

Lion's Dialogue with Stakeholders Forms the Foundation for its CSR Activities

The fundamental approach to Lion's CSR is fulfilling social responsibilities through our corporate activities. To respond to social expectations, Lion is further deepening its communications with stakeholders.

Lion's Approach to CSR

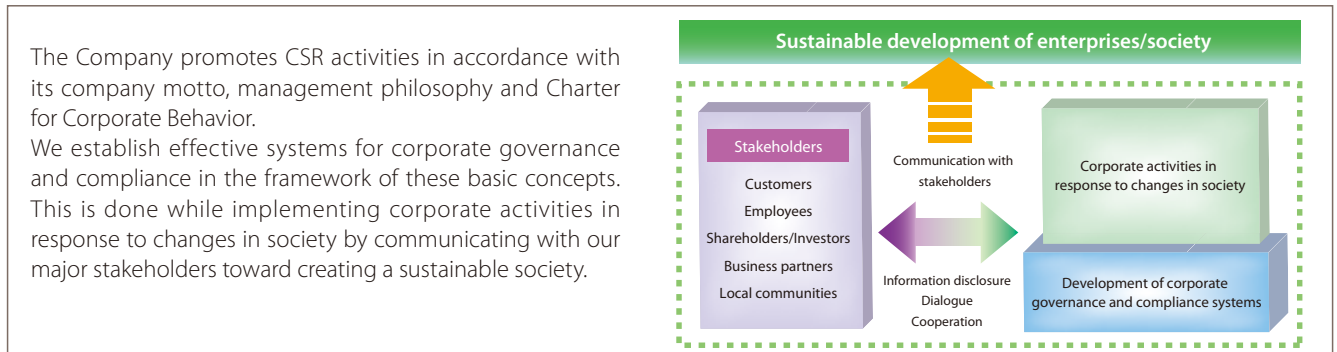
Guided by its corporate motto and management philosophy, Lion has worked diligently since its foundation in every facet of its business activities to become a trusted member of society. The concept behind CSR—corporate social responsibility—comes naturally for Lion Corporation. Nevertheless, the Company constantly reviews its CSR activities in light of evolving social expectations.

In 2003, we announced our Compliance Declaration and formulated the Lion-Group Charter for Corporate Behavior. Built on ten principles, this Charter enables us to maintain a

Lion's CSR Activities

positive influence on society. In 2005, Lion established the CSR Promotion Department for general management of CSR activities across the Company. In its VIP II 09 medium-term management plan, Lion positions proactive CSR activities as an essential factor for increasing corporate value.

We revised the Lion-Group Charter for Corporate Behavior and the Behavior Guidelines*1 in 2008 to reflect changes in society. Drawing upon these sources, we established our CSR-oriented Procurement Principles to clearly state what suppliers must consider in the areas of environmental protection, human rights and labor. We also convened the first formal stakeholder dialogue after a pilot gathering. Looking ahead, we will continue to pursue CSR activities by further deepening our dialogues with stakeholders.



The Company promotes CSR activities in accordance with its company motto, management philosophy and Charter for Corporate Behavior. We establish effective systems for corporate governance and compliance in the framework of these basic concepts. This is done while implementing corporate activities in response to changes in society by communicating with our major stakeholders toward creating a sustainable society.

Convening Stakeholder Dialogues

On November 11, 2008, Lion held its first Stakeholder Dialogue after inviting four outside experts to exchange opinions for the purpose of more closely aligning business activities with changes in society.

The discussion in this first dialogue sought to avoid a narrow focus by encompassing a broad range of topics to deepen mutual understanding around the theme, "Communication through CSR reports—Is the Company's intention being conveyed?" Comments were used to guide a review of the composition and description of CSR Report 2009. Starting in 2009, we will deepen the dialogues by focusing on individual topics in order to identify issues and improve corporate activities through reflecting in them the dialogue results. The initial dialogue served as the first step in this direction.

Participants

Outside experts: Tamae Kobayashi, Visiting Researcher, Environmental Affairs, Communication Science Institute Inc. Yoshiki Midorikawa, Co-Chairperson, The Valdez Society, and Director of Green Consumer Research Group Satoshi Yura, Senior Fellow and SRI Program Director, the Center for Public Resources Development Minako Oishi, Deputy Chair of the Environment Committee, Nippon Association of Consumer Specialists

Lion Corporation: Tetsuo Yamada, Senior Executive Director and Representative Director; Yasutsugu Kawabata, Director of Personnel Department; Takamasa Fujii, Director of Investor Relations Office; Yoshiyuki Aida, Director of Public Relations Department; Kazuo Nago, Director of CSR Promotion Department

Facilitator: Kazunori Kobayashi, Manager, Japan for Sustainability

Key comments

- Although the report as a whole includes a sufficient volume of information, it is not easy to identify the essential concepts that undergird individual activities as well as their meaning and interrelationships.
- Include self-evaluation of your responses to inquiries on product problems.
- The report does not portray the big picture of company employees, including the rate of part-time and fractional employment.
- Disclosure of information about CO₂ excels.
- The ongoing pursuit of sustainable palm oil procurement is worthy of merit; the report is to be especially commended for discussing this issue in detail.
- The report does not clearly make connections between individual activities for preserving aquatic environments or for ensuring their continuity.

*1 Behavior Guidelines **HP** <http://www.lion.co.jp/en/company/html/com0201f.htm>

■ Lion's 2008 CSR Status and Issues for the Future

	Item	Status of major activities	Issues for the future
Management	Governance and internal control	<ul style="list-style-type: none"> Partially revised the executive compensation system based on the Compensation Advisory Committee report 	
		<ul style="list-style-type: none"> Completed assessment of internal controls regarding the financial results report and the prior evaluation of the audit system Revised the internal control system 	<ul style="list-style-type: none"> Appropriate operation of the evaluation/audit system of internal control
	Compliance	<ul style="list-style-type: none"> Promoted and established the Heart Hotline Implemented an e-learning program on information leakage Announced the Charter for Corporate Behavior and ensured it was understood by all Company employees 	<ul style="list-style-type: none"> Encourage business partners to use the Heart Hotline Broaden effectiveness across affiliated companies
	Facilitating communication	<ul style="list-style-type: none"> Held a Stakeholder Dialogue 	<ul style="list-style-type: none"> Utilize the Stakeholder Dialogue
	Risk management	<ul style="list-style-type: none"> Established guidelines for responding to new influenza viruses Developed a business continuity plan 	<ul style="list-style-type: none"> Disseminate the guidelines for response to new influenza viruses throughout the Company
Customers	Enhancing customer satisfaction	<ul style="list-style-type: none"> Developed the Quality Policy Reinforced support for marketing/R&D by the Quality Assurance Office Began releasing the Voice of Customer (VOC) daily newsletter 	<ul style="list-style-type: none"> Improve the product management system and reinforce operation Further enhance marketing/R&D support through smooth operation of the quality assurance system Accelerate company-wide dissemination of the VOC daily newsletter
Employees	Creating an optimal workplace	<ul style="list-style-type: none"> Extended the period of reduced working hours due to childcare to the end of the year during which the child is in first grade Set up a new special paid-leave system in response to the citizen judicial system Revised the sexual harassment prevention manual Began providing specific health checkups and healthcare advice Implemented mental health education for managerial level 	<ul style="list-style-type: none"> Promote the Phase 3 Action Plan for the Act on Advancement of Measures to Support Raising Next-Generation Children Confirm the quality of healthcare advice given by nursing staff Raise awareness of mental health in the workplace
Shareholders and investors	Sufficient information disclosure	<ul style="list-style-type: none"> Held briefing sessions for individual investors (2,000 investors in total) Created and distributed IR brochures for investors Shared comments from shareholders and investors across the Company (updated intranet) 	<ul style="list-style-type: none"> Improve the quality of information disclosure through enhanced website content Implement themed events to broaden understanding of the Company
Business partners	Promotion of CSR procurement	<ul style="list-style-type: none"> Established the CSR Procurement Principles Inspected palm-oil supplying plantations 	<ul style="list-style-type: none"> Fully inform business partners about the Procurement Principles
Society	Business-related support for society	<ul style="list-style-type: none"> Supported oral health activities of the LDH^{*2} and those of overseas affiliated companies Expanded participation in forest maintenance activities in the Lion Forest in Yamanashi to include retired employees Established the Lion Award at the Japan Society on Water Environment 	<ul style="list-style-type: none"> Use forest maintenance activities for environmental education
Environment	See p. 23 and following pages.		

*2 See pp. 21 and 22 for information on activities of the LDH (Lion Foundation for Dental Health).

Corporate Governance

Fundamental Approach

Lion places the highest priority on enhancing management transparency, ensuring prompt decision-making and effective supervision, and securing compliance. It is our strong belief that reinforcing and improving the corporate governance system will bring to fruition an increase in corporate value.

Corporate Governance System

Lion has adopted an audit system to ensure adequate management supervision. In March 2004, the Company introduced an executive officer system, separating the executive and supervisory functions. Under the new system, the Board of Directors is responsible for decision-making and

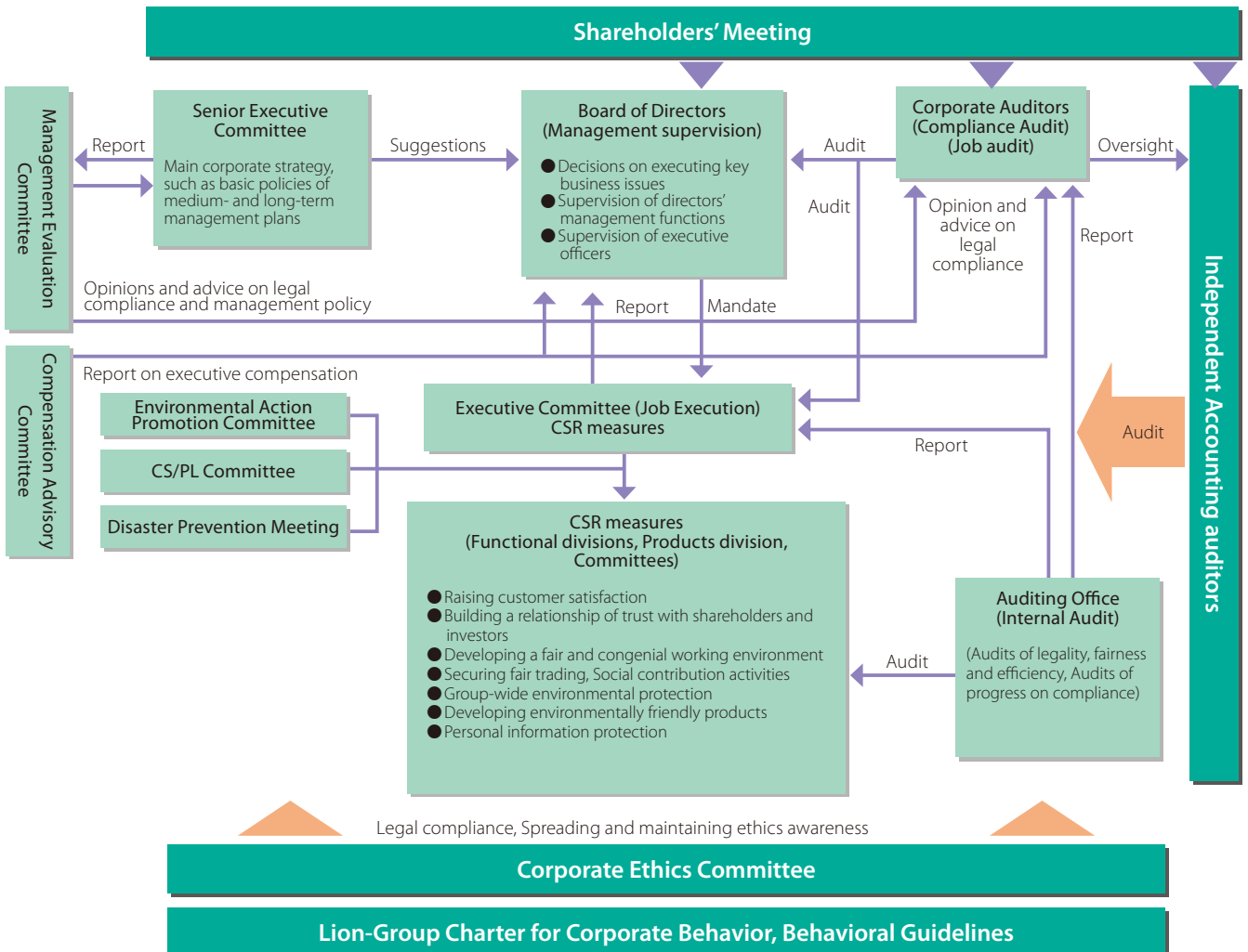
management supervision, while the Executive Committee is responsible for job execution.

The Board of Directors is comprised of 11 directors. To revitalize the Board of Directors and to enhance energy and agility, Lion implemented measures such as appointing two external directors and reducing the director's term of office to one year. Lion has appointed two standing auditors and two external corporate auditors. Furthermore, Lion established the Management Evaluation Committee as a means of securing and incorporating the opinions and advice of outside experts provided from a commonly accepted point of view.

In addition, Lion introduced measures for the large-scale purchase of the Company's stock and related matters (defensive actions against takeovers) after approval at an ordinary general meeting of shareholders on March 27, 2009.

In December 2006, Lion established the Compensation Advisory Committee, which is comprised of external directors and external corporate auditors, for the purpose of enhancing objectivity and clarity in matters concerning executive compensation.

CSR Promotion Systems



Development of Internal Control System

In accordance with the Corporation Law and the Enforcement Regulations of the Corporation Law, Lion improved the following systems in order to secure appropriateness in the Group's business activities.*1

1. A structure to ensure that the executive duties of directors and employees comply with legal requirements and the Company's Articles of Incorporation
2. A management structure relating to information maintenance and storage of matters concerning the execution of directors' duties
3. Rules and other structures for managing the risk of loss
4. A structure to ensure that directors' duties are executed efficiently
5. A structure to secure appropriate operations as a corporate group
6. Matters relating to employees and the independence of employees from directors in support of corporate auditors in the case that auditors request such employees
7. A structure for reporting to corporate auditors by directors and employees and other matters relating to reporting procedures to corporate auditors
8. A structure to ensure efficient and appropriate auditing by corporate auditors
9. A structure to ensure the reliability of financial results reports
10. A structure to ensure the rejection of all contact with antisocial forces

Evaluation of the Internal Control System Regarding the Financial Results Report

As regards evaluating and auditing systems within the internal control system related to the financial results report, based on the Financial Instruments and Exchange Act, Lion formulated a special task force team in July 2006, under the president's direction, to further controls on a company-wide level within the Lion Corporation and the Lion Group, as well as job-process level controls for operational maintenance. In December 2008, the Board of Directors adopted the Basic Internal Control System Policies, which stipulate the following items.

- Points for developing an internal control system
- Respective responsibilities and roles for developing and operating the internal control system
- Scope and methods for evaluating the internal control system
- Evaluating the use of the internal control system
- Roles in the evaluation procedure for the internal control system

In January 2009, the first year of the system, the Auditing Office that serves as an evaluation body under the direct control of the president began conducting evaluations. Findings are reported to the president and corporate auditors while remedial actions, if any, are proposed to the related divisions followed by progress review.

Evaluation findings and the status of remedial actions will also be regularly reported to the Board of Directors.

We will prepare an internal control report in March 2010 and proceed with operations so that we can submit this information along with the securities report to the Prime Minister.

*1 Basic Internal Control System Policies: <http://www.lion.co.jp/en/company/html/com0501f.htm>