

## Lion's Basic Philosophy for CSR

### Lion and CSR

The wellspring of Lion's CSR activities can be traced to the Company's founding spirit of "working for the benefit of people and society." Today, even after marking the 120th anniversary of the start-up of its operations, this spirit lives on in Lion's Company Motto. We believe it is the Company's social responsibility for each and every one of its employees to contribute to a healthy, comfortable, and sustainable livelihood for people through Lion's business activities. Based on this fundamental idea, Lion manages its activities to be a company that is strongly trusted and highly transparent.

Lion also works proactively to promote communication with its stakeholders. Our communication with stakeholders began in 2007 with our meeting to review the *CSR Report* and exchange views with outside experts. In the following year, this developed into our "Stakeholder Dialogue," which has become an opportunity for more active discussion. In 2010, we invited consumers to our Hirai Office to tour the premises and introduced our environmental protection as well as social contribution activities and listened to their opinions. In 2011, we also heard the opinions of our employees regarding the same matters and continue our dialogues with our stakeholders. Lion is working to adapt to the times, and, to become a company that society trusts and counts on, the Company listens to what people are saying and aligns its activities with social changes.

### Comfortable Support for People and Substantial Support for the Global Environment

Marking the 120th anniversary of the commencement of Lion's business activities on October 30, 2011, we prepared a New Management Vision entitled "Vision 2020," which covers the period from 2011 through 2020. Under "Vision 2020," we have three visions for Lion: "Be a company that creates value for lifestyle and spiritual fulfillment," "Be a company that is advanced in the area of environmental responsiveness," and "Be a company that continues to take on challenges, create, and learn." By 2020, we want to be a company that creates value for lifestyle and spiritual fulfillment long into the future by consistently safeguarding health, comfort, and the environment for people each and every day.

To realize this vision, we have formulated "Four Strategies." The first is to pursue qualitative growth of our domestic businesses. The second is to realize quantitative expansion of overseas businesses. The third is to develop new business value, and the fourth is to enhance our learning capabilities as an organization. We will take the initiatives in the "Three Innovations" to implement these strategies: Life Innovation, Green Innovation, and Knowledge Innovation.

Also in 2009, we became a participant in the United Nations Global Compact and are implementing a wide range of related measures under The Ten Principles of the Global Compact, including the areas of "human rights," "labor," "environment," and "anticorruption".

### Looking Forward

In November 2010, ISO26000 was issued. This is the first set of standards for social responsibility. Lion has pursued its CSR activities thus far and intends to continue these in the years to come.

Our way of thinking regarding CSR matches the principles of ISO26000. Therefore, we have adopted the ISO26000 as a checklist. Specifically, in light of the seven core subjects of ISO26000 (corporate governance, human rights, labor practices, environment, fair operating practices, consumer issues, and participation in the community as well as community development), we are taking stock of Lion's activities and will move forward with an understanding of the current status of our CSR activities and aim to make improvements in them.



# Relationships with People in Many Walks of Life

## Relationships with Consumers

In our relationships with consumers, we place strongest emphasis on providing excellent products and services that are useful to people in their daily lives. To implement quality assurance activities at all stages, from product planning to product development, manufacturing, sales, and responding to consumers, we have established our quality policy and formed the CS/PL Committee, which is composed of members from the Quality Assurance Department, CSR Promotion Department, Customer Center, Planning Department, Production Department, Research and Development Department, and Head Office staff divisions. This committee is responsible for the overall coordination of the Company's quality assurance initiatives, including compliance with regulations, and setting voluntary standards and objectives. It is also in charge of understanding and responding to issues related to the development of superior products from a quality assurance perspective.

Since Lion also manufactures and sells products that are regulated by Japan's Pharmaceutical Affairs Law, Lion's quality assurance system is based on that law. In addition, in the event that one of our products causes serious problems, the committee is responsible for creating systems that can deal promptly with the series of tasks arising in such cases, including responding to the persons who have been adversely affected or incurred personal injury or damage, disclosing information to government authorities and consumers, recalling the products, and formulating measures for preventing a recurrence.

## Relationships with Business Partners

Under its Purchasing Activities Principles, Lion conducts its raw materials and product procurement activities appropriately,

and it has developed supply chain management systems. In 2008, as part of activities to clarify the aspects of procurement related to society and the natural environment, Lion prepared its Procurement Principles. To ensure that these principles are known to and followed by all related parties, Lion conducts periodic questionnaire surveys of its business partners.

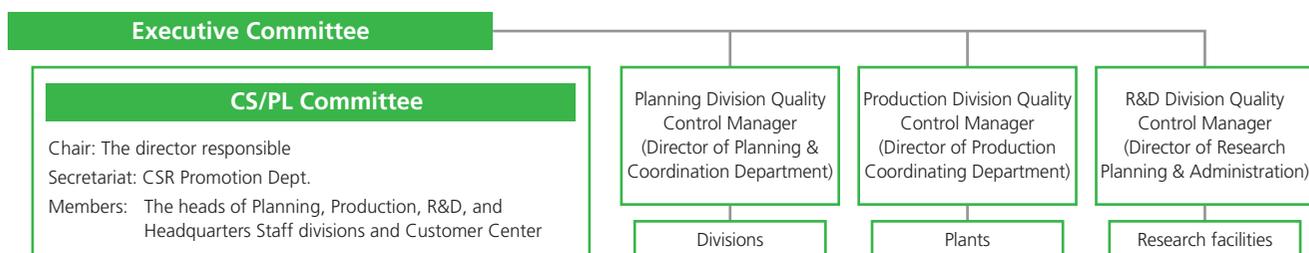
In addition, Lion follows fair transaction practices with raw materials suppliers and business partners contracted to manufacture products. Similarly, through joint deliveries of its products together with those of companies in the same industry, Lion works to cut logistics costs, improve the quality of logistics, and address environmental issues. Also, based on the philosophy of coexistence and coprosperity, Lion works to create closer working relationships with wholesalers and retail businesses through proactive communication and finding solutions to common management issues.

## Relationships with Shareholders and Investors

### Feeding Back the Voice of the Market to Lion Management

Lion has formulated its "IR Information Disclosure Guidelines" to ensure information is disclosed proactively and properly to shareholders and investors in a manner that is fair, accurate, and timely. In addition, to make sure that the content of meetings with domestic and overseas institutional investors and the results of questionnaires collected from participants in events for individual investors are used to make improvements in business activities, this information is reported periodically to the CEO and COO. For overseas investors, Lion is working to enhance its English-language webpage and participates actively in overseas investor meetings and events.

### • Quality Assurance System



## Relationships with Employees

### 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 puts this way of thinking into practice and encourages each and every employee to further develop their abilities and skills, maintain their mental and physical health, eliminate all forms of unfair discrimination, ensure that all employees are treated fairly, as well as create a sense of fulfillment and accomplishment in work activities.

### Nurturing and Drawing on a Diversity of Human Resources

To encourage the permeation of a corporate culture that respects diversity, we believe it is important to have both a top-down proclamation from the CEO as well as a bottom-up groundswell that involves employees. Particularly as regards the re-employment of personnel after retirement and the creation of a workplace where temporary staff can play an active role, beginning in 2010, Lion formed its Diverse Human Resource Promotion Committee. In addition, Lion is actively expanding the number of physically challenged persons it employs. (In 2011, the number of such persons had exceeded 1.8% of the workforce.)

On the other hand, in the training and nurturing of human resources, in addition to basic training programs, for highly motivated employees, we have introduced the "elective training" and the "self-development" programs.

### Promoting Good Labor-Management Relations

Lion places a high value on building relationships of trust between labor and management and encourages reporting on management conditions between management and labor as well as periodic exchanges of opinion regarding the workplace. Beginning in 2009, agreement was reached regarding proactive cooperation between management and labor on the matter of the work-life balance.

In addition, Lion and its workers' union operate under a union shop agreement and endeavor to maintain as well as improve good relationships between management and labor.

## Relationships with Society

### Contributions to Society through Our Main Businesses

Oral hygiene is one of our main businesses, and our activities to distribute information and enhance people's understanding of this topic are a mainstay of our CSR activities.

Since Lion's establishment, it has developed one product after another that contribute to promoting oral health. At the same time, Lion has placed emphasis on making information available and helping people to have a better understanding of oral hygiene. This has led the Japanese people to make brushing their teeth an integral part of their daily routine, and Lion has continued to transmit correct information and understanding of oral hygiene in Japan. Over its history, Lion has offered new value appropriate to the changing life customs of the Japanese people. Lion's history has also been one of contributing to improvement of people's health.

### Awareness of New Missions

As a bearer of information and knowledge of oral hygiene in Japan, for many years, Lion has played a role in making tooth brushing a regular part of the daily lives of children and has had a part in lowering the incidence of tooth decay. In recent years, it has become clear that there is a link between periodontal disease on the one hand and diabetes, arteriosclerosis, and other diseases that affect the body as a whole on the other. Oral health, along with health of the body, is linked to spiritual health because healthy mouths enable people to have healthy smiles, healthy eating habits, and a positive outlook on life. We believe that one of the new missions for Lion is to offer spiritual value of this kind.

On the other hand, turning to the rest of Asia, there are still many areas where tooth brushing has not become a part of people's daily routine. Based on Japan's experience and accomplishments, Lion is aiming to be the No. 1 company in the whole of Asia in the field of oral care and is, therefore, devoting its resources to the spread of information and promoting the better understanding of oral hygiene.

### The Aim of the Lion Foundation for Dental Health (LDH)

Lion established the Lion Foundation for Dental Health (LDH) in 1964. Its principal objectives are to conduct oral health activities as a not-for-profit organization, including research

and educational activities, and it has been designated as a Public Interest Incorporated Foundation.

At present, LDH devotes its resources to maintaining and improving oral health on behalf of people in all life stages from infants to the elderly. As a result of these activities, particularly in recent years in Japan, where the “8020 Movement” (the movement to encourage people to have at least 20 remaining teeth even at the age of 80) and the relationship between periodontal disease and the health of the body as a whole have come to be better understood, people have become more aware of the importance of “maintaining oral health.”

Going forward, LDH will work to further heighten awareness of how oral health contributes to mental and physical health by conducting activities related to the concept “A healthy mind and body begin with a clean and healthy mouth.”

In addition, LDH is aiming to extend its activities around the globe. Working with Lion as it continues to develop its business operations internationally, LDH intends to make contributions to people’s oral health abroad, especially in the rest of Asia.

### **Assistance Provided by the Lion Group Following the Earthquake**

Following the Great East Japan Earthquake, the Lion Group provided a total of the equivalent of ¥350 million in relief donations as well as our products to those affected by the disaster, including toothpaste, laundry detergents, hand disinfectants, and other items.

Moreover, employees of the Lion Group also used the Company’s volunteer vacation systems on their own initiative to participate in the activities of various support groups. These included taking part in the volunteer assistance activities of the Disaster Volunteer Activity Support Project Council (which has its secretariat in the Japan Keidanren (Japan Federation of Economic Organizations) and was active from May through August of 2011) and the GC-JN Great East Japan Earthquake Collective Action for Recovery, sponsored by the Global Compact Japan Network (which began activities in November 2011 that are still in progress). In addition, after September 2011, Lion instigated the “Make Tohoku Well and Active Again” support project and has been engaging in the

four activities listed below, mainly conducted on behalf of children in the Tohoku region of Japan and aiming to contribute to recovery in the affected regions.

#### • **Lion Dental Health Activities**

LDH sponsored lectures by its dental hygienists who provided advice on the importance of oral health and ways to care for the mouth, both of which are very important for building a healthy body.



Kamaishi-shi, Iwate

#### • **Joint Support for the *KireiKirei* “Nationwide Visiting Team to Encourage Enjoyment of Books” Campaign (initiated with Kodansha Ltd.)**

This campaign involved readings from picture books, paper puppetry shows, and handing out Lion’s *KireiKirei Medicated Gargle*, *Clinica Toothpaste for Kids*, and other items with the aim of encouraging children to make oral cleanliness a regular part of their daily routine.

#### • **“Chase Away Germs” Rally in Tohoku**

To encourage kindergarten children to make a habit of washing their hands, gargling, and brushing their teeth, this rally campaign involved the distribution of “Rally Kits” for keeping a record of daily cleanliness activities. The rally also included lectures on tooth brushing given by LDH dental hygienists.

#### • **Support Activities for Ishinomaki City in Miyagi Prefecture (an area closely tied with Lion founder and first president, Tomijiro Kobayashi)**

In these activities, Lion employees visited nurseries and kindergartens in the stricken areas to acquaint children with the importance of washing and keeping their hands clean, to make flower planters to give to people living in temporary homes, and to engage in other activities suited to the needs of the regions, with the goal of continuing to provide support to maintain mental and physical health.

## The Environment and Lion

### “Eco Lion” Activities

The “Eco Lion” activities are Lion’s initiatives to promote the protection of the natural environment. There are five main types of “Eco Lion” initiatives that cover all aspects of Company activities: “Considering the environment from a product-oriented perspective,” “Reducing greenhouse gas emissions,” “Effectively using and recycling resources,” “Appropriately handling chemical substances,” and “Fostering environmental awareness within the Lion Group.” Lion’s stance toward the promotion of “Eco Lion” activities is set forth clearly in the Environmental Guidelines.

In addition, Lion has established an Environmental Action Promotion Committee to encourage all employees to cooperate in responding to environmental issues. The member of the Lion Board of Directors in charge of CSR acts as chairperson of this committee, and it comprises managers of related departments. The “Eco Lion” activities are managed by the committee from a total perspective using the PDCA (plan, do, check, action) cycle.

### Transition to Plant-Based Materials

Lion has been aggressively involved in the development and adoption of plant-based surfactants that feature both excellent detergency and superior biodegradability as well as contributed to preventing global warming and protecting the water environment. Lion was the first company in the world to develop and commercialize the surfactant methyl ester sulfonate (MES) and use it in powder detergents as well as to include methyl ester ethoxylate (MEE), which can be used in small quantities and features high detergency, in liquid laundry detergents. In addition, Lion has built a factory in Malaysia (Lion Eco Chemicals Sdn. Bhd.), which is supplying MES to the world’s detergent manufacturers.

### Lion Eco Standards

Lion approaches the development of its eco-friendly products from two perspectives: composition (contents) and containers/packaging. Under the Lion Eco Standards, the impact that its products have on the natural environment over their

lifecycle (from the procurement of raw materials to final disposal) is measured and assessed quantitatively. A product that clears one or more of the assessment criteria in each area of evaluation is designated as an “eco-friendly product.”

As of 2011, eco products accounted for 66% of Lion’s product lineup and for 82% of its total net sales.

### Strengthening Efforts to Make Effective Use of Water Resources and Biodiversity

In April 2010, Lion clarified its stance, as a company conducting environmentally responsive business activities, regarding biodiversity and the water environment, and this has been made part of the Company’s Environmental Guidance. The Lion Eco Standards also incorporate Lion’s thinking regarding these matters.

In addition, Lion has newly established a target of reducing wastewater emissions by the year 2012 by more than 20% in comparison with 2005 and will step up its initiatives for protecting water resources.

### Lion Forest in Yamanashi

Lion established the “Lion Forest in Yamanashi” in 2006 with the objectives of stimulating sustainable forest management, protecting water resources through the healthy development of forests (which preserve water resources), and raising environment awareness among employees. Under this project, employee volunteers take the initiative in cleaning up the forestlands and promoting use of timber cut from the forest. Beginning in 2010, Lion began to survey the bio-organisms in the Lion Forest in Yamanashi from the perspective of biodiversity.



Chairman Sadayoshi Fujishige (President until 2011) and volunteers at the start of Phase II activities at the Lion Forest in Yamanashi

## Promotion of Skywater Harvesting

Because of the nature of its business, which is closely linked to “washing,” Lion has deep relationships with water resources and regards protecting the water environment as part of its social mission. Lion gives full consideration to this mission in its products, as a matter of course, and its business locations in Japan and overseas make active use of rainwater. In 2011, Lion sponsored a “Amekatsu Idea Contest 2011,” with the goal of having children, who will be responsible for the future, realize the importance of water through skywater harvesting. Primary and middle-school pupils from all parts of Japan took part in the contest, which involved observing rainwater and thinking of ideas for its use. A total of 6,099 entries were submitted in four divisions: Written compositions and essays, posters and paintings, reports on free-thinking research, and slogans. Those entries judged to be excellent were awarded prizes.

## Making the Low-Carbon Society a Reality

Lion has set ambitious targets for reducing CO<sub>2</sub> emissions, and the goal for 2012 is to cut emissions by more than 30% in comparison with 1990. Thereafter, Lion plans to make further reductions of more than 40% by 2020. In fact, Lion was successful in reducing emissions by 35% by 2011.

## Lion's Thoroughgoing Power Conservation Efforts as an Eco First Company following the Earthquake

There were dangers of power shortages in 2011 following the Great East Japan Earthquake. As a designated Eco First Company\*<sup>1</sup>, Lion issued its “Promises Regarding Eco First Summer 2011 Power Conservation,” which was addressed to Japan's Minister of the Environment and implemented measures to cut its peak power consumption from July through September in the service areas of Tokyo Electric Power (TEPCO) and Tohoku Electric Power companies by more than 15%. As a result, Lion reduced its power consumption during summer 2011 by more than 28%, a substantially larger figure than its goal.

Specific measures implemented to reduce electric power consumption were as follows:

- The business locations of the Lion Group (including plants, R&D centers, and offices) within the TEPCO service area worked on a staggered shift basis.
- Operation of a portion of equipment at Lion's Chiba Plant was suspended during the daytime hours, and the plant switched over to an LNG-powered cogeneration (power generation and heat recycling) system.
- A number of the electric light bulbs in all Lion offices were removed from their sockets. Also, all air-conditioning system thermometers were set at 28°C and operating times were shortened.
- All offices switched over to “cool biz” clothing\*<sup>2</sup> on May 1, earlier than scheduled, and all lights were turned off during the lunch hour.
- Lion also participated in the “daytime and nighttime light down” program proposed by the Ministry of the Environment.\*<sup>3</sup>

\*1 Companies that have outstanding records in environmental responsiveness are designated as “Eco First” companies by Japan's Ministry of the Environment.

\*2 The “cool biz” movement is promoted by the Ministry of the Environment with the aim of conserving energy during the summers by having company employees wear lighter clothing. Normally, this movement takes place between June and September.

\*3 This program has been promoted by the Ministry of the Environment since 2003, and involves encouraging companies and others that light up their buildings, grounds, or other facilities at night to cut back on power usage for this purpose. Households are also encouraged to reduce power consumption. In normal years, the cutbacks in power usage were for only two specified days during the summer, but in 2011, power usage was cut back from June 22 through August 31.

## Reduction in CO<sub>2</sub> Emissions at Lion Offices the Largest in History (April to September)

Lion has implemented a number of power conservation measures since 2005, such as setting all air-conditioning system thermometers at 28°C, eliminating overtime on certain days, and turning off all lights in rooms that are not in use. In 2011, we required the strict observance of these measures and applied them also to all facilities mentioned in Lion's “Promises Regarding Eco First Summer 2011 Power Conservation.” As a result, CO<sub>2</sub> emissions at Lion offices (all offices of the Lion Group, with the exception of a portion of manufacturing facilities) during the period from April through September 2011 were reduced to 2,199 tons from the same period of the previous year, which represented a decrease of 380 tons from 2,579 tons in the prior year. This was the largest reduction from the same period of the prior year, since carbon emission measures were instituted in 2005.