

## Message from the President

**As we work toward the management vision, we will focus on sensitivity, decision making and business implementation to transform Lion to be able to act with greater speed.**

Under the management vision of “Becoming an advanced daily healthcare company,” the Lion Group seeks to contribute to realizing healthy minds and bodies for all. Living habits like tooth brushing and doing laundry help people maintain physical health and are an important part of making every day bright and enjoyable. Through the “ReDesign” of these habits to be more fun and effective in maintaining health, we aim to become a provider of living habits, offering the value of healthy minds and bodies for all. To achieve ongoing business growth, we aim to firmly establish Lion as a company born in Japan and raised in Asia. We will perfect products and services in Japan, which is at the forefront of demographic graying, then roll out them out in other Asian countries where graying is picking up speed. As the business environment changes faster than ever before, the Lion Group will implement reforms from the perspectives of sensitivity, decision making and business implementation to transform itself to be able to act with greater speed and achieve the management vision. In short, we aim to reach new levels of sensitivity, detecting risks and opportunities before others, make decisions quickly in response and swiftly move forward with business implementation when the time is right. By doing so, we will win out over the competition and achieve the Lion Group’s vision in and outside Japan.



**Masazumi Kikukawa**

Representative Director,  
President and Executive Officer  
Chief Operating Officer



## Message from the President

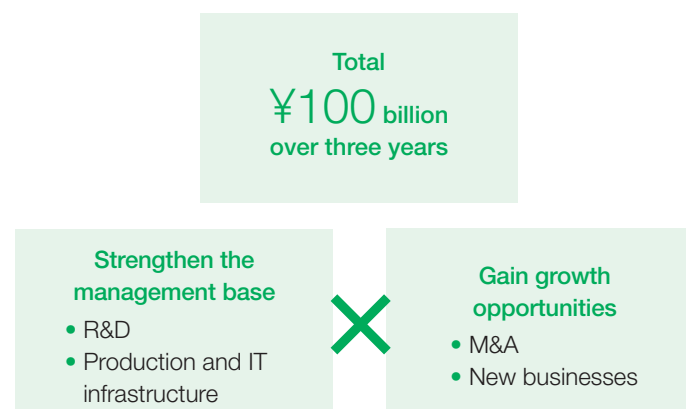
### Medium-Term Management Plan: The LIVE Plan

Aiming to achieve the management vision, we are implementing a medium-term management plan, the LION Value Evolution Plan (LIVE Plan), over the three-year period of 2018 to 2020.



### Investment Strategy

Under the LIVE plan, Lion plans to invest a total of ¥100 billion over a three-year period. Funds will be allocated to further strengthen the management foundation and gain new growth opportunities, including considerable increases in investment in such areas as R&D and production and IT infrastructure. In addition, both in Japan and overseas, we will designate funds for acquiring external resources and exploring new businesses through M&A.



### Basic Strategies of the LIVE Plan

#### 1. Expand and Evolve Our Business Domains through New Value Creation

Creating new combinations of various technologies and services, we will create new business value that realizes “healthy minds and bodies for all.”

- **Oral-to-Body Solution:**  
We aim for expansion and evolution that will create an “oral health care business” in which oral care contributes to whole-body health care.
- **Daily Self-Care Enhancement:**  
We will work toward evolution aimed at creating a health care business that will, in turn, “ReDesign” daily living to create healthful habits that help enhance QOL.
- **Infotech Health Support:**  
We will create new health care business models that leverage cutting-edge technologies, such as IoT and AI.

#### 2. Accelerate Growth in Overseas Businesses through Glocalization

Focusing on growing markets in Asia, we will integrate globalization and localization approaches to create unique competitive advantages and thereby expand the scale of our businesses and the areas in which we operate.

- We will evolve Group management by reinforcing regional management.
- We will aim for business area expansion based on e-commerce channels and M&A.

#### 3. Reinforce Our Management Base through Business Structure Reform

By improving management infrastructure and revising the business portfolio to stay ahead of changes in the environment, we will reinforce our management base to enable sustainable business growth.

- We will reinforce investment in the flexible, efficient manufacturing infrastructure that will drive business growth.
- We will build more advanced and sustainable supply chains.
- We will reinforce information system foundations to promote more-sophisticated Group management.
- We will advance revisions of business fields and the Group structure to improve the efficiency of management resources and business activities.

#### 4. Create Dynamism to Foster Innovative Change

We aim to foster corporate strength that will win out over global competition by promoting diversity and openness in our human resources, organizations and corporate culture.

- We will create human dynamism by utilizing diverse human resources.
- We will create organizational dynamism that fosters ambition and creativity through open innovation.
- We will create management dynamism through environmental, social and governance (ESG) initiatives and the reinforcement of health and productivity management.



Message from the President

### Review of the LIVE Plan Medium-Term Management Plan in 2019

The Four Basic Strategies of the LIVE Plan

1

Expand and Evolve Our Business Domains through New Value Creation

2

Accelerate Growth in Overseas Businesses through Glocalization

3

Reinforce Our Management Base through Business Structure Reform

4

Create Dynamism to Foster Innovative Change

Consolidated results for fiscal 2019 were as follows. Net sales edged down 0.5% year on year to ¥347.5 billion. Core operating income came to ¥30.0 billion, up ¥1.6 billion, or 5.9%, compared with the previous fiscal year, and the ratio of core operating income to net sales came to 8.6%, up 0.5 of a percentage point.

The Lion Group advanced measures based on the four basic strategies of its medium-term management plan, the LION Value Evolution Plan (LIVE Plan), while pursuing future-oriented growth initiatives in and outside Japan. I would like to review these initiatives below.

\* Core operating income is an earnings indicator the Company uses to measure regular business performance and is calculated by subtracting selling, general and administrative expenses from gross profit.

1 Expand and Evolve Our Business Domains through New Value Creation

Devising new combinations of various technologies and services, we are creating new business value that realizes “healthy minds and bodies for all.”

Continued Growth in High-Value-Added Products

“Expand and Evolve Our Business Domains through New Value Creation” refers not only to the creation of new businesses, but to the provision of new products and services that “ReDesign” everyday rituals in existing businesses to realize continued growth. In the mature Japanese market, taking this approach to introduce high-value-added products and thereby raise unit prices will be crucial.

In Oral Care Products, we have advanced a comprehensive strategy as a market leader, introducing high-value-added products in all of our key categories, including cavity prevention,

gum disease prevention, and bad-breath care. By doing so, we have achieved growth that outpaced the market and helped expand the overall market. In Living Care Products, new *LOOK Plus Bath Cleansing bath detergent* has offered a new kind of living habit by reducing the burden of bath cleaning, generating strong sales and driving growth in the market as a whole. In Fabric Care Products, where competition is especially fierce, we have focused our efforts on the fabric softener and super-concentrated liquid laundry detergent markets, which offer high profit margins, and have maintained growth on par with the market.

New Business Creation

To create new businesses that utilize cutting-edge technologies, we are working to speed up new commercialization. We are proactively advancing development via open innovation and commercialization via crowdfunding. For example, we used crowdfunding to bring to market the *Possi* kids toothbrush,\* a kids’ toothbrush for adult-assisted brushing that we co-developed with partners in other industries.

In addition, through NOIL,\* an internal recruitment program that encourages all employees to contribute new business proposals, we have gathered many highly original ideas that go beyond the boundaries of existing businesses. We are now beginning a full-fledged review of the commercial viability of ideas that we think have real future potential.

\* Please see page 54 for more information about *Possi* and page 50 for more information about NOIL.

2 Accelerate Growth in Overseas Businesses through Glocalization

Focusing on growing markets in Asia, we are integrating globalization and localization approaches to create unique competitive advantages and thereby expand the scale of our business and the areas in which we operate.

Accelerating Business Growth in China

Going forward, China, like Japan, is expected to see demographic graying, leading to expansion of the healthcare market. At the same time, Japanese brands boast a great deal of trust in China, presenting an opportunity for business development leveraging Lion’s advantages. Accordingly, we have made reinforcing business in China a priority.

In 2019, in Oral Care Products, sales of locally produced *SYSTEMA Toothpastes* were favorable, and sales of products imported from Japan, such as *CLINICA Toothpaste* and *White&White Toothpaste*, grew significantly year-on-year. In Fabric Care Products, sales of Japanese-made *Kaori Tsuzuku (Long-Lasting Fragrance) Top* more than doubled.

Furthermore, mainly through the Cross-Border Business Promotion Department established in 2019, we cultivated new sales channels and began sales of pharmaceutical (OTC) products via cross-border e-commerce in an effort to expand sales of products imported from Japan. While sales growth in China has been firm, I feel that there is still significant room for further growth.

Revising the Business Portfolio in Southeast Asia

In the key countries of Thailand and Malaysia, laundry detergents, which account for a large portion of total sales, saw increased cost competition. We advanced profit-focused management to avoid entering into excessive price competition and succeeded in steadily increasing profitability.

In Southeast Asia, over the medium to long term we aim to spread out the business portfolio, which is concentrated primarily on laundry detergents. We have focused on cultivating sales of personal care products, such as oral care products and hand soaps, and their share of total sales has gradually risen. Going forward, we will aggressively introduce new personal care products, and, by increasing their presence in the product mix, we aim to enhance profitability. Furthermore, to promote the establishment of good oral care habits, we will continue to expand preventive dentistry educational activities in cooperation with governments, health experts and retailers to realize greater health for the people of Southeast Asia alongside business growth.





## Message from the President

### 3 Reinforce Our Management Base through Business Structure Reform

By improving the management infrastructure and revising the business portfolio to stay ahead of changes in the environment, we are reinforcing our management base to enable sustainable business growth.

#### Stepping up Investment in Growth

As part of the LIVE Plan, we planned to invest ¥100.0 billion over the three-year period that began in 2018, and we have been advancing aggressive capital expenditure aimed at entering a new growth stage.

To expand and evolve our oral care product production capacity, we kicked off operations at a new dental rinse factory at the Akashi Plant (Akashi, Hyogo Prefecture) in 2019 and began construction of a new toothpaste factory at the Sakaide Plant (Kagawa Prefecture) to be completed in 2021. By working with a packaging manufacturer

at the new factory, we will realize highly integrated production, from tube manufacturing to toothpaste production, filling and boxing, the first such system in Japan. These capacity enhancements will help our production system meet demand in and outside Japan.

Furthermore, mainly through the BPR Department (BPR: business process re-engineering) launched in 2018, we are working to fundamentally reform operational processes in step with the adoption of new core systems beginning in 2021 to improve efficiency.

### 4 Create Dynamism to Foster Innovative Change

We aim to foster corporate strength that will win out over global competition by promoting diversity and openness in our human resources, organizations and corporate culture.



#### Lion Professional Fulfillment Reforms

In July 2019, we published the Lion Professional Fulfillment Reform Declaration. Factors contributing to improved job satisfaction vary by workplace and individual. By creating a diverse array of options that enable employees to make maximum use of their wide-ranging abilities, we are working to create environments that allow employees to more proactively and fully express themselves.

#### Building Communication between Management and Front-Line Employees

I have been holding gatherings with divisions and departments to foster understanding of and support for Lion's purpose and vision. By deepening dialogue and personal relations with front-line employees, we are working to ensure that all employees share this understanding.

Furthermore, we held discussion-based “town meetings” in which members of top management discussed various matters with front-line employees. By building two-way communication between management and employees, we are working to deepen understanding of Lion's aims and measures to transform into an entity able to act with greater speed.



Town meeting in September 2019

### Key Measures in 2020

We began 2020, the final year of the LIVE Plan, by making targeted investments in reinforcing the growth base. Since then, however, the spread of the novel coronavirus has impacted living habits and corporate activities, and the outlook going forward has become more uncertain. In 2020, we forecast net sales of ¥355.0 billion, up 2.2% year on year, core operating income of ¥30.5 billion, up 1.5%, operating profit of ¥39.5 billion, up 32.4%, and profit for the period attributable to owners of parent of ¥27.0 billion, up 31.3%.\*

\* Forecasts as of February 28, 2020. These forecasts do not account for the impact of the novel coronavirus.

#### Domestic Business

The population in the domestic market is declining. To maintain sustainable growth, we will therefore continue initiatives aimed at creating markets and shifting to high-value-added products and services. In particular, we will reinforce three key measures: 1. Continue growth in Oral Care Products, 2. Expand presence in pharmaceuticals and 3. Capture demand from visitors to Japan (including cross-border e-commerce in China).

In Oral Care Products, we will continue to shift toward higher-added-value products in key categories (cavity prevention, gum disease prevention and bad-breath care). At the same time, in coordination with the release of the new product *MIGACOT* we will implement measures aimed at promoting the formation of after-lunch tooth brushing habits in offices to create new opportunities in oral care.

In Pharmaceutical Products, we are focusing on growing dermatologic agents, for which there is a large market, into a third pillar to join antipyretic analgesics and eye drops. By introducing new products under unified brands, we will increase value provided to consumers and expand our presence.

Although demand from international visitors to Japan is down due to the novel coronavirus, we are looking to reinforce future sales by implementing such measures as using mobile marketing to reach customers from before their visit until after they return home in addition to expanding promotional products for visitors.

#### Overseas Business

The keys to expanding the overseas business are growth in Southeast Asia and penetrating the Chinese market.

To accelerate business growth in China, we will leverage the strong sense of trust and reliability that Japanese brands have to expand sales channels for products made in Japan and thereby continuously reinforce brand development. We are accelerating our strategy of capturing demand from Chinese visitors to Japan in

order to promote future sales of products manufactured in China. Specifically, we are reinforcing efforts to approach Chinese consumers through diverse sales channels, developing brands through marketing that combines know-how from our businesses in Japan with local strengths and implementing initiatives in collaboration with dentists and other health experts to spread preventive dentistry. Through these and other efforts, we are working to foster brand loyalty.

To improve growth in Southeast Asia, as healthcare needs and interest in high-value-added products increase in step with the growth of the middle-income population, we aim to expand business in the Personal Care field, including Oral Care and Beauty Care, to speed up growth in terms of both sales and profit. At the same time, in the Home Care field—including laundry detergents, which account for a significant portion of sales—we will reduce costs and further advance research into consumer behavior, preferences and regional characteristics through regional management. By doing so, we will create new habits and shift toward higher-added-value products and services.

#### Handling Risk

Recently, unanticipated risks to our businesses have emerged. These include geopolitical risks and the impact of the novel coronavirus. Under these circumstances, we are working to quickly and accurately make decisions and take action to ensure the safety of our employees and fulfill our supply responsibility as a manufacturer in order to maintain business continuity and achieve the targets of our business plans.

#### Investing in Future Growth

We are making investments in future growth, such as expanding our oral care product production capacity and updating our core systems. As we go forward, we will rally the full strength of the Lion Group to achieve the management vision of “Becoming an advanced daily healthcare company.”

## Financial and ESG Highlights

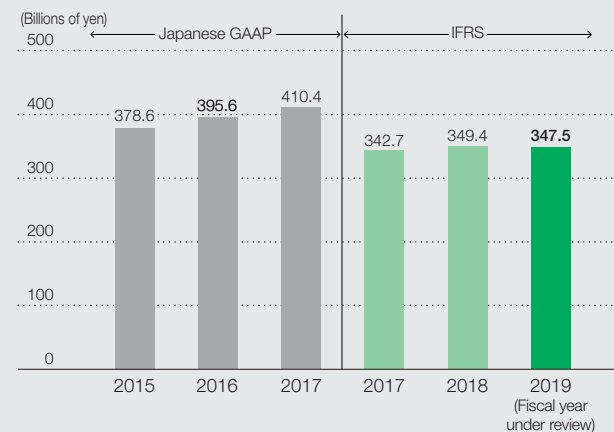
### Financial Highlights

#### Net Sales

**¥347.5** billion

Year-on-year decrease of 0.5%.

#### Net Sales



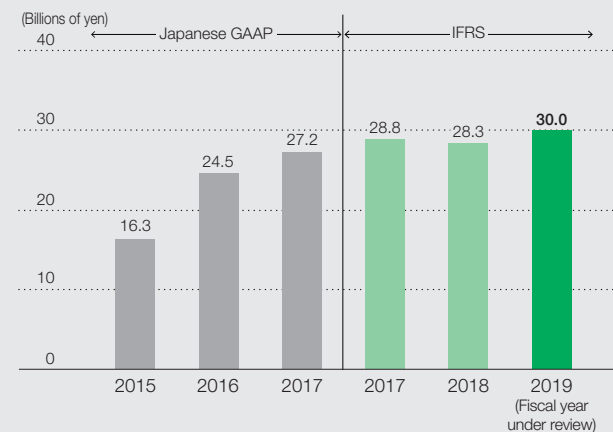
#### Core Operating Income

**¥30.0** billion

Year-on-year increase of 5.9%.

#### Operating Profit

#### Core Operating Income\*



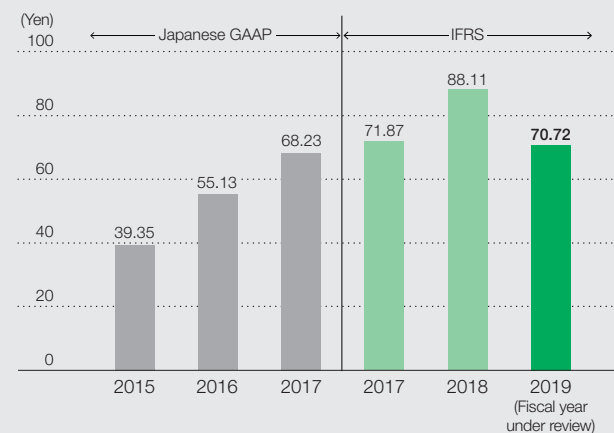
\* Core operating income is an earning indicator the Company uses to measure regular business performance and is calculated by subtracting selling, general and administrative expenses from gross profit.

#### Basic Earnings per Share

**¥70.72**

Year-on-year decrease of 19.7%.

#### Basic Earnings per Share



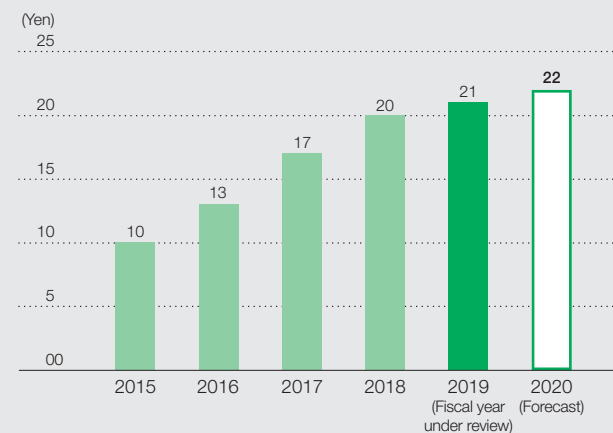
\* Listed as Earnings per Share under Japanese GAAP.

#### Cash Dividends Paid per Share

**¥21**

Fourth consecutive fiscal year of dividend growth. Annual dividend projected to increase again in 2020 to ¥22 per share.

#### Cash Dividends per Share



### ESG Highlights

#### Environment

2020  
Sustainability  
Material Issue 1

Reduction of Greenhouse Gas  
Emissions from Business Activities\*

**-52%**

\* Compared to 1990 levels; absolute quantity; business locations in Japan

SDGs:

Lion is implementing energy-saving activities throughout the entire Company, including production, administration, sales and R&D divisions in order to realize a low carbon society, as set forth in Eco Vision 2020.



#### Environment

2020  
Sustainability  
Material Issue 1

Reduction of Water Use in  
Business Activities\*

**-53%**

\* Compared to 2000 levels; absolute quantity; business locations in Japan

SDGs:

In addition to the full-scale operation of facilities to recycle wastewater at the Chiba Plant, where the volume of water used is the largest of any of the Company's domestic production facilities, Lion is implementing water-saving activities at each of its operating sites in order to realize a society with a sound material cycle, as set forth in Eco Vision 2020.



#### Human Resources

2020  
Sustainability  
Material Issue 3

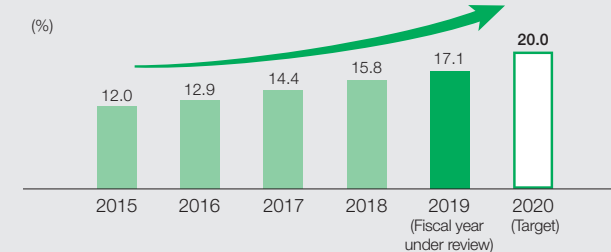
Proportion of  
Female Employees at the Management Level

**17.1%**

SDGs:

With the aim of expanding creative business activities by utilizing diverse human resources, Lion is actively working to create a corporate culture where women can participate fully and advance professionally.

#### Proportion of Female Employees at the Management Level



#### Health

2020  
Sustainability  
Material Issue 10

Oral Healthcare  
Educational Activity  
Participants in the Oral Health Event of  
Tooth Brushing for Children

**Approx. 1.69** million

(cumulative, from 1932 to 2019)

SDGs:

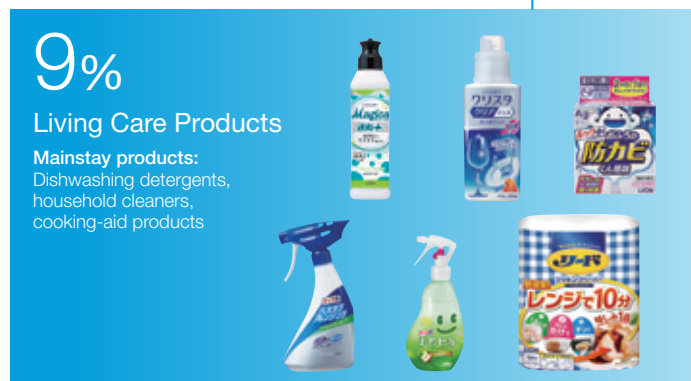
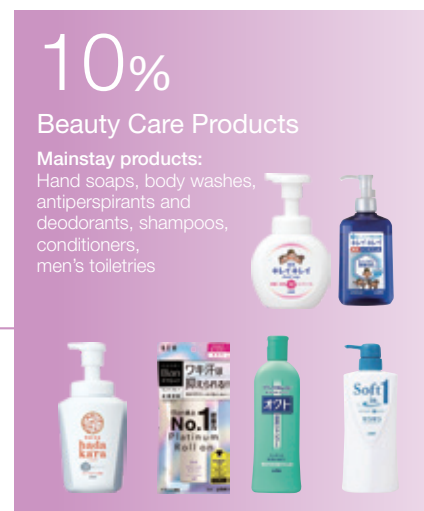
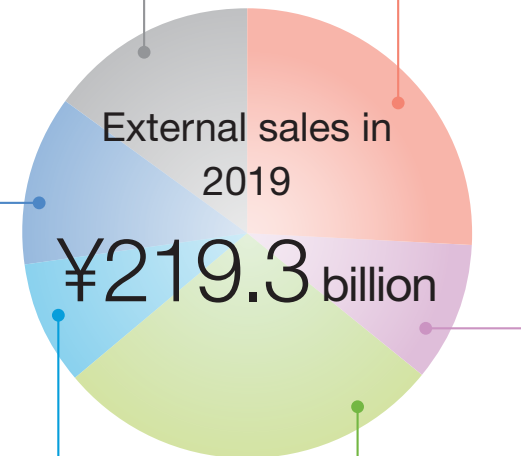
With the aim of creating healthy living habits, Lion has held this event to teach elementary school students correct tooth brushing habits 76 times.



\* Effective from the fiscal year ended December 31, 2018, the Lion Group has voluntarily adopted International Financial Reporting Standards (IFRS).

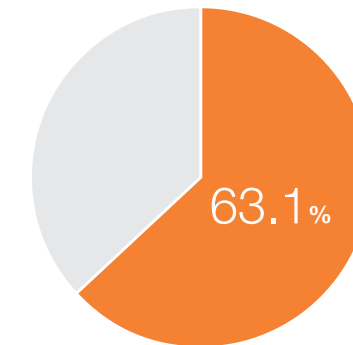


## Consumer Products Business

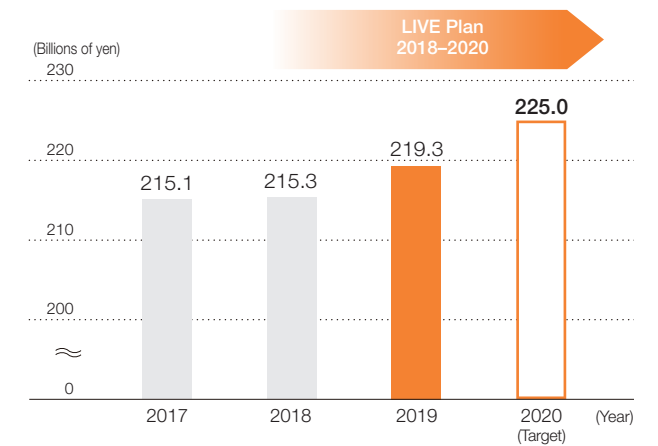


## 2019 Results

Percentage of Consolidated External Sales



External Sales\*



\* From 2018, Lion began applying International Financial Reporting Standards (IFRS). Values predating this have been recalculated to conform to IFRS.

## Review of 2019

In the Consumer Products Business, we introduced high-value-added products in all the key product categories in the oral care field (cavity prevention, gum disease prevention and bad-breath care), resulting in continued strong growth. In beauty care and living care products, the launch of new products and high-value-added products contributed to growth. In fabric care, although competition in laundry detergents intensified near the end of the year, sales of fabric softeners were strong in the second half and

overall sales increased year on year. However, in pharmaceutical products, while sales in the core categories of antipyretic analgesics and eye drops were up year on year, the impact of the transfer of the insecticide business and the fall in demand from visitors to Japan led to a decrease in sales. As a result, overall external net sales in the Consumer Products Business increased 1.9% year on year, and segment profit increased 10.1%.

## Market Environment

Despite growing concerns about the continuity of social activity due to natural disasters and viruses, the market for daily commodity consumer products has largely been stable. However, the accelerating pace of daily life and growth in the volume of information available due to digitization are significantly impacting customer purchasing behavior and product selection criteria.

Specifically, consumers are separating into two groups: those who wish to spend little time and effort on product selection and those who actively seek out products that best meet their preferences. This polarization is giving rise to intense competition among manufacturers.

## Business Strategy

In this environment, by offering new ideas that ensure our products have a greater positive impact on customers' lives, rather than merely trying to expand our slice of finite, existing markets but eating into competitor's market shares, we are looking to create new demand and drive market growth.

The high-value-added products resulting from this new value creation are developed with care and speed, publicized through various digital and other media, and purchased by customers at retail outlets. The Lion products that customers prefer today are developed and sold based on this approach. By continuing these efforts, we will contribute to stable market growth as well as the growth of Lion.



## Consumer Products Business

### Initiatives in Oral Care

As Japan's leading manufacturer in oral care, Lion seeks to provide comprehensive solutions and benefits via optimal products for all consumer life stages. By implementing such initiatives over the years under our *CLINICA*, *SYSTEMA*, *NONIO* and *Dent Health* brands, we have forcefully driven domestic market growth. For example, since 2014, through the *CLINICA* brand, we have been promoting the practice of preventive dentistry involving regular professional care\* alongside self-care. Through ongoing communication about preventive dentistry, we have helped

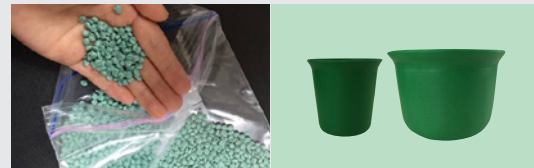
consumers build new living habits and increase oral care awareness. These efforts have also increased customer spending, helping to expand the market. In terms of environmental awareness, we are implementing an initiative to collect used toothbrushes and recycle them into new plastic products. Through this initiative, Lion is helping to maintain and improve consumer health via the practice of its recommended toothbrush replacement cycle while expanding the toothbrush market.

\* Regular checkups at dental clinics, etc.

#### Focus Toothbrush Recycling Program

Lion has been implementing a program to collect and recycle used toothbrushes in collaboration with TerraCycle Japan since 2015.

Through this program, Lion is promoting what it believes is a proper toothbrush replacement cycle (monthly) to maintain oral health and offering consumers an opportunity to take part in recycling efforts.



Pellets (left) and molded flower pots (right) made from recycled plastic



Toothbrush Recycling Program (Japanese)  
<https://www.lion.co.jp/ja/csr/toothbrush-recycling/>

#### Resulting Business Value

Increase in toothbrush sales  
 Increase in Lion's presence

#### Resulting Social Value

Maintaining and improving health through a proper toothbrush replacement cycle (monthly)  
 Increase in society's environmental awareness

### Initiatives in Beauty Care

In the beauty care field, Lion focuses its efforts primarily on *KireiKirei* hand soaps, *hadakara* body washes and *Ban* antiperspirants and deodorants. In particular, *KireiKirei* was launched in 1997 following a series of large-scale outbreaks of *E. coli* in 1996 that led to incidents of group infection through food poisoning becoming recognized as a social problem in Japan. With this brand, Lion introduced the unique proposition that hand washing with an antibacterial hand soap can be fun in a market where the emphasis was on fear-based germ-centric product appeal. Lion also focused efforts on spreading hand washing habits in schools and homes, helping increase hand soap usage. Today, *KireiKirei* is well established in the market as a hand hygiene brand. Initiatives to popularize hand washing have been carried out not only in Japan but overseas, with the aim of increasing awareness of cleanliness and hygiene.

In 2020, with the global novel coronavirus pandemic, the importance of hand washing as a preventive measure is receiving renewed attention. Under the *KireiKirei* brand, the leading hand soap brand in the Japanese market, we will do our utmost to promote hand washing habits. At the same time, we will expand the scope of *KireiKirei* as a brand that safeguards family health to other hygiene-related products to meet current needs, such as antibacterial wet wipes, medicated hand gels and gargles, and thereby expand hygienic habits.



Activities at a nursery school



Educational activities implemented in partnership with the government



Initiatives to Popularize Hand Washing Habits (Japanese)  
<https://www.lion.co.jp/ja/csr/community/washing/>

### Initiatives in Fabric Care and Living Care

Amid our busy modern lives, we increasingly want to minimize the time and energy spent on everyday household tasks like laundry, cooking and cleaning. By exploring such consumer needs and using its findings to create and provide products with added value, Lion is helping to relieve consumer stress related to household tasks while increasing product unit prices to help expand the market. We are offering a continuous stream of products that “ReDesign” everyday rituals by providing benefits beyond simply “washing”—products that remove odor-causing grime from laundry, impart long-lasting, unchanging fragrances to clothing, help dishes dry faster, or clean the bath without scrubbing. We are also accelerating initiatives related to environmentally friendly

products, such as promoting the use of compact detergents and product refill packs.

#### The “eco Lion” Mark

This mark symbolizes Lion's environmental activities and incorporates Lion's environmental slogan, “Every Day. For the Earth” which concisely expresses Lion's commitment to the environment in line with the corporate slogan, “life. love.” To help customers to choose environmentally friendly products, we use this mark on products that meet the proprietary Lion eco-standard. The factors that make each product environmentally friendly are printed within the mark.



### Initiatives in Pharmaceutical Products

In the over-the-counter (OTC) drug field, we are implementing a publicity campaign titled “Time in a Box” for *BUFFERIN*. This campaign emphasizes how analgesics can help users spend their time how they like, free of headaches or menstrual pain. By doing so, we are increasing consumer awareness of the usefulness of such products while implementing marketing closely aligned to consumer needs. In eye drops, we are seeking to increase added

value with a new proposition—medicated eye drops that noticeably relieve unpleasant eye symptoms—to invigorate the market. Furthermore, in 2020 we have begun full-fledged efforts to reinforce dermatologic agents and develop them into a third pillar alongside antipyretic analgesics and eye drops. We will provide optimal over-the-counter solutions to many consumer skin issues in areas related to itchiness, dryness and beauty.

### In-Store Initiatives

In 2016, Lion partnered with Unicharm Corporation and Shiseido Company, Limited to establish the joint venture Japan Retail Innovation Company, Limited (JRI), which provides point-of-sale management for retail outlets, thereby beginning the collaborative operation of a framework for improving in-store operations. In 2019, we began joint shipments of in-store promotional materials that make maximum use of the synergy created by the three-company collaboration. By integrating our logistics centers and packing and shipping promotional materials for multiple companies together, we are reducing packaging volume and units sent and thereby improving distribution efficiency and reducing our environmental burden. As a result, we received the Economy, Trade and Industry Minister's Prize in the Excellent Green Logistics Commendation Program of the Green Logistics Partnership Conference. This prize recognized the partnership's contributions to reducing CO<sub>2</sub> emissions and the burden on retailers through the

use of highly visible shared boxes to make locating the right boxes easier and reduce loss due to misplacement in retail storerooms.

\* This initiative was implemented with the cooperation of two logistics affiliates; all five companies shared the prize.



Award Ceremony Right: Director Yugo Kume

## Overseas Business



### Lion Corporation (Thailand) Ltd.



### Southern Lion Sdn. Bhd.

No. 1 laundry detergent market share



### Lion Corporation (Korea)

No. 1 hand soap market share



### Lion Daily Necessities Chemicals (Qingdao) Co., Ltd.



### Lion Home Products (Taiwan) Co., Ltd.



### Lion Corporation (Hong Kong) Ltd.



### Lion Corporation (Singapore) Pte Ltd

No. 1 laundry detergent and dishwashing detergent market share



### PT. Lion Wings

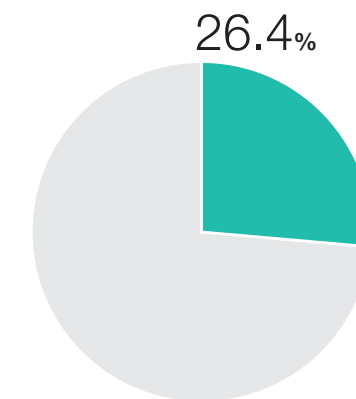


External sales for 2019 (consolidated)  
¥91.7 billion

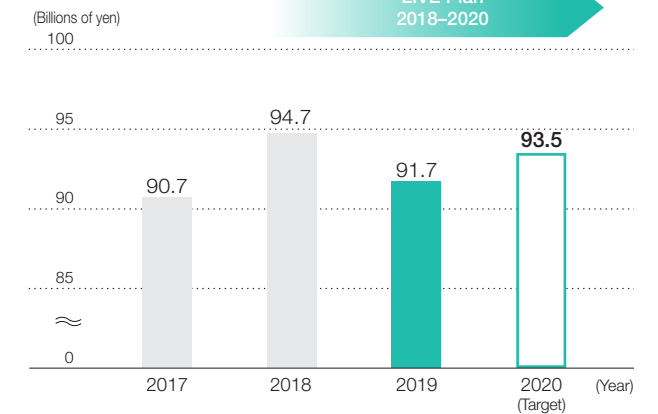
- PT. Lion Wings is an equity method subsidiary.
- Market share information is based on Lion surveys.

## 2019 Results

Percentage of Consolidated External Sales



External Sales\*



\* From 2018, Lion began applying International Financial Reporting Standards (IFRS). Values predating this have been recalculated to conform to IFRS.

## Review of 2019

The Overseas Business operates in Southeast Asia and Northeast Asia. Revenue in Southeast Asia fell year on year due to the exclusion of a Malaysian detergent ingredient manufacturing subsidiary from the scope of consolidation in 2018. Excluding the impact of the reclassification of this subsidiary, however, sales in this region grew. In Northeast Asia, business in China moved onto a growth trajectory in 2018 following the completion of structural reforms to improve profitability and achieved double-digit growth in 2019 on a local currency basis. However, sales in South Korea

and Hong Kong declined significantly year on year due to rapid deterioration in the business environment. As a result, external sales in the Overseas Business decreased 3.2% year on year (or 2.8% at constant currency excluding exchange rate fluctuations). Nevertheless, segment profit grew 9.8% year on year, reflecting improved profitability in key Southeast Asian countries as a result of profit-focused management implemented in response to intensifying competition in the laundry detergent market as well as improved growth in China.

## Market Environment

In the Asian markets in which the Lion Group operates, the growth of the middle-income population is driving expansion in demand for high-value-added products that is expected to continue going forward. However, in the short-term, these markets present risks of stagnation due to geopolitical factors, the impact of the novel coronavirus and uncertain raw material market conditions.

At the same time, consumer purchasing behaviors are showing signs of change while lifestyle changes due to rising incomes, the homogenization of middle-income groups across countries and longer average lifespans are increasing needs for healthcare products that help improve quality of life (QOL). In addition, cross-border purchasing, most notably in the forms of consumption by international travelers and cross-border e-commerce, is accelerating.

## Business Strategy

Viewing these changes in the external environment as opportunities, we are accelerating the globalization strategy of the LIVE Plan by proactively building new cooperative frameworks with diverse business partners. Our main initiatives under this strategy are to 1. Accelerate growth in China, 2. Improve our position in the oral care business in Asia and 3. Reinforce the healthcare business from a regional perspective, reflecting changes in the environment.

In China, we will expand the supply of made-in-Japan products, for which demand is robust, work to firmly establish our brands by combining know-how from Japan with local strengths and expand the regions in which our products are sold through new channels. By doing so, we will accelerate growth.





## Overseas Business

In the oral care business in Asia, we will work to improve our market position by introducing products and providing information finely tailored to the levels of oral hygiene knowledge and awareness and income in each country. Such activities will include tie-ups with governments and collaborations with new business partners.

To reinforce the healthcare business from a regional perspective, we will advance initiatives in line with the particular characteristics of each region.

In Southeast Asia, we will work to meet the diverse needs of each country, mainly in oral care and beauty care.

### Accelerating Growth in China

Sales volumes of products made in Japan are growing steadily in both inbound markets (visitors to Japan) and outbound markets (such visitors after they return home), particularly in Northeast Asia, and demand is expected to continue to growing going forward. In China, which Lion positions as a key market, e-commerce plays an important role in such sales and has been performing favorably, with our oral care products being especially well received by consumers. To continue to effectively capture robust demand for products made in Japan, in March 2019 we established the Cross-Border Business Promotion Department. Through coordination between the new department and local subsidiaries in China, we will enhance the exposure of Lion products in China while improving in-store measures at retail outlets in Japan to better capture demand from visitors to Japan.

In addition, to expand sales by reinforcing the coordination of efforts related to outbound and local sales, we will use cross-border

### Promoting Healthy Oral Care Habits through Educational Activities

Personal care is the field that will most support growth in the overseas business going forward, and we are shifting our business portfolio to focus more on oral care, a subset of personal care. Our preventive dentistry educational activities are playing a major role in this shift.

These preventive dentistry educational activities are cooperative awareness-raising efforts encompassing Lion, dentistry experts and retailers, each of which represent points of consumer contact, and are being undertaken with the aim of increasing the number of loyal

In Northeast Asia, we aim to transition to a business structure centered on products that help meet the needs of graying populations, such as personal care products, over-the-counter drugs and foods with function claims. In addition, we will accelerate the development of global brands that offer solutions to shared consumer issues in each country that are emerging as a result of changes in living environments.

Business expansion in areas where we already do business will also be crucial to the realization of quantitative growth. Carefully considering such factors as market growth potential, political and economic conditions and the competitive environment, we will consider entering new countries, primarily in Asia, where we can leverage know-how from markets in which we already operate.

e-commerce to identify key points in demand and demand generation and provide wide-ranging lifestyle information outside of product sales. By doing so, we will increase the value, reputation and presence of the Lion brand. Furthermore, to realize steady business expansion, we are partnering with a diverse range of companies. For example, we are forming strategic partnerships with major e-commerce website operators to reinforce the use of big data and expand sales opportunities, as well as accelerating efforts to promote awareness of oral health to mothers and their children in cooperation with diverse business partners. To further enhance internal promotion frameworks, from January 2020, we increased the number of experienced, skilled Japanese employees stationed at subsidiaries in China to make maximum shared use of Lion's management resources and know-how. There is still tremendous untapped growth potential in China, and we will continue working to accelerate growth on a Group-wide basis.

Lion brand users through coordinated messaging from the dentistry experts (dentists) and from Lion in stores. One such initiative accompanied the *SYSTEMA Toothpaste* launch in Malaysia and was carried out in coordination with the government, dentistry experts, the media and retailers. As a result of these efforts, we received permission to use the Malaysian Dental Association's recommendation mark on the toothpaste, and it has been recognized as a specialized prevention product. In China, we have collaborated with a distance education company to promote the establishment of parent-child plaque control habits among said

company's customers. Also in China, we are launching preventive dentistry initiatives in coordination with influential universities and companies in locations around the country.

We will advance the development of human resources who can build ongoing relationships with experts overseas and entice them to participate in our initiatives as well as the professional development of dental hygienists to lead educational programs at local subsidiaries.



Lion Group's Social Contribution Activities  
<https://www.lion.co.jp/en/csr/activity/>



Explaining the product to dentistry experts at a Malaysian Dental Association exposition

### Accelerating Regionally Optimized Product Development

Until now, in the Overseas Business, we have developed and sold brands tailored to the markets of specific countries in addition to the common global brands—such as those aimed at the oral care and body wash markets—sold across the regions where we operate, including Japan. In recent years, however, growth in the middle-income population in many countries has led to the increasing homogenization of lifestyles and needs. As such, taking a more global perspective to develop common regional products will accelerate processes from production through sales and generate significant advantages in terms of cost and efficiency.

To this end, we have adopted a strategy that entails dividing our Overseas Business into two business areas—Northeast Asia and Southeast Asia—and implementing regional optimization in each, putting in place business management that transcends national borders. For the Southeast Asia business area, in 2019 we

stationed Lion employees at the Singapore office to pursue regional business development. This has significantly increased the number of contacts and the frequency of communication with overseas affiliates, improving the speed, quality and operational efficiency of the Overseas Business. At the same time, despite the uniformity of basic product contents across countries and regions, it is still necessary to adjust fragrances, packaging, unit size and other parameters to specific needs and preferences in each area. We must expand our thinking globally while tailoring final products locally. Accordingly, we will maintain a global perspective while analyzing and understanding the trends and characteristics of each country and region to advance regional product development. In doing so, we will draw on information from diverse sources as we move forward with business development optimized for each country and region.

#### Perspective of an Employee Stationed Abroad



Dairi Tsuji

Southeast Asia Business  
 Development Department,  
 Overseas Marketing Headquarters  
 (Stationed at the Singapore  
 Branch Office)

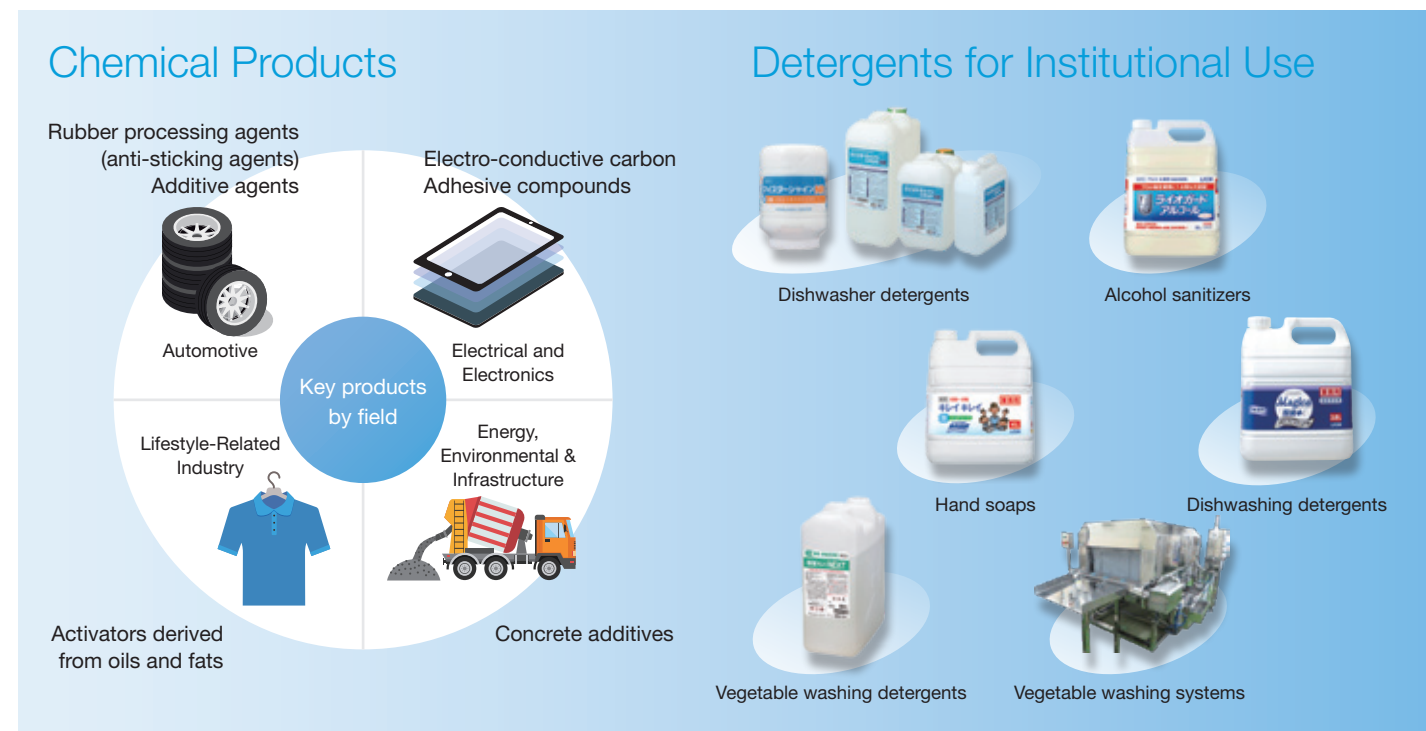
In January 2019, the operating base of the Southeast Asia Business Management Division, which is responsible for four countries in Southeast Asia (Thailand, Malaysia, Singapore and Indonesia), was moved to Singapore, and the operation of the regional business development framework began in earnest. I am now working here in Singapore with the members of the Products Planning & Development Department oral care team, who were stationed here before me.

The greatest benefit of shifting to business implementation at the regional base has been the reduction in physical and psychological distance from the various countries and regions, which has strengthened communication with the executives and staff of the local companies. As a result, we at the regional operating base have better insight into of local markets and businesses and a deeper mutual understanding with the people working at the local companies. This is noticeably improving the speed and quality of business execution.

Going forward, we will work to further transition from specific optimization for individual countries and regions to optimization for Southeast Asia as a whole. To this end, we are working under the common theme of developing key areas, such as oral healthcare (especially toothbrushes), and reinforcing horizontal coordination among the department staff as we strive to implement activities that will contribute to healthy and comfortable living for our customers in Southeast Asia.

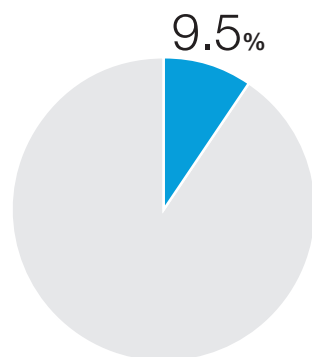


## Industrial Products Business

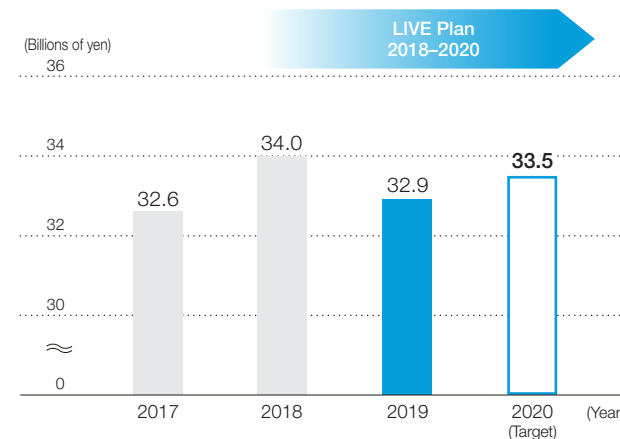


## 2019 Results

Percentage of Consolidated External Sales



External Sales\*



\* From 2018, Lion began applying International Financial Reporting Standards (IFRS). Values predating this have been recalculated to conform to IFRS.

## Review of 2019

The Industrial Products Business is broadly divided into the Chemical Products and Detergents for Institutional Use Products fields. In Detergents for Institutional Use Products, sales of hand soaps and alcohol sanitizers for kitchen use were favorable.

However, in Chemical Products, sales of semiconductor-related products in the Electrical and Electronics category were sluggish, due to the worsening of the market. Overall external net sales declined 3.2% year on year, and segment profit fell 25.5%.

## Chemical Products Market Environment and Strategy

Lion Specialty Chemicals Co., Ltd. (LSC) is involved in the manufacture and sale of chemical products. To achieve its vision of becoming a “Global niche company that provides new value to advanced products for our industrial customers,” LSC is further reinforcing its technological and product appeal and accelerating its business activities to increase customer satisfaction and enhance the quality of its services on a company-wide basis.

In the Lifestyle-Related Industry category, which conducts sales of activators, the core of LSC's business, we are advancing aggressive capital expenditure and working with overseas partners to increase profitability. At the same time, in anti-sticking agents for tires, in which we boast the top market share in Japan, we are introducing

new products that will improve work environments and productivity. Furthermore, we are working to establish competitive advantages in the Automotive, Electrical and Electronics, and Energy, Environmental & Infrastructure categories. Efforts to this end include actively expanding business related to specialty carbon, which helps improve the performance of electric vehicle batteries (a growing market), and the development of ground improvement agents boasting better workability and tunnel excavation agents for use in the construction of maglev train lines. With a focus on the stable markets of the Lifestyle-Related Industry category, we will continue taking on challenges in new areas by providing products that positively impact the environment and customer productivity.

## Detergents for Institutional Use Products Market Environment and Strategy

Lion Hygiene Co., Ltd. is involved in the development and sale of products used in industrial facilities and food-service industries, spanning the restaurant and home meal replacement (HMR) industries, food processing plants, medical and nursing care facilities, and hotel and cleaning industries. Its businesses today include long-established detergent sales operations as well as hygiene assessment and hygiene training services and the sale of HACCP-compliant\* hygiene management systems and the *Yasai Kirei MiBO* vegetable washing system for food processing plants. We are thus integrating the Lion Group's washing technologies with

Lion Hygiene's specialized hygiene management know-how to expand the range of our business.

With the global spread of infectious diseases, health and hygiene needs are only increasing. As experts in hygiene management, we will work to achieve our vision of building a comprehensive hygiene business that supports the creation of safe and comfortable hygienic environments for our customers.

\* Hazard Analysis and Critical Control Point (HACCP)

A method of hygiene management developed in the United States that has been adopted in Japan as a standard of food product hygiene management. The June 2020 amendment to the Food Sanitation Act will require all food product business operators, in principle, to practice general hygiene management as well as HACCP hygiene process management.

### Focus

### Next-Generation Vegetable Washing System *Yasai Kirei MiBO*

Lion Hygiene is focusing its efforts on its *Yasai Kirei MiBO* system, which uses microbubble ozone technology to wash and sanitize vegetables, as a next-generation core business. Sodium hypochlorite and other chlorine-based agents are commonly used to wash and sanitize cut vegetables and salad greens. Compared with such agents, the use of ozone, a form of oxygen, offers the advantages of leaving no antibacterial agent

residue and protecting vegetables' natural flavor and appearance. By improving vegetable freshness, this business also helps reduce food loss, a significant social issue. The system is already in use in food processing plants that serve major convenience store and restaurant chains, and, given the ongoing growth in HMR demand, continued business expansion is expected going forward.



Diagram explaining the MiBO process



Vegetable washing in action