



Lion's Mission and Role

In 2020, the novel coronavirus (COVID-19) pandemic triggered major changes in the business environment. It was a turbulent year in which we had to constantly scramble to respond to changes, but it made us even more aware of our social mission of supplying our customers with the products they need for daily living. Each and every employee of the Lion Group worked together, giving our utmost to carry out this mission.

The experience of 2020 brought us a heightened awareness of our role in society and the significance of that role. Hand washing habits, an area we are involved in through hand soap, made a significant difference in preventing the spread of disease. Similarly, other living habits, like tooth brushing, doing laundry and washing dishes, also play important roles in realizing healthy minds and bodies. Looking toward 2030, Lion will seek to reach even more consumers as it fulfills its role of making a difference in everyday lives by redesigning habits.

Masazumi Kikukawa

Representative Director,
President and Executive Officer
Chief Operating Officer

Message from the President

Having Improved Profitability, We Must Now Accelerate Growth

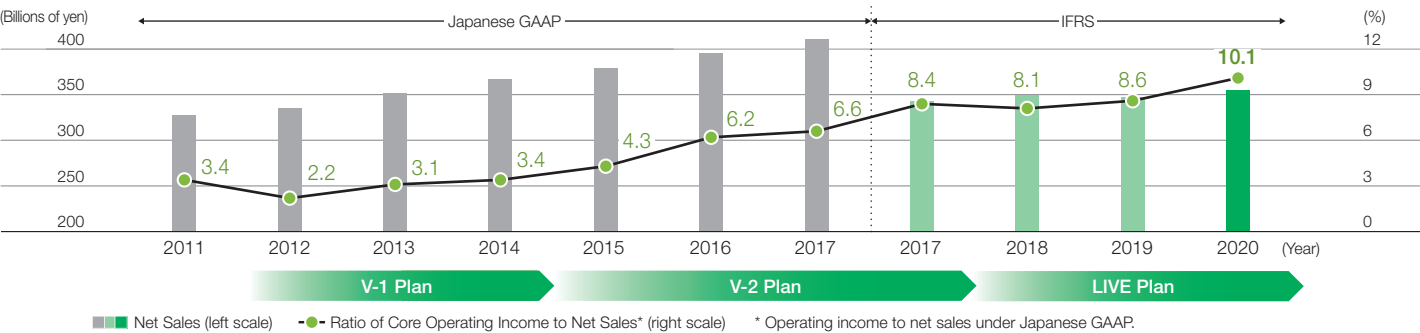
Lion formulated the Vision2020 management vision in 2011, under which it implemented three medium-term management plans: The V-1 Plan, the V-2 Plan and the LIVE Plan. In 2011, our operating profit ratio was around 3%, a level insufficient to allow for adequate investment in growth. To address this issue, we began by implementing business reforms aimed at growing into a lean, highly

profitable company. Working to bolster profitability, we shifted toward higher-added-value products, reinforced the revenue base and implemented structural reforms, such as streamlining our roster of affiliates. As a result, net sales and profitability both rose significantly, productivity and efficiency increased, and the management base steadily grew stronger. We also invested in future growth, including advertising, R&D and capital expenditure.

However, net sales have grown only slightly over the past several years. Under the LIVE Plan, the oral care business and business in China grew, but we fell short of our overall targets for organic growth in existing businesses and new growth front creation. We see sales volume expansion as a necessary condition for ongoing business development and, accordingly, have renewed our focus on reinforcing sales growth going forward.



Financial Results



Key Indicators

Key Indicators		V-1 Plan		V-2 Plan	LIVE Plan
		2011	2014	2017	2020*1
Profitability	Core operating income*2	¥11.1 B	¥12.4 B	¥27.2 B	¥35.9 B
	EBITDA*3	¥23.1 B	¥22.7 B	¥36.5 B	¥47.6 B
Efficiency	ROE	4.0%	6.2%	12.2%	13.6%
	ROIC	4.7%	4.8%	11.1%	10.7%
Productivity	Core operating income per person*2	¥1.8 M	¥1.9 M	¥3.8 M	¥4.8 M
Investment	Advertising	¥22.1 B	¥24.5 B	¥29.9 B	¥24.9 B
	R&D	¥8.9 B	¥9.4 B	¥10.4 B	¥10.9 B
	Capital expenditures	¥8.3 B	¥13.5 B	¥14.8 B	¥47.5 B

*1 Figures for 2020 are on an IFRS basis. *2 2011-2017: Operating income under J GAAP. *3 2011-2017: Operating income + depreciation and amortization 2020: Core operating income + depreciation and amortization

Working to Make a Difference in More Consumers' Lives by Redesigning Habits

Over the 130 years since its founding, Lion has, time and again, solved problems in daily living and society to propose better habits. In this process of working to make each day the first step toward a brighter future, we have developed a particular approach to looking for ways to improve our businesses and make a difference. This approach leads us to ask, is it enough to provide products so that the consumers we currently serve can maintain their current living habits? Or, do we need to expand our contribution to the formation of better living habits to more consumers across more aspects of daily living? This constantly questioning mindset is what underlies the formulation of the Vision2030 long-term strategic framework and allowed us to determine that we must increase the number of consumers we serve and by doing so achieve sales growth. Finding ways of doing this was the spark for the formulation of Vision2030.

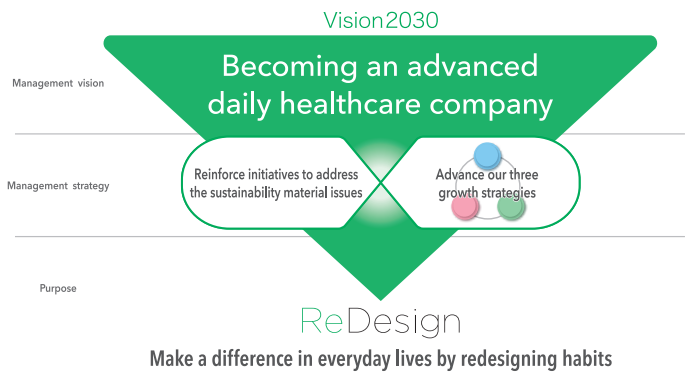
Lion has designated “Make a difference in everyday lives by redesigning habits: ReDesign” as its purpose. Based on this purpose, our management vision is “Becoming an advanced daily healthcare company.” We aim to realize healthy minds and bodies for all by creating new customer experiences to make everyday habits more natural, easy and enjoyable. To this end, we will build a broad business portfolio that encompasses numerous daily points of contact with consumers and bring Lion Group products and services to more consumers in Asia, our main target market going forward. In this way, we will ambitiously work toward scale expansion, aiming to enter the ranks of the top ten companies in terms of sales within the markets where we do business in Asia by 2030.

Vision2030 comprises three main growth strategies. The first is to realize business innovation that goes beyond our conventional business of producing and distributing products (Accelerate growth in four fields of value creation). The second is to transform our business infrastructure, including the digital transformation (DX) needed to implement the first strategy (Transform our business foundations for growth). The third is to transform our people and organizations to take on new, ambitious challenges in order to implement the first strategy (Generate dynamism to realize innovative change).

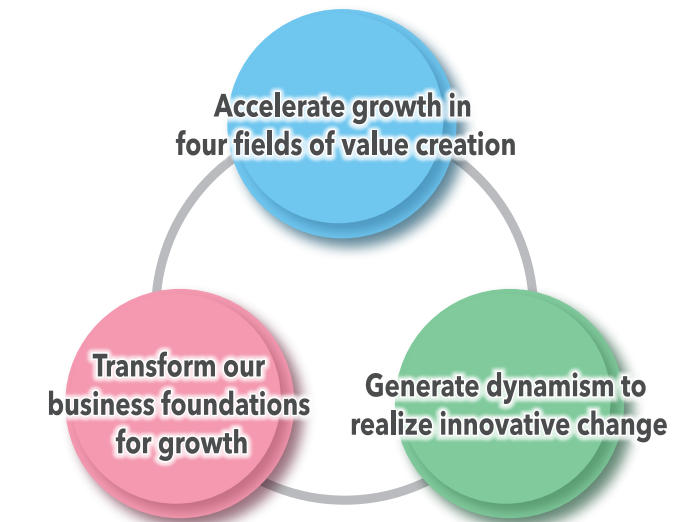
Lion's Strengths and the Challenges Ahead

Being a Japanese manufacturer is our identity. The sincerity we bring to manufacturing and the customer trust we have earned over the past 130 years are our strengths. Lion has a long history of business in Thailand and other areas in Asia, the main focus of the Overseas Business's existing operations and efforts to further expand going forward. We have earned the trust of consumers in these areas. However, we do not yet have the expertise we will need to build new business models, and acquiring it is a major task we face going forward.

Vision2030 Long-Term Strategic Framework



Our Three Growth Strategies



Message from the President

Accelerating Cross-Divisional Growth in Four Fields of Value Creation

Under the first growth strategy of Vision2030, “Accelerate growth in four fields of value creation,” we will strategically advance innovation in four fields of value creation on a Company-wide, cross-divisional basis to create new consumer value. In identifying these four fields, we asked ourselves what fields would be important to realize health as we see it, and how we could expand our businesses while leveraging our existing strengths. Health, as we see it, is based on a healthy state of mind and body for the individual, but also encompasses healthy relationships with others, such as one’s family and community.

Four Fields of Value Creation

In the first field, Oral Health, we aim to evolve and transform our offerings from mere oral care via the provision and use of products to oral healthcare that supports overall health and quality of life (QOL) from the mouth outward. Given the deep connection between the health of the mouth and that of the entire body, as well as the advance of demographic graying in Japan and many other countries, oral health is an area of growing importance.

In the second field, Infection Control, refers to prevention. In response to the COVID-19 pandemic, since 2020 we have been focusing efforts on spreading good hand washing habits through our hand soaps. Going forward, we will provide hygiene solutions across society to contribute to infectious disease prevention broadly. We have an important role to play in creating the conditions for effective infection prevention not only at the levels of the individual

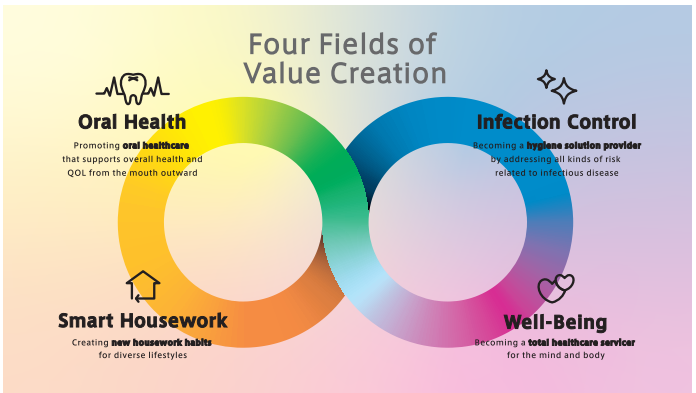
and family, but across society, and thereby helping maintain both physical and mental health.

In the third field, Smart Housework, we aim to create new value by reexamining household chores, such as laundry and cleaning, and shifting focus from the application of individual products to the links between them. Competition in this market is extremely fierce, so we will shift our angle of competition to create value that other companies cannot.

In the last field, Well-Being, we will seek to shift away from our conventional business model, in which our contact with customers extends only to selling supplements and over-the-counter (OTC) drugs, such as antipyretic analgesics, to treat their symptoms at a given moment. Going forward, we will seek to help improve customers’ total health over the long term and thereby boost their internal well-being.

From 2021, we have set up a deliberative framework, called the Field Program, for each of these four fields to advance initiatives that transcend the limits of our existing organizations and divisions. The four fields of value creation were deliberately not conceived to fit into the conventional delineations defining, for example, the Consumer Products business or the Overseas Business. This was because we were conscious that there is a limit to the growth achievable by simply extending and building on existing structures and businesses. By realizing organic coordination and synergy across the Lion Group, we will advance the creation of structures that can formulate and implement cross-divisional strategy, both in Japan and overseas. Furthermore, in addition to working independently, I believe that providing value alongside other companies is a new approach that Lion must explore going forward.

Four Fields of Value Creation



Building More Robust Business Foundations

Under our second strategy, “Transform our business foundations for growth,” we have adopted the themes of “Digital transformation (DX)” and “Reinforce business infrastructure.”

In the area of “Digital transformation (DX)”, we are working toward two targets.

One target is to utilize digital technologies to increase business efficiency. For example, we are further automating factories so that they can be run with almost no manpower.

The other target is to leverage digital technologies to transform our businesses themselves. For example, by analyzing our vast volume of employee dental and health checkup data, we are gaining new insights into the connections between oral care habits and oral conditions. Using AI to analyze such data, we hope to be able to identify and alert individuals with hidden risk factors early, so that they can take up preventive habits. In areas like this, we must make greater use of the potential of digital technologies. By expanding our data platform, we can further enhance the precision of our prognostics and the efficacy of the habits we offer. Building platform-based businesses is therefore an area in which we seek to push forward.



Automated dental rinse bottle supply using robots

Numerous hurdles remain, but I believe our efforts in these areas will increase the quality of the habit proposals we are able to offer consumers.

Under the second theme, “Reinforce business infrastructure,” we will continue growth-oriented initiatives advanced under the LIVE Plan to reinforce production and systems infrastructure, working to build highly flexible and resilient supply chains. As part of such efforts, in July 2021, we will begin full-scale toothpaste production at the Sakaide Factory in Kagawa Prefecture. We will also carefully monitor and confirm the effects of investments in order to enhance the sophistication of Group management.



New toothpaste factory



Message from the President

Creating Organizations Where Each Individual Can Excel

Under the third strategy, “Generate dynamism to realize innovative change,” we are focusing efforts on “Corporate branding,” “Professional fulfillment reforms” and “Diversity & open innovation.” These may seem like three separate issues, but they are closely interlinked.

Corporate branding entails promoting recognition of and support for business implementation based on our purpose, both externally and internally.

Ensuring that employees all understand that the ultimate objective of their work is to implement our purpose and increasing their sense of sharing in said purpose will lead to greater professional fulfillment. Furthermore, to enhance professional fulfillment, employees must have a clear sense that they are growing into more autonomous versions of themselves. To this end, it is crucial to ensure that employees are connected with the right inspiration and opportunities to grow by proactively interacting not only with others within Lion, but a wide range of people outside the Company.

Lion is proactively advancing initiatives in the areas of diversity & open innovation. We hope that by interacting with a more diverse range of people, each of our employees will gain insights into the areas they need to work on as well as their own strengths, helping them to grow.

The adoption of our side job system—in which Lion employees can work side jobs at other companies and employees of other companies can work side jobs at Lion—is a part of these efforts. In 2020, when we sought to fill eight side job positions with external human resources for a project to build new business models, we received more than 1,600 applications. As a result of this project, in February 2021, we launched *Gokinjo Cheftomo*, a service that allows users to take home dinner side dishes prepared at local restaurants. The participation of outside individuals working side jobs at Lion was a tremendously important factor in enabling us to set up this new business so quickly.

Likewise, we expect that working side jobs at other companies will enable Lion employees to quickly obtain experience and insight they would not have access to solely by working at a single company.



Making Habits More Environmentally Friendly

As part of Vision2030, in addition to “Advancing Our Three Growth Strategies,” we have designated “Reinforce Initiatives to Address the Sustainability Material Issues” as a management strategy. In particular, we have identified “Creating Healthy Living Habits” and “Promoting Environmental Initiatives for a Sustainable Planet” as our top-priority materials issues, the areas in which we must contribute to society most.

To realize sustainability for the planet, it will be crucial for society to shift to more environmentally friendly habits. Such a shift ties directly into the implementation of our purpose; and, going forward, creating habits that support not only the physical and mental health of individuals, but also the health of the global environment, will be extremely important.

For example, in Japan, around 90% of liquid toiletry products are available in refill pouches made of thin plastic film. In Europe and the United States, this figure is still around just 10%. The establishment of habits related to effectively using such pouches can significantly reduce plastic use. I call this “pouch culture.”

Pouch culture is just one example of the ways that everyday habits can have a big impact over time. By creating numerous such habits and spreading them across Asia, we hope to contribute to the protection of the global environment. Furthermore, because pouches still use plastic, we will need to develop frameworks and technologies for collecting and reusing them to realize a higher level of recycling. This is something that Lion cannot do alone, so we will expand collaboration both within the industry and across industries.



Lion refill pouch products

To Our Stakeholders

Reaffirming our purpose, “Make a difference in everyday lives by redesigning habits: ReDesign,” over the coming decade, we seek to expand our businesses to connect with and serve more consumers across more aspects of daily living. As we do so, we will strive to be receptive to feedback

and shifts in ideas about what it is that consumers need. We humbly ask for your continued guidance and support as we go forward.

Masazumi Kikukawa
Representative Director,
President and Executive Officer
Chief Operating Officer

Value Creation Model

Lion positions its purpose, “Make a difference in everyday lives by redesigning habits: ReDesign,” at the core of management. To achieve the management vision, “Becoming an advanced daily healthcare company,” we are leveraging the strength of our capital to synergistically reinforce initiatives to address the sustainability material issues and advance growth strategies under the Vision2030 long-term strategic framework. We will accelerate

growth, primarily in four fields of value creation. By providing products and services unique to Lion that help redesign habits, we aim to generate social and economic value and invest in future growth, creating a cycle that will increase corporate value over the medium to long term.

Purpose = Make a difference in everyday lives by redesigning habits: Redesign

