

Message from the President



Now more than ever
is the time for Lion to
shine: Accelerating growth
by redesigning habits

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

How We See the Business Environment

In recent years, the world has been dealing with two major threats: the novel coronavirus (COVID-19) pandemic, and the rapidly worsening global environment. These ongoing threats mean that there is constant and unprecedented anxiety in people's daily lives. Consequently, people are more aware than ever of the need to maintain their own and their families' health, and many believe that we must act quickly to halt the deterioration of the environment.

Since its founding, Lion has been known for contributing to society by encouraging people to develop good habits. We have supported mental and physical health by providing products that are indispensable for daily life and by instilling proper tooth brushing and laundry habits. We believe that Lion's strength lies in its ability to develop such good habits. That is why we have set forth our purpose as "Make a difference in everyday lives by redesigning habits: ReDesign."

Good habits have the power to keep minds and bodies healthy. Furthermore, the adoption of more environmentally friendly habits will be very effective in preserving the global environment. We feel that society is asking Lion to play a greater role: as a "daily habit design specialist" that helps resolve the great anxiety that is now sweeping the world. Now more than ever is the time for Lion to shine.

Our Purpose

ReDesign

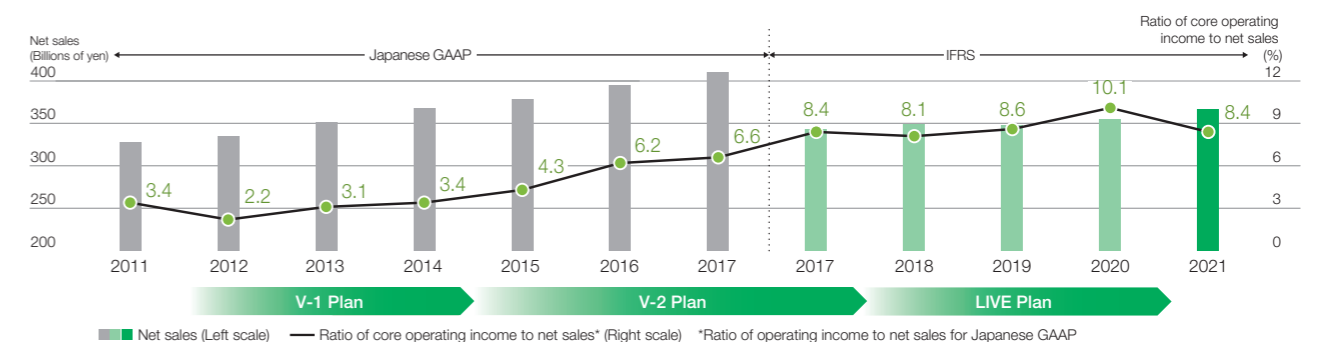
Make a difference in everyday lives by redesigning habits

Assessing Our Performance in Recent Years

Under Vision2020, our management vision up to 2020, we drastically reformed our business structure. In each step of the value chain, including R&D, production, marketing and sales, we have been creating products with more added value and enhancing our ability to effectively communicate that value to customers. As a result, the ratio of operating income (core operating income) to net sales has increased from approximately 2% in 2012 to around 10% in 2020. I believe this improvement is not temporary but structurally ingrained throughout the Company.

On the other hand, our sales growth rate in recent years has declined from around 4% to about 1%. This is due to the slowing pace of increase in the number of customers who are receptive to the products and information we offer—that is, to the habits we propose. We realize that it is no longer enough to simply continue our current methods for developing good habits. As things stand, we cannot meet expectations to contribute to resolving the anxiety that I mentioned earlier. We view this as our greatest challenge for the decade to 2030.

Progress of Results



The Need to Break with Our Past to Accelerate Business Growth

Based on this view, in 2021 we established our long-term strategic framework Vision2030. It sets forth three growth strategies for evolving how we redesign habits. The first strategy is aimed at evolving the habits we propose. We have identified four fields of value creation—oral health, infection control, smart housework and well-being—and we will raise the quality of the value we provide by further evolving the habits we propose in each of these fields. In oral health, for example, we will expand from a stance of simply maintaining oral health to positioning oral care as a means for maintaining overall health, with the aim of promoting an evolution in habits from conventional tooth brushing to preventive dentistry that effectively combines self-care at home and professional care at a dental clinic. To that end, in addition to the toothpaste, toothbrushes and other products we already provide, we intend to launch various new businesses that strongly link self-care and professional care. The second strategy is to enhance the business foundations that will support the evolution of the value we provide. This includes digital transformation measures such as upgrading our information infrastructure to accelerate decision-making and improving productivity by utilizing digital technology on production lines. It also includes measures to expand production capacity. The third strategy involves employee and organizational dynamism. No matter how finely detailed

our strategies are, they will not produce results unless the people and organizations that implement them can act with enthusiasm and agility. In this respect, the third strategy is the most important of the three and should serve as the cornerstone of our corporate activities. Since becoming president of the Company in 2019, I have made reforms for professional fulfillment a core theme, and have been promoting four parallel initiatives: establishing conditions for self-directed employee growth and providing opportunities for them to demonstrate the skills they have acquired (work management); creating an environment where employees are free to choose the place, time and other aspects of their work according to their individual circumstances, thus raising their productivity (work styles); improving the skills of managers, with an emphasis on long-term employee career development and team building (strengthen relationships); and health management to improve employee health (“GENKI” Action). Corporate branding that originates from understanding and sharing our purpose is another theme of the third growth strategy. The objective of this theme is to foster a feeling that working at Lion is a valuable experience, thereby enhancing employee engagement.

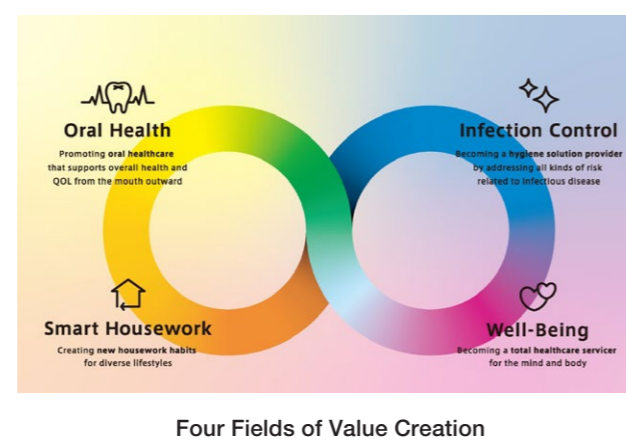
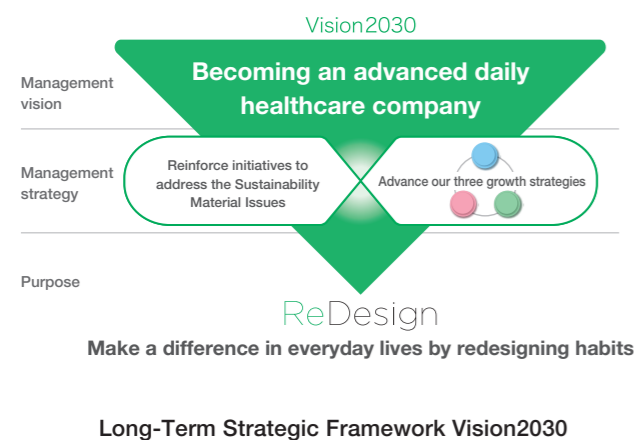
Through these three growth strategies, we intend to break with our past by evolving the quality of the value we offer and redesigning habits so that they meet contemporary demands.

Redesigning Habits: Lion’s Unique Approach

Under Vision2030, we aim to tackle our Sustainability Material Issues in synergy with the above growth strategies. As our top priorities, we will focus on “creating healthy living habits” and “promoting environmental initiatives for a sustainable planet.” The former is essentially our purpose. The latter is an inescapable topic for all companies today, but that is not the only reason we have made it a top priority. Many companies in the industrial sector are conducting initiatives for the global environment, but there is still a lack of initiatives targeting households, which are a crucial factor in reducing CO₂ emissions and recycling plastics. For example, in Japan 15% of total CO₂ emissions are generated by housework. Plastic recycling cannot be considered complete without the collection and reuse of household plastics. Initiatives to make household habits environmentally friendly will have a major impact. I believe that a company such as Lion, which has direct points of contact with households and whose purpose is to redesign habits, can carry out such initiatives most effectively. We have made these initiatives our top priorities because if we do not, who will?

Specifically, we will offer products that save water and electricity and lifestyle proposals that will help reduce CO₂ emissions. We know that the use of water and sewerage generates most household CO₂ emissions, so water-saving measures are key. Our efforts to promote the creation of environmentally friendly habits will include developing laundry detergents that can reduce the number of rinse cycles and

providing a “CO₂ emissions map” that quantitatively visualizes household CO₂ emissions to encourage consumers to change their behavior. As for recycling plastic, using refillable containers has become a habit in Japan. Although this has significantly reduced the amount of plastic used, current refill containers are difficult to recycle. Lion is collaborating with Kao Corporation and other competitors in developing recycling technology and establishing a collection system for these containers. We intend to further evolve the refill habit established in Japan to encompass collection and reuse, and then spread it throughout Asia.



Vision2030 Targets

The consolidated performance targets of Vision2030 are net sales of ¥600 billion, EBITDA of ¥80 billion, and ROIC of approximately 8-12% for 2030. Because we are targeting CAGR of 5.6% for the period, we will work to expand the range of our proposals for new habits at an unprecedented pace. At the same time, we aim to realize social value by

enhancing consumer quality of life, and by helping to realize a decarbonized, resource-circulating society. Our approach of redesigning habits will lead to an increase in our economic value as well as our social value. There is power in redesigning habits. Believing in that power, we continue to evolve.

Updating Strategies for Realizing Vision2030

In 2021, we continued our discussions on deepening strategies and enhancing measures to realize Vision2030. In particular, we are updating our strategies and frameworks for the Overseas Business, which will be important for our growth. In the Overseas Business, we are focusing on the Qingdao Lion business in China, where we have set a sales target of ¥100 billion for 2030 and a target for CAGR of 22% for the period for 2021 to 2030. CAGR for the previous ten years was approximately 16%, so achieving this target is not impossible, but neither will it be easy. We will therefore accelerate growth of the oral care business in China through measures including extending the sales area inland from our previous focus on major coastal cities, expanding into products for dental clinics, which have a strong affinity with our existing lineup, and branching out into oral care for pets. We have also newly established the China Business Promotion Office for efficient utilization of Group resources.

Another point for accelerating the growth of the Overseas Business is to expand into new countries or areas. We intend to use M&A, among other measures, for rapid entry into Vietnam, Bangladesh and other countries in Asia where

the middle class is growing and we do not yet operate. In January 2022, I set up a new dedicated M&A team that reports directly to me, and secured expert talent from outside the Company to ramp up its activities. We intend to enter at least two new countries or areas by 2024 and four by 2030.

Another key to realizing Vision2030 is management control. We will implement the three growth strategies I mentioned above with a focus on accelerating business growth to 2030. Executing these growth strategies will require up-front investment for reinforcing and expanding the business foundations as well as for investigating digital transformation (DX) and new business models. I thought our previous approach, which emphasized core operating income and the ratio of core operating income to net sales, would cause hesitation in making this up-front investment, trapping us in a spiral of diminishing returns. Therefore, we have changed our policy to emphasize EBITDA as a new KPI that gauges the results of our strategies through its growth. However, we have concurrently introduced ROIC management, which will help us utilize capital efficiently and manage each business field and optimize investments.

Preparations Are Under Way for Accelerating Growth

In fiscal 2021, net sales were ¥366,234 million and EBITDA was ¥45,175 million. Net sales increased 3.1% year-on-year (or 1.9% at constant currency excluding exchange rate fluctuations), and EBITDA decreased ¥2,494 million year-on-year. The decrease in EBITDA was mainly due to higher raw material prices and increased investment in competitiveness for growth, so I do not see any major problems from a long-term perspective. Rather, the issue is that the sales growth rate remains at the 1% level at constant currency. Clearly, we cannot expect substantial growth by maintaining the same approach, thus evolution in redesigning habits is important.

On the other hand, we steadily moved forward with the three growth strategies set forth in Vision2030. We are investigating new businesses to promote evolution in redesigning habits. Some of these businesses will start on a small scale or enter a trial stage in 2022, particularly in the area of oral health. To reinforce our business foundations, in Sakaide City, Kagawa Prefecture a state-of-the-art factory

for oral care products went on line in July 2021, and a new enterprise resource planning (ERP) system to support expedited management decision-making began operating in May 2022. We have also made significant advances in the third growth strategy of enhancing employee and organizational dynamism by revamping our corporate philosophy. In addition to our purpose, which we already updated, we reorganized the corporate philosophy by setting forth the beliefs that underpin our judgment and behavior for promptly and independently putting the purpose into practice in real-life situations, and by establishing a definition for Lion's DNA as "Fulfilling a Spirit of Love." I am already sensing the effect of lively discussions that have begun in response to this reorganization on how to interpret the philosophy in our own unique way.



The Sakaide toothpaste factory that began operating in July 2021

Positioning of Vision2030 1st STAGE New Medium-Term Plan

In 2021, we made steady progress on the issues of evolution in redesigning habits, establishing the foundations for doing so, and transforming our employees and organization. Therefore, I believe that laying of the foundations for driving growth is well under way. Vision2030 1st STAGE is a new medium-term management plan for the period from 2022 through 2024. The theme of this plan is to utilize the foundations we have laid so far to expedite growth. A key concept is "gear change towards accelerated growth." Our targets for fiscal 2024 are net sales of ¥420 billion and

EBITDA of ¥52 billion, which will mean CAGR of 4.7% and record-high EBITDA. As a result of the growth strategies begun in 2021, we expect to start multiple new businesses, and hope to enter the markets of at least two new countries or areas. In 2022, the initial year of the plan, we expect a decrease in core operating income due to factors including rising raw material prices and an increase in amortization expenses for investments made in previous fiscal years, but I consider this to be for a necessary step in the evolution of the value we provide that I have been talking about.

(Billions of yen)	2024 Targets	2021 Results	Change	
			Amount	(%)
Net sales	420.0	366.2	53.7	14.7
Core operating income ¹ (Ratio of core operating income to net sales (%))	32.0 (7.6)	30.9 (8.4)	1.0	3.5
Operating profit (Ratio of operating profit to net sales (%))	32.0 (7.6)	31.1 (8.5)	0.8	2.7
Profit for the period attributable to owners of the parent	23.0	23.7	-0.7	-3.2
Basic earnings per share (yen)	72.24	81.73	-9.49	-11.6
EBITDA ²	52.0	45.1	6.8	15.1
ROIC (%) ³	Approx. 7.5	8.8	—	-1.3 PP
ROE (%)	Approx. 9.0	9.8	—	-0.8 PP

1. Core operating income is an earnings indicator the Company uses to measure regular business performance. It is calculated by subtracting selling, general and administrative expenses from gross profit.
2. EBITDA is an indicator of profitability on a cash-flow basis. It is the sum of core operating profit and depreciation and amortization (excluding right-of-use assets). The calculation method for this indicator has changed from 2022. The amount after adjustment for 2021 is ¥43.9 billion.
3. ROIC is an indicator of the profitability and efficiency of invested capital. It is calculated as net operating profit after tax (NOPAT) divided by average invested capital (total equity plus interest-bearing liabilities) during the period.

To Our Stakeholders

Lion is in the midst of a transformation. We aim to secure new models for successful evolution in redesigning habits to complement our current models. Our activities are rooted in our steadfast determination to contribute to society by redesigning habits, and we are confident that this approach will lead to growth in our economic value. We intend to share our approach with the suppliers, wholesalers and retailers that make up our value chain and work with them to redesign habits as we ramp up activities to enhance the sustainability of the value chain itself.

Dialogue with shareholders and investors is extremely valuable. It provides me with an opportunity to confirm that we have not become complacent or lacking in perspective in our approach as I have described. I want to continue creating opportunities for dialogue whenever I can in order to refine our approach and incorporate diverse perspectives.

Employees are also important stakeholders for Lion. As I said, nothing can be achieved without the enthusiasm of our employees. My foremost objective is to continuously increase employee engagement, and I will work with our management team to devise measures to increase their productivity.

Lion will continue its transformation to reach new heights with a commitment to redesigning habits. We look forward to your continued support.

Masazumi Kikukawa

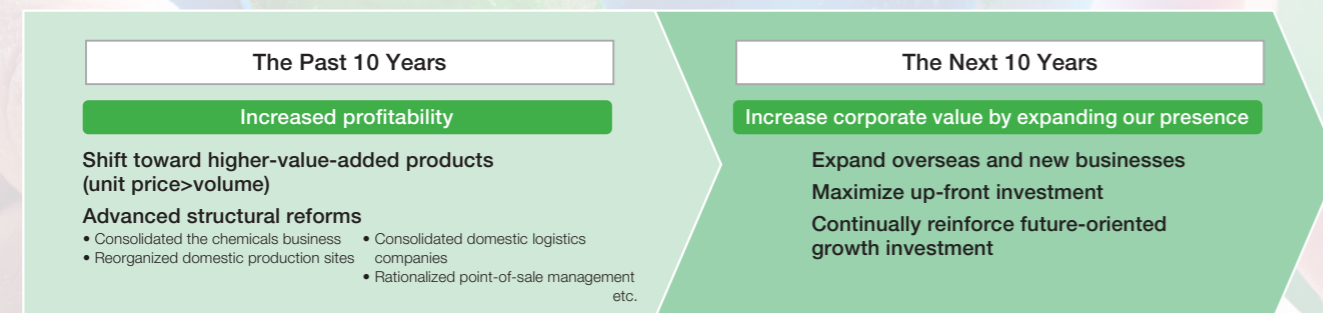
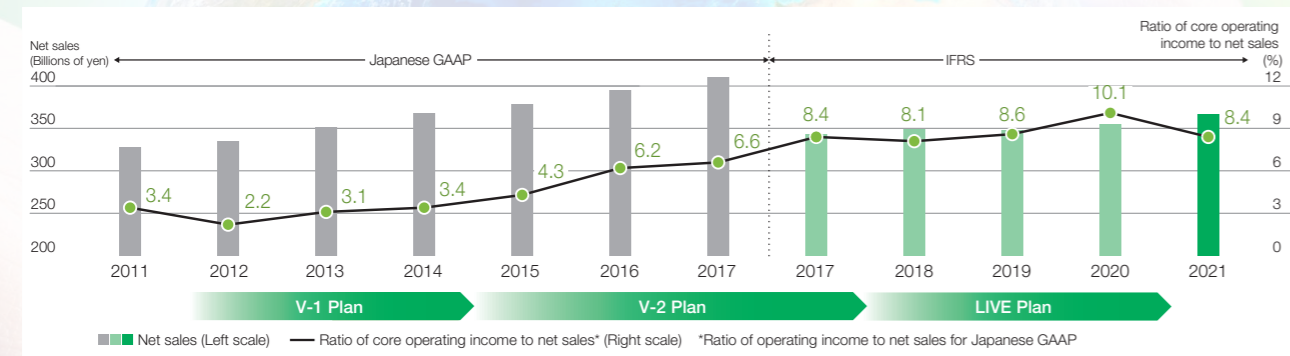
Representative Director,
President and Executive Officer
Chief Executive Officer

Achieving Vision2030: Long-term Strategic Framework

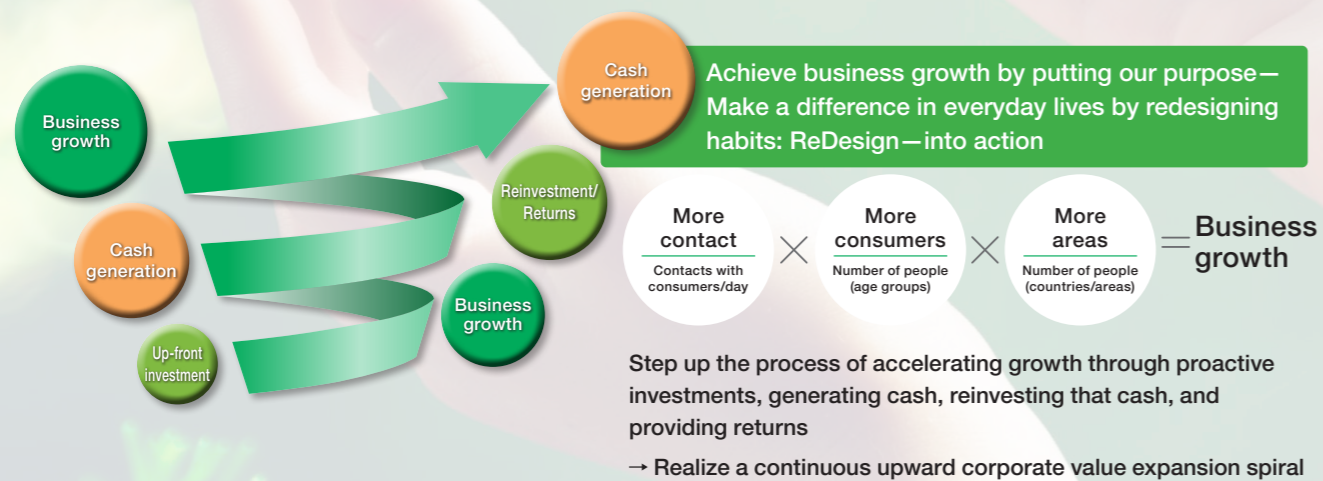
Review of the Past Decade and Growth Initiatives Going Forward

Over the past decade, Lion has implemented a range of initiatives to increase profitability, a particularly challenging issue. Those initiatives include implementing structural reforms such as developing high-value-added products and reinforcing the revenue base. Over the next 10 years, we will continually step up growth investments to accelerate business growth with the aim of expanding corporate value.

Progress of Results



Key Management Theme for the Run-up to 2030: Enhancing Lion's market, economic and social presence



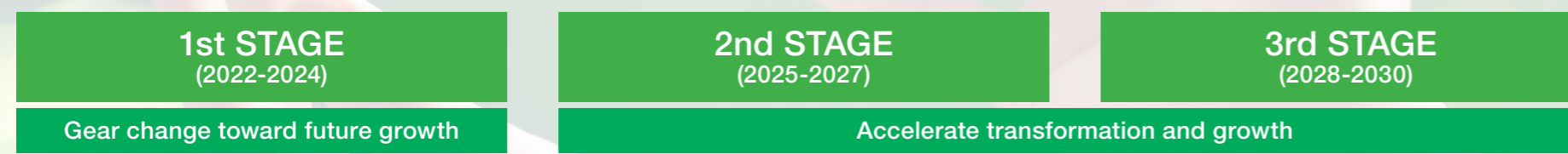
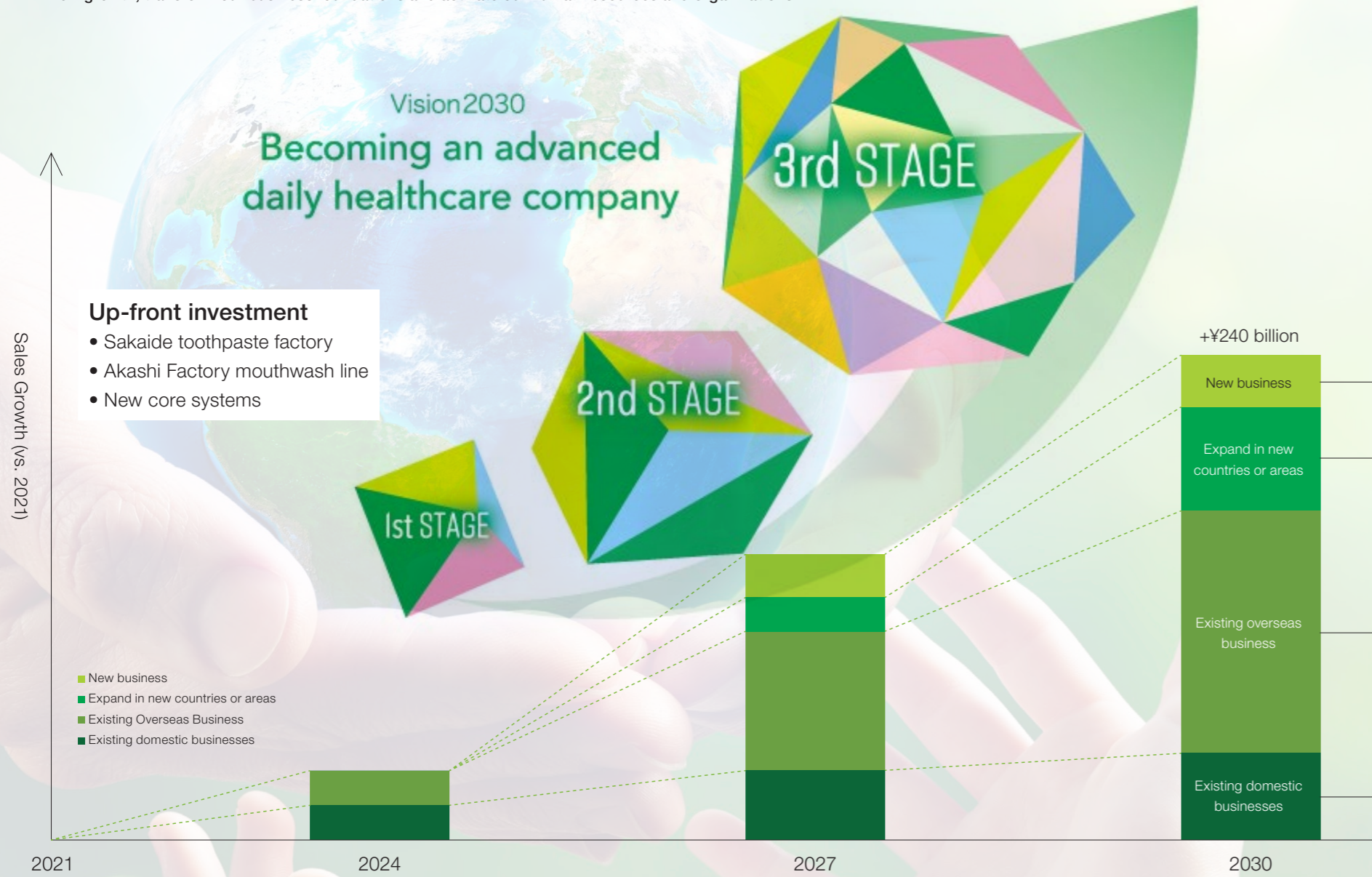
Vision2030, a Long-term Strategic Framework for the Run-up to 2030

To achieve its management vision for 2030, “Becoming an advanced daily healthcare company,” the Lion Group will further reinforce management driven by its purpose, “Make a difference in everyday lives by redesigning habits: ReDesign,” while synergistically addressing its Sustainability Material Issues and advancing growth strategies in order to contribute to the realization of a sustainable society and achieve business growth.



Growth in the Run-Up to 2030

Lion will implement three consecutive 3-year medium-term management plans—1st STAGE, 2nd STAGE and 3rd STAGE—toward the realization of Vision2030. We will proceed on a rolling basis, adjusting strategy and policy according to changes in the business environment to enhance precision as we go. In 1st STAGE, we will get on a growth track, create the foundations for new growth, transform our business foundations and activate our human resources and organizations.



- | | | |
|---|---|---|
| <ul style="list-style-type: none"> • Get on a growth track and create the foundations for new growth • Transform business foundations (supply chain management, DX, sustainability) • Activate human resources and organizations | <ul style="list-style-type: none"> • Strategy tuning to respond to signs of change in the business environment • Accelerate transformation and growth • Increase the average annual growth rate (CAGR over 5%) | <ul style="list-style-type: none"> • Final touches to achieve the vision • Creating the foundations for subsequent growth |
|---|---|---|

(Billions of yen)

Net sales	420	ROIC	Approximately 7.5%
EBITDA	52	ROE	Approximately 9.0%
Core operating income	32		

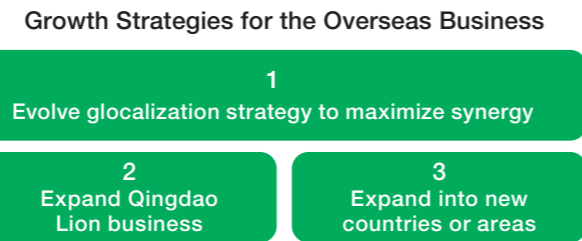
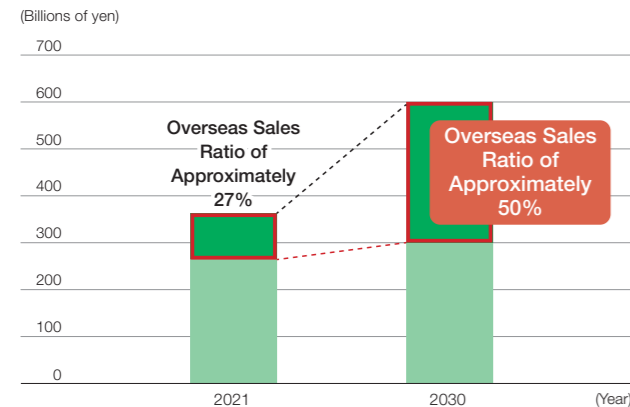
Vision2030 Targets

Social value	Economic value
<p>Contribute to a sustainable society</p> <ul style="list-style-type: none"> • Enhance consumer quality of life • Contribute to the realization of a decarbonized, resource-circulating society 	<p>Net sales Approx. ¥600 billion (Approx. 50% from the Overseas Business)</p> <p>EBITDA Approx. ¥80 billion</p> <p>Core operating income Approx. ¥50 billion</p> <p>ROIC 8-12%</p> <p>ROE 10-14%</p>
Advance sustainability strategy	Accelerate growth in four fields of value creation
<p>New business (+¥30 billion or more)</p> <p>Secure profit opportunities from new business models</p>	
<p>Expand in new countries or areas (+¥60 billion or more)</p> <p>Focus on entering new markets in Asia</p>	
<p>Existing overseas business (CAGR around 10%)</p> <p><small>*Around 5-6%, excluding Qingdao Lion</small></p> <p>Realize growth centering on the Qingdao Lion business (¥100 billion)</p>	
<p>Existing domestic businesses (CAGR of 2% or more)</p> <p>Evolve existing businesses by shifting to higher-value-added products and creating markets</p>	

Growth Point 1

Grow Overseas Business – Expanding Habit Redesign

As we aim for consolidated net sales of ¥600 billion in 2030, a key component will be growing our Overseas Business. In addition to a CAGR of about 10% in our existing Overseas Business, our goal is to achieve an overseas sales ratio of approximately 50%. We will accomplish this by expanding into new countries or areas in Asia.



1. Evolve glocalization strategy* to maximize synergy

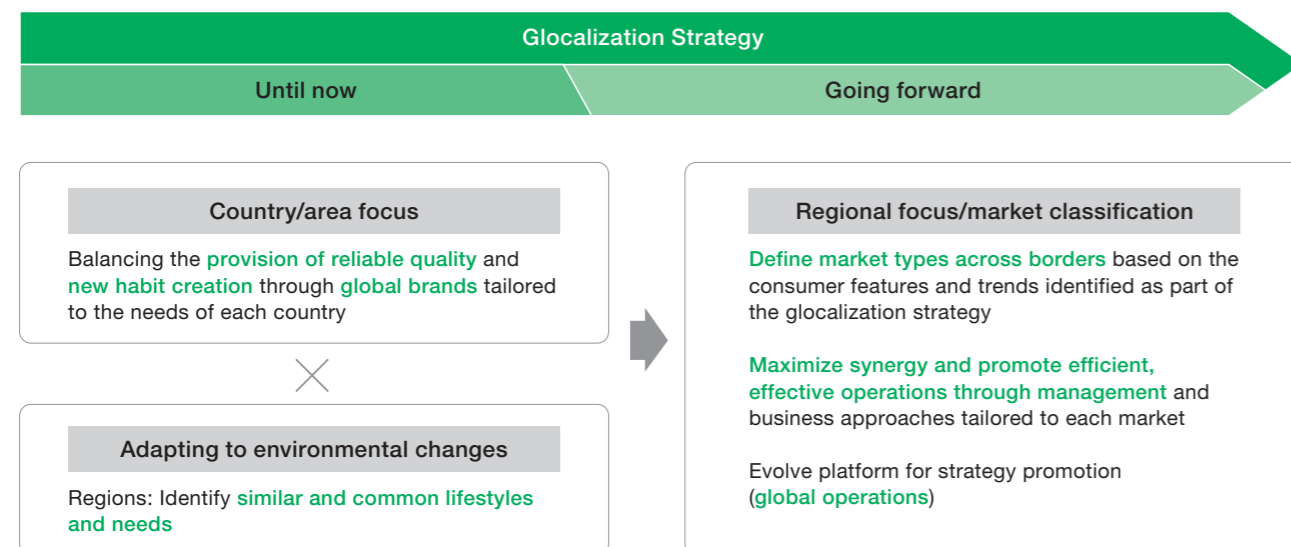
At Lion, glocalization is a key element of our global strategy. Not only have we used glocalization to develop detailed marketing strategies that meet the needs of the countries or areas we serve, we have also taken advantage of the appeal of Japanese quality as a means to expand our business into new countries.

However, given the environmental changes of recent years, such as increasingly similar and common global lifestyles and needs, it is essential that we evolve our

glocalization strategy. Rather than our conventional approach, in which we addressed specific countries, we must now define market types across borders based on consumer features and trends. Ultimately, we seek to maximize synergy and streamline management based on an optimal approach for each market.

* A strategy that combines "globalization" and "localization" to create a unique competitive advantage

Evolving the glocalization strategy



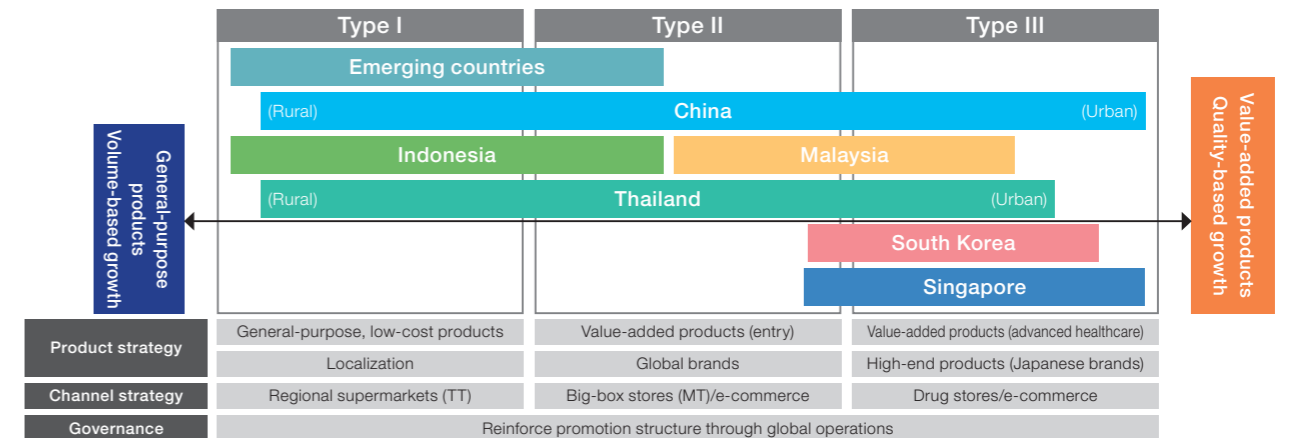
Glocalization Strategy: Market Type-Based Marketing

Evolve from the previous country/area focus to a regional focus by defining market types and promote more efficient and effective operations

With market type-based marketing, we have created three major cross-border market types and are developing a strategy for each. For each market type, we have taken GDP

growth rates and income levels into consideration, as well as the local features and trends we have identified as part of previous glocalization strategies.

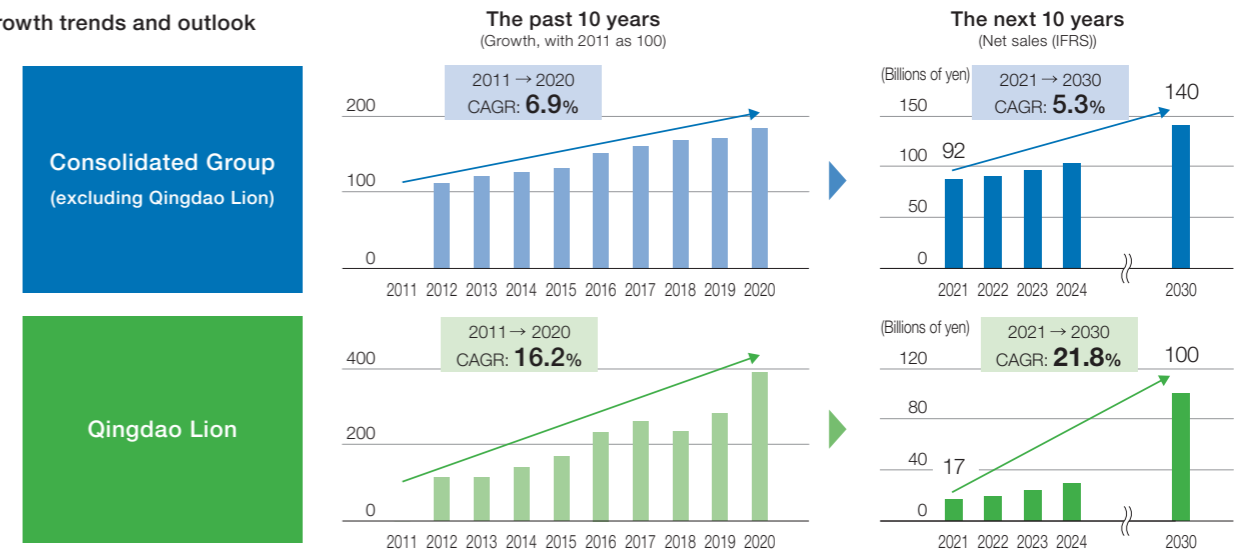
Market-type framework (types I–III)



Expand global business through market type-based marketing

- **Scale expansion** by maximizing product and distribution synergy and through efficient, effective operations
- **Category expansion** by gaining insights into each market type (product strategy, marketing strategy, channel strategy, etc.) and entry into new countries, areas and fields based on past successes

Growth trends and outlook



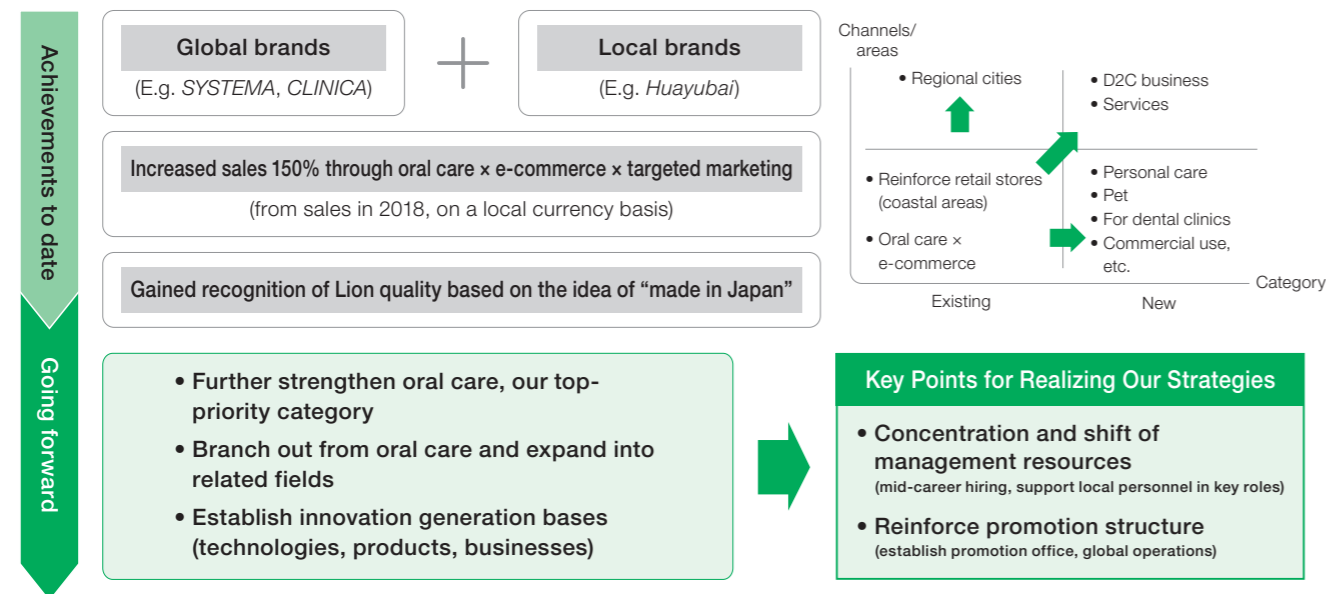
Growth areas

- Types I–II (mainly Southeast Asia)**
 - **Quality-based growth in laundry detergent**
Promote shift to value-added products through optimal formula (market type) strategy (Secure the top market share in each country)
 - **Expand into the personal care field**
Move into personal care field (oral care, beauty care, etc.) based on experience gained from success in home care
 - **Scale expansion based on strengthening e-commerce**
- Type III (mainly Northeast Asia and urban Southeast Asia)**
 - **Leverage Japanese brands to shift to value-added products**
 - **Enhance lineup of mouthwashes to generate synergy with toothpaste**
 - **Expand contact with consumers through more sophisticated e-commerce initiatives**

2. Expand Qingdao Lion business

In the Qingdao Lion business to date, we have achieved growth through our global brands, such as *SYSTEMA* and *CLINICA*, mainly in the oral care field. We have also enhanced our brand image by taking advantage of the appeal of the high-quality of Japanese products. These efforts plus the synergy we have created with local brands has enabled us to maintain a CAGR of around 16% over the past ten years. In addition to accelerating these initiatives, we will look to expand our business fields with the oral care business at

the core. Specifically, we will expand into new areas, as well as new segments such as dentistry products, which are closely related to our oral care products, and products for pets and for institutional use. We will also look to expand our businesses through D2C operations and other new channels. To achieve these goals, we are allocating the necessary management resources and strengthening our promotion structure. Ultimately, we aim for around ¥100 billion in net sales by 2030 (CAGR of approximately 22%).



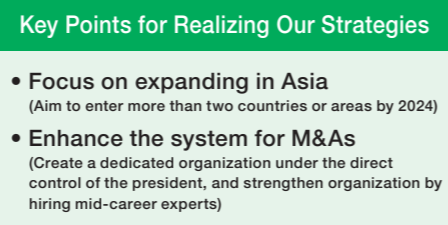
3. Expand into new countries or areas

The ratio of middle-class citizens, who we expect to become the largest group of consumers, is expected to grow significantly in Asia, and we are continuing to examine several M&As on the continent. We aim to enter more than four new countries or areas by 2030, and more than two during our

current medium-term management plan. As such, we have set up a dedicated organization under the direct control of the president, and are reinforcing our ability to, among other things, hire experts from outside the Company.

Country	Population in 2020 (millions of people)	Per-capita GDP (US\$)	GDP growth rate (%)
India	1,367.6	1,928	4.2
Pakistan	204.7	1,225	1.9
Bangladesh	166.6	1,962	8.2
Philippines	107.3	3,323	6.0
Vietnam	96.5	3,525	7.0
...

Sources: IMF 2020 Report and Asian Development Bank December 2020 Report



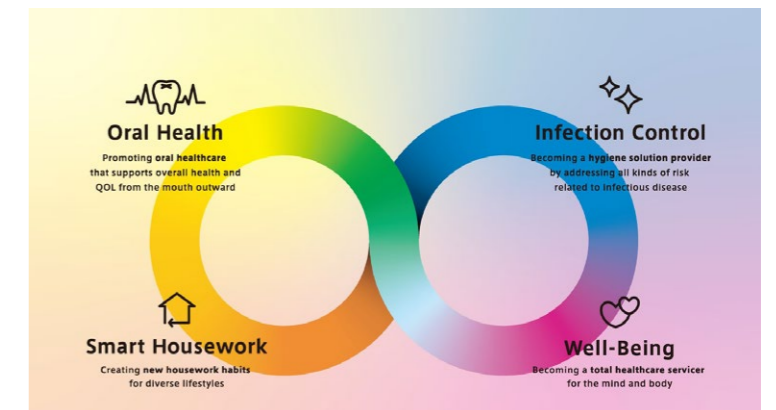
Growth Point 2

Evolve Businesses in the Four Fields of Value Creation – Evolving Habit Redesign

As awareness and social needs related to health and hygiene increase, these four fields of value creation will drive growth as we seek to further evolve and develop better living habits and healthcare services unique to Lion.

The creation of new products and services in the four fields of value creation will be essential to business growth.

We have put an executive officer in charge of each field and will accelerate efforts to evolve our businesses and create new value as we work to achieve our vision.



Oral Health

Lion aims to provide oral healthcare that supports overall health and QOL starting from the mouth. We will leverage our strengths as Japan's leading oral care product manufacturer to integrate innovative oral care products and services into the daily lives of individuals as a new form of healthcare. By doing so, we seek to realize business expansion beyond the bounds of our existing businesses.



Infection Control

Lion aims to become a hygiene solution provider by addressing all kinds of risk related to infectious disease. As a company with a long history of supporting cleanliness, our mission is to continually transform our business. We will expand our business from living spaces to encompass public and industrial spaces in the fight against bacteria and viruses on all fronts—bodies, objects and spaces—by providing hygiene solutions.



Smart Housework

Lion aims to create new housework habits for diverse lifestyles. As lifestyles and living situations diversify, one-size-fits-all ideas for improving housework increasing fall short of meeting consumer needs. Building on the basic idea of smart housework that is fun and efficient, we will establish a unique advantage by reframing the concept of housework in general to maximize authentic comfort at the individual level and by cooperating closely with external partners across a wide range of categories.



Well-Being

Lion aims to provide total healthcare services for the mind and body. We will transform into a company that supports health and happiness at each life stage by building connections with consumers through the promotion of healthcare habits that are individually driven. We will also expand the range of solutions we offer and integrate our services through collaboration with external partners.

Evolving Our Business Model to Create New Value with the Four Fields of Value Creation as the Starting Point

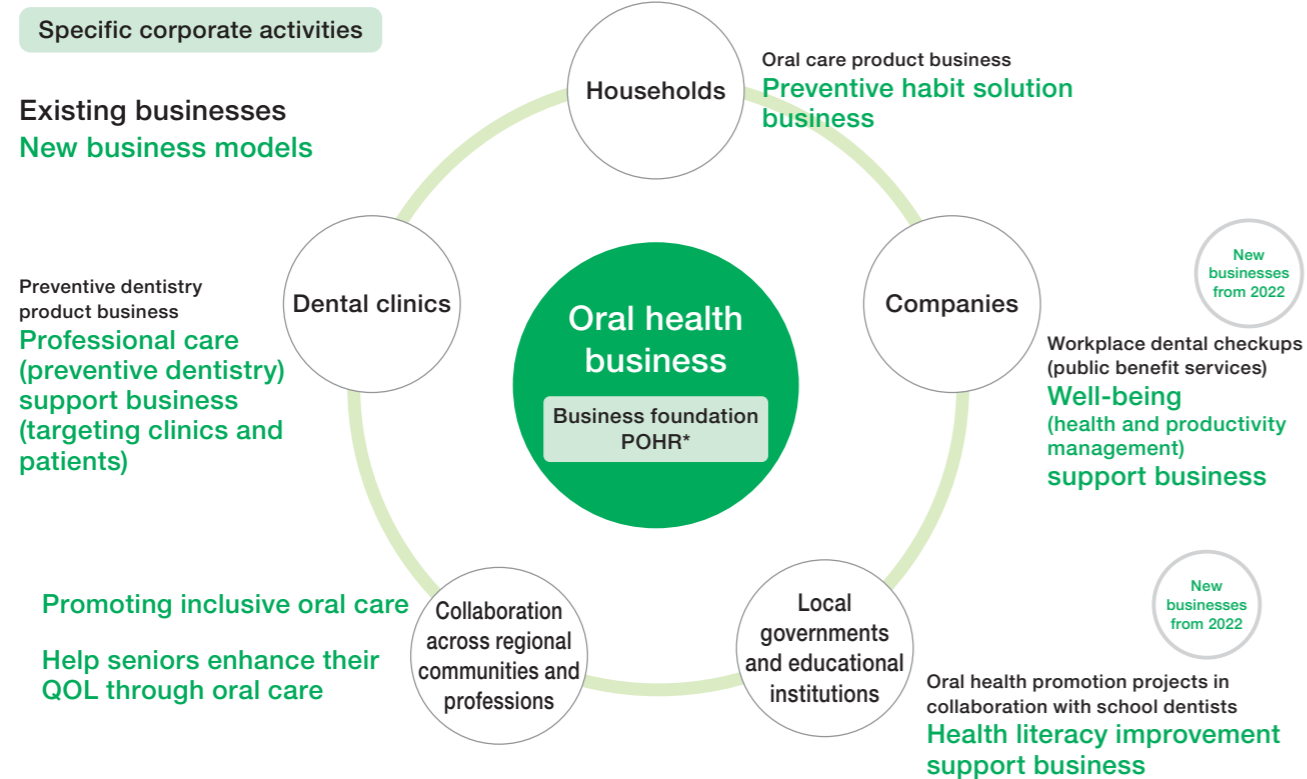
	Until now	Going forward	
Value provided	Products (functional value)	+ Services (experience-based value)	▶ Evolve the value we provide from products to services
Target	Households	+ Society (Schools, public institutions, etc.)	▶ Expand the scope of the value we provide to solve social issues
Contact with consumers	Sold-and-done	+ Recurring	▶ Accumulate and utilize customer data
Business type	Manufacturer	+ Service provider	▶ Change business type from manufacturer to total service provider
Scope of coordination	Supply chain	+ Ecosystem	▶ Collaborate with various partners in the industrial, government, academic, medical and public sectors

Oral Healthcare Business

While recognition that oral health plays a key role in overall health is rising, many consumers still see the two elements as separate. As such, we are working to raise the profile of oral health in the context of overall healthcare, and moving forward with a business that aims to establish preventive dentistry as a habit.

As the foundation of this business, we are building a personal oral health record (POHR) platform. As shown in the diagram below, we are combining our existing businesses with new business models to create a hub-like system that links every element related to oral health.

With help from the industrial, public, academic and medical sectors, we aim to create social trends and systems related to preventive dentistry habits.



* Database containing information on basic health, living habits, oral condition, tooth brushing habits, etc.

New businesses from 2022

Well-Being (Health and Productivity Management) Support Business

We launched an oral care information service for corporations and local governments in response to the increasing understanding of the importance of oral health worldwide.

Analyze the effect of seminars in terms of changes in employee awareness and behaviors and report on their impact on health and productivity management

Help establish oral care habits

- Simple diagnosis utilizing the Salivary Multi Test
- Assist in the formation of new habits through the use of our products

New businesses from 2022

Health Literacy Improvement Support Business

We began a social experiment involving the use of digital technologies as part of a service to promote preventive dentistry habits in collaboration with Koshi-shi in Kumamoto Prefecture.

Through this experiment we hope to find new ways of contributing to regional revitalization and promoting preventive dentistry habits in collaboration with local governments, dental health organizations and corporations. We will use our knowledge of preventive dentistry as well as apps to collect data on the oral health of citizens in the area in an effort to accelerate the establishment of new habits.

Goals of the Social Experiment

- Facilitate the formation of oral health habits through the use of digital technologies
- Raise the rate of individuals who regularly undergo dental checkups via interventions in daily life

Initiatives

- Help increase contact between government agencies and citizens to provide oral care information
- Offer a simple app designed to predict the user's oral health

Growth Point 3

Create Environmentally Friendly Habits with Consumers – Evolving Habit Redesign

At Lion, we aim to become carbon negative in order to play our part in the creation of a decarbonized society. We are also promoting the continuous recycling and reuse of plastic to contribute to the creation of a resource-circulating

society. Furthermore, based on our purpose, we are working to create environmentally friendly habits with consumers, and in turn contribute to making lifestyles in Japan and elsewhere in Asia more planet-friendly.

Social value creation policy	Create environmentally friendly habits with consumers to continuously offer planet-friendly lifestyles that make more sustainable living easy	
Targets for 2050 KGIs	Decarbonized society: Carbon negative	Resource-circulating society: Use recirculated plastic
Main Themes Targets for 2030	<ul style="list-style-type: none"> Promote water- and power-saving habits by providing environmentally friendly products <ul style="list-style-type: none"> Reduce CO₂ emission throughout the product life cycle by 30% (Lion Group) Create environmentally friendly habits that can be practiced at home to reduce society's CO₂ emissions through the use of our products and services <ul style="list-style-type: none"> Contribute to a CO₂ emission reduction effect in excess of Lion's own emissions (Japan) <p>Promote one-rinse laundry cycles to encourage the habit of not wasting water</p>	<ul style="list-style-type: none"> Expand use of sustainable materials <ul style="list-style-type: none"> 30% usage (Lion Group) Promote refill habits in Asian markets <ul style="list-style-type: none"> 50% refill product sales (Lion Group) Expand advanced recycling initiatives to promote waste-free habits <ul style="list-style-type: none"> Build collaborative industry infrastructure (Japan) <p>Establishing the refill habit through refillable bottles that can be used over and over again.</p>

Financial Strategy



Financial strategies to increase market, economic and social presence, and realize an upward corporate value expansion spiral

Kengo Fukuda
Director
Executive Officer

Assessment of Financial Strategies to Date

The biggest financial challenge for Lion between 2000 and 2010 was increasing profitability. In V-1 Plan and V-2 Plan, the two medium-term management plans we launched in 2012 and 2015 respectively, we rolled out a range of measures to respond to this challenge. As a result, we substantially improved business profit, which is the ratio of operating profit (core operating income) to net sales and ROE.

There were three main factors that helped to increase profitability during this period. The first factor was the development and sale of high-added-value products and efforts to create new demand. Product unit price in the oral care and living care markets has increased between 20–30% over the past 10 years, and we believe we have

played a major role in adding value to those markets. The second factor is the cumulative effect of ongoing cost-reduction measures, including streamlining product formulations and revising manufacturing processes. The third factor was increasing the proportion of high-added-value products and our successful reduction and optimization of sales promotion expenses through effective marketing.

Development of high-added-value products has also driven growth in our Overseas Business. Meeting growing needs for high-added-value products in Asia has enabled the business to boost its sales to about ¥100 billion over the past 10 years.

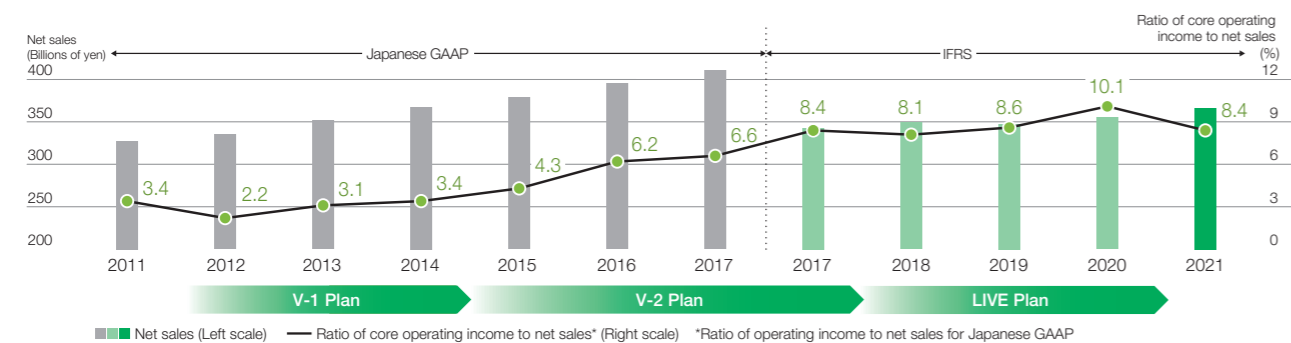
Main Factors Increasing Profitability

Development of high-added-value products
Creation of new demand

Cumulative effect of cost-reduction measures

Reduction and optimization of sales promotion expenses through effective marketing

Progress of Results



Note: The Lion Group voluntarily adopted International Financial Reporting Standards (IFRS) as of 2018.

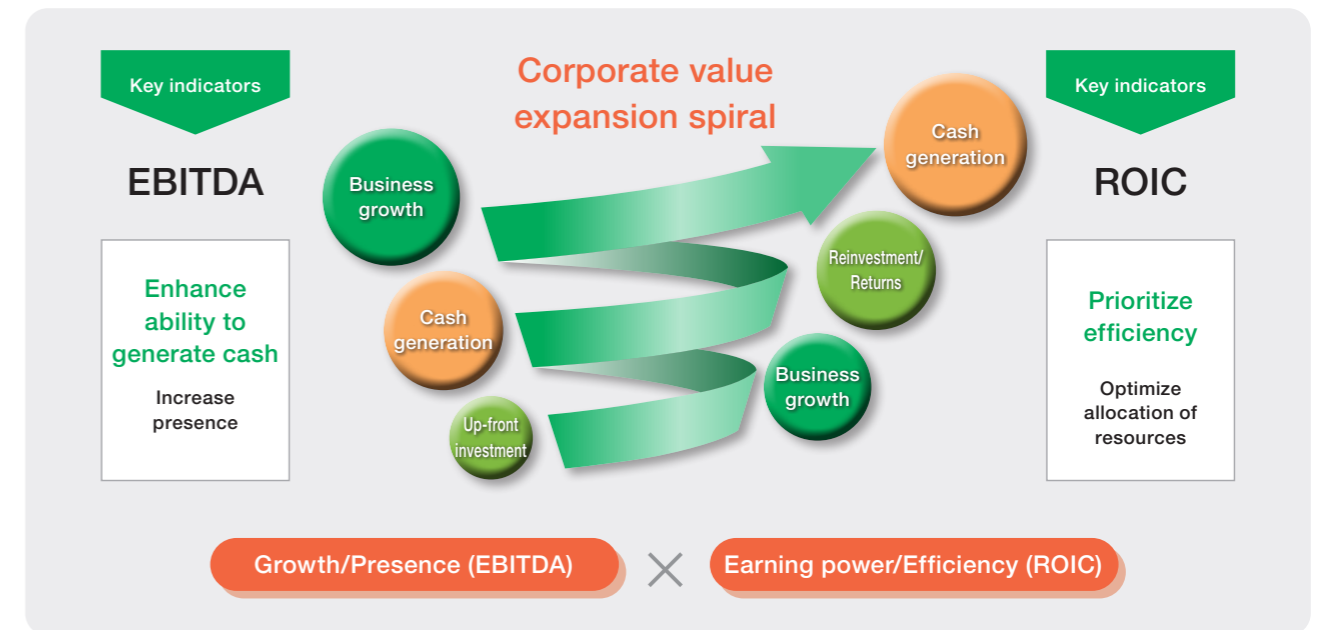
Vision2030—Approach to Financial Management and Key Financial Indicators

Our main challenge in long-term strategic framework Vision2030 is to enhance our market, economic and social presence. One of our performance indicators is position in the Asian market. Currently our position is around 13th,* but by 2030 we aim to be in the top 10 at the very least. Ultimately, our goal is to place in the top five. To accomplish this, based on the increase in profitability to date, we must steadily achieve top-line growth. Specifically, we are aiming for approximately ¥600 billion in net sales and an overseas sales ratio of 50% by 2030.

Growing net sales and expanding the scale of our businesses requires proportionate investment, so we have been increasing up-front investment since 2020. We will utilize these investments to achieve business growth and use the cash this growth generates for further investment, thus creating a cycle of business growth that increases corporate value. In addition to using sales growth rate as an indicator of our progress, we will use EBITDA to measure the increase in cash and prioritize the use of return on invested capital (ROIC) to gauge profitability and efficiency of the capital invested in each business.

* Market position by sales amount (in the main markets in which Lion operates)

Enhancing Lion's Market, Economic and Social Presence



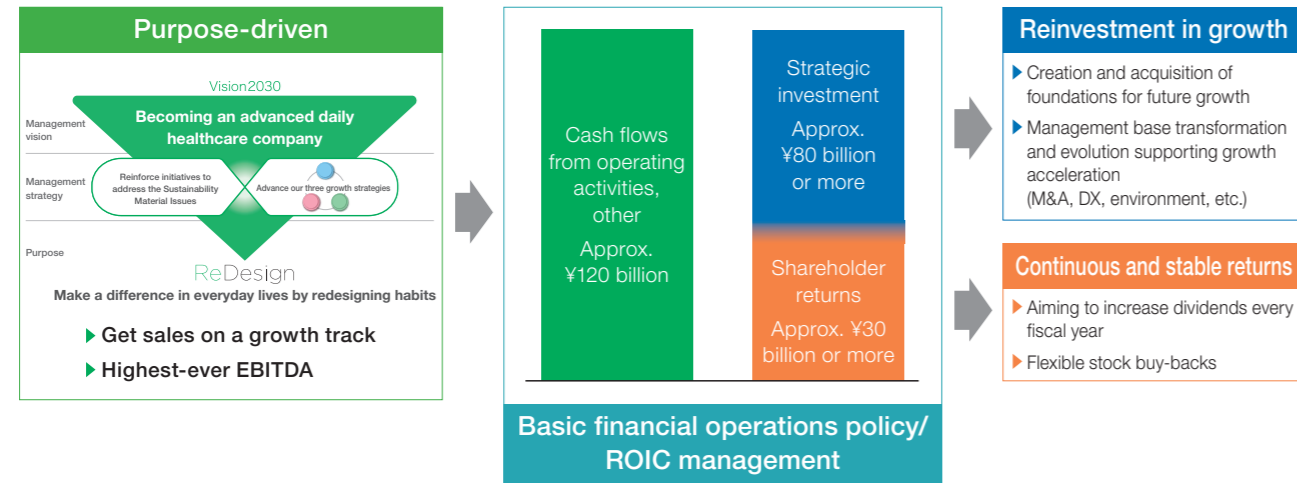
While we will also monitor ROE as before, in Vision2030 our priority is to move forward with ROIC management. Over the five years from 2020 through 2024, going beyond the culmination of medium-term management plan Vision2030 1st STAGE, we plan to invest more than ¥140 billion. We aim to monitor the returns from these investments in terms of both efficiency and profitability. We will reinforce management control by looking at ROIC by business

and checking the trends and changes in individual ROIC components. This will lead to an even more robust business portfolio.

Our weighted average cost of capital (WACC) is approximately 4%. We aim to keep ROIC above WACC and increase it to 8–12% by 2030. In addition, we aim to boost EBITDA, thus enhancing our ability to generate cash and improve our corporate value.

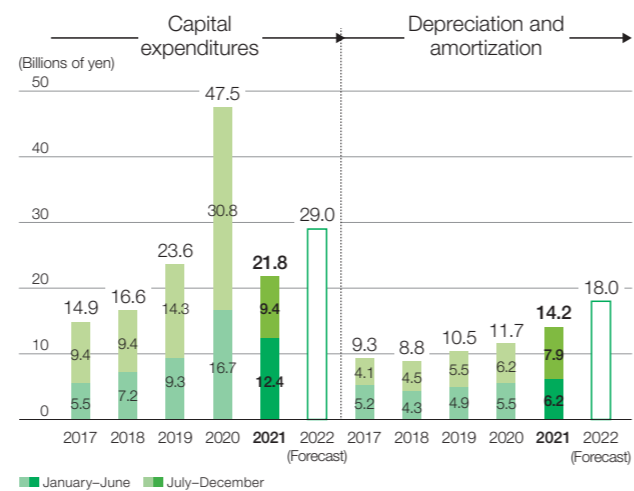
Approach to Cash Allocation in Vision2030 1st STAGE

1st STAGE Cash Allocation



In Vision2030 1st STAGE we aim to generate around ¥120 billion in cash from operating activities. We will allocate ¥80 billion of this to reinforce production facilities and to make investments in labor-saving and streamlining measures. This includes environmental and digital transformation investments. Of the remainder, we will return just over ¥30 billion to our shareholders through dividends and stock buy-backs. Our policy is continuous and stable increase of cash dividends, aiming for a consolidated payout ratio of 30%. In accordance with this policy, in Vision2030 1st STAGE, we aim to increase dividends. Moreover, in February 2022, we acquired and cancelled around ¥10 billion of Company stock. Future decisions on such buy-backs will be made flexibly based on comprehensive consideration of funds on hand and our financial status.

Capital Expenditures and Depreciation and Amortization



Investment in Human Resources in 2021

	Lion Group (Consolidated)	Lion Corporation (including seconded employees)
Average hours of training per FTE* employee	31.0	52.8
Average investment in training per FTE employee	¥36,700	¥67,100

* Full-time equivalent

Investing in Human Resources Who Will Drive Growth

Investing in human resources will be essential for advancing our growth strategies. First, we need to increase hiring to match the increasing scale of our operations. As I mentioned before, we also believe we must acquire global personnel who can help us enhance our presence overseas and boost our overseas sales ratio. We are also proactively moving forward with measures to develop our existing personnel. For example, we will build systems that enable various curriculums to be taught via remote learning in the Lion Career Village and work with external training institutes. In these and other ways, we will focus on measures that balance both corporate and personal growth. (See "Human Resource Development" on page 44.)

New Medium-term Management Plan Vision2030 1st STAGE (2022-2024)

Gear change towards accelerated growth

Implement growth strategies and transform the management base to accelerate transformation while growing

Reinvest returns from up-front investment for future growth to get on a sales growth track and reach highest-ever EBITDA

Reinforce ROIC to enhance management control

Manage the business portfolio with an eye to business efficiency and appropriately allocate management resources

2024 Targets

Net sales	¥420 billion
EBITDA ¹	¥52 billion
Core operating income ²	¥32 billion
ROIC ³	Approx. 7.5%
ROE	Approx. 9.0%

1. Earnings before interest, taxes, depreciation and amortization: Sum of core operating profit and depreciation and amortization (excluding amortization of right-of-use assets)
2. Calculated by subtracting selling, general and administrative expenses from gross profit
3. Calculated as net operating profit after tax (NOPAT) divided by average invested capital (total equity plus interest-bearing liabilities) during the period.

Advance three growth strategies

Lion will advance three strategies to drive business growth toward the achievement of our management vision.



1st STAGE Initiatives

Accelerate growth in four fields of value creation

Focusing on four fields of value creation, the directions for growth, we will evolve existing businesses and create new businesses to further accelerate growth in Japan and overseas.

- Page 25 ► Secure profit opportunities by evolving existing businesses and creating new businesses in four fields of value creation
- Page 24 ► Maintain rapid growth of Qingdao Lion's business
- Page 24 ► Expand into new countries or areas
- Page 27 ► Expand social contribution by promoting environmentally friendly habits

Transform our business foundations for growth

We will continue to engage in and reinforce strategic investment (M&A, supply chain management, production infrastructure, digitalization, sustainability, etc.) necessary for growth and transform our business base to one that promotes growth.

- Page 41 ► Accelerate digital transformation (DX) (business foundations, operational streamlining)
- Page 41 ► Reinforce and make full use of systems infrastructure
- Page 29 ► Enhance management control
- Page 48 ► Accelerate the implementation of sustainability strategy

Generate dynamism to realize innovative change

We will generate dynamism to transform into a company that can grow sustainably by improving employee engagement through professional fulfillment reforms and diversity and inclusion initiatives.

- Page 46 ► Advance the Lion Professional Fulfillment Reforms
- Page 47 ► Promote diversity and inclusion
- Page 44 ► Expand investment in personnel development and human capital (DX/Global/New businesses)

Consumer Products Business (Japan)

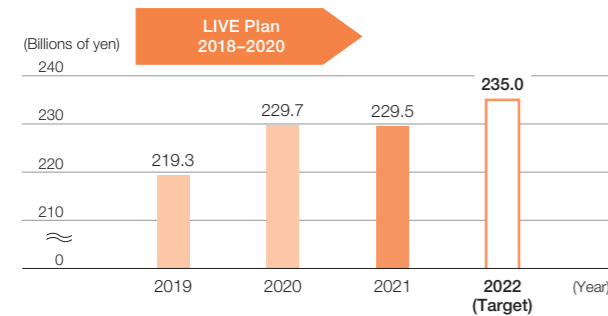


Creating new markets by redesigning habits through products tailored to changing lifestyles

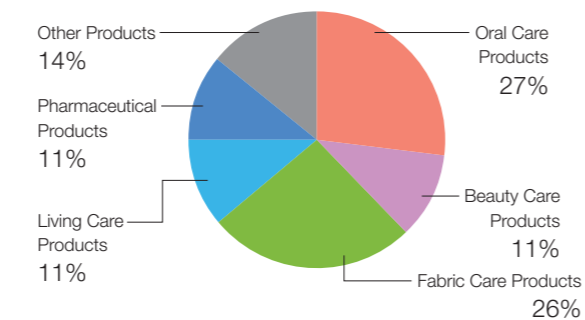
Masayuki Takemori

Senior Executive Officer,
Executive General Manager of Health and Home Care Products Division

External Sales



Net Sales by Product Category in 2021



Market Position



Note: Market position (market share) in 2021 according to Lion Corporation survey

Market Environment (Risks and Opportunities)

In Japan's consumer products market, lifestyle changes caused by the prolonged COVID-19 pandemic have heightened awareness of the importance of daily health and hygiene. Moreover, opportunities to reexamine lifestyles have increased, and changes in environmental consciousness continue to accelerate. Meanwhile, changes in work styles have also led to new consumer purchasing behavior, such as increased use of e-commerce. As Japan's population declines, it will not be enough to simply plan and develop good products. In order to achieve business growth, we must make new habit proposals, including services tailored to changes in consumer awareness and behavior, and build new business models.

Consumer Products Business Strategy in Vision2030 1st STAGE

To drive market creation and business growth, we aim to redesign habits by proposing products tailored to changing consumer values and lifestyles. We will also contribute to the redesign of consumer habits by seamlessly providing new value proposals that go beyond the boundaries of our established product categories and businesses.

Oral Care Products

Page 26 Oral Health

Shift to high-added-value oral care products and build a new oral health business model

As Japan's leading manufacturer of oral care products in terms of market share, we are driving market growth through a comprehensive strategy where we offer brands for various life stages and oral conditions. In addition, in 2022 we will launch a preventive habits solution business in collaboration with the industrial, public, academic and medical sectors, and nurture it into a growth driver.

Beauty Care Products

Propose habits that promote mental and physical health through the beauty of cleanliness based on hygiene awareness

The *KireiKirei* brand has helped to promote the habit of hand washing and is now the leading hand soap brand in Japan. Although consumers recognize the importance of hand washing in preventing the spread of infection, we are aiming for further business growth by proactively promoting and proposing an even higher level of hygiene-related habits that go beyond hand washing.

Fabric Care Products

Offer products tailored to changing lifestyles and propose new laundry habits

We aim to contribute to market growth by reinforcing our lineup of larger-size products—which we developed to address changing consumer purchasing behavior brought on by the pandemic—and offering highly concentrated liquid laundry detergents that are compatible with increasingly popular washing machines that automatically dispense liquid laundry detergent and fabric softener. At the same time, we will seek to create a new market by proposing new laundry styles that are compatible with sustainability, and promote sustainable laundry as the de facto standard.

Living Care Products

Pursue more efficient, labor-saving housework and greater value in cleanliness and hygiene, and propose new housework habits for the next generation

Through the promotion of *CHARMY*, *LOOK*, and *REED*—brands that offer simplicity, convenience, and cleanliness in the housework routine, from dishwashing and bathroom/toilet cleaning to cooking—we will create new housework habits that are suited to the various lifestyles that have evolved as a result of the pandemic.

Pharmaceutical Products

Propose self-care habits to ensure that individuals can choose the optimal solutions for their specific issues

We offer self-care solutions centered on *BUFFERIN* and *Smile* to enable consumers to deal with specific ailments and discomforts independently. We are also contributing to market expansion by developing our *Method* and *FERZEA* brand dermatologic solutions into the third pillar of the Pharmaceutical Products business.

Promote environmentally friendly habits alongside consumers by expanding our lineup of refill products

At Lion, we have used our detergent and hand soap refill products to establish the refill habit, which has reduced environmental impact. In the spring of 2022, we launched refill products for *NONIO Mouthwash*, the first in the oral care category. We will continue to propose new products to further establish the refill habit among consumers.



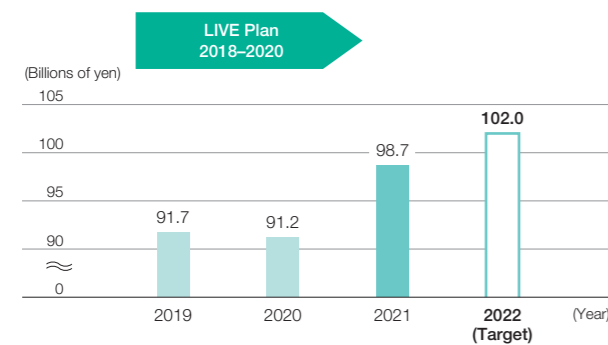
Overseas Business



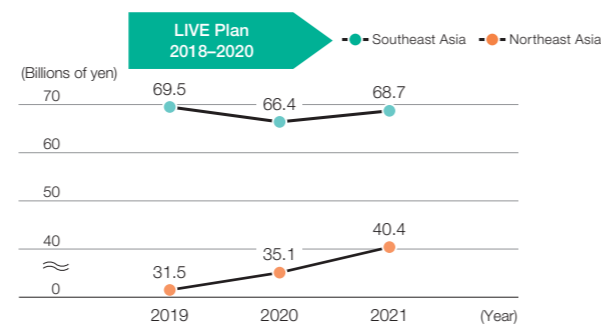
Accelerating reforms to grow net sales and increasing our presence in the markets of Asia

Annette Ling
Executive Officer
Executive General Manager of International Division

External Sales



Net Sales in Southeast and Northeast Asia



Market Position

Lion Corporation (Thailand) Ltd.	Southern Lion Sdn. Bhd.	Lion Corporation (Korea)	Lion Daily Necessities Chemicals (Qingdao) Co., Ltd.
Location: Bangkok	Location: Johor Bahru	Location: Seoul	Location: Qingdao
Categories in top 3	Categories in top 3	Categories in top 3	Categories in top 3
<ul style="list-style-type: none"> Liquid soaps (No. 1 share) Hand soaps (No. 1 share) Toothpastes and toothbrushes Laundry detergents Dishwashing detergents 	<ul style="list-style-type: none"> Laundry detergents (No. 1 share) 	<ul style="list-style-type: none"> Hand soaps (No. 1 share) Laundry detergents Dishwashing detergents 	<ul style="list-style-type: none"> Regular toothbrushes via e-commerce channels

Note: Market position (market share) in 2021 according to Lion Corporation survey

Market Environment (Risks and Opportunities)

In the markets of Asia in fiscal 2021, Northeast Asia recovered quickly from the effects of the COVID-19 pandemic, while Southeast Asia suffered from prolonged lockdowns and restrictions on activity. As a result, consumption decreased and markets in each category were sluggish. With ongoing impacts from the pandemic, geopolitical issues, fluctuating exchange rates, and soaring raw material prices, the risk of market stagnation remains.

Regarding consumer behavior in Asia, although needs are diverse due to differences in economic conditions, religions and cultures, lifestyles and needs are becoming increasingly uniform, particularly in urban areas. Given changes in lifestyles caused by aging populations and the increase in middle-income households, as well as needs for healthcare products that help establish cleanliness and hygiene-related habits, there are opportunities for business growth through product proposals that are optimized to address the specific trends and features of each country and region.

Overseas Business Strategy in Vision2030 1st STAGE

To become an advanced daily healthcare company in Asia, we will accelerate reforms to restore high sales growth

• Key Strategies (Page 22)

- Reinforce strategies for each region through our glocalization strategy*
- Shift to a cross-regional management system by transitioning from our conventional country-centered approach to a business-centered approach

*Unique strategy for creating competitive advantage through a combination of globalization and localization

Country/Area Expansion

• Expand Qingdao Lion business (Page 24)

- We will extend sales inland to regional centers from our previous focus on coastal cities and e-commerce.
- While maintaining our priority focus on oral care, we aim to expand into closely related fields, such as oral care for pets, a category we entered in 2021, and products for dental clinics.

• Expand into new countries or areas (Page 24)

We aim to expand operations into two or more new countries or areas during Vision2030 1st STAGE. We will also create an organization under the direct control of the president, hiring mid-career specialists from outside the Company to reinforce the M&A process.

Category Expansion

• Reinforce the oral care products business

In each country and area, while considering different levels of knowledge and awareness of oral hygiene, as well as various income levels, and providing products accordingly, we will promote the creation of healthy living habits and firmly establish oral care habits through public awareness and informational activities. In addition to toothpastes and toothbrushes, we will also strengthen our lineup of mouthwash products, use of which has increased with rising health awareness.

• Expand the lineup of hygiene-related products

In tandem with rolling out *KireiKirei* brand hand soaps in each country and area, we will expand our lineup of hygiene products to meet local needs. We will also continue to proactively engage in public awareness activities aimed at establishing the habit of hand washing.



A public awareness activity to establish the habit of hand washing

• Enter new categories

Through product development driven by local insight, we aim to enter new categories in which we are not active in Japan and develop them into growth drivers. Looking ahead to post-pandemic markets in Asia, in 2022 in Singapore, we launched *SunoHada* skincare products for sensitive skin, a category which is expected to see major growth in the market. We plan to launch these products in other countries or areas.

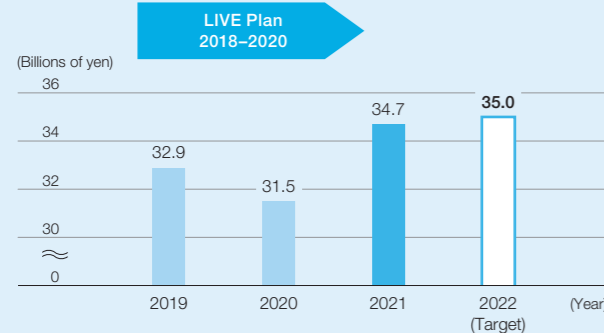


SunoHada products for sensitive skin launched in Singapore

Industrial Products Business

External Sales

Note: Total for the Industrial Products Business



Detergents for Institutional Use



Dishwasher detergents



Hand soaps



Vegetable-washing systems

Chemical Products



Detergents for Institutional Use

Providing Unique Cleanliness and Hygiene Solutions to Corporate Customers and Contributing to the Resolution of Social Challenges

Market Environment (Risks and Opportunities)

Although the prolonged COVID-19 pandemic has had a negative impact on customers in the restaurant and hotel industry, causing a slowdown in operations and store closures, it has also had a positive impact in the home meal replacement industry, where customers are benefiting from an increase in demand from people spending more time at home, and has spurred hygiene-related needs at medical and nursing care facilities. Going forward, the Lion Group needs to reinforce user-oriented product development and proposals by tailoring them to changes in its own and its customers' business environments.

Institutional-use Detergents Strategy in Vision2030 1st STAGE

Using our ability to offer hygiene-related solutions that combine the washing technologies of the Lion Group and the specialized hygiene management expertise of Lion Hygiene Co., Ltd., we aim to drive growth by focusing on promising growth businesses—the vegetable-washing business, the hygiene business and the medical and nursing care facility business. We will also provide value in infection control from a B-to-B perspective.

Vegetable-Washing Business

We aim to further evolve and expand the range of applications for the ozone sterilization technologies of our *Yasai Kirei MiBO* vegetable-washing and sterilization system, which is used by convenience store vendors and vegetable processing plants. Through the development of these technologies and the supply of detergents, we aim to provide a comprehensive range of solutions for food processing plants.

Hygiene Business

We seek to acquire new customers by proposing comprehensive solutions that cover everything from restaurant kitchens to dining halls through the introduction of new hygiene diagnosis options (infection prevention) tailored to current social conditions, and the use of our *Hayaraku* HACCP system.

Medical and Nursing Care Facility Business

For nursing care and daycare facilities, where demand continues to increase, we will step up our user-oriented initiatives based on comprehensive proposals in facility hygiene, infection countermeasures and laundry detergents.

Focus

Advantages of the *Yasai Kirei MiBO* Vegetable-washing and Sterilization System

By using microbubble ozone technology, the *Yasai Kirei MiBO* vegetable-washing and sterilization system leaves no sterilization agent residue and maintains the natural flavor and appearance of vegetables. Further, it contributes to the reduction of food loss by enhancing the freshness of the vegetables.



WEB Lion Hygiene Co., Ltd. (Japanese)
<https://www.lionhygiene.co.jp/>

Chemical Products

Becoming a Global Niche Company That Provides New Value for Industrial Customers' Next-Generation Products

Market Environment (Risks and Opportunities)

In the Chemical Products Business, continuous growth is expected in the electric vehicle (EV) market as we move toward a decarbonized society due to changing consumer lifestyles and awareness; in the semiconductor market due to the spread of 5G communications; and in the hygiene-related market. On the other hand, to minimize the substantial negative impacts of risks of soaring material prices, stability issues in product and raw material supply and delays in distribution, we need to build a stable business foundation.

Chemical Products Strategy in Vision2030 1st STAGE

Because of their high potential for future growth and as areas in which we have a thorough understanding of customer needs, we have positioned CASE (connected, autonomous, shared, and electric) technologies and sanitary products as our key categories, and will focus our management resources there. Further, leveraging the unique positioning of B-to-B, we will step up initiatives for addressing our Sustainability Material Issues through our customers' products and services, thus helping to enhance the value of the Lion Group's business.

CASE (Markets centered on connected, autonomous, shared and electric technologies)

- In the growing secondary battery market, which has been driven by rising demand for EVs, we will expand the business by increasing production capacity for *KETJENBLACK* carbon black (KB), which has competitive advantages.
- In the anti-sticking agent business, where we hold the top domestic market share for general-use, powder-type anti-sticking agents, we will enhance customer value through the rollout of liquid polymer anti-sticking agents. We aim to capture top global market share for both.

Sanitary Products (Healthcare market)

With regard to daily necessities and cosmetics raw material markets, we will develop products that meet the requirements of markets during and after COVID-19, and utilize our top-class primary raw material processing plants to provide nitrogen derivatives and functional polymers.

Focus

Competitive Advantages of KB

KB is an electro-conductive agent with a unique structure that can enhance range on a single charge. Increased use of KB is helping to popularize EVs, thus contributing to reduced CO₂ emissions through our customers.



WEB Lion Specialty Chemicals Co., Ltd.
<https://www.lion-specialty-chem.co.jp/en/>

Research & Development



With the aim of “Becoming an advanced daily healthcare company,” we will foster innovation as a growth engine.

Kosuke Tanaka

Executive Officer
Executive General Manager of Research and Development Headquarters

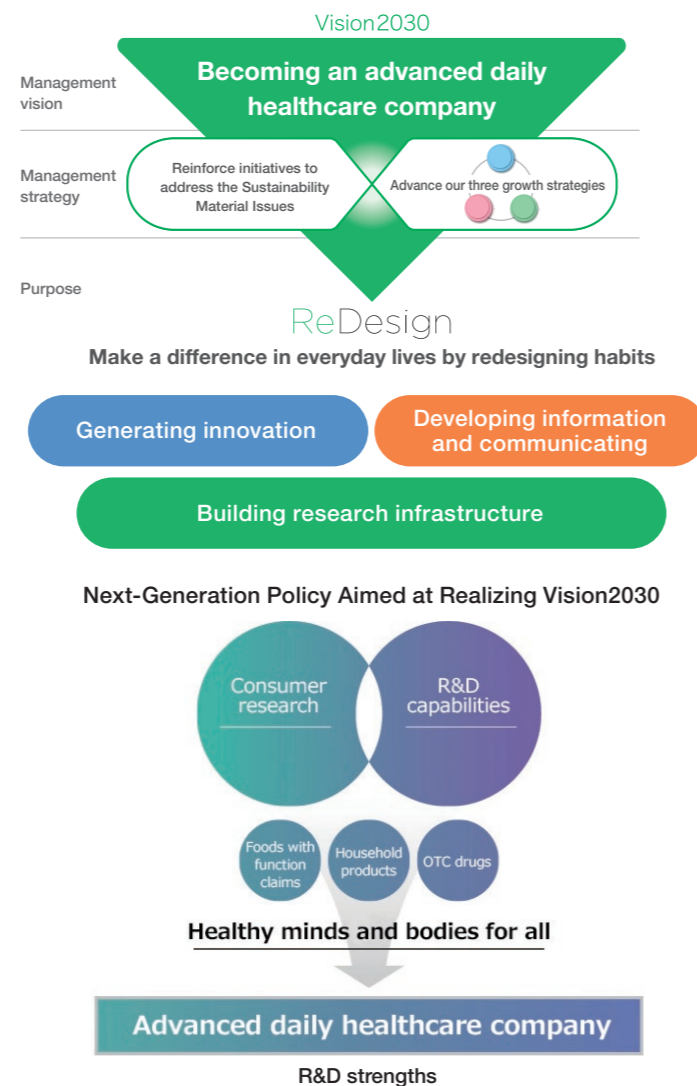
The Mission, Strengths and Next-Generation Policy of Research & Development

The mission of the Lion Group's research and development is to put the Lion Group's purpose, “Make a difference in everyday lives by redesigning habits: ReDesign,” into practice through numerous innovations that contribute to business growth and the creation of a sustainable society. Through these innovations, we redesign consumers' living habits to meet their diversifying needs and ensure healthy minds and bodies for all. While focusing on the Lion Group's four fields of value creation,* which guide the growth of the Group, we are taking on the challenge of cross-divisional innovation.

The foremost strengths of the Lion Group's research and development are its connections with consumers through the Lion products they use every day, and the wide-ranging expertise it has gained through consumer research. In addition, our technological development capabilities are backed by core technologies in oral care, life science, interface science, cleaning and formulation cultivated through product development in various business fields. Aiming for further innovation, we will combine these strengths to create new technologies in collaboration with universities, research institutes, and corporations both inside and outside Japan. We will also undertake digital transformation in our research activities to create new value that will enable us to contribute to redesigning habits from the consumer's perspective.

Furthermore, given the rapid rise in importance of sustainability in recent years, we are proactively working to develop products that are even more environmentally friendly, as well as to collaborate with other companies, universities and the government, among other initiatives.

* Oral health, infection control, smart housework and well-being



[Research & Development](https://www.lion.co.jp/en/company/rd/)

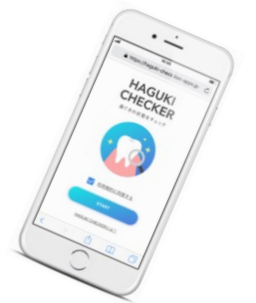
[Next-Generation Policy](https://www.lion.co.jp/en/company/rd/structure/next-generation/)

Key R&D Themes Aligned with Long-Term Strategies

(1) R&D That Supports the Focus on the Four Fields of Value Creation and the Expansion of Businesses That Combine Products and Services

We are currently engaged in cross-divisional efforts to evolve our existing businesses and create new business models in the four fields of value creation that guide the growth for the Lion Group. In the field of oral health, in addition to proposing better oral healthcare habits for all ages through various products and informational activities, we are working on projects that use data on the oral condition of each individual to support the development of even more personalized oral health habits. Specifically, we have signed a comprehensive partnership agreement with Koshi City in Kumamoto Prefecture to provide citizens with opportunities to think about their own oral health by answering a simple questionnaire, either at home or on the go. We plan to use technologies that leverage machine learning to process data on gum conditions from

the smart app *HAGUKI CHECKER*, as well as health checkup data, to visualize participants' level of oral health. We will use the numerous technologies we have developed in our research laboratories to continue proposing new value in ways such as this.



HAGUKI CHECKER
An app to check gum conditions

[HAGUKI CHECKER](https://haguki-check.lion-apps.jp/pc.html)
<https://haguki-check.lion-apps.jp/pc.html> (Japanese only)

(2) R&D Initiatives Aligned with Glocalization Strategy

To expand the Overseas Business, the Lion Group is moving forward with glocalization* to increase its presence in Asia's markets. In R&D, we are posting researchers overseas as necessary to investigate local lifestyles. This is helping us to discover promising needs that do not exist in Japan and to engage in new product development.

In Indonesia, the beauty care market for color cosmetics is beginning to expand owing to economic growth in recent years. In fact, we have positioned Indonesia as a key country in Southeast Asia in this category, and are working on product development with our local affiliate PT. Lion Wings. For a full-scale entry into the color cosmetics market, we carried out observational research on local cosmetics trends to clarify the desired qualities for Luminous Cushion, Two Way Cake, Loose Powder, Compact Powder, Matte Lipcream, and Long Lasting Lipstick. We also created a system for collaboration with external parties, including technical experts and raw materials producers, to implement an efficient formulation and production framework while complementing our range of technologies and expertise. As a result of these efforts, in September 2021 we simultaneously launched the above six products under the new *AZZURA* brand.

Among other issues, changes in physical environments, diets, lifestyles, hygiene awareness and other factors due to urbanization

in Singapore and other countries or areas in Asia have led to an increasing number of people with sensitive skin concerns, and corresponding growth of the market for products to address them. We responded by collaborating with a dermatologist to develop skincare products that moisturize dry skin and suppress itchiness. As a result of these efforts, we launched the new *SunoHada* brand in October 2021. Aiming for further business growth, we will expand rollouts of *SunoHada* products to neighboring countries.



The new *AZZURA* (left) and *SunoHada* (right) brands for the cosmetics business in Southeast Asia

* A strategy for establishing unique competitive edges by combining globalization and localization

(3) Development of Environmentally Friendly Products

Based on the LION Eco Challenge 2050, a set of long-term environmental objectives, the Lion Group aims to achieve a high level of plastic recycling. We have been working to reduce plastic use since the 1990s, and as of 2020 we had achieved a 43% reduction¹ in plastic used (per amount of product shipped) compared with 1995 in eight major product categories.² We are also proactively using recycled materials in our containers. In 2000, we began using recycled polyethylene terephthalate (PET) from beverage bottles in our dishwashing detergent containers. Furthermore, for the clear bottle of

our highly concentrated liquid laundry detergent *TOP SUPER NANOX*, which we renewed and relaunched in 2020, not only did we reduce plastic use by 20%, but we also made the bottle entirely from recycled PET, excluding components such as the nozzle and cap.

- Converted to align with the standards of the Japan Soap and Detergent Association's reduction target for plastic usage for packaging (unit: plastic used per amount of product shipped)
- Liquid laundry detergents, fabric softeners, bleaches, shampoos and conditioners, hand soaps, dishwashing detergents and household cleaners

Initiatives to Promote the Key R&D Themes

Enhancing Work Process Efficiency through Digital Transformation (DX)

We are proactively advancing digital transformation (DX) in order to enhance our operational efficiency. One application of DX is the use of AI in toothbrush development. Previously, toothbrush development was a time-consuming process. Based on their experience, expertise and ideas, researchers would examine shape, thickness, length and various other factors according to the product concept. Having AI learn from large volumes of past research has enabled highly accurate prediction in certain qualities of the product.

For example, in the case of bristle firmness, without having to create an actual sample, we can use AI to predict actual outcomes—whether the bristles will be hard, medium, or soft—and therefore determine whether the specifications are in line with the product concept and Japan Industrial Standards. We still need to create and evaluate an actual sample, but by using AI we have been able to shorten a process that previously took several days to about an hour or so, greatly enhancing development efficiency.

Creating Mechanisms That Generate Innovation

To further drive transformation in the Lion Group's research and development, in 2018 we established the Innovation Lab. Currently functioning as an innovation hub for the entire Company, the lab contributes to the creation of a range of amazing new businesses that go beyond conventional systems. It provides services ranging from support for the ideation process, including workshop planning, visualization of past and current ideas and prototyping, to collaboration with the Business Development Center, and independent open innovation to provide new idea creation, product demonstrations and feasibility studies for commercialization.

We have implemented an initiative under which all of our researchers are allowed to use 15% of their working hours to investigate a theme of their own choosing. These themes do not necessarily have to be connected to researchers' main lines of work; our intention is to bring together researchers with common interests and concerns to work toward targets they themselves have set. To

date, this scheme has helped give rise to research themes that can create new value, broaden researchers' perspectives and foster an innovation mindset.

Focus A Research Theme for New Value Creation

Taking advantage of this scheme, our researchers devised a method for detecting COVID-19 neutralizing antibodies. In a very short timeframe, they developed a new testing method that is more convenient and qualitatively superior to the immunochromatographic methods currently most commonly used. Less than two months from the start of their investigation, our researchers filed two patent applications. During implementation trials, they issued a request for a divisional, accelerated patent examination, and 11 months from the application filing, a patent was registered (Patent no. 7036979) with the Japanese Patent Office.

Intellectual Property Initiatives

Lion's basic policy regarding intellectual property is set forth in its Behavioral Guidelines. These stipulate that we will strive to create, properly protect and actively utilize intellectual property, and that we will respect the intellectual property of others and not seek to improperly acquire or use it.

To promote and manage intellectual property initiatives, we have established a dedicated Intellectual Property Department under the direct control of management. The department coordinates investments in intellectual property with management strategies, ensures that intellectual property rights are used appropriately and conducts accurate information disclosure. In addition to

managing patents, trademarks and copyrights, the Intellectual Property Department protects and utilizes a wide range of other intellectual property and intangible assets, such as manufacturing and assessment methods (proprietary information) and healthcare data. An intellectual property committee, chaired by the director responsible for intellectual property, meets twice yearly to formulate intellectual property strategies and report and discuss progress on key measures.

The Intellectual Property Department at our Headquarters in Japan is in charge of managing and utilizing main overseas intellectual property rights, and works to eliminate counterfeit goods.

Unique Intellectual Property Initiatives

Initiatives	Details
Creating inventions that contribute to putting Lion's purpose into practice	Focusing on technological developments that contribute to redesigning habits has led to the creation of inventions that provide new value. Our patented children's safety toothbrush, which promotes enjoyable tooth brushing for children and peace of mind for parents, was recognized as an outstanding invention with an invention promotion award in the 2020 Kanto Commendation for Invention organized by the Japan Institute of Invention and Innovation.
Registering sound trademarks	As of May 2022, we hold 10 registered sound trademarks, the most of any company in Japan. Since our founding, our marketing activities have emphasized sounds that are memorable to consumers, and our large number of sound trademarks demonstrates our outstanding ability to create and utilize recognizable sounds.
Employee awards program for wide-ranging intellectual property initiatives	We offer in-house Intellectual Property Contribution Awards to recognize employees' wide-ranging intellectual property initiatives. In fiscal 2021, nine individuals from various organizations inside and outside Japan were recognized for implementing counterfeit product countermeasures, educational video copyright administration and other activities.



CLINICA Kid's Toothbrush For children 0-2 years old ©Disney

Supply Chain

Raw Material Procurement | Production | Distribution



We will deliver products to address the daily needs of consumers by building a sustainable supply chain management platform.

Kei Minamikawa

Executive Officer
Executive General Manager of Supply Chain Planning Headquarters,
Director of Administrative Department

Improving Flexibility and Resilience across the Supply Chain

In 2022, we have reorganized the functions of supply chain management (SCM) departments and newly launched the Supply Chain Planning Headquarters. The reason for this is to quickly resolve SCM issues through focused, comprehensive response, data- and technology-based design and collaboration, both within chains of command and between SCM departments.

To ensure that Lion can continue to deliver products for the daily needs of consumers, we have been working to develop highly competitive SCM by boosting the resilience of our logistics system and framework for sustainable and stable raw material procurement and product supply. For example, to counter the increase in scale and severity of natural disasters in recent years, we have created alternate

delivery routes and backup hubs to ensure continuous product supply. We are also reinforcing efforts to adopt universal numbering to coordinate ongoing sales data processing. This will enable precise sales and operations planning, which will improve our production, sales and inventory management processes.

Going forward, procurement, production and distribution methods could change drastically as product personalization increases, resulting in demands for greater speed and flexibility throughout the supply chain. Therefore, in addition to our own efforts, we intend to lead the industry in promoting supply chain platform reforms to address issues across the supply chain.

Building a Sustainable SCM Platform

Increase the flexibility and resilience of the entire supply chain

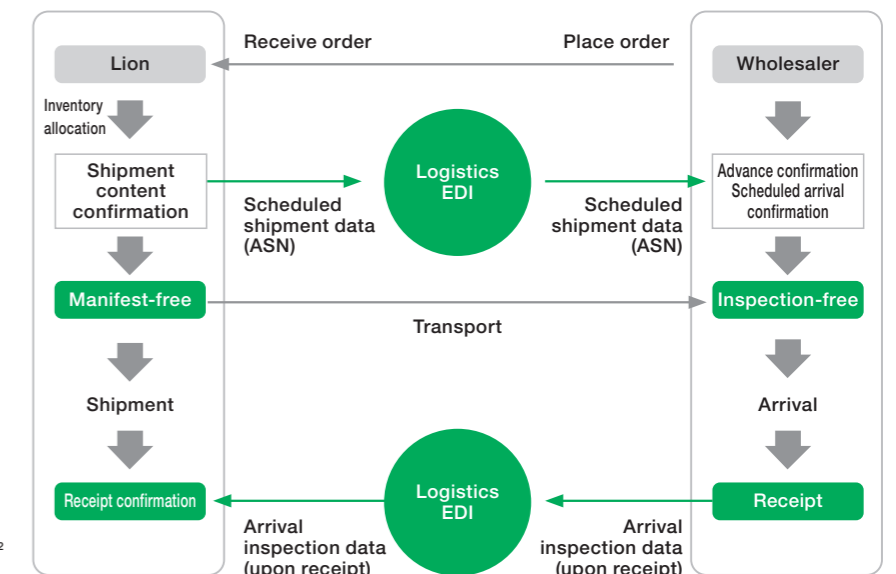
- Coordinate production, distribution and sales data (via a shift to universal numbering) to optimize inventories and minimize the occurrence of product shortages
- Upgrade BCPs (by securing multiple raw material suppliers and multiple transport and distribution routes)

Continuously step up responsible supply chain initiatives

- Promote a logistics EDI concept (collaborative distribution involving industry peers) to achieve operational streamlining, reinforce our logistics crisis response capabilities, and curb CO₂ emissions and other environmental footprints

- Expected effects
- Improvement in the labor environment for drivers and warehouse workers engaged in loading and unloading
 - Increased labor productivity
 - Reduced environmental impact (reduced CO₂ emissions and use of paper)

How We Achieve Operational Streamlining



Sustainable Raw Material Procurement

Promoting Sustainability with Materials Manufacturers and Production Contractors

The palm oil, paper, pulp and other raw materials that Lion uses must be harvested, processed and sold to suppliers before they reach the Group. If issues related to the environment, human rights or labor occur at any of these stages, even if they are not directly related to Lion, we could be held responsible.

In order to ensure sustainable procurement, Lion is reinforcing coordination with materials manufacturers and production contractors to realize more effective SCM. Lion's Procurement Principles clearly state its stance of considering legal compliance, environmental conservation and respect for human rights when selecting business partners. To help our suppliers understand the importance of sustainability initiatives, we require them to conduct self-checks based on the Lion Group Supplier CSR Guidelines. We only do business with suppliers that meet the standards set according to our key sustainability criteria.

We will continue to coordinate with our suppliers in building and operating a sustainable procurement system.

Procuring Sustainable Raw Materials

Lion uses palm oil and palm kernel oil derivatives—renewable, carbon-neutral plant-based raw materials—in its body soaps, laundry detergents and dishwashing detergents. We also use paper and pulp in product packaging, booklets, pamphlets, copy paper and other office supplies. However, procurement of these materials often involves environmental problems such as deforestation, as well as human rights and labor issues, all of which can negatively impact sustainable development.

In response, based on our Sustainable Material Procurement Policy, we are using the frameworks of various certifications to promote sustainable procurement.

Item	Main Initiative
Palm and palm kernel oil derivatives	Procurement of RSPO ¹ -certified oil derivatives
Paper and pulp	Procurement of FSC ² -certified paper

1. Roundtable on Sustainable Palm Oil
2. Forest Stewardship Council

WEB Lion Group Supplier CSR Guidelines
<https://www.lion.co.jp/ja/sustainability/businesscustom/valuechain/pdf/eng.pdf>

WEB Sustainable Material Procurement Policy
<https://www.lion.co.jp/en/company/governance/policies/material-procurement.php>

Increasing Production Capacity in Focus Areas to Grow Sales

At Lion, we are working to build a highly flexible, resilient and sustainable production and supply system to enable the timely provision of the products our customers need.

In the market for oral care products, one of Lion's mainstay business categories, demand continues to grow in line with diversifying tastes (needs) and increasing health awareness among consumers in Japan, and support from overseas customers for high-quality products made in Japan. Responding to this demand, in July 2021 we began operation of a new plant at the Lion Chemical Co., Ltd. Oleochemical Production Site ("LCCOC," located in Sakaide, Kagawa Prefecture), thereby boosting our supply capabilities by 70%. Nearby, Dai Nippon Printing Co., Ltd. has built a plant that produces laminated toothpaste tubes, enabling greater procurement efficiency and faster production through integrated production from toothpaste tubes to toothpaste.

In Japan, to respond to increasing demand for larger-size refill products for liquid laundry detergents and fabric softeners, we have installed new filling and packaging equipment at the Chiba Plant and the Osaka Plant, our main production sites, boosting their supply capacity by 60%.

Overseas, in line with growth in the powder laundry detergent market, Lion Corporation (Thailand) Ltd. ("LCT") has built a new spray-drying tower, which is one of the main pieces of production equipment, thereby doubling its supply capacity. Featuring solar panels and a heat recovery system for collecting and reusing heat from waste gas, this new spray-drying tower is more environmentally friendly than the two existing towers.

From another sustainability standpoint, in addition to updating plant equipment to energy-saving models and installing solar panels on production sites (see page 55), we hope to eventually be able to visualize the energy consumption of all of our factories, which will give us the insight we need to achieve even further energy savings.



The new spray-drying tower building at LCT

Ongoing Reinforcement of Initiatives to Build a Responsible Supply Chain

One issue affecting the logistics industry in recent years has been the long working hours for truck drivers—in particular, the time they must wait for their cargo to be unloaded. To address this issue, in 2021 we introduced a berth reservation system at 10 of our logistics hubs for daily sundries. This has greatly reduced waiting time.

For cargo to be loaded and unloaded, trucks must be parked in a berth. Previously, when transporting goods from production sites to logistics hubs, trucks were unloaded in the order of their arrival. When the number of trucks exceeded the number of berths, there would invariably be an average waiting time of one hour or more per truck from arrival to unloading. The new system has helped to optimize truck dispatch, transportation and delivery by cutting annual waiting times for these 10 hubs by a total of about 66,700 hours. Furthermore, the reduction in engine idling time is expected to lower annual CO₂ emissions by around 68,900 tons.

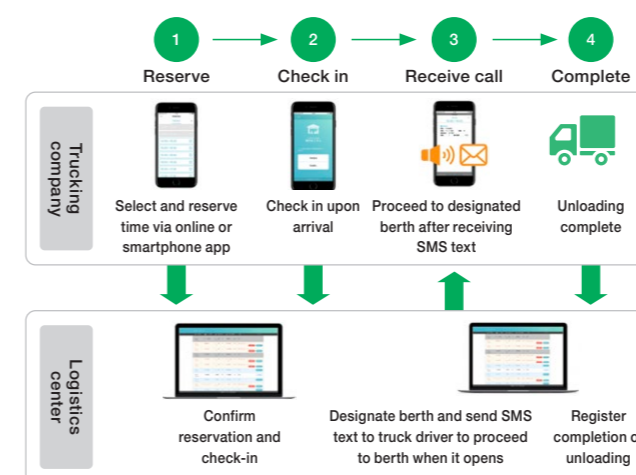
Aside from this initiative, we continue to promote shared use of vehicles and a joint two-way transportation program with companies from different industries, among other measures, as we promote initiatives to improve labor environments in logistics and reduce CO₂ emissions.

Meanwhile, we are taking the initiative in promoting the

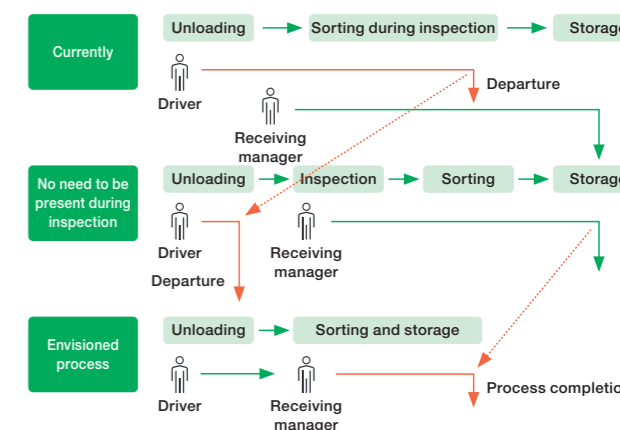
digitalization of logistics data platforms to solve logistics issues throughout the daily sundries industry. Using the logistics electronic data interchange (EDI) platform of PLANET, INC., which operates such systems for the logistics industry, we conducted demonstration testing using advanced shipping notices (ASNs) to digitalize delivery receipts and simplify inspections, and have commenced gradual expansion of ASN use for individual trucks in the wholesale industry.

In tandem with this, we are working to streamline and standardize frontline logistics operations as part of the Study Group for Logistics Productivity in the Supply Chain, which is hosted by the Distribution Economics Institute of Japan ("DEIJ"). The DEIJ comprises industry manufacturers and the logistics companies tasked with delivering their goods. In collaboration with other manufacturers and logistics companies, we are leading efforts to build a standardized supply chain model for the whole industry.

Through these initiatives, we aim to improve labor environments, boost labor productivity, and reduce environmental burden while building a sustainable, resilient supply chain platform for the entire industry.



Outline of Berth Reservation System Service



Envisioned Process for Using ASN for Inspection-free Shipment and Delivery

Focus: Efforts to Streamline and Standardize Frontline Logistics Operations

Faced with an imminent logistics crisis and calls to achieve the SDGs, the Ministry of Economy, Trade and Industry and the Ministry of Land, Infrastructure, Transport and Tourism are using the Physical Internet* Symposium and other platforms to seriously discuss roadmaps to digitalize and standardize logistics operations based on industry, government, and academia collaboration. Efforts such as these can boost momentum across society, and while we can expect advances in infrastructure development, actual operation of new mechanisms will depend on each corporation involved. At the DEIJ where I was seconded from Lion in 2022, we will drive industry-wide efforts and promote specific actions to enhance logistics efficiency. My role involves promoting these efforts on a day-to-day basis.

* Taking its name from digital internet networks, the Physical Internet is an approach to logistics systems aimed at enhancing the efficiency of cargo transportation by having multiple corporations share their warehouses and trucks.



Atsushi Kono
Project Researcher
The Distribution Economics Institute of Japan

Human Resource Development



We will generate dynamism in our personnel and organization by putting our purpose into practice and promoting professional fulfillment reforms.

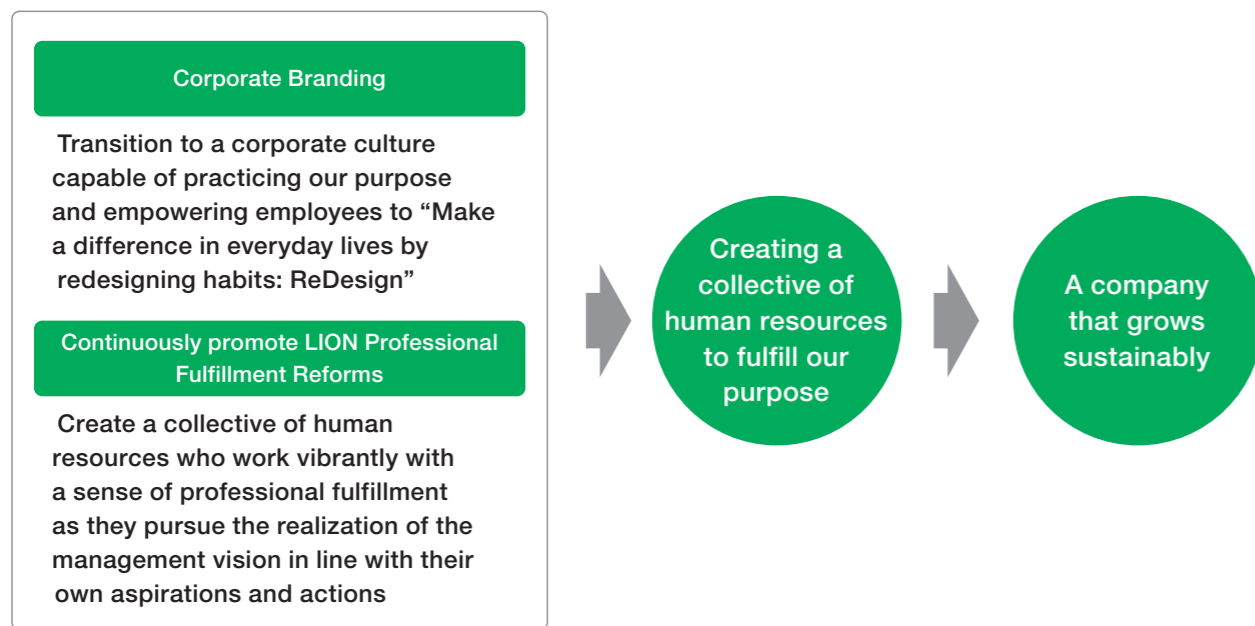
Yoko Koike
Executive Officer
Director of Human Resources Development Center

Human Resource Development Strategy to Realize Our Management Vision

One of the growth strategies of Lion's Vision2030 is "Generate dynamism to realize innovative change." Under this strategy, we aim to have all employees spurring on each other in their respective growth processes and operating as autonomous individuals in order to generate waves of innovative change; that is, dynamism, across the organization as a whole. To do so, we are promoting corporate branding based on understanding of and resonance with our purpose, "Make a difference in everyday lives by redesigning habits: ReDesign," to help employees feel real value in working for Lion, thus improving employee engagement. Furthermore, in addition to our efforts to

create employee-friendly workplaces from the perspective of human resource development—in everything from hiring to training, compensation and the fostering of healthy habits—we also aim to increase productivity and create new value by instilling a sense of professional fulfillment in every employee.

Through further advancement of corporate branding and LION Professional Fulfillment Reforms, we are helping employees fully display their diverse capabilities to form a collective of human resources that will embody our purpose. In this way, we will continue to transform for sustainable growth.



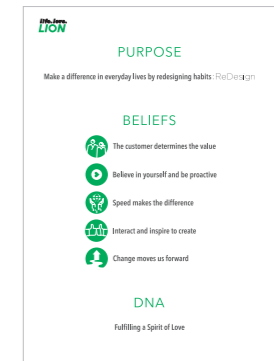
WEB Together with Employees
<https://www.lion.co.jp/en/sustainability/employee/>

Transition to a corporate culture capable of practicing our purpose and empowering employees

Reorganizing Our Corporate Philosophy

Lion has reorganized its corporate philosophy to include a set of beliefs to guide employee decisions and actions as they seek to promptly and independently put the purpose into practice at the frontline, as well as the Group's DNA ("Fulfilling a Spirit of Love"), which has remained unchanged since its founding.

We will encourage employees to more strongly feel personal relevance in our purpose and transition to a corporate culture embodying our purpose by providing them with opportunities to practice.



Corporate Philosophy (page 1)

Measures to Promote the Spread of Our Purpose and Beliefs

Active discussions are already underway to help employees interpret Lion's corporate philosophy in their own way. It is important that each department and individual within the Group considers their mission based on our purpose, and that they examine whether the actions they take to help achieve their mission are in line with Lion's beliefs. We will make time for employees to take a good look at the purpose and beliefs. Rather than simply issuing top-down directives, we will provide opportunities to share information and ideas, mainly through dialogue. Furthermore, to inculcate the purpose and beliefs, we will spread the word about purpose-driven activities, both internally and externally.



Each work group's interpretations of the beliefs displayed along the corridor next to the cafeteria at the Odawara Plant

Employee Awareness and Behavior Survey


We are administering the Employee Awareness and Behavior Survey to all domestic Group employees to verify whether each employee feels a sense of value in working for the Group and therefore highly engaged in their work. This year's survey gauged factors that influence levels of employee

engagement—such as "ability to express individuality," "job satisfaction," and "ability to put the purpose into practice in one's work"—thus giving us a clearer picture of Group-wide progress in understanding and practice of the purpose.

Going forward, we will continue to make use of the survey and other measures that lead to further improvement in employee engagement to ensure that employees can achieve professional and personal fulfillment through enthusiasm for the purpose.

Focus Establishment of the Culture Lab

To achieve Vision2030, we must review and improve internal activities that have up until now been conducted as a matter of course. We established the Culture Lab to carry out activities to unify and enhance the efforts and policies of each department from a Group-wide perspective. Specifically, discussions among employees brought together from various departments, ranks and roles will accelerate corporate culture reforms. The Culture Lab will address various questions, including "How can we ensure active communication among different-ranking employees?", "How can we speed up the dissemination and acquisition of information?", and "How can we encourage employees to establish lofty goals on their own initiative?"



Shohei Fujimura
Director-Corporate Culture

Continuously Promoting Diverse Work Styles for the New Normal

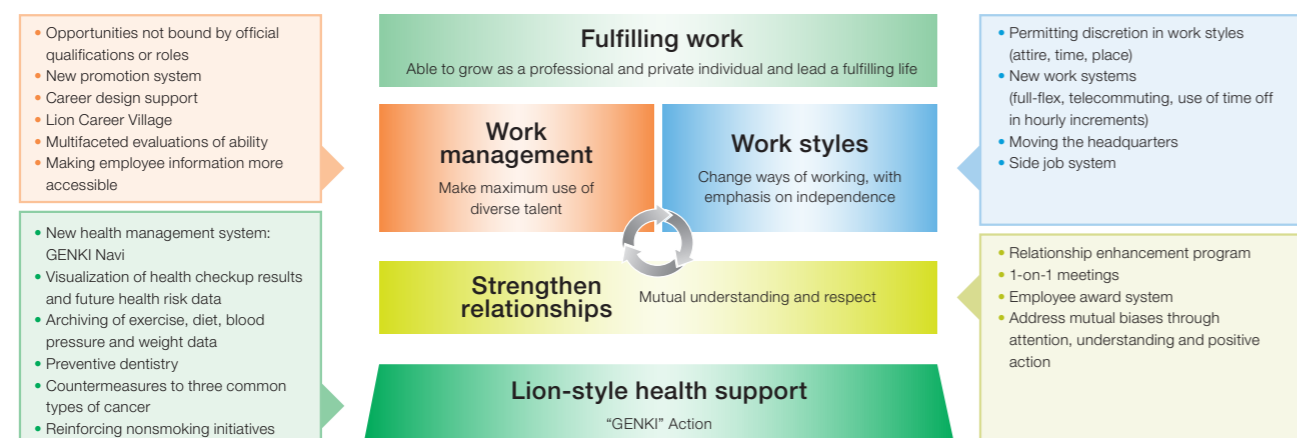
Overview and Goals of the LION Professional Fulfillment Reforms

Lion aims to ensure that individual employees are able to take total ownership of their roles and exercise their abilities to the fullest. To this end, in 2019, we launched a new initiative, the LION Professional Fulfillment Reforms, focused on health, work styles and enabling diverse personnel to participate more fully and advance professionally. The reforms comprise four initiatives: Work management, Work styles, Strengthen relationships and, as the foundation supporting the first three, Lion-style health support.

support, "GENKI" Action.

The COVID-19 pandemic has led to changes in work styles and values for many employees. Amid such changes in the external environment, the Human Resources Development Center is striving to ensure that employees can maintain their sense of professional fulfillment and find the work styles that are best for them by upgrading environments and systems under the framework of the Reforms and implementing a variety of measures to address the new normal created by the conditions of the pandemic.

LION Professional Fulfillment Reform Framework



Work styles

Creation of Diverse, Flexible Work Environments (telecommuting, side businesses, side jobs, etc.)

In January 2021, we introduced telecommuting and full-flex systems (eliminating core time). Due in part to the pandemic, around 50% of employees continue to work remotely. Moreover, approximately 100 employees currently have side jobs, suggesting that independent, diverse work styles have begun to take root.

Strengthen relationships

Management Skill Improvement Program to Enhance Employee Relationships

We are currently implementing a program for the 600 members of management in the Lion Group to help them redefine their relationships with their subordinates. The program will run for a total of three years, with 100 members of management taking part every six months. To achieve true professional fulfillment, it is essential to improve relationships among employees. As such, this program brings together management and all other Group employees to strengthen workplace relationships under the key concept of psychological safety.

"GENKI" Action

Health and Productivity Management to Improve Employee Health

Despite the ongoing pandemic, following strict infection prevention countermeasures, we held dental checkups at 12¹ of our business sites, for approximately 56%² of employees. Elsewhere, we have introduced the new health management system GENKI Navi to help visualize health conditions, and are raising employees' awareness of the importance of health. We are also working to improve our health guidance and consultation services by enabling employees to use a mobile device or PC to check the results of their health checkups and log lifestyle data such as diet and exercise. As part of our countermeasures to three common types of cancer, around 200 employees underwent detailed examinations for stomach, colon and lung cancer. Through these initiatives, we are reinforcing health and productivity management while improving employee health.

1. Checkups were cancelled at three business sites (Headquarters, Sapporo office, and Fukuoka office) due to states of emergency.
2. Percentage of employees at each business site.

Continuous Acquisition and Development of Human Resources Who Can Drive Company Growth

Diversity and Inclusion to Promote Innovation

For us to continue speedily generating new value through solutions to lifestyle and social challenges, we must make full use of the diverse insight of diverse personnel to create new concepts and innovations.

We are developing an environment and culture in which employees can respect each other's diverse values and ideas and fully demonstrate their individuality and abilities, regardless of nationality, gender or any other personal traits.

In addition, we are proactively hiring and promoting a diverse range of personnel, including women, non-Japanese nationals and mid-career individuals with a wide variety of work experience.

With regard to the number of women promoted to management, an area in which Japan is lagging behind other countries, we will continue to develop female employees for leadership roles. Our targets for the ratio of women in management* are 30% or more for the Lion Group and at least 35% for Lion Corporation by 2030.

* Personnel holding managerial positions at the level of manager or higher

Diverse Human Resources	Initiative
Mid-career hires	Hiring mid-career individuals with the knowledge and experience to be an immediate asset
Side job applicants	Bringing in new ideas by hiring individuals with specialized expertise from outside the Group to work side jobs
Global human resources	Developing and utilizing global human resources, including foreign nationals, as part of efforts to advance business globalization
People with disabilities	Proactively hiring people with disabilities

Stepping Up Development of Global and Digital Human Resources

In the Overseas Business, which is key to Lion's growth, developing global personnel is an urgent matter. To accelerate the growth of our Asia business, we are also moving forward with the development of leaders for our globalization strategies. In 2021, we launched a global personnel development program for younger and mid-level employees to gain first-hand experience in our Asia business. Through efforts such as these, we will support the development of employees with outstanding expertise who can be successful in all of Asia, including Japan.

It will also be important to make up-front investments to drive digital transformation and create new business models. We will work to further improve our overall productivity through the development of personnel who can lead digital transformation that streamlines our business foundation and work processes.



Employees taking part in the global personnel development program

Focus About Human Resource Strategy—Diversity and Inclusion

As we aim for sustainable corporate growth on a global scale, we will work to eliminate gender gaps in career development, housework and childcare.

In Japan, which ranks low on the Global Gender Gap Index,* many people have biases on the roles of men and women. We aim to throw out conventional ideas and preconceptions about what men and women can or cannot do, as well as regarding their suitability for various roles, and create an environment in which employees can take on any challenge regardless of their gender. In doing so, we will support diverse work styles and careers.

Specifically, we will

- Foster a corporate culture of acceptance for diversity, in which unconscious bias in workplaces and the overall organization is addressed through attention, understanding and positive action
- Provide female employees with more opportunities, a mentoring program to support their development, and empowerment seminars
- Encourage male employees to take childcare leave and participate in housework

We believe that broadening roles both at work and at home can improve personal motivation and help employees develop better habits. We will continue to promote the generation of these and other positive outcomes.

* 120th out of 156 countries (Global Gender Gap Report 2021)

Promoting Diversity & Inclusion
<https://www.lion.co.jp/en/sustainability/employee/various/>



Azusa Yamauchi
Director-Special Diversity & Inclusion

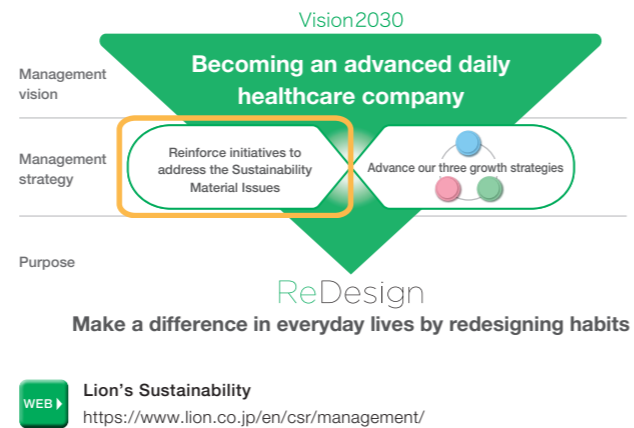
Sustainability

Addressing the Sustainability Material Issues to Achieve Our Management Vision

Approach to Sustainability

Upholding its founding spirit of “benefiting society through its business activities,” Lion, in addition to pursuing economic development, has long considered its impact on the environment and society and worked to address related issues.

At present, we are tackling key management issues to reduce risks and achieve our management vision for 2030 of “Becoming an advanced daily healthcare company.” At the same time, we are practicing management driven by our purpose, “Make a difference in everyday lives by redesigning habits: ReDesign.” The Lion Group will synergistically address its Sustainability Material Issues and advance three growth strategies in order to contribute to the realization of a sustainable society and achieve business growth.



Identifying Material Issues

The Lion Group’s goals for 2030 include realization of the management vision and contributing to the realization of the SDGs. In order to achieve these goals, in 2020 we applied the steps shown on the right to revise the Sustainability Material Issues to address over the coming decade. These Sustainability Material Issues are relevant to both the Lion Group and society at large and, with the goal of helping to realize a healthy future for people and the planet, their selection was informed by broad business, environmental and social sustainability perspectives. In identifying these issues, we comprehensively considered the entire value chain and interests of Lion’s stakeholders in order to understand the risks and opportunities each represents.

In particular, we have positioned “Creating Healthy Living Habits” and “Promoting Environmental Initiatives for a Sustainable Planet” as top priority material issues that we must invest management resources in to secure a competitive advantage. In addition, we revised our objectives and other indicators in 2021 due to the COVID-19 pandemic and drastic changes in the social environment.

Our Approach to Identifying Sustainability Material Issues

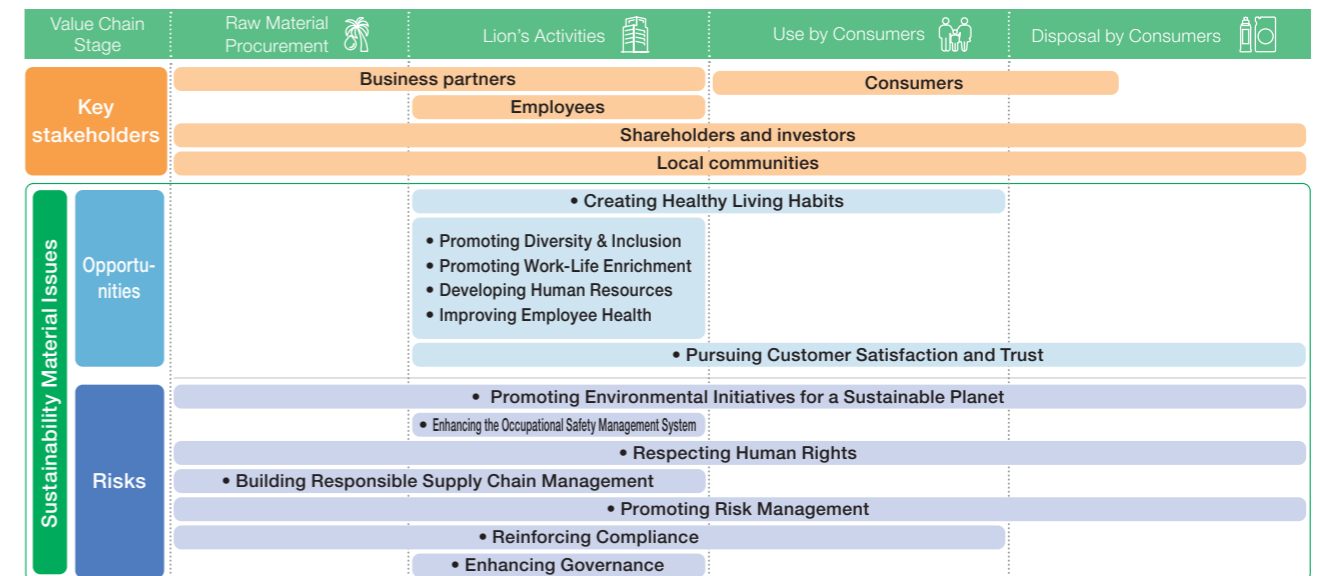


Steps for Identifying Sustainability Material Issues

- Step 1 Identify social issues**
 Based on ISO 26000, the SDGs, the GRI Standards and the ten principles of the UN Global Compact, 39 social issues were identified.
- Step 2 Consider each issue’s impact on society and businesses**
 The issues identified in Step 1 were evaluated in terms of their impact on society and businesses and reviewed by related departments and the Sustainability Promotion Meeting (currently the Sustainability Promotion Council).
- Step 3 Investigate the soundness of the material issues**
 The soundness of each item was investigated in light of the viewpoints of third-party institutions and the issues were revised as necessary.
- Step 4 Obtain approval from the Executive Committee and Board of Directors**
 The Sustainability Material Issues identified were approved by the Executive Committee and Board of Directors.

Risks and Opportunities Related to Sustainability Material Issues in the Value Chain

Lion has classified its Sustainability Material Issues as presenting either risks or opportunities based on considerations of the entire value chain and its stakeholders.

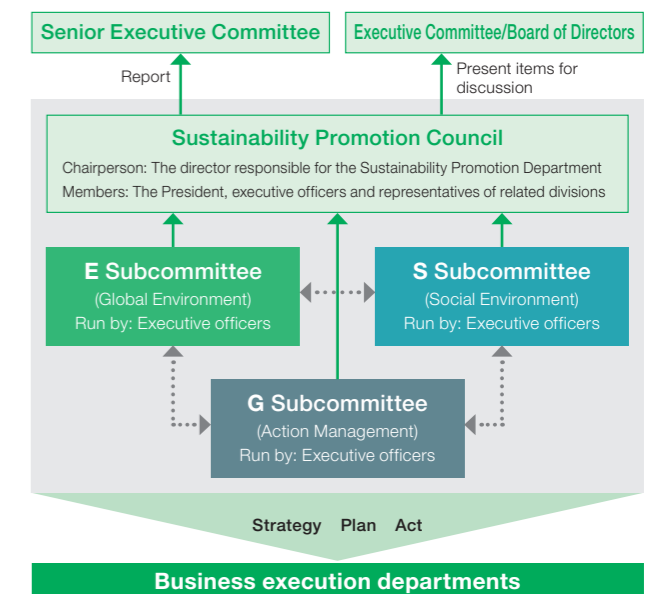


Sustainability Management

Sustainability Promotion Council

In order to promote sustainable management, until 2020 we held the Sustainability Promotion Meeting, comprising all executive directors, including the president, and related departments. In 2021, we revised this system and established the Sustainability Promotion Council, which meets twice a year.

We have established three subcommittees under the council, each headed by an executive officer, positioning top management at the forefront of promoting Sustainability Material Issues more than ever before. Decisions made by the council are reported to the Senior Executive Committee and, as necessary, presented to and discussed by the Executive Committee and the Board of Directors, before being reflected in the business activities of the business execution departments.



Focus

Expectations for Evolving Sustainability Management

The Audit & Supervisory Board makes sustainability a priority theme each fiscal year. I have been working in the field of sustainability for many years. As such, I look at how issues related to the environment (E) as well as people and society (S) are decided upon in the Lion Group (i.e., governance (G)), including decisions by the Board of Directors. The Sustainability Promotion Council is an extremely important body as it gives specific instructions with regard to sustainability issues and demonstrates leadership in dealing with investments, risk and progress management, among other issues. The president, the director in charge of sustainability, directors responsible for other areas and executive officers in charge of operations are all driven by the same purpose. As they are serious about their work, conflict can sometimes arise. However, I am encouraged by the fact that the more often we meet, the more often we are able to come up with various innovative ideas. Going forward, there is urgent need to disclose non-financial information more effectively. This is due to the growing realization that addressing ESG-related issues is directly connected to corporate value over the medium to long term. Our challenge will be to convey to society and the market what it is that Lion does and the ways in which it contributes to a sustainable society by redesigning habits.



Atsuko Suzuki
External Audit & Supervisory Board Member

	Material Issues	Objectives	Indicators (2030)	Progress (2021 results)	Globally Common Measures to 2030	Related SDGs
E	Promoting Environmental Initiatives for a Sustainable Planet	Reduce CO ₂ emissions throughout business activities.	• CO ₂ emissions throughout business activities ⇒Down 55% compared with 2017 levels (Absolute quantity)	• Down 7% compared with 2017	• Reduce energy usage through energy-saving activities. • Purchase electricity generated by renewable energy sources.	
		Reduce CO ₂ emissions throughout product life cycles.	• CO ₂ emissions throughout product life cycles ⇒Down 30% compared with 2017 levels (Absolute quantity)	• Up 10% compared with 2017	• Reduce household CO ₂ emissions from product use through the provision of environmentally friendly products and services and the promotion of environmentally friendly habits. • Reduce CO ₂ emissions at the stage of procurement through supplier engagement and the purchase of raw materials that generate low CO ₂ emissions.	
		Achieve a CO ₂ emissions reduction effect in excess of Lion's own emissions to help society become carbon negative.	• Contribute to a CO ₂ emission reduction effect in excess of Lion's own emissions (Japan)	• Plan to formulate actions and KPIs and verify their effectiveness	• Reduce society's overall CO ₂ emissions through collaboration with other industry actors and companies. • Reduce household CO ₂ emissions through provision of environmentally friendly products and services.	
		Promote actively the 3Rs (reduce, reuse, recycle) and renewable activities.	• Petrochemical-derived plastic use rate ⇒70% or less	• 95% (Japan)	• Reduce usage of petrochemical-derived materials through the increased use of recycled plastic and biomass materials in products, containers and other packaging. • Continuously promote reduced use and reuse of plastic in products, containers and other packaging.	
		Reduce water usage throughout product life cycles.	• Water usage throughout product life cycles ⇒Down 30% compared with 2017 levels (Per unit of net sales)	• Down 2% compared with 2017	• Reduce water usage by consumers through the provision of water-saving products.	
S	Creating Healthy Living Habits	Provide opportunities for everyone to practice oral care whenever necessary and foster oral care habits to promote health for all.	• Persons provided with products, services and information aimed at creating healthy living habits ⇒1 billion <Oral care: 500 million, Cleanliness and hygiene: 500 million>	Oral care: 150 million • Launched <i>CLINICA</i> and <i>SYSTEMA Gel Toothpaste</i> for use with electric toothbrushes • Launched <i>Lightee Toothpaste</i> for whitening • Spread the habit of after-lunch tooth brushing at the workplace • Conduct initiatives under the Okuchikarada Project for children Inclusive Oral Care • Released an animated video showing how to brush teeth with mouth closed. • Released "Ee, Ha," a tooth brushing song to promote the formation of proper tooth brushing habits among children	• Increase range of products and services that promote the creation of better oral care habits. • Reinforce educational and awareness activities aimed at establishing preventive dentistry and better oral care habits. • Promote activities to address personal and social challenges through Inclusive Oral Care.	
		Promote the establishment of hygienic habits that prevent bacteria and viruses from entering the body across all aspects of daily living.		Cleanliness and hygiene: 120 million • Launched <i>KireiKirei Blue</i> series to combat viruses in daily life • Launched <i>Pocket Size KireiKirei Medicated Foaming Hand Soap</i> for use whenever, wherever • Launched <i>KireiKirei Medicated Foaming Hand Soap Auto Dispenser</i> for touchless dispensing • Began the <i>KireiKirei Relay Project</i> to help create a clean and hygienic environment • Began "Let's Join Together to Promote Habits for Cleanliness! Produced by <i>KireiKirei</i> " for educational institutions • Released "If I Wash My Hands Together With You", a song to help encourage children to join the hand-washing crowd	• Provide products and services that support the establishment of hand cleanliness and hygienic habits in daily living. • Provide new customer experiences in all aspects of daily living through the provision of products and services that protect customers from bacteria and viruses. • Implement educational and awareness-raising activities to establish cleanliness and hygienic habits in all aspects of daily living.	
S	Promoting Diversity & Inclusion	Enable human resources with diverse values and ideas fully express their individuality and abilities and succeed professionally.	• Ratio of women in management ⇒30% or more • Employees who feel that employees with diverse values are able to succeed professionally ⇒80% or more	• Ratio of women in management: 20% • Employees who feel so: 56% (Japan)	• Provide opportunities for employees to deepen their understanding of diverse values. • Create systems and mechanisms for diverse human resources to succeed professionally.	
	Promoting Work-Life Enrichment	Create an environment that helps employees fulfill their ambitions through synergy between work and private life.	• Employees who feel that life outside of work (role at home and external activities) has a positive impact on work ⇒75% or more	• 54% (Japan)	• Create an environment that enables employees to fulfill their life ambitions and achieve their ideal lifestyles.	
	Developing Human Resources	Foster human resources who generate dynamism to realize innovative change by creating environments that allow all employees to exercise their diverse abilities to the fullest and embrace challenges.	• Employees who are using diverse educational programs (Lion Career Village) for individualized skill acquisition and ability development ⇒100%	• 56% (Japan) Note: Programs are being introduced in stages (Overseas)	• Introduce e-learning system and curriculum that meet the needs of overseas Group companies. • Create mechanisms that will be used to provide contents for learning opportunities on an ongoing basis.	
	Improving Employee Health	Support mental and physical healthcare for employees to reinforce Group human resources and achieve sustainable corporate growth.	• Employees getting dental checkups ⇒100% • Absenteeism ⇒Improve from the 2021 level	• Employees getting dental checkups: 56% (Japan; stopped during state of emergency) Note: Support for dental checkups is provided (Overseas) • Absenteeism: 0.7% (Japan) Note: Calculation method under consideration (Overseas)	• Use a self-administered daily oral care program and regular dental checkups to create an environment that allows all employees to implement a PDCA cycle and to provide information and learning opportunities regarding oral self-care. • Provide opportunities for management to learn about checking the mental health of subordinates and for all employees to learn about caring for their own mental health. • Improve health literacy by providing information that helps employees understand their own health conditions and future risks, as well as what preventative actions to take in their daily lives.	
	Enhancing the Occupational Safety Management System	Enhance systems to ensure compliance with occupational safety and health laws and regulations and to enforce safety awareness thoroughly for the safety and peace of mind of employees and outside partners working on site.	• Participation in safety education and training ⇒Implement as planned (100%) at work sites • Compliance with occupational safety and health laws and regulations Serious accidents and incidents ⇒Zero	• Participation in training: 100% as planned • Serious accidents and incidents: Zero	• Provide opportunities to learn about safety and disaster prevention, and implement activities to promote understanding of basic safety activities. • Build mechanisms for exchanging safety information, and proactively disclose information on levels of workplace safety based on the management of records of occupational accident frequency.	
	Respecting Human Rights	Ensure respect for the human rights of all stakeholders affected by Group business activities, in line with the LION Human Rights Policy.	• Human rights due diligence implementation for material human rights issues ⇒100%	• Currently studying methods for assessing risk of human rights violations	• Build a mechanism for addressing human rights issues. • Identify material human rights risks and verify how those affected are negatively impacted. • Execute and monitor measures for addressing human rights risks that have been identified. • Proactively disclose status of response to human rights due diligence.	
	Building Responsible Supply Chain Management	Implement sustainable procurement with zero tolerance for human rights and labor problems (including child labor and forced labor) or environmental destruction in line with the Sustainable Material Procurement Policy and Lion Group Supplier CSR Guidelines.	• Procurement of third-party certified paper and pulp (FSC, PEFC, etc.) and palm oil, palm kernel oil and their derivatives (RSPO, etc.) ⇒100% • Procurement of third-party certified paper and pulp (FSC, PEFC, etc.) and palm oil, palm kernel oil and their derivatives (RSPO, etc.) from suppliers that support efforts aimed at zero deforestation ⇒100%	• Ratio of certified raw materials procurement Japan: Certified paper and pulp: 65% (Item ratio) Certified palm oil and palm kernel oil derivatives: 93% (based on key raw materials) Overseas: Certified paper and pulp: Procurement to begin in stages Certified palm oil and palm kernel oil derivatives: Procurement to be considered • Ratio of suppliers supporting zero deforestation: 50% (Japan) Note: Surveys to begin in stages (Overseas)	• Create and promote a sustainable procurement system in cooperation with suppliers.	
	Pursuing Customer Satisfaction and Trust	Promote and reinforce customer-oriented business activities by improving customer support quality and the value of products and services.	• Customer opinions are reflected in all products and services so that customers will continue to choose them	• In addition to a monthly newsletter aimed at quickly discovering issues and trends through the voice of the customer, in February 2022 we launched a new weekly VOC newsletter (Japan)	• Evolve the activities of customer response departments by steadily promoting three steps: Understand the current situation ⇒Formulate plans ⇒Promote activities • Create an environment for improving customer relationships and expanding the range of problem resolution methods. • Create and implement a system for reflecting customer feedback in products and services.	
	Promoting Risk Management	Build a comprehensive and exhaustive risk management system for identifying and quickly and appropriately dealing with risks to achieve sustainable corporate growth.	• Disclosure of the results of monitoring significant business risks and progress in implementing reduction measures ⇒At least once a year	• Disclosed once	• Build and raise awareness of a management system that includes overseas Group companies. • Use a consistent format for investigating risks and implement countermeasures. • Share information on progress of response through reports to the Board of Directors once a year.	
	G	Reinforcing Compliance	Reinforce effective initiatives to instill compliance awareness and thus earn and maintain the trust of society.	• Participation in compliance education and training ⇒Implement as planned (100%) at work sites • Serious compliance violations ⇒Zero	• Participation in training: 100% as planned • Serious compliance violations: Zero	• Build and enhance a compliance system that includes overseas Group companies. • Further inculcate through ongoing implementation of management and employee training and questionnaires, etc. • Improve Group-wide risk perception and accelerate risk response by designating compliance managers at overseas Group companies and building a global hotline.
Enhancing Governance		Build a sound, fair, transparent and highly effective governance system to enable sustainable corporate value enhancement.	• Disclosure of the results of the establishment and operation of the internal control system ⇒At least once a year • Improvement in evaluations from external organizations ⇒Continuously improve from the 2020 onward	• Disclosed once • As in 2020, continued activities to improve evaluation results	• Evaluate and disclose results of the operation of the current internal control system. • Clarify status of establishment of internal control systems at overseas Group companies and evaluate their operation. • Continuously and proactively disclose governance-related non-financial information.	

* The Sustainability Material Issues and objectives published in 2021 have been partially revised.

Creating Healthy Living Habits

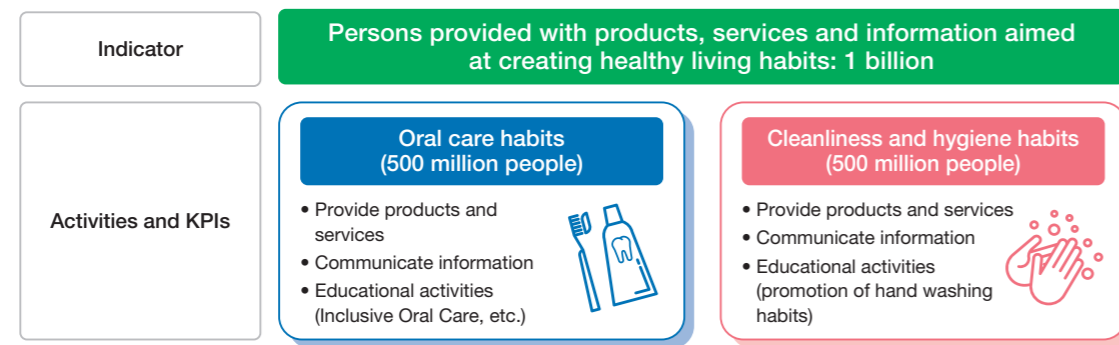
Top Priority Material Issues

Related SDGs



At the Lion Group, we believe that enhancing basic living habits, like tooth brushing and hand washing, is at the core of our value creation. As awareness of and social demands related to health and hygiene continue to grow, we will contribute to the creation of healthy living habits for 1 billion people in our business areas by further promoting and advancing our purpose, “Make a difference in everyday lives by redesigning habits: ReDesign.”

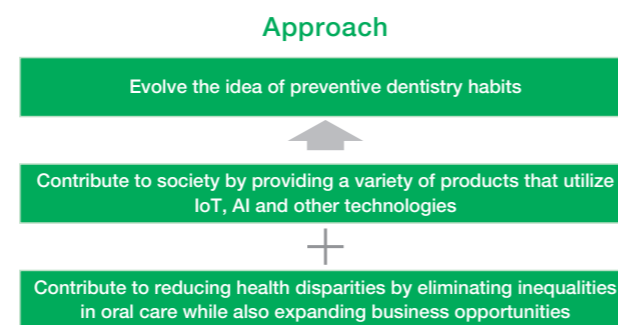
Lion Group Initiatives for 2030



Approach to Establishing Oral Care Habits –From tooth brushing habits to preventive dentistry habits

To date, the Lion Group has worked to establish tooth brushing habits to maintain and improve overall oral health, including the prevention of cavities and gum disease. With the theme of “realizing healthy minds and bodies,” we will strive to evolve the idea of preventive dental habits through self-care that can be done at home as well as professional care through the guidance of dentists and dentistry experts. We will make use of AI and IoT to promote enjoyable preventive dentistry habits, while also broadening our solutions in other ways to benefit the lives of people. Furthermore, we will work with local governments to promote preventive dentistry habits with people whom we previously have not been able to focus on. By providing people with opportunities

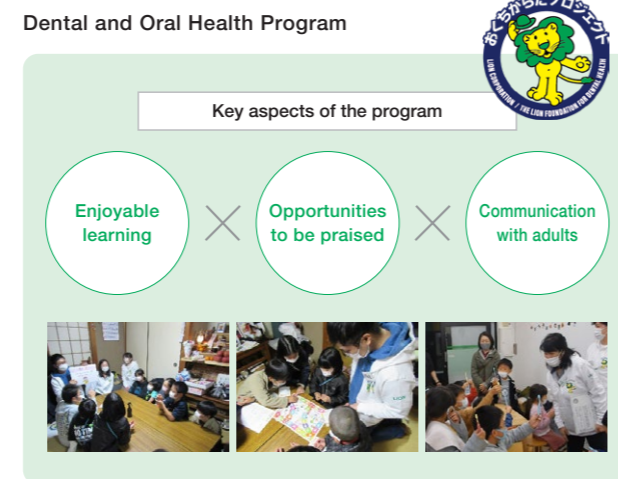
to engage in proper oral care, we will realize “Creating healthy living habits.”



Inclusive Oral Care –A project to support oral and physical health among people in various situations

To ensure that anyone can develop effective oral care habits, we are increasing opportunities for people to learn about oral care through the Inclusive Oral Care project as a way to tackle social issues. In Japan, the relative poverty rate among children (13.5%¹) is becoming a public concern. Children of economically disadvantaged families have inferior health habits and fewer beneficial experiences² than the children of more affluent households. There is also a correlation between poverty and cavities, with children of economically disadvantaged families more likely to have many cavities.

Based on the “Dental and Oral Health” concept, we developed an experience-based program called the Okuchikarada Project. With employees acting as volunteers, we are working with NPOs and local governments at children’s cafeterias to promote preventive dentistry habits and boost children’s self-esteem.



1. Percentage of children under 18 who live in relative poverty (FY2019 Comprehensive Survey of Living Conditions, Ministry of Health, Labour and Welfare)
 2. Receiving praise from others, communicating with adults, acquiring life skills, etc.

WEB Inclusive Oral Care
<https://www.lion.co.jp/ja/sustainability/inclusiveoralcare/>
 (Japanese only)

Approach to Establishing Hygienic Habits –Extending hygienic habits to public spaces

In addition to ensuring stable supplies of the hand soaps and sanitizers that are used in a variety of settings, the Lion Group also conducts educational activities in Japan and across Asia that predominantly promote the prevention of infection in the home and among family members.

With the recovery of economic activity and the reopening of schools, person-to-person contact is set to increase. We believe that hygienic habits will become increasingly important as we live in a world with COVID-19. Society’s expectations of the Lion Group have risen in line with the pandemic, so we will expand our scope of activities to include the prevention of infection in public spaces and the supply of hygienic products and services. As one aspect of our educational activities, we will work with local governments and other organizations to promote and establish hygienic behavior that protects loved ones from infection, and incorporate enjoyable, practical elements unique to the Lion Group.

First developed in Japan, our *KireiKirei* hand soaps are now sold in Asia. While there are limits on promotional activities due to the pandemic, we will work together as a Group and, based on shared goals and themes, promote cleanliness and hygienic habits.



Qingdao Lion employees at an event for Global Handwashing Day

Promoting and Establishing Hygienic Habits in Elementary Schools through Our Employees (Japan)

As part of junior employee training, since 2014 we have been carrying out activities to promote proper hand washing habits at kindergartens and preschools near where the Lion Group’s facilities are located. Although we had to cancel the classes in 2020 due to the pandemic, we restarted these activities and extended them to elementary schools in 2021. With difficulties related to face-to-face learning, we limited the number of employees visiting the schools and provided hybrid classes, fusing on-site and online methods and using videos of experiments to make them easier to understand. We believe this initiative has helped to promote hand washing among the students.



Hybrid class fusing on-site and online methods

Initiatives to Promote Cleanliness and Hygienic Habits in Asia (Overseas)

Lion Home Products (Taiwan) Co., Ltd.

Although employees previously had visited local elementary schools to teach children the importance of hand washing, to prevent the spread of COVID-19 the classes were redesigned as workshops to enable students to learn about hand washing themselves. Students were sent videos and blacklights (to visualize dirt before the classes), allowing them to learn about hand washing habits in an enjoyable way.



Students who took part in a hand washing workshop

WEB Establishing Cleanliness and Hygiene Habits
<https://www.lion.co.jp/en/sustainability/community/cleanliness/#area01>

Promoting Environmental Initiatives for a Sustainable Planet

Top Priority Material Issues



In 2019, the Lion Group established the LION Eco Challenge 2050, a set of long-term environmental objectives, with the goal of promoting business activities that help to address global problems, such as those identified in the Paris Agreement and the Sustainable Development Goals (SDGs). In 2022, many countries, including Japan, began raising their environment- and sustainability-related targets. We have also revised our objectives as we work to achieve carbon neutrality by 2050. Aiming to realize a decarbonized, resource-circulating society, we will promote environmentally friendly habits with consumers to continuously provide planet-friendly lifestyles that make more sustainable living easy.

LION Eco Challenge 2050 and Objectives for 2030

Realizing a Decarbonized Society

CO₂ Challenge

Lion will reduce CO₂ emissions to zero throughout its business activities by 2050.

2030 objective: **55%** CO₂ emission reduction in comparison with 2017 levels in absolute quantity

Lion will reduce CO₂ emissions by half throughout the lifecycle of its products by 2050.

2030 objective: **30%** CO₂ emission reduction in comparison with 2017 levels in absolute quantity

Lion aims to become carbon negative by 2050.

2030 objective: CO₂ emission reduction effect in excess of Lion's own emissions (Japan)

Realizing a Resource-Circulating Society

Plastic Challenge

Lion will optimize use of recirculated plastic by 2050.

2030 objective: Promote the 3Rs (reduce, reuse and recycle) and the utilization of renewable resources (the 4th R)

Reduce petrochemical-derived plastic usage to **70% or less**

Water Challenge

Lion will optimize water usage for sustainability by 2050.

2030 objective: **30%** water usage reduction per unit of net sales across product lifecycles in comparison with 2017 levels

[Together with the Environment](https://www.lion.co.jp/en/sustainability/env/)

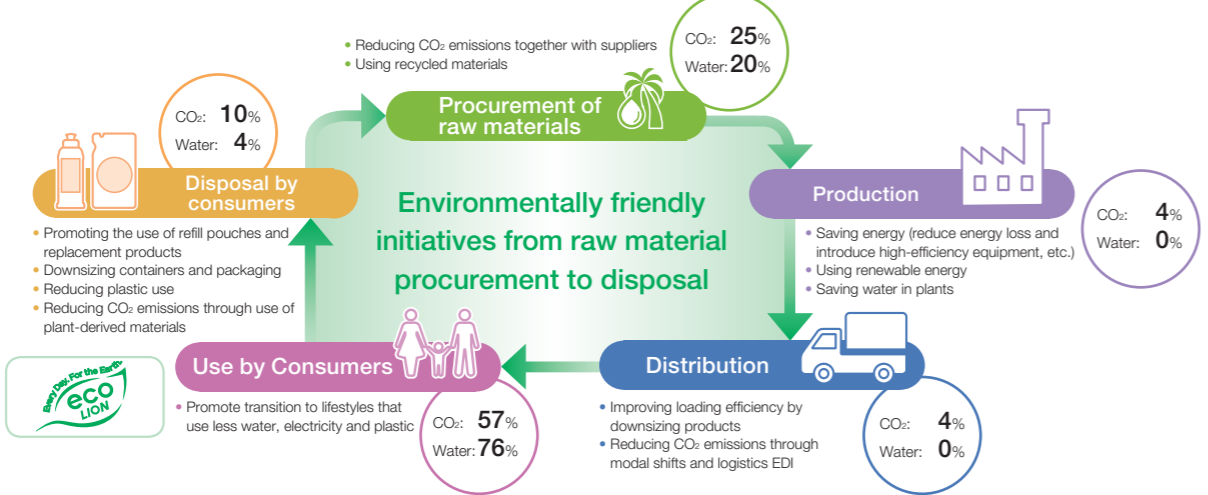
Approach to Achieving a Decarbonized, Resource-Circulating Society

—Creating environmentally friendly habits

As part of its responsibility as a producer, the Lion Group is working to achieve a decarbonized society and to solve plastic and water resource issues in every stage of the product lifecycle, from the procurement of raw materials to disposal by consumers. As laundry and other housework requires electricity and water, CO₂ emissions and water

usage are at their highest at the stage when people use our products. Going forward, we will work to reduce the environmental impact of our products at this stage through the provision of environmentally friendly products and services and the creation of environmentally friendly habits for consumers.

The Ratio of Environmental Burden (CO₂ Emission and Water Usage) and Activities to Reduce Emissions/Usage/ in the Lifecycle of the Lion Group's Business (2021)



Achieving a Decarbonized Society

In 2021, in line with the worldwide goal of keeping global warming below 1.5°C compared with pre-industrial levels, we raised our CO₂ emissions reduction objectives for 2030 from 30% to 55% (in comparison with 2017). In addition to promoting energy-saving activities at each of our business sites (aiming for an annual 1% reduction in emissions intensity per unit of production), we will contribute to the creation of a decarbonized society by installing solar power generation equipment for in-house consumption and promoting the shift to purchasing renewable energy.

Installing Solar Power Generation Equipment for In-house Consumption

In addition to the equipment already installed at our Hirai Office, in 2021 we installed and began operation of solar power generation equipment for in-house consumption at the Lion Chemical Co., Ltd. Oleochemical Production Site and LCT, using the equipment as a source of renewable energy.

Introducing an Internal Carbon Pricing (ICP) System

In Japan, we have introduced an ICP system through which we calculate the hypothetical costs of our CO₂ emissions and use the results to make decisions on environmental investments. Looking forward, by using the ICP system to make decisions on capital and technological development investments, we will improve environmental awareness within the Group and accelerate investments that help to reduce CO₂ emissions.

Purchasing Renewable Energy

LCT acquired renewable energy certificates (I-REC*) equivalent to the amount of energy purchased in 2021, ensuring that the electricity used at the business sites is carbon neutral. We will continue to promote the gradual switch to renewable energy at our business sites in and outside Japan, aiming to ensure that all energy purchased is renewable by 2030.

* International Renewable Energy Certificate



Solar power generation equipment at LCCOC | Ceremony to celebrate receiving I-REC Standard certificates

[Realizing a Decarbonized Society](https://www.lion.co.jp/en/sustainability/env/climate/)

Achieving a Resource-Circulating Society

In May 2022 we formulated the Lion Group Plastics Environmental Declaration. In line with this declaration, we aim to reduce usage of petrochemical-derived plastic by increasing the use of recycled plastics and biomass materials in the development process. We will also engage in Group-wide efforts to promote the reduction and recycling of plastics, such as by fostering refill habits in Asia.

Promoting the 4Rs (Reinforcing recycling initiatives)

The Lion Group is actively promoting the 3Rs (reduce, reuse and recycle) and the utilization of renewable resources (the 4th R) to reduce the use of plastics in our products, containers and packaging.

There are several challenges to overcome in implementing horizontal recycling. We must first build a plastics collection system for shops and other facilities that is easy for customers to use. We then need to develop a low-cost plastic recycling method. We must also choose methods and materials that make it easy to recycle from the initial development stage. We are working with household goods manufacturers, recycling companies, retailers and local governments (Tokyo, Kobe, and others) to solve these challenges, and are currently testing a system to sort and collect used toothbrushes and plastic containers (bottles and refill pouches).

[Realizing a Resource-Circulating Society](https://www.lion.co.jp/en/sustainability/env/resources/)

[Lion Group Plastics Environmental Declaration](https://www.lion.co.jp/en/company/governance/policies/plastics-environment.php)