

CSR Report 2010

LION

From Good Morning to Good Night
More Dreams for Your Life



Playing in the River



River with Yamame Salmon

Company Motto

Lion's operations are based on the motto,
“Fulfilling a spirit of love,”
reflecting the Company's aim to enhance
the happiness and lifestyles of each and every customer.

Management Philosophy

- 1 Lion aims to provide superior products that are useful in daily life by capitalizing on the synergies of its human resources as well as its technological and marketing capabilities.
- 2 Lion will strive to continue to develop its business by maintaining the spirit of tenacity and creativity that the Company has held since its founding.
- 3 Lion gratefully acknowledges all those who have supported the Company in the past and will work to build goodwill and mutual trust with its customers for the benefit of both parties in the future.

January 1, 1980

Editorial Policy

Lion views its CSR Report as an important tool allowing the Company to communicate its CSR initiatives and draw on stakeholder opinions while furthering corporate activities. *CSR Report 2010* details Lion's interpretation of corporate social responsibility along with initiatives the Company undertakes to earn the trust of society. The report adheres to the following editorial policy.

- Two special features, covering the Stakeholder Dialogue, with its safety and reliability theme, and biodiversity initiatives, have been included to respond to points made in the "Third-Party Review" of *CSR Report 2009* and the Stakeholder Dialogue (e.g., importance of communication and biodiversity).
- Lion's approach to utilization of human resources, including human rights, has been clarified further and disclosure of information expanded.
- Approaches and initiatives relating to CSR procurement have been clarified through a review of contents and make-up.
- Environmental data for overseas plants have been made available on the Company website as a first step in establishing a global disclosure framework that includes overseas activities.
URL http://www.lion.co.jp/en/csr/html/soc_csrf.htm
- Third-party reviews by outside experts have been included to provide an objective assessment of the report.
- The booklet has been certified as a Color Universal Design and compiled to reach as many people as possible in an easy-to-understand manner (in Japanese only).

■ The *Environmental Reporting Guidelines* (2007) of the Japanese Ministry of the Environment and the *Sustainability Reporting Guidelines* (2006) of the Global Reporting Initiative (GRI) were referenced during compilation and editing of the report.

■ All pages of the report and past reports are available on Lion's website (the GRI Content Index is also provided).

URL http://www.lion.co.jp/en/csr/html/soc_csrf.htm

【Coverage】

Social aspects of this report deal mainly with Lion Corporation. Environmental data coverage extends to the entire Lion Group, including the Lion Foundation for Dental Health.

Lion Group

Lion Corporation, Lion Chemical Co., Ltd., Lion Packaging Co., Ltd., Lion Engineering Co., Ltd., Lion Dental Products Co., Ltd., Lion Trading Co., Ltd., Lion Hygiene Co., Ltd., Lion Business Service Co., Ltd., Lion Field Marketing Co., Ltd., Lion Logistics Service Co., Ltd., Leo Field Promotions Co., Ltd., Lion Cordial Support Co., Ltd., Issua Co., Ltd., Ipposha Oil Industries Co., Ltd., Lion Akzo Co., Ltd., Lion Foundation for Dental Health

* Leo Field Promotions Co., Ltd., and Lion Field Marketing Co., Ltd., merged in January 2010 and the Company's name was changed to "Lion Field Marketing Co., Ltd."

【Period Covered】

January 1-December 31, 2009

(In places, activity reports refer to 2010 initiatives.)

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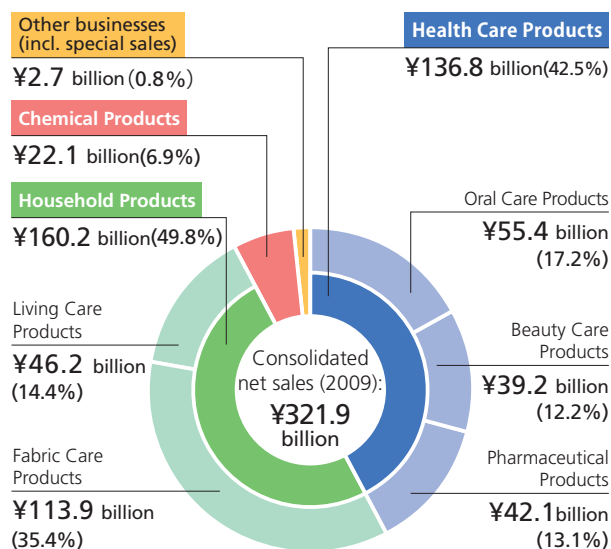
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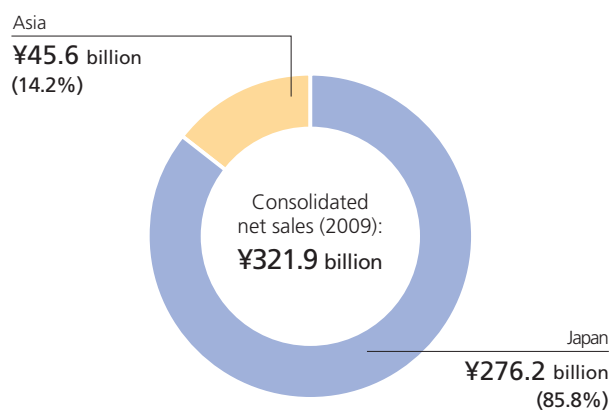
Corporate Data

Corporate Name	Lion Corporation
Address	3-7, Honjo 1-chome, Sumida-ku, Tokyo 130-8644, Japan
Foundation	October 30, 1891
Capital	¥34,433.72 million (as of December 31, 2009)
President	Sadayoshi Fujishige
Employees	Consolidated: 5,750 Non-consolidated: 2,449 (as of December 31, 2009)
Net Sales	Consolidated: ¥321,947 million Non-consolidated: ¥255,691 million (for the term ended December 2009)
Plants	Chiba Plant (Ichihara City), Odawara Plant (Odawara City), Osaka Plant (Sakai City), Akashi Plant (Akashi City)
Research Facilities	Hirai (Edogawa-ku), Honjo (Sumida-ku), Odawara (Odawara City), Fukushima (Yabuki-cho)
Sales Offices	Sapporo, Sendai, Tokyo, Nagoya, Osaka, Fukuoka

● Net Sales Breakdown by Business



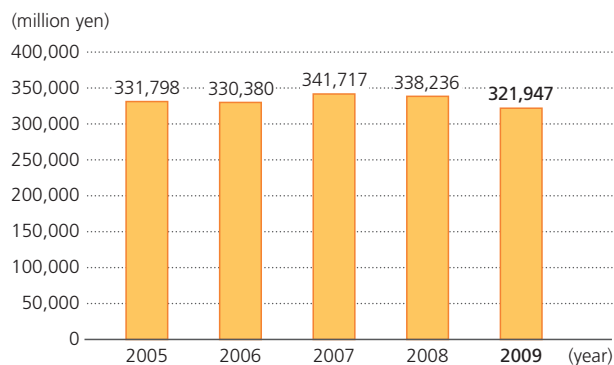
● Net Sales Breakdown by Location



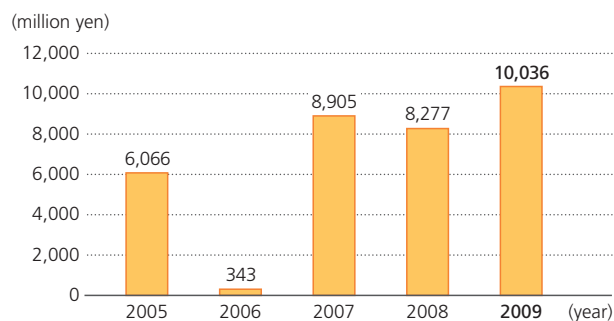
* National and regional categories are based on geographical proximity
* Major countries in Asia other than Japan are China, Korea, and Thailand

● Financial Summary (Consolidated)

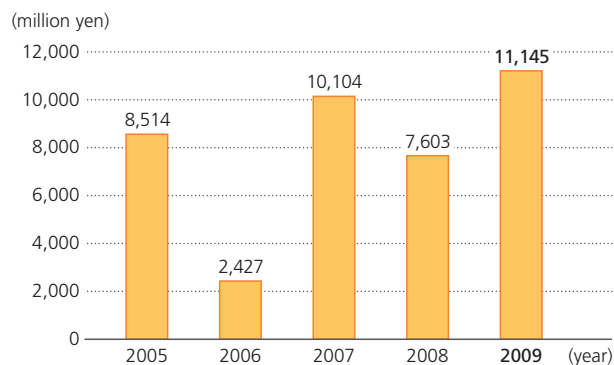
Net Sales



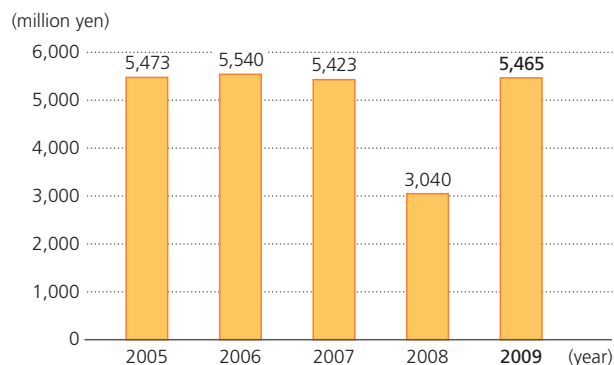
Operating Income



Ordinary Income



Net Income



● Main Lines of Business

Health Care Products	<p>Oral Care Products</p> <p>Advanced oral care products to help customers stay healthy</p> <p>Main Product Categories Toothpastes, toothbrushes, mouthwashes, and other dental products</p> 
	<p>Beauty Care Products</p> <p>Hair and skin care products for health and comfort of body and mind</p> <p>Main Product Categories Shampoos, conditioners, hair-styling products, hair-nourishment treatments, hand soaps, body washes, men's cosmetics, and antiperspirants</p> 
	<p>Pharmaceutical Products</p> <p>A well-rounded range of brands to meet growing self-care needs</p> <p>Main Product Categories Analgesics, cold remedies, eye-care products, gum disease treatments, denture products, anti-inflammatory poultices, gastrointestinal medicine, skin-care products, fever cooling sheets, tonics and nutrients, insecticides, and prescription drugs</p> 
Household Products	<p>Fabric Care Products</p> <p>Products you can relax with for keeping your clothes clean and making them a pleasure to wear</p> <p>Main Product Categories Laundry detergents, fine clothing care products, pre-care products, bleaches, fabric softeners, and maintenance products</p> 
	<p>Living Care Products</p> <p>Products useful for clean and comfortable living and dining</p> <p>Main Product Categories Dishwashing detergents, household cleaners, and cooking aids</p> 
Special Sales	<p>Custom products tailored to meet individual needs</p> <p>Main Product Categories Novelty items, gift items, and mail order items</p> 
Chemical Products	<p>Performance chemicals based on interface science for a safe, sound, and clean global environment</p> <p>Main Product Categories Surfactants, fatty acid nitrogen derivatives, glycerin, fatty acid methyl ester, and electro-conductive carbon</p>  <p>Surfactants Precision parts cleaner and target items Conductive carbon and application products</p>

Lion's CSR Activities Endorse a New Brand of "Happiness"

A Formula for Happiness in the 21st Century

The pursuit of spiritual rather than material richness

Recent years have been marked by an unprecedented upheaval in the economic environment. I believe this is the result of money and goods inundating the market, causing inflation of the money-centric economy and eventually its collapse. But perhaps the root cause of this upheaval is the faltering "20th century formula for happiness," which states that happiness comes from material wealth. Maybe we have reached the stage where we need to conceive a new formula for happiness—one for the 21st century.

Spiritual richness, not material wealth; quality, not quantity. People's values and ideas about happiness have reached a major turning point. You could say this is demonstrated by our attachment of importance to the quality of life and in our vision of harmonious coexistence with nature.

One indicator of quality of life is "healthy life expectancy." Now that Japanese society is aging,

more value is being placed on extending healthy life expectancy, i.e., staying healthy longer.

Industry, meanwhile, in addition to satisfying people's needs and expectations, is being called upon to maintain a balance with the global environment amid energy and food supply concerns stemming from global population and economic growth.

Lion's business, based on the key concepts of health, comfort, and the environment, is consistent with the times and ties to providing spiritual richness to people in a new age and a new society.

Lion's Corporate Social Responsibility (CSR)

Support for the well-being of humans and nature

Lion has three business visions—becoming the number-one company in the "New Comfortable Lifestyle Support Industry"; becoming a leading company in environmental friendliness; and building a dynamic corporate culture.

The first vision—number one in "New Comfortable Lifestyle Support Industry"; involves building up a large business base around new lifestyle values and being the best. Worded differently, we aim to realize "beautiful aging," which is aging well and staying healthy both mentally and physically. To do that, Lion will emphasize good lifestyle habits for each stage in life, from birth through to old age, and endeavor to provide products and services that help people to lead full lives.

The second vision—a leading company in environmental friendliness—involves making efforts to clean up the soil, the water, and the air through our business activities.

Lion could be said to have two roles—supporting human comfort, and supporting nature's comfort. I view these as the essence of Lion's corporate social responsibility.



The third vision—a dynamic corporate culture— involves building a strong corporate culture expected to serve as a model in tenacity, creativity, and learning. This requires the stimulation of human resources, which is also an extremely important factor for upholding Lion's corporate social responsibility. The Company exists to make people happy. To make people and society happy, employees must first be happy.

In 2009, Lion announced its participation in the United Nations Global Compact. The Company will follow 10 principles in the four areas of human rights, labor, environment, and anti-corruption, looking to globally implement initiatives focusing on human and environmental issues, such as human rights, CSR procurement, fair and proper treatment, and occupational safety.

A Leading Company in Environmental Friendliness

Lion implements environmental initiatives in line with its Environmental Guidelines and based on targets set every three years.

In 2009, the final year of Lion's three-year medium-term environmental plan, we reduced CO₂ emissions from business activities by 26% compared to 1990 levels, outperforming the plan by far. In January 2010, Lion announced its participation in the Japanese government's "Challenge 25 Campaign" and we have already cleared the nation's 25% CO₂ emissions reduction target for 2020. We also attach importance to reducing the amount of CO₂ generated by products, and we pursue development of environment-friendly products in line with our unique Lion Eco Standards.

Biodiversity is a central theme in the run-up to the 10th Meeting of the Conference of Parties to the Convention on Biological Diversity scheduled for October 2010. As the saying goes, "Birds today, people tomorrow" what happens to birds today will happen to humans tomorrow. Consideration toward biodiversity, by extension, will help protect the lives of future generations. Lion has long incorporated biodiversity considerations into its business activities and that position has been clarified in a revision of its Environmental Guidelines.

Lion will continue to fulfill its responsibility as a leading company in environmental friendliness.

Integrity in Communication

As products and services diversify and attention focuses on the link between corporate activities, the environment, and society, there is a growing requirement for corporations to properly communicate information to stakeholders.

In 2010, Lion established a Corporate Communication division to focus on enhancing its company-wide communication strategy. Lion has an established system for communicating customers' opinions to top management, but the new framework will allow us to make further progress in terms of improving our ability to communicate corporate and lifestyle information, speeding up our response to customers, and sharing information. Those benefits will start to emerge from next year onward, and we hope that truthful communication activities will enable us to forge even stronger ties with our stakeholders.

For the Future of Human Society and the Environment

Lion was founded 119 years ago and exists now, as it did then, for the purpose of enabling people to lead healthy and happy lives. One instance of this is our efforts to teach about the importance of oral care and hand-washing from childhood. Learning to be clean at an early age is a foundation on which to lead a truly fulfilling life. It is Lion's corporate social responsibility to continually propose innovative lifestyle values. Lion will continue to provide support to people so they can lead fulfilling lives in comfort, and undertake to clean up the ground, the water, and the air, as a core contribution to society.



Sadayoshi Fujishige
President and Chief Executive Officer

How Can Lion Deliver Safety and Reliability to Customers?

For comparing the direction of the Company against the demands of society, dialogue with stakeholders is important to Lion as it is a valuable opportunity to check if we have the sense of balance of a good corporate citizen. Exchanging opinions with experts provides such an opportunity. Dialogue began in 2007 with a meeting to review the *CSR Report* and evolved into the Stakeholder Dialogue, a more dynamic forum for discussion, in 2008.

Background on Dialogue

The first Stakeholder Dialogue, in 2008, involved a broad-ranging exchange of opinions about Lion's CSR activities in general, with reference to the *CSR Report*. Opinions received were reflected in production of the 2009 report.

In the second Stakeholder Dialogue, in 2009, we thought we should delve deeper, and it was decided that a particular theme would be selected.

2009 was a year in which a spotlight was shone on efforts to build a society where consumers could feel secure and lead affluent lives. The Japanese government, for example, established the Consumer Affairs Agency in September. Given these social demands, and in light of Lion's continuing belief that corporations are responsible for ensuring safety and reliability throughout a product's entire life cycle, we invited experts in the area of consumer lifestyles to partake in this year's dialogue, which asked the question, "How can Lion deliver safety and reliability to all its customers?"

Schedule

- **Tour of the Communication Center**
Participants toured the center, completed in 2009. Facilities include open space for communication with people from outside the Company, and a biotope.
- ▼
- **Dialogue briefing**
The objectives and theme of the dialogue were explained.
- ▼
- **Participant introductions**
- ▼
- **Introduction of Lion's initiatives**
Lion's quality, safety, and reliability initiatives were explained, referencing the 2009 *CSR Report*.
- ▼
- **Exchange of Opinions**
Participants engaged in a lively exchange of opinions about the selected theme.
- ▼
- **Summary and closing**

Outline (Titles and positions at the time of the dialogue are used)

Date: November 9, 2009

Participants:

Yukako Itakura	Consumer Lifestyle Analyst; Former Assistant Manager, General Affairs Department, National Consumer Affairs Center of Japan
Minako Oishi	Deputy Chair, Environment Committee, Nippon Association of Consumer Specialists
Kazuya Kojitani	Senior Executive Director and Secretariat Chair, Green Purchasing Network
Ichiro Murata (Facilitator)	President, Quality and Safety Organization
Takashi Fukushima	Chief Executive, CPA, Sustainability Accounting Co., Ltd.

Venue: Lion Corporation (Hirai Office)

Participants from Lion:

Tetsuo Yamada	Senior Executive Director and Representative Director
Kazuo Nago	Director, CSR Promotion Department
Mihoko Inaba	Associate Senior Manager, Consumer Service Office
Michio Matsumoto	Director of Planning, Beauty Care Business Department
Fusae Harada	Director, Human & Environmental Safety Evaluation Center





Product explanation in the Communication Center



Inspecting the rooftop biotope



The triangular pond uses rainwater



Opinion: Yukako Itakura

Data backed by objective evidence and other information which can be used to establish basic knowledge should be provided to neutral parties like consumer lifestyle consultants. Instead of having to obtain such information via industry associations, I would like to see corporations arrange for us to contact them directly. Regarding the use of chemicals for products, I think you need to reassure consumers by providing comparisons, in terms of environmental impact, for example, with the use of substances like sodium bicarbonate and citric acid.



Opinion: Minako Oishi

Since consumers cannot communicate with corporations that do not actively disclose information, I would like corporations to provide such information. Carbon footprints are one way to visualize the entire supply chain as it is possible to ascertain the environmental impact at each point. Finding a way to absorb views of the silent majority for incorporation into product safety is vital. One task would be to devise a system for gathering consumer opinions in stores, where consumers most often come into contact with products.



Opinion: Kazuya Kojitani

Making your activities known helps to avert risk. And disclosing information, aware of the probable impacts or benefits, plays an important role in the provision of safety and reliability. Results from initiatives like green procurements should not be expected overnight. As it is also necessary for suppliers to have common goals, it is a good idea to lay down a specific course. VOC daily letter reporting consumer opinions to the president is a good system, but it is up to the people in charge to ensure that PDCA cycles operate well. Please use these tools well and actively engage in communication.



Opinion: Ichiro Murata

As most accidents occur in the home, you should attach more importance to household settings, where products are actually used. Pursuing the convenience of products sometimes ends up impeding the ability of consumers to use them. The most important question is determining how to inform customers about ways to use products that will give them full access to a product's functions. You have to realize that corporations are the ones with the knowledge and there is a lot the general public knows virtually nothing about.

Reflection on the Stakeholder Dialogue (by Lion)

A common view held by all the dialogue participants from outside the Company was that communication by Lion is insufficient. In the sense that we were able to reacknowledge large differences in terms of information and awareness existing even between us and experts in the consumer lifestyle field, it was an extremely worthwhile undertaking from Lion's point of view. Comments received have been reflected in this *CSR Report* (see p.21 for information on VOC daily letter and p.30 for CSR procurement initiatives, including green procurements).

Further efforts will be made to elaborate on and improve the content of this report and other forms of information disclosure in order to enhance communication with consumers.

Protecting the Global Environment to Allow Humans and Other Living Things to Coexist

In the area of biodiversity, which has attracted growing interest in recent years, Lion has long engaged in the development of eco-friendly products. Lion will continue initiatives for incorporating biodiversity considerations into its business activities.

Lion and Biodiversity

“Biodiversity” refers to the idea of sustaining an environment where all kinds of (diverse) living things can survive in order to sustain an environment where humans can live and to ensure that nature’s bounty remains available for generations to come.

Lion attaches a priority to incorporation of biodiversity considerations into its business activities and has assumed a leading role in tackling such issues as pollution and eutrophication of waterways linked to the use of detergents. Besides reducing the environmental impact of production plants, initiatives cover the remainder of the life cycle, right up to disposal after household use, and include being at the global forefront in developing phosphate-free detergents and the use of biodegradable plant-based ingredients, which degrade easily in rivers.

Lion’s policy on biodiversity, already well-established in Lion’s Behavior Guidelines, was clarified in Environmental Guidelines published in April 2010, thereby pronouncing

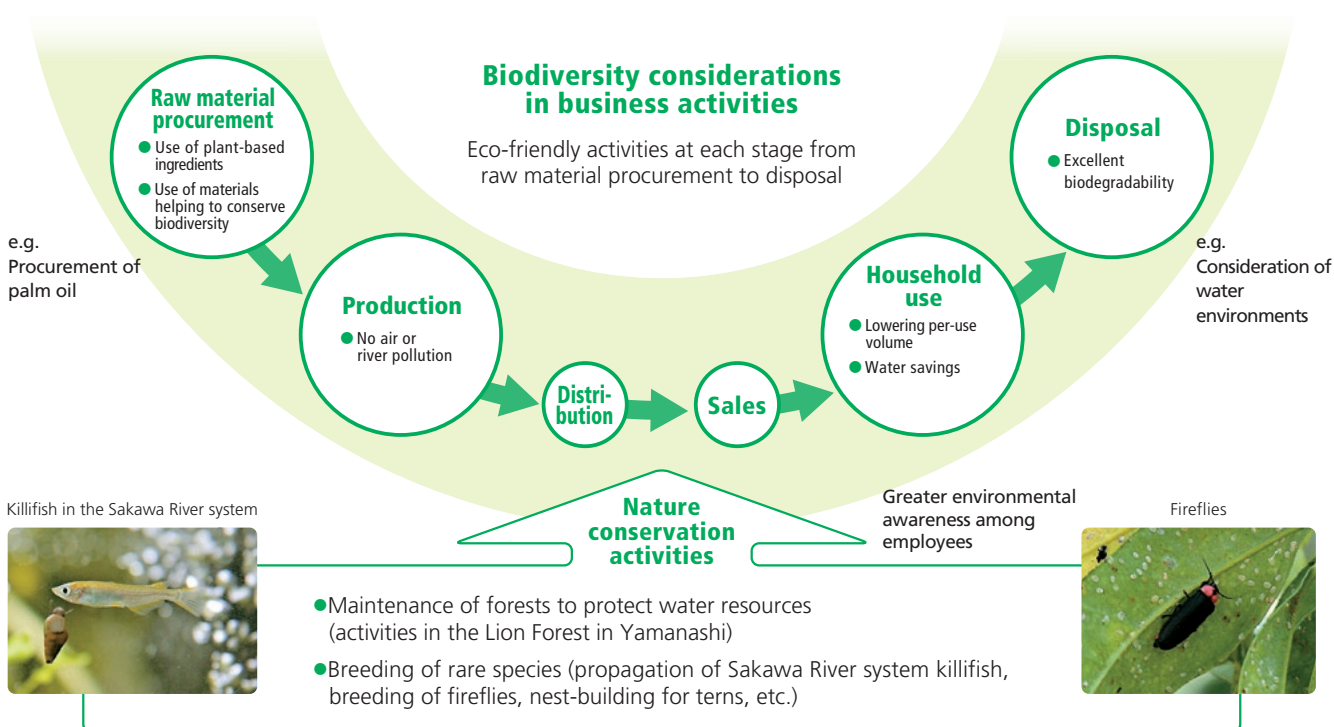
the guidelines as corporate policy (see p.38). Indirect reference to biodiversity considerations in the Eco Standards, applied during product development, was also clarified.

Biodiversity Conservation Initiatives

Lion conducts a number of biodiversity conservation initiatives related to its business activities. They include participation in an international body concerned with the procurement of palm oil, use of plant-based ingredients to improve biodegradability, and ongoing monitoring of detergent constituents in rivers.

While not directly linked to its business activities, Lion also engages in such activities as forest maintenance and breeding of rare species as part of its contribution to local communities and to society. Employees participate in these activities as volunteers. That experience leads to greater awareness among them of environmental matters as they apply it to business activities.

● Lion’s Biodiversity Conservation Initiatives



Aiming for Sustainable Procurement of Palm Oil

Demand for palm oil is growing steadily due to high production efficiency and the ability to harvest throughout the year according to set production schedules. Downsides to the development of new plantations, however, are the clearing of tropical rainforests and the shrinking of wildlife habitats.

Lion has been a member of the Roundtable on Sustainable Palm Oil (RSPO)* since 2006. In 2007, the RSPO adopted the Principles and Criteria for Sustainable Palm Oil Production (plantation management criteria), with plantation audits and certified palm oil distribution commencing in 2008. Lion implemented independent audits of supplier plantations prior to this in May 2007.

To prevent unregulated development in palm oil producing nations, Lion will continue to work with concerned organizations such as the RSPO to promote sustainable palm oil procurement and use of certified palm oil.



Oil palm plantation audit



Oil palm fruit

Thorough Studies Ensure Wildlife Stays Unharmd

As Lion's products end up being discharged into rivers, streams, and other waterways after use, we assess them to confirm they are safe for the environment. We gather data on residual quantities of detergent constituents in water samples taken from rivers and streams to check that the environment has not been harmed. Thus far studies have found that the risk of wildlife being harmed is extremely low (see related information on p.53).



Employees Participate in Nature Protection Activities

The Lion Forest in Yamanashi is a program providing support for maintenance of around 65 hectares of municipal forest in Yamanashi City, and financial assistance for the transportation of thinnings (see related information on p.32). Lion also views the program as a valuable opportunity to foster a mentality among employees of striving for coexistence with other living things. Employees make the most of a "volunteering leave" system to participate in forest maintenance activities. In 2009, a total of 60 employees participated. This *CSR Report*, in fact, is printed on paper made from thinnings from the Lion Forest in Yamanashi.



Forest maintenance activities in the Lion Forest in Yamanashi

* RSPO: Roundtable on Sustainable Palm Oil [URL http://www.rspo.org/](http://www.rspo.org/)



Lion Headquarters

Contributing to lifestyle enrichment by working for the benefit of people and society

Lion's fundamental approach to CSR is to fulfill its social responsibilities through corporate activities. And in order to ensure a better response to society's expectations, the Company is promoting closer communication with stakeholders.

Lion's CSR Approach

The origins of Lion's approach to CSR can be traced to the Company's founding spirit of working for the benefit of people and society. This spirit lives on today, more than a century later, in the Company Motto. We believe it is our social responsibility to brighten up people's lives through business activities by presenting them good lifestyle habits, with each and every employee acting in accordance with the Company Motto and the Lion Group Charter for Corporate Behavior.

In keeping with this fundamental approach, we work continually to develop a strong foundation for business and to ensure trustworthy and transparent corporate management, while pursuing the three concepts of health, comfort, and the environment as central business themes.

We also actively engage in dialogue, cooperation, and provision of information because we view communication with stakeholders as a precious opportunity to assess the compatibility of our activities with the times. Lion listens to what people are saying and aligns its activities with social changes in order to become a company that society can trust and count on.

Participation in the Global Compact*

In June 2009, Lion took a proactive step toward fulfilling its obligations within the international community by announcing its participation in the United Nations Global Compact.

We sought to foster understanding about our participation in the initiative among employees and business partners by providing information and offering educational activities, such as through briefings and our in-house magazine.

The Company will follow the 10 Principles of the Global Compact as it moves to involve its entire supply chain, including overseas business partners, in CSR activities.

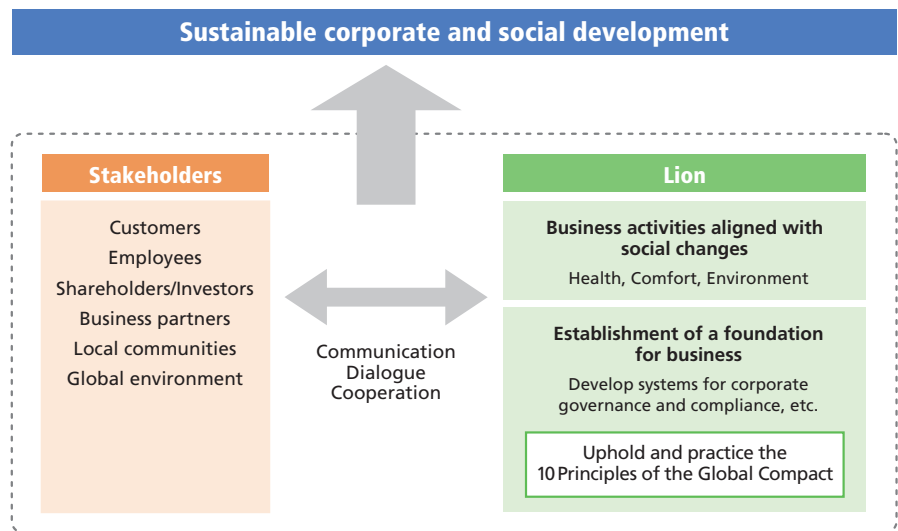


* **Global Compact:** Proposed at the January 1999 World Economic Forum by then UN Secretary-General Kofi Annan and officially launched at UN Headquarters in July 2000
10 Principles of the Global Compact [URL](http://www.unic.or.jp/globalcomp/glo_02.htm) http://www.unic.or.jp/globalcomp/glo_02.htm

● **Development of Lion's CSR Activities**

To establish a foundation for its business, Lion will continue the essential task of developing corporate governance and compliance systems.

To align its business activities with social changes, Lion aims to meet the expectations of society as identified through a dialogue with stakeholders, pursuing initiatives primarily under the key concepts of health, comfort, and the environment.



Lion and CSR

Customers and Lion

Employees and Lion

Shareholders/Investors and Lion

Business Partners and Lion

Society and Lion

The Environment and Lion

Lion Group Charter for Corporate Behavior

We, Lion Group, shall, in addition to being economic entities designated to pursue profits through fair competition, keep ourselves as social entity which must make a contribution to society at large. We shall respect human rights and conduct ourselves with initiative in a socially responsible manner toward the creation of a sustainable society, observing both the spirit as well as the letter of all the laws and international rules without harming the public interests both in Japan and abroad in accordance with the following 10 principles.

1. Principal Mission

We shall earn the confidence and satisfaction of customers (all of the consumers and users) by providing excellent and safe goods and services useful for their daily lives.

2. Compliance with Public Rules

We shall observe all the relevant laws and regulations and engage in fair, transparent and free competition and sound transactions. We shall maintain sound and proper relationship with government and political bodies.

3. Disclosure

We, as socially open company, shall engage in communication not only with our shareholders but also with members of society at large and disclose information generally regarding the company management in appropriate and timely manner.

4. Environmental Issues

We shall play positive and active role in creating the "Sustainable Society" harmonizing economic development and environmental protection.

5. Promotion of Working Environment

We shall promote fair treatment respecting the diversity, individuality and personality of our employees, and ensure a safe and comfortable workplace to realize mental and physical well-being of our employees.

6. Contribution to the society

We shall actively contribute to the society as good cooperate citizens.

7. Confront Antisocial Activities

We shall reject all contacts and confront with antisocial entities and organizations threatening the order and security of civil society.

8. Contribution in Foreign Countries

In our overseas operations, we shall not only observe international rules and the laws of relevant foreign countries, but also respect local cultures and customs and contribute to the development of local community with sincerity and respect.

9. Practice of Corporate Ethics

Top management shall assume the responsibility for implementing the spirits of this Charter and shall take the initiative to set a good example to the employees and fully inform Lion Group employees of the Charter. Top management shall strive to heed internal and external opinions continuously for mutual understanding and promote the development and implementation of systems contributing the achievement of the corporate ethics.

10. Resolution of Problems

In case of incidents contrary to the principles of this Charter, top management shall clarify their position publicly to undertake responsibility to resolve the problem on their own initiative, and shall strive to investigate the facts, identify the cause and prevent any recurrences. Top management shall perform their responsibility by disclosing accurate information promptly and explaining the situation and resolve the problem in the manner fully understandable to the society, and impose rigid and impartial disciplinary actions upon liable persons including the highest level of management, after clarifying their authorization and responsibility.

Established on January 1, 2003
Revised on January 1, 2008

Corporate Governance

Basic Approach

Lion's top priorities for corporate governance are increasing management transparency, improving the efficiency of supervision and decision-making and ensuring compliance. By strengthening and improving its corporate governance system, Lion aims to enhance its corporate value.

Corporate Governance System

Lion management is supervised through an auditing system. In March 2004, a system of executive officers was introduced, at which time the functions of the Board of Directors were reassigned. The Board of Directors was made responsible for managerial decision-making and supervision, while the Executive Committee was charged with execution of business operations.

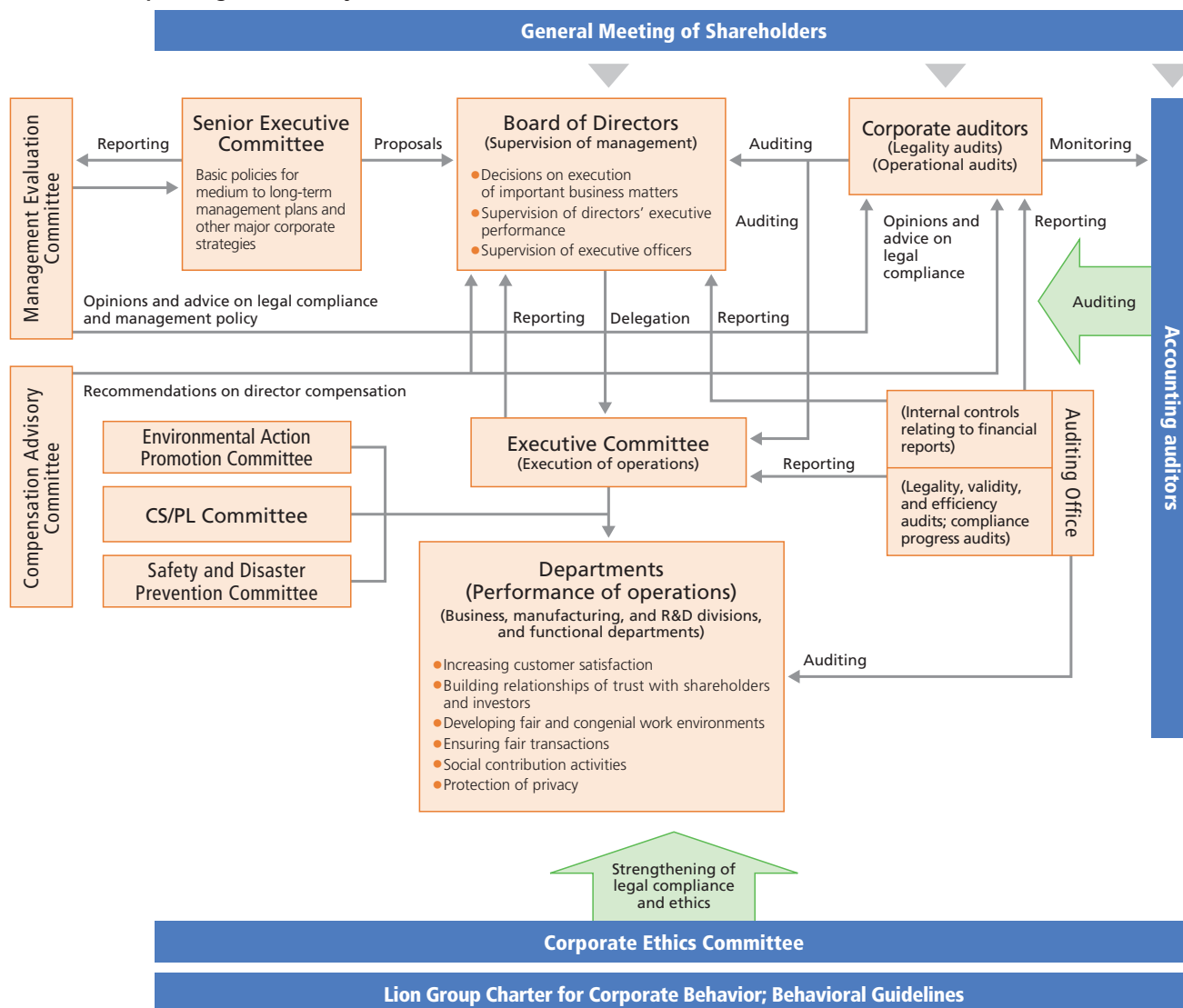
To revitalize and improve the quick responsiveness of the Board of Directors, the number of board directors was

reduced from 19 prior to introduction of the executive officer system to 10. Supervision and monitoring of management was enhanced with the installation of four independent directors (two external board directors and two external auditors), who satisfy the criteria of having no conflict of interest with ordinary shareholders, as set by the Tokyo Stock Exchange, and through regular meetings held between the president and all external directors to exchange information. Furthermore, a Management Evaluation Committee was set up in October 2003 to ensure that evaluations and opinions by outside experts are reflected in management.

Countermeasures against large-scale purchasing of Lion shares (anti-takeover measures) were introduced after approval at the Annual Meeting of Shareholders held on March 27, 2009.

In December 2006, a Compensation Advisory Committee, comprising all external directors, was set up to increase the objectivity and transparency of director compensation.

● Model of corporate governance system



Establishment of Internal Control Systems

The following systems and provisions have been put in place to ensure the appropriateness of Lion Group operations in accordance with Japan's Companies Act and the Ordinance for Enforcement of the Companies Act.¹

1. Systems for ensuring that the execution of duties by directors and employees conforms to laws, ordinances and the Company's Articles of Incorporation
2. Systems for storing and managing information related to the execution of duties by directors
3. Rules and other systems for managing risk of loss
4. Systems for ensuring efficient execution of directors' duties
5. Systems for ensuring appropriate operations of corporations and their subsidiaries within the Lion Group
6. Matters relating to employees requested by corporate auditors to assist them in their duties, and matters relating to the independence of such employees from directors
7. Systems for reporting by directors and employees to corporate auditors and other matters relating to reporting to corporate auditors
8. Systems for ensuring effective auditing by corporate auditors
9. Systems for ensuring reliable financial reporting
10. Systems for excluding antisocial forces

Evaluating Internal Control over Financial Reporting

With regard to systems for evaluating and auditing internal control over financial reporting, as prescribed in Japan's Financial Instruments and Exchange Act, Lion and the Lion Group have been establishing controls at company-wide and business-process levels since July 2006. In December 2008, the Board of Directors passed a resolution on basic policy concerning internal control over financial reporting, specifying the following.

- Key points for establishing internal controls
- Roles and responsibilities when establishing and implementing internal controls
- Scope and methods for evaluating internal controls
- Effectiveness evaluation of internal controls
- Roles in procedures for evaluating internal controls

The Auditing Office, an evaluation body answerable directly to the president, has been carrying out evaluations of internal control effectiveness since January 2009 and reporting its findings to the president and corporate auditors, as well as on a regular basis to the Board of Directors. Areas requiring

improvement are communicated to the concerned divisions and the progress of improvements is verified.

In 2009, Lion's internal control over financial reporting was deemed effective. A report on internal controls was submitted to the Prime Minister in March 2010 together with the Company's securities report.

Risk Management

Lion is building up a management framework for dealing with all the major risks that could occur in its business. Deliberation focuses on issues with a large impact on management, particularly the lowering of risks resulting from accidents or disasters and the prevention of product-related problems and establishment of initial response plans.

We are also advancing deliberation on ways to ensure business continuity in the wake of a large-scale disaster, including seismic strengthening of office buildings and plants and alternative arrangements for execution of headquarter functions and backup production at other plants in times of disaster.

Lion responded to the 2009 influenza pandemic according to guidelines established in 2008, confirming their effectiveness.

Information Security

Lion has established a number of guidelines and regulations to prevent information leaks. They are a basic policy on information management, information management regulations, privacy regulations, information security regulations, and guidelines for management of information technology and equipment.

We also make an effort to acquire the knowledge necessary to prevent information leaks. Each year we implement simple e-learning programs explaining common examples of information leaks, their causes, and countermeasures. Programs include tests to check the level of understanding.

Privacy Protection

Lion has established a privacy policy² and specific guidelines for management of personal information in accordance with Japan's Act on the Protection of Personal Information enforced in April 2003. The Company has been implementing these in a proper manner while pushing ahead with establishment of related in-house systems and education programs. We will continue to work diligently to ensure that information—an important company asset—is properly managed, thus enabling us to earn the trust of stakeholders.

1. Basic policy on internal control systems [URL](http://www.lion.co.jp/ja/invest/corporate/) http://www.lion.co.jp/ja/invest/corporate/

2. Privacy policy [URL](http://www.lion.co.jp/pp.htm) http://www.lion.co.jp/pp.htm

Promoting Compliance

The Corporate Ethics Committee, chaired by the director responsible for corporate ethics, works to foster a compliance mentality within the Lion Group founded on the Lion Group Charter for Corporate Behavior. A pamphlet about the charter is distributed to all people working for the Lion Group. Time is taken during training to confirm their familiarity with the charter's entire contents and their compliance awareness. The charter can also be publicly accessed via the Lion website.

Compliance activities are conducted according to an annual program and involve employee awareness surveys and implementation of regular education programs at each workplace. Compliance education includes e-learning programs and rank-based programs, such as lectures by outside speakers for managers and training for new employees and new managers.

In 2009, an e-learning program on harassment was held for all Lion Group employees and directors.

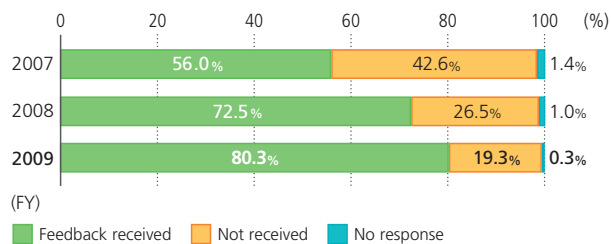
The Legal Support Caravan, facilitated by Legal Department personnel and outside legal experts as teachers, is a legal education program launched in 2008 for individual job types and divisions to encourage compliance with corporate ethics and related legislation. The program was implemented for 21 divisions in 2009.

Compliance Awareness Surveys

All Lion Group employees are asked every year to complete a compliance awareness survey as a way to monitor compliance system effectiveness and compliance awareness among employees.

The fiscal 2009 survey (conducted in February 2010 with a 94% response rate from around 4,000 employees) drew a large number of opinions on matters such as problems with work environments. Findings are reported to management and feedback is provided to individual divisions through department heads in order to communicate issues within the same workplace or company. This contributes to the maintenance and strengthening of compliance systems.

Percentage of Employees Who Received Survey Feedback

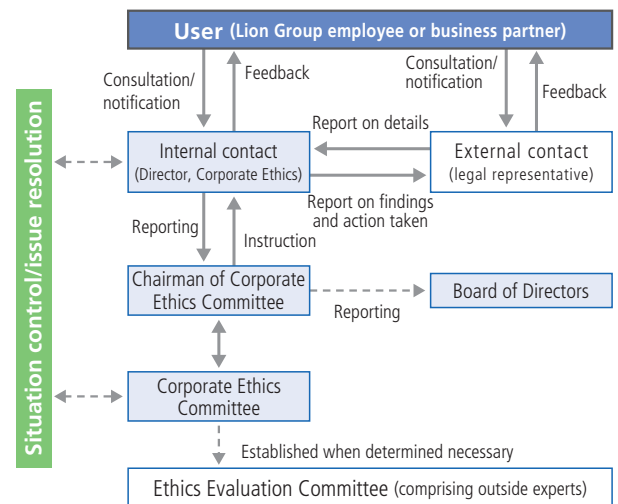


Contact for Employee Consultation and Internal Reporting

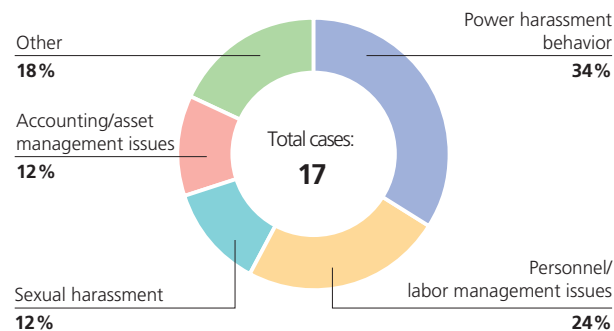
Employees of the Lion Group generally notify or consult with their supervisor, such as the department head, when they recognize an illegality, infringement of the Lion Group Charter for Corporate Behavior, or other instance of non-compliance. For cases where that is not fitting, or is unfeasible, a Heart Hotline internal reporting system has been set up as a contact point for consultation. A pamphlet distributed to all employees, including temporary employees, explains the rules for operation of the system, such as instructions for making contact and prohibition of unfair treatment of employees using the system. A survey found that 96% of all employees knew about the system, but we will still continue activities to promote awareness and improve the system's trustworthiness. Business partners can also use the hotline and contact information is available on the Company website.

In 2009, all 17 instances of consultation or reporting were met with quick responses and resolved. No instances of grave misconduct were found.

Heart Hotline Overview



Heart Hotline—Consultations and Notifications (2009)



Lion's CSR Activities and Issues (2009)

Category	Objectives	Major Activities	Future Issues
Management	Strengthen governance	<ul style="list-style-type: none"> Director compensation structure partially revised based on Compensation Advisory Committee recommendation 	
	Strengthen internal controls	<ul style="list-style-type: none"> Launched systems for evaluating and auditing internal control over financial reporting Revised internal control systems 	<ul style="list-style-type: none"> Make improvements and revisions Continue appropriate implementation of systems for evaluating and auditing internal controls
	Maintain and strengthen compliance systems	<ul style="list-style-type: none"> Formulated full-year compliance activities program based on PDCA cycle Implemented e-learning program on harassment 	<ul style="list-style-type: none"> Fully establish PDCA cycle for compliance activities program Maintain and improve trustworthiness of Heart Hotline
	Strengthen risk management	<ul style="list-style-type: none"> Partially revised business continuity plan (orders, production) Disseminated guidelines for responding to new influenza viruses and flexibly applied them to less virulent strains 	<ul style="list-style-type: none"> Regularly review plan
Customers	Improve corporate reputation through communication	<ul style="list-style-type: none"> Established framework for corporate communication Held Stakeholder Dialogue on safety and reliability 	<ul style="list-style-type: none"> Ensure two-way communication
	Provide safe and reliable products	<ul style="list-style-type: none"> Extended product management system coverage to related companies in Japan Expanded seminars on utilization of customer opinion to include new Assistant Manager of all departments 	<ul style="list-style-type: none"> Strengthen quality assurance systems for overseas products Substantiate customer perspectives
Employees	Establish good working environments	<ul style="list-style-type: none"> Formulated phase 3 action plan in line with Act on Advancement of Measures to Support Raising Next-Generation Children Enhanced health guidance ("healthy menus," etc.) 	<ul style="list-style-type: none"> Secure diverse human resources, such as through rehiring of employees who voluntarily resign from company Strengthen employee training and education systems
Shareholders and investors	Increase number of long-term shareholders	<ul style="list-style-type: none"> Held briefings for individual investors (1,300 investors in total) and events concerning environment and female investors Received three awards for company's investor relations website 	<ul style="list-style-type: none"> Increase number of individual investors
Business partners	Promote CSR procurement	<ul style="list-style-type: none"> Notified business partners about CSR procurement principles Improved questionnaire coverage 	<ul style="list-style-type: none"> Enforce questionnaire and fully enforce procurement principles
Society	Foster awareness of oral health	<ul style="list-style-type: none"> Commenced online streaming of Mass Tooth Brushing Exercise for School Children 	<ul style="list-style-type: none"> Increase number of schools participating online
	Strengthen nature protection activities	<ul style="list-style-type: none"> Implemented forest maintenance exercise for new employees 	<ul style="list-style-type: none"> Conduct evaluations relating to forest maintenance and biodiversity
Environment	See p.36 onward for environment-related discussion		



Explanation of products in Communication Center

Product safety is top priority for customer peace of mind

Under a quality assurance system based on its quality policy, Lion seeks to ensure provision of superior products. We also promote advancing the development of safe and high-quality products that satisfy the demands of customers.

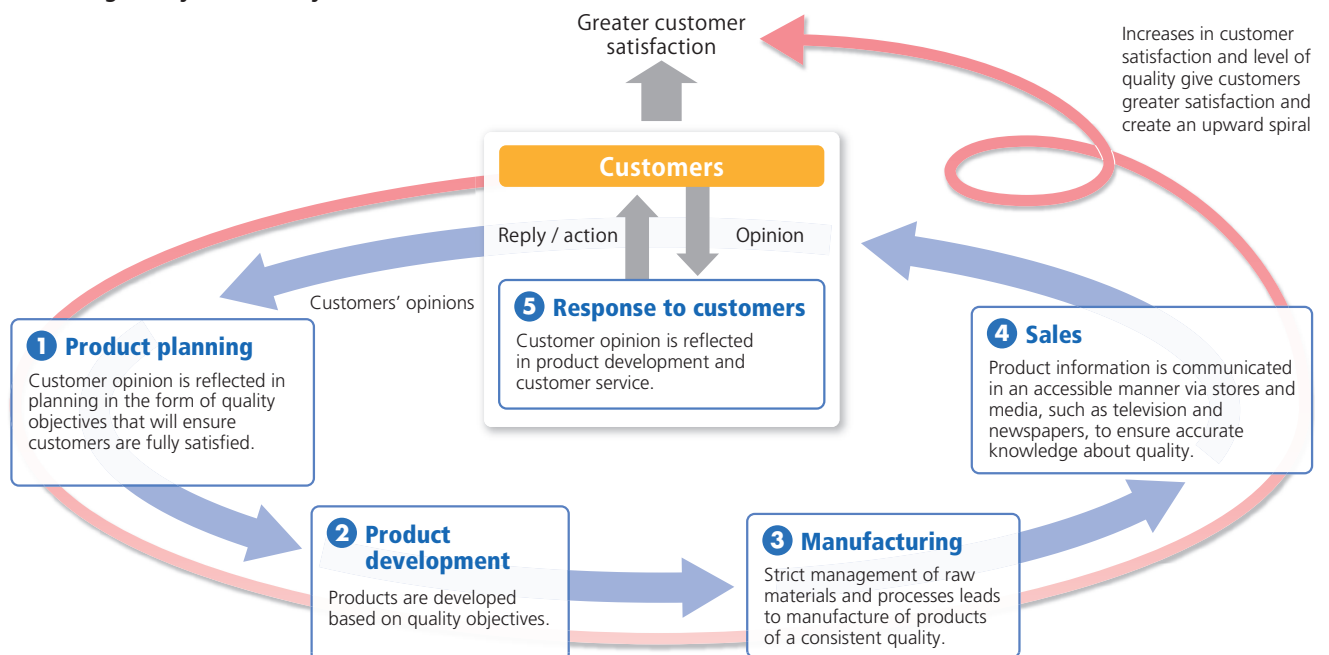
Approach to Safety and Quality

Lion implements quality assurance activities throughout all its corporate activities—product planning, product

development, manufacturing, sales, and response to customers—to ensure customer satisfaction.

We listen and respond to the opinions of customers as part of persistent efforts to improve quality, thereby enabling creation of products that will enhance customer satisfaction.

● Ensuring Safety and Quality



Quality Assurance System

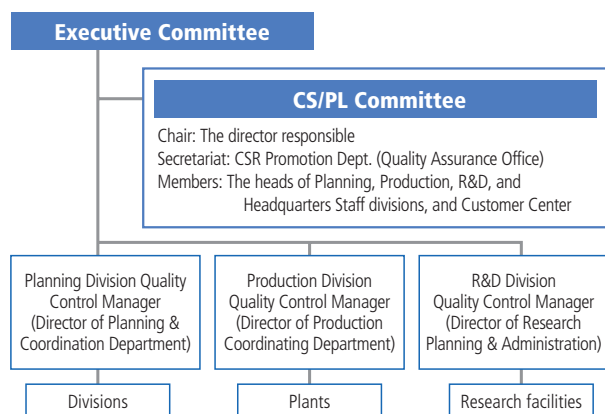
Strengthening Quality Assurance System

To advance company-wide quality assurance activities, Lion has formulated a quality policy and established the CS/PL¹ Committee, comprising members from the CSR Promotion Department (Quality Assurance Office), the Customer Center, and Planning, Production, R&D, and Headquarters Staff divisions. The committee is charged with coordinating Lion's quality assurance activities and assumes a quality assurance perspective in company-wide promotion of legal compliance, setting of voluntary standards and objectives, and development of safe, high-quality products, while also ascertaining progress made in response to issues.

As Lion's business includes the manufacture and sale of pharmaceuticals², the quality assurance system conforms to industry standards.

We are also establishing a system that allows us to act swiftly in the case of serious accidents involving Lion products. Under this system, Lion will respond proactively to affected or harmed parties, making information available to customers and the authorities, recalling products, and formulating measures to prevent a reoccurrence.

● Quality Assurance System



Operating Product Management System

Lion operates a product management system that allows steady and rational development of "safe and high-quality products useful in daily life" in accordance with quality policy. The product management system defines flows and the framework for quality assurance processes based on ISO 9001 (JIS Q 9001) to be carried out during each stage of product development (strategy, planning, development, manufacturing, sales, and improvement or discontinuation). Quality verification meetings are held during the development stages, subjecting products to rigorous quality checks and confirming that quality meets customer demands.

Implementing Quality Audits

The audit controller and auditing personnel regularly implement quality audits of Lion and its subcontractors and conduct improvements as required. In 2009 as well, after closely reviewing the timing and evaluation results of the previous audits, quality audits were implemented after selecting target plants of Lion and its subcontractors.

Instilling Quality and Safety Awareness Among Employees

Lion raises employee awareness of product quality and safety through quality education and training programs to promote development of safe, high-quality products.

Seminars on Utilization of Customers' Opinions, implemented since 2005, are opportunities for employees who usually do not respond to customers to listen to comments from them in person. From 2005 to 2008 the seminars were implemented only for employees from Business Department and Developmental Research, but the initiative was expanded in 2009 to include new assistant managers in all departments.

Quality Policy

The mission of Lion Corporation is to provide superior products and services that are useful in daily life, while achieving customer satisfaction and trust. Ceaselessly implementing quality assurance activities, the Company is striving to increase customer satisfaction.

1. The importance of customer communication

The serious consideration given to customer comments is reflected in Lion's products and services.

Along with gathering information related to quality, Lion provides information that is accurate and easy to understand.

2. Lion thoroughly pursues safety and functionality in all of its products

Thoroughly pursuing safety features, Lion is actively engaged in improving product capabilities.

3. Considering the global environment

Reducing the burden of products and services on the global environment, Lion is aiming to create a sustainable society.

4. Compliance with laws and regulations

Complying with related laws and internal company regulations, Lion is improving its quality assurance activities.

5. Providing products and services that are full of fresh surprises

By ceaselessly engaging in the creation of attractive products, Lion is working to increase customer satisfaction.

March 28, 2008

1. CS: Customer Satisfaction
PL: Product Liability

2. Pharmaceuticals: Drugs, quasi-drugs, cosmetics, and medical equipment subject to Japan's Pharmaceutical Affairs Act

Product Creation that Emphasizes Safety and Quality

Lion has established a quality assurance system centered on customer opinion and strives to provide safer, higher-quality products through deliberation and evaluation of safety and quality at each stage of business.

1 Product planning

Designing products that will give customers greater satisfaction



Customers

Apply to product planning

5 Response to customers

Utilizing customer opinion to improve quality

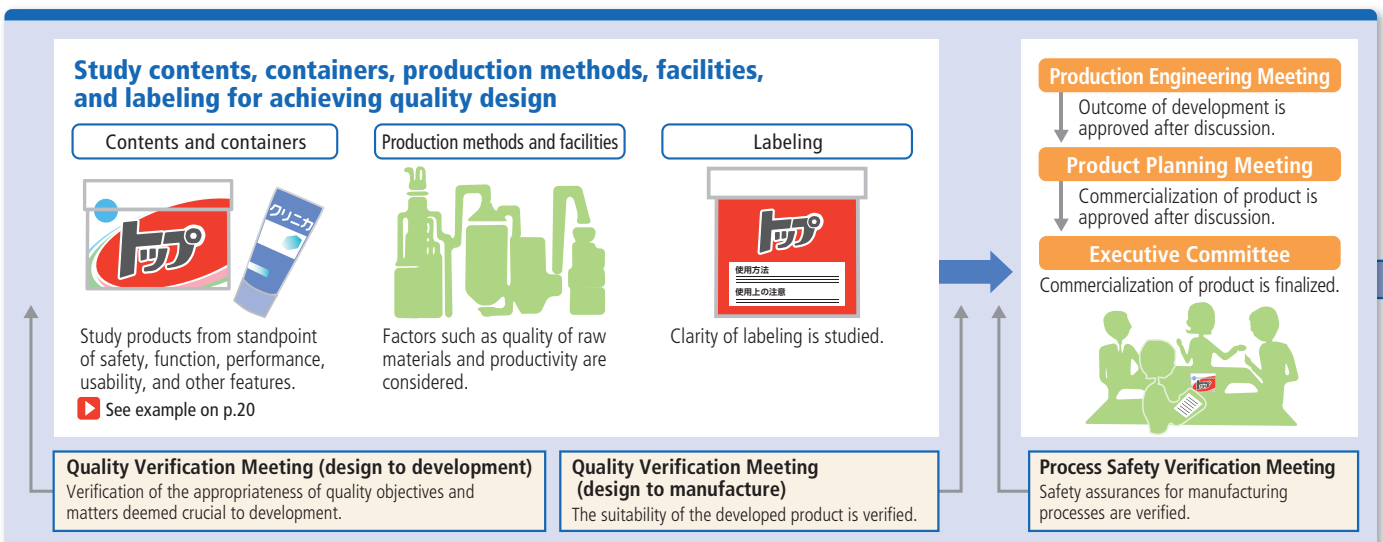
Product development and improvement

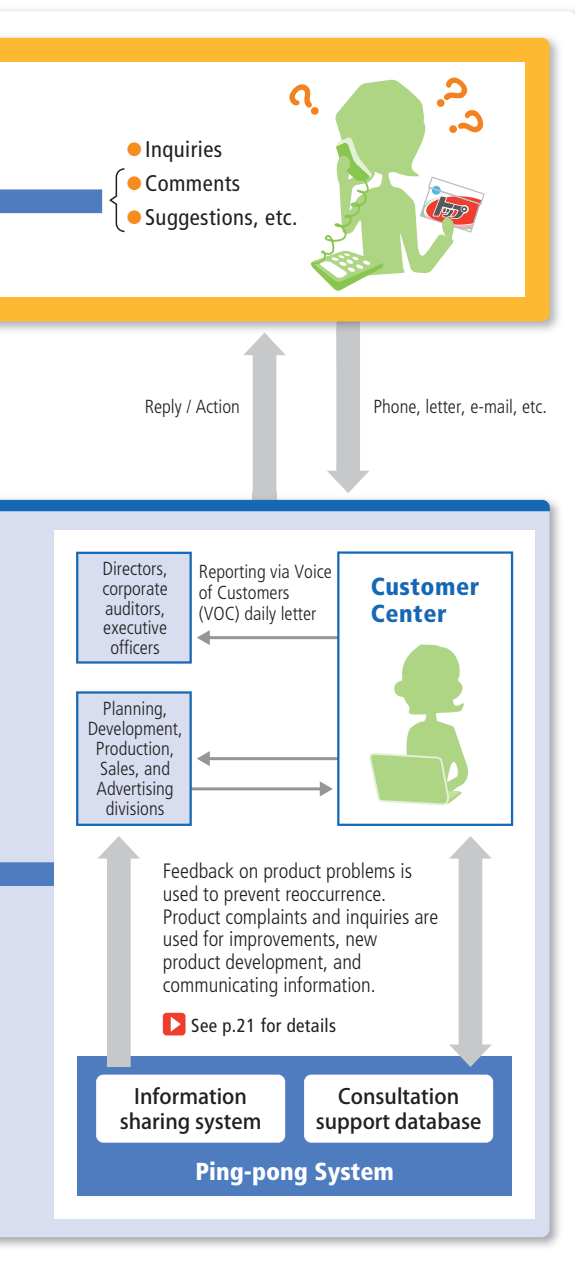
Efforts are made to tie customer opinion to performance, labeling, or other improvements, and to new product development.

See example on p.20

2 Product development

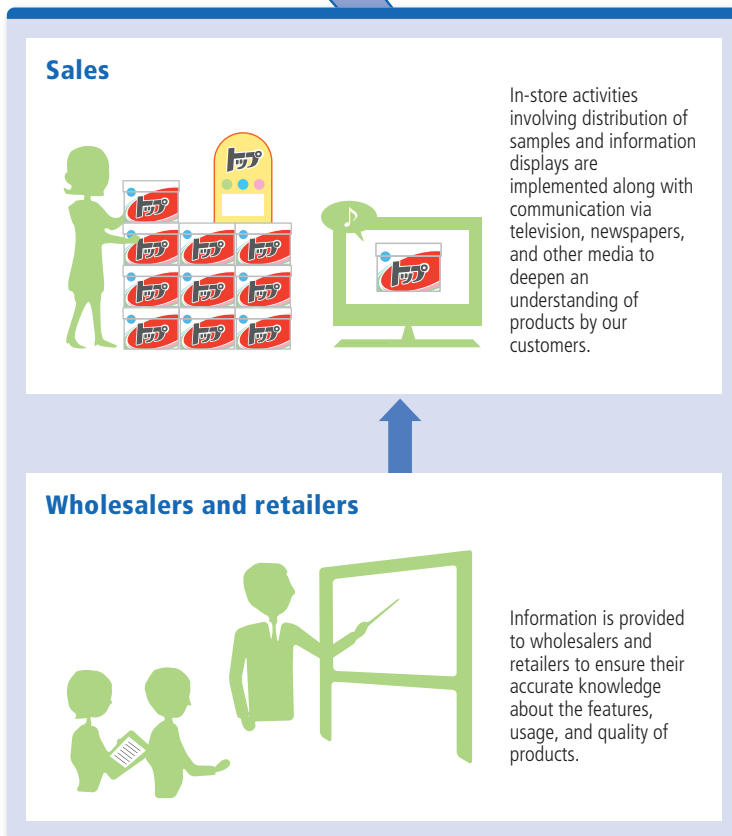
Building safety and quality into products





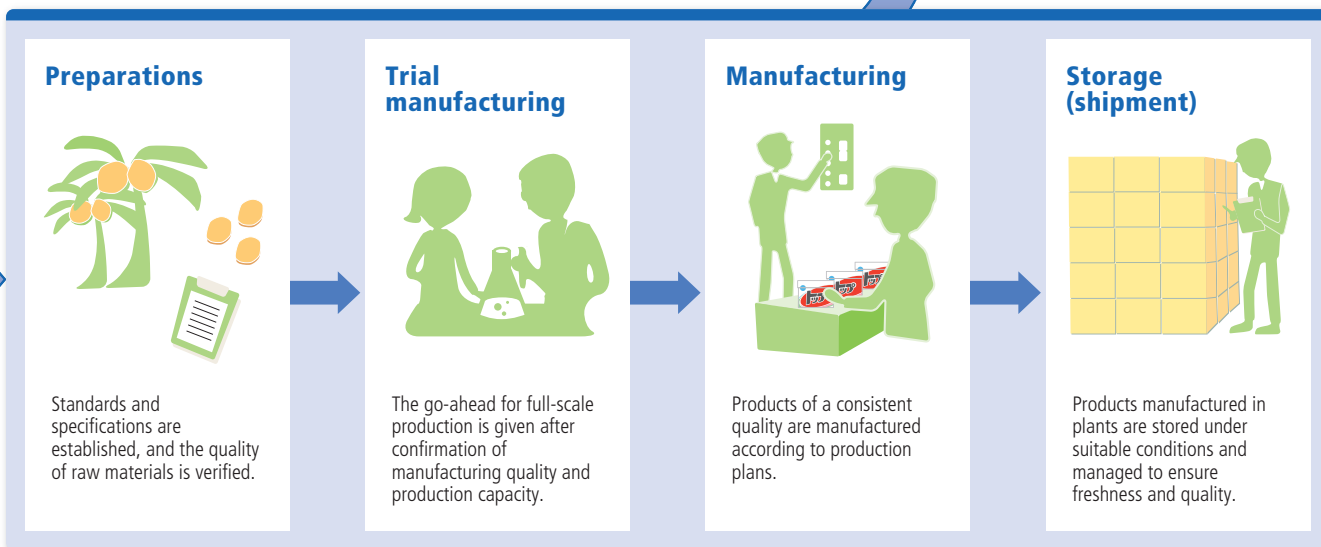
4 Sales

Providing information on product quality



3 Manufacturing

Verifying quality in mass production



Utilizing Customer Opinion

Lion places great value on customer opinion in product creation. Opinions from customers, received directly or as

unvoiced opinions identified through studies of customer behavior, are applied in new product development and improvements to existing products. This action is illustrated in the following examples.

Product Planning for TOP NANOX

A solution for "irremovable odors" customers thought washing could not resolve

To consumers, the most important function of detergents is the ability to remove stains. We have also learned that around 90% of consumers smell laundry items after they have been washed and dried, with a large proportion smelling to check that stains have completely disappeared. People

want a detergent that will leave no trace of a stain, removing even the source of odors.

TOP NANOX uses a proprietary formula containing the cleaning ingredient methyl ester ethoxylate (MEE).



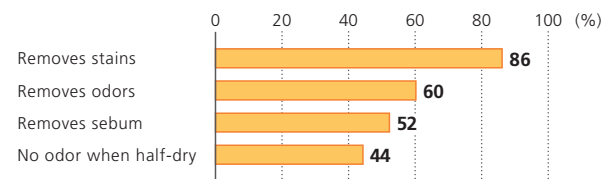
Naoko Matsui

Fabric Care Business Department
Household Products Division

It effectively breaks down and eliminates stubborn odors through "nano-washing."

We hope to continue to amaze and impress customers by developing detergents that raise the standard for clean laundry.

Desired detergent benefits and functions



(Source: Lion, September 2009; 824 respondents)

Safety Assessment of Lion Products

Various usage styles envisaged for risk management

From a scientific standpoint, there is no substance anywhere that can be considered absolutely safe regardless of how it is used. That is why we check all ingredients used in our products by gathering safety information from academic papers and technical documents published around the world.

At the same time, we envisage a wide range of usage styles matching situations in which our customers will use products and painstakingly confirm whether ingredients really are safe for day-to-day use. For this we



Toshiharu Takei

Human & Environmental Safety Evaluation Center
Research & Development Headquarters

employ technologies relating to biological systems, applying such fields as molecular biology or physiology, and other technologies.

It is my wish to see customers happy because we have provided them with good products. We will continue to fully assess the safety of Lion products created by the development team while thinking of our own family members and loved ones.



Safety trial using cultured cells

Development of Portable KireiKirei

Product satisfying customer needs for use "anytime, anywhere"

KireiKirei Medicated Foaming Hand Sanitizer was developed due to customers' growing awareness of cleanliness and fear of disease infection. When the product was launched in October 2008, only a small percentage of customers actually used hand sanitizers despite knowing about them. When KireiKirei first went on sale, many customers inquired

about the product. The inquiries gathered momentum in 2009 with the outbreak of a new influenza virus. Use of sanitizers increased (20%) and the number of inquiries jumped, most asking for the



Ryuji Imai

Beauty Care Business Department
Health Care Products Division

introduction of refills and portable sizes.

As sanitization had caught on among customers, with more using sanitizers several times a day, and due to requests for a product they could use "anytime, anywhere," we launched a refill in November 2009 and a portable size in March 2010.



Designated quasi-drug

Sales name: Lion Hand Foam
Indications and effects: Washing and sanitizing of hands and skin

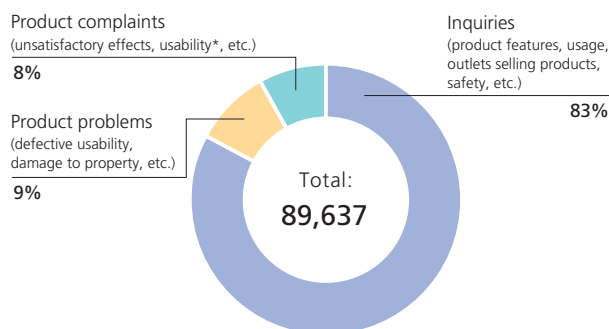
Response to Customers

Inquiries and Claims from Customers

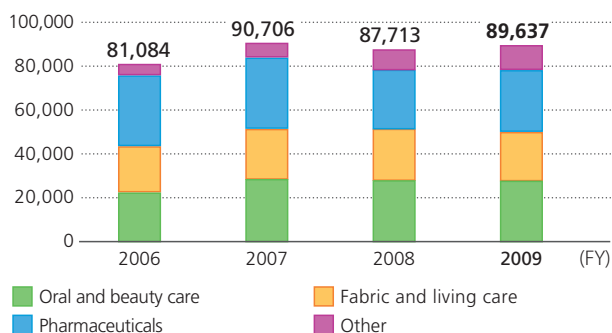
Around 90,000 inquiries and claims were received via the Consumer Service Office during 2009 (a 2% increase from 2008). Overall, 83% were inquiries about product usage, outlets selling Lion products, safety, or other information.

Up to 2008, among customers who contacted us and were willing, we distributed a questionnaire concerning the quality of Lion's response to their inquiries. In 2009, questionnaires were distributed randomly to increase objectivity. Out of 138 respondents, 128 gave our response high marks, saying they were "satisfied" or "mostly satisfied." In the future we will analyze reasons why some people were "mostly dissatisfied" or "dissatisfied" and take steps to make further improvements.

● Breakdown of Inquiries and Claims (2009)



● Number of Inquiries and Claims Received by Consumer Service Office



* The 2009 report contained erroneous data for pharmaceuticals and fabric and living care categories that have been corrected.

Communication

Lion's website provides information on products, campaigns, and discontinued products, as well as useful techniques for daily living such as those related to laundry and oral care. Other information provided includes answers to frequently inquired and how to deal with accidental ingestion of products.

* **usability:** Customer dissatisfaction with aspects other than the product itself

So that people with visual impairments will also feel at ease using our products, we publish the *Lion Product Catalog* in Braille, SP code, and large-print, and issue an e-mail magazine called *Lion Products and Lifestyle Information Oto (Audio) Mail*, offering useful information for day-to-day living that can be read out using text-to-speech software. These are provided free-of-charge to interested parties.

VOC Daily Letter

The VOC daily letter system was introduced in 2008 to enable a quick response to opinions from customers. The daily letter is a tool for reporting directly to members of the Executive Committee for Product Planning about inquiries and claims received from customers and deemed to have a major influence on customer satisfaction.

In 2009, 309 messages were issued. Additional efforts were made in 2009 to ensure more thorough implementation of PDCA cycles. Each department is required to determine whether and what measures are required, and when to implement them, and to report those conclusions to management and Quality Assurance division. Quality Assurance division follows up on progress made. We will continue to strengthen this system to improve in-house sensitivity to customer needs.

Strengthening Functions for Response to Customers

In January 2010, the Consumer Service Office was separated from the CSR Promotion Department and renamed the "Customer Center" in order to strengthen functions for maintaining response to customers. We designed a system that would allow us to listen closer to customers' needs and strengthen our ability to respond and communicate in an appropriate manner. We have also strengthened in-house frameworks for reflecting opinions fielded from customers.

Recall Status for Varsan Hyosatsu Jet Spray

Voluntary recalls of *Varsan Hyosatsu Jet Spray for Flying Bugs* and *Varsan Hyosatsu Jet Spray for Creeping Bugs* have been implemented since August 27, 2007, in response to combustion incidents. As of March 31, 2010, the rate of recalled products was 45.6%, or 1.48 million products. Please make sure to return these products if you have any.

Contact number for Varsan Hyosatsu Jet Spray returns:

Toll-free phone: 0120-670-225 (in Japanese only)
Hours: 9am to 5pm (except Saturdays, Sundays and public holidays)



A group exercise during new employee training

Creating a bright and dynamic workplace

Lion upholds the individuality and personality of employees through fair treatment and human resource development programs. The Company also looks after the physical and mental health of employees through initiatives aimed at creating comfortable work environments.

Human Resource Diversity

Approach to Utilization of Human Resources

Lion's founder used to say, "Employees are partners in the Company." This idea is reflected in the Lion Group Charter for Corporate Behavior, which refers to respect for "human rights" and respect for the "diversity, individuality and personality" of employees. Lion respects the individuality and personality of all employees and helps them to hone their skills and abilities and stay healthy in body and mind. We will continue efforts in line with the Behavioral Guidelines to eliminate all discrimination and to create work environments where employees will enjoy and be content with their jobs.

Annual risk management and compliance activities and internal audits found no instances of grave misconduct during 2009 concerning human rights issues in the workplace.

Fair Treatment of Employees

Lion aims to create workplaces where fair treatment ensures that all employees will find their jobs rewarding. Systems of management by objective and self-assessment are employed for determining treatment for employees, and a framework is in place for providing feedback from regular evaluations and interviews by superiors to increase the understanding and motivation of each employee.

Promoting Amiable Labor-Management Relations

Lion organizes regular dialogues between employees and management, placing importance on a relationship of trust. Meetings between labor and management are held for exchanging opinions and reporting on working conditions and environments in order to promote mutual understanding. One development in 2009 was a consensus by labor and management to jointly pursue initiatives relating to work-life balance.

Lion operates under a union shop agreement.

Promoting Workplace Diversity

To prevent any adverse effect on employees' potential for promotion or advancement due to childbirth or childcare, personnel evaluations examine the overall context. As a result, the ratio of female managers is rising.

Lion also actively hires disabled people. The Company's disabled employee ratio rose to 2.0% in 2009, having surpassed the 1.8% statutory ratio at the end of 2007.

Temporary and part-time personnel are also employed for certain positions due to their diversity and flexible work patterns. They account for roughly 8% and 9%, respectively, of the workforce.

Rehiring of Employees on Retirement

In April 2006, Lion began rehiring employees who reached the mandatory retirement age. Three systems are in place: rehiring for standard jobs, whereby employees apply for a desired position from a list provided by the Company; rehiring for highly specialized jobs, whereby the Company appoints employees with indispensable knowledge and expertise; and rehiring for management

VOICE

Reason for applying—right workplace for applying my experience

I reached retirement age in 2009 and applied for rehiring under the standard job system for employees who reached mandatory retirement. This means I am still in the same workplace I was before retirement, doing the same work, designing sales administration systems.

After joining Lion, I worked for 17 years in marketing and 18 years doing work relating to systems, particularly sales administration systems. During that time, I always used systems developed in-house, but I only joined this department, where the systems are developed, two years prior to reaching retirement age. Still, I was highly familiar with the systems and was good at determining what kind of systems users consider easy to use. I believed I would never find a workplace like this where I could apply my experience, so I definitely wanted to apply for rehiring. Even now, I get enormous satisfaction from my work.

I may have a different status from before in terms of responsibilities and authority, but I want to continue making the most of my experience to develop user-oriented systems.



Yoshinori Yayoshi
Systems Department

positions, whereby employees continue to apply their management expertise in a managerial role.

In the five years since the initiative was launched, around 65% of retiring employees have applied for reemployment and continue to work energetically, applying skills, knowledge, and experience accumulated over the years.

Establishment of System for Rehiring Former Employees

Lion wants former employees who left the Company to engage in childcare or nursing care, for example, to return to work and contribute their services once again, drawing on their career experience.

In May 2009, we introduced a system for rehiring employees who resigned for personal reasons. The aim of the system is to urge former employees to rejoin the Company and apply their skills. Anyone can apply, regardless of the reason for resigning, length of service, or time elapsed since resigning.

Rehired employees can choose to participate in either a Return to Career scheme, rejoining as a regular employee, or a Return to Job scheme, allowing them greater flexibility as full-time non-regular employees. This enables employees to accommodate childcare and nursing care requirements.

In February 2010, two former employees rejoined the Company, the first to take advantage of this system.

Employee Data

		2007	2008	2009
Regular employees	(Male)	1,965	1,934	1,883
	(Female)	531	546	566
New employees	(Male)	55	57	40
	(Female)	35	25	31
Rehired retirees	(No. of people)	51	78	117
	(%)	2.0	3.1	4.8
Female employee ratio		21.3	22.0	23.1
Female managers	(No. of people)	30	32	32
	(%)	4.3	4.7	4.8
Disabled employees	(No. of people)	45	45	48
	(%)	1.8	1.8	2.0
Childcare leave users	(No. of men)	3	3	5
	(%)	5.5	4.4	7.0
	(No. of women)	38	36	38
	(%)	100	100	100
Reduced hours for childcare	(Male)	0	0	0
	(Female)	33	34	40
Average overtime per month (hours)		9.2	10.7	10.3
Annual paid leave used (%)		43.0	45.2	48.6
Departures within three years of entering Company	(No. of people)	9	8	6
	(%)	4.1	3.8	3.0

* "New employees" includes new employees hired mid-year. After close inspection, 2008 figures for "Departures within three years of entering Company" were corrected.

Assisting Work-Life Balance

Support for Development of Next Generation

Development of the next generation of employees is a pressing issue given Japan's low birthrate and aging population. Having achieved action plans formulated in line with the Act on Advancement of Measures to Support Raising Next-Generation Children, Lion has been recognized by the Japanese Ministry of Health, Labour and Welfare as a company proactively supporting a balance between work and childcare since 2007. During this time, we extended the time frame for working reduced hours in order to care for children to the end of the child's first year of elementary school, and promoted flextime and other flexible working arrangements.

A high proportion of women, 100% in fact, take advantage of childcare leave. The number of men who take childcare leave is also steadily increasing, with men in Research and Headquarters Staff divisions leading the way. In 2009, childcare leave was taken for the first time by a male employee in a Production Division. The system appears to be becoming a fixture in workplaces with more people applying of their own accord rather than seeking advice or support from a Personnel Division. Seven male employees took childcare leave between April 2009 and May 2010, accomplishing in just over a year the "seven or more employees in two years" target in our phase 3 action plan.

The phase 3 action plan, under way since 2009, was formulated through joint deliberation by labor and management and through consultation with employees who are parents.

Next Generation Support Act Phase 3 Action Plan

Period : April 2009 to March 2011

"Kurumin" logo recognizing support for the next generation



Goals :

1. Have seven or more male employees take childcare leave during the action plan period.
2. Grant one day of scheduled paid leave in 2009.
3. Establish an intranet environment allowing employees on childcare leave to access corporate information.
4. Introduce measures for rehiring employees who resigned for personal reasons.

Promoting Efficient Work Styles

We aim to create suitable work environments and ensure that work is carried out efficiently. This initiative is aided by monitoring of hours worked using an objective recording

method (time cards). To reduce hours worked and promote energy savings, each business location designates one day a week as "no overtime day," encouraging employees to return home on time. In Headquarters Staff and Research divisions, a flextime arrangement is used to enable employees to have greater control over their work styles.

In 2009, scheduled paid leave was granted with every employee taking one day off during the six months from April. Scheduled paid leave will be implemented again in 2010.

Volunteering Leave

Lion has two volunteer leave systems: special volunteering leave (up to five days), supporting participation in Company-specified activities; and standard volunteering leave (using accumulated paid leave), supporting participation in activities of a personal interest. In 2009, 39 employees took special volunteering leave (75 days in total).

In-house Magazine Urges Male Employees to Use Childcare Leave

Lion actively encourages male employees to take childcare leave believing it will lead to the development of a corporate culture that makes it easy for both men and women to balance their work and personal lives.

An in-house survey found that one in four applicable male employees wants to take childcare leave, but in reality this is difficult without the understanding of superiors, the workplace, and society. Effort has been made since 2006 to foster Company-wide awareness through the in-house magazine, *Tategami*, which publishes articles on work-life balance and childcare leave for men.

In 2009, the magazine featured a discussion among six male employees who had taken childcare leave. During the meeting, they talked about concerns they had prior to taking leave and how taking leave had strengthened family bonds. They even discussed spin-offs for their jobs, such as customer perspectives and ideas for improving job efficiency acquired through participation in child-rearing and housework. Many male employees opt to take leave after first consulting people with experience. We therefore hope publicity in the in-house magazine will lead to more male employees throughout the Company using this option.



Article in in-house magazine



Discussing childcare leave

Human Resource Development

Corporate Culture of Tenacity, Creativity, and Learning

Innovation has sustained Lion's business activities ever since the Company's founding, and it is individual employees with the ability to practice "tenacity," "creativity," and "learning" who generate the innovation required to resolve business and technical issues. Lion aims to foster a corporate culture of tenacity, creativity, and learning by developing human resources with the individual resolve to overcome problems and create new value.

Education and Training Programs

Lion conducts rank-based training, career development training, and job-based (division-based) training for all employees, offering programs according to qualifications, position, age, and job type.

Standard Training Programs

	Regular employees	Management
Job capability enhancement	New employee training	Management training
Rank-based training	Mid-career training	
International workforce	International workforce education program	
Specialized job-based training	Sales Division training	
	Administrative/Planning Division training	
	Research/Technical Division training	
	Production Division training	

Frameworks for Developing Tenacity

Lion has systems in place to support employees by allowing them to fully develop their tenacity and creative potential.

Besides standard training programs, highly motivated employees have additional opportunities for skills development, including elective training and self-development programs. The diverse lineup of self-development programs, in particular, helps employees enhance their abilities.

Activities include the Lion Challenge Cup, an opportunity for employees to present self-initiated group research directly to Lion executives, and a range of initiatives for developing human resources capable of sustaining overseas operations in an age of global business, including an international workforce education program, job training at overseas affiliates, and presentations at overseas conferences.

Self-Development Programs

Global human resource training	Overseas job training	Employees are sent to an overseas company or research institute to engage in a broad range of jobs, acquiring knowledge and skills for a current or future position.
	Presentations at overseas conferences	An opportunity for employees to present knowledge or technology developed through work or learning in an overseas symposium as a way to nurture skills for global business.
	Self-planned overseas training	Employees visit Western nations with advanced distribution and retail sectors to gain first-hand, real-time insight into the impact of globalization on distribution frameworks, thus helping to broaden their outlook.
Study	Domestic study	Employees study at a business school to enhance job capability and business management skills.
Joint research	Research and study groups	Employee-initiated research and study relating to their work.
	Lion Challenge Cup	An annual in-house contest whereby teams present their research to executives.
Distance learning	General education, business skills, qualifications	Financial assistance is readily provided to fund self-development expenses to promote a dynamic corporate culture of tenacity, creativity, and learning.

Encouraging Innovation through Lion Challenge Cup

The Lion Challenge Cup, a contest between teams of employees presenting research on a theme of their choice relating to a product or business to the president and other executives, has been held annually since 1999.

The contest is a demonstration of the "spirit of tenacity and creativity" upheld in Lion's Management Philosophy. For participants, the contest is a chance to improve their powers of presentation and to broaden their outlook, such as by expanding knowledge through communication with divisions they otherwise have little contact with. The Lion Challenge Cup has also given birth to new products.

Winners are selected through employee voting via intranet and a panel of judges comprising the president and other senior managers. Voting for submissions helps nurture a "spirit of tenacity and creativity" also among non-participating employees. There were 105 submissions for the 2009 contest, and seven won awards.



The awards ceremony



PRO TEC HEAD Shampoo Brush, a product originating from the Lion Challenge Cup

Employee Health Management

Employee Health is Company Asset

Lion views employee health as a most important asset, both for the Company and for employees themselves, and acts in line with its Fundamental Health Management Policy. The policy places a focus on fostering a high degree of self-supervision among employees and promoting comfortable working environments. As a result, almost all employees report for annual health checkups and individual post-checkup consultations (health guidance). The existence of well-organized health management activities involving dialogues with industrial physicians and nurses has facilitated the in-house implementation of specific health checkups and guidance for employees aged 40 and above, as enforced by law since fiscal 2008.

Providing for Specific Health Checkups and Guidance

Provision of specific health checkups and specific health guidance for employees aged 40 and above has been a legal obligation in Japan since fiscal 2008. Lion implements health checkups and health guidance with the cooperation of the Company's health insurance association under a five-year plan.

In fiscal 2008 and 2009, we used individual post-checkup consultations available to all employees to promote disease prevention, aiming to lower the risk of metabolic syndrome.

We are also working to reduce the number of employees with, or susceptible to, metabolic syndrome through continual improvements to the work environment at all business locations, and have incorporated a related provision affecting every employee into health, safety, and disaster prevention plans at all locations.

These activities have resulted in a decline in the percentage of employees found to be suffering from metabolic syndrome (under health association criteria) despite the average age of employees remaining roughly the same.

● Examples of Initiatives for Insured Employees (FY2008-2009)

To lower risk of metabolic syndrome

- Education via websites and group guidance
- Over 80% implementation of health guidance (for employees applicable for one-time or ongoing guidance, including affiliated companies), etc.

To reduce number of employees with or susceptible to metabolic syndrome

- Introduction and increased frequency of healthy meals in cafeterias
- Calorie displays on soft drink vending machines
- Reduction in number of smoking areas
- Walking campaign, etc.

● Percentage of Lion Employees with Metabolic Syndrome

	Employees with metabolic syndrome (%)
2008	8.0%
2009	6.7%

* LIS21: Lion life Innovation Seminar 21

Age 35 Health Seminar (LIS21*)

Lion puts efforts into preventing lifestyle diseases and spotlights age 35, which is generally prior to the emergence of health problems or health risks. Believing that the establishment of good health while still young leads to prevention of diseases later on, we have been holding overnight hands-on seminars since 2001, giving employees the chance to consider their own health and identify issues they need to act on with an eye to the future.

● Changes One Year After LIS21 Participation

	Participants	No. with changed lifestyles	%
2005	110	99	94.3%
2006	120	111	92.5%
2007	86	79	91.9%
2008	91	81	89.0%

* Participants who did not attend interviews with the nursing staff one year later because they were on childcare leave, or for other reasons, are excluded from percentage calculations.

Mental Health Initiatives

Mental health is a major issue both in terms of running a dynamic corporation and managing risk. Placing importance on early identification and prevention of mental disorders, Lion arranges in-house consultations with psychiatrists and clinical psychologists in addition to consultations with industrial physicians and nurses. A contract has also been entered into with an independent organization for providing telephone consultation and counseling for employees and their families. We are strengthening support available in the workplace, moreover, by educating managers, who we believe have an important role to play concerning mental health issues.

VOICE

Health management to ensure employees are still able to work up to 65

In 2010, we began preparing a new three-year health management plan. The objective, in light of recent employment trends, is a system of health management ensuring that employees can work dynamically and cheerfully, and highly motivated, until the age of 65. New measures include efforts aimed at preventing diseases and passive smoking, which involve increasing no-smoking indoor areas at all business locations and initiatives to help employees quit smoking. In addition to activities undertaken thus far, I would like to work with the health insurance association on an analysis of medical costs and implementation of other measures, such as effective and efficient seminars.



Norihide Nishinoue
Supervising industrial physician

Safety and Disaster Prevention Initiatives

Company-wide Management of Health, Safety, and Disaster Prevention

Lion labor and management work together to ensure safety based on the principle of "safety first." Since 2003, when we established a health, safety, and disaster prevention management system, we have carried out employee education, principally in relation to risk management, at each business location. In 2009, we overhauled the Company's system, reflecting the occupational health and safety management system of the Japanese Ministry of Health, Labour and Welfare, revised in 2006. Under its new system, Lion is currently working toward the goals of zero accidents and zero disasters.

Occupational Safety

Lion regularly invites instructors from inside and outside the Company to provide safety education and guidance to ensure that top priority is given to occupational safety. In 2009, there were no major accidents involving people or facilities (one lost time accident; six accidents without lost time). Risk assessments relating to the handling of chemicals were a special focus of improvements during 2009, resulting in the elimination of chemical injuries. Our systems still can not be considered totally adequate, however, and we will continue these efforts.

Safety of Facilities

Lion is moving forward with verification of chemical plant safety through inspections by an independent organization. Following safety verification at the Chiba Plant in 2005, the same methods were applied to the plant of the Fine Chemical Division of Lion Chemical Co., Ltd., and to plants of overseas affiliated companies (in South Korea, Malaysia, and Thailand), with remedial action completed in 2008. Recognizing the importance of constant monitoring of chemical plants, we implement inspections on a routine basis. In terms of plan preparation, we introduced new risk-based maintenance (RBM) methodology as an efficient, quantitative approach. Standards for administering changes to production environments were also clarified to bolster the safety of facilities.

Managers conduct reviews without fail according to schedules and all employees work as one to ensure ever higher levels of occupational and facility safety.

Response to Emergencies

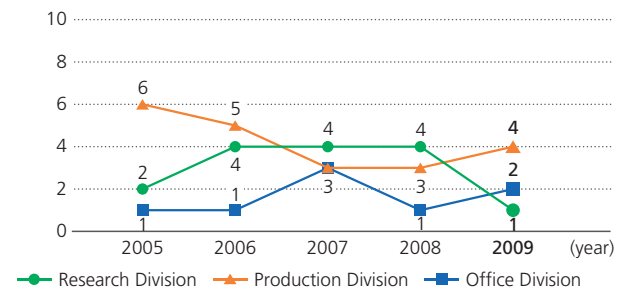
Each business location has established manuals for ensuring the safety of workers and enabling swift and appropriate action in times of disaster. Drills are also carried

out on a regular basis and include safety confirmation drills, evacuation drills, disaster leadership drills, firefighting drills, and joint drills with municipal firefighters.

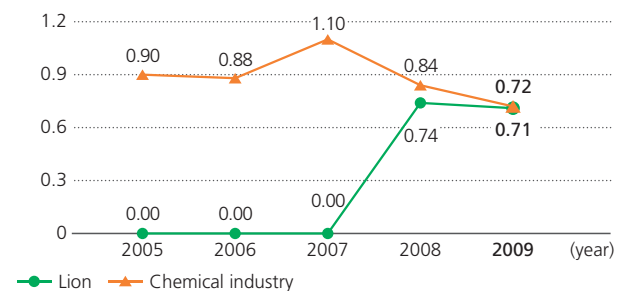
● Number of Facility Accidents/Disasters

2005	2006	2007	2008	2009
0	0	0	0	0

● Number of Work Accidents (excl. commuting accidents)



● Work Accident Frequency Rate* in Production Division



● Hours without Accident at End of 2009 (Unit : thousand hours)

Research Division				Production Division			
Hirai	Honjo	Odawara	Fukushima	Chiba	Odawara	Osaka	Akashi
6,050	390	400	90	2,760	2,430	1,800	480

In 2009, an exercise in quick restoration of operations was conducted under the scenario of a Nankai zone earthquake causing damage to the Osaka Plant and Osaka Office. Videoconferencing systems were used during the exercise to confirm headquarters' capability for providing support to the disaster response task force located in a stricken area.

To ensure quick confirmation of employee safety in times of disaster, individual divisions and business locations test safety confirmation systems through drills at regular intervals.

Seismic reinforcement of Company-owned office buildings has been completed. Seismic assessments and reinforcement of plants are also steadily progressing. Work has finished at the Chiba, Odawara, and Akashi plants, and reinforcements are steadily being implemented at the Osaka Plant.

* Frequency rate: Number of people suffering lost time injuries ÷ Total working hours (unit: million hours)



General Meeting of Shareholders

Lion places importance on communication with shareholders, and responds to their trust and expectations through business activities

Lion endeavors to provide a stable return through corporate value enhancement and to ensure precise, expeditious, and fair disclosure using information tools and events. Opinions are quickly and accurately fed back to the Company for reflection in business activities.

Information Disclosure and Communication

Providing Accurate Information at Right Time

Lion conducts a number of events to ensure that corporate information is communicated in a precise, fair, and timely manner to investors in Japan and overseas. Besides earnings briefings, business briefings, new product briefings, and other presentations to securities analysts and institutional investors in Japan, energy is directed into overseas communication, including participation in events organized by securities companies attended by a large number of overseas investors.

We also hold regular Company introductions for individual investors. During introductions, we explain our business and strategies and present a broad range of information from environmental considerations and social contribution activities to useful hints for living.

In 2009, 12 Company introductions were held across Japan, attended by more than 1,300 investors. Specifically, plant tours were conducted in Chiba (June) and Osaka (November), during which quality control and other manufacturing site initiatives were explained. Also, an environmentally themed investment forum

(August) included presentations made in person by the president and employees in charge of environmental action and product development to promote greater understanding among investors.

Lion remains committed to communicating with investors through all kinds of events.



Exhibition booth at "IR & ECO" forum (sponsor: Tuvalu-forest Corporation; August 9, 2009)

Enhancing Communication Tools

The "Investor Information" section on the Company website was created to make information available to as many investors as feasible in an expeditious and fair manner.

The section provides an overview of business activities and results so that investors can readily confirm the Company's status. Also available are various reference materials relating to business strategy, financial data, and settlements of accounts. Features such as an

investor relations e-mail service for news notification and an inquiry form especially for investors demonstrate the efforts being made to create a web environment facilitating investor access to information about Lion. The website has been independently recognized* for the quality of information provided and usability.

Investor relations leaflets containing general information about the Company and, for example, information about new product sample sets are also created and distributed to a large number of individual investors at events or at other opportunities to foster a better understanding of the Company.

For overseas shareholders and investors, we operate an English website and publish an annual report in English that includes a message from the president, segment results, financial data, and other detailed information.



Information for investors on the Company website

Placing Value on Dialogue with Shareholders

Lion attaches importance to dialogue with shareholders. An annual general meeting of shareholders is held each year at the end of March at the Kokugikan (Ryogoku Tokyo). Attendance at the 2010 meeting was 1,365 people. After the official proceedings, shareholders are given the opportunity to meet with directors and view a display of new products to promote greater understanding of the Company.

Close communication with shareholders is also advanced through the *Lion Letter* and a report to shareholders, sent out in September and March, respectively, containing information on earnings, new products, and other matters.



FY2009 Report to Shareholders (March 2010)

Providing a Return to Shareholders

One of Lion's most important tasks is to provide a consistent return to shareholders on an ongoing basis by improving the Company's consolidated earnings

potential. The annual dividend to shareholders during 2009 was ¥10 per share, the same level as in 2008.

Introducing New Products to Shareholders

Shareholders owning 1,000 shares or more on December 31 each year receive a complimentary assortment of predominantly new Lion products the following March. By introducing products we try to encourage shareholders to become loyal Lion supporters.



New product sample set sent to shareholders in March 2010

Incorporating Feedback from Capital Markets

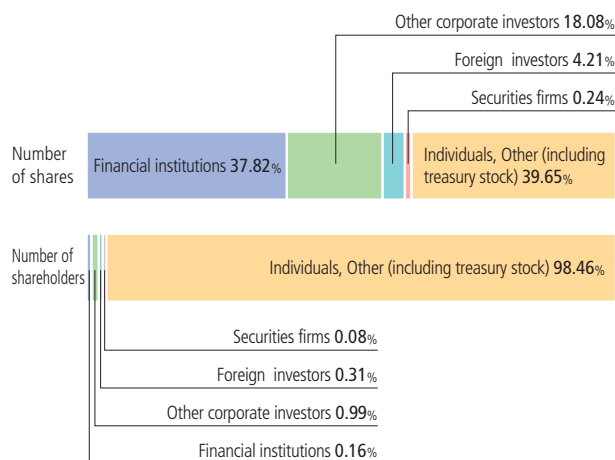
An important investor relations function is to disseminate inside the Company valuable feedback from shareholders and investors. Opinions and other comments received during meetings with domestic and overseas institutional investors and events for individual investors, including the results of questionnaires, are communicated as feedback to directors and others inside the Company each month for reflection in business activities. We are also working to raise employee awareness about relations with investors in such ways as devising methods to facilitate access at any time to the latest, easy-to-understand information on the investor relations intranet site.



FTSE4Good

Lion is selected for the FTSE4Good Index Series, a global indicator for socially responsible investing.

Information Concerning Shares (as of December 31, 2009)



* Investor relations website awards: 2010 Investor Relations Site Ranking Excellent Website - Gomez Consulting Co., Ltd.
2009 Internet IR Excellent Company (sixth consecutive year) - Daiwa Investor Relations Co., Ltd.
2009 Excellent Corporate Website, Overall Ranking - Nikko Investor Relations Co., Ltd.



Spring New Product Presentation for wholesalers and retailers

Contributing to a sustainable society in all business activities, from procurement to sales

Together with its business partners, Lion intends to fulfill its role in the creation of a sustainable society, taking an active interest in supplier approaches to matters such as legal compliance, quality, environmental protection, labor issues, and human rights.

Procurement Principles

Since its foundation, Lion has been doing its utmost to provide safe, high quality products and services that promote healthy, comfortable lifestyles. Upholding this effort in the procurement of raw materials and the purchase of products, and with the cooperation of our business partners, we shall:

1. Comply with prevailing laws and social norms and engage in appropriate, rational transactions with every business partner in a freely competitive framework that is equitable, fair, and transparent;
2. Rationally select business partners on the basis of quality, cost, and timely delivery to fulfill our responsibility to customers;
3. Fully consider throughout purchasing activities our social responsibilities in such areas as global environmental protection, labor, and human rights toward creating a sustainable, healthy society;
4. Respect the confidentiality of business partners' information and intellectual property rights and never engage in inappropriate or unethical acquisition or use of such information or rights;
5. Never offer business entertainment, gifts, or monetary compensation to unfairly obtain profit;
6. Fulfill our social responsibilities together with our business partners with a shared commitment to coexistence and co-prosperity.

Established on October 1, 2008

Realizing Sustainable Procurement Approach to CSR Procurement

Lion carries out appropriate procurement of raw materials and finished products in keeping with its Purchasing Activity Principles and has promoted development of a supply chain management system.

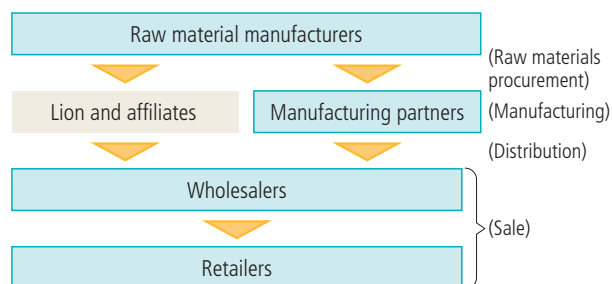
In 2008, we formulated the Procurement Principles, a set of CSR procurement guidelines clarifying social and environmental considerations. To aid thorough communication of the principles, we regularly implement a questionnaire among our business partners. Results of the questionnaire are analyzed and used to devise dissemination methods.

Business Partner Questionnaires

To fully grasp the status of CSR activities pursued by business partners, Lion has been implementing a questionnaire since 2008 based on the 10 principles of the United Nations Global Compact. Once their circumstances are determined, business partners are asked to make improvements. In 2009, the questionnaire was extended to major business partners of overseas affiliated companies. We asked 481 business partners in Japan and overseas, including Lion Group companies¹, to acquaint

themselves with the Procurement Principles and complete a questionnaire. Responses were received from 353 companies (73.4% response rate, April 2010). No major problems were discovered when evaluating the responses.

● Efforts in Supply Chain Management



Fair Transactions with Raw Material Suppliers

Lion has sought to establish reciprocal relationships of trust with all its suppliers. In response to the growing requirement for CSR procurement in recent years, we readily send employees to participate in seminars on purchasing and procurement as part of efforts to train human resources. Applying that knowledge, tours of raw material supplier plants are conducted at suitable intervals, and suppliers are selected after taking into account social considerations in addition to safety, environmental adaptability, and quality.

Fair Transactions with Manufacturing Partners

To promote fair transactions with business partners contracted to manufacture products, manufacturer selection, transaction conditions, pricing, and other criteria are determined through fair and transparent discussions. Maintaining and developing fair and friendly ties with manufacturing partners, based on coexistence and co-prosperity, allows us to deliver higher-quality products to customers in a timely manner.

In the area of compliance, especially, efforts are made to educate employees to ensure conformity with the Act Against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors. This involves ongoing employee participation in outside seminars with feedback on the coursework being shared inside the Company.

Teaming Up with Competitors on Delivery

Lion teamed up with competitors in 1989 to establish Planet Logistics Co., Ltd., for conducting joint deliveries to wholesalers. The philosophy behind joint delivery is, "Cooperate on systems, compete in the store." Manufacturers compete fairly in stores, but cooperate on logistics in order to cut logistics costs, improve the quality of logistics, and address environmental issues. At the end of 2009, 19 manufacturers were participating in the joint deliveries.

Fixed schedules, fixed volumes, bulk delivery, orderly systems, and standardization, all achieved through joint delivery, also lead to operational improvements and efficiencies within wholesale operations.

Working with Wholesalers and Retailers on Store Presentations

Lion's distribution policy is founded on coexistence and co-prosperity with wholesalers. The "Lion-kai," a forum for communication with wholesalers, with 259 members as of January 1, 2010, is an opportunity to explain Lion's business, marketing, and sales strategies and, through an exchange of opinions, to promote common awareness of one another's roles in increasing customer satisfaction.

In 2009, the Customer Development Department was established to promote communication and resolution of challenges that lie ahead for Lion and related wholesale and retail businesses.

At the annual Spring New Product Presentation, we bring together all our new products, from household items to pharmaceuticals and gift products, in one venue to introduce them to wholesalers and retailers. Lion researchers are on hand to provide clear explanations of products, sometimes with demonstrations, while business divisions put forward selling and presentation methods.

Consistent with these initiatives to promote mutual understanding with wholesalers and retailers, store coordinators from a Lion Group company² regularly visit around 8,600 sales outlets to ascertain the needs of business partners and customers, and thereby work to develop novel and attractive store presentations for customers.



Lion-kai general meeting

1. **Surveyed Lion Group companies:** Lion Chemical Co., Ltd., Lion Packaging Co., Ltd., Lion Trading Co., Ltd., Lion Hygiene Co., Ltd., Ipposha Oil Industries Co., Ltd., Lion Idemitsu Composites Co., Ltd. (formerly Calp Corporation), Lion Akzo Co., Ltd., Lion Daily Necessities Chemicals (Qingdao) Co., Ltd., Lion Chemical Industry (Taiwan) Co., Ltd., Lion Corporation (Thailand) Ltd., Southern Lion Sdn. Bhd., P.T. Lion Wings, and CJ Lion Corporation.
2. Lion Field Marketing Co., Ltd. The company was formed through a merger between Lion Field Marketing Co., Ltd. and Leo Field Promotions Co., Ltd. in January 2010.



Local children participate in tree planting activities in Lion Forest in Yamanashi (April)

Contributing to society through community-based activities focused on health and comfort

Lion conducts activities in areas linked to the business themes of health, comfort, and the environment, hoping to better the lives of people in the local community and throughout society.

Lion's Social Contribution Activities

Lion's central business themes—health, comfort, and the environment—are also the foundation for the Company's social contribution activities. We conduct activities in each business domain, placing importance on cultivating a volunteering spirit among employees.

Much energy is directed into communication and education about oral care, as has been the case since the Company's founding, and about conservation of water environment. These efforts are directly related to our business activities.

Lion Forest in Yamanashi

Forests serve to absorb CO₂, produce clean water, and control flooding. In 2006, Lion established the Lion Forest in Yamanashi with the objective of creating environmental benefits by promoting sustainable management and sound development of forests. We are advancing forest maintenance activities and use of paper made from forest thinnings.

Employees are encouraged to volunteer for forest maintenance and more than 200 employees had volunteered by the end of 2009. Forest maintenance was

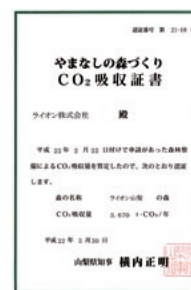
even incorporated into new employee training in 2009, with 63 new employees participating.

Lion was recognized for these activities, winning the Chairman's Prize in the 2009 Forest Thinning and Thinnings Utilization Contest hosted by the Council for the Promotion of Forest Thinning.

In March 2010, Lion received a forest development and CO₂ absorption certificate from Yamanashi Prefecture after absorbing 3.67 tons of CO₂ through Lion Forest in Yamanashi activities during fiscal 2009.



Acceptance of the Chairman's Prize of the 2009 Forest Thinning and Thinnings Utilization Contest (October 15, 2009)



Yamanashi Prefecture forest development and CO₂ absorption certificate (issued on March 30, 2010)

Promoting Skywater Harvesting

With hopes pinned on effective skywater harvesting as a solution to the world's water crisis, Lion has been supporting promotion of skywater harvesting since 2008.

One activity supported by Lion is a project run by the NPO, People for Rainwater. In 2009, through a summer Saturday workshop for elementary school students (four workshops) and a one-off program for preschool children at the Sumida Environmental Awareness Center, we supported the project's efforts to teach children about the blessings of rain and how rainwater can be used. More than 120 children and their parents participated in the activities.

Another initiative is our continued support for Rainwater Network Japan. We also make use of rainwater for watering grass and plants and other activities at Lion Headquarters and the Hirai Office.



Children learn *kusakizome* natural dyeing techniques using rainwater (August 1, 2009)

Plant Tours

Plant tours are valuable occasions for contact with customers. We readily accept tours, viewing them as a good opportunity to introduce Lion products and explain initiatives relating to safety and the environment. We continually review tour routes and programs to ensure that participants go away with feelings of assurance and friendliness toward Lion products.



Plant tour for elementary school children (Chiba Plant) (February 27, 2009)

Plant Tours in 2009

Plant	Chiba	Odawara	Osaka	Akashi	total
No. of tours	109	147	37	45	338
Participants	2,691	3,211	1,162	1,540	8,604

Selected Social Contribution Activities (2009)

March	<ul style="list-style-type: none"> Founded Student Best Poster Award (Lion Award) as part of Japan Society on Water Environment (JSWE) annual conference Opened dental clinic pavilion at KidZania Koshien 	
April	<ul style="list-style-type: none"> Presented Lion Awards, supporting association activities relating to preventive dentistry and development of young researchers (April, May, September, and October) Hosted Lion Rugby Festival at Chiba Plant 	
May	<ul style="list-style-type: none"> Constructed rooftop biotope at Hirai Office's new research facility 	
June	<ul style="list-style-type: none"> Held 66th Mass Tooth Brushing Exercise for School Children via Internet (see p.35) Selected support groups for the Lion TOP Eco Project's Japan Clean Water Foundation and implemented second year of activities (including 2nd Waterfront Painting Contest) (June-August) Employees in Odawara area and their families participated in Clean Sakawa cleanup campaign along Sakawa River Sponsored 10th Japan Water Award 	
July	<ul style="list-style-type: none"> Implemented Sumida River Fireworks Project, inviting residents of children's homes to watch Sumida River Fireworks Festival Held science education program for elementary school students in Edogawa City, Tokyo (July-August) 	
August	<ul style="list-style-type: none"> Held lessons during summer holidays to teach elementary school students and parents living in vicinity of business locations about hand washing, tooth brushing, and gargling Provided support for Rainwater Network Japan's national conference 	
September	<ul style="list-style-type: none"> Donated ¥1 million to aid victims of Western Sumatra earthquake 	
November	<ul style="list-style-type: none"> Held Mass Tooth Brushing Exercise for School Children in Hong Kong 	
December	<ul style="list-style-type: none"> Contributed to development of next generation through support for charity baseball event for kids (Children's Dream Fund) 	

Activities of Lion Foundation for Dental Health

Lion's Oral Health Activities

Lion has engaged in communication and education about oral care since its founding, in line with a philosophy of providing benefits to society using profits from business activities. In 1964, the Lion Foundation for Dental Health (LDH) was established to take charge of those activities and engage in oral health research and promotion.

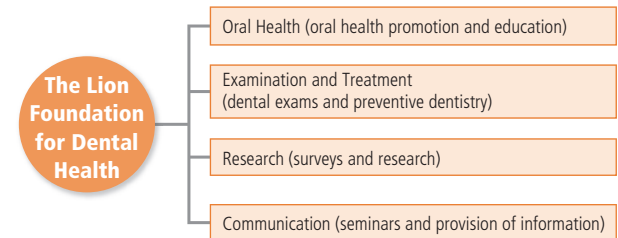
LDH contributes to society at the frontline of oral health through activities in the four areas of oral health, research, examination and treatment, and communication, in cooperation with dental associations, universities, government authorities, and other parties.

Health, Communication, and Beauty for Sound Body and Mind

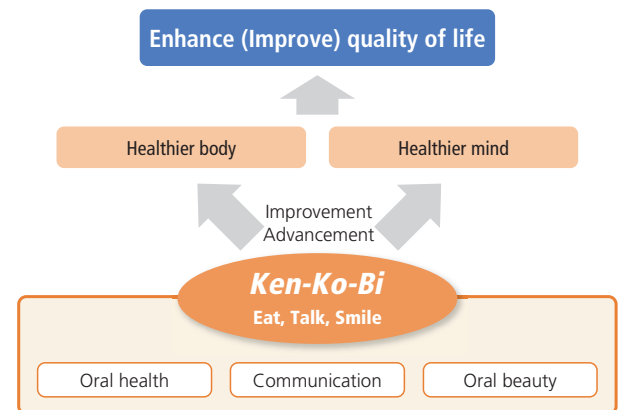
LDH conducts a range of different activities under the "Ken-Ko-Bi" concept, which promotes a combination of three elements—oral health, communication, and oral beauty. By promoting these three elements, LDH aims to help consumers maintain good oral health, as well as good physical and mental health, and by extension improve their quality of life.

Under the "Ken-Ko-Bi" concept, the foundation implements oral health activities to support consumers in all life stages, from infants through to elderly.

Four LDH Activity Areas



LDH's "Ken-Ko-Bi" Concept



Selected Activities (2009)



Oral Health Activities for Mothers and Children

LDH supports child-rearing through oral health activities for infants and their parents.

31 locations, 31 occasions
Participants: 780 small children, 584 parents



Oral Health Activities for Elderly

LDH provides support for maintenance of oral functions so the elderly can continue to eat using their own mouths and teeth.

48 locations, 54 occasions
Participants: 1,354



Oral Health Activities at Kindergartens and Schools

LDH provides direct guidance activities for kindergarten and school children and their parents and supports activities of health supervisors.

404 locations, 526 occasions
Participants: 39,097 kindergarten and school children, 1,712 parents, and 2,070 health supervisors



Examination and Treatment

Highly specialized examination, treatment, and preventive dentistry activities of a high quality are provided in line with the concept of risk control dentistry.

Recipients: 13,357



Oral Health Activities at Workplaces

Advice is provided to workers, principally relating to periodontal disease prevention and oral health care and promotion.

244 businesses, 518 occasions
Recipients: 30,515

Tooth Brushing Book for Visually-Impaired

LDH supervised publication of the *Sawatte Wakaru Tooth Brushing Book* (published in 2004 by Lion and Dai Nippon Printing Co., Ltd.), a reader incorporating universal design with tactile diagrams for the visually impaired.



Teaching Importance of Oral Health

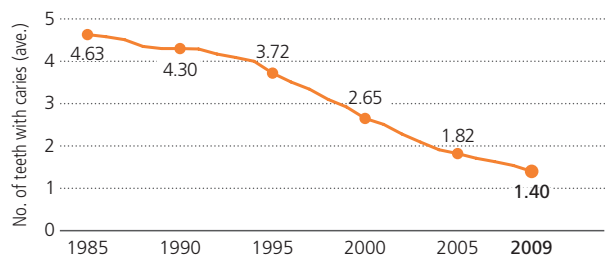
Oral Health Activities at Schools

Lion has been carrying out oral health activities, teaching the importance of oral health, since the inaugural Lion Lecture in 1913. One such activity is oral health activities for children implemented at schools. Based on the idea that instruction from an early age is essential for developing good tooth brushing habits, lectures and guidance have been provided to encourage children to look after their oral health and brush their teeth.

Rising health awareness in recent years has led to a dramatic decline in caries among children and LDH has had to adjust its activities. Today, the foundation incorporates “eating” and other themes besides prevention of caries to teach children that oral health is vital for maintaining health of the entire body.

As well as providing direct guidance to school children, LDH also supports the activities of school nurses and other health supervisors by providing seminars on oral health and use of educational materials.

● Average Number of Permanent Teeth with Caries Per Child at Age 12



* Includes missing and filled teeth.
Source: Statistical survey of school health (Japan's Ministry of Education, Culture, Sports, Science and Technology)

VOICE

Easy-to-understand materials help children change their habits

In providing dental health guidance to children, it is important to impart accurate knowledge. The Mass Tooth Brushing Exercise for School Children was ideal in this regard. The children enjoyed learning about oral health through novel activities such as participating in a video quiz while eating rice crackers. I even received a good response from parents, who commented that tooth brushing in the home had taken a turn for the better. Establishing an Internet environment had some difficulties, but it was worth it given that children could learn something in one hour without any impact on other classes.

Takako Miyazaki
Yogo teacher (School Nurse)
Honcho Elementary School,
Kawaguchi, Saitama Prefecture



Mass Tooth Brushing Enters New Era with Net Broadcasting

Continuing since 1932, the Mass Tooth Brushing Exercise for School Children typifies oral health activities implemented by Lion and LDH. The event is held every year during Dental Health Week (June 4-10) at the Kokugikan (Ryogoku Tokyo), principally for elementary school students in Tokyo. Fun ways are devised to facilitate learning about the importance of oral health, how to clean teeth, and so forth.

The 66th Mass Tooth Brushing Exercise for School Children, held on June 4, 2009, entered a new era with the incorporation of Internet broadcasting, allowing around 2,000 children at 25 schools, including a Japanese school in South Korea, to participate online.

To incorporate Internet broadcasting, the event was arranged to fit into school timetables. This made it easier for schools nationwide to incorporate the event into classes and allowed a large number of children to learn about the importance of oral health and tooth brushing methods in real time together with dental hygienists.

Lion and LDH will continue to teach the importance of oral health to as many children as possible through the Mass Tooth Brushing Exercise for School Children.



Live Internet broadcast from the Kokugikan stage



Children participating at school via the Internet

Online Participation in Mass Tooth Brushing from South Korea

On June 4, 2009, around 30 elementary school children from the Japanese School in Seoul, South Korea, participated in the Mass Tooth Brushing Exercise for School Children via the Internet and engaged in two-way communication with the Kokugikan, the main venue in Tokyo. The children realized the importance of chewing by eating rice crackers, and enjoyed learning how to clean their teeth using a mirror.



“Eating practice” using rice crackers



Lion Forest in Yamanashi

To become a leading company in environmental friendliness

Environmental initiatives are essential for a company like Lion, which provides products for day-to-day living. Lion is committed to environmental protection activities, recognizing it has a role to play in realizing a low-carbon, recycling-oriented society and ensuring coexistence with nature.

Lion's Environmental Activities (Eco Lion Activities)

Eco Lion activities are environmental initiatives Lion carries out in all its business activities, taking into

consideration every stage from research and development to raw material procurement, manufacturing at plants, marketing, logistics, and sales, through to household use and disposal. Lion's Company-wide environmental activities center on these five initiatives.

● The Five Eco Lion Initiatives



In recognition of its advanced environmental initiatives, Lion has been certified as an Eco First Company by the Ministry of the Environment.



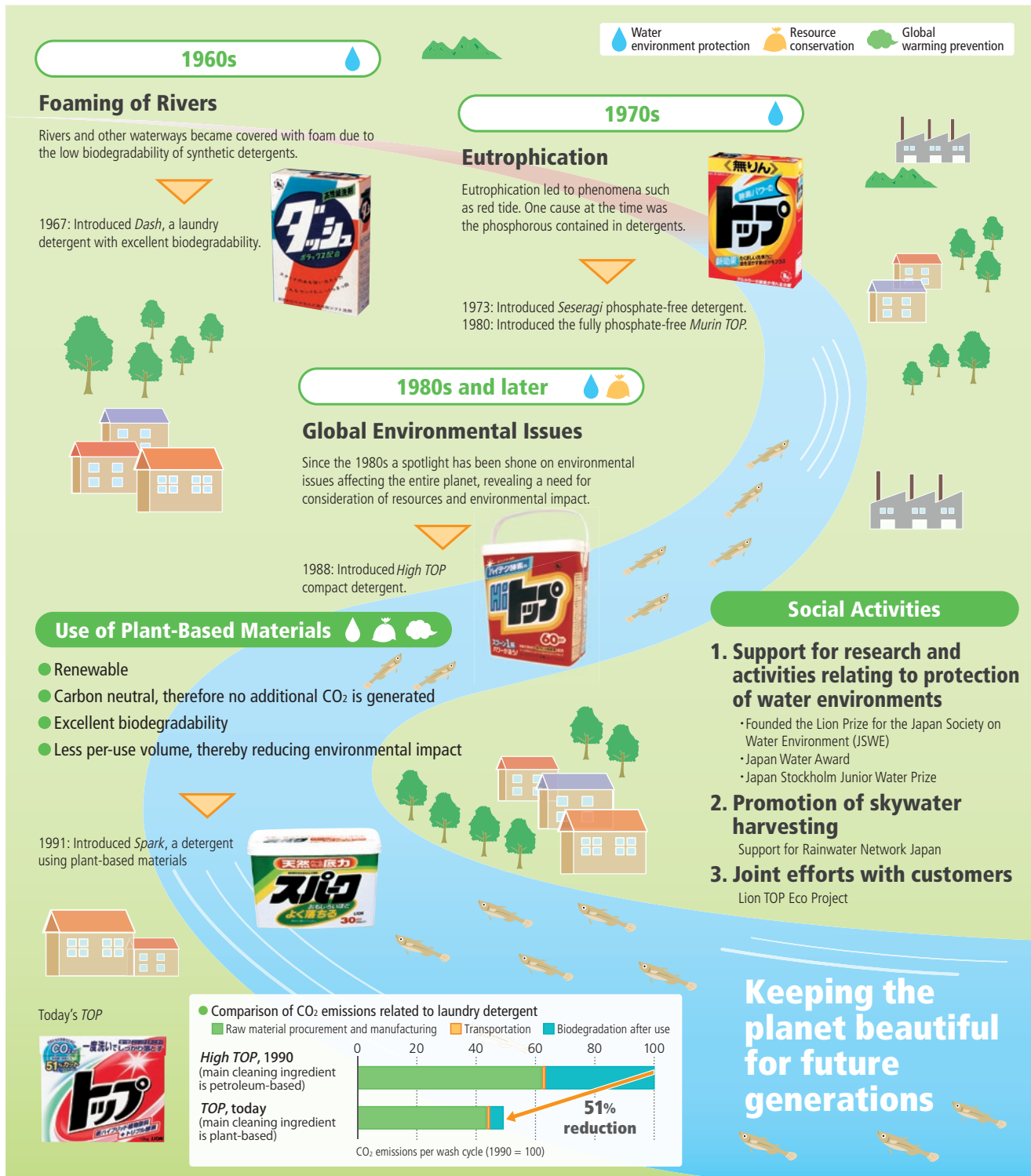
Ongoing Efforts to Protect Environment

Lion's business has an inherent link to water through the act of "washing." The history of Lion's environmental protection activities, as carried out through its business, can be told through our efforts to create products that do not pollute rivers, lakes, or other waterways after use.

The scope of Lion's environmental protection efforts has expanded in recent years with new styles of activity emerging, including support for academic pursuits and research, and environmental activities carried out with customers.

Continuing our efforts in environmental protection will allow us to play a role in realizing a sustainable, low-carbon and recycling-oriented society and ensuring coexistence with nature.

Lion's Environmental Protection Activities



Environmental Management and Promotion Structure

Having established a structure for environmental management, Lion implements environmental activities throughout the life cycle of its products. Activities are continually improved through operation of an environmental management system and by raising the environmental awareness of employees.

Environmental Guidelines

Lion's Environmental Guidelines adhere to the spirit of the Lion Group Charter for Corporate Behavior, which states, "We shall play positive and active role in creating the Sustainable Society, harmonizing economic development and environmental protection." The Environmental Guidelines are a clear statement about the Company's stance in undertaking Eco Lion activities and our efforts—among other endeavors—to develop eco-friendly products and to lower environmental impact throughout the supply chain.

In April 2010, the guidelines were revised to reflect the Company's current activities and their future direction. In particular, our stance on protection of water environments and biodiversity was stated in explicit terms.

The new Environmental Guidelines form a basis for future Company-wide environmental protection activities.

Environmental Management System

The purpose of Lion's environmental management system is to identify, evaluate, and rectify adverse effects on the environment associated with our business activities, products, and services, and to facilitate ongoing improvements in our environmental protection activities. Ongoing improvements will be achieved through implementation of the plan-do-check-act (PDCA) cycle in line with the Environmental Guidelines.

Environmental Management Structure

Lion has established an Environmental Action Promotion Committee comprising members from production, administrative, sales, R&D, and headquarters staff divisions, to coordinate cooperation on environmental matters by all employees. The committee reviews Company-wide business activities from an environmental protection perspective and takes steps to ensure legal compliance and setting of voluntary standards and targets in addition to ascertaining progress made.

Environmental Guidelines

Lion is to act voluntarily and proactively to reduce the environmental burden of its corporate activities—from research and development to procurement of raw materials and finished products, manufacturing, logistics, sales, household use, and disposal—on the global environment, with due consideration to global warming prevention, effective use and recycling of natural resources, and contribution to the improvement of people's health, the natural ecosystem, and biodiversity.

1. Aiming for a Sustainable Society

Establish an environmental management system, and through ongoing maintenance and improvement of that system, protect the global environment.

2. Complying with Legal and Other Requirements

Comply with the system of legislation, regulations and arrangements pertaining to environmental protection and establish and implement voluntary standards of conduct.

3. Setting and Verifying Implementation of Environmental Objectives and Targets

Correctly understand the environmental impact of corporate activity, and as far as technically and economically possible, establish objectives and targets for improvement, while at the same time formulating, implementing and regularly verifying the status of implementation of an environmental management program.

4. Developing Environment-Friendly Products

Aggressively pursue eco-friendly product development

in accordance with the unique Lion Eco Standards, established from a life cycle assessment perspective.

5. Reducing Environmental Impact Together with Business Partners

Construct a green supply chain with raw material suppliers, OEM partners and retail outlets and strive for environmental burden reduction throughout entire product life cycles, from procurement to sale to customers.

6. Coexisting with Nature

Show consideration toward biodiversity and the air and water environments when conducting business activities, and proactively engage in protection of the natural environment.

7. Enhancing Environmental Protection Activities Based on Uniform Understanding of the Guidelines within the Lion Group

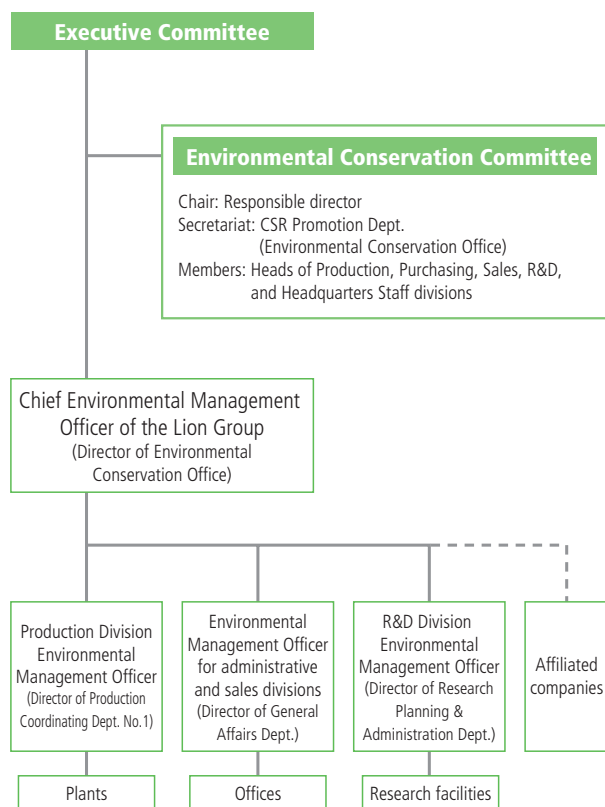
Disseminate the Guidelines to all Lion employees, including employees of affiliated companies, to heighten their awareness of environmental protection and ensure full participation in environmental management.

8. Promoting Disclosure of Information

Endeavor to promote communication with all stakeholders with an interest in Lion's business and make these Environmental Guidelines readily available to anyone upon request.

Revised on April 1, 2010

● Environmental Management Structure



Legal Compliance

Lion complies with all environmental laws, ordinances, and other regulations.

Waste treatment contractors must satisfy criteria stipulated in waste management regulations in order to be selected by waste supervisors at each site. The premises of waste treatment contractors are inspected on a regular basis to verify conformity to the criteria.

Wastewater is constantly managed to ensure that statutory limits on wastewater are observed. This involves improving the reliability of wastewater processing facilities, strengthening and ensuring management during processes, and conducting emergency drills.

There were no infringements resulting in a fine or other penalty during 2009.

In the past, we have used equipment containing polychlorinated biphenyls (PCB). This equipment is stored securely in line with legal requirements and gradually disposed of through Japan Environmental Safety Corporation (JESCO).

Status of ISO 14001* Certification

Lion acquired ISO 14001 group certification covering all its plants in July 2001. Certification was reviewed and extended by the Japan Management Association Quality Assurance Registration Center (JMAQA) at three-year intervals, in May 2004 and 2007. A surveillance audit was carried out in 2009. Continual improvements are made to management systems and environmental protection activities based on audit results.



ISO 14001 Certificate of Registration

Internal Environmental Audits

Employees who are qualified as internal environmental auditors after undergoing appropriate training routinely implement internal environmental audits to verify total conformity to ISO requirements and conduct management reviews. Individual departments take responsibility for rectifying any non-conformity and reporting on improvements. The director of the board responsible for CSR also carries out executive safety and environmental audits on a regular basis.



Executive safety and environmental audit

Strengthening Lion Group's Waste Management System

Lion launched a new waste management system in July 2009. The system employs a network to centralize management of waste-related information in a database shared by the entire group (about 60 business locations belonging to Lion corporation and affiliated companies).

We will use this system to further efforts to ensure full compliance and strengthen waste-related risk management.

* ISO 14001: A global standard governing voluntary environmental efforts by organizations

Environmental Targets and Achievements

Lion generally managed to attain targets for activities in its various business areas again in 2009, the final year of the Company's three-year medium-term environmental plan. We are now encouraging every employee to work toward more ambitious, more specific targets prescribed under the new three-year environmental plan from 2010.

● Three-Year Medium-Term Environmental Plan: Targets (2007–2009) and Achievements (2009)

◎ : Attained ○ : Almost attained × : Unattained

Category	Targets	Achievements		Related pages
	Original three-year plan targets (Revised targets)	Principal measures in 2009	Attainment level	
CO ₂ emissions reduction	Reduce CO ₂ emissions by 10% or more compared to 1990 (Reduce by 18% or more)	Implemented energy-saving measures through a review of powder laundry detergent production efficiency	◎ (26% reduction compared to 1990)	P45
	Reduce specific energy consumption in logistics by 1% or more compared to the previous year (Reduce by 2% or more compared to the previous year)*	Modal shifts and other measures were pursued, but truck transportation increased following the influenza outbreak	○ (102% compared to 2008, 97% compared to 2006 [ave.1% reduction/year])	
Waste reduction	Reduce total waste generation by 40% or more compared to 1990 (Reduce by 50% or more)	Made efforts to turn more waste into resources and reduce packaging material losses	◎ (54% reduction compared to 1990)	P46
	Reduce final waste disposal by 90% or more compared to 1990	Promoted group-wide activities targeting zero emissions	◎ (96% reduction compared to 1990)	
Environmental consideration in products	Reduce product-derived CO ₂ emissions ¹ by 150,000 tons (85%) or more compared to 1990 (Reduce by 105,000 tons [60%] or more compared to 1990)	Continued efforts to reduce CO ₂ emissions by increasing use of plant-based materials	◎ (67% reduction compared to 1990)	P45
	Reduce per-unit plastic container and packaging material usage for eight household product categories by 30% or more compared to 1995	Reduced usage by making products more compact and by innovations in packaging design	◎ (40% reduction compared to 1995)	P50–51
Chemical substance management	Reduce volatile organic compound (VOC) emissions by 40% or more compared to 2000 (Reduce by 65% or more)	Achieved the target by introducing VOC recovery systems and improving product composition	◎ (73% reduction compared to 2000)	P52–53
Environmental management structure enhancement	Make environmental data publicly available for consolidated subsidiaries and Lion Akzo Co., Ltd.	Disclosed numerical data for Ipposha Oil Industries Co., Ltd., and Lion Akzo Co., Ltd., in addition to existing wholly owned subsidiaries. Completed preparations for disclosure of data for overseas affiliated companies	◎	—
Environmental awareness and communication	Carry out environmental education and communication on a regular basis, and promote activities at individual sites	Individual sites carried out independent measures relating to Team Minus 6%	—	P54

* The revised target for reduction of CO₂ emissions in logistics was a single-year target for 2009. The target under the three-year plan was an average annual reduction of 1% or more.

Review of Three-Year Plan

2009 was the final year of the three-year medium-term environmental plan formulated in 2007. New targets were set in 2009 for categories where targets had already been attained, generating better results than anticipated.

The original target for reduction of CO₂ emissions derived from products had to be revised to reflect our business activities, but we managed to make progress in that category.

Lion believes the environmental impact during household use and disposal of products should be considered with the rest of the product life cycle when engaging in business

activities. Reducing product-derived CO₂ emissions is therefore a pressing issue. We will continue to make aggressive efforts in this area using guidelines such as the Lion Eco Standards, a set of criteria for determining environmental friendliness during product development.

Environmental management and activity reports previously covered only affiliated companies in Japan, but enhancements made to Lion's environmental management framework to enable a global response to environmental issues have made it possible as well to disclose data obtained from related overseas companies. From 2010, overseas data will be accessible via the Company website².

1. Product-derived CO₂ emissions: CO₂ emitted after product use

2. Environmental data for affiliated overseas companies [URL](http://www.lion.co.jp/en/csr/html/soc_csrf.htm) http://www.lion.co.jp/en/csr/html/soc_csrf.htm

● **New Three-Year Medium-Term Environmental Plan: Targets (2010–2012)**

Category	Targets for 2012
CO ₂ emissions reduction	Reduce energy-derived CO ₂ emissions from business activities by 30% or more compared to 1990; Reduce specific energy consumption in logistics by 1% or more on average each year; Reduce the CO ₂ emission rate at overseas production sites by 1% or more on average each year
Waste reduction	Reduce total waste generation by 55% or more compared to 1990; Attain "zero emissions" status group-wide (currently 8 out of 10 sites have attained that status)
Effective use of water resources	Reduce wastewater by 20% or more compared to 2005 (new category)
Chemical substance management	Reduce total PRTR substance emissions by 45% or more compared to 2005 (separate targets to be set for new substances); Reduce volatile organic compound (VOC) emissions by 75% or more compared to 2000
Environmental management structure enhancement	Make environmental data for overseas sites publicly available; Identify and perform accounting for environmental liabilities
Environmental awareness and communication	Formulate a biodiversity policy, state the policy in the Environmental Guidelines, and continue to promote Eco Lion activities

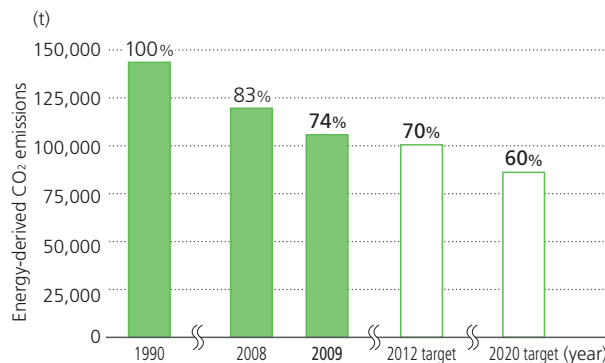
● **CO₂ Emissions Reduction Plan**

2012 Target:

A reduction of 30% or more
compared to 1990

2020 Target:

A reduction of 40% or more
compared to 1990



Overview of New Three-Year Plan

After evaluating the results of the medium-term environmental plan for the three years to 2009, we formulated a new plan for the three years commencing in 2010.

When formulating the new three-year medium-term environmental plan, importance was attached to relevance to business activity plans. The three main elements are as follows.

- Realizing a low-carbon society
- Enhancing Lion's environmental management structure
- Strengthening efforts in effective use of water resources and biodiversity

[Realizing a low-carbon society]

To ensure consistency with Japan's national target, we limited our CO₂ emissions reduction target under the three-year medium-term environmental plan to energy-derived CO₂ emissions from business activities. We have prescribed ambitious targets to reduce energy-derived emissions by 30% or more by 2012, and 40% or more by 2020, compared to the 1990 level, which surpasses the nation's target of a 25% reduction by 2020.

In addition, we will continue efforts to reduce product-derived CO₂ emissions in keeping with our Eco First Commitment.

[Enhancing Lion's environmental management structure]

During the three years from 2010, we will do our utmost to advance environmental management overseas. Given that one of our business challenges is expansion of activities in Asia, environmental targets will be additionally set for overseas business locations and managed efficiently through implementation of the PDCA cycle.

[Strengthening efforts in effective use of water resources and biodiversity]

In April 2010, we defined the Company's stance of showing consideration to biodiversity and water environments in our business activities and incorporated it into the Environmental Guidelines. Our approach to biodiversity was also reflected in revisions made to the Lion Eco Standards.

With the additional establishment of wastewater reduction targets, Lion will be directing even more effort into protection of water resources.

Environmental Accounting and Eco-Efficiency

Environmental accounting is a key indicator for ensuring continual and efficient implementation of environmental protection activities. Lion will continue to use environmental accounting to gain an overall picture of environmental activities and promote improvements.

Environmental Accounting

Environmental Accounting in Lion Group

Each year, we tabulate environmental protection costs, environmental protection benefits, and economic benefits (actual benefits) associated with environmental protection activities of the entire Lion Group based on Ministry of the Environment guidelines. The tabulation period is the same as the Company's accounting year, January–December 2009.

Environmental protection costs refer to investments and expenses allocated for activities such as the prevention, reduction, or avoidance of any environmental impact that could be caused in relation to business activities and restoration after a disaster.

Lion places high priority on the environmental friendliness of products and has included a separate

item for “Eco-friendly products” under business area costs. The cost of an eco-friendly product is calculated by multiplying investments and expenses for dedicated facilities by the product's “environmental friendliness factor,” as evaluated in accordance with the Lion Eco Standards. In cases where a facility manufactures more than one product, a proportionate figure is determined based on output. The Lion Eco Standards are criteria applied in-house for developing eco-friendly products (see p.47).

Environmental protection benefits are measured in physical units and refer to the benefits obtained from activities relating to environmental protection.

Economic benefits (actual benefits) associated with environmental protection activities are calculated as cost reductions from the previous year under the four categories listed in the table on p.43.

● Environmental Accounting (2009)

() : Reduction

Environmental Protection Costs (million yen)				Environmental Protection Benefits			Related pages
Category	Principal activities	Investments	Expenses	Category	2009	Year-on-year change	
Business area costs	Pollution prevention Air pollution prevention, water pollution prevention, etc.	75	197	NOx emissions (t) SOx emissions (t) Particulate emissions (t) Total COD (t)	53 23 7 12	(26) (2) (8) (9)	P46 P52–53
	Global environmental protection Energy conservation, etc.	904	3,871	Energy usage (t-CO ₂) Industrial water usage (m ³) City water usage (m ³) Wastewater (m ³)	105,738 914,575 404,847 689,858	(13,836) (89,136) (5,370) (67,113)	P45–46
	Resource recycling Waste treatment, recycling, etc.	0	332	Total waste generation (t) Final waste disposal (t) Recycling rate (%) (recycled volume ÷ volume consigned)	8,111 291 94	(895) (473) 25	P46
	Eco-friendly products Eco-friendly product manufacturing facilities, etc.	1,127	3,454	Plant-based materials, biodegradable materials, compact products, refill products, recycled paper use, recycled PET use, etc.			P47–51
Upstream/downstream costs	Outsourcing fees incurred due to Japan's Containers and Packaging Recycling Act, waste treatment, etc.	—	630	Packaging materials used (t) Waste (t)	70,315 3,564	(2,445) (463)	P50–51
Administration costs	ISO 14001 renewal expenses, environmental education, publishing of reports, exhibits, etc.	32	628				P38–39 P54–55
R&D costs	Costs for developing eco-friendly products, etc.	93	1,637				P47 P50–51
Social activity costs	Local environmental activities, donations, etc.	0	15				P54–55
Environmental remediation costs	Tax imposed on pollution performance, etc.	0	2				P53
Lion Group total		2,231	10,766				

Summary of 2009 Environmental Accounting

[Environmental protection costs]

Total investments during 2009 came to approximately ¥2.2 billion, an increase of around ¥700 million from 2008. The increase was the result of investments in 2009 related to construction of a new research facility. Total expenses came to approximately ¥10.8 billion, roughly the same level as 2008.

[Environmental protection benefits]

Energy usage (in t-CO₂) fell by around 14,000t-CO₂ due to lower power consumption by our manufacturing plants and a reduction of fuel used for drying processes. Industrial water usage fell by around 90,000m³ due to lower usage in cooling processes and manufacturing plants, for which large amounts are used. City water usage decreased by around 5,400m³ with the introduction of a rainwater utilization system at the new research facility and the 2009 completion of facility construction, which cancelled out the construction-related temporary increase recorded in 2008. Total waste generation decreased by around 900 tons due to advancement in turning waste into valuable resources.

[Economic benefits (actual benefits)]

Cost savings due to energy conservation were approximately ¥1 billion, attributed to a decline in energy consumption resulting from a production shift from powder to liquid detergents. Cost savings due to resource efficiency were approximately ¥100 million. The savings were the result of various factors, including changes to corrugated box design and the introduction of unified product stickers and plain packaging film. Savings on water and sewerage charges were the result of water conservation and other efforts. We were unable to reduce waste treatment costs.

● Economic Benefits (Actual Benefits) Associated with Environmental Protection Activities (million yen)

Benefits	Year-on-year reduction
Cost savings due to energy conservation	1,005
Cost savings due to resource efficiency	100
Savings on water and sewerage charges	8
Savings on waste treatment expenses	—

Eco-Efficiency

Eco-Efficiency Improvements

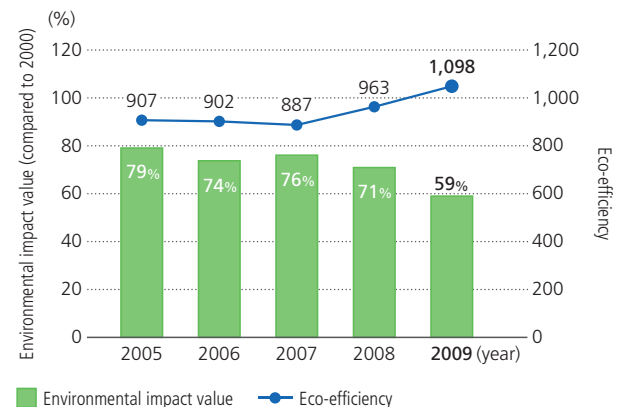
Lion calculates eco-efficiency according to the following formula to evaluate the efficiency of corporate activities in terms of environmental impact. Efforts are then made to improve eco-efficiency.

$$\text{Eco-Efficiency} = \frac{\text{Outcome of business activity (net sales)}}{\text{Environmental impact (monetary value calculated using the life-cycle impact assessment method based on endpoint modeling [LIME])}}$$

The monetary value for environmental impact is calculated using LIME. If there is no LIME data for a substance we reach an amount by inference, based for example on the energy and materials used for their manufacture. The reference year for environmental impact value is 2000.

The environmental impact value (relative to 2000) decreased from 2008 due, for example, to reductions in CO₂ and air pollutants. The value is now 59% compared to 2000. Lion's eco-efficiency, based on LIME, has been on an upward trend since 2008 and improved again in 2009 because of a lower environmental impact.

● Eco-Efficiency and Environmental Impact Value (Compared to 2000)

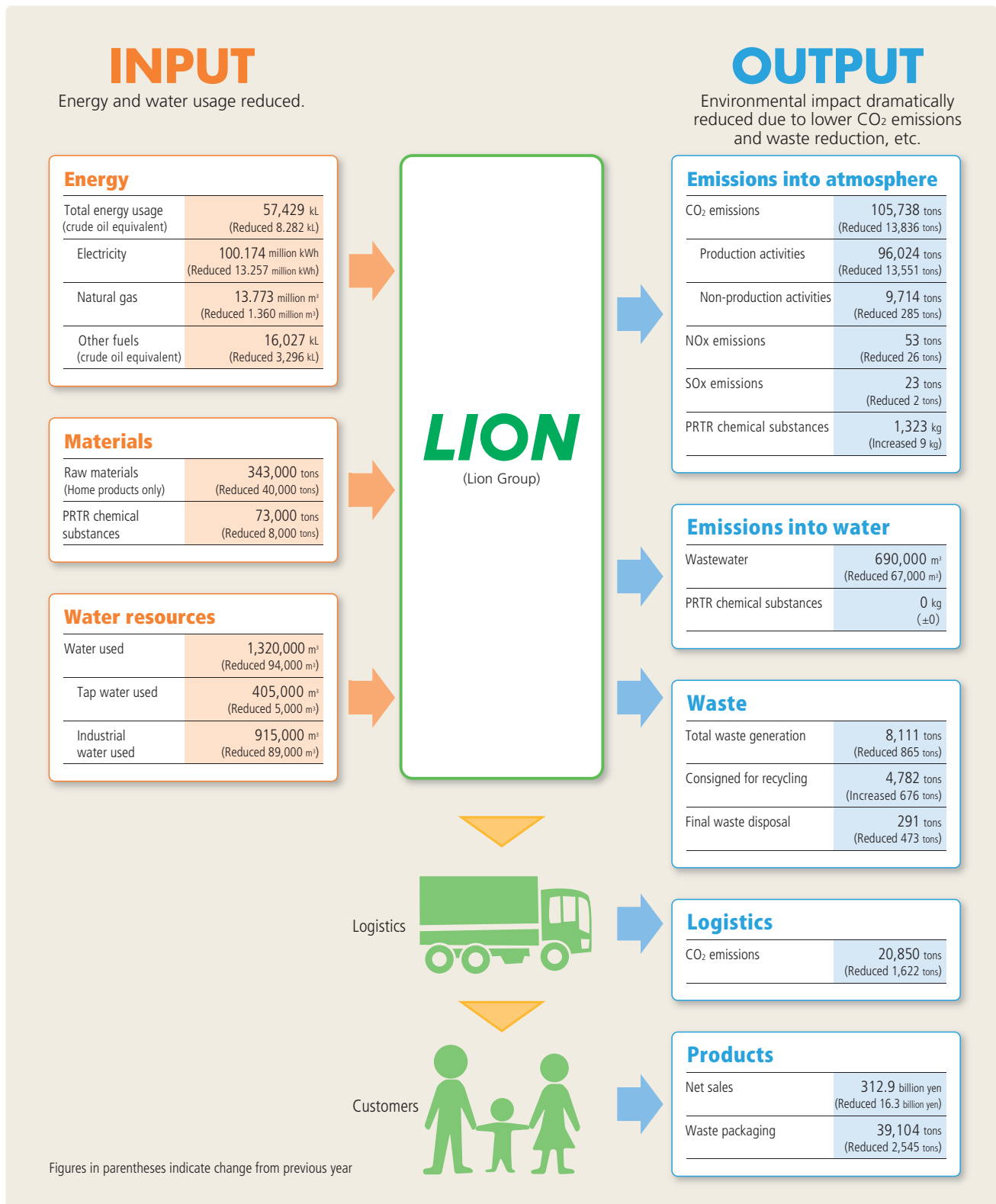


LIME Method

A Japanese method for assessing environmental impact based on endpoint modeling developed by the LCA Project (Development of Assessment Technology of Life Cycle Environment Impact of Products) of the Japanese Ministry of Economy, Trade and Industry (METI). LIME calculates the extent of environmental damage caused by each of around 1,000 substances in 11 areas, including global warming, ozone layer depletion, hazardous chemical substances, and resource consumption. The level of impact is expressed in monetary terms as environmental impact value.

Overview of Environmental Impact of Lion's Business Activities

Lion makes efforts to reduce environmental impact throughout the product life cycle from material procurement to disposal. In 2009, large reductions in CO₂ emissions and waste generation were achieved.



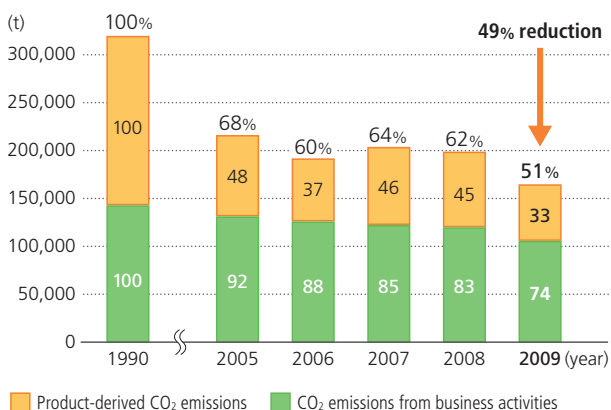
Reducing Greenhouse Gas Emissions

Looking beyond the Kyoto Protocol, Lion is contributing to prevention of global warming by reducing both CO₂ emissions from business activities (energy-derived) and CO₂ emissions generated after product use (product-derived).

The Kyoto Protocol came into effect in 2005, obligating Japan to reduce greenhouse gases by 6% between 2008 and 2012 compared to 1990 levels. It has also been suggested the world needs to halve CO₂ emissions by 2050. Lion is therefore looking beyond the Kyoto Protocol, with each employee committed to reducing CO₂ emissions.

In 2009, Lion managed a total CO₂ emissions reduction of 49% compared to the 1990 level. This includes both energy-derived CO₂ emissions from business activities and CO₂ emissions generated after product use.

● Total CO₂ Emissions Derived from Business Activities and Products



Reducing CO₂ Emissions from Business Activities

In 2009, the Production Division worked to reduce CO₂ emissions through energy-saving measures that included a review of powder laundry detergent production efficiency and improvements to the operational efficiency of machines. Offices and R&D divisions also reduced CO₂ emissions through advancement of Team Minus 6% activities and efforts such as full observance of eco-driving when using Company vehicles, switching to low-emissions vehicles, and reducing the number of vehicles through car-sharing. As a result, CO₂ emissions were reduced by 26% in 2009 compared to 1990, thereby attaining the 2009 target under the three-year medium-term environmental plan—82% or less (a reduction of 18% or more) of the 1990 level.

CO₂ emissions from overseas plants will be included in data available on the Company website from 2010 and measures will be promoted for meeting our target of reducing the CO₂ emission rate by 1% or more on average annually by 2012.

Reducing CO₂ Emissions after Product Use

Lion looks for ways to reduce CO₂ emissions generated after product use through its product-related research and development activities. Specific efforts to reduce product-derived CO₂ emissions include replacing petroleum-based surfactant ingredients with plant-based ingredients that do not lead to an increase in CO₂ (carbon neutral: see p.48).

Initiatives in Logistics

Lion works to reduce CO₂ emission and energy consumption rates through efforts to improve logistics efficiency, such as direct shipments from plants and joint deliveries with other manufacturers. We are also actively pursuing a modal shift and obtained Eco Rail Mark recognition from Japan's Ministry of Land, Infrastructure and Transport in 2005. In 2009, the modal shift rate for all traffic volume was 20.2%, and 64.8% for long-distance transport over 500km. Although specific energy consumption increased 2% from the previous year in 2009 due to factors such as an increase in truck transportation for urgent shipment of products used to counter influenza, we satisfied guidelines to the revised Act on the Rational Use of Energy by achieving a reduction of 1% or more compared to the 2006 level.

Establishment of Eco First Companies Association

Lion was certified as an Eco First Company, the first in the manufacturing industry, by the Ministry of the Environment in June 2008 after declaring an "Eco First Commitment" in the form of medium to long-term environmental protection targets. President Fujishige attended a conference in June 2009 to report on Lion's progress in achieving those targets.

Lion also engages in inter-company cooperation. The Company is a founding member of the Eco First Companies Association, a body of 23 companies set up in December 2009 to promote further development of the Eco First system, and hosts a study group on biodiversity. Through Association's activities, Lion aims for greater collaboration with environmental authorities and further enhancement of environmental protection activities.

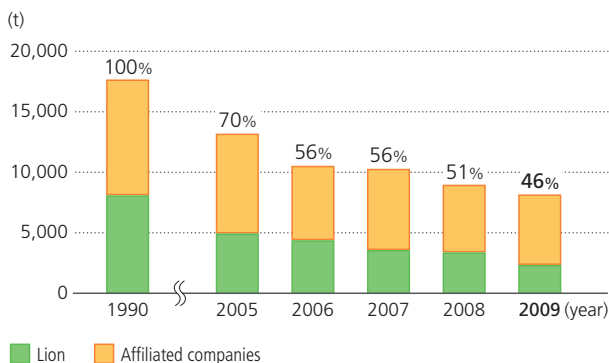
Effectively Using and Recycling Resources

Lion promotes waste reduction and recycling in keeping with the philosophy of Japan's Basic Act on Establishing a Sound Material-Cycle Society. The Company has already achieved dramatic reductions in total waste generation and final waste disposal compared to 1990 levels.

Total Waste Generation by Lion Group

In 2009, the production division made progress on turning waste into valuable resources through continued efforts to create resources out of disposed flexible containers and pallets and thorough sorting of mixed waste. Other measures, such as reducing packaging material losses during manufacturing processes, are implemented on an ongoing basis. The research divisions are also working to turn more waste into resources by seeking greater precision in waste sorting. These efforts resulted in a reduction of total waste generation to 46% of the 1990 level, thereby attaining the 2009 target (50% or less). We aim to reduce waste to 45% of the 1990 level by 2012.

Total Waste Generation by Lion Group



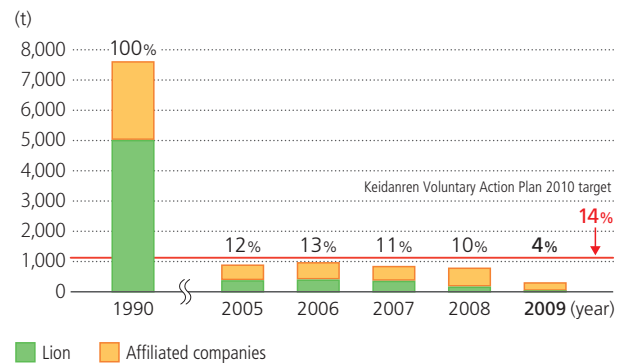
Final Waste Disposal by Lion Group

Lion has already achieved the final waste disposal¹ target established by Nippon Keidanren—a reduction of 86% or more by 2010 compared to 1990. We are working toward even greater reductions during 2010.

Lion plants attained zero emissions status² in 2002 and have maintained that status since.

Among affiliated companies, the Fukushima Plant of Lion Packaging Co., Ltd. achieved zero emissions in 2009. We will continue efforts toward group-wide attainment of zero emissions.

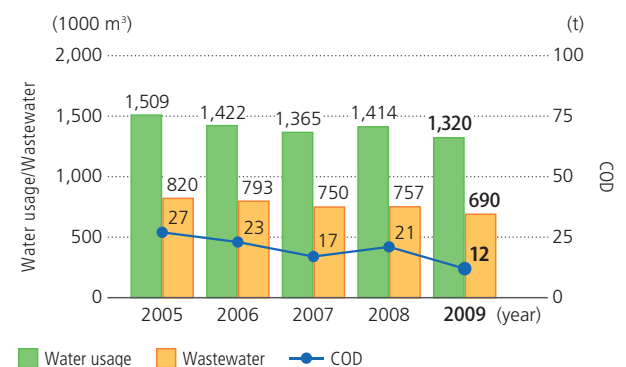
Final Waste Disposal by Lion Group



Protecting Water Resources

Lion keeps a constant close watch on water usage and wastewater volume and works to reduce water usage through cyclic use and lower environmental impact. Having established a target to reduce wastewater generated by the entire Lion Group to below 80% by 2012, compared to the 2005 level, we are pursuing improvements in facility cleaning processes and water conservation.

Lion Group's Water Usage, Wastewater Volume, and COD³



Green Purchasing

Green purchasing of office supplies used by employees Company-wide is being advanced by expanding the list of available items. The green purchasing ratio in 2009 was 79%, a sizeable improvement from 66% in 2008.

1. **Final waste disposal:** The final volume of waste not recycled as a resource
 2. Lion defines "zero emissions" as the achievement of a 99% or higher recycling rate for total waste generated. However, this does not include residues from recycling.
 3. **Chemical Oxygen Demand (COD):** An indicator of water contamination measuring the amount of oxygen required to oxidize and break down organic substances in water

Considering Environment from Product-Oriented Perspective

Lion develops eco-friendly products in line with the Lion Eco Standards, established from a perspective of life cycle assessments (LCA) used to quantitatively evaluate the environmental impact of products from raw material procurement through to disposal.

Environmental Considerations in Product Development

When developing products, Lion considers the environment in terms of both product composition (contents) and containers and packaging. The Lion Eco Standards define an “eco-friendly product” as a product that satisfies at least one criteria in each area of evaluation based on a quantitative assessment of environmental impact at each stage of the product life cycle: (1) raw material procurement; (2) packaging material procurement; (3) manufacturing; (4) logistics; (5) household use; and (6) disposal.

In 2010, we revised the Lion Eco Standards to reflect changes to the Environmental Guidelines, making it obvious that the standards are also an indicator taking into account protection of water environments and biodiversity. The standards have also been made more specific to facilitate assessment.

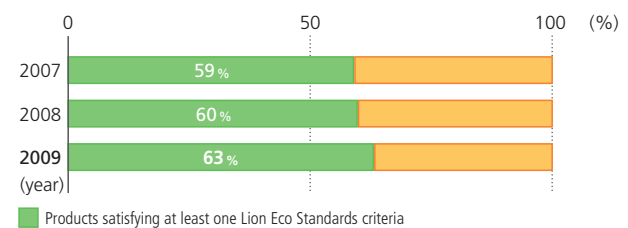
Lion recognizes the need to lower as much as feasible

the impact of products on the global environment throughout their entire life cycle, and is therefore committed to the development of eco-friendly products.

Lion Eco Standards—Evaluation Areas and Criteria

Areas of evaluation and evaluation criteria for the Lion Eco Standards are described below. The number of products manufactured by Lion (excluding pharmaceuticals) satisfying at least one of the Lion Eco Standards criteria is rising steadily. This currently applies to 63% of all items, or 80% in terms of sales value.

● Eco-Friendly Products as Percentage of Total Number of Products



Stage	Evaluation area	Evaluation criteria
1 Raw material procurement	Use of plant-based raw materials Use of sustainable raw materials	<ul style="list-style-type: none"> Plant-based raw materials constitute at least 50% of the product's organic composition The product uses raw materials that help to preserve biodiversity
2 Packaging material procurement	Use of recycled materials Use of sustainable materials Use of plant-based materials Use of biodegradable materials	<ul style="list-style-type: none"> Recycled materials (plastic, etc.) are used. In the case of paperboard, usage of recycled paper, thinnings, or certified forest pulp is at least 94% (METI's 2010 target for the paper industry) Plant-based or biodegradable resins are used
3 Manufacturing	Energy savings and reduction of water usage and wastewater during manufacturing Reduction of chemical substances use Reduction of waste	<ul style="list-style-type: none"> Energy usage, water usage, wastewater generation, chemical substance use, and waste generation are reduced by at least 20%
4 Logistics	Compact size, high concentration	<ul style="list-style-type: none"> Size is at least 20% smaller, or concentration at least 20% higher, than existing products
5 Household use	Energy savings during use (power savings) Organic substance release per use Reduction of water usage (water savings)	<ul style="list-style-type: none"> Energy consumption during use is reduced by at least 20% Organic substance release per use is reduced by at least 20% Water consumption during use is reduced by at least 20%
6 Disposal	Reduction of packaging and refill availability Reuse and recycling of packaging, other	<ul style="list-style-type: none"> Container and packaging material volume is reduced by at least 15% compared to mainstream products on the market Refill pouches and bottles are at least 50% lighter than the original product

* Since the absence of hazardous chemical substances and high biodegradability are obvious requirements they are not included in Lion Eco Standards criteria.

Environmental Considerations in Product Component Development

Lion is promoting development of product components that meet environmental challenges such as global warming prevention and water environment protection. A prime example of this approach is the development of methyl ester sulfonate (MES), a component currently used in *TOP* and other laundry detergents.

Environmental Benefits of MES

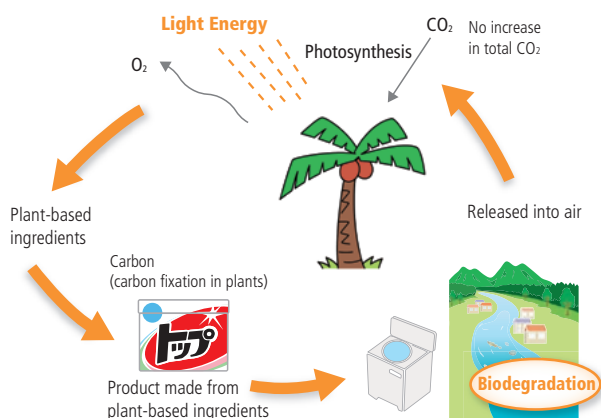
Lion was the first in the world to carry out industrial production of MES, a plant-based surfactant with excellent detergency and biodegradability. MES is used in *TOP* and other Lion laundry detergents. Lion's approach to component development is reflected in the superior properties of MES.

Superior Properties of MES

1. Carbon Neutrality

After use, surfactants are decomposed in the environment to become CO₂ and water. When surfactants made from plant-based ingredients are decomposed, they do not release any additional CO₂ into the atmosphere (they are carbon neutral). The surfactant MES, made from plant-based ingredients, does not add to the amount of CO₂ in the atmosphere.

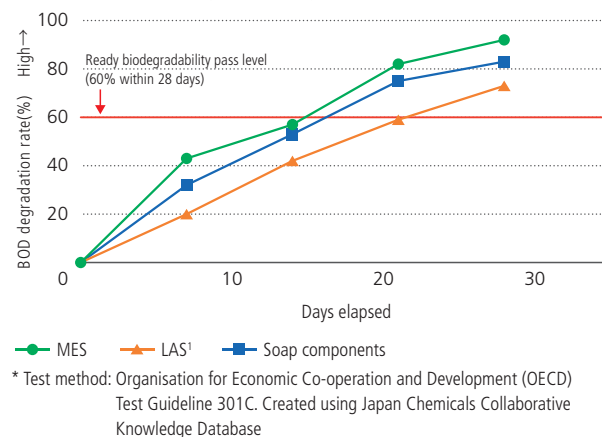
Carbon Neutrality



2. High Biodegradability

After use, surfactants are broken down by microorganisms in the environment (biodegradation). Since MES is easily biodegraded it will not remain in the environment for a long time.

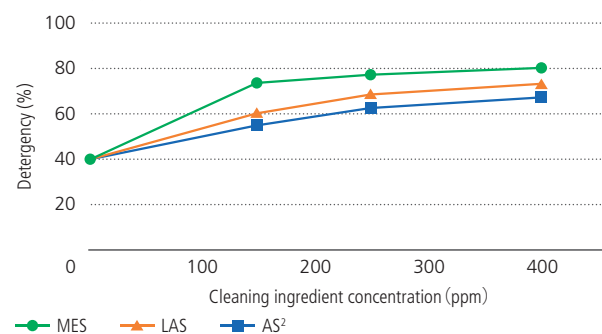
Surfactant Biodegradability



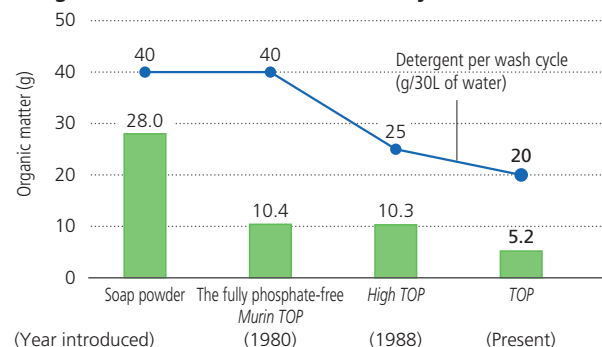
3. Excellent Detergency

Increasing the cleaning power of detergents reduces the amount required per wash. This means less organic matter is released, reducing the impact on water environments. The current *TOP* product contains MES, which has excellent detergency. Only 5.2g of organic matter is released with each wash, an indication that we have made large reductions.

Detergency Comparisons



Organic Matter Released Per Wash Cycle



MES has other superior properties, including the ability to retain high detergency in hard water and compatibility with enzymes that break down stains.

1. Linear alkylbenzene sulfonate (LAS): A type of surfactant
 2. Alkyl sulfate (AS): A type of surfactant

Environmental Considerations in Chemical Products Business

Environmental Solutions Business

Besides products for the home, Lion seeks to lower the environmental impact of chemical products it develops for various industries. The Company's Chemical Products business undertakes this function, and engages in developing and providing industrial chemicals. In this way, we are supporting a sustainable, recycling-oriented society behind the scenes.

Plant-Based Chemical Products

The majority of chemical products are made from petroleum, but Lion seeks to make effective use of renewable resources even in the production of industrial chemicals and proactively engages in development of products made from plant-based ingredients such as coconut oil and palm oil.

● Transformer Oil Derived from Plant-based Ingredients



One successful product we have developed is high-performance transformer oil (palm or coconut fatty esters) for use in transformers at plants and substations. This oil is highly biodegradable and received Eco Mark environmental certification in March 2008.



Eco Mark
No.07110003



Transformer

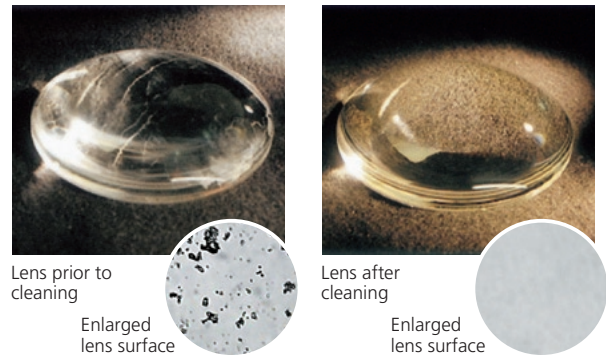
Lowering Environmental Impact with Water-Based Detergents

Manufacturing electronic and information devices involves repeated cleaning processes and requires detergents with excellent cleaning properties. From an environmental perspective, there is a demand for detergents to replace CFC-based detergents and chlorinated solvents.

Lion has responded by employing proprietary microemulsion technology to develop a water-based detergent that contains nopenetroleum-based solvents. Because the base component is water, the detergent is

not a hazardous substance, making it highly safe for both humans and the environment. Its environmental impact is low. Applications include optical lens and liquid crystal display manufacturing lines. Besides manufacturers of electronics and electrical equipment, the detergent also benefits environmental measures of automakers and other manufacturers.

● Cleaning Effects of Water-based Detergents



Aside from the products mentioned, Lion markets other highly functional industrial chemicals in Japan and overseas, helping to reduce environmental impact across the planet.

Lion Eco Chemicals Plant Completed

In 2009, a new plant was completed at Lion Eco Chemicals Sdn.Bhd in Malaysia. The plant produces MES used in *TOP* and other laundry detergents. MES is a highly functional plant-based surfactant made using palm oil and has a low impact on the environment after disposal (see p.48). Once the plant begins operations it will be able to supply MES not only to countries in Asia but also to other countries around the world.

A completion ceremony held in December was attended by 160 people in total, including the main guest, Tan Sri Bernard Giluk Dompok, Malaysia's Minister of Plantation Industries and Commodities, as well as other high government officials and representatives from overseas partner companies and group companies.

At the ceremony venue, panels were displayed that explained the superior detergency, biodegradability, and carbon neutrality of MES, and local employees gave a presentation. The guests were extremely impressed



by the surfactant's environmental performance.

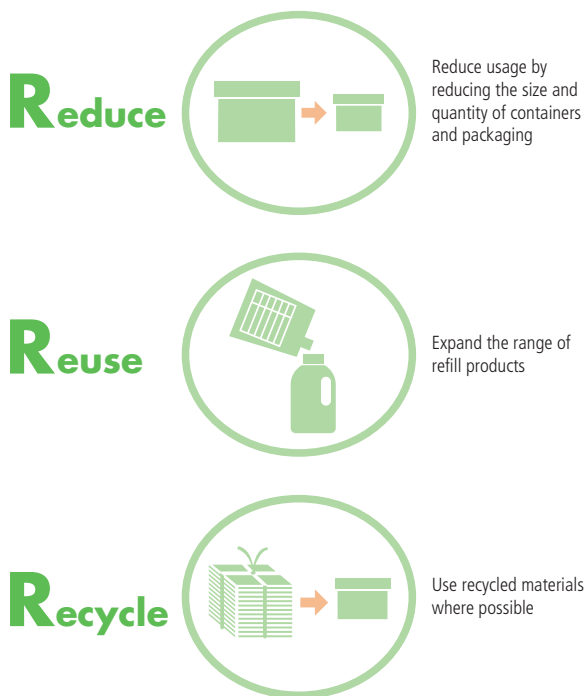
At completion ceremony for the new plant

"3Rs" for Reducing Containers and Packaging

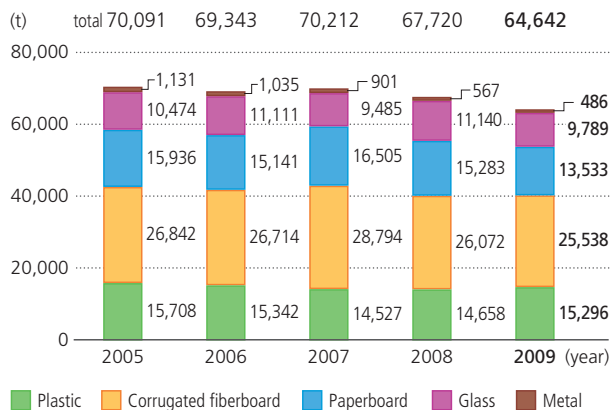
Lion actively promotes implementation of the "3Rs" (Reduce, Reuse, Recycle) as a container and packaging material reduction initiative. We also implement a wide range of other initiatives for reducing containers and packaging in line with a voluntary action plan, seeking early attainment of the target put forward by the Japan Soap and Detergent Association (JSDA) of reducing plastic usage per unit of product weight 30% by 2010 (compared to 1995).

The Lion Eco Standards (see p. 47) provide for container and packaging reductions, prescribing related criteria under stages (2) packaging material procurement, (4) logistics, and (6) disposal.

● "3Rs" for Reducing Containers and Packaging Materials



● Container and Packaging Material Usage by Lion



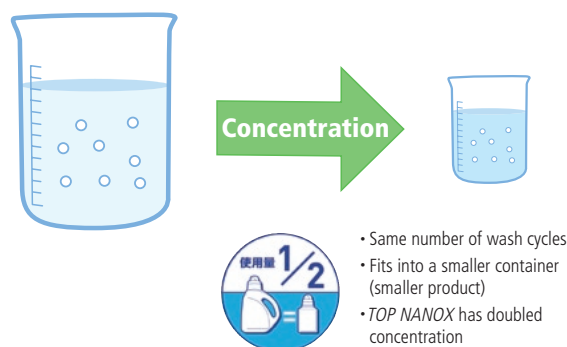
Reduce

Smaller Products and Innovations in Container Design

Lion is working to reduce container and packaging material usage by increasing the concentration of products such as laundry detergents, dishwashing detergents, and fabric softeners, and making containers smaller. Although more plastic was used in 2009 compared to 2008, total container and packaging material usage decreased by 3,078 tons to 64,642 tons due to a reduction in usage of all other materials. Plastic usage per unit of output in the eight household product categories defined by JSDA was 60% of the 1995 level.

Lion will continue efforts to reduce container and packaging material usage by making products smaller and innovating with container design.

● Making Products Smaller



Environmental Benefits of TOP NANOX

TOP NANOX, first marketed in January 2010, offers environmental benefits through its high detergency.

1. The main cleaning ingredient is methyl ester ethoxylate (MEE), a plant-based surfactant.
2. As detergent residues are effectively removed due to excellent defoaming properties, only one rinse is required, enabling water and power savings.
3. Lower plastic usage for containers, improved efficiency in production and transportation, and other achievements reduce CO₂ emissions per wash cycle.





Reuse

More Refill Products

Using refills means original plastic bottles for products such as dishwashing detergents and shampoos can be reused several times. Refill products also help to reduce the amount of waste generated by households as their containers use less material than the original containers.

Lion has been expanding its line of refill products since 1992 and now offers refills for a wide range of products, including shampoos and fabric softeners. For sprays, we offer both refills and products without the trigger. Containers for all these items, as for the original products, are designed for easy use. Lion will continue efforts to expand its range of refill products and develop containers that customers will find easy to use.



Recycle

Use of Recycled Materials

【Use of recycled resins】

Lion teams up with container manufacturers to develop technologies employing recycled PET resin. In 1989, we launched *Mama Pockety*, the first dishwashing detergent on the market with a container made from recycled PET. The Company went on to develop a technology for using recycled PET resin in transparent bottles, considered an enormous challenge.

PET resin recycled from plastic drink bottles constitutes 20% or more of material for containers for products such as the dishwashing detergents *CHARMY Awa no Chikara* (Power of Suds), *Charmy V Quick*, and *Charmy Mild*. Measuring spoons for powder laundry detergents make use of recycled resin from old washing machines and other electrical appliances.



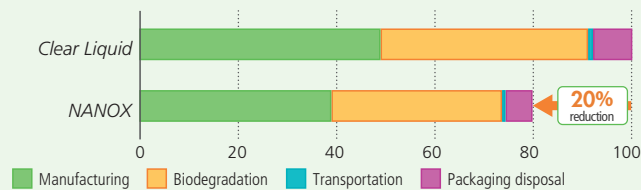
【Use of paper made with recycled pulp】

White paperboard made with recycled pulp is used for containers and packaging for such products as toothpaste and detergents. It is stated clearly on powder laundry detergent containers that the recycled pulp content is at least 70%.

Corrugated boxes used for transporting products have a 94% recycled pulp content.



● CO₂ emissions per wash cycle



* CO₂ emissions for TOP Clear Liquid = 100. Assumes one wash cycle uses 30L of water (based on LCA analysis by Mizuho Information & Research Institute)

● Lower environmental impact during transportation (number of wash cycles is unchanged)

	NANOX	Clear Liquid
Contents (g/container)	500	1,000
Container weight (g/container)	76	118
Transportation		

* Reduces the amount of fuel required for transportation. Also reduces delivery frequency as more products can fit into the same space.

Appropriately Handling Chemical Substances

Showing consideration to safety and the environment in all processes from product development through to use and disposal, Lion works to ensure strict chemical substance management and to reduce chemical use. We also carry out independent surveys to assess the impact of proprietary surfactants on water environments.

Approach to Chemical Safety Management

Chemical substances are indispensable for people to lead comfortable and fulfilling lives. Failure to properly manage chemicals, however, can result in accidents that put human health and ecosystems at enormous risk. In addition to compliance with related laws and regulations, Lion strives to ensure strict management of chemical substances at all stages from product development through to use and disposal.

Product Development

[Management of chemical substances used in products]

Chemical substances used in products are managed safely, right from the raw material stage, in accordance with laws and regulations and our own independent standards.

[Safety verification of chemical substances]

Lion participates in an international consortium for the OECD HPV Programme¹, cooperating on safety verification of LAS, methyl ester (ME), and alpha olefin sulfonate (AOS).

Under the Japan Challenge Program², Lion declared itself a sponsor and carried out safety verification relating to MES together with the Japanese government. A report has already been submitted to the authorities.

The Company also participates in the Joint Article Management Promotion-consortium (JAMP)³.

Production

[Compliance with PRTR Law⁴]

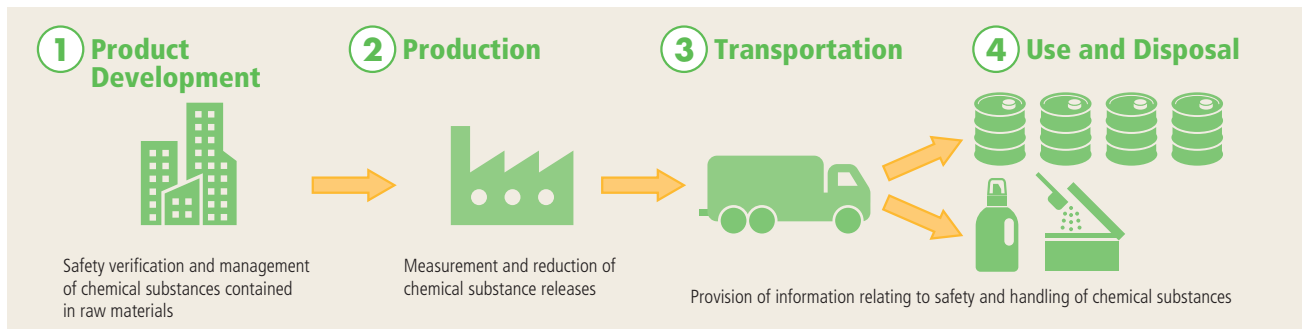
Each year, production and research divisions declare release and transfer volumes for substances targeted by the Pollutant Release and Transfer Register (PRTR) Law. Fiscal 2009 declarations were made for 39 substances, excluding two substances included in 2008 for which declarations were no longer required, and including four additional substances for which handling volume increased. Releases of LAS into the atmosphere fell dramatically, from 220kg to 14kg—a much larger decrease compared to 2008—through measures such as improvements to dust collection equipment.

Revisions were made to the PRTR Law in 2008 and will apply to declarations from April 2011. Lion's efforts to reduce releases from production sites continue and we are now focusing on substances to be newly included under the revised law.

[Compliance with Chemical Substances Control Law⁵]

Japan's Chemical Substances Control Law was amended on May 20, 2009. Since April 2010, in addition to persistent substances that do not degrade easily in the environment, substances that degrade readily have also been covered by the law (requiring businesses to declare volumes of such chemicals manufactured or imported). Volumes of general chemical substances manufactured or imported will need to be declared from April 2011 (if a business manufactures or imports one ton or more). Lion will ensure proper compliance with the new regulations.

●Lion's Chemical Substance Management



1. OECD High Production Volume Chemicals Programme (HPV Programme): An initiative advanced by the Organisation for Economic Co-operation and Development (OECD) to promote the gathering and disclosure of data on high production volume chemicals (chemicals produced at levels greater than 1,000 tons per year) relating to their impact on the environment and health

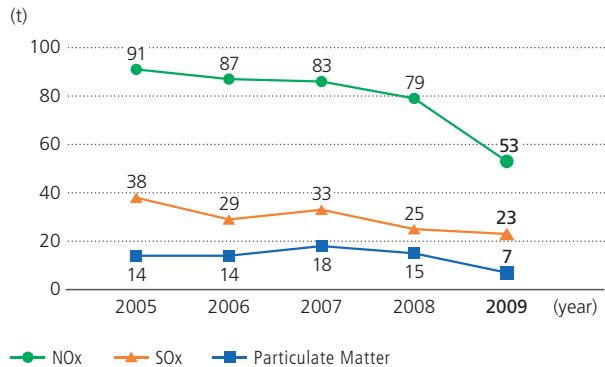
2. Japan Challenge Program: A program advanced jointly by industry and government to facilitate collection of information on the safety of existing chemical substances and make that information widely available to the general public

3. Joint Article Management Promotion-consortium (JAMP): Conference established to develop and promote mechanisms for managing chemical substances used in products and for communicating related information to the supply chain

[Voluntary initiatives for preventing air pollution]

Lion also implements voluntary initiatives for reducing emissions of chemical substances that cause air pollution, including nitrogen oxides (NOx), sulfur oxides (SOx), particulate matter, and volatile organic compounds (VOC). In 2009, we managed to reduce VOC emissions by 73% compared to 2000, thereby attaining our 65% reduction target.

● Emissions of NOx, Sox, and Particulate Matter (Lion Group)



Transportation

[Provision of safety information during transportation] "Yellow Card⁶" and "Container Yellow Card⁶" systems are used when transporting items such as raw materials and intermediate products. Properties of chemicals, emergency procedures, and other information is provided on these cards. The cards are distributed to carriers and attached to freight.

Use and Disposal

[Ecological risk assessments of chemicals released after product use]

Surfactants contained in Lion products are released into the environment after use.

Lion helps the Japan Soap and Detergent Association (JSDA) conduct concentration surveys and ecological risk assessments of four types of surfactant in river systems in and around Tokyo and Osaka (four times a year). As the developer of MES, Lion independently surveys and evaluates concentrations of the surfactant in the same public waterways to verify its negligible impact on ecosystems. Monitoring of MEE also commenced in 2010.

The Company's efforts to minimize environmental risk are ongoing.

4. Pollutant Release and Transfer Register (PRTR) Law: Requires businesses that handle chemical substances potentially harmful to human health and ecosystems to independently measure and report to government authorities the volumes of such substances released into the environment or transferred from business premises. See the Company website for more information on the release and transfer volumes by the Lion Group of substances targeted by the PRTR Law for fiscal 2009.

URL <http://www.lion.co.jp/csr/env/ecolion/safety-detail.htm> (In Japanese only)

5. Chemical Substances Control Law: Requires the evaluation of chemical substance properties prior to manufacture or import and regulates their manufacture, import, and use in order to prevent adverse effects on humans, flora, and fauna. The law's official name is the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc.

6. Yellow Card, Container Yellow Card: Properties of chemical substances, emergency procedures, and other information is printed on these cards to ensure readiness in the case of an accident during transportation, such as a chemical spill.

● River Monitoring Points



* Lion takes samples at the same locations as the JSDA

VOICE

Considering impact of products on water environments after use

Many Lion products are used by households on a daily basis. Once their job is done, products are released into rivers, the sea, or other water environments and are potentially harmful to living things in the water if they remain there. For that reason we verify in the product design stage that ingredients of detergents and other products will disappear quickly in the environment. After products are introduced to the market, we conduct scientific surveys to measure residues of product ingredients in rivers and apply stringent checks to ensure that concentrations are at a level that will not affect life forms in the water. We want customers to feel safe using our products and to that end we will continue to conduct independent surveys and checks concerning their impact on water environments.



Kosuke Yoshida
Human & Environmental Safety Evaluation Center
Research & Development Headquarters

Fostering Environmental Awareness within the Lion Group

Lion provides environmental education and opportunities for participation in environmental activities in order to raise the environmental awareness of all employees engaging in Eco Lion activities and encourage them to initiate their own activities.

Regular Environmental Education and Communication

Environmental education is conducted on a regular basis for all employees.

Education provided during 2009 included programs for new employees, employees in charge of waste management, employees in charge of chemical substance management, and internal environmental auditors.

At the end of 2009, there were a total of 46 internal environmental auditors (one additional employee completed an external course). The total number of employees with certificates for completion of in-house programs was 399. Lion's in-house magazine *Tategami* is also used to increase the knowledge and concern of employees for the environment, such as by introducing environmental activities pursued by individual departments.



Article in *Tategami* promoting awareness of environmental protection activities

Environmental Education for New Employees

Employee participation in forest maintenance activities in the Lion Forest in Yamanashi is treated as a form of environmental education. The program was incorporated into the curriculum for new employee training for the first time in 2009. The objectives of the training exercise are to have employees reflect on their own views and actions concerning environmental protection and come to terms



New employee training in Lion Forest in Yamanashi

with the Company's aim of becoming a leading company in environmental friendliness, as well as to encourage proactive participation in environmental activities.

In-House System for Submitting Eco Ideas

Lion has been running the Eco Lion Proposal Campaign since 2006, sending out a general invitation to employees to submit ideas for products that are "eco-friendly" or "useful for daily living." In 2009, a total of 2,852 ideas were submitted. The campaign has had results, leading to the realization of car-sharing and other proposals.

Through this campaign we hope to raise the environmental awareness of employees.

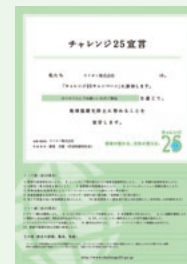
Team Minus 6% Evolves into Challenge 25

In January 2010, Lion signed up as a corporate "challenger" to the Challenge 25 Campaign, a national movement for the prevention of global warming promoted by Japan's Ministry of the Environment. The Challenge 25 Campaign, which evolved out of Team Minus 6%, aims for a much larger CO₂ emissions reduction to help preserve Japan's environment and the entire planet for future generations. Lion has been implementing Company-wide environmental protection activities as a member of Team Minus 6% since 2005, and is now committing to global warming prevention efforts that will achieve more substantial CO₂ reductions. We call this "Lion Challenge 25."

Lion Challenge 25 naturally entails typical global warming prevention activities at each business location, including air-conditioning temperature control, power and water savings, and eco-driving. It also involves active participation by employees, who will seek to incorporate environmental considerations into their lifestyles based on individual "challenge statements."



President Fujishige makes Lion's challenge statement at kick-off event



Lion's Challenge 25 statement

Environmental Communication

Lion seeks a broad understanding of the Company's environmental protection activities across society through dynamic communication efforts.

Interaction with Communities and Organizations

Lion participates in activities of the Japan Responsible Care Council (JRCC), through which the chemicals industry strives for ongoing improvements to safety and environmental considerations throughout the life cycle of chemical substances, from development to disposal.

Lion employees were among the 153 attendees at the 7th Chiba area Responsible Care dialogue meeting held in February 2009. We also participated in a JRCC-organized dialogue with consumer groups in December where we gave a presentation on the Company's initiatives for reducing CO₂ emissions through products.

Participation in Environment-Related Events

Lion participates in environment-related events in local communities as a way to introduce the Company's environmental initiatives to as many people as possible.

In 2009, Lion exhibited at Eco-Products 2009, Japan's largest environmental fair, introducing efforts such as consideration for the environment through products, including our use of plant-based materials and 3R initiatives, as well as the Company's efforts to protect water environments.

In January 2010, we reported on social contribution and environmental activities undertaken by the Odawara Plant at a conference in Odawara (Kanagawa Prefecture)



Eco-Products 2009
(December 10-12,
2009)



Ecomesse in Chiba 2009
(September 6, 2009)

promoting ongoing collaboration between companies and NPOs. Lion also exhibited at Ecomesse in Chiba 2009 and Eco-Fair Ichihara.

Carbon Footprint* Program Trials

Lion is also working on visualization of CO₂ emissions throughout the product life cycle and, in 2008, participated in the Study Group for Developing and Promoting a Carbon Footprint Program organized by Japan's Ministry of Economy, Trade and Industry (METI). As part of our role in the study group, we conducted sales of trial products in March 2009. The Company is currently involved in deliberations with industry associations on product category rules (PCR).



Lion conducted trial sales of *Dentor Clear MAX* (left) in March 2009. Labels (right) show the carbon footprint for each process.

Publication of Environment-Related Report

We publish the *CSR Report* in which we introduce the Company's environmental initiatives.

Communicating Environmental Activities via Lion's Website

The "CSR" section of Lion's corporate website details our environmental protection activities (Eco Lion activities) and provides access to *CSR Report*. The website is regularly updated as a timely means of communication.

* **Carbon Footprint:** Product labeling system indicating CO₂ emissions generated during the product life cycle, from raw material procurement, production and sales, through to use and disposal

Third-Party Review

Special features reveal a positive, proactive stance on communication

Lion's *CSR Report 2010* contains special features covering the Stakeholder Dialogue and biodiversity initiatives that disclose Lion's intention to clearly convey the Company's corporate stance of being open to the opinions of stakeholders inherently involved in business activities and obtaining data on the natural environment through regular surveys of rivers. In the case of the former, expectations that "people already know" or "we've already explained" can often hinder communication. It is better to be meticulous, consistently conveying information even about matters that seem obvious. In the case of the latter, any outward lamentation by nature is a sign that grave damage to nature has already occurred. It is important to be able to sense subtle changes in nature before obvious damage occurs and to work continuously to lower environmental impact. Lion should maintain its current stance and not let up on its efforts.

UN Global Compact participation benefits Lion's CSR activities

Some corporations are highly conscious of brand strategy in their approach to CSR. Although this kind of mentality may be natural for some employees working inside corporations, which pursue profit, it is necessary to constantly bear in mind that any misplaced priorities have the potential to cause major damage to a brand. A corporate brand cannot be sustained without sound and highly transparent CSR initiatives. In that sense, it can be said that both the closest and the most distant stakeholders are employees. A key indication of the genuineness of a company's CSR efforts is whether or not relations with employees are properly positioned within the CSR framework. Reading your report, I sense a positive change in frequent reference to consideration toward human rights and working environments in dealing with employees. My guess is that participation in the United Nations Global Compact has had a favorable influence.

Effective global warming prevention initiatives and pressing tasks

Lion's voluntary three-year medium-term environmental plan has ended. You should be congratulated for reducing CO₂ emissions by 26% compared to the 1990 level during that time. It is now or never for initiatives aimed at realizing a low-carbon society and it is important that you continue to take the bull by the horns. Japan's economic environment is changing, meanwhile, and companies can no longer forgo expansion overseas if they wish to survive in the market. Consequently, the spotlight has been turned to the problem of the CO₂ emissions burden being shifted onto other countries. Corporations will have to account for the environmental impact of all business operations, not just domestic activities. Your move to set a CO₂ emissions rate target for overseas sites is a first step. A pressing issue will be working out how to manage the environmental impact of the group as a whole with an aggregate approach. Corporate activities unavoidably lead to an increase in business locations and plants, and an increase in greenhouse gas emissions. What is required is a willingness to show how you intend to compensate for those increases, such as by using renewable energy.



Yutaka Kamioka
Representative Director
EOL International (NPO)

Lion's Response

Drawing on the opinions of stakeholders to improve CSR initiatives—the *CSR Report* is the basis, the communication tool, for achieving this and in it we must accurately convey the Company's approaches and activities. Through the Stakeholder Dialogue, we were reminded that believing you have communicated something means you probably haven't. You commented on our intent to convey information in a meticulous manner, which you recognized from this year's report. Lion plans ongoing efforts, coordinated by the Corporate Communication division established in 2010, to ensure integrity in communication, for example by enhancing our ability to communicate corporate and lifestyle information and quickening our response to customer needs.

Corporations cannot achieve sustainable development without sustainable social development. At Lion, we believe we can play a role in finding solutions to social challenges through our efforts to support both human comfort and nature's comfort. Central to our activities are individual employees, and we strive to develop human resources with the tenacity to face up to a challenge and generate new value. As the president mentioned in his opening message, the Company exists to make people happy, and to make people and society happy, employees must first be happy. Motivated in part by our participation in the United Nations Global Compact, Lion will look to make gradual but steady progress in enhancing working environments.

In regard to CO₂ reduction efforts, which we have actively pursued in Japan, data from overseas plants has been posted to the Company website for the first time. And we believe our intention to engage in CSR procurement has been clearly conveyed to overseas affiliated

companies and their business partners through our participation in the United Nations Global Compact.

In keeping with the principles of the United Nations Global Compact, Lion will look to tackle human-related issues, including human rights, CSR procurement, fair and proper treatment, and occupational safety, as well as environmental issues, on a global scale.

The origins of Lion's approach to CSR can be traced to the Company's founding spirit of working for the benefit of people and society. This spirit lives on in the Company Motto. We believe it is our social responsibility to present good lifestyle habits to people through our business activities, with each employee acting in accordance with the Company Motto and the Lion Group Charter for Corporate Behavior. By accurately portraying our efforts using tools such as the *CSR Report* and accepting the opinions of stakeholders, Lion will work to advance its CSR initiatives further.



Shuichi Ota
Director, Lion Corporation
Responsible for Corporate Communication (Public Relations, Consumer Service, CSR Promotion), Personnel, General Affairs, and Investor Relations; and President of Lion Business Service Co., Ltd.

Editorial Note

To make this year's *CSR Report* suitable as a progress report on the United Nations Global Compact, we aimed for accurate information disclosure based on GRI guidelines.

As a result, we have made progress in identifying Lion's current position and challenges and establishing a common direction on future initiatives among

concerned divisions within the Company. Further efforts will be made to enhance the *CSR Report* as a tool for strengthening CSR activities.

CSR Promotion Department, Lion Corporation

Front cover:

Overall winners in the LION TOP Eco Project Waterfront Painting Contest

“Playing in the River” by Megumu Ohno (Fukuoka Prefecture)

“River with Yamame Salmon” by Daigo Sasaki (Fukui Prefecture)



from Good Morning to Good Night
More Dreams for Your Life
LION

Lion Corporation

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