Consumer Products Business

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

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

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

Result of Activities in FY2018

Percentage of Consolidated Net Sales

<table>
<thead>
<tr>
<th>Net Sales* (External Sales) (Billions of yen)</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
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</thead>
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<tr>
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<td>220.0</td>
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FY2018, Lion began applying International Financial Reporting Standards (IFRS). Values before this have been recalculated to conform to IFRS.

Review of 2018

During the first year of the LIVE Plan, the Consumer Products Business (domestic business) focused on creating high-value-added products and on improving the product mix. We introduced new toothpastes, toothbrushes, dental rinses, body soaps, laundry detergents, fabric softeners, eye drops, and other new products, and pursued growth through aggressive marketing strategies. In Living Care Products, our launch of LOOK Plus Bath Cleansing as a new product that offers new lifestyle habits received a positive response. Meanwhile, under the influence of an increasingly competitive environment for liquid detergents, overall net sales in the Consumer Products Business fell 4.0% compared to the previous year and external sales increased 0.1%.

Consumer Products Business Related Market Environment and Consumption

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

Likewise, in the Consumer Products market, as a result of each person having less disposable time, the amount of time and effort consumers spend on making purchasing decisions is falling. In this operating environment, Lion must now acquire a deeper understanding of its customer’s lifestyle to ensure our products bring about a positive impact on them. Further, it has become ever more important for the Company to implement more easily understandable brand communication in every realm, from the point-of-sale in retail stores to digital.

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

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

Towards Realizing the LIVE Plan

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

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

In Oral Care, from all directions Lion conveys the best prod-
uct solutions and the benefits brought about by these for
consumers in every stage of life, starting from before their
first birthday. Lion believes that raising the oral care con-
sciousness of Japanese consumers and making proper
care habitual will improve the QOL of all generations.
Lion creates new lifestyle habits for our customers through
the know-how we have acquired from our many years of
oral care educational activities and through our deep net-
work within the dentistry world. For example, we have
expanded the practice of preventive dentistry domestically
through continued communications since 2014. Spreading
these preventive dentistry practices has both expanded the
market and connected to a higher QOL among the popula-
tion.
Lion will continue to provide outstanding products, commu-
nication, and point-of-sale activities as a means of creating
an excellent oral care experience among our customers
and of continuing to drive market expansion.

Expanding Our Presence in Fabric Care Products

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

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

Expanding the Pharmaceutical (OTC) Business

The OTC Business contributes to a higher QOL among
consumers through the continued creation and delivery of
new value. At the same time, by pioneering new markets as
a leader in promoting self-medication, Lion is undertaking
the challenge of establishing its presence in logistics and
maintaining a balance with the shift to highly profitable busi-
nesses.
In aiming for further growth in the OTC Business, Lion fore-
sees the greater occurrence of diseases related to mac-
ro-trends, including higher stress levels, the social
advancement of women, more allergies, aging, and the
spread of digital devices. We therefore prioritize the
enhancement of these areas and continue to undertake
these challenges.
More recently, a personalized use of OTC pharmaceuticals
is increasing, and therefore a shift from family-use to phar-
maceuticals suited to individual needs is continuing. Lion
will capture these needs and enhance our digital-based
marketing in the future.

Creating a New Customer Experience Through the Use of Technology

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

NONIO MIRROR

As an oral care brand to fight bad breath, NONIO launched the
NONIO MIRROR mobile phone app. This app checks for the risk
of bad breath and supports smiles as a means of assisting com-
munication among consumers. This app goes beyond simply evaluating the user’s smile. Instead, it assists smiling-based communica-
tion between peers by checking and ranking smiles of those in group photographs. Furthermore, by simply using your smartphone
to take a photograph of your tongue, the app enables users to evaluate their risk of bad
breath, which is difficult for individuals to recog-
nize on their own and is thus a source of uncer-
tainty. Moreover, the app also gives advice on how to reduce
bad breath using our oral care brand NONIO.

Our Purpose: “ReDesign the Lifestyle Habits of Our Customers”

Our purpose is, without question, to change everyday rituals to become more natural, easy, and enjoyable. This is the concept
that is expressed by “ReDesign” as the keyword raised in the LIVE Plan.
By instilling this concept of “ReDesign” into each one of our brands, we enhance the support (engagement) for our brands.

Promoting CSV (Creating Shared Value)

Since our founding, Lion has been continuously involved in solving social issues that change with the times under its spirit of
“Benefiting Society through Business Activities.”
Even today, this spirit continues to serve as Lion’s DNA as we promote CSV in creating value for both society and business.

Promoting a Toothbrush Recycling Program

Since 2015, in collaboration with TerraCycle Japan, Lion has promoted a program established to collect and recycle used tooth-
brushes. Through this program, Lion encourages consumers to replace toothbrushes at a rate that we consider appropriate in order
to maintain a healthy mouth (once a month), thereby providing a location for recycling activities in which our customers can freely part
icipate.
**Overseas Business**

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

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

- **Malaysia**
  - Laundry detergents
  - Share No.1

- **Singapore**
  - Laundry detergents and dishwashing detergents
  - Share No.1

- **Indonesia**
  - Dishwashing detergents
  - Share No.2

**Net Sales for 2018 (Consolidated)**

¥94.7 billion

(External Sales)

- **South Korea**
  - Hand soaps
  - Share No.1

- **China**
  - Toothbrushes (e-commerce)
  - Share No.1

- **Taiwan**

- **Hong Kong**

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

Market share information above is based on surveys by Lion.
In aiming to "become an advanced daily healthcare company" in Asia, Lion has been expanding business in Northeast and Southeast Asia.

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

Enhancing Personal Care

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

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

Preventive Dentistry

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

The key to preventive dentistry activities is for dental experts, logistics, and Lion to act in unison. Through every contact point between these three and consumers, we communicate the same, consistent message and information related to preventive dentistry, and continuously deliver products ideally suited to putting preventive dentistry into practice in the home. In this way, Lion strives to raise the quality of life and value for as many people around the world as possible, and to convert these consumers into fans of Lion Brands.
Lion is not simply concerned with delivering high quality products. Rather, our aim is to be a company that helps instill healthy habits, contributes to extending healthy life expectations, and provides value to society through the delivery of health care solutions that suit our customers as we continue to grow.

Preventive Dentistry Educational Activities

Realizing Regional Optimization

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

The strategy designed to realize this capability is the evolution to "regional optimization," whereby business management straddles the boundaries of countries to cover the larger areas of Northeast Asia and Southeast Asia. From 2019, Lion will boost the number of Lion resident officers that promote this kind of regional deployment. And will work to accelerate and increase the efficiency of overseas businesses, while at the same time strengthening quality. Even when the content of a product commonly found in different countries is the same, the product must still be designed with tailored fragrances, packages, and sizes in order to suit the needs and preferences of each country. Therefore, it is important to expand concepts globally while putting on locally-tailored final touches. This is the very definition of what we call "Glocalization". While taking a bird's-eye view of the overall global market, we analyze and comprehend the trends, characteristics, and features of each country in order to enable regional product development. By raising our sensitivity to these differences, we will acquire various types of primary information while furthering the best approaches to business expansion in each country.

Expanding the China Business

The "Made in Japan" product market, continues to see growing sales in both the inbound and outbound market sectors especially in the Northeast Asia region. Lion believes that the demand for "Made in Japan" products will continue to grow into the future, and therefore, is launching new initiatives aimed at expanding business in China as one of the countries targeted for priority expansion. The sales routes by which Japanese products reach Chinese consumers comprise inbound routes, through which products are sold domestically while travelers are visiting Japan, and outbound routes based within China. Although there are many outbound routes, including cross-border e-commerce (EC), domestic EC in China, and in-store sales, these EC holds the greatest importance, and capturing this market is the key to expanding sales. Therefore, in Japan, Lion merged the business promotion functions delivered through cross-border EC and local domestic EC related to Japanese products, which had previously been independently managed by domestic business divisions and the International Division. Moreover, Lion is advancing more effective expansion by centralizing our product/channel strategies, promotional measures, sales management, and business analysis capabilities throughout the Lion Group, and through ties between channels, including directly targeting promotional activities for inbound Chinese travelers in Japan, customer service, enhancing initiatives with cross-border and domestic EC platform providers, and developing new domestic retail outlets in China. The demand for Japanese products is also extremely high in regions elsewhere in Northeast Asia, where the quality of Lion’s products, in particular, are held in high regard. Going forward, Lion will continue to utilize these advantages as a Japanese company and drive business forward in aims of attaining a company position that is deeply embedded in lifestyles in countries throughout Asia.

Preventive Dentistry Activities in Thailand

Phrae Province located in the northern part of Thailand is a region within Thailand that has an aging population. Since 2016, Lion Corporation (Thailand) has cooperated with health centers in Phrae Province in undertaking activities to improve issues with swallowing, chewing, and dry mouth among the elderly, and to improve quality of life. Dentists hold regular lectures for local communities that are home to the elderly and help residents practice the Kenkobi (Healthy and Beautiful Gum and Mouth) exercises recommended by Lion. These Kenkobi exercises are designed to help individuals recognize any drop in oral function early on and thereby maintain and improve levels of oral health. Positive results among many participants have been observed since the start of these activities, and issues with swallowing and dry mouth are improving.

Activities in Cooperation with Community Health Centers

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Preventive Dentistry Activities in Malaysia

Activities in Cooperation with Dental Experts

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

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

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Industrial Products Business

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

Lion Specialty Chemicals Co., Ltd.
President
Osamu Yoshitake

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

Lion Hygiene Co., Ltd.
President
Yoshihiro Fushita

Result of Activities in FY2018

Net Sales* (External Sales) (Billions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales</th>
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</thead>
<tbody>
<tr>
<td>36</td>
<td>32.6</td>
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<tr>
<td>34</td>
<td>34.0</td>
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*From 2018, Lion began applying International Financial Reporting Standards (IFRS). Values before this have been recalculated to conform to IFRS.

Review of 2018

Lion’s Industrial Products Business is composed of two broad segments, namely Chemical Products and Detergents for Institutional Use Products. In Chemical Products, we achieved positive results in the Automotive and Electrical and Electronics fields, including carbon for automotive parts and electro-conductive com-

Chemical Products Field Growth Strategies

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

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

Primary Products by Segment

- Automotive
  - Additive agent
  - Rubber processing agent
  - Electro-conductive composite
- Lifestyle Related Industry
  - Doduburo processing agent
  - Adhesive agent
- Energy, Environmental & Infrastructure
  - Chemicals for civil engineering and construction

Detergents for Institutional Use Products Field Growth Strategies

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

Specifically, in the food processing plant category, Lion Hygiene has been involved with its dishwashing detergents, and employees.

*1 Taking the customer’s point of view, perform optimal solutions by delivering new value that provides greater satisfaction through advances in new technology and business development that play one step ahead. This will also result in high customer satisfaction and quality in the food manufacturing process from raw materials to final products.
Lion established the Innovation Lab in January 2018 as a new initiative. Members freely exchange ideas unconstrained by existing boundaries, collaborate with outside agencies, and work to create new products and experiences to achieve advanced health care.

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

VISION
• At Lion Innovation Lab, we change, surprise, and put smiles on people’s faces.
  To do this:
  • We achieve success by embracing failures as learning opportunities, thinking with a focus on consumers, and connecting people, professions, and companies.
  • We create advanced health care solutions.
With this vision as our guideline, we continue to strive each day.

Creating Innovation

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

Creating New Businesses with Design Thinking and Open Innovation
The Innovation Lab values the “design thinking” process in the creation of new businesses. We work closely with the customer to find insights (latent needs), and implement a repeated process of prototyping and testing of solutions, and feedback. We also utilize open innovation to create new ideas. To create new businesses we actively pursue collaboration with outside parties that have technologies not available to Lion, greatly increasing the speed of commercialization.

Examples of Early Successes

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

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

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

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

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

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

Daisuke Uno
Lion Corporation Research and Development Headquarters
Innovation Lab Director

Innovation Lab’s Mission

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