Toothbrushes. Approximately 1,000 dental experts visited the booth over the three-day event.



The staff and the booth at the exhibition were all coordinated to match *SYSTEMA* gum care brand colors

Industrial Products Business



Becoming a global niche company that provides new value to advanced products for our industrial customers

Lion Specialty Chemicals Co., Ltd.
President
Osamu Yoshitake

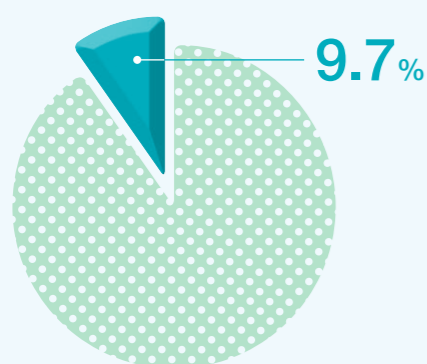
Contributing to the creation of safe and comfortable hygienic living environments through our corporate activities

Lion Hygiene Co., Ltd.
President
Yoshihiro Fushita

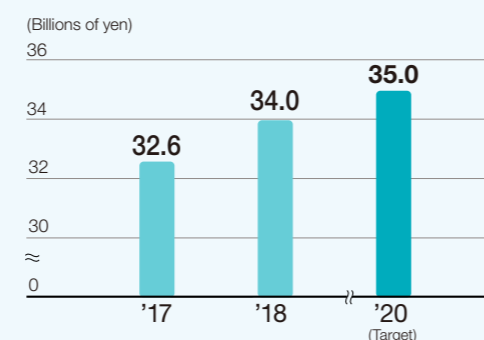


Result of Activities in FY2018

Percentage of Consolidated Net Sales



Net Sales* (External Sales)



From 2018, Lion began applying International Financial Reporting Standards (IFRS). Values before this have been recalculated to conform to IFRS.

Review of 2018

Lion's Industrial Products Business is composed of two broad segments, namely Chemical Products and Detergents for Institutional Use Products.

In Chemical Products, we achieved positive results in the Automotive and Electrical and Electronics fields, including carbon for automotive parts and electro-conductive com-

pounds for semiconductor carrier materials. Meanwhile, in Detergents for Institutional Use Products, we achieved positive results for alcohol sanitizers for kitchens. Overall, total net sales in the Industrial Products Business grew 5.3% compared with the previous fiscal year and external sales grew 4.4%.

Chemical Products Field Growth Strategies

As a fully-owned subsidiary of Lion, Lion Specialty Chemicals Co., Ltd. (LSC) is involved in the manufacture and sale of chemical products. As part of the LIVE Plan, LSC is reorganizing its management process, specifically by driving steady growth in sales and cost reductions aimed at enhancing income from the markets in Japan that serve as its foundation. At the same time, LSC is promoting glocalization in Overseas markets, as a means of strengthening its growth foundation.

Under the theme of becoming a "Global niche company that provides new value to advanced products for our industrial customers" LSC is accelerating its pace of business and further reinforcing its technologies in order to raise customer satisfaction levels and enhance the quality of its services throughout the company. At the same time, LSC is focusing management resource investments on achieving growth in the two fields of Automotive and Electrical and Electronics, as well as on enhancing income from the Lifestyle Related Industry, which serves as its foundation.

Primary Products by Segment



Initiatives Utilizing the Features of Each Segment

In Automotive, LSC is expanding its markets for advanced anti-sticking agents for tires and products designed for overseas tire manufacturers.

In Electrical and Electronics, LSC is focusing its efforts on increasing its share of conductive additives in the battery market, while at the same time aiming to enhance price competitiveness and expand sales in the domestic and international markets by reinforcing its adhesives agent production systems.

In Energy, Environmental & Infrastructure, LSC is enhancing earnings capacity by undertaking activities to support the greater efficiency of its top customers in the industry. At the same time, it is ascertaining the potential to expand overseas markets by working with Global Eco Chemicals (GEC)* and other overseas affiliates.

In Lifestyle Related Industry, LSC is improving productivity and utilizing overseas partners as a means of enhancing the profitability of nitrogen derivatives and other base chemicals that serve as the foundation of its domestic business. At the same time, LSC aims to expand sales of its highly profitable textile chemical agents and cosmetics raw materials.

*Lion's overseas group company.

[Web](#) [Lion Specialty Chemicals Co., Ltd.](#)

Detergents for Institutional Use Products Field Growth Strategies

As a fully-owned subsidiary of Lion, Lion Hygiene Co., Ltd. is involved in product development, manufacture, and sale of industrial cleaners for the restaurant and home meal replacement (HMR) industries, food processing plants, hospitals, elder care facilities, and cleaning industries. Similarly, it establishes a comprehensive hygiene business that offers hygiene assessment, hygiene lectures, and other such services that help its customers feel safer and more secure about food. By offering demand-creating solutions*¹ and pursuing innovation, Lion Hygiene will continue to grow and evolve as a company that provides value to its customers and employees.

Specifically, in the food processing plant category, Lion Hygiene is continuously gaining new customers by developing new vegetable washing systems. It will aim to become the de facto standard for the future of the vegeta-

ble washing industry with these systems, and therefore has positioned this category as a core business for next generation, with prioritizing the investment of management resources into this segment.

In regard to the restaurant industry category, in which Lion Hygiene has been involved with its dishwashing detergents, it will also enter the hygiene management business in response to the soon to be implemented HACCP (Hazard Analysis Critical Control Point)*², with the aim of growing as a comprehensive hygiene management company.

*¹ Taking the customer's point of view, perform optimal solutions by delivering new value that provides greater satisfaction through advances in new technology and business development that stay one step ahead.

*² A system to control sanitation and quality in the food manufacturing process from raw materials to final products.

[Web](#) [Lion Hygiene Co., Ltd \(Japanese only\)](#)

Special Feature

Opening New Possibilities for Lion

Lion's Innovation Lab generates ideas through design thinking and open innovation. We create "surprising" new businesses that wouldn't have been possible under conventional structures.



Daisuke Uno

Lion Corporation Research and Development Headquarters
Innovation Lab Director

Innovation Lab's Mission

Lion established the Innovation Lab in January 2018 as a new initiative. Members freely exchange ideas unconstrained by existing boundaries, collaborate with outside agencies, and work to create new products and experiences to achieve advanced health care.

The mission of the Innovation Lab is to "Be a corporate hub to enhance the quantity, quality, and pace of innovation, and create 'surprising' new businesses that extend beyond conventional business divisions and R&D structures." We have established the following VISION, and are pursuing measures to achieve our mission.

VISION

- At Lion Innovation Lab, we change, surprise, and put smiles on people's faces.

To do this:

- We achieve success by embracing failures as learning opportunities, thinking with a focus on consumers, and connecting people, professions, and companies.
- We create advanced health care solutions.

With this vision as our guideline, we continue to strive each day.



Creating Innovation

Workplace Culture

The Innovation Lab fosters a workplace culture intended to generate a wide range of ideas, without being constrained by existing businesses. Specifically, we have a flat organizational structure. Instead of a pyramid-type organization with the general manager at the top, our aim is to create a "network-style structure" in which members move in and out of teams organically. Lion also emphasizes that each member should have an entrepreneurial mindset to create new businesses themselves, working to foster an outlook of unrestricted ideas and the possibility of implementing them.

Creating New Businesses with Design Thinking and Open Innovation

The Innovation Lab values the "design thinking" process in the creation of new businesses. We work closely with the customer to find insights (latent needs), and implement a

repeated process of prototyping and testing of solutions, and feedback. We also utilize open innovation to create new ideas. To create new businesses we actively pursue collaboration with outside parties that have technologies not available to Lion, greatly increasing the speed of commercialization.



Examples of Early Successes

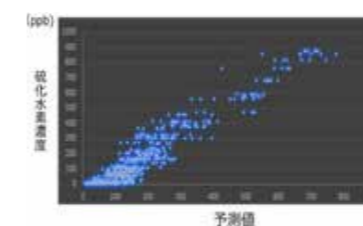
RePERO

RePERO is a smartphone app that analyzes photos of a person's tongue using artificial intelligence (AI) to provide a visual representation of their risk of bad breath. Incorporating this app into one's daily routine raises awareness of breath care, and motivates the user to modify their daily habits. Lion is currently promoting this app to service industries, where many employees are wary of having bad breath, and developing it as a B2B business service supporting breath care for employees.

Lion presented this app in October 2018 at CEATEC JAPAN 2018, one of the largest IT and electronics exhibitions in Asia, generating a great deal of interest from Japanese and international media.



Smartphone screen image



Bad breath risk determination algorithm

VISOURIRE

VISOURIRE is a beauty appliance to massage the muscles for facial expression from inside the mouth, a new approach developed by Lion based on its more than 120 years of experience supporting better oral hygiene. Acoustic wave vibration is used to support and raise laugh lines, helping to make a woman's face more beautiful.

To determine how receptive consumers would be to this product, Lion conducted a crowdfunding campaign on Japan's Makuake service from September to December 2018. We received nearly four times the target amount*, confirming that the product is highly accepted by consumers. We are currently arranging for production, beginning with those who provided support.

According to Lion's research, a majority of women want to remain youthful and beautiful. As we enter the era of 100-year lifespans, demand for such beauty treatments is likely to increase further.

* Target amount:
¥3,000,000
Amount received:
¥11,763,360
No. of backers: 713



VISOURIRE Crowdfunding product image

Human Resources Development



Generating human and organizational dynamism by developing employees enthusiastic morale

Jiro Nagasawa

Executive Officer
Executive General Manager of Human Resources and General Affairs Headquarters

Basic Policy

As part of the LIVE Plan, Lion is working to enhance its human resources development under the theme of Creating Dynamism to Foster Innovative Change. As corporations are made up of the total sum of human resources, nurturing an individual employee's uniqueness and engagement will lead to growth as an organization and helps attain greater competitive advantages within the market. Likewise, Lion aims to enable individual employees to act freely and stimulate each other, thereby bringing about a wave of positive innovative change (dynamism) in each division and throughout the Company. As a means of building the foundation for this dynamism, Lion is advancing initiatives from multiple directions, including employing and training human resources, enhancing health management, and establishing various programs and working structures as a means of fostering

diversity and openness in its human resources, organizations, and corporate culture.

Initiatives for Creating Dynamism



Promoting Diversity

In order to creatively expand our business activities and rapidly respond to changes in the business environment, Lion actively promotes diversity (active utilization of diverse human resources) among its human resources. Through the acquisition and utilization of a wide range of human resources, we have been increasing the diversity in the attributes and ways of thinking among our employees, and have been promoting the creation of an organization in which employees with a broad range of characteristics can work enthusiastically.

We are also expanding mid-career hiring, enhancing regionally and occupationally based employee programs, a rehirement system that makes use of senior level experience and expertise, and expanding work opportunities for people with disabilities. Through these measures we are raising the quality and level of diversity of employees and undertaking other actions to promote a diverse dynamic place in which to work.

Among the many initiatives to promote diversity, we will introduce our initiatives to promote the participation and advancement of women in the workplace. Lion provides training programs, improved childcare-related systems, and support measures for employees to maintain a balance between work and childcare, thereby enabling female employees to continue participating dynamically over the long-term. As a quantitative target, we are aiming for women to comprise 20% or more of the management level domestically by 2020 (15.8% as of 2018).

Support Measures for Balancing Work and Childcare

Lion actively provides support for both career development and child care during the child rearing period. In order to support employees in smoothly returning to work and continuously building their careers, Lion also provides "Back-to-Work Seminars" and "Back-to-Work Interviews," launched a "Back-to-Work and Childcare Support Website," provides skill training support during childcare leave, and takes other actions to support career development during childcare. Moreover, in order to promote the participation of employees raising children, we have also established a new working style by combining the shorter-working-hour system with the flex-time system* (Short Hours Flextime System).

As a result of undertaking these types of measures, we have achieved the high level of 97.7% for both our male and female employees returning back to work after taking childcare leave. Moreover, the average service years at Lion is 16.8 for females compared with 19.6 for males, indicating that both male and female employees participate over the long-term.

* The flex-time system is available to all employees except for some at sales and production sites.

Expanding Human Resources Skill Development

Human Resource Development through Diverse Programs

Enhancing the ability of each individual is critical for increasing the productivity per employee.

In order to enhance the abilities of individuals and connect them to Lion's strength as an organization, Lion actively develops the abilities of our human resources at each level and conducts human resource development through selective and field-specific programs.

In 2018, Lion implemented management programs for those selected from the management level. These programs were designed to cultivate leaders who can pursue a management strategy for the near-future. Likewise, we implemented cross-occupational interchange programs for those selected from the younger employees. These programs aim to cultivate next-generation leaders, and participants are expected to come up against different values and experience regions and regional products with the aim of cultivating an exchange of different values, and studying on site. Moreover, as part of the field-specific programs, we implemented the Marketing Study Program for the purpose of enhancing the marketing skills of employees. We also dispatched eleven younger employees to overseas conference presentations, which serve as opportunities to foster an awareness of global activities and to gain practical experience.

Career Design and Maintaining and Environment Conducive to Learning

To promote a self-driven career design and ensure the design is realized, this year we introduced the Career

Design Sheet. A revision of the conventional mechanism for self-reporting, the system clarifies the career goals desired by the individual themselves and promotes self-advancement toward realizing that end. Accordingly, this system ensures an environment conducive to learning that is linked to career design and self-learning.

In aiming for a new approach to human resources development from 2019 on, we are moving forward with the introduction and preparation of an environment and programs in which motivated employees can study independently. We launched this initiative as the Lion Career Village (LCV) at the start of 2019.

As we address changes in learning styles, we are also reviewing our level-specific programs in order to create learning opportunities and spreading the individual energy for learning broadly throughout the organization. In this way, we are putting together an environment that allows highly ambitions, motivated employees to generate dynamism throughout the organization. Going forward, we will continue to undertake human resources development towards innovative change from a medium- to long-term perspective.

* Conducted in 2018

| List of Primary Training Programs | | |
|-----------------------------------|--------------------------|--|
| Level-specific | Management Level | Leader Training Level-specific training for newly promoted employees (2 levels) |
| | Growth Expectation Level | Level-specific training for newly promoted employees (3 levels) New Employee Training |
| | Goal-specific | PDCA Administration Training |
| Capability-specific | | Marketing Study Program International Conference Presentations |

Holding the ReDesign Forum to Change the Future of Lion!

As one of our initiatives for creating human dynamism, Lion launched the ReDesign Forum in 2018. 100 of our younger employees, who voluntarily expressed their will to participate, held workshops and discussed on topics related to making innovative proposals that will change the future of Lion directly to the management.

Specifically, they discussed the following areas.

- A. Work style reforms for maximizing new value creation
- B. Operational reforms for maximizing the speed of business
- C. Maximizing the use of human resources

By breaking out of Lion's conventional mold, we feel that this is an important activity for changing the future of management.



Promoting Habitual Healthy Behavior of Employees

Based on the concept that the good health of employees serves as a business foundation to support sound corporate growth, Lion has been deploying measures that stay true to the Company in order to assist in maintaining and improving the health of our employees.

We also implement initiatives to improve the health-consciousness of employees and encourage them to voluntarily practice healthy behavior. By doing so, we aim to be a company where all of our employees can work dynamically and achieve fulfilling daily lives. Our specific quantitative targets for 2020 are as follows.

| Target Rates for Healthy Behavior Initiatives | 2018 Results | |
|---|--------------|------|
| Health check-up rate | 100% | 100% |
| Dental check-up rate | 100% | 93% |
| Age-classified cancer examination rate | 100% | 84% |

Management System

We are constructing a management system in which the management led by the president participates in strengthening initiatives and accelerating the deployment of our measures. Actual measures developed include promoting cooperation between the Health Support Office (including industry physicians and carers), the Lion Health Insurance Society, and the person responsible for health management at each office.

In addition, with the aim of supervising Company-wide health management, the Health Maintenance Promotion Committee is held regularly. The Health Support Office, the Lion Health Insurance Society, and the person responsible for health management at each office collaborate to organizationally promote employee health management.

Initiatives for Making Healthy Behavior Habitual

Under the three areas of "Mental," "Physical," and "Consciousness (awareness of managing one's own health)," Lion is deploying age-specific health management measures. [Fig. 1]

■ Providing More Extensive Health Check-ups

The annual health check-ups Lion provides for our employees cover more items than required by law.

[Details]

Doctor examinations: For anyone aged 40 and older—21 items required by Japanese law + 11 additional items

Gynecological examinations: Age-specific examination items

Prostate cancer (PSA) examinations: For males aged 50 and older

Dental check-ups: For all employees—health guidance provided by dental hygienists

Lion has established subsidy programs for examinations targeted at detecting the early onset of cancer and other diseases with risks that increase with age. Lion actively encourages our higher risk employees aged 50 and older to receive such examinations. Moreover, Lion has established a subsidy program for oral care check-ups provided by dentists in order to put preventative dentistry into practice.

Fig. 1: Overview of Health Management Activities

| | 20s | 30s | 40s | 50s | 60s |
|---------------|---|-----|---|-----|-----|
| Mental | Three-month follow-up interviews after assignment | | | | |
| | Stress checks | | | | |
| | Department stress level feedback to supervisors | | | | |
| Physical | Health check-up follow-up interviews | | | | |
| | Health check-ups/Dental check-ups | | | | |
| | Encourage those requiring reexamination and detailed examinations to receive such/Health guidance | | | | |
| Consciousness | Information dissemination (health check-up results access, website, e-mails, posters, internal newsletters) | | | | |
| | Company-wide health promotion measures, anti-smoking measures | | | | |
| | Preventative dentistry activities (ALPHA) | | | | |
| | Health promotion seminars for 35-year-old employees | | Health promotion seminars for 50-year-old employees | | |
| | Specialist examinations, Subsidy programs | | | | |

■ Providing Dental Check-ups for All of Our Employees

In collaboration with the Lion Foundation for Dental Health (LDH), we began providing dental check-ups for all employees as part of our annual health check-ups in 2002, and have provided such every year. In 2016 we also introduced a salivary test system that can immediately measure oral cleanliness and the risk of cavities and periodontal diseases from saliva samples. We also provide oral health guidance using intraoral cameras.

Going forward, Lion will continue to promote health management measures that stay true to Lion and that link to a greater consciousness of oral health care among our employees.

[Web](#) With our employees (Japanese only)



Salivary Test System

Research and Development



Further honing the quantity, quality, and speed of innovation creation

Fumitomo Noritake

Director, Executive Officer
Executive General Manager of
Research and Development Headquarters

Lion's Research and Development Structure

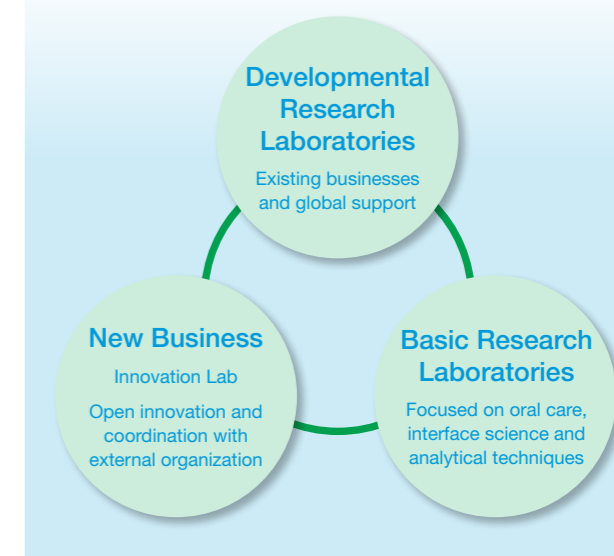
The Research and Development Headquarters aims to develop technologies and products that deliver new value to consumers. Along with advancing the acquisition of new technologies that serve this purpose, Lion has prepared a research and development structure geared towards expanding our business domains.

In January 2018, Lion established a structure to promote the creation of services and other new businesses oriented towards areas peripheral to existing operations, new markets, and new business formats. We will combine our existing technologies together with the IoT, apps, and other new technologies acquired through open innovation and our ties with other companies. In addition, Lion took a comprehensive look at the business strategies implemented by Group companies throughout Asia and prioritized the areas from the standpoint of the degree of business contribution. Furthermore, we consolidated our overseas product development functions originally assigned to the individual research and development institutes in each domain in order to strengthen our R&D capabilities from a global standpoint. Similarly, we dissolved the Applied Research Laboratories and Research Support Laboratories, and transferred their technology development capabilities, including those for expanding the capabilities of existing operational fields, to the Developmental Research Laboratories. This move served to consolidate our technology development capabilities specialized in the oral care, interface science, and analytical technique fields that comprise Lion's basic technology fields as the Basic Research Laboratories.

In January 2019, Lion established a department to unify our research and development strategies, as well as to inte-

grate, promote, and oversee areas that share common themes across research institutes. Moreover, we established an organization aimed at promoting digital transformation among our research tasks and at creating new value through data science. Lion will also undertake the challenge of building a data platform that aims to create a new health management model.

Utilizing these innovative structures, Lion further energizes its existing operations, develops products through closer ties with the International Division and in consideration of local needs in countries throughout Asia, and enhances development support for local brands. At the same time, Lion is working to create new businesses and new markets that aim to deliver the lifestyle innovations that only Lion can realize.



The Research and Development Headquarters' Mission

The mission of the Research and Development Headquarters is to ensure Lion endures as an "organization that serves as a fountain of innovation." Innovation, as Lion conceives it, is generated through combining "Innovation in Value for Consumers," "Innovation in Economy," and "Innovation in Technology," and it is our belief that we cannot respond to the increasing diversity among consumer needs without such innovation. The innovation for which

Lion aims is not realized simply through "Innovation in Technology." Rather, the most important of these three aspects is "Innovation in Value for Consumers," where we contribute to lifestyle innovation through solutions (products, services) that apply the achievements of research.

The core technologies that support our research and development are oral care, life science, interface science, cleaning technology, and formulation technology. Lion has

contributed to higher QOL among consumers through our innovative products that have emerged from the use and merger of these technologies with new technology fields, as well as through the proposal of new value. Having continued to undertake the challenge of creating this kind of inno-

vation, Lion is taking another step forward and working to further hone our quantity, quality, and speed of innovation in order to contribute to the realization of our new Management Vision—"Becoming an Advanced Daily Healthcare Company."

Growth Strategies Under the LIVE Plan

With the launch of the LIVE Plan, the Research and Development Headquarters began undertaking challenges in preparation for making new strides. Under the new structure streamlined to promote our strategies, we firmly seize upon changes in the social environment and trends in cutting-edge technology, and will begin undertaking challenges with a previously unseen level of dynamism and with a speed that will outstrip our competitors. A change in awareness among our human resources is also required to take these new strides. We believe that each individual is a party to innovative change, and that they must continue to act as professionals, drawing in those around them and connecting to results through their own ideas and ability to act.

The challenges of "Becoming an Advanced Daily Healthcare Company" are surviving in existing markets, creating new markets, and shifting to and accelerating research targeted at expanding international sales. Recognizing that the road to sustainable growth does not lie on our current trajectory, we are shifting gears to research and development that can create innumerable innovations in preparation for future business growth.

New business development until now has faced several issues. Some of these include new business plan proposals being based on our existing technologies and strengths, time being required for business launch, and personnel serving double-duty with tasks in their own department. Therefore, Lion established the "Innovation Lab" for the purpose of executing new business development and creating new businesses and markets targeted at lifestyle innovation. By establishing a structure for challenging new fields and businesses as led by this "Innovation Lab," Lion is now able to foster an innovative and entrepreneurial spirit among our researchers and establish a track-record in creating ideas and lean startups that utilize various methods, including crowdfunding and design thinking. Through these new initiatives, Lion is already conceiving the seeds that will link to new businesses from previously nonexistent concepts like the *RePERO* smartphone app to check bad breath, *VISOURIRE* beauty appliance, and *Nemuri Design* sleep check and care system. Going forward, Lion will continue to improve its support system for selecting areas and launching businesses, and will place priority on delivering new consumer proposals in oral care related fields.

[Web](#) [Our R&D](#)

Technology Development in Support of Value Creation



LOOK Plus Bath Cleansing

First released in 2018 and unlike any detergent seen before, *LOOK Plus Bath Cleansing* is a revolutionary bathtub detergent that truly and completely rinses off bathtub grime without any scrubbing. The development of a specially designed container and Neutralization Cleaning® technology created new value in the form of a novel approach to bathtub cleaning.

[Web](#) [LOOK Plus Bath Cleansing \(Japanese only\)](#)

■ A Revolution for Bathtub Cleaning! The Development of a Completely New Method

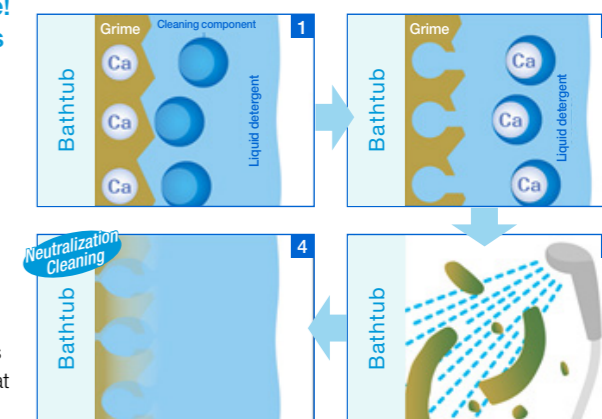
Enabling *LOOK Plus Bath Cleansing* to rinse off grime without scrubbing required the development of a container that could evenly and effortlessly spray detergent over the entire bathtub.

Although existing aerosol and electric sprays are viable options when the goal is to simply spray the detergent over a wide area, these have shortcomings including being non-refillable, easily rusting, and requiring the inconvenience of changing batteries. After repeated investigations regarding the strengths and weaknesses of different containers, as well as the format of the detergent, we eventually arrived at a solution that was unlike anything seen before, a new spray bottle with a trigger that can spray mist over a wide area. The user only needs to pull the trigger once while moving their arm horizontally to spray detergent over a large area of one meter in width.

■ Eureka! Calcium Is the Cause of Stubborn Grime! New Neutralization Cleaning® Mechanism Makes Rinsing Without Scrubbing Possible

By analyzing the stubborn grime that forms on bathtubs, we succeeded in discovering the factors behind bathtub incrustation. It turns out the calcium contained in tap water is what allows the proteins, sebum, and other forms of grime that originate from the body to harden and stubbornly cling to bathtubs.

By optimizing the component ratio of surfactant (α -olefin sulfonate) and solvent (diethylene glycol monobutyl ether), we enabled the detergent to penetrate into the grime, thereby allowing the chelating agent (EDTA) to display its maximum potential to extract calcium. As a result of calcium extraction, the grime softens and lifts away so that simply rinsing the bathtub will wash off the grime.



Grime Dislodging Mechanism for Neutralizing the Power to Cling

Smile Medical A Eye Drops



First released in 2018, *Smile Medical A* eye drops are formulated with the highest content ratio of vitamin A allowable under current standards.*1

By incorporating the surfactant technology that Lion has accumulated over the years with our eye drop technology, we succeeded in perfecting the Vitamin A Absorption Process. These eye drops relieve eye fatigue due to painful dryness at the source.

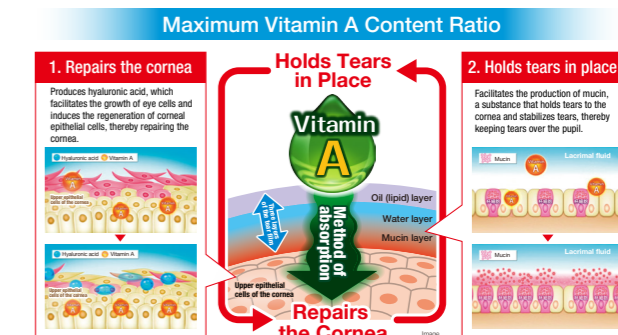
[Web](#) [Smile Medical A Eye Drops \(Japanese only\)](#)

■ Vitamin A Absorption Technology

When vitamin A is mixed with water, the solution will separate into two layers because the main constituent of vitamin A is oil. Therefore, surfactants are used to help stably dissolve vitamin A in water. In this case, we newly discovered that EO/PO^{*2} acts as a surfactant, which allowed us to establish the new Vitamin A Absorption Process. As a surfactant, EO/PO readily bonds to cell membranes and induces cytolysis, a process by which substances are actively absorbed into cells. As a result, during cytolysis vitamin A is more easily absorbed into the cells.

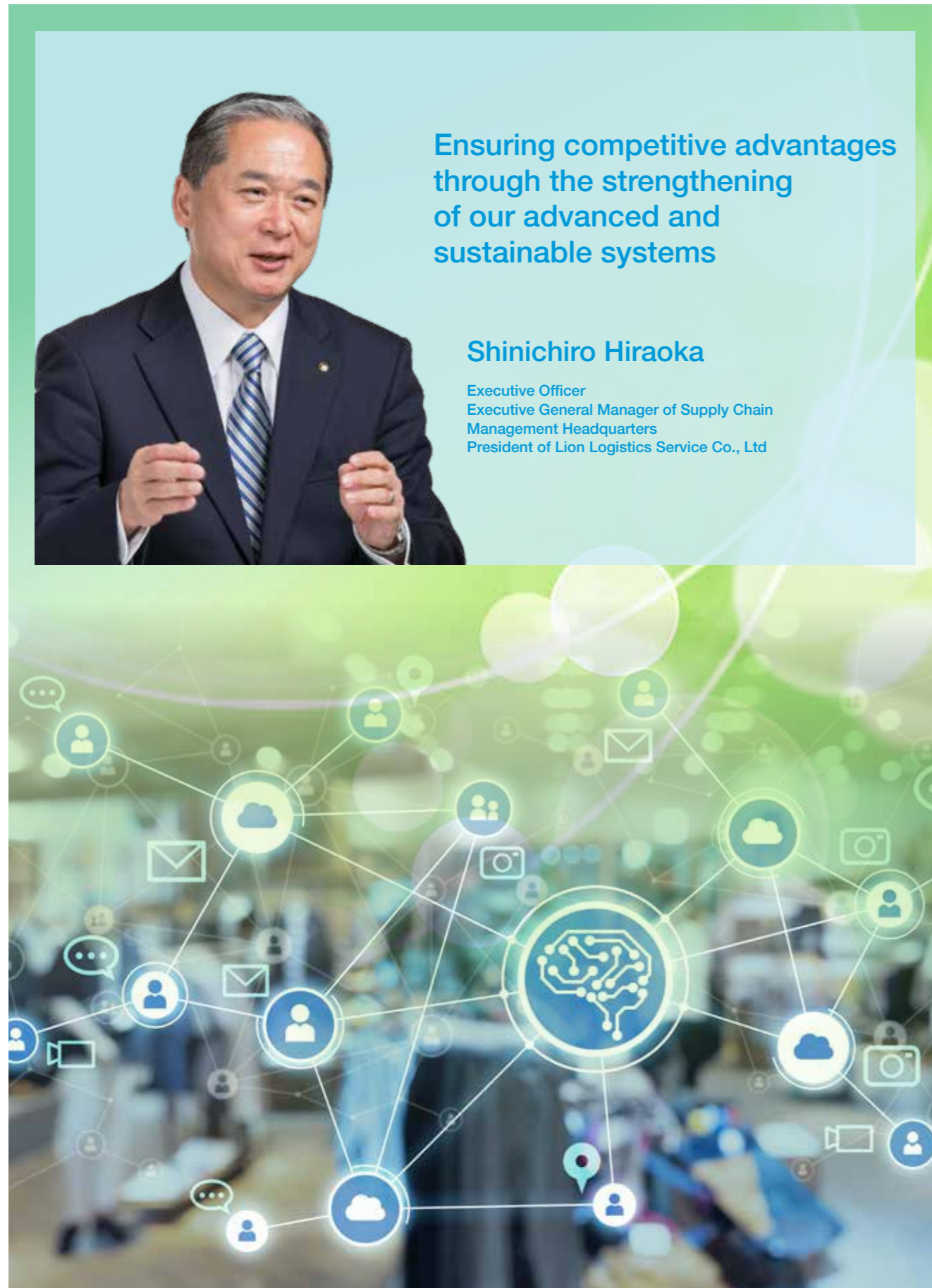
■ Two Roles of Vitamin A

Vitamin A works to facilitate the production of hyaluronic acid in the cells of the corneal epithelium. This hyaluronic acid works to facilitate cell repair, which in turn repairs the cornea. Moreover, vitamin A works to facilitate the production of mucin, a substance that functions to secure tears to the surface of the eye. These roles serve to maintain eye moisture.



*1 (50,000 units) The maximum content allowed by the Standards for Marketing Approval of General Ophthalmic Drugs
*2 Polyoxyethylene/polyoxypropylene glycol

The Supply Chain



Ensuring competitive advantages through the strengthening of our advanced and sustainable systems

Shinichiro Hiraoka

Executive Officer
Executive General Manager of Supply Chain Management Headquarters
President of Lion Logistics Service Co., Ltd

Building a Robust Supply Chain Management System

Under the LIVE Plan, we aim to “build more advanced and sustainable supply chains.” We continue to promote measures, including the building of an even stronger logistics system and a structure that ensures the sustainable procurement and stable supply of raw materials, that are aimed at creating a robust supply chain management system (SCM) that locks in our competitive edge.

Logistics Initiatives

Lion is engaged in a variety of reforms, with a focus in particular on the themes of “a reduced environmental impact” and “smart logistics.”

Examples of these efforts include the implementation of a next-generation SCM platform that is compatible with new forms of business, including one-to-one businesses, where products and services are provided according to individual customer specifications, the utilization of automation and IoT technologies to achieve “smart logistics that connects products and information”, and joint transport operations with other companies to help preserve the environment.

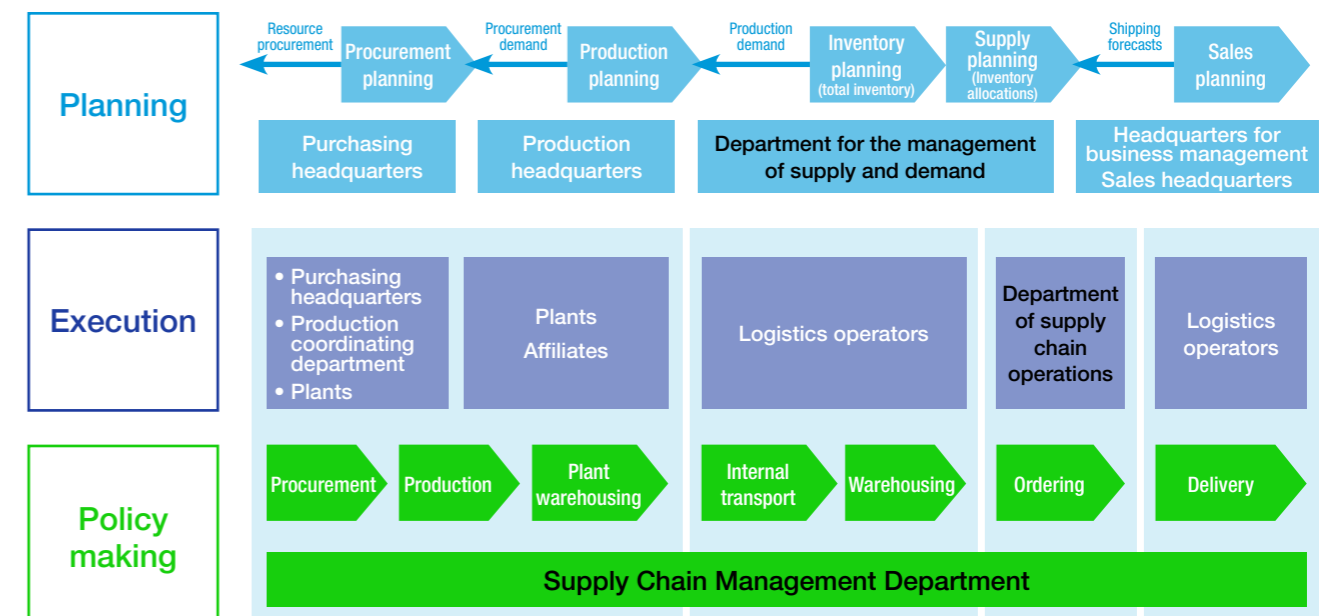
Our joint trunk line transport operations with three companies operating in different industries has contributed to a sharp decline in CO₂ emissions. At the same time, enhanced efficiency in long-haul transport operations has contributed to reducing the work burden on drivers and others involved in these operations.

In the field of smart logistics, we are working to greatly enhance productivity. This includes introducing automated equipment to reduce human labor in warehouse unloading and loading operations and automating the entry and reading of codes and documentation that are currently carried out by hand.

Moving forward, we aim to optimize our method of transporting products and material by establishing a clear understanding of item movement and carefully analyzing the vast amounts of recorded data pertaining to the movement of these items.

Another key theme for the Company is the improved sophistication of the logistics management of our internal logistics that now operate in a single unified system. This has enabled strengthening of production and inventory oversight to ensure that a more detailed management of production, sales, and inventory contributes to a sharp decline in the Company’s long-term idle inventory.

The Logistics Management System



Production Initiatives

While it is certainly true that consumer preferences are becoming increasingly diversified and these same consumers are becoming increasingly interested in improving their quality of life, it is also worth noting that the decline in the working-age population has resulted in a clear labor shortage at production sites. Amid such an environment, the key issue for Lion's Production Headquarters is to efficiently supply its consumers a variety of high value-added products.

In this respect, our focus is on three key points: 1) promoting labor-saving measures to shift from a labor-intensive model to a capital-intensive model; 2) using the excess worker capacity generated from labor-saving efforts to bolster our high added-value operations; and 3) introducing new technologies to further enhance productivity.

To use the manufacture of toothbrushes as an example, one of the most important production processes involves the proper placement of the bristles into the head. If misplacement is detected as part of the inspection process, the detected part is corrected by hand. While the process for inspecting and possibly correcting the bristles is already automated for most toothbrushes, strong product quality in high added-value products such as the *Systema Brush*, which features high density, ultra-fine bristles that effectively clean plaque from deep in the gingival sulcus, has to date been guaranteed through the manual labor of highly trained employees.

When the bristles are being placed into the *Systema Brush*, sometimes a longer bristle will protrude. Although this extended portion of this longer bristle can be cut so that the bristle matches the length of those surrounding it, this will compromise the unique feel gained from using a *Systema Brush*. For this reason, the Company to date has had employees do a full visual inspection, with any protruding bristles being pulled individually. The process requires both precision and speed, and we believe the decline in the working age population means it will be increasingly difficult to secure and train the employees necessary for the process.

After two years of work by our technology team, we have finally been successful in automating this human craftsmanship, and Lion began operations of its new system in 2018. The personnel now free thanks to automation, will be working for other high added-value operations, including predictive maintenance operations, as well as equipment installation and process improvement-related operations.

We are also moving forward on capital expenditure to further bolster production capacity. In the field of oral care, not only is there is a growing need in Japan for high added-value products, but Japanese toothpastes are becoming increasingly popular overseas, especially in Asia. With an eye toward meeting these needs, Lion established a new toothbrush and dental rinse plant in 2018. We are also preparing to launch operations at our new toothpaste facility in Sakaide City, Kagawa Prefecture in 2021. The opening of this new plant will increase our production capacity in toothpaste by about 1.7 times its current level.

The new plant features the latest technologies and looks to greatly improve efficiency when compared to existing plants, including in areas such as set-up work in line with product production shifts, and filling and packaging operations.

Lion is also focused on strengthening the manufacturing process in other product fields, with a focus on using robotics to reduce human labor and improving manufacturing activity through the use of a variety of production-related data collected using IoT technologies.



The automated bristle inspection and removal system that duplicates the craftsmanship achieved to date through human hands



Robotics used to temporarily tighten bottle caps

Toward the Sustainable Procurement of Raw Materials

Lion believes that strengthening cooperation with our raw material manufacturers and outsourcing contractor partners to be one of the most important issues in our supply chain efforts. In order to reduce the negative impact on the environment and society from our business activities, and to sustainably develop mutual operations, we believe it vital for Lion and its partners to deepen our commitment to sustainability.

Promoting Sustainability with Our Raw Material Manufacturers and Outsourcing Contractors

The Company requires material suppliers and outsourcing contractors to carry out annual self-checks based on the "Lion Group Supplier CSR Guidelines" in order to facilitate responsible procurement activities. Specifically, we are promoting the creation of mechanisms designed to prevent supply chains risks that can occur in five areas: human rights/labor practices; the environment; fair operating practices; consumer issues; and compliance.

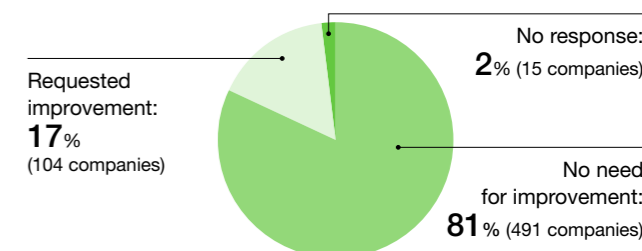
Since 2014, we have made it possible to conduct the above-mentioned self-checks online, so that our business partners can conduct self-checks more easily. In addition, by sending feedback based on the results to our business partners, we have put into place a system that continuously advances sustainable CSR-based procurement.

Aggregate Results of Overall Self-Checks Based on the Lion Group Supplier CSR Guidelines for 2018

No. of companies monitored:

The Lion Group's domestic companies procure raw materials, packages, and containers or contract production to 610 companies (Domestic: 534; Overseas: 76)

* Since 2017, we have strengthened the criteria for requesting improvements, causing an increase in the percentage of cases where improvements were requested.



2018 Outline of Results

- In 2018, the response rate was 98%. The questions asked suppliers to rate their activity levels from 1 to 3, and the overall average was 2.67, indicating that sustainability is widely practiced within the entire supply chain.
- We are currently requesting cooperation from the 15 suppliers who did not respond, through interviews and other measures.

PDCA Cycle for CSR Self-Checks by Suppliers



In order to ensure that our suppliers understand the importance of addressing sustainability-related issues, we have included a section for explaining the conditions for sustainability in our self-check request form. The self-check involves a three-step checking standard for each initiative and a detailed glossary.

Aiming for the Sustainable Procurement of Palm Oils

We are actively promoting the utilization of plant-derived materials that are both carbon neutral and non-depletable. As one of our plant-derived materials, we are using derivatives of palm oil—an oil that is globally produced in large quantities. Palm oils are mainly produced in Malaysia and Indonesia.

Palm oil plants show a constant rate of growth, meaning that the oil plants can be harvested throughout the year, and production volumes have been increasing year after year. However, the rapid increase in production in growing areas has contributed to a number of issues, including the development of new farms leading to deforestation and, accordingly, a shrinking in wildlife habitats. Also, inappropriate farming operations have contributed to various

labor-management issues, including social fairness issues. Prominent issues in this area include sub-standard labor conditions with very little consideration for health and safety, extremely low wages, improper treatment of migrant workers, and child labor.

Lion has since 2006 been a member of the Roundtable on Sustainable Palm Oil (RSPO), which has been engaged in efforts to solve all of the above-mentioned issues. The Company began sourcing RSPO certified palm oil from 2012.

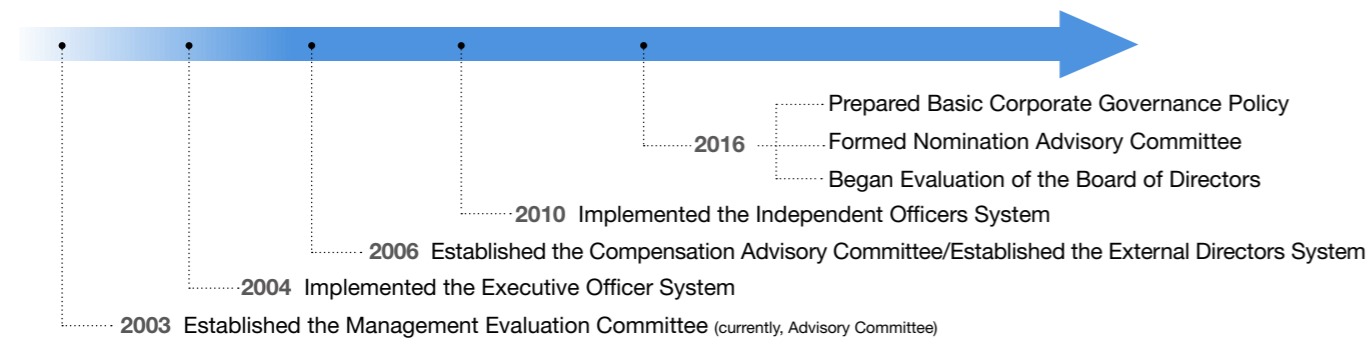
We will continue our efforts aimed at procuring sustainable palm oils.

[Web](#) In collaboration with our business customers (Japanese only)

Corporate Governance

Lion's top priorities for corporate governance are to increase management transparency, strengthen supervisory functions, accelerate decision making, and ensure compliance. By strengthening and enhancing its corporate governance systems, Lion aims to increase its corporate value.

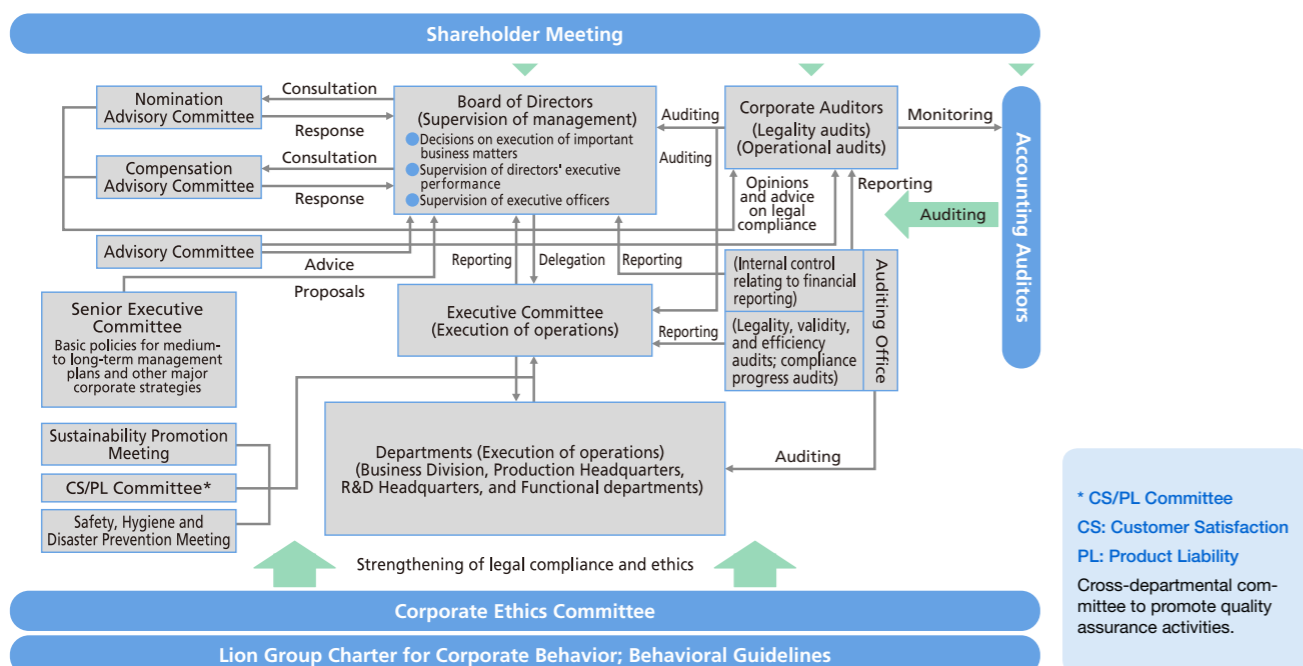
Approach to Enhancing Functions to Audit and Supervise Management



Organizational Structure

Lion is a company with a Board of Corporate Auditors as defined in the Corporation Law, with a system of corporate governance in which the Board of Directors provides adequate oversight of management while independently operating corporate auditors provide appropriate auditing. To reinforce the Board of Directors' management oversight function and speed decision making, Lion has adopted an executive officer system.

In addition, to increase management transparency and further enhance corporate governance, Lion has established a Nomination Advisory Committee and Compensation Advisory Committee comprising mainly external directors and external corporate auditors (external officers).



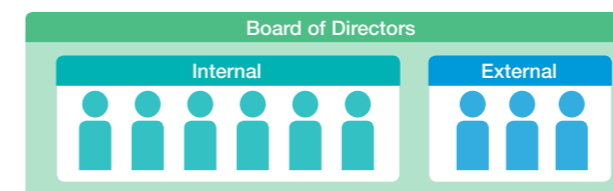
Board of Directors / Directors

The Board of Directors carries out the duties specified by law and the Articles of Incorporation, decides important matters related to Lion's business execution, and oversees the execution of the duties of directors and executive officers.

Such important matters as Groupwide management policy and strategy are considered by the Senior Executive Committee, which determines their general outline, before being taken up by the Board of Directors for a final decision. Important matters related to business execution by individual departments are delegated to the Board of Executive Officers for more nimble decision making. To ensure speedy decision making, the Articles of Incorporation specify that the Board of Directors shall comprise no more than 11 members. To improve the effectiveness of the board's oversight function, at least two members are external directors.

Directors, being fully aware of their fiduciary responsibility to shareholders, must work to increase the corporate value of the Lion Group and contribute to the common interests of shareholders. Directors must endeavor to actively contribute to Board of Directors meetings, engage in constructive discussion, and gather the information and obtain the knowledge and training necessary to carry out their duties.

External directors must oversee management from an independent perspective and work to provide management advice, monitor conflicts of interest, and actively reflect the opinions of stakeholders at meetings of the Board of Directors.



Executive Officers System

Attended by all executive officers, the Executive Committee meets once a month to ensure that the execution of duties is conducted in a timely manner and to strengthen the functions of the Board of Directors. At the same time, the Executive Committee serves to promote expeditious decision making with respect to both fundamental and important matters related to business execution. There are currently 14 executive officers, 5 of whom hold the position of director concurrently.

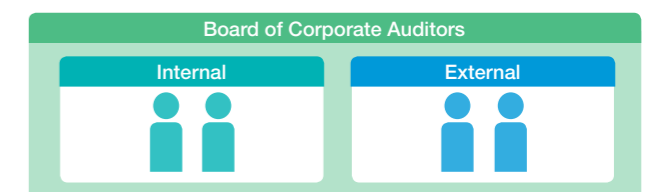
The term of office of executive officers is one year, which is equivalent to the term of office of directors.

Board of Corporate Auditors / Corporate Auditors

The Articles of Incorporation specify that the Board of Corporate Auditors shall comprise no more than five members, at least half of whom must be external corporate auditors. The Board of Corporate Auditors provides oversight to ensure that the directors are executing their duties in accordance with the law and the Articles of Incorporation. The board also exercises appropriate authority over such matters as the selection, dismissal, and compensation of accounting auditors. The Board of Corporate Auditors determines audit standards, policies, and plans for the corporate auditors. The corporate auditors attend important meetings, including those of the Board of Directors, conduct hearings on the status of the execution of the directors' duties, implement on-site audits at Lion's headquarters and other important operating sites, and investigate Lion subsidiaries.

As independently operating authorities, corporate auditors oversee the execution of the duties of the directors. Fully aware of their fiduciary responsibility to shareholders, corporate auditors work to assure the soundness of efforts to improve corporate value and contribute to the common interests of shareholders. Corporate auditors must endeavor to secure the transparency and fairness of the Company's decision making, actively express their opinions at Board of Directors meetings, and gather the information and obtain the knowledge and training necessary to carry out their duties. Corporate auditors must oversee and verify the construction and operation of the system of internal control. Standing corporate auditors must strive to share the information they obtain in the course of their duties with the other corporate auditors.

The Board of Directors selects candidates who meet the criteria of the Director/Corporate Auditor Candidate Selection Standards and Standards Regarding the Independence of External Directors/Corporate Auditors established by the Board of Directors and submits them for consideration by the Nomination Advisory Committee. Based on the results of this consideration and approval by the Board of Corporate Auditors, the Board of Directors selects candidates to propose for appointment to the Shareholders Meeting. Reasons for the selection of candidates are provided in the convening notice of each Shareholders Meeting as part of the appointment proposal.



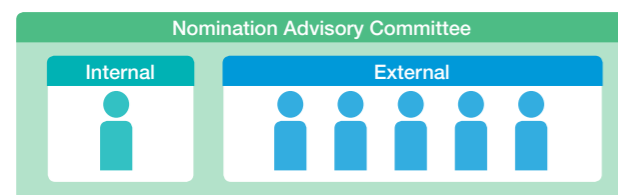
■ Advisory Committees

Lion has established the Nomination Advisory Committee and Compensation Advisory Committee, comprising mainly external directors and external corporate auditors, as advisory bodies to the Board of Directors. These committees help improve management objectivity and transparency. In addition, to further enhance corporate governance, Lion maintains an Advisory Committee composed of outside experts other than external directors and external corporate auditors.

■ 1. Nomination Advisory Committee

The Board of Directors consults the Nomination Advisory Committee regarding the necessary qualities, reasons for selection or dismissal and related processes for nominating directors, corporate auditors and executive officers as well as hiring individuals who have previously served in these roles as consultants. The committee considers the matters in question and provides a response to the Board of Directors (or for matters regarding corporate auditors, to the Board of Corporate Auditors).

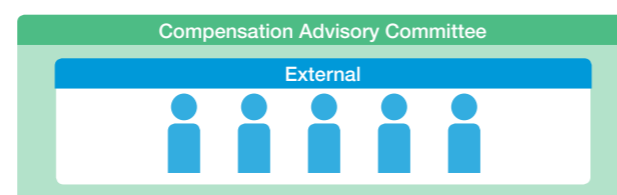
The committee also exchanges opinions on the development of future Group presidents. The Nomination Advisory Committee comprises external directors and external corporate auditors as well as a representative director predetermined by the chairman of the Board of Directors. The members of the committee select from among themselves the committee chairperson, who must be an external director or external corporate auditor.



■ 2. Compensation Advisory Committee

The Board of Directors consults the Compensation Advisory Committee regarding such matters as the compensation system, compensation levels, and bonus calculation methods for directors and corporate auditors. The committee considers the matters in question and provides a response to the Board of Directors (or, for matters regarding corporate auditors, to the Board of Corporate Auditors).

The Compensation Advisory Committee comprises external directors and external corporate auditors. The members of the committee select from among themselves the committee chairperson.



■ 3. Advisory Committee

The Advisory Committee comprises outside experts other than the external directors and external corporate auditors who possess extensive knowledge and insight. The committee considers the appropriateness and other aspects of Lion's management policies and measures. The committee serves to reflect objective opinions from a wide range of perspectives in management. In principle, the committee meets twice a year. The chairperson of the Board of Directors reports a summary of the committee's advice to the Board of Directors.

Risk Management

In order to continue providing our customers with safe and reliable products, we have appointed a Director Responsible for Risk Management who exhaustively controls and supervises the risk of the whole Lion Group.

■ The Lion Group's Rules and Other Structures Relating to the Management of Risk

■ 1. Response under Normal Conditions

- (1) The director responsible for the Corporate Strategy Headquarters shall have overall responsibility for risk management of the Group. The Corporate Planning Department shall exhaustively and comprehensively manage the Group's risk.
- (2) The Auditing Office shall audit the status of risk management for each department within the Group and report its findings to the Executive Committee and the Board of Directors.
- (3) Under normal conditions, each department shall strive to identify its own risks and implement appropriate risk reduction measures. For management risks with the potential to significantly impact business activities, the director of the Board responsible for the relevant department shall consider appropriate risk management measures, which will be deliberated on by the Senior Executive Committees and Executive Committees for implementation.
- (4) For the risks management of environment, quality assurance, accidents, and disasters, appropriate countermeasures shall be formulated in advance by the Sustainability Promotion Meeting, CS/PL Committee*, and Safety, Hygiene and Disaster Prevention Meeting, and, when necessary, deliberated by the Executive Committee.
- (5) Each plant is certified with ISO 14001 and works eagerly on quality management and environmental protection.

■ 2. Response in the Event of Emergency

- (1) In cases where physical emergencies such as natural disaster and accidents arise, in accordance with the Emergency Response System (a system of manuals outlining countermeasures against earthquakes or influenza and other infectious diseases), we report the relevant facts to the president and corporate auditors. At the same time, the director of the relevant department shall collect all relevant information, formulate response measures, clarify causes, and determine countermeasures, submitting a report on these actions to the Executive Committee and the Board of Directors.

* CS/PL Committee
Referring to customer satisfaction (CS) and product liability (PL), a cross-departmental committee to promote quality assurance activities

■ Business Continuity Plan (BCP)

Lion is pushing ahead with the establishment of its own systems to minimize damage, and continue business so as to provide products to customers even in cases where a large earthquake, the spread of an infectious disease (pandemic), or other contingencies occur. Whether the BCP should be implemented or not is determined depending on the size of the disaster and the degree of the damage. If the BCP is implemented, we would give first priority to the supply of consumer products among our businesses. For risks that may have a material impact on our business, we update the countermeasures and report to the Executive Committee annually.

Matters Related to the Selection of External Directors and External Corporate Auditors

In combination with the requirements of the Corporation Law, to further strengthen and enhance its corporate governance, Lion is working to heighten its supervision and oversight of management by appointing individuals without interests in the Company or its significant business partners and who can maintain a high degree of independence as external directors and external corporate auditors (three directors and two corporate auditors). All five external directors/corporate auditors are registered with the Tokyo Stock Exchange as independent directors, a capacity that ensures they do not raise the risk of presenting conflicts of interest with regular shareholders.

External Directors

Kazunari Uchida

| | |
|---|---|
| Attendance | Attended 14 of 17 Directors' meetings held during the fiscal year |
| Reasons for Appointment | Kazunari Uchida possesses experience as the Japan representative of an international management consulting group and also has experience at other companies both as an external director and an external corporate auditor. He has actively participated in meetings of the Board of Directors, and suitably carried out his role as an external director for the Company, including supervising business execution. The Company judges that his sophisticated understanding of management decision making is necessary to enhance the transparency of management and strengthen the oversight of the Board of Directors and therefore requests that he be reelected as an external director. |
| Reasons for Appointment as an independent External Director | Mr. Uchida meets the qualifications set forth in the Lion Corporation Standards Regarding the Independence of External Directors/Corporate Auditors as well as the criteria for independence of the Tokyo Stock Exchange Co., Inc. (Japan Exchange Group). He is, therefore, judged to be independent, and was duly appointed as an independent External Director. |

Takashi Shiraishi

| | |
|---|---|
| Attendance | Attended 16 of 17 Directors' meetings held during the fiscal year |
| Reasons for Appointment | Takashi Shiraishi has managerial experience as the president of a national university, has served as the president of the Japan External Trade Organization's Institute of Developing Economies and possesses broad-ranging expert knowledge in such areas as Asian politics, economics and social issues. He has actively participated in meetings of the Board of Directors and suitably carried out his role as an external director for the Company, including supervising business execution. The Company judges that his sophisticated understanding of management decision making is necessary to enhance the transparency of management and strengthen the oversight of the Board of Directors and therefore requests that he be reelected as an external director. |
| Reasons for Appointment as an independent External Director | Mr. Shiraishi meets the qualifications set forth in the Lion Corporation Standards Regarding the Independence of External Directors/Corporate Auditors as well as the criteria for independence of the Tokyo Stock Exchange Co., Inc. (Japan Exchange Group). He is, therefore, judged to be independent, and was duly appointed as an independent External Director. |

Takako Sugaya

| | |
|---|---|
| Attendance | New Appointment |
| Reasons for Appointment | Takako Sugaya is not involved in corporate management outside the roles of external director and external Audit & Supervisory Board member, but she possesses a wealth of knowledge and experience as an attorney, mainly in corporate legal work, as well as experience as an external director and an external Audit & Supervisory Board member at other companies. The Company judges that her sophisticated understanding of governance and compliance issues is necessary to enhance the transparency of management and strengthen the oversight of the Board of Directors and therefore requests that she be newly elected as an external director. |
| Reasons for Appointment as an independent External Director | Ms. Sugaya meets the qualifications set forth in the Lion Corporation Standards Regarding the Independence of External Directors/Corporate Auditors as well as the criteria for independence of the Tokyo Stock Exchange Co., Inc. (Japan Exchange Group). She is, therefore, judged to be independent, and was duly appointed as an independent External Director. |

External Corporate Auditors

Takao Yamaguchi

| | |
|---|--|
| Attendance | New Appointment |
| Reasons for Appointment | Takao Yamaguchi is not involved in the corporate management outside the roles of external director and external Audit & Supervisory Board member. However, he has cultivated a knowledge of accounting and taxes over his many years as a certified public accountant and tax accountant and has experience working as external Audit & Supervisory Board member at other companies. The Company judges that his insight is necessary to enhance the efficacy of its auditing and therefore requests that he be newly elected as an external Audit & Supervisory Board member. |
| Reasons for Appointment as an independent External Audit & Supervisory Board Member | Mr. Yamaguchi meets the qualifications set forth in the Lion Corporation Standards Regarding the Independence of External Directors/Corporate Auditors as well as the criteria for independence of the Tokyo Stock Exchange Co., Inc. (Japan Exchange Group). He is, therefore, judged to be independent, and was duly appointed as an independent External Corporate Auditor. |

Setsuko Takemoto

| | |
|---|---|
| Attendance | New Appointment |
| Reasons for Appointment | Setsuko Takemoto is not involved in corporate management either as a director or Audit & Supervisory Board member. However, she has cultivated a knowledge of accounting and taxes over her many years as a tax accountant and has experience working in key positions in a government agency. The Company judges that her insight is necessary to enhance the efficacy of its auditing and therefore requests that she be newly elected as an external Audit & Supervisory Board member. |
| Reasons for Appointment as an independent External Audit & Supervisory Board Member | Ms. Takemoto meets the qualifications set forth in the Lion Corporation Standards Regarding the Independence of External Directors/Corporate Auditors as well as the criteria for independence of the Tokyo Stock Exchange Co., Inc. (Japan Exchange Group). She is, therefore, judged to be independent, and was duly appointed as an independent External Corporate Auditor. |

Director and Corporate Auditor Compensation

Director and corporate auditor (corporate officers) compensation is decided by the Board of Directors based on the results of consultation with the Compensation Advisory Committee. Compensation is set within the limits decided by resolution of the Shareholders Meeting. Compensation for corporate officers (excluding external directors and corporate auditors) consists of fixed monthly compensation and performance-linked compensation (bonuses and stock-based compensation). Compensation levels are determined for each corporate officer based on individual roles and responsibilities using survey data from specialized external institutions as an objective benchmark.

The ratio of performance-linked compensation and stock-based compensation for directors is revised as necessary to maintain sound, appropriate incentives to increase corporate value over the medium and long terms.

Executive Corporate Officers (excluding external directors and corporate auditors)

- Compensation consists of fixed monthly compensation and performance-linked compensation tied to earnings and the stock price.
- Fixed monthly compensation uses a flat-rate system. Fixed monthly compensation levels are set taking into consideration similar levels at other companies. In addition, once per year the fixed monthly compensation is raised or lowered following an appraisal of how well the director displays his or her ability to execute duties and supervise management.
- Performance-linked compensation consists of bonuses and performance-linked stock-based compensation as approved by and adopted at the 156th Annual Meeting of Shareholders held on March 30, 2017.

(4) Lion aims to provide director compensation such that it comprises approximately 50% basic, fixed compensation and 50% performance-linked compensation (30% bonus and 20% stock-based compensation).

(5) Bonuses are allocated to each director in consideration of actual past payments and precedents at other companies. The total amount of bonuses (rounded down to the nearest ¥10,000) is 50% of 0.5% of the core operating income and 50% of 0.75% of the profit attributable to owners of parent for the relevant fiscal year. The upper limit is ¥250 million. However, if core operating income or profit attributable to owners of parent are negative (a loss), the value for that item used in the formula will be zero.

(6) Performance-linked stock-based compensation consists of a fixed portion granted each fiscal year and a performance-linked portion granted based on the degree to which earnings targets outlined in the medium-term management plan have been achieved for each fiscal year during the period. The ratio of the fixed portion and the performance-linked portion form equal halves of the stock-based compensation base amount specified for each rank.

Corporate officers without executive duties (external directors and corporate auditors)

- Compensation consists entirely of fixed monthly compensation.
- Fixed monthly compensation uses a flat-rate system. Fixed monthly compensation levels are set taking into consideration similar levels at other companies.

Total amount of compensation, etc. for each corporate officer classification of the submitting company, total amount by type of compensation, etc., and number of eligible corporate officers

| Corporate Officer Classification | Total Amount of Compensation (Millions of yen) | Total Amount by Type of Compensation (Millions of yen) | | | | Number of Eligible Corporate Officers |
|--|--|--|---------|--|---------------------|---------------------------------------|
| | | Fixed Compensation | Bonuses | Performance-Linked, Stock-Based Compensation | Retirement Benefits | |
| Directors (excluding External Directors) | 442 | 215 | 166 | 60 | — | 7 |
| Corporate Auditors (excluding External Corporate Auditors) | 60 | 60 | — | — | — | 2 |
| External Directors and External Corporate Auditors | 60 | 60 | — | — | — | 5 |

(1) There are no individuals serving concurrently as employees and executives.

(2) Directors' fixed compensation was set at a maximum of ¥300 million per fiscal year by resolution at the 156th Annual Meeting of Shareholders held on March 30, 2017.

- (3) Corporate Auditors' fixed compensation was set at a maximum of ¥110 million per fiscal year by resolution at the 156th Annual Meeting of Shareholders held on March 30, 2017.
- (4) By resolution at the 156th Annual Meeting of Shareholders held on March 30, 2017, the upper limit for the amount of contributions to stock-based compensation for the total of four fiscal years, from the fiscal year ending December 31, 2017, to the fiscal year ending December 31, 2020, was set at ¥600 million and the total number of shares set at 360,000 shares (90,000 shares per fiscal year).
- (5) The performance-linked compensation bonuses are the amounts calculated and determined on the basis of the core operating income for the period under review and the profit attributable to the owners of parent for the period under review, in accordance with the methods described above. In addition, stock-based compensation is the amount obtained by converting the share granting points awarded to persons eligible under the system, depending on his or her business attainment level for the period under review.
- (6) The amounts shown are rounded down to the nearest million yen.

Calculation method for corporate officer bonuses related to earnings during the Year Ended December 31, 2019

Bonuses to corporate officers are paid in an amount calculated and determined based on the following method.

(1) Corporate officers eligible for payment

Only those directors that are "Managing Members" as defined by the Corporation Tax Law Article 34 Section 1 No. 3 are eligible, whereas bonuses shall not be paid to external directors and corporate auditors.

(2) Total payment amount

The total amount paid (rounded down to the nearest ¥10,000) allocated to all directors is 50% of 0.5% of the core operating income and 50% of 0.75% of the profit attributable to owners of parent for the relevant fiscal year. The upper limit is ¥250 million. However, if core operating income or profit attributable to owners of parent are negative (a loss), the value for that item used in the formula will be zero.

(3) Individual payments

The payment per point is calculated by dividing the total payment amount calculated based on (2) above by the total number of points calculated by multiplying the number of the total sum of directors currently in office as of the end of the relevant fiscal year for each rank by the following points specified for each rank and adding these. Individual payments to each director are then calculated by multiplying the points specified for each rank by the payment per point calculated above (rounded down to the nearest ¥10,000).

Points by the Role of Each Director and the Number of Officers

| Rank | Points | Number of Officers | Total Points |
|--|--------|--------------------|--------------|
| Chairman/President and Executive Officer | 3.000 | 2 | 6.000 |
| Vice President and Executive Officer | 1.800 | 0 | 0.000 |
| Senior Executive Director | 1.500 | 0 | 0.000 |
| Executive Director | 1.200 | 0 | 0.000 |
| Senior Executive Officer | 1.000 | 2 | 2.000 |
| Executive Officer | 0.900 | 2 | 1.800 |
| Total | — | 6 | 9.800 |

The above is to be calculated using the number of directors following the 158th Annual Meeting of Shareholders held on March 28, 2019.

Calculation method for performance-linked stock-based compensation

By resolution of the 156th Annual Meeting of Shareholders held on March 30, 2017, a performance-linked stock-based compensation system was introduced for directors (excluding external directors). In this system, the number of points (number of shares) to be granted to directors per fiscal year is determined upon making a calculation based on the following method. In principle, a number of shares equivalent to the accumulated number of points is issued to directors upon retirement from office.

(1) Corporate officers eligible for payment

Only those directors that are "Managing Members" as defined by the Corporation Tax Law Article 34 Section 1 No. 3 are eligible, whereas performance-linked stock-based compensation shall not be paid to external directors and corporate auditors.

(2) Total payment level

The upper limit for the total number of points granted to corporate officers eligible for payment per fiscal year shall be 90,000 points (one share of Lion stock per point).

(3) Calculation method and individual payment levels

The number of points for each corporate officer eligible for payment is determined individually using the following formula.

Point formula

Number of points* = (① Fixed base amount + ② Performance-linked base amount × ③ Performance coefficient) ÷ ④ Average per-share acquisition cost

* Truncated after the decimal

① Fixed base amount

The fixed base amount uses the following coefficients set for each rank and is calculated based on the value of the fixed base amount for the directors and executive officers. The fixed base amount is ¥4 million when the coefficient for the directors and executive officers is 1.

| Rank | Coefficient for each rank |
|--|---------------------------|
| Chairman/President and Executive Officer | 3.625 |
| Vice President and Executive Officer | 2.000 |
| Senior Executive Director | 1.625 |
| Executive Director | 1.375 |
| Senior Executive Officer | 1.250 |
| Executive Officer | 1.000 |

② Performance-linked base amount

The performance-linked based amount uses the same value as the above fixed based amount.

③ Performance coefficient

The performance coefficient is calculated in accordance with the following formula.

Coefficient formula

Performance coefficient*¹ = Performance coefficient for core operating income*² × 50% + Performance coefficient for profit attributable to owners of parent*³ × 50%

*¹ Truncated after the second decimal place

*² Core Operating Income: An earning indicator the Company uses to measure regular business performance by subtracting selling, general and administrative expenses from gross revenues.

*³ An IFRS-based earnings indicator.

The performance coefficients for each indicator shall be determined in accordance with the degree to which the targets*⁴ for each indicator have been achieved*⁵ for the Year Ended December 31, 2019.

*⁴ The targets are a core operating income of ¥31,500 million and a profit attributable to owners of parent of ¥21,000 million as listed in the "Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2019 (January 1, 2019 - December 31, 2019)" disclosed in the Summary of Consolidated Financial Statements released on February 13, 2019.

*⁵

| Target achievement rate* ⁶ | Performance coefficients for each indicator |
|---------------------------------------|---|
| Under 100% | 0 |
| 100% to under 140% | (target achievement rate) × 2.5-1.5* ⁷ |
| 140% or above | 2.00 |

*⁶ In the case of 100% or above, the rate is rounded up using the first decimal place

*⁷ Truncated after three decimal places

④ Per-share acquisition cost

The per-share acquisition cost uses the share acquisition cost for the trust used by this system (¥2,130 per share).

When a director transfers residency outside of Japan during his or her eligibility for this system, the accumulated points shall be voided and the director shall be paid separately at the time of retirement in an amount determined by multiplying the share price at the time of retirement by a number of shares equivalent to his or her accumulated points.

Evaluations of the Board of Directors

Striving to ensure the effectiveness of the Board of Directors, every fiscal year, the Company conducts evaluations related to such areas as the board's operating methods and the content and status of the proposals it considers. These evaluations include examinations of each director. A summary of the results of these evaluations is disclosed in the Corporate Governance Report. An anonymous self-assessment survey of all directors and corporate auditors was conducted regarding Board of Directors meetings held in 2018.

Summary of the Evaluation of the Board of Directors

- The number of persons on Lion's Board of Directors is sufficient for deliberations, including the number and proportion of external directors. Board members have the knowledge, experience, capabilities, and diversity necessary to enhance corporate value.
- The frequency, number of agenda items, and deliberation time of the Board of Directors are appropriate. The deliberations comprise open, constructive debate that does not hinder risk taking.

The evaluation found that the membership and operations of Lion's Board of Directors are appropriate, and that decision making on important matters related to business execution and oversight of the execution of duties, are conducted in a proper manner. As such, the effectiveness of Lion's Board of Directors was deemed sufficient.

To date, evaluations of the board's effectiveness have uncovered certain issues. These include: 1) Discussions on management strategy should be enhanced to further increase corporate value and 2) External directors and corporate auditors should be provided with more extensive information regarding the background and context of important agenda items. While Lion has achieved a measure of success with initiatives aimed at addressing each of these issues, the Company recognizes that there is still room for improvement. Looking ahead, Lion will continue to implement necessary measures, and make efforts to further enhance the effectiveness of the Board of Directors.

■ Fundamental stance towards eliminating antisocial forces and the preparation status thereof.

Fundamental stance

Based on the Lion Group Charter for Corporate Behavior, Lion shall maintain a confrontational stance towards any antisocial forces threatening the order and security of civil society.

Preparation status

The General Affairs Department serves as the corresponding supervisory department for handling antisocial entities. This department includes one person responsible for preventing unreasonable demands and cooperates with each of the Lion Group operating sites and external organizations. In order to build ties with law enforcement authorities, Lion participates in external expert organizations, such as Tokubouren (an incorporated association established to prevent special types of violence), and shares information relating to antisocial entities. Lion has instituted a manual for preventing special types of violence in order to establish and enforce procedures for managing antisocial entities.

The person responsible for preventing unreasonable demands provides the necessary education and training for responding to antisocial entities at each of the Lion Group operating sites, and the person responsible and the person in charge of each operating site carries out his or her duties in accordance with this manual.

■ Role of Corporate Pension Fund as Asset Owner

To ensure the payment of pension payments and lump-sum payments into the future, Lion's corporate pension fund manages its pension assets with the aim of securing the necessary total returns over the long-term. To ensure the sound management of the pension fund, Lion assigns personnel from accounting, finance and other relevant divisions who have the appropriate qualities to manage corporate pensions to monitor the entrusted assets. Furthermore, the membership of the board of representatives that serves as the decision-making body for the corporate pension fund is divided equally between Company appointees and representatives of the corporate pension fund beneficiaries elected from among themselves, thereby creating a framework for appropriately managing any conflict of interest that may arise between the corporate pension fund beneficiaries and the Company.

■ Strategic Shareholdings

Lion may hold strategic shares of other companies only when it has judged that they are strategically important for such purposes as maintaining and strengthening trade relationships. The Board of Directors examines the economic rationality of strategic shareholdings on an annual basis, checking the investment profitability, capital cost and other factors for each stockholding. Based on the results of these examinations and such factors as the importance of the relevant trade relationships, shareholdings determined to be unnecessary are then sold as appropriate, reducing Lion's strategic shareholdings.

The voting rights associated with strategically held shares may be exercised based on comprehensive consideration that includes the improvement of Lion's corporate value over the medium to long term and the common interest of Lion's fellow shareholders.

Message from External Directors

Kazunari Uchida External Director



The great thing about Lion is the way it takes care of people including customers, employees, trading partners and society at large. This strong and consistent sense of empathy is in fact a key reason for the Company's many fans. However, as Japan's economy continues to mature and operating conditions fluctuate, the focus of manufacturing is shifting away from the simple development and sale of goods to the provision of experience-based products and services that offer higher added value.

Against this backdrop, and as a buttress to its traditional manufacturing structure and systems, Lion must work to enhance experience-based value from both the internal and external perspectives. In addition to pursuing organic ties that extend beyond divisional boundaries, it will become increasingly important for the Company to promote collaboration with a variety of companies and research institutions from outside the industry.

In doing so, Lion will not only be recognized for its solid business results, but also as a company that is indispensable to customers and society. Through these means, I am hopeful that the Company will continue to attract wide-ranging support.

Takashi Shiraishi External Director



With a history that spans more than 100 years, Lion is an extremely earnest company. I have come to this assessment after dealing with the Company and attending monthly meetings of the Board of Directors. With all of Lion's products and services closely linked to consumers' daily lives, the efforts of the Company to instill a sense of intimacy and closeness has attracted considerable trust and confidence. Harnessing this trust as an asset and engine for sustainable growth is a key issue for the Company going forward.

I have been studying political science and economics focusing largely on Asia for more than 45 years, and among a number of positions, I have served as a professor at Cornell University in the U.S., president of the Institute of Developing Economies at the Japan External Trade Organization and president of the National Graduate Institute for Policy Studies. Conversant across a diverse range of political, economic, social and other domains throughout Asia, I have developed a broad local network throughout the region. In order for Lion to grow further on the global stage, I believe it is vital for the Company to expand throughout Asia, promote collaborative ties with other companies and appoint people from other Asian countries to senior management positions. I would like to contribute in these endeavors.

See Lion's Corporate Governance website for further details.

Basic Corporate Governance Policy 

http://www.lion.co.jp/en/company/pdf/cg_policy_e.pdf

Corporate Governance Report (Available in Japanese only) 

http://www.lion.co.jp/ja/company/about/pdf/abo_gov.pdf

Directors, Corporate Auditors, and Executive Officers (As of April 1, 2019)

[Brief outline of the career history of directors, corporate auditors, and executive officers](#)

The notification of the nomination of Mr. Kazunari Uchida, Mr. Takashi Shiraiishi, Ms. Takako Sugaya as independent directors has been sent to the Tokyo Stock Exchange.



Representative Director,
Chairman of the
Board of Directors

ITSUO HAMA

Representative Director,
Chief Executive Officer

Brief Career History and Positions and Responsibilities at Lion Corporation
April 1977 Joined Lion Fat & Oil Co., Ltd.
January 2019 Representative Director, Chairman of the Board of Directors, Chief Executive Officer (current position)



Representative Director,
President and Executive Officer

MASAZUMI KIKUKAWA

Chief Operating Officer (current position)

Brief Career History and Positions and Responsibilities at Lion Corporation
April 1984 Joined Lion Corporation
January 2019 Representative Director, President and Executive Officer, Chief Operating Officer (current position)



Director
Senior Executive Officer

KENJIRO KOBAYASHI

Brief Career History and Positions and Responsibilities at Lion Corporation
April 1987 Joined Lion Corporation
January 2019 Director, Senior Executive Officer, Responsible for Corporate Ethics, Human Resources and General Affairs Headquarters, Secretary Department, CSV Promotion Department, System Department, Corporate Communication Center and Business Process Reengineering Department (current position)



Director
Senior Executive Officer

TAKEO SAKAKIBARA

Brief Career History and Positions and Responsibilities at Lion Corporation
April 1983 Joined Lion Corporation
January 2018 Director, Senior Executive Officer, Responsible for Risk Management, Corporate Strategy Headquarters, Consumer Service Center, Reliability Assurance Department and Legal Department (current position)



Director
Executive Officer

YUGO KUME

Brief Career History and Positions and Responsibilities at Lion Corporation
April 1984 Joined Lion Corporation
January 2019 Director, Executive Officer, Responsible for Gift and Channel-Specific Products Division, Direct Marketing Division, Communication Design Department and Consumer Knowledge Center, Executive General Manager of Health and Home Care Products Division (current position)



Director
Executive Officer

FUMITOMO NORITAKE

Brief Career History and Positions and Responsibilities at Lion Corporation
April 1988 Joined Lion Corporation
March 2019 Director, Executive Officer, Responsible for Supply Chain Management Headquarters, Production Engineering Research Headquarters, Purchasing Headquarters, Production Headquarters, Overall Chemicals Businesses, Intellectual Property Department and Safety and Disaster Prevention Promotion Department, Executive General Manager of Research and Development Headquarters (current position)



External
Director

**KAZUNARI
UCHIDA**

University
professor

Brief Career History and Positions and Responsibilities at Lion Corporation
January 1985 Joined Boston Consulting Group
June 2000 Representative for Japan, Boston Consulting Group
March 2006 External Auditor, Suntory Limited (now Suntory Holdings Limited)
April 2006 Professor, Faculty of Commerce, Waseda University (current position)
February 2012 External Auditor, Kewpie Corporation
June 2012 External Director, Lifenet Insurance Company
August 2012 External Director, Mitsui-Soko Holdings Co., Ltd.
March 2016 External Director, Japan ERI Co., Ltd. (now ERI Holdings Co., Ltd.)
External Director, Lion Corporation (current position)



External
Director

**TAKASHI
SHIRAIISHI**

University
professor

Brief Career History and Positions and Responsibilities at Lion Corporation
June 1979 Assistant Professor, International Relations, Department of Humanities and Social Sciences, College of Arts and Sciences, University of Tokyo
January 1996 Professor, Department of Asian Studies and Department of History, College of Arts and Sciences, Cornell University
July 1996 Professor, Center for Southeast Asian Studies, Kyoto University
April 2005 Professor and Vice President, National Graduate Institute for Policy Studies
May 2007 President, Institute of Developing Economies, Japan External Trade Organization
January 2009 Councilor, Council for Science, Technology and Innovation, Cabinet Office
April 2011 President, National Graduate Institute for Policy Studies
January 2013 Member, Management Evaluation Committee (now the Advisory Committee), Lion Corporation
March 2017 External Director, Lion Corporation (current position)
April 2017 Special visiting professor, Ritsumeikan University
May 2017 Professor Emeritus, National Graduate Institute for Policy Studies (current position)
April 2018 Chancellor, Prefectural University of Kumamoto (current position)



External
Director

**TAKAKO
SUGAYA**

Attorney at Law

Brief Career History and Positions and Responsibilities at Lion Corporation
October 2002 Registered as an attorney at law (Daini Tokyo Bar Association)
March 2019 Joined Yamada Hideo Law Office (now the Yamada Ozaki Law Office) (current position)
External Director, Lion Corporation (current position)



Audit &
Supervisory
Board
Member

**TOSHIYUKI
NIKKAWA**

Brief Career History and Positions and Responsibilities at Lion Corporation
April 1984 Joined Lion Corporation
March 2019 Audit & Supervisory Board Member (current position)



Audit &
Supervisory
Board
Member

**YOSHIAKI
KAMAO**

Brief Career History and Positions and Responsibilities at Lion Corporation
April 1985 Joined Lion Corporation
March 2019 Audit & Supervisory Board Member (current position)



External Audit
& Supervisory
Board
Member

**TAKAO
YAMAGUCHI**

Certified Public
Accountant,
Certified Tax
Accountant

Brief Career History and Positions and Responsibilities at Lion Corporation
October 1981 Joined Chuo Accounting Office Auditing Corporation
February 1985 Acquired Japanese CPA certification
September 1987 Entered Yamaguchi Accounting Office
December 1987 Acquired Japanese tax accountant certification
January 1996 Director, Yamaguchi Accounting Office
March 2015 Alternate External Audit & Supervisory Board Member, Lion Corporation
March 2019 External Audit & Supervisory Board Member, Lion Corporation (current position)



External Audit
& Supervisory
Board
Member

**SETSUKO
TAKEMOTO**

Certified Tax
Accountant

Brief Career History and Positions and Responsibilities at Lion Corporation
April 1969 Joined the Ministry of Finance
July 2009 Director, Ogikubo Tax Agency
July 2011 Retired from the National Tax Agency
August 2011 Acquired Japanese tax accountant certification
September 2011 Established Takemoto Setsuko Tax Accounting Office (now the Kuchitani General Accounting Office)
March 2019 External Audit & Supervisory Board Member, Lion Corporation (current position)

Senior Executive Officer

MASAHARU MIKUNI

Executive General Manager of
Health and Home Care Products
Salas Division, Distribution Policy
Department

Senior Executive Officer

HITOSHI SUZUKI

Executive General Manager of
International Division

Executive Officer

TOMOMICHI OKANO

Executive General Management of
Production Engineering Research
Headquarters

Executive Officer

HIROYUKI CHIBA

Executive General Manager of
Purchasing Headquarters

Executive Officer

SHINICHIRO HIRAOKA

Executive General Manager of
Supply Chain Management
Headquarters
President of Lion Logistics Service
Company, Ltd.

Executive Officer

JIRO NAGASAWA

Executive General Manager of
Human Resources and General
Affairs Headquarters

Executive Officer

KENGO FUKUDA

Executive General Manager of
Corporate Strategy Headquarters

Executive Officer

YASUTSUGU SHIMIZU

Executive General Manager of
Production Headquarters

Executive Officer

TAKASHI NAGAI

Executive General Manager of
Direct Marketing Division

Alternate External Audit &
Supervisory Board member

AKEMI SUNAGA

Certified Public Accountant,
Certified Tax Accountant

Performance

Seven-Year Financial Summary

Japanese GAAP

V-2 Plan
2015–2017

| (Millions of Yen) | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| Consolidated Statements of Income data | | | | | | |
| Net sales | 335,171 | 352,005 | 367,396 | 378,659 | 395,606 | 410,484 |
| Cost of sales | 145,385 | 153,336 | 160,677 | 162,435 | 161,992 | 171,209 |
| Gross profit | 189,785 | 198,668 | 206,718 | 216,223 | 233,613 | 239,275 |
| Selling, general and administrative expenses | 182,572 | 187,849 | 194,312 | 199,848 | 209,110 | 212,068 |
| Operating income | 7,213 | 10,819 | 12,406 | 16,374 | 24,502 | 27,206 |
| Income (loss) before income taxes and minority interests | 8,594 | 10,925 | 13,085 | 19,387 | 24,035 | 30,560 |
| Profit (loss) attributable to owners of parent | 4,235 | 6,097 | 7,368 | 10,680 | 15,951 | 19,827 |
| Consolidated Balance Sheets data | | | | | | |
| Total liabilities and net assets | 257,595 | 282,098 | 283,352 | 282,434 | 298,510 | 331,751 |
| Property, plant and equipment, net | 61,955 | 68,989 | 79,275 | 75,060 | 74,402 | 80,981 |
| Total long-term liabilities | 47,288 | 26,208 | 40,380 | 18,455 | 17,190 | 17,511 |
| Total liabilities | 143,431 | 157,865 | 155,918 | 139,703 | 140,630 | 144,736 |
| Total net assets | 114,163 | 124,232 | 127,434 | 142,730 | 157,879 | 187,015 |
| Other selected data | | | | | | |
| Capital expenditures*1 | 10,820 | 13,709 | 13,555 | 8,801 | 9,407 | 14,892 |
| R&D expenses | 8,989 | 9,618 | 9,439 | 9,808 | 10,084 | 10,474 |
| Depreciation and amortization*1 | 11,834 | 11,227 | 10,301 | 11,166 | 10,244 | 9,386 |
| Number of employees | 6,006 | 6,162 | 6,343 | 6,816 | 6,895 | 7,075 |
| Common share data (yen) | | | | | | |
| Net income (loss) per share - basic | 15.77 | 22.72 | 27.47 | 39.35 | 55.13 | 68.23 |
| Net income (loss) per share - diluted | 15.75 | 22.68 | 26.16 | 36.84 | 55.04 | 68.15 |
| Dividends paid per share | 10.00 | 10.00 | 10.00 | 10.00 | 13.00 | 17.00 |
| Net assets per share | 407.08 | 441.59 | 449.94 | 469.05 | 513.76 | 607.61 |
| Common stock (number of shares outstanding) | 299,115,346 | 299,115,346 | 299,115,346 | 299,115,346 | 299,115,346 | 299,115,346 |
| Financial ratios (%) | | | | | | |
| Gross profit | 56.6% | 56.4% | 56.3% | 57.1% | 59.1% | 58.3% |
| Selling, general and administrative expenses | 54.5 | 53.4 | 52.9 | 52.8 | 52.9 | 51.7 |
| Operating income | 2.2 | 3.1 | 3.4 | 4.3 | 6.2 | 6.6 |
| Income (loss) before income taxes and minority interests | 2.6 | 3.1 | 3.6 | 5.1 | 6.1 | 7.4 |
| Profit (loss) attributable to owners of parent | 1.3 | 1.7 | 2.0 | 2.8 | 4.0 | 4.8 |

*1 Includes the effects of intangible assets.

IFRS

LIVE Plan
2018–2020

| (Millions of Yen) | 2017 | 2018 |
|--|-------------|-------------|
| Consolidated Statement of Income data | | |
| Net sales | 342,703 | 349,403 |
| Cost of sales | 171,713 | 177,673 |
| Gross profit | 170,990 | 171,729 |
| Selling, general and administrative expenses | 142,182 | 143,353 |
| Core operating income | 28,807 | 28,375 |
| Operating profit | 30,479 | 34,196 |
| Profit before tax | 31,998 | 35,658 |
| Profit for the period attributable to owners of the parent | 20,883 | 25,606 |
| Consolidated Statement of Financial Position | | |
| Total assets | 338,855 | 355,365 |
| Property, plant and equipment | 79,539 | 81,546 |
| Total non-current liabilities | 20,662 | 21,350 |
| Total liabilities | 150,062 | 151,093 |
| Total equity | 188,793 | 204,271 |
| Other selected data | | |
| Capital expenditures | 14,892 | 16,678 |
| R&D expenses | 10,474 | 10,969 |
| Depreciation and amortization | 7,775 | 8,707 |
| Number of employees | 7,075 | 6,941 |
| Common share data (yen) | | |
| Basic earnings per share | 71.87 | 88.11 |
| Diluted earnings per share | 71.77 | 87.99 |
| Dividends paid per share | 17.00 | 20.00 |
| Equity attributable to owners of the parent per share | 614.08 | 657.50 |
| Number of outstanding shares (common stock) | 299,115,346 | 299,115,346 |
| Financial ratios (%) | | |
| Gross profit | 49.9% | 49.1% |
| Selling, general and administrative expenses | 41.5 | 41.0 |
| Operating profit | 8.9 | 9.8 |
| Profit before tax | 9.3 | 10.2 |
| Profit for the period attributable to owners of the parent | 6.1 | 7.3 |

Performance

Management's Discussion and Analysis

Market Environment

During fiscal 2018 (January 1, 2018–December 31, 2018), the Japanese economy as a whole continued to gradually improve, backed by ongoing recovery in personal consumption and corporate profits amid steady improvement in employment.

The market in the Lion Group's main business domain, the domestic consumer products industry, was steady, as unit prices continued to rise.

Consolidated Results

Under its new management vision, "Becoming an advanced daily healthcare company," the Lion Group has launched the LION Value Evolution Plan (LIVE Plan) medium-term management plan for the three years beginning fiscal 2018. To achieve the management vision, Lion has been implementing measures based on the basic strategies "Expand and Evolve Our Business Domains through New Value Creation," "Accelerate Growth in Overseas Businesses through Globalization,"* "Reinforce Our Management Base through Business Structure Reform" and "Create Dynamism to Foster Innovative Change" while introducing future-oriented growth initiatives in and outside Japan.

In its domestic operations, Lion introduced such new products as toothpastes, toothbrushes, dental rinses, body washes, laundry detergents, fabric softeners and eye drops and worked to cultivate markets for these products through aggressive marketing. At the same time, in the Living Care field, the Company launched new products that offer new living habits. In its overseas operations, the Group sought to develop its key brands and increase profitability, focusing mainly on the personal care field, including oral care and beauty care products.

Reflecting these efforts, consolidated results for fiscal 2018 are as follows. Net sales amounted to ¥349,403 million, a

In the overseas market, the market for high-value-added products continued to expand along with aging in society and the growing middle class in major Asian countries, in which the Lion Group develops its business, and greater demand for the health, cleanliness and comfort.

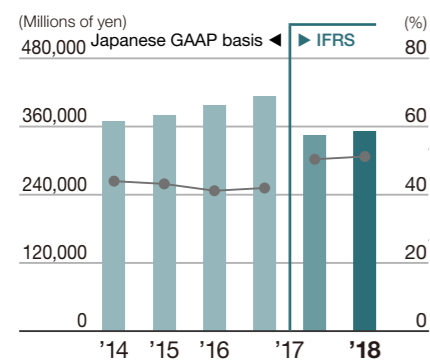
year-on-year increase of 2.0% (or an increase of 1.4% in terms of real net sales, which exclude the influence of exchange rate conversions). Core operating income came to ¥28,375 million, down 1.5% compared with the previous fiscal year, and operating profit to ¥34,196 million, up 12.2% year on year. Profit for the period attributable to owners of parent totaled ¥25,606 million, up 22.6% compared with the previous fiscal year.

* A fusion between globalization and localization

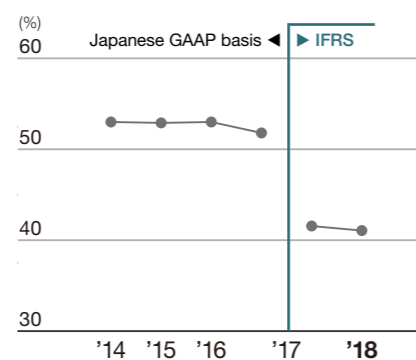
LIVE Plan 2018–2020

| | Billions of yen | |
|-------------------------------|-----------------|--------------|
| | 2020 Target | 2018 |
| Net sales | 400.0 | 349.4 |
| Operating profit | 40.0 | 34.1 |
| Operating profit margin ratio | 10% | 9.8% |
| ROE | 12% level | 13.9% |

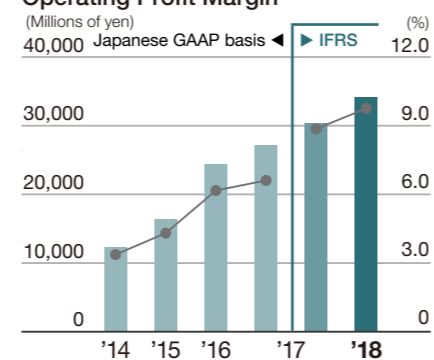
Net Sales and Cost of Sales Ratio



SG&A Expenses to Net Sales



Operating Profit and Operating Profit Margin



SG&A Expenses Breakdown

| | 2018 | | 2017 | |
|--|--------------------------|----------------|--------------------------|----------------|
| | Amount (Millions of yen) | % of net sales | Amount (Millions of yen) | % of net sales |
| Selling, general and administrative expenses | 143,353 | 41.0 | 142,182 | 41.5 |
| Sales commission expenses | 9,307 | 2.7 | 9,012 | 2.6 |
| Promotion expenses | 25,933 | 7.4 | 25,441 | 7.4 |
| Advertising expenses | 28,787 | 8.2 | 29,935 | 8.7 |
| Transportation and warehousing expenses | 19,104 | 5.5 | 18,653 | 5.4 |
| Salaries and allowances | 15,377 | 4.4 | 15,034 | 4.4 |
| Research and development expenses | 10,969 | 3.1 | 10,474 | 3.1 |
| Other | 33,873 | 9.7 | 33,631 | 9.8 |

Factors Accounting for Changes in Operating Profit

(Billions of yen)



Conditions by Reportable Segment

The Lion Group comprises the corporate headquarters, segments centered on the products and services that are the foundation for the Company, and regional segments.

Its three reportable segments are Consumer Products Business, Industrial Products Business, and Overseas Business.

Consumer Products Business

The Consumer Products Business segment comprises the Oral Care Products, Beauty Care Products, Fabric Care Products, Living Care Products, Pharmaceutical Products and Other Products businesses. Segment net sales decreased 4.0% compared with the previous fiscal year. Segment profit decreased 5.8%.

Net Sales and Segment Income

| | Millions of yen | | | | | |
|----------------|-----------------|--------------------|---------|--------------------|-------------------|--------|
| | 2018 | Ratio to net sales | 2017 | Ratio to net sales | Increase/decrease | Change |
| Net sales | 231,594 | | 241,203 | | (9,608) | (4.0%) |
| Segment income | 17,834 | 7.7% | 18,934 | 7.8% | (1,100) | (5.8%) |

Note: Net sales include internal net sales within and among segments, which amounted to ¥16,202 million in 2018 and ¥26,007 million in 2017.

Net Sales by Products

| | Millions of yen | | | |
|-------------------------|-----------------|--------|-------------------|---------|
| | 2018 | 2017 | Increase/decrease | Change |
| Oral Care Products | 59,503 | 56,486 | 3,017 | 5.3% |
| Beauty Care Products | 21,024 | 20,307 | 716 | 3.5% |
| Fabric Care Products | 59,790 | 61,521 | (1,730) | (2.8%) |
| Living Care Products | 17,891 | 16,949 | 942 | 5.6% |
| Pharmaceutical Products | 29,228 | 29,407 | (178) | (0.6%) |
| Other Products | 44,156 | 56,531 | (12,374) | (21.9%) |

Performance

Management's Discussion and Analysis

In Oral Care Products, sales of *CLINICA ADVANTAGE Toothpaste*, *SYSTEMA Haguki (the Gums) Plus Toothbrush*, and *CLINICA ADVANTAGE Toothbrush* were strong. In addition, *NONIO Toothpaste* and *NONIO Mouthwash*, part of the *NONIO* bad breath prevention brand, released in 2017, received favorable consumer reviews.

In Beauty Care Products, *KireiKirei Medicated Foaming Hand Soap* and the *hadakara Body Soap series* saw strong sales and remained favorable.

In Fabric Care Products, sales of *SOFLAN Aroma Rich* were favorable and Lion released new *TOP Hareta*, a super-concentrated liquid laundry detergent. However, sales of *TOP Clear Liquid* were impacted by intensifying competition, and sales of powder detergents fell year on year, reflecting continued market contraction.

In Living Care Products, although sales of *CHARMY Magica* were stagnant, sales of bathroom fungicide *LOOK Plus Bath Antimold Fogger* were favorable, and new product *LOOK Plus Bath Cleansing* received favorable consumer reviews.

In Pharmaceutical Products, sales of *BUFFERIN PREMIUM* and *BUFFERIN Luna i* were strong and *Smile Medical A*, new eye drops, received favorable consumer reviews,

In Other Products, while sales of *Nice rim essence Lactoferrin* decreased year on year, sales of *Nioi wo Toru Suna (Deodorizing Cat Litter)* were firm, and those of oral care products were strong.

Industrial Products Business

The Industrial Products Business segment includes the Automotive, Electrical and Electronics, and Detergents for Institutional Use Products fields. These businesses handle products that include anti-sticking agents for tires, electro-conductive carbon for secondary batteries, and detergents for institutional and kitchen use, respectively. Segment net sales increased 5.3% compared with the previous fiscal year. Segment profit increased 1.7%.

Net Sales and Segment Income

| | Millions of yen | | | | | |
|----------------|-----------------|--------------------|--------|--------------------|-------------------|--------|
| | 2018 | Ratio to net sales | 2017 | Ratio to net sales | Increase/decrease | Change |
| Net sales | 57,958 | | 55,047 | | 2,910 | 5.3% |
| Segment income | 2,357 | 4.1% | 2,316 | 4.2% | 40 | 1.7% |

Note: Net sales include internal net sales within and among segments, which amounted to ¥23,908 million in 2018 and ¥22,441 million in 2017.

In Automotive, sales of carbon for auto parts were favorable, and overall sales increased year on year.

In Electrical and Electronics, sales of electro-conductive carbon for secondary batteries for overseas markets and electro-conductive compounds for semiconductor carrier materials were favorable, and overall sales increased significantly year on year.

In Detergents for Institutional Use Products, sales of alcohol sanitizers for kitchens were favorable, but overall sales edged down year on year.

Overseas Business

The Overseas Business segment comprises business operations located in Southeast Asia, including Thailand and Malaysia, and Northeast Asia, including South Korea and China. Segment net sales increased 2.4% year on year (or in terms of real net sales, which exclude the influence of exchange rate fluctuations, increased 0.5%).

Segment profit dramatically increased 55.8% year on year.

Net Sales and Segment Income

| | Millions of yen | | | | | |
|----------------|-----------------|--------------------|---------|--------------------|-------------------|--------|
| | 2018 | Ratio to net sales | 2017 | Ratio to net sales | Increase/decrease | Change |
| Net sales | 105,043 | | 102,567 | | 2,475 | 2.4% |
| Segment income | 6,875 | 6.5% | 4,413 | 4.3% | 2,462 | 55.8% |

Note: Net sales include internal net sales within and among segments, which amounted to ¥10,279 million in 2018 and ¥11,842 million in 2017.

In Southeast Asia, overall sales were up 3.8% year on year. In Thailand, sales of *Shokubutsu-Monogatari Body Soap* were strong, and sales of toothbrushes and laundry detergents were up year on year. Overall sales after yen conversions were up year on year. In Malaysia, sales of *TOP* laundry detergent were favorable, but because of the merger of a detergent ingredient manufacturing subsidiary that caused said subsidiary to be excluded from the scope of consolidation during the fiscal year, overall sales after yen conversions were down year on year.

In Northeast Asia, overall sales were down 0.2% year on year. In South Korea, sales of *KireiKirei* hand soap were favorable. Overall sales after yen conversions were up year on year. In China, sales of *SYSTEMA* toothbrushes fell year on year. Overall sales after yen conversions were down year on year.

Financial Position

| | Millions of yen | | |
|--|-----------------|---------|-------------------|
| | 2018 | 2017 | Increase/decrease |
| Total assets (millions of yen) | 355,365 | 338,855 | 16,509 |
| Total equity (millions of yen) | 204,271 | 188,793 | 15,478 |
| Ratio of equity attributable to owners of the parent to total assets*1 (%) | 53.8 | 52.7 | 1.1 |
| Equity attributable to owners of the parent per share*2 (yen) | 657.50 | 614.08 | 43.42 |

*1 Shareholders' equity to total assets = (Total equity – Non-controlling interests) / Total assets

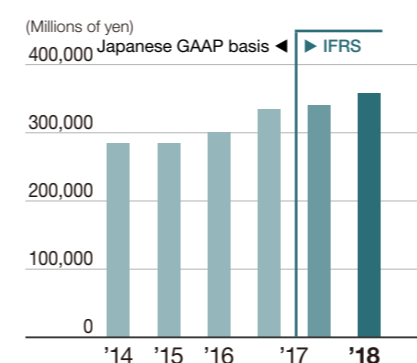
*2 Non-controlling interests were excluded from calculation of equity attributable to owners of the parent per share.

Total assets rose ¥16,509 million compared with the previous consolidated fiscal year-end to ¥355,365 million. This was primarily attributable to an increase in cash and cash equivalents.

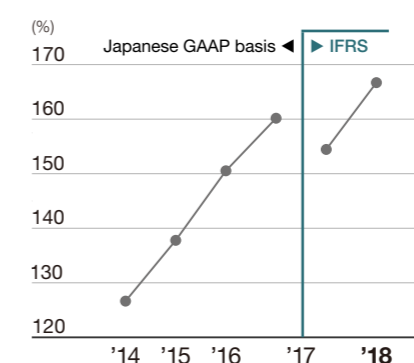
Total liabilities increased ¥1,030 million, to ¥151,093 million year on year. Current liabilities increased ¥341 million, to ¥129,742 million, with the liquidity rate at 166.4%.

Total equity increased ¥15,478 million, to ¥204,271 million. The ratio of equity attributable to owners of the parent to total assets stood at 53.8%.

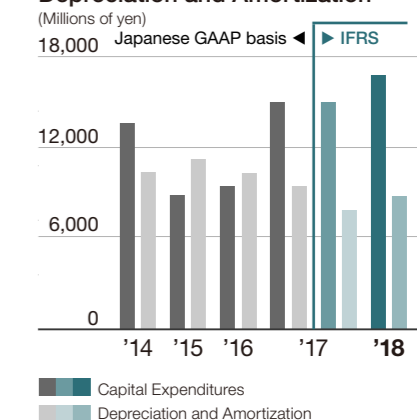
Total Assets



Current Ratio



Capital Expenditures and Depreciation and Amortization



Other

Net Sales and Segment Income

| | Millions of yen | | | | | |
|----------------|-----------------|--------------------|--------|--------------------|-------------------|--------|
| | 2018 | Ratio to net sales | 2017 | Ratio to net sales | Increase/decrease | Change |
| Net sales | 34,067 | | 30,565 | | 3,501 | 11.5% |
| Segment income | 1,717 | 5.0% | 1,336 | 4.4% | 381 | 28.5% |

Note: Net sales include internal net sales within and among segments, which amounted to ¥28,790 million in 2018 and ¥26,469 million in 2017.

Cash Flows

Consolidated Cash Flows

| | Millions of yen | | |
|---|-----------------|---------|-------------------|
| | 2018 | 2017 | Increase/decrease |
| Net cash provided by (used in) operating activities | 31,879 | 28,559 | 3,320 |
| Net cash provided by (used in) investment activities | (8,989) | (8,750) | (238) |
| Net cash provided by (used in) financing activities | (8,754) | (6,751) | (2,003) |
| Effect of exchange rate change on cash and cash equivalents | (564) | 603 | (1,168) |
| Net increase (decrease) in cash and cash equivalents | 13,570 | 13,661 | (90) |
| Cash and cash equivalents at end of period | 104,972 | 91,401 | 13,570 |

Net cash provided by operating activities totaled ¥31,879 million, due mainly to profit before tax.

Net cash used in investing activities totaled ¥8,989 million, due in part to the purchase of property, plant and equipment.

Net cash used in financing activities totaled ¥8,754 million. Major components of this outflow included cash dividends paid.

As a result of the above, cash and cash equivalents as of December 31, 2018 increased ¥13,570 million compared with the consolidated fiscal year ended December 31, 2017, to ¥104,972 million.

Outlook for Fiscal 2019

| | Millions of yen | | | |
|---|----------------------|---------|-------------------|---------|
| | Fiscal 2019 forecast | 2018 | Increase/decrease | Change |
| Net sales | 360,000 | 349,403 | 10,597 | 3.0% |
| Core operating income*1 | 31,500 | 28,375 | 3,124 | 11.0% |
| Operating profit | 31,000 | 34,196 | (3,197) | (9.3%) |
| Profit attributable to owners of parent | 21,000 | 25,606 | (4,607) | (18.0%) |
| Basic EPS (yen) | 72.25 | 88.11 | (15.86) | (18.0%) |

*1 Core operating income is an earnings indicator the Company uses to measure regular business performance and is calculated by subtracting selling, general and administrative expenses from gross profit.

During fiscal 2019 (the year ending December 31, 2019), although gradual continued recovery is forecast for the Japanese economy, the outlook going forward is expected to remain unclear, reflecting the impact of the scheduled consumption tax hike, shifts in raw material prices and currency exchange rates, geopolitical risks and other factors. In the domestic toiletries industry, the Lion Group's main business domain, despite anticipated expansion in the market for high-value-added products, competition is expected to remain fierce.

Amid these circumstances, the Lion Group will aim to improve corporate value as it rapidly implements the strategies outlined in the LION Value Evolution Plan (LIVE Plan) medium-term management plan.

In the Consumer Products Business segment, the Lion Group will cultivate markets for high-value-added products in its mainstay businesses, working to improve its market position and strengthen profitability while offering new value to customers. The Group will also work to expand production capacity, especially in the oral care field, and make its production system more efficient.

In the Industrial Products Business segment, Lion will focus management resources on key areas, such as automotive

and electrical/electronic products, to reinforce its business foundation. Furthermore, Lion will continue efforts to cultivate new customers in its vegetable washing system business.

With regard to the Overseas Business segment, the Lion Group will continue its aggressive marketing activities, primarily in the area of personal care, and strengthen sales through e-commerce channels, seeking to expand its business.

As a result of the above, consolidated results forecasts for fiscal 2019 are as follows: net sales of ¥360,000 million (up 3.0% year on year), core operating income of ¥31,500 million (up 11.0% year on year), operating profit of ¥31,000 million (down 9.3% year on year) and profit attributable to owners of parent of ¥21,000 billion (down 18.0% year on year).

Assumptions Underlying the Forecast of Consolidated Financial Results for Fiscal 2019

Lion utilized the following foreign exchange rates in the calculation of the aforementioned forecasts.

¥110= US\$1.00

¥3.4 = 1.00 baht

Forecast of Fiscal 2019 Consolidated Cash Flows

In cash flows from operating activities, Lion projects profit before tax of approximately ¥32,500 million. Depreciation and amortization is estimated to total about ¥10,000 million.

In cash flows from investment activities, Lion plans to undertake capital expenditures of around ¥33,000 million during fiscal 2019.

The cash flows from financing activities are expected to yield an outflow of about ¥7,000 million mainly due to cash dividends paid and the repayment of borrowings.

Based on these projections, Lion estimates that cash and cash equivalents at the end of fiscal 2019 will be up approximately ¥2,500 million year on year.

Basic Policy on the Distribution of Earnings and Cash Dividends

Lion considers returning profits to shareholders on a continuous and stable basis by increasing its consolidated earnings capacity to be one of its most important management issues. To this end, the Company strives to ensure the payment of continuous and stable cash dividends, aiming for a consolidated payout ratio of 30%, and bases the acquisition of treasury stock on comprehensive reviews to ensure that it maintains levels of internal reserves required to secure medium- and long-term growth.

Lion allocates internal reserves to research and development, capital investment in production facilities and the acquisition of external resources, aiming to reinforce the

Company's growth potential and to develop a sustainable business foundation.

Taking into consideration the Company's cash dividend payment record, as well as its dividend payout ratio target, Lion's Board of Directors resolved to pay an interim dividend of ¥10 per share and a year-end dividend of ¥10 per share for fiscal 2018.

With regard to dividends for fiscal 2019, in accordance with its basic policy on the distribution of earnings and cash dividends, Lion plans to pay an interim dividend of ¥10 per share and a year-end dividend of ¥11 per share, for a total annual dividend of ¥21 per share.

Business Risks

The Lion Group's management performance and financial position may be adversely affected by various risks as business activities are pursued in the future. Of these risks, the following items, in particular, may have a material impact on the decisions of investors.

Note that forward-looking statements are based on decisions made by the Lion Group as of the date of the issuance of this report, and that business risks are not limited to the items listed below.

(1) Product quality and value

The Lion Group plans, develops, produces, and sells products under management based on international quality standards while strictly following related laws and regulations, such as the Pharmaceutical and Medical Device Act, to provide worry-free, safe, convenient, and environmentally conscious products to consumers. In addition, we use consumers' opinions received through our Consumer Service Office to improve our products and packaging as well as respective displays and text.

In the event of an unforeseen and serious problem with product quality, however, the affected product and all products made by the Lion Group may lose their perceived value. This may adversely affect the Lion Group's management performance and financial position.

(2) Changes in raw material prices

The Lion Group's products use petrochemical and vegetable oils and fats as basic materials. Since these materials are easily affected by international market prices, we have measures in place to reduce costs and diversify the range of materials used. However, an increase in raw material prices may adversely affect the Lion Group's management performance and financial position.

(3) Exchange rate fluctuations

The Lion Group translates into yen the financial statements of overseas subsidiaries when preparing consolidated financial statements. For items denominated in foreign currency, their yen values may be affected by prevailing foreign exchange rates when translated into yen. The Lion Group has taken steps to minimize the risk of an increase in raw material costs by hedging against exchange rate fluctuations. However, short-, medium-, and long-term changes in foreign exchange rates may adversely affect the Lion Group's management performance and financial position.

(4) Major lawsuits

As of February 13, 2019, Lion is not involved in any lawsuits that may have significant impact on its business. However, if the Lion Group were to be sued and found liable for significant damages, these could adversely affect the Lion Group's management performance and financial position.

(5) Earthquakes and other natural disasters

In the product manufacturing process, the Lion Group has put in place safety measures against earthquakes and other natural disasters. In the event of a major disaster, however, our production equipment may be damaged, or a suspension of raw materials procurement or distribution activities may cause business activities to cease, adversely affecting the Lion Group's management performance and financial position.

For more-detailed IR information on the Lion Group, please access the following site.

<http://www.lion.co.jp/en/ir/>

Performance

ESG Data

Major Sustainability Indicators

■ Environment

Achievements and target values of Eco Vision 2020

| Categories | | Achievements in 2016 | Achievements in 2017 | Achievements in 2018 | Target values for 2020 | |
|--|--|---|---|---|---|---|
| Realizing a Low Carbon Society | Greenhouse gases (domestic) | Within the Company | Emission intensity per unit total revenue 27% reduction (compared to 2010) 43% reduction (compared to 1990) Absolute quantity 43% reduction (compared to 1990) | Emission intensity per unit total revenue 32% reduction (compared to 2010) 47% reduction (compared to 1990) Absolute quantity 47% reduction (compared to 1990) | Emission intensity per unit total revenue 35% reduction (compared to 2010) 49% reduction (compared to 1990) Absolute quantity 48% reduction (compared to 1990) | Emission intensity per unit total revenue 34% reduction (compared to 2010) 49% reduction (compared to 1990) Absolute quantity 40% reduction (compared to 1990) |
| | | Outside the Company | Reduction of greenhouse gases from business activities Emission intensity per unit total revenue 8% reduction (compared to 2010) 52% reduction (compared to 1990) Absolute quantity 51% reduction (compared to 1990) | Reduction of greenhouse gases from business activities Emission intensity per unit total revenue 9% reduction (compared to 2010) 53% reduction (compared to 1990) Absolute quantity 51% reduction (compared to 1990) | Reduction of greenhouse gases from business activities Emission intensity per unit total revenue 9% reduction (compared to 2010) 53% reduction (compared to 1990) Absolute quantity 51% reduction (compared to 1990) | Reduction of greenhouse gases from business activities Emission intensity per unit total revenue 9% reduction (compared to 2010) 53% reduction (compared to 1990) Absolute quantity 41% reduction (compared to 1990) |
| | Greenhouse gases (overseas) | Within the Company | Reduction of greenhouse gases from business activities ¹ , overseas Emission intensity per unit of production 4% reduction in two years (compared to 2014) | Reduction of greenhouse gases from business activities ¹ , overseas Emission intensity per unit of production 6% reduction in three years (compared to 2014) | Reduction of greenhouse gases from business activities ¹ , overseas Emission intensity per unit of production 2% reduction (compared to 2017) | Emission intensity per unit of production 1% reduction year on year |
| | | Outside the Company | Reduction of greenhouse gases from post-use products, overseas Reduction of 64 thousand tons annually | Reduction of greenhouse gases from post-use products, overseas Reduction of 66 thousand tons annually | Reduction of greenhouse gases from post-use products, overseas Reduction of 52 thousand tons annually | Reduction of greenhouse gases from post-use products, overseas Reduction of 100 thousand tons annually |
| Realizing a Sound Material-Cycle Society | Water | Within the Company | Reduction of water use in business activities Water use per unit total revenue 34% reduction (compared to 2010) 49% reduction (compared to 2000) Absolute quantity 49% reduction (compared to 2000) | Reduction of water use in business activities Water use per unit total revenue 35% reduction (compared to 2010) 50% reduction (compared to 2000) Absolute quantity 49% reduction (compared to 2000) | Reduction of water use in business activities Water use per unit total revenue 33% reduction (compared to 2010) 48% reduction (compared to 1990) Absolute quantity 47% reduction (compared to 2000) | Reduction of water use in business activities Water use per unit total revenue 15% reduction (compared to 2010) 35% reduction (compared to 2000) Absolute quantity 23% reduction (compared to 2000) |
| | | Outside the Company | Reduction of water usage at households using our products Water use per unit total revenue 23% reduction (compared to 2010) 49% reduction (compared to 2000) Absolute quantity 49% reduction (compared to 2000) | Reduction of water usage at households using our products Water use per unit total revenue 27% reduction (compared to 2010) 52% reduction (compared to 2000) Absolute quantity 51% reduction (compared to 2000) | Reduction of water usage at households using our products Water use per unit total revenue 29% reduction (compared to 2010) 54% reduction (compared to 2000) Absolute quantity 52% reduction (compared to 2000) | Reduction of water usage at households using our products Water use per unit total revenue 17% reduction (compared to 2010) 45% reduction (compared to 2000) Absolute quantity 33% reduction (compared to 2000) |
| | Waste | Zero emissions within the Company ² Achievement of zero emissions at all domestic production sites ⁴ | Zero emissions within the Company ² Achievement of zero emissions at all domestic production sites ⁴ | Zero emissions within the Company ² Achievement of zero emissions at all domestic production sites ⁴ | Zero emissions within the Company ² Zero emissions at all domestic production sites ⁴ | |
| | Wastewater | Recycle of factory wastewater discharge ³ Operation of facilities to recycle wastewater from production processes at Chiba Plant | Recycle of factory wastewater discharge ³ Operation of facilities to recycle wastewater from production processes at Chiba Plant | Stable operation of facilities to recycle wastewater from production processes at Chiba Plant | Recycle factory wastewater at multiple plants | |
| Harmonizing with Nature | Procurement | Procurement of plant-derived oils that take biodiversity into consideration Continuing purchase of RSPO ⁵ -certified palm oil derivatives | Continuing purchases of RSPO ⁵ -certified palm oil derivatives | Continuing purchases of RSPO ⁵ -certified palm oil derivatives | All palm oil derivatives purchased to be RSPO-certified | |
| | Biodiversity | Increase biodiversity conservation activities Carried out in all Lion's plants and at offices of Lion and some of its affiliate companies | Increase biodiversity conservation activities Carried out in all of Lion's plants, with implementation expanding at offices of Lion and its affiliate companies | Increase biodiversity conservation activities Carried out in all of Lion's plants with implementation expanding at offices of Lion and its affiliate companies | Carry out in all domestic sites | |
| Education | Awareness and education in the society | Environmental awareness and education for consumers 70% increase in consumer participation in our awareness activities (compared to 2010) | 80% increase in consumer participation in our awareness activities (compared to 2010) | 120% increase in consumer participation in our awareness activities (compared to 2010) | 100% increase in consumer participation in our awareness activities (compared to 2010) | |

*1 Covers affiliated companies as of December 31, 2018

*2 The recycling ratio of waste generation is 99% or more, excluding recycling residues

*3 Wastewater from production processes

*4 Chiba Plant, Odawara Plant, Osaka Plant, Akaishi Plant, Hirai Office, Sapporo Office, Sendai Office, Headquarters/ Tokyo Office, Nagoya Office, Osaka Office, Fukuoka Office,

Lion Chemical Co., Ltd. Fine Chemical Production Site, Lion Chemical Co., Ltd. Oleochemical Production Site, Lion Specialty Chemicals Co., Ltd. Yokkaichi Plant,

Lion Specialty Chemicals Co., Ltd. Ono Plant, Lion Packaging Co., Ltd. Fukushima Plant

*5 Roundtable on Sustainable Palm Oil

■ Community Involvement

Lion gives full support to the activities of the Lion Foundation for Dentistry Health (LDH) established in 1964 as a foundation. LDH changed its status to a public interest incorporated foundation in 2010 and works to promote awareness and education activities regarding oral health. LDH has consistently been coordinating with the Japan Dental Association, universities and administrators to maintain and promote the dental and oral health of consumers. LDH is also contributing to society at the forefront of oral health in order to improve the quality of life of all people.

| Categories | Achievements in 2015 | Achievements in 2016 | Achievements in 2017 | Achievements in 2018 | Remarks | |
|--|--|---|---|--|--|--|
| Educational Activities for Oral Health | Number of practitioners for the Oral Health Event of Tooth Brushing for Children | Seven countries/regions about 70,000 elementary schools | Eight countries/regions about 90,000 elementary schools | Eight countries/regions about 160,000 elementary schools | Six countries/regions about 210,000 elementary schools | Held at the same time as the "dental/oral health week (June 4 to 10)" each year targeting elementary school children since 1932 |
| Educational Activities for Oral Health via Foundations | Activities for oral health promotion for adults (industry) | Diagnosed: 28,326 people | Diagnosed: 27,562 people | Diagnosed: 21,271 people | Diagnosed: 14,316 people | Education focused on the prevention of periodontal disease and instructions on the maintenance/improvement of teeth and oral health provided to employees of various companies |
| | Activities for oral health promotion for the elderly | Attendance: 691 people | Attendance: 17,110 people | Attendance: 46,648 people | Attendance: 47,012 people | Support to help maintain the oral functions that will enable individuals to eat with their own teeth and mouths over a long time in the future |
| | Treatment activities | Diagnosed: 11,691 people | Diagnosed: 11,435 people | Diagnosed: 11,171 people | Diagnosed: 10,513 people | Implementation of highly professional, quality treatment and preventive dentistry activities based on the concept of risk control dentistry |

■ Corporate Culture

| Categories | Achievements in 2015 | Achievements in 2016 | Achievements in 2017 | Achievements in 2018 | |
|--|---|---|---------------------------|---------------------------|---------------------------|
| Labor Practices | Average service years (Male/Female) | 19.8 years/ 17.4 years | 20.3 years/ 18.0 years | 20.4 years/ 18.0 years | 19.6 years/ 16.8 years |
| | Number of new employees (new graduates) (Male/Female) | 57/28 | 49/29 | 57/36 | 63/33 |
| | Ratio of employees who resigned within three years of entering the Company | 2.4% | 1.6% | 0.4% | 0.8% |
| | Ratio of re-hired retirees | 8.7% | 8.3% | 7.1% | 6.6% |
| | Number of temporary employees | 461 | 467 | 458 | 532 |
| | Ratio of female employees | 25.0% | 25.7% | 27.1% | 28.8% |
| | Ratio of female managers ¹ | 12.0% | 12.9% | 14.4% | 15.8% |
| | Ratio of employees with disabilities | 2.0% | 2.2% | 2.4% | 2.8% |
| | Average overtime per month (hours) | 12.1 | 12.3 | 12.5 | 13.7 |
| | Annual paid leave used (%) | 51.8% | 55.1% | 50.7% | 60.3% |
| | Number of employees who took childcare leave (Male/Female) | 5/33 | 2/53 | 8/57 | 16/53 |
| | Number of employees who took shorter work hours for childcare (Male/Female) | 0/58 | 0/40 | 0/57 | 0/60 |
| | Employee pride toward the Lion Group (%) | 96.8% | 96.4% | 97.2% | 96.1% |
| | Employee Health | Stress level check test implementation rate | 97.9% | 97.0% | 96.3% |
| Number and percentage of employees participating in health seminars for 50-year olds | | 140 (87%) | 152 (76%) | 100 (68%) | 95 (68%) |
| Percentage of employees who brush their teeth after lunch | | 71.1% | 71.4% | 74.6% | 74.3% |
| Percentage of employees undergoing professional care at dental clinics | | 41.1% | 36.4% | 40.7% | 44.3% |
| Incidence of periodontal disease | | 28.3% | 26.6% | 26.0% | 27.9% |
| Average number of cavities | 0.3 | 0.3 | 0.4 | 0.4 | |

*1 Personnel in a managerial position, which is at the level of an assistant manager or higher.

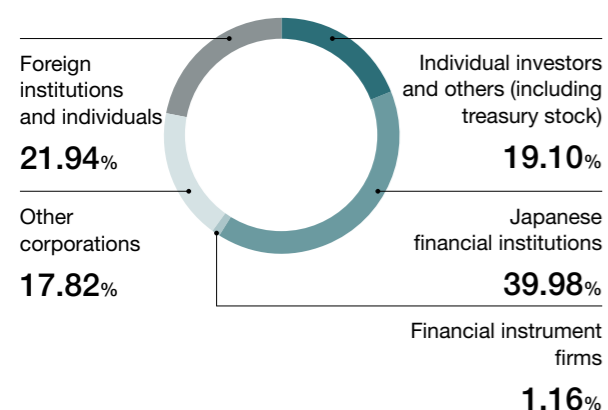
Corporate Overview

| | |
|----------------|--|
| Corporate Name | Lion Corporation |
| Foundation | October 30, 1891 |
| Establishment | September 1918 |
| Capital | ¥34,433 million (as of December 31, 2018) |
| Address | 3-7, Honjo 1-chome, Sumida-ku, Tokyo 130-8644, Japan |
| Employees | Consolidated: 6,941 Non-consolidated: 2,727 (as of December 31, 2018) |

Stock Information (As of December 31, 2018)

| | |
|------------------------|---|
| Stock Listing | 1st Section of Tokyo Stock Exchange (Security Code: 4912) |
| Transfer Agent | Mitsubishi UFJ Trust and Banking Corporation |
| Number of Common Stock | 299,115,346 shares (Issued and outstanding) |
| Number of Shareholders | 60,541 |

Composition Ratios by Shareholder Category



Principal Shareholders

| Shareholders | Shareholding ratio (%) |
|--|------------------------|
| Japan Trustee Services Bank, Ltd. (Trust Account) | 10.43 |
| Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd. | 5.59 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 4.57 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 3.47 |
| SSBTC CLIENT OMNIBUS ACCOUNT | 2.38 |
| Japan Trustee Services Bank, Ltd. (Trust Account 5) | 1.87 |
| Mitsubishi UFJ Trust and Banking Corporation | 1.71 |
| Tokio Marine & Nichido Fire Insurance Co., Ltd. | 1.52 |
| Japan Trustee Services Bank, Ltd. (Trust Account 7) | 1.47 |
| Meiji Yasuda Life Insurance Company | 1.40 |

Lion's Disclosure

External Evaluation

- Dow Jones Sustainability Asia Pacific Index



- 2018 Constituent MSCI Japan ESG Select Leaders Index



- FTSE4Good Index



- 2018 Constituent MSCI Japan Empowering Women Index (WIN)



- FTSE Blossom Japan Index

- S&P/JPX Carbon Efficient Index



Supporting the UN Global Compact

- UN Global Compact



Corporate Website

Corporate website

www.lion.co.jp/en/

This website offers important management and financial information, as well as timely press releases on a wide range of topics, such as new products. In addition, the website provides a variety of information to ensure a better understanding of Lion and its history, such as detailed product information that could not be included in the annual report.



Sustainability (ESG) website

<https://www.lion.co.jp/en/csr/>

This website provides information on sustainability (ESG) activities, which is one of the material key factors for the Company.



Investor Relations website

<https://www.lion.co.jp/en/ir/>

This website provides not only the timely release of important management decisions and financial information but also historical financial data.