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LION

Annual Report 2017

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LION



Lion Corporation

Structure of This Report

About Lion

Overview of the Company Motto and Management Philosophy that underpins Lion's business activities together with information that is fundamental to understanding the Company, including its history, scope, and select highlights

Top Message

An explanation from the president of Lion's performance in fiscal 2017 and under the V-2 Plan as well as an outline of the Company's new Management Vision and medium-term management plan, "LIVE Plan"

Strategy & Value Creation

In addition to an overview of Lion's sustainable value creation process, an explanation of the Company's new Management Vision and medium-term management plan, "LIVE Plan"

Strategy & Vision

An explanation of the V-2 Plan from the responsible director of each of the three segments, Consumer Products Business, Industrial Products Business, and Overseas Business, and a report on strategies and the vision under the medium-term management plan, "LIVE Plan," that have been designed to accelerate growth

Foundations for Value Creation

An explanation of measures aimed at further strengthening human resources development, research and development, and marketing, which provide the foundation for Lion's value creation

ESG Initiatives Aimed at Creating Value

An overview of measures implemented by the Company to build and bolster relationships of trust by stakeholder. An introduction to the links between the medium-term management plan and the Company's sustainability endeavors

Financial Review

An 11-year financial summary and commentary on management's discussion and analysis of the Company's operating results for 2017. In addition to details of the Company's operating results, an outline of the Consumer Products Business performance by field and the Overseas Business by country

Editorial Policy

This annual report has been prepared to assist shareholders, investors, and other stakeholders to better understand Lion's financial information, including its Management Vision and performance, and its non-financial information, including its initiatives that contribute to society and the natural environment.

Website for Shareholders and Investors: <http://www.lion.co.jp/en/invest/>

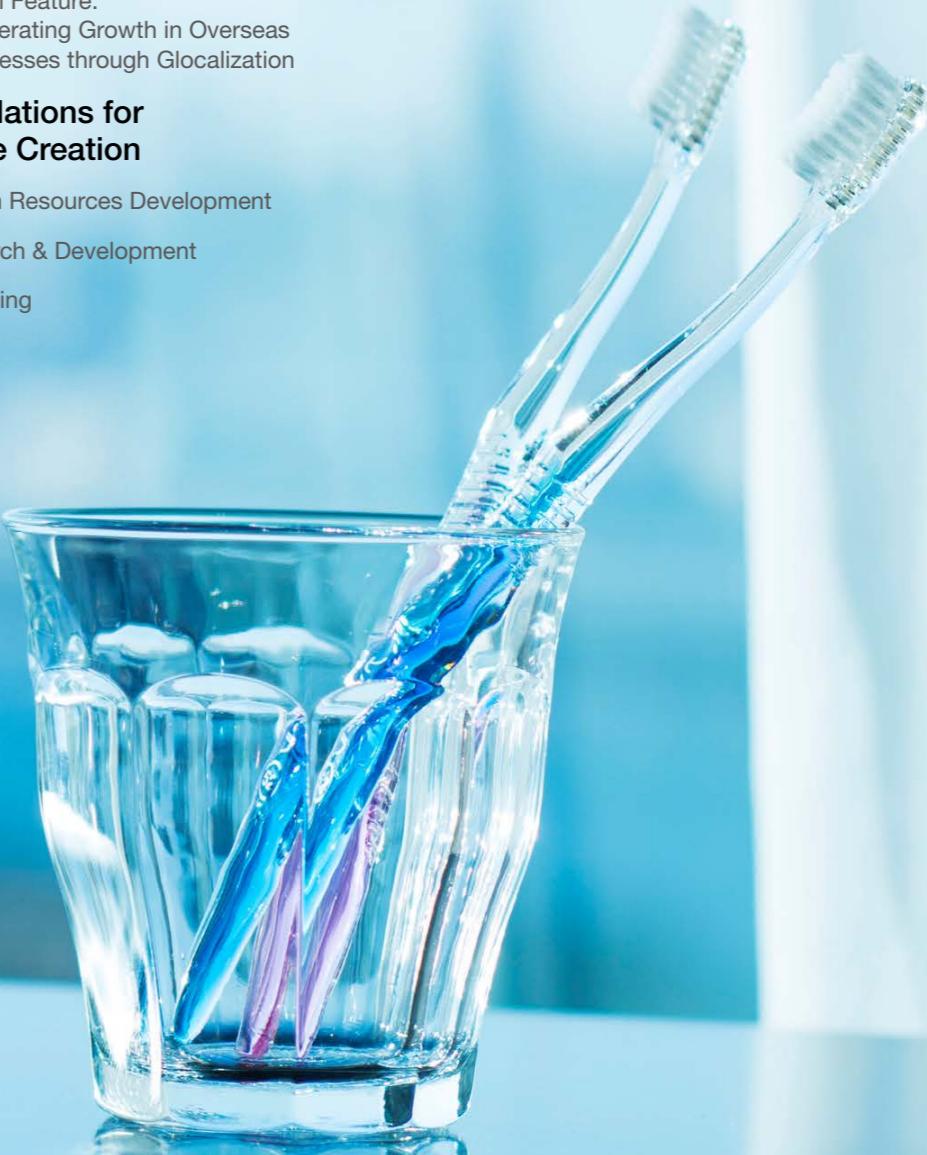
CSR Website: <http://www.lion.co.jp/en/csr/>

Regarding Forward-Looking Statements

This Annual Report contains "forward-looking statements," including matters related to future business plans, corporate strategies, forecasts of performance, and other matters. Such statements were formulated based on information that was available at the time of the preparation of this Annual Report and may contain matters that are uncertain, such as economic conditions, market trends, and foreign currency risks. Please understand that the actual results may not be identical to and may differ from the forecast outlook.

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Corporate Motto / Management Philosophy

Company Motto

Lion Corporation positions “Fulfilling a Spirit of Love” as fundamental to its management, and thus contributes to the enrichment of the happiness and lives of people.

Management Philosophy

1. We bring together the power of our personnel, the power of our technology and the power of our marketing, as we provide superior products that are helpful in the daily lives of people.
2. We respect the “Spirit of Tenacity and Creativity” that we have maintained since our founding, as we continue developing our business.
3. We deeply appreciate all those who extend their valuable support to us, as we prosper together through sincerity and mutual trust.

Corporate Message

Lion has been a regular part of everyday life for more than 120 years.

In that time, we have seen how ordinary days, one by one, add up to a lifetime. Moreover, we have come to believe that each new day is the first step into a bright future, and that living every day positively and to the fullest is the essence of happiness.

That is why we have made it our mission at Lion to contribute to ordinary life, every day, and reflected this commitment in our corporate slogan.

Every day is full of wonderful moments.
Birds singing outside your window.
The clean feel of a freshly washed shirt.
A blue sky without a cloud in sight.
The smiling faces of children at play.
A tasty meal after a hard day's work.
Some days are special —
weddings, birthdays, holidays ...
But even the ordinary days are precious.
At Lion our business revolves around ordinary days.
Providing the products people need
to maintain good lifestyle habits.
Supporting cleanliness, health and comfort,
while protecting our global environment.
This is our mission, one in which we take pride.
Inspired by the wonder of everyday life.
Dedicated to creating a future full of health, hope and happiness.
For people everywhere around the world.

**life. love.
LION**



Corporate Slogan

“life. love.”

Our corporate slogan: “life. love.” encapsulates the meaning of our corporate message. It is an expression of our commitment at Lion to supporting and loving the same precious life that people around the world live through activities that help protect people's cleanliness, health, comfort, and environment.

Please refer to the website for more detailed information ► https://www.youtube.com/watch?v=vvJtgf_rgOA
(Available in Japanese only)

Please refer to the Company's website for more detailed information ► <https://kyouai.lion.co.jp/> (Available in Japanese only)

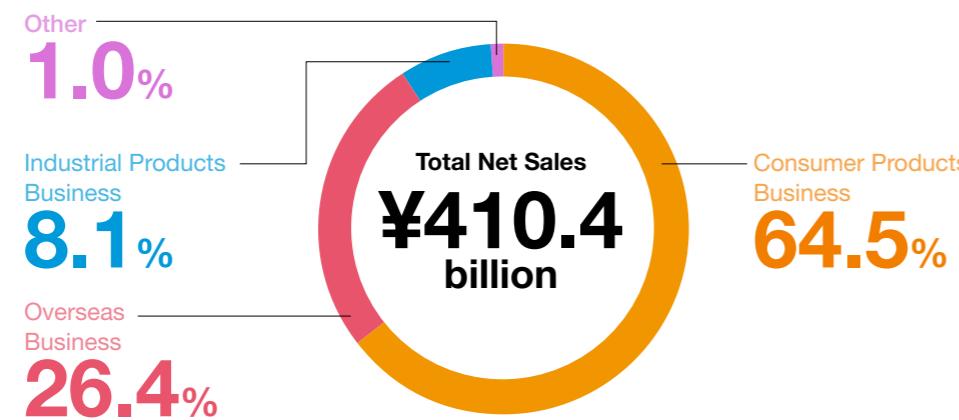
History and Efforts Put into Practice

Since starting its soap and toothpaste business, Lion has been continuing to advance in step with people's lives, as a promoter of a culture of oral hygiene and cleanliness by providing useful products, for more than 120 years. This has involved not only the supply of products but also a history of fostering good habits through educational activities and providing information for consumers. In recent years, we have developed high-value-added products and promoted educational activities so that consumers are more forward-looking as well as more positive and fulfilled, and we are now also rolling out those activities in other Asian countries.



At a Glance

Net Sales by Segment



Note: Total net sales and the percentage compositions were calculated after excluding internal sales within and among segments.

Consumer Products Business

Net Sales ¥264.8 billion (Sales to external customers)

We offer a wide range of products and information in Japan, including products such as toothpastes, laundry detergents, and OTC drugs that support health, comfort, and cleanliness.

Oral Care Products

Toothpastes, Toothbrushes, Mouthwashes, and Other Products



Fabric Care Products

Laundry Detergents, Bleach, Fabric Softeners, and Other Products



Pharmaceutical Products

Antipyretic Analgesics, Eye Drops, Tonics, Insecticides, and Other Products



Beauty Care Products

Hand Soaps, Body Washes, Antiperspirants and Deodorants, and Other Products



Living Care Products

Dishwashing Detergents, Household Cleaners, Food Preparation Products, and Other Products



Other

Functional Food Products, Gift Products, Pet Supplies, and Others



Product website: ► <http://www.lion.co.jp/en/products/>

Industrial Products Business

Net Sales ¥33.3 billion (Sales to external customers)

The Industrial Products Business segment includes the Automotive, Electrical and Electronics, and Detergents for Institutional Use Products fields. These businesses handle products that include anti-sticking agents for ties, electro-conductive carbon for secondary batteries, and detergents for institutional and kitchen use.

Chemical Products

Automotive



Electrical and Electronics



Energy, Environmental & Infrastructure



Lifestyle Related Industry



Detergents for Institutional Use Products



Overseas Business

Net Sales ¥108.2 billion (Sales to external customers)

The Overseas Business engages mainly in the manufacture and sale of commodities by affiliated overseas businesses.

Thailand



Malaysia



South Korea



China



Taiwan



Hong Kong



Singapore



Indonesia



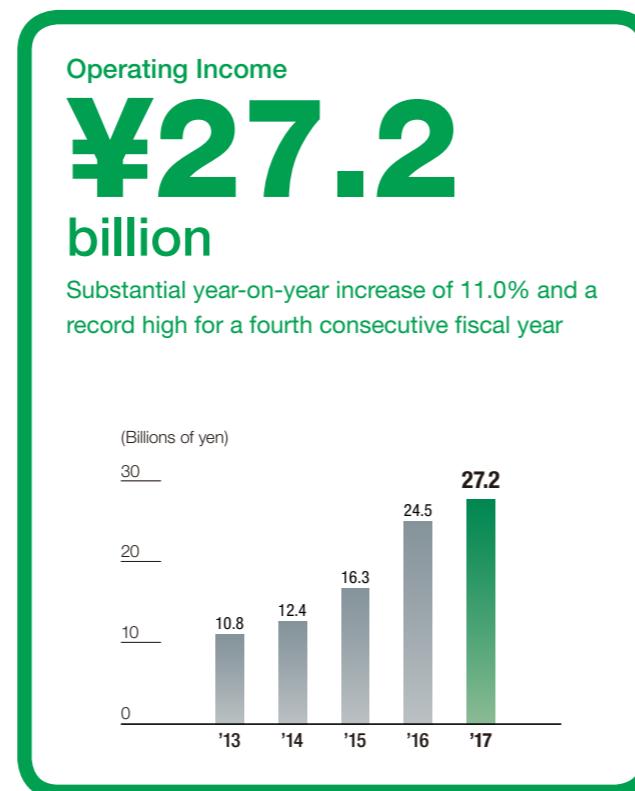
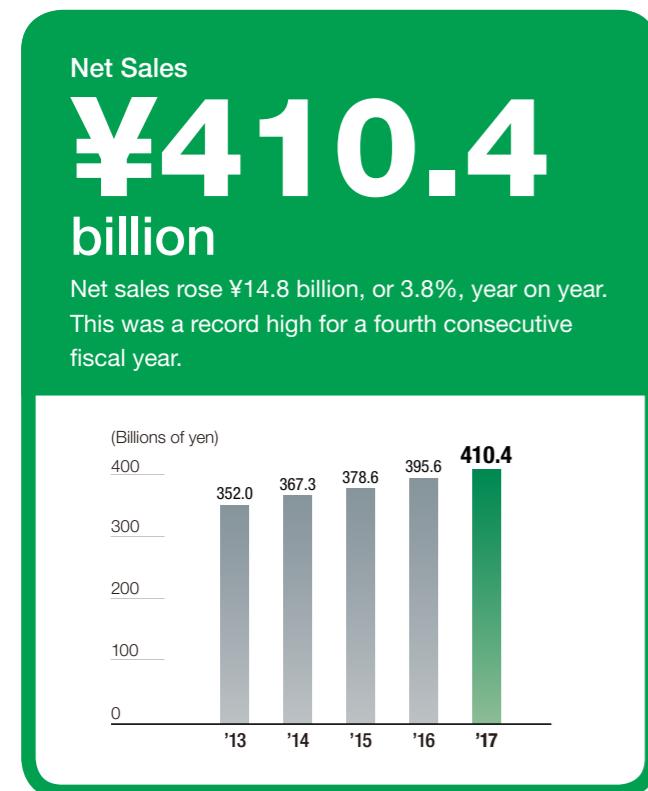
Other

Net Sales ¥4.0 billion (Sales to external customers)

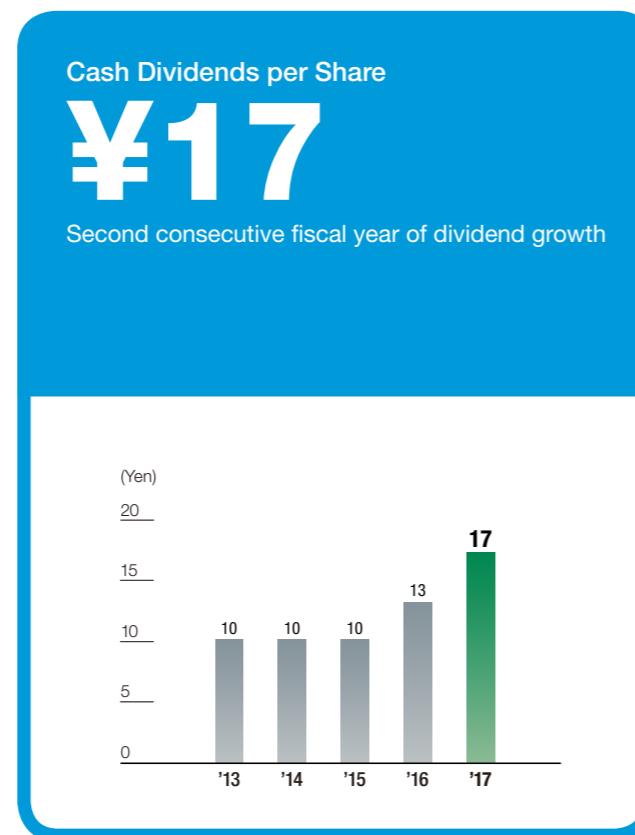
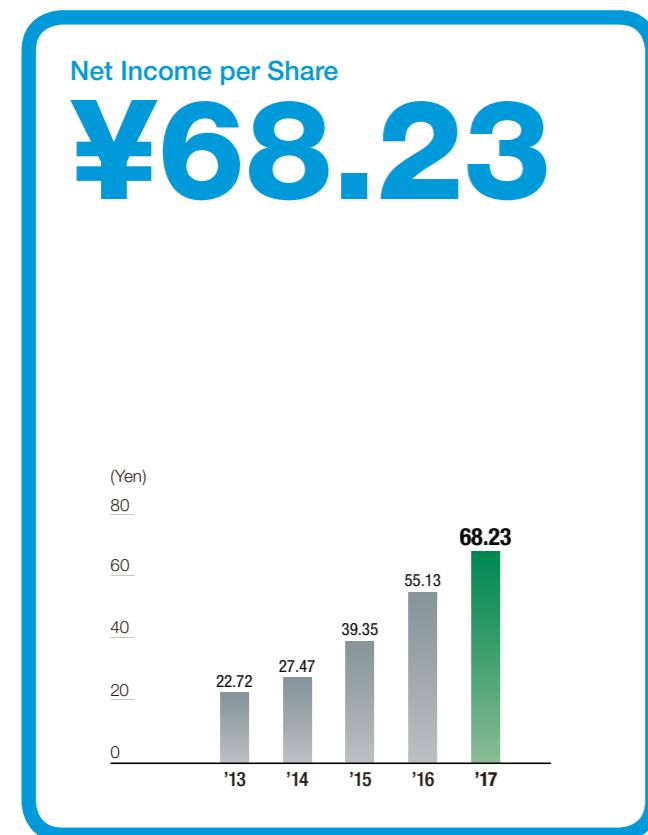
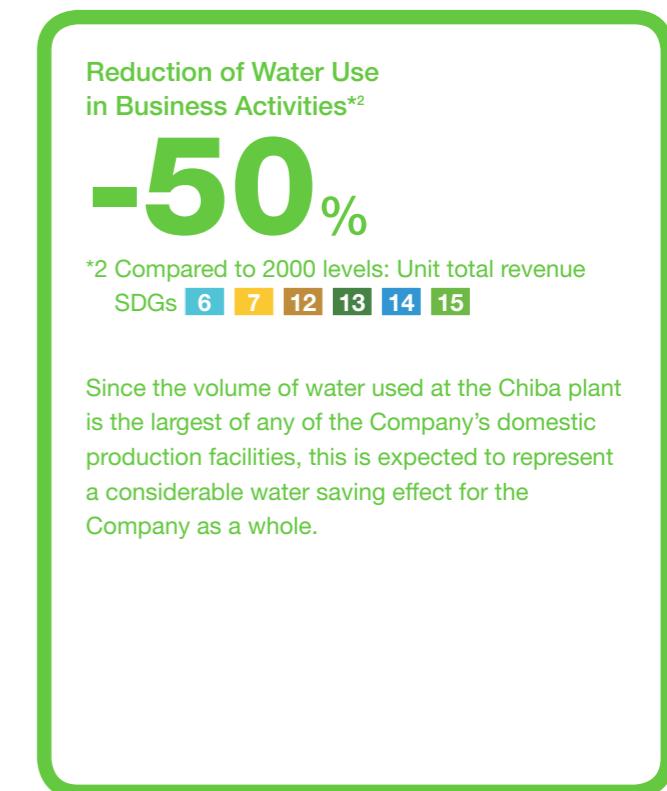
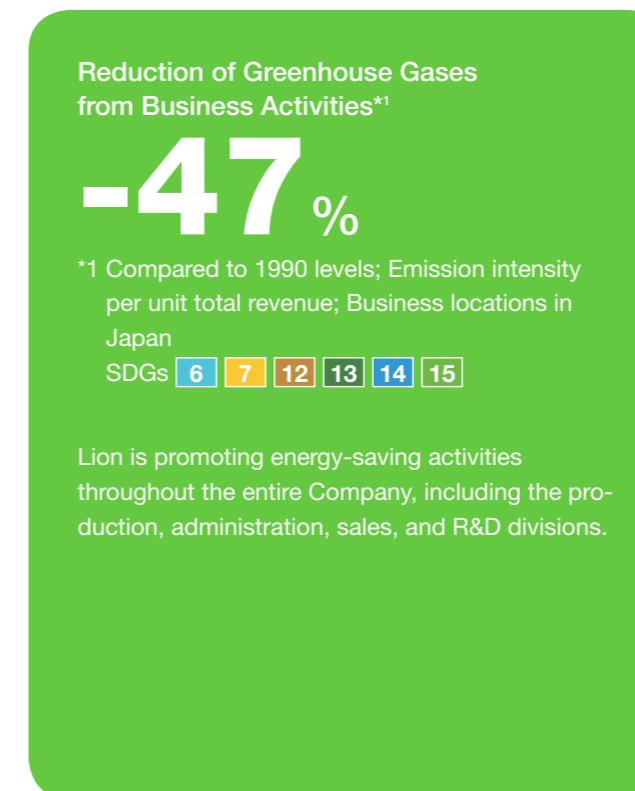
Lion subsidiaries located in Japan primarily undertake operations of each Lion Group business. The main products and services are construction contractor business, real estate management, distribution/storage, and temporary staffing services.

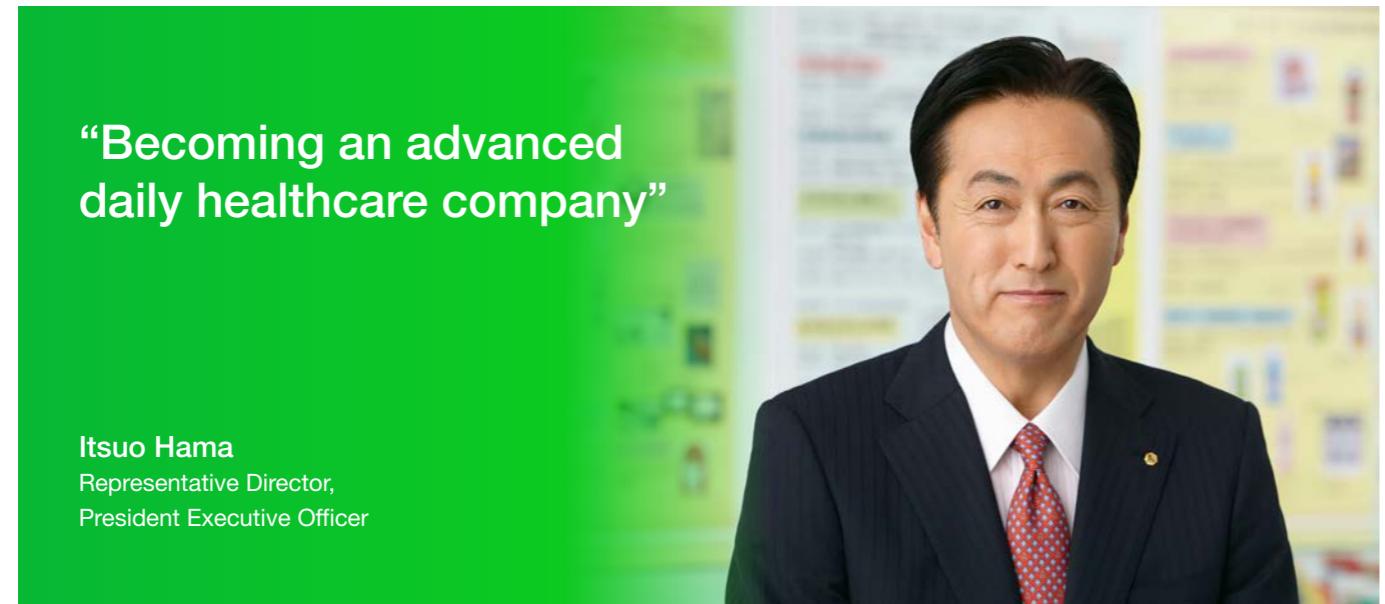
Financial and Non-Financial Highlights

Financial Highlights



Non-Financial Highlights





1 The V-2 Plan that concluded in fiscal 2017 (ended December 2017) yielded extremely positive results. What are the reasons for its success?

A Through the medium-term management plan, we enhanced both our “physical fitness” (earnings capacity) and “muscular strength” (organizational capabilities), to drive growth.

Stronger management foundations for earnings capacity and continued growth

Meeting the targets in the V-2 Plan was not accomplished only during this three-year period. It is the culmination of various reforms that began with the V-1 Plan in 2012. Over those six years, Lion made a concerted effort as a corporate group to enhance both its physical fitness and muscular strength. “Physical fitness” refers to our earnings capacity as a company. Lion changed its direction toward improving profitability, and focused on high-value-added products that reflect changing markets, while at the same time concentrating resources on the development of key brands. This process established a structure, both in Japan and overseas, that allows for the continual development of brands and products. We are now selling key brands and high-value-added products

at stable price points. This has led to a virtuous cycle of more-efficient sales promotion expenditures, which, in turn, allows us to secure advertising funds to enhance brand and product strength over the longer term.

We also made efforts to strengthen management foundations for continued growth. In addition to strengthening our R&D function—the basis of a manufacturer—and expanding production capacity for major products, we consolidated the corporate group’s chemical businesses as Lion Specialty Chemicals Co., Ltd., putting in place a structure to support a challenge to be the leading company in the field. In the growing overseas business, Lion is strengthening its management structure to enhance market competitiveness, and has laid the groundwork for the functional foods business and new business creation.

Improved organizational capabilities brought by sales structure reforms

Improving “muscular strength” (enhancing our organizational capabilities) also supported the success of the V-2 Plan. The majority of reforms to sales and marketing were made during this period. Specifically, instead of just chasing the sales right in front of us, we worked with retailers to understand the issues they face and consider how to generate new demand through our brand development, acquiring the capability to propose innovative solutions. The varied and specific successes produced with this approach won Lion the trust of many retailers, and, in turn, raised employee motivation. We were able to transition to a sales and marketing structure that can both develop brands, and build partnerships with retailers. Further, the sales structure

The V-2 Plan Quantitative Targets

(Unit: ¥ bn)	2014 Results	2017 Targets	2017 Results	Change (vs. FY2014)
Net sales	367.3	400.0	410.4	+11.7%
Operating income	12.4	20.0	27.2	+119.3%
Ordinary income	14.0	22.0	29.1	+107.2%
Profit attributable to owners of parent	7.3	12.0	19.8	+169.1%
ROE	6.2%	10% or above	12.2%	+6.0pt
BEP	93.3%	90% or less	87.8%	-5.5pt

2 In February 2018, Lion announced its new Management Vision, “Becoming an advanced daily healthcare company.” What are the main aspects of this vision?

A We will realize “healthy minds and bodies for all,” through the “ReDesign” of the everyday rituals to become more natural, easy, and enjoyable. To this end, we will create “customer experience-based value” in the areas of health, comfort, and cleanliness.

Formulation of the new Management Vision

The business environment for Lion has changed considerably and with previously unimaginable speed due to the advance of the digital transformation*. In such an environment, even if we extend the measures of the V-2 Plan, we cannot hope for continued growth. Going forward, to be a company considered necessary by society and customers, and sustainably increase enterprise value, we need to clarify the path ahead, and accelerate our efforts toward reform. Since its founding, the

reform generates new types of collaboration between the marketing and research and development divisions, evolving into a structure able to pursue “customer-oriented manufacturing” from the product prototype stage.

Since assuming the position of president, each year I have visited around 15 business locations to exchange opinions with young employees and managers. These sessions have generated ideas on improving operational processes and a range of other proposals, and given me the chance to directly feel the positive change in employees and organizations. Summing up these six years, I would say that the efforts of all employees to strengthen our “physical fitness” and “muscular strength” are what have allowed us to achieve the V-2 Plan.

Lion Group has pursued business under its motto of “Fulfilling a Spirit of Love” as fundamental to its management, and thus contributes to the enrichment of the happiness and lives of people. Amid the considerable changes over the years, we have redefined what Lion can do to help consumers live a happy life, and have now set a new vision for 2030. That is “Becoming an advanced daily healthcare company.”

* Digital transformation: The concept that widespread utilization of IT will change many aspects of people's lives for the better. It is using advanced digital technologies such as IoT and AI to create new value not present in existing businesses.

The key word is “ReDesign”

The new Management Vision focuses on “advanced” daily healthcare. Daily healthcare is contributing to the mental and physical health of consumers through their everyday lifestyle habits, the area for providing value that Lion has considered vital since its founding. The addition of “advanced” indicates Lion’s resolve to further expand and enhance the value it provides. Taking oral care as an example, up to now Lion has highlighted the functional aspects of its products, sending the message that using highly functional toothpaste and toothbrushes can help prevent tooth decay and periodontal disease. Going forward, in addition to the functional aspects, we will appeal to consumer emotions with solutions that offer a new type of customer experience-based value, such as producing a sympathetic or

emotional response when consumers discover and use a product.

In terms of products and services, we aim to expand and enhance value beyond existing value domains. Specifically, we are shifting from the previous focus of “oral care for a healthy mouth” to “oral care for a healthy body,” as well as pursuing business endeavors that offer novel solutions combining IoT and other new technologies and services. We aim to “ReDesign” everyday lifestyle rituals to become more natural, easy, and enjoyable. To achieve this, Lion’s businesses and employees need to be even more creative. We are seeking for “ReDesign” that includes Lion’s business activities, and the ways in which employees think and work.

2. Daily Self-Care Enhancement

We are looking beyond the conventional health care field to homecare, evolving into a business contributing to “healthy minds and bodies for all” that will enhance quality of life.

3. Infotech Health Support

We will actively utilize new technologies such as IoT and AI to enhance added value in existing businesses, and create new health care business models.

2) Accelerate Growth in Overseas Businesses through Glocalization

Lion uses the term “glocalization” (globalization + localization) to better clarify its strategic approach. By integrating common global platforms with local adaptations, we will create unique competitive advantages, and expand our business scale and the areas in which we operate.

1. We will evolve Group management by reinforcing regional management.

Up to now, Lion has gained the support of consumers through tightly focused, country-specific marketing. Going forward, we will focus on regional units with common market elements, actively utilizing organic links between countries and head office management resources to maximize Group synergies. This will enhance efficiency in the overseas business, and expedite decision making.

2. We will aim for business area expansion based on e-commerce channels and M&A.

Lion will make proactive efforts to expand into new business areas it was unable to reach during the V-2 Plan. In addition to M&A and operational alliances, we plan to use e-commerce channels as a gateway to business area expansion.

3) Reinforce Our Management Base through Business Structure Reform

Lion is pursuing four main measures to bolster its management base, including improvements to management infrastructure and business portfolio revisions to stay ahead of changes in the business environment.

1. We will reinforce investment in the flexible, efficient manufacturing infrastructure that will drive business growth.

Focusing on oral care, Lion will increase investment in production infrastructure and reinforce its manufacturing base in order to adapt flexibly to fluctuations in demand, and address the increasingly serious labor shortage issue.

2. We will build more-advanced and sustainable supply chains.

Lion will pursue advanced and sustainable supply chain management (SCM) to respond to the logistics crisis stemming from labor shortages (which is becoming a social problem in Japan), and to further enhance its environmental measures.

3. We will reinforce information system foundations to promote more-sophisticated Group management.
We will increase investment in IT systems to strengthen Group management globally, support more-advanced SCM, and enhance digital marketing.**4. We will advance revisions of business fields and the Group structure to improve the efficiency of management resources and business activities.**
Lion made revisions to its management resource allocation and business portfolio under the V-2 Plan as well, but, under the LIVE Plan, we will put in place a business structure with an applicable focus on management efficiency.**3 Please explain the main points of the LIVE Plan, the medium-term management plan to realize the new Management Vision.**

A We have established a four-part strategic framework comprising 1) Expand and Evolve Our Business Domains through New Value Creation; 2) Accelerate Growth in Overseas Businesses through Glocalization; 3) Reinforce Our Management Base through Business Structure Reform; and 4) Create Dynamism to Foster Innovative Change.

Four-part strategic framework

The medium-term management plan begun in 2018 is called the LION Value Evolution (LIVE) Plan. For the Japan business, the main point is the extent to which we can expand and enhance existing business domains. Outside Japan, we will develop those areas we were unable to reach during the V-2 Plan, and steadily expand categories in existing areas. Allow me to explain the four aspects of the strategic framework.

1) Expand and Evolve Our Business Domains through New Value Creation

Creating new combinations of various technologies and services, we will create new business value that realizes “healthy minds and bodies for all.” We are focusing on three specific key words.

1. Oral-to-Body Solution

We will strengthen existing oral care areas, expand to peripheral fields, and broaden our lineup of oral care for each life stage. Further, through combinations with new businesses such as saliva test systems and preventive dentistry support services, we aim for expansion and evolution that will create an “oral health care business” in which oral care contributes to whole-body health care.

4) Create Dynamism to Foster Innovative Change

Lion is promoting diversity and openness for more-dynamic human resources, organizations, and corporate culture, in order to foster a corporate strength able to prevail over global competition. Specifically, we are creating three types of dynamism.

1. We will create human dynamism by utilizing diverse human resources.
We will utilize globally minded personnel, especially women, and actively recruit external talent, in order to gain diverse perspectives and knowledge to foster the creation of new value.

2. We will create organizational dynamism that fosters ambition and creativity through open innovation.
We believe that the current organization is inimical to the generation of new ideas. We will invigorate the organization by establishing a new "Innovation Lab" within the R&D Division, and strengthening ties with external resources, including partnering with start-up companies.

3. We will create management dynamism through environmental, social, and governance (ESG) initiatives and the reinforcement of health and productivity management.
Lion is taking proactive measures for Creating Shared Value (CSV) that allow us to simultaneously realize management with an emphasis on ESG initiatives, a sustainable society, and growth for Lion's businesses. We are striving to build and implement a uniquely Lion-style health management model appropriate for an "advanced daily healthcare company."



4

What are the earnings targets and financial strategies in the medium-term management plan?

A

We will make ¥100 billion in growth investments over three years, and accelerate business expansion to be an advanced healthcare company. We will also continually increase earnings to enhance shareholder returns.

Proactive investments for growth

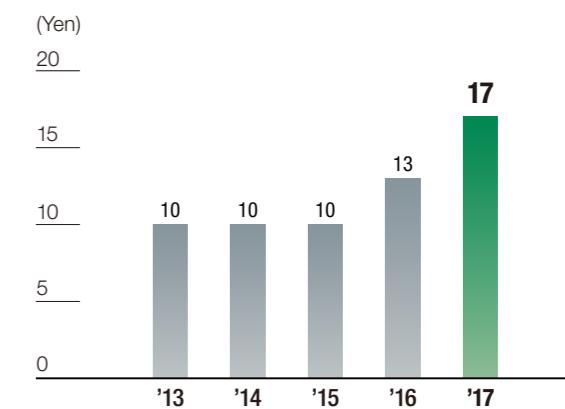
Lion has decided to voluntarily apply International Financial Reporting Standards (IFRS) from fiscal 2018. The medium-term management plan's consolidated earnings targets (IFRS standard) for 2020 are net sales of ¥400 billion, with operating income of ¥40 billion for an operating margin of 10%, and ROE of 12%. Under Japanese accounting standards, this would be equivalent to around ¥470 billion in sales with an 8.6% operating margin. Lion's ROE is already beyond the target level, so even considering the future growth rates of domestic and overseas businesses, we feel that this is not an unattainable level.

In terms of financial strategy, the two main points are growth investments and shareholder returns. We plan to invest around ¥100 billion over three years to gain growth opportunities, and strengthen our management base. The range of investment targets includes production infrastructure in Japan and overseas, strengthening of R&D foundations, IT system investments, and M&A. The M&A plan will focus on acquiring external resources necessary to realize advanced healthcare, as well as expansion of our business area. At this point, we are considering all options, and, going forward, we will prioritize investments according to Lion's strategies, and make investments that include an assessment of their potential.

Sustained increases in dividends

Lion's basic policy for shareholder returns is to maintain a continual and stable dividend, with a consolidated payout ratio of around 30%. We will continue to enhance returns while maintaining a balance with growth investments. We plan to increase dividends in fiscal 2018 for a third consecutive term, and will continue to work to create a robust earnings structure to support continued dividend growth.

Dividends per Share



5 As the head of Lion, what is your Management Philosophy? Also, what do you consider to be management risks?

A To be a company that retains a presence in all times, we need to be constantly changing, and continually create new value through ambition and creativity.

A company that is constantly changing

This is repeating part of what I mentioned previously, but I think the three most-important things for an entrepreneur are to 1) Clearly indicate the direction the company should head; 2) Cultivate a connected organizational structure in which all employees have the same vision; and 3) Achieve sustainable growth as a company that is constantly changing.

Rather than a top-down approach, I want Lion to be a company where all employees share the direction of the Company, and work together to achieve it. I also want all employees to have flexible and creative ideas, and achieve their targets. That's fundamentally the sort of company I want to create. I want Lion to be a company trusted by society and consumers in any time, and maintain a unique presence that they find

interesting. To accomplish this, we need to respect the "Spirit of Tenacity and Creativity" that is at the heart of Lion's DNA, and continually generate new value. Building social credibility from an ESG standpoint is also essential.

Change in the business environment is a risk factor. I can even imagine destructive change to the business structure in which previous business models no longer apply. However, by anticipating change, and shifting our thoughts, actions, and the way we interact with society to a more-active posture, we can change risks to incredible opportunities. Ultimately, that's what it all comes down to. Lion is a company that values its employees. I think it's important to create a new "Lion Way" in which all employees change their thinking and actions with a short- to medium-term perspective, and achieve continual business growth.

6 Finally, what message do you have for shareholders and investors?

A Lion is at a stage of accelerating growth, with continual reform of the Company and employees. We will continue to be a company with consistent growth.

Accelerating growth with a sense of urgency

Lion as a company and its employees have changed considerably in the six years since the start of the V-1 Plan. I think we have now reached the stage for accelerating reform and growth under the new Management Vision and medium-term management plan.

The business environment is likely to change greatly going forward, but consumer needs regarding health will continue to rise. The role of Lion, which is intimately connected with the everyday lives of consumers, will become ever larger. Amid these changes, so long as we

continue to adapt, and maintain a spirit of contributing to the everyday lives of consumers, I believe we can achieve sustainable growth.

Expect great things for the future of Lion.

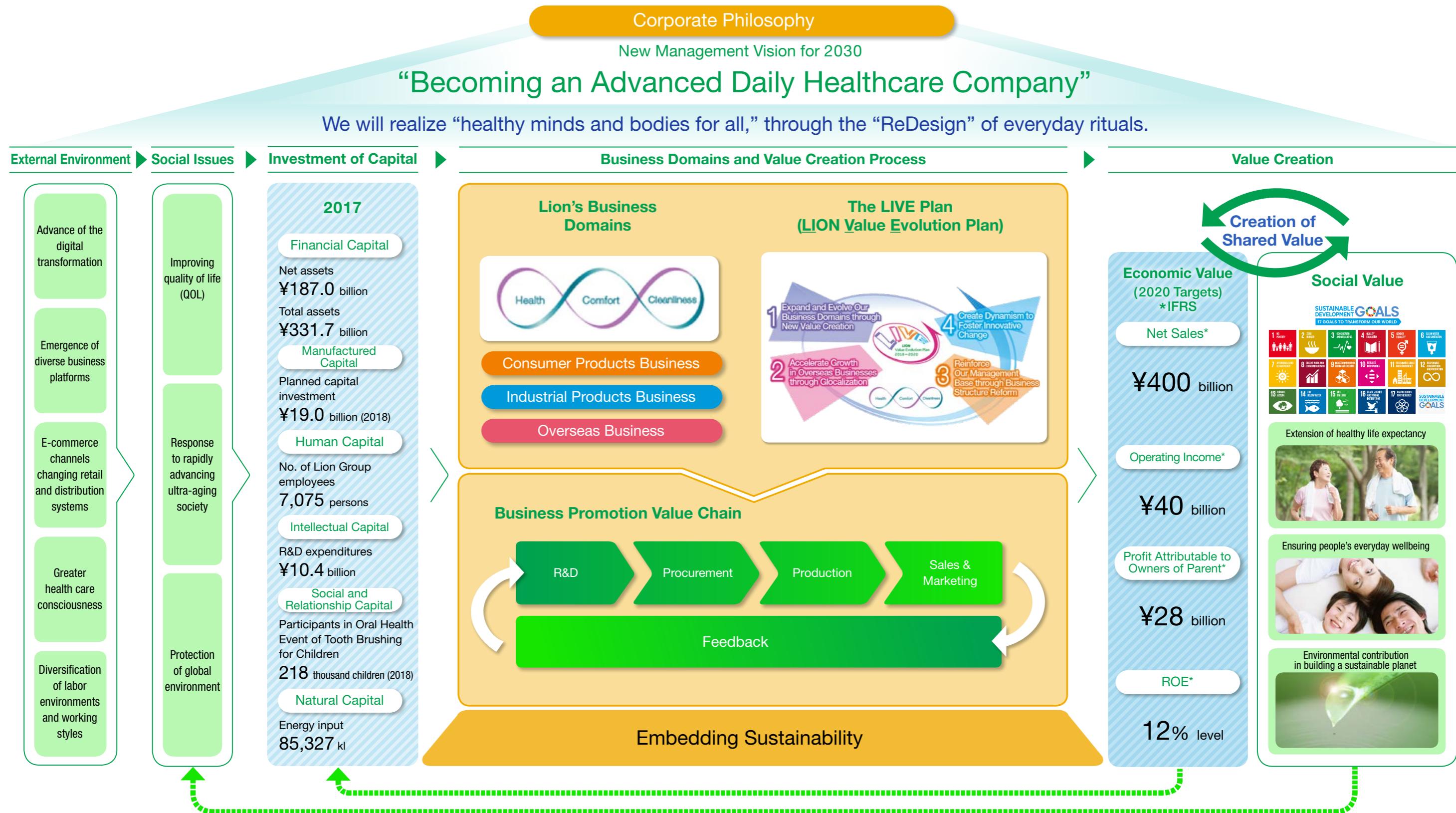
May 2018
Itsuo Hama

Representative Director,
President Executive Officer



Value Creation Model

Since its founding, Lion has sought to build healthy and comfortable living of people through the creation of better lifestyle habits, in line with its Company motto of "Fulfilling a Spirit of Love." By striving to realize its new Management Vision of "Becoming an advanced daily healthcare company," and taking the lead in fostering people's contentment from a new perspective, Lion aims to increase corporate value and help build a sustainable society.



Medium-Term Management Plan: The LIVE Plan

Aiming to achieve the Management Vision, Lion launched its new medium-term management plan, the LION Value Evolution Plan (LIVE Plan), over the three-year period of 2018 to 2020. The background and overview of the plan are presented below.

The Business Environment for Lion

Due to the advance of digital transformation and other factors, the business environment of the Lion Group is now expected to change at a hitherto unimaginable pace.

Furthermore, both in and outside Japan, in such areas as improving quality of life (QOL) and extending healthy life expectancy, health care needs are forecast to see accelerating growth, which will make the role of Lion, as a company involved closely in consumers' daily lives, even larger.

Lion formulated its medium-term management plan, the LIVE Plan, to realize its new Management Vision, and remain a company considered necessary by society and customers amid a drastically changing market environment.

Management Vision

Looking toward 2030

Becoming an advanced daily healthcare company

We will realize "healthy minds and bodies for all," through the "ReDesign" of the everyday rituals to become more natural, easy and enjoyable.

To this end, we will create "customer experience-based value" in the areas of health, comfort and cleanliness.



Basic Strategy of the LIVE Plan

1 Expand and Evolve Our Business Domains through New Value Creation

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

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

2 Accelerate Growth in Overseas Businesses through Glocalization

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

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

3 Reinforce Our Management Base through Business Structure Reform

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

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

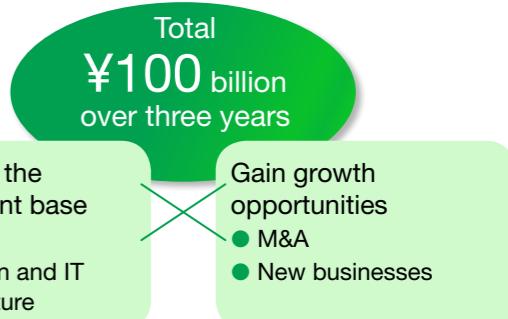
4 Create Dynamism to Foster Innovative Change

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

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

Investment Strategy

Lion thinks that the total investment necessary to implement these four strategies will amount to around ¥100 billion over the next three years. Funds will be allocated to further strengthen the management foundation and gain new growth opportunities, including considerable increases in such areas as R&D, production infrastructure, and IT infrastructure. In addition, both in Japan and overseas, we will designate funds to acquiring external resources and exploring new businesses through M&A.



LIVE Plan Net Sales Targets by Business Segment (IFRS Standard)

(Unit: ¥ bn)	2020 Target	2017 Result	Difference	Average Annual Growth Rate (AAGR)
Net Sales	400.0	342.7	57.2	5.3%
Consumer Products	250.0	215.1	34.8	5.1%
Industrial Products	35.0	32.6	2.3	2.4%
Overseas	112.5	90.7	21.7	7.4%
Other	2.5	4.0	(1.5)	(15.2%)
Adjustment	0.0	0.1	(0.1)	—

Road Map

Amid considerable change in the business environment, Lion has created a new Management Vision for 2030 aimed at meeting the needs of society and customers, and achieving sustainable increases in corporate value.

The LIVE Plan, the medium-term management plan launched in 2018, was formulated to realize this new vision.

Under the theme of evolving into a leading advanced daily healthcare company, Lion will advance long-term, future-oriented growth initiatives and framework-building efforts in and outside Japan while further accelerating improvements to management efficiency to reinforce the earnings structure. We aim to build momentum and expand beyond our previous direction.

The LIVE Plan FY2018 – FY2020

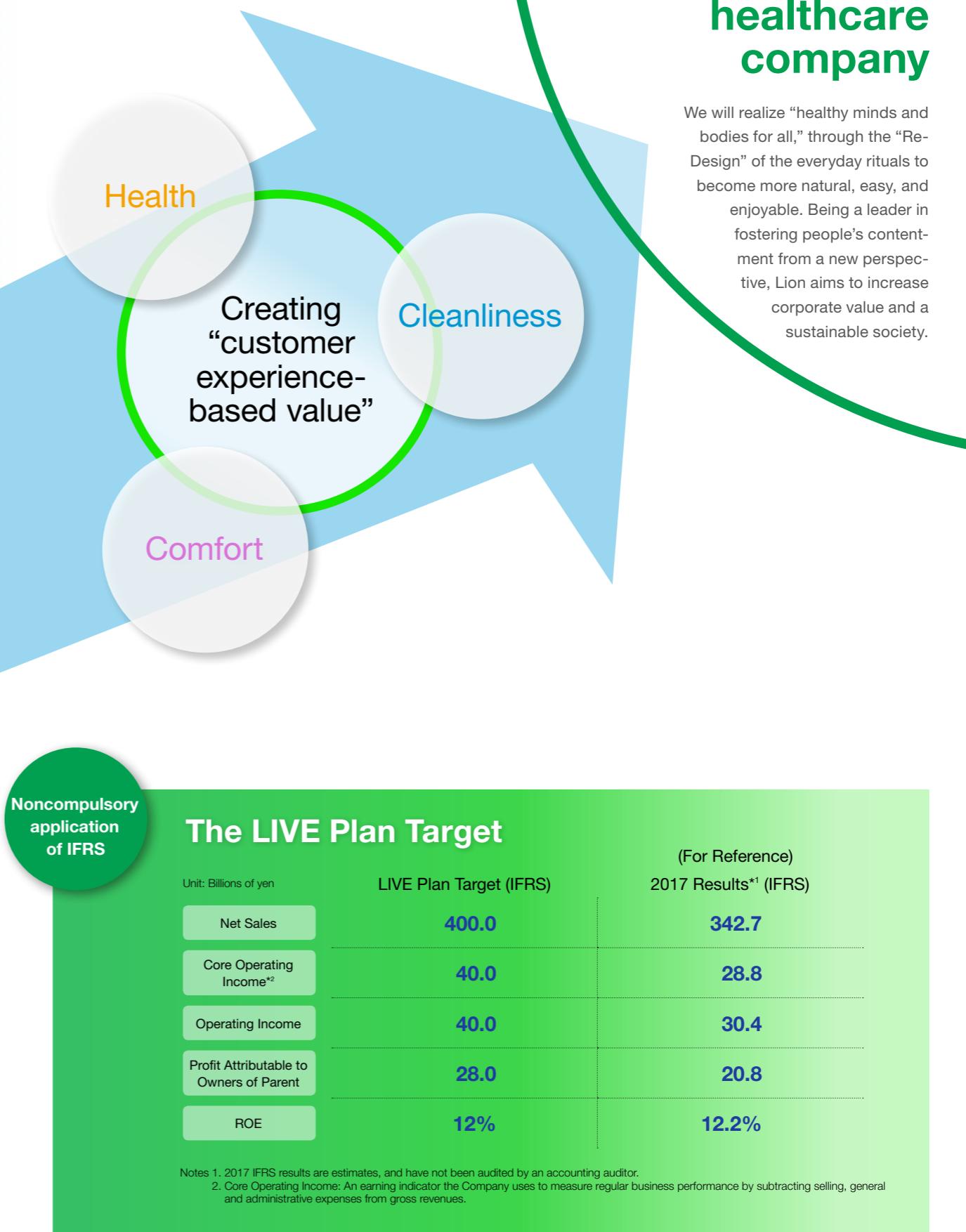
Advance long-term, future-oriented growth initiatives and framework-building efforts, and reinforce the earnings structure.



The V-2 Plan FY2015 – FY2017

Structural reforms to improve profitability and prepare for the next medium-term plan

Unit: Billions of yen	V-2 Plan Target	FY2017 Result
Net Sales	400.0	410.4
Operating Income	20.0	27.2
Profit Attributable to Owners of Parent	12.0	19.8
ROE	10.0%	12.2%



Consumer Products Business

Increase our market position in mainstay fields, and secure a foundation for growth

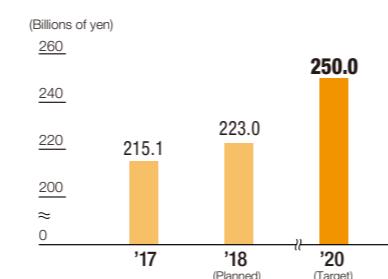
Yugo Kume
Director, Executive Officer



Percentage of Consolidated Net Sales
(Japanese GAAP)



Net Sales*



* External sales, IFRS standard (Figures for 2017 are approximate values, and have not been audited by the accounting auditor.)

The V-2 Plan and Review of 2017

Under the V-2 Plan (Vision 2020 Part-2), Lion worked to develop high-value-added products, raise its market position, and bolster profitability. We also increased the business scale for e-commerce products with expanded product development centered on functional foods and a proactive marketing promotion.

During 2017, the final year of the V-2 Plan, sale unit prices were increased 2% year on year on a unit sales price basis, but sales volume slowed because of the launch of high-value-added products by daily necessities manufacturers and increased capacity of refill products.

Amid rising health care needs, Lion improved its product mix through efforts to enhance the added value of products. We also concentrated investment in priority fields, and increased business efficiency. As a result, despite the negative effects of higher raw material prices and other external factors, the Consumer Products Business achieved increases in both revenue and earnings.

Market Position of Products in Japan

Market scale and position of Lion's main products

Toothpastes



Share No.1

¥88 billion

Toothbrushes



Share No.1

¥48 billion

Laundry detergents



Share No.3

¥141 billion

Fabric softeners



Share No.3

¥96 billion

Hand soaps



Share No.1

¥23 billion

Dishwashing detergents



Share No.3

¥50 billion

The LIVE Plan and Business Strategies

► 1. Expand and evolve our business domains through new value creation

1 Oral-to-Body Solution

- Continue to focus investment in the CLINICA, SYSTEMA, Dent Health, and NONIO brands, and greatly increase our market position by gaining solid support from users in the mid- to high-price range
- Strengthen mouthwashes, and expand business to growth categories such as denture products
- Contribute oral care to whole-body health care to establish a preventative dentistry support service business

2 Daily Self-Care Enhancement

- Pursue expansion in new fields, and advance into the business for OTC drugs with Lion's unique value
- In functional foods, strengthen counseling in the metabolic and aging care fields
- In home care businesses such as fabric and living care, advance into health care providing QOL improvements in daily living

3 Infotech Health Support

- Create new health care business models that leverage cutting-edge technologies, such as IoT and AI



► 2. Enhance business and production infrastructure

- Expand production capacity centered on the mainstay oral care sector, in order to ensure stable supply
- Build more-advanced and sustainable supply chains

► 3. Acquire category presence

- Further enhance high added value, and expand markets by creating "customer experience-based value"

Looking toward 2020

Lion will pursue measures to raise brands and product positions to the next level by creating "customer experience-based value," as well as expand business scale and business fields, in order to establish the foundation for an advanced daily healthcare company.

Industrial Products Business

By providing customer solutions, we aim to gain loyal customers.

Masazumi Kikukawa

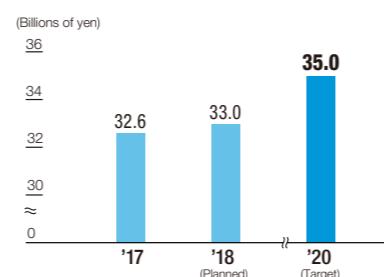
Representative Director,
Senior Managing Executive Officer



Percentage of Consolidated Net Sales
(Japanese GAAP)



Net Sales*



* External sales, IFRS standard (Figures for 2017 are approximate values, and have not been audited by the accounting auditor.)

The V-2 Plan and Review of 2017

The Industrial Products Business comprises Chemical Products and Detergents for Institutional Use Products. Under the V-2 Plan, Lion Specialty Chemicals worked to enhance profitability in chemical products through the consolidation of chemical product companies and business selection and concentration. In institutional-use detergents, Lion Hygiene pursued bold measures for new business in the home meal replacement (HMR) market.

During 2017, in Chemical Products, Lion Specialty Chemicals worked to develop new products, while at the same time accelerated global development in the automotive and other priority fields. In Detergents for Institutional Use Products, to meet growing demand in the precut vegetables market, Lion Hygiene expanded its business with a focus on gaining new customers (such as food producers) for cleaning agents used in vegetable washing and vegetable washing systems.

The LIVE Plan and Business Strategies

► Chemical Products

- Lion Specialty Chemicals will concentrate management resources in the Automotive and Electrical and Electronics fields, aiming to enhance the added value of products and gain loyal customers by strengthening measures to major customers to uncover specific customer issues and offer solutions.
- Lion Specialty Chemicals will utilize the corporate group's overseas business locations to establish locally based business models, and drive business globalization.

► Detergents for Institutional Use Products

- Lion Hygiene will continue to gain customers for cleaning agents used in vegetable washing and vegetable washing systems. We will position the vegetable washing field as a next-generation core business, and prioritize investment of management resources.

Looking toward 2020

In Chemical Products, Lion Specialty Chemicals will aim to improve profitability and acquire a growth character, build a collaborative structure with a broad range of external companies, and gain products and business with leading positions in global niche markets.

In Detergents for Institutional Use Products, Lion Hygiene will offer demand-creating solutions and pursue innovations to establish businesses able to contribute to the creation of safe and comfortable hygienic living environments.

Overseas Business

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

Masazumi Kikukawa

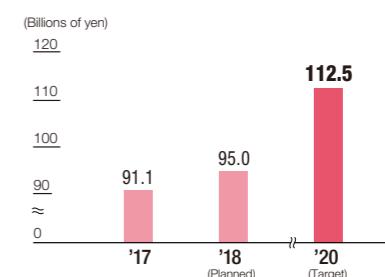
Representative Director,
Senior Managing Executive Officer



Percentage of Consolidated Net Sales
(Japanese GAAP)



Net Sales*



* External sales, IFRS standard (Figures for 2017 are approximate values, and have not been audited by the accounting auditor.)

The V-2 Plan and Review of 2017

Under the V-2 Plan, Lion worked to expand its business scale by developing global brands such as SYSTEMA and KODOMO, and strengthening the e-commerce business. We also took steps to reinforce business foundations and improve profitability, including making Southern Lion Sdn. Bhd. (based in Malaysia) a consolidated subsidiary, and restructuring the Taiwan business.

During 2017, Lion expanded its business in countries where it already operates to new fields, increasing total net sales 139%*, and segment operating income 385%*, compared to 2014 levels.

* Excluding the influence of exchange rate conversions

The LIVE Plan and Business Strategies

► 1. Accelerate growth in overseas businesses through glocalization

- Lion will achieve greater business efficiency and speed through tightly focused business development by country, as well as an organizational structure that pursues fusion and synergies between countries in the North Asian and ASEAN regions, which have common market characteristics.

► 2. Expand business by developing and strengthening new business areas and sales channels

- In the highest-priority market of China, Lion will advance to the next business stage by strengthening oral care brands, and expanding strategic alliances with e-commerce operators.
- In the cross-border e-commerce field, Lion will maximize Group synergies, and have business divisions launch organically linked, company-wide cross-sectional measures.
- Lion will seek to expand the business areas in which it operates by utilizing flexible means of entry (such as M&A and alliances) suited to the market or retail environment.

Looking toward 2020

Lion will promote activities that encourage enjoyable, positive health care habits, in order to provide people throughout Asia with healthy and comfortable lifestyles, both physically and mentally. As a first step, we will promote the type of preventive dentistry that is generating such positive results in Japan (total oral care combining self-care and professional dentistry), in a manner tailored to the actual circumstances in Asian regions.

Special Feature: Accelerating Growth in Overseas Businesses through Glocalization

We will maintain quantitative growth while accelerating the shift to qualitative growth.

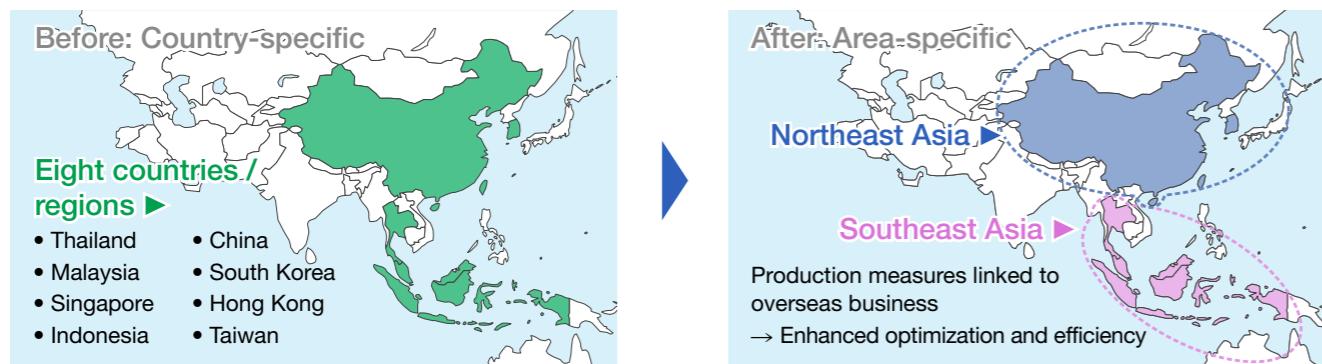
Hitoshi Suzuki
Executive Officer
Executive General Manager of International Division



Basic Strategy and Framework

One of the basic strategies in the new medium-term management plan (The LIVE Plan) is “Accelerate Growth in Overseas Businesses through Glocalization.” To meet diversifying consumer needs and rise above the competition, Lion needs to work with its local partners to utilize its respective resources, and create a new collaborative structure as “The Lion Group.” We are changing from the country-specific strategy we have used up to now to an area-specific strategy, accelerating the shift to becoming a healthcare company, and through greater efficiency and expansion, pursuing profitable growth, quantitative growth, and qualitative growth. As a company with business centered on Asia, we seek to generate an advantage with a business model fusing globally standard aspects with area groupings that take into consideration the peoples, economy, income, living environments, and competitive setting of each area or country.

Overseas Business Structure



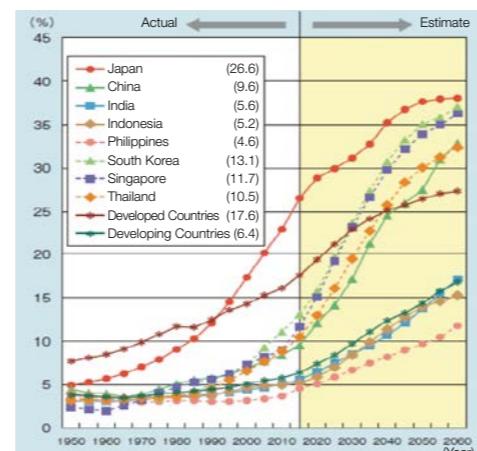
Growth Strategies

1. Measures to secure a position as the leading oral care company

The market forecasts for Asia, which are the basis for Lion's growth strategies, project a growing population in the overall region, comprising Japan, Northeast Asia, and Southeast Asia. Also, since 2015, the populations of such countries as South Korea, Singapore, China, and Thailand have been aging rapidly, following the pattern in Japan. Amid such market changes, interest in health is likely to rise in Asia, with a broadening of health care needs.

Lion offers a broad range of products in Japan to address the risk factors in oral care for each age-group, from tooth decay and bad breath that can occur at a comparatively young age, to periodontal disease and other conditions affecting people of all ages. Utilizing our strengths of a deep understanding of customers and accumulated data, Lion has conveyed a message of dental and oral health for all generations.

Estimated Ratio of Over-65 Population in Asia



Source: UN, World Population Prospects: The 2015 Revision. Figures for Japan up to 2015 are from the national census conducted by the Ministry of Internal Affairs and Communications, and from 2020 are estimated from birth and death medians in *Population Projection for Japan (2017)* from the National Institute of Population and Social Security Research (IPSS).

Lion considers the growing populations and aging societies of Asia as an opportunity for business expansion. We will broadly apply our accumulated experience in Japan to provide not just highly functional products, but information and services at the same time, in order to support the development of Asian societies free of tooth decay and periodontal disease, aiming to become the leading oral care company in Asia. We will offer customers highly conscious of oral care a lineup of products for every life stage, while also deepening our understanding of the characteristics and needs of each Asian region, and through region-specific programs will offer new value in health care. Along with products, we consider building trust in brands and the Company to be an important point. We will also focus on inbound demand to pursue a new brand development style.

2. Health care for mind and body

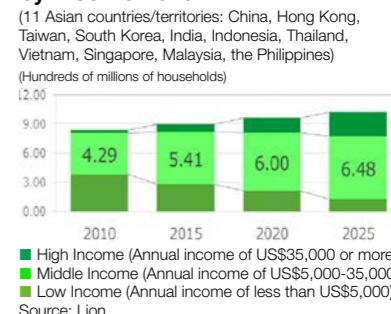
The health care products Lion provides are not limited to oral care supporting full-body care. Our aim is health care for the mind and body. Lion has not only applied the unique concepts and technologies of its OTC products to the household field and the medical skin care field, but also has built a highly popular lineup of products in oral care and other fields, including the *KODOMO* brand of children's products sold in Asia. By providing new value to support more-effective and proper health care at each life stage, Lion will enhance its brand image in Asia, and, by being a company that people consider necessary, achieve profitable growth.

Improving Profitability

Shifting the business portfolio to personal care and health care (medicines, functional foods)

Lion's overseas business is currently focused on laundry detergents, and we believe that to enhance profitability, business portfolio reform is necessary. While the Asian region is facing declining birthrates and aging populations, in developing nations new demand is increasing, driving greater interest in personal care and health care. Amid this market environment, Lion is aiming to increase its sales ratio for oral care products that contribute to health maintenance, beauty and other personal care products, and health care products such as medicines and functional foods. By targeting middle-income households, we will offer high-value-added and higher unit price products, improving earnings capacity.

Number of Asian Households by Income Level



Distribution Channel Reform

Creating a competitive advantage through e-commerce

In February 2017, Qingdao Lion in China received the “T-mall Beauty Award” in the Oral Category from T-mall, a major e-commerce platform in China, and concluded a large-volume customer contract with them. Under the new medium-term management plan, Lion is pursuing strategic alliances with e-commerce channels and utilizing the Big Data it possesses to conduct effective promotions aimed at its target demographics, in order to increase contact points with customers, attract loyal users, and use individual purchases to extend sales to families.

E-commerce allows consumers to instantly obtain the relevant information they want, and, based on this data, select the appropriate health care for themselves. This sales channel is developing rapidly in Asia, particularly China. It allows us to approach more-diverse consumers with product lineups and consumer value in a way not possible with over-the-counter sales. E-commerce is truly the best sales channel for the glocalization model Lion seeks to achieve. We will provide various and different necessary information and solutions to various different consumers, and build a one-to-one marketing structure to support the best health care for all, achieving full-body health through oral care, the best skin and hair care for each age-group, and health care for the mind and body.



Oral care awareness program in Singapore

Human Resources Development

We empower people to realize their potential through work, and cultivate leaders recognized both inside and outside the Company.

Jiro Nagasawa
Executive Officer
Executive General Manager of Human Resources and General Affairs Headquarters



Vision

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

Human Dynamism

- Lion's ideal human resources are:
- Leaders who drive strategies and produce results
 - Managers able to direct and support their teams, and highly skilled specialists, working to fulfill their appointed roles
 - Employees who independently find and implement solutions to the challenges in their work

To develop such human resources, Lion is strengthening its workplace plan, do, check, and act (PDCA cycle), and has established a training structure.

► The PDCA cycle and human resources development structure

Lion has formulated L-Compass, a code of conduct for work behavior and the values necessary for everyone in the Lion Group, and pursues business aimed at realizing its Management Vision. In 2013, we revised the target management system based on L-Compass. Every employee sets challenge targets, and, through communication with their supervisor, enhances the PDCA cycle to achieve them. We continued during 2017 to reaffirm the overall longer-term purpose, mission, and actions, and focused on further strengthening a mind-set of setting goals working backward from our vision.

Lion considers human resources development to be the basis of management, and implements a range of measures to support it. We conduct training sessions linked to the personnel management system to raise employee capabilities at all levels, as well as development training to enhance specialization for each position. We also have a program to cultivate future leaders.

► L-Compass Award

The L-Compass Award has been presented since 2015 in order to encourage exemplary actions and processes based on the L-Compass system, and to accelerate the improvement in organizational learning needed to provide a competitive edge.

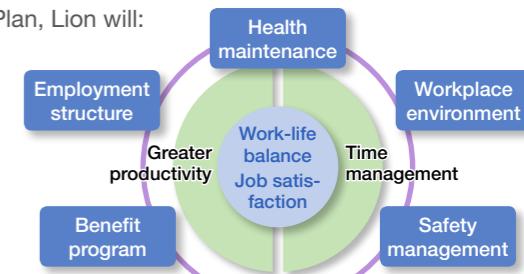
The L-Compass Award program is open to all employees of the Lion Group, and recognizes results both large and small, such as tackling a difficult challenge no one has ever attempted before, or fundamentally changing a working style unconstrained by past conventions. A total of 23 commendations were presented in 2017, and these exceptional actions and processes were shared throughout the Company. Going forward, Lion will continue to present these awards in an effort to create a work environment of challenges and creativity for employees, and to strengthen workplace skills.



► Strengthening the Foundation for Human Resources Development in the LIVE Plan

To cultivate energetic and talented personnel able to implement the LIVE Plan, Lion will:

- 1) Support people able to play an active role both in Japan and overseas to accelerate corporate growth, and those willing to boldly embrace challenges, to generate dynamism and
- 2) Provide health maintenance and an employment structure, as well as establish and provide welfare measures and policies, in order to support changes in working styles for the active participation of employees.



► Cultivating Global Talent

Lion has held the Lion Management Consortium annually since 2015. This program for next-generation management candidates from overseas Group companies is conducted three times per year, including at overseas locations, during which teams comprising members from numerous countries and regions consider business projects. The focus is on future overseas growth, as well as cultivating personnel able to play a leading role in glocalization.



► Developing Leaders

Lion conducts leadership strength-building programs for young, mid-career, and next-generation top management employees, aimed at developing the personnel who will lead the Company in the future. Participants acquire a managerial perspective as well as skills in strategy development and corporate management. The program also includes interaction with other companies.

► Enhancing Work-Life Balance

1) Efforts for smart work

"Smart work" enhances engagement, and leads to self-actualization and personal growth. The aim is to improve productivity by pursuing highly specialized work, as well as mutual recognition and respect for colleagues, thereby optimizing team results. Lion also introduced a telework system in 2015. The number of employees utilizing this program has increased year by year as a result of explanatory briefings to promote the understanding and awareness of the system, and expansion to additional departments.

2) Efforts for smart life

Since 2010, Lion has been pursuing measures to reduce long working hours and encourage employees to take paid holidays, in order to create a healthy and satisfying work environment. E-learning sessions for all employees are conducted annually to promote understanding of working time management. Also, to achieve a paid holiday utilization rate of 60%, based on the labor-management agreement, Lion has implemented measures, for example, to ensure employees take at least three days of holiday on a planned basis each year, etc. Going forward, we will pursue measures to increase the paid holiday utilization rate. Company support to ensure job satisfaction leads to the effective use of personal time for self-development.

► Utilizing Diverse Human Resources

Lion pursues measures for diversity (the active utilization of diverse human resources) in recognition of the need to respond flexibly to changes in the business environment. We plan and implement personnel measures with employee participation in order to ensure a wide range of personnel play a more-active role. A dedicated team for diversity has also been established within the Human Resources Department. Lion has also created an action plan in response to the Act on Promotion of Women's Participation and Advancement in the Workplace, and aims to increase the ratio of women in management positions in Japan to more than 15% by 2020.

► Advancing Health Management

For two consecutive years since 2017, Lion has been recognized by Japan's Ministry of Economy, Trade and Industry (METI) as a "White 500" firm demonstrating outstanding health and productivity management. Going forward, we will continue to actively pursue measures for health management. To enhance individual productivity and ensure a thriving environment for the organization as a whole, we aim to establish a model for health management linked to overall health, including the oral care consistent with our business mission.

Research & Development

 **We create new customer life-based value and new customer experience-based value.**

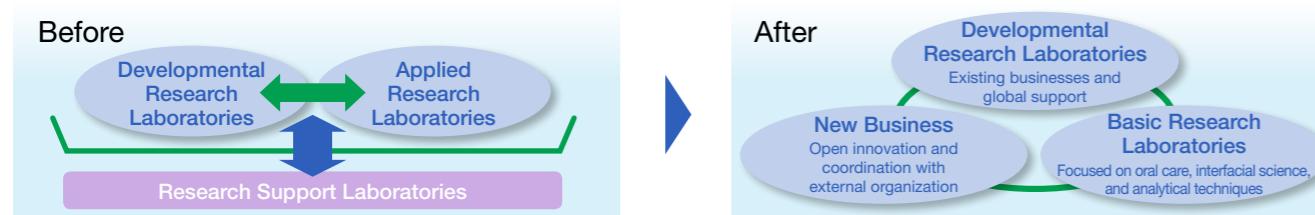
Fumitomo Noritake
Executive Officer
Executive General Manager of Research and Development Headquarters



Basic Policy and Structure

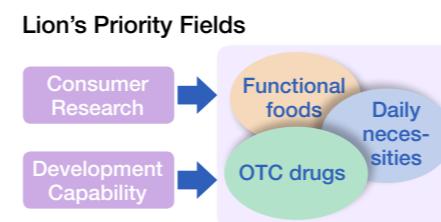
The basic policy for R&D at Lion is to “contribute to the generation of innovation as the growth engine for becoming an advanced daily healthcare company.” To create new customer life-based value and new customer experience-based value, we combine Lion’s existing technologies with other internal and external technologies, aiming to create new markets and develop new service-oriented businesses. The R&D Division is also strengthening alliances with other businesses in Japan and overseas, and contributing to business growth worldwide.

R&D Structure



Lion's R&D Strengths

The strengths of Lion's R&D are in its connections to consumers through the many products people use every day, and its understanding of their lives. In addition to providing consumer-centric healthy and comfortable living, we continually incorporate various technologies and services to strengthen research and development for healthy minds and bodies for all, aiming to be an advanced daily healthcare company.



R&D to Create Products and Experiences

One of the reasons for customer support of new Lion products is the transformation in our R&D style. For example, the *CLINICA Kid's Toothbrushes* have flexible handles that reduce the likelihood of falling down during brushing (product creation), while also considering children who dislike brushing, and offering parents and children an enjoyable brushing habit (experience creation). Lion's R&D will continue to focus on creating products and experiences both internally and externally.

Innovation with Leading-Edge Technology

Lion utilizes advanced technologies to create innovation. By combining Big Data analysis, IoT, AI, and iPS technologies from other companies with Lion's oral care technologies, we are making one-to-one healthcare a reality, furthering development of new service-oriented businesses.



The Saliva Test System, an example of one-to-one healthcare

Marketing

 **Creating Relevant Customer Experience Based on Enhancing Engagement**

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



ReDesigning Rituals

Manufacturers today are facing the end of the era in which just developing and offering excellent products is sufficient. They need to create value that brings a positive impact (better experience) to customers' lives, and consumers purchase products based on that value.

Under the LIVE Plan, Lion is reconstructing the logic behind its FMCG (Fast Moving Consumer Goods) business. By embodying Lion's newly designated purpose of “ReDesigning rituals,” we will generate this positive impact.

Make Health-Promoting Rituals More Natural, Easy, and Enjoyable

All of Lion's brands help customers realize their desire for accomplishment in their lives and their daily life.

The *CLINICA* oral care brand increases the number of “praiseworthy moments” to foster a society in which positive feelings and actions become routine.

The cleanliness and hygiene brand *KireiKirei* frees working mothers from feeling guilty about having to work—the values over their parents—and encourage a society that gives them the confidence that their family is fine just the way it is.

That is precisely what we seek to accomplish with Lion's value creation model.

The Challenge of Creating New Customer Experience-Based Value Brought by Technology

We believe that all the ideas we present to customers should be incorporated naturally into their daily rhythms. To achieve this, in the LIVE Plan we are pursuing advanced utilization of customer data to develop our customer understanding.

In addition, with Lion's lifestyle information media Lidea, we are sharing information on the concerns of customers in all aspects of their lives, their experiences related to product use, and lifestyles, in order to strengthen our relationships with customers.

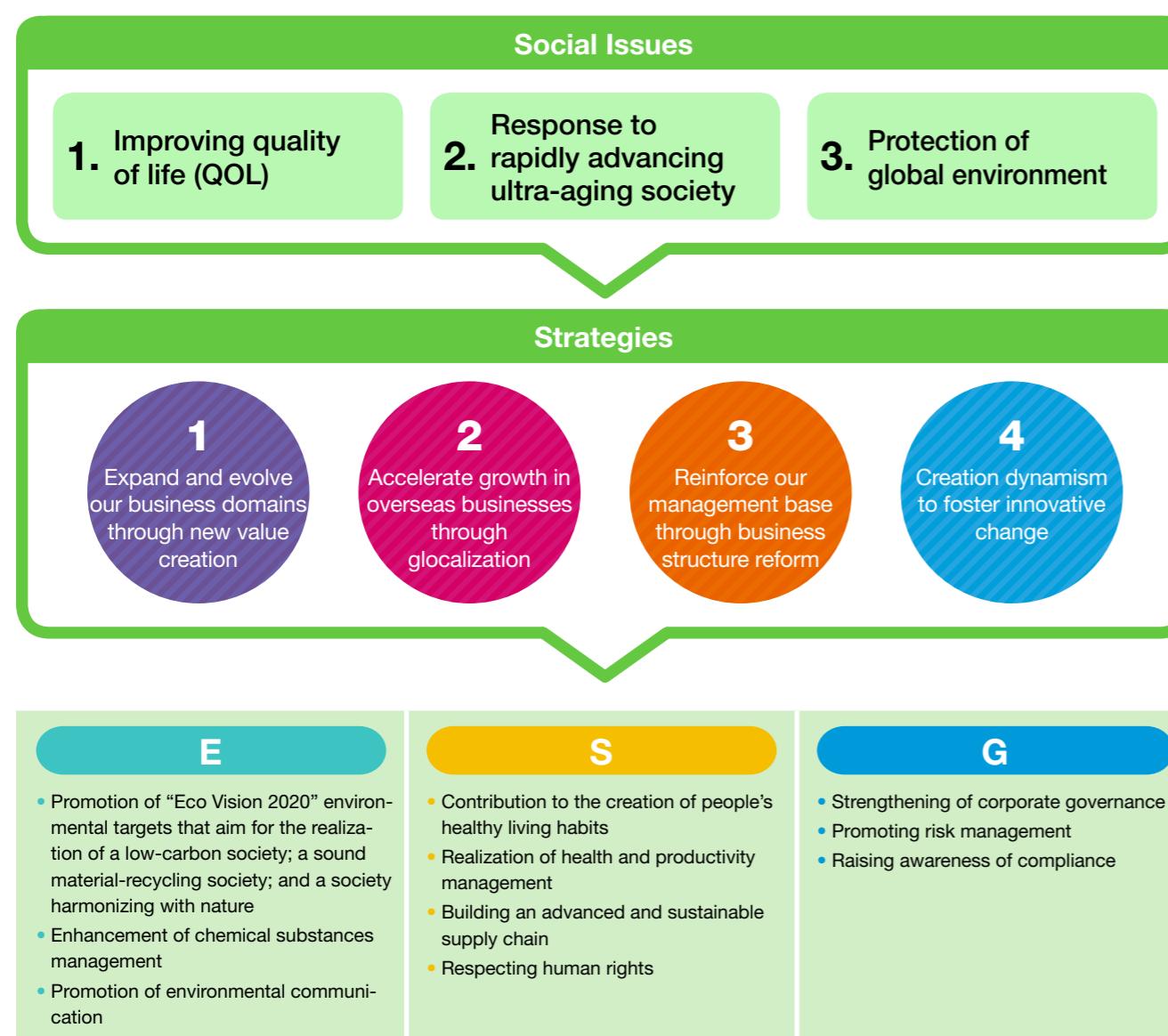
Sustainability

Ideal Vision

► The realization of sustainable contributions to society as well as business growth

- (1) In accordance with ISO 26000, we will continue working on activities that reduce risks and ensure social responsibility in building a strong management foundation.
- (2) We will also work on expanding business opportunities by engaging in business that creates both social and business value that can lead to contributions to SDGs.

The LION Value Evolution Plan and Lion Sustainability



Identification of Sustainability Material Issues, Setting of Objectives and Managing Progress

http://www.lion.co.jp/ja/csr/lion_csr/promotion/vision.php (Available in Japanese only)

Sustainable Development Goals (SDGs)

Sustainable Development Goals (SDGs) were adopted by 193 UN member countries as common goals that the world should address in aiming for sustainable development. Regarding the SDGs as "a social issue to be contributed to through business," Lion will contribute through its business.



Cited from the website of the United Nations Information Centre

Identification of Sustainability Material Issues, Setting of Objectives and Managing Progress

In 2011, Lion confirmed and evaluated the progress of domestic group companies based on ISO 26000, a global social responsibility standard, as well as by listening to and incorporating the opinions of third-party organizations. Based on this outcome, Lion identified sustainability material issues in 2012 and set three-year, medium-term objectives, in consistent with its medium-term management plan. Since 2015, we have expanded coverage from the domestic group to overseas groups, and continue to address sustainability throughout the entire group.

With regard to sustainability material issues and objectives for the period from 2018 to 2020, we will identify social issues—extracted on the basis of ISO 26000, SDGs, the 10 principles of the UN Global Compact, and the GRI Guideline—and analyze material issues by evaluating the degree of social and business impact.



Environment



Environmental Initiatives

LION's Action

Lion is actively communicating with customers. This includes educational activities aimed at increasing customers' environmental awareness through the Company's products, in addition to achieving targeted values in an effort to "realize a low-carbon society," "realize a sound material-cycle society," and "realize a society harmonizing with nature."

Environmental Guidelines

Lion will act voluntarily and proactively to reduce the burden it places on the global environment in all the processes of its business activities, from the development of products to the procurement of raw materials, production, distribution, sales, use by customers, as well as disposal. This will be done with due consideration to "realizing a low-carbon society to prevent global warming," "realizing a sound material-cycle society with maximum usage of recycled resources", and "realizing a society harmonizing with nature to conserve people's health, natural ecosystems, and biodiversity."

- | | |
|---|--|
| 1. Aiming for a Sustainable Society
2. Complying with Legal and Other Requirements
3. Setting and Verifying Implementation of Environmental Objectives and Targets
4. Developing Environment-Friendly Products | 5. Reducing Environmental Impact Together with Our Business Partners
6. Harmonizing with Nature
7. Enhancing Environmental Protection Activities
Based on Uniform Understanding of the Guidelines
8. Promoting Disclosure of Information |
|---|--|

Revised January 1, 2013

Environmental Management System

The purpose of the Lion Group's Environmental Management System is to identify, evaluate, and remedy any adverse effects that our business activities, products, and services have on the environment, and to improve our environmental protection activities on an ongoing basis.

Systems for environmental management and reporting activities have been enhanced with the aim of responding to the environment globally. Data on overseas Group companies is available on our website.

Environmental Management Structure

In order to cooperate with and involve all employees in environmental management, we established an Environmental Conservation Committee covering the Production Division, the Administrative/Sales Division, the R&D Division, and headquarters staff divisions. The Committee's responsibilities include conducting reviews of Company-wide business activities from the viewpoint of environmental conservation, compliance with laws and regulations, the setting of voluntary standards and targets, as well as their Company-wide promotion and the ascertaining of the status of their achievement.



Promotion of Eco Vision 2020

On the basis of the situation with regard to global environmental issues, the Company's areas of involvement and actions, and the opinions of outside stakeholders, we identified our Eco Vision 2020 environmental objective in 2012. We set and are promoting—consistent with our Vision 2020 Management Vision—three-year targets for greenhouse gas emissions (energy use), water, waste, wastewater, procurement, biodiversity, and environmental awareness activities for the benefit of society as a whole.

Further information on Eco Vision 2020 can be found here: <http://www.lion.co.jp/ja/csr/env/ecovision2020/>

(Available in Japanese only)

Please refer to the Company's website for more detailed information ► <http://www.lion.co.jp/ja/csr/env> (Available in Japanese only)

Social: Community Involvement



LION's Action

Aiming to "realize healthy minds and bodies for all," we are engaging in activities that contribute to the development of a sustainable society and to the global environment in the areas of health, comfort, and cleanliness.

Educational Activities through Our Businesses

► Educational Activities for Oral Health

In addition to our ongoing engagement in educational activities for "preventive dentistry," which involves both continuous "professional care" at dental clinics as well as "self-care" in people's everyday lives, we hold the annual Oral Health Event of Tooth Brushing for Children. Geared toward elementary schools, this event fosters awareness to maintain and improve the health of teeth and mouths. Lion has continued to support the activities of the Lion Foundation for Dental Health (LDH) for more than 50 years. Since 1964, LDH has been undertaking dental health activities—targeting a wide span of generations and age-groups, including mothers and infants, children, school students, guardians, and the elderly. Overseas Group companies are also actively involved in a range of oral health educational activities.

► Educational Activities for Cleanliness

The Lion Group has been working on activities to have proper hand washing habits take root mainly with the *KireiKirei* brand. We conduct educational activities for hand washing at kindergartens, preschools, and public facilities in the areas where our business facilities are located across Japan. Hand washing educational activities are not only conducted in Japan, but also in other countries where we sell our products, such as South Korea, Singapore, Thailand, and China.



Hand washing educational activity conducted overseas

SELECTED TOPICS

► Oral Health Event of Tooth Brushing for Children

The Oral Health Event of Tooth Brushing for Children, started in 1932, is held every year for elementary school children during a week designated as the "dental/oral health week (June 4-10)." After simultaneously broadcasting the event nationwide over the Internet for many years, we decided to change the method of participation for the 74th event in 2017. Each school set its own date for participation within the 10-day period of the event and viewed an educational DVD. Over and above nationwide elementary schools in Japan, 2,893 schools and around 160,000 elementary school students (roughly 14% of the number of elementary schools in Japan) participated in the event.



A scene at an elementary school that participated in the Oral Health Event of Tooth Brushing for Children

Please refer to the Company's website for more detailed information ► <http://www.lion.co.jp/ja/csr/community/> (Available in Japanese only)

Social: Customers



Initiatives Aimed at Building Trust with Customers

LION's Action

Lion places the utmost importance on quality assurance at each stage of its corporate activities from product planning through development to manufacturing, sales, and customer use. In this manner, the Company delivers products that will satisfy its customers.

Product Development Incorporating Customer Opinions

Approach to Safety and Reliability

We evaluate the safety of our products at the raw material, packaging, and container stages and upon actual use so that our customers can use our products without any concern.

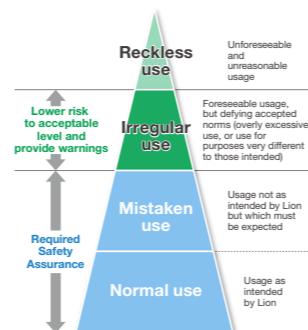


Safety of Materials

We first examine the materials to determine their safety. As the next step, we determine whether to use a particular material after evaluating the sample and supplier in order to secure quality above a certain level. In using the materials, they are classified into drugs, quasi-drugs, cosmetics, food, and miscellaneous, and their quality is inspected based on the inspection items and testing methods appropriate for each classification before they are actually accepted for use.

Safety during Product Use

By considering the various uses of our products as well as product use by vulnerable customers, we perform safety evaluation of our products from the perspective of avoiding risks at the stage of product design. We use a checklist in our evaluation to determine whether the product design ensures safety from "normal use" cases to "mistaken use" cases. We evaluate if risks can be alleviated even in the event of "irregular use," and also evaluate whether risks can be tolerated. Such evaluations are reflected in our measures to secure product safety, such as by providing sufficient warnings as needed. Also, in the Quality Verification Meeting for quality confirmation held with representatives of related divisions, we perform checks from the perspective of our customers during their actual use of our products in order to prevent damages during product use as well as failure to confirm all safety check items. In preparation for possible problems with our products, we have in place an internal system to quickly take countermeasures such as product recall.



Communication with Customers Using "Lidea," a Website for Delivering Useful Information in Daily Life

Lidea is Lion's website for delivering lifestyle information and for sharing delightful ideas (tips and information) with consumers that make their daily lives more comfortable and enrich their hearts. Accurate information that is useful for consumers' daily lives is provided mainly by "Meisters of Daily Life," specialists who have research experience and expertise in the six "fabric care," "living care," "kitchen," "dental and oral health," "beauty and health of body", and "childcare" fields.



Please refer to the Company's website for more detailed information ► <https://lidea.today>
(Available in Japanese only)

Social: Business Partners



Initiatives Geared toward Sustainable Supply Chains

LION's Action

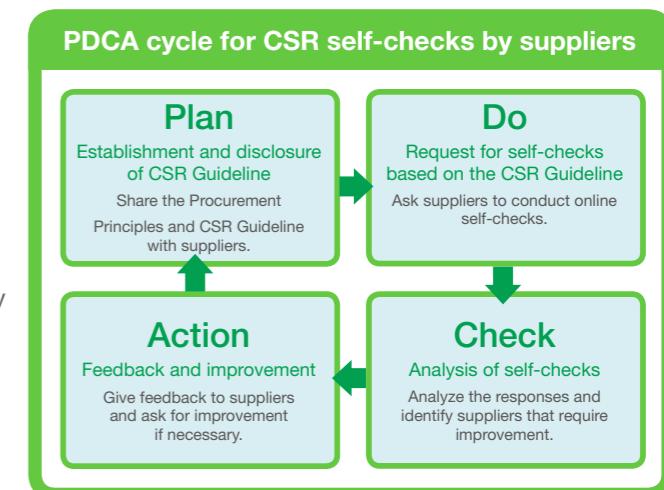
In accordance with the "Lion Group Charter for Corporate Behavior" and the "Behavioral Guidelines," we have made efforts to "engage in fair, transparent, and free competition and proper transactions" while "maintaining sound and proper relationships with governmental and political bodies" and are aiming to build sustainable supply chains.

Promotion of Sustainability with Material Suppliers and Outsourcing Contractors

The Company requires material suppliers and outsourcing contractors to carry out annual self-checks based on the "Lion Group Supplier CSR Guidelines" in order to facilitate responsible procurement activities. Specifically, we have been enhancing the systems designed to prevent risks from occurring in supply chains with regard to five areas: human rights/labor practices; the environment; fair operating practices; consumer issues; and compliance.

Since 2014, we have made it possible to conduct the above-mentioned self-checks online so that our business partners can conduct self-checks more efficiently. In addition, by sending feedback based on the results to our business partners, we have put in place a system to continuously promote sustainable procurement.

When we commence procurement through suppliers, we build a flexible and efficient logistics system by integrating our supply chain management (SCM) functions with those of the business partners.



Aiming for Sustainable Procurement of Palm Oil

We are actively promoting the utilization of plant-derived materials that are carbon neutral. As one of the plant-derived materials, we are using derivatives of palm oil, an oil that is globally produced in the largest quantities.

Since palm oil plants are highly productive, production volumes are increasing with each passing year. However, a number of issues, such as the logging of tropical forests for the development of new farms leading to a shrinking of wildlife habitats, have risen at the production sites, as a result of the sudden explosion of production. Also, due to inappropriate farming operations, a number of labor management-related issues have arisen.

Since 2006, Lion has been a member of the Roundtable on Sustainable Palm Oil (RSPO), which attempts to solve all the above-mentioned issues. In 2012, Lion Chemical Co., Ltd.'s Oleochemical production site passed the supply chain certification system inspection and was certified as a plant that is allowed to handle RSPO-certified palm oil. In fiscal 2017, we continued the purchase of RSPO-certified palm oil derivatives to achieve the 2020 target.

We will continue with our efforts to procure sustainable palm oils in the years to come.

Target
2020: All palm oil derivatives to be RSPO-certified

Please refer to the Company's website for more detailed information ► <http://www.lion.co.jp/ja/csr/businesscustom/>
(Available in Japanese only)

Shareholders and Investors



Initiatives Aimed at Enhancing Corporate Value

LION's Action

Based on the Lion Group Charter for Corporate Behavior, Lion actively works to disclose corporate information in a fair, accurate, and timely manner in order to secure the trust and understanding of shareholders, investors, and all other stakeholders. Lion also considers returning profits to shareholders on a continuous and stable basis by increasing its consolidated earnings capacity to be one of its most-important management issues.

IR Activities

► Results of IR Activities in Fiscal 2017

Lion established the IR Office as a part of its Corporate Planning Department in order to actively promote dialogue with shareholders. Every effort is being made to create opportunities to speak directly with individual investors as well as institutional investors in Japan and overseas, and to put in place a structure that can effectively incorporate investor feedback into the Company's management and operations.

In addition, Lion has posted details of its IR Information Disclosure Policy on its website.

Japanese version ► <http://www.lion.co.jp/ja/ir/policy/> English version: <http://www.lion.co.jp/en/ir/policy/>

(Major Accomplishments)

- Held briefing sessions for individual investors on a periodic basis. Conducted briefing sessions for individual investors at 10 locations nationwide in 2017 to provide participants with pertinent information, including an overview of the business.
- Held briefing sessions for analysts and institutional investors on a periodic basis. Held financial results discussions for analysts and institutional investors following the Company's first-half and full fiscal year earnings announcements. In addition, undertook a telephone conference call following the Company's third quarter earnings announcement.
- Also, to conduct investor relations road shows in North America, Europe, and the Asian region in a bid to promote communication between the Company's management and overseas investors, participated in conferences organized by securities firms.
- Held new product as well as R&D briefings in a bid to provide analysts with a deeper understanding of the Company's business.

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Earnings announcements												
Dividend base dates												
Shareholders' meeting												
Shareholders' Report												
● Full fiscal year	● 1Q				● 2Q				● 3Q			
● Securities Report				● 1Q Earnings Report		● 2Q Earnings Report			● 3Q Earnings Report			
				● Annual Report (2nd half)								
					● Interim			● Period-end				
						● Annual Meeting of Shareholders						
							● Report			● LION LETTER		

Information Tools

Lion has incorporated an Investor Relations section in its corporate website in an effort to provide information to as many of its shareholders and investors as possible in a timely and equitable manner. Together with an overview of its business activities and operating performance, the Company's website provides easy access to a raft of information, including Lion's management strategies, financial position, and a variety of materials relating to the Company's financial results. As such, Lion's website has received high praise from external third parties regarding the depth of information and ease of use. The content and format of the Investor Relations section, in particular, have been designed to convey the Company's strengths and strategies in an easy-to-understand manner.

Moreover, steps have been taken to post an online copy of Lion's annual report on its website in an effort to provide overseas shareholders and investors with a direct and deeper understanding of the Company's business environment and management strategies.



Please refer to the Company's website for more detailed information ► <http://www.lion.co.jp/ja/csr/management/investor/>
(Available in Japanese only)

Risk Management



Risk Management to Safeguard Corporate Value

LION's Action

In order to continue providing our customers with safe and reliable products, we have appointed a Director Responsible for Risk Management who exhaustively controls and supervises the risk of the whole Lion Group.

The Lion Group's Rules and Other Structures Relating to the Management of Risk

► 1. Response under Normal Conditions

- (1) The director responsible for the Corporate Strategy Headquarters shall have overall responsibility for risk management for the Group. The Corporate Planning Department shall exhaustively and comprehensively manage the Group's risk.
- (2) The Auditing Office shall audit the status of risk management for each department within the Group and report its findings to the Executive Committee and the Board of Directors.
- (3) Under normal conditions, each department shall strive to identify its own risks and implement appropriate risk reduction measures. For management risks with the potential to significantly impact business activities, the director of the Board responsible for the relevant department shall consider appropriate risk management measures, which will be deliberated on by the Senior Executive Committees and Executive Committees for implementation.
- (4) For the risks management of environment, quality assurance, accidents, and disasters, appropriate countermeasures shall be formulated in advance by the Environmental Conservation Committee, CS/PL Committee*, and Safety, Hygiene and Disaster Prevention Meeting, and, when necessary, deliberated by the Executive Committee.
- (5) Each plant is certified with ISO 14001 and eagerly works on quality management and environmental protection.

► 2. Response in the Event of Emergency

- (1) In cases where physical emergencies such as natural disaster and accidents arise, in accordance with the Emergency Response System (the respective manuals for countermeasures against earthquakes or influenza and other infectious diseases), we report the relevant facts to the president and corporate auditors. At the same time, the director of the relevant department shall collect all relevant information, formulate response measures, clarify causes, and determine countermeasures, submitting a report on these actions to the Executive Committee and the Board of Directors.

* CS/PL Committee
Referring to customer satisfaction (CS) and product liability (PL), a cross-departmental committee to promote quality assurance activities

Business Continuity Plan (BCP)

Lion is pushing ahead with the establishment of its own systems to minimize damages, and continue business so as to provide products to customers even in cases where a large earthquake, the spread of an infectious disease (pandemic), or other contingencies occur.

We set up a task force according to the "Manual on Countermeasures for Seismic Disasters" in cases where seismic disasters occur, and the "Manual on Countermeasures against Novel Influenza and Other Infectious Diseases" in cases where a pandemic due to novel influenza virus or other infectious diseases are expected to occur, so as to respond to such contingencies. Whether the BCP should be implemented or not is determined depending on the size of the disaster and the degree of the damages. If the BCP is implemented, we would give first priority to the supply of consumer products among our businesses. For risks that may have a material impact on our business, we update the countermeasures and report to the Executive Committee annually.

Corporate Governance

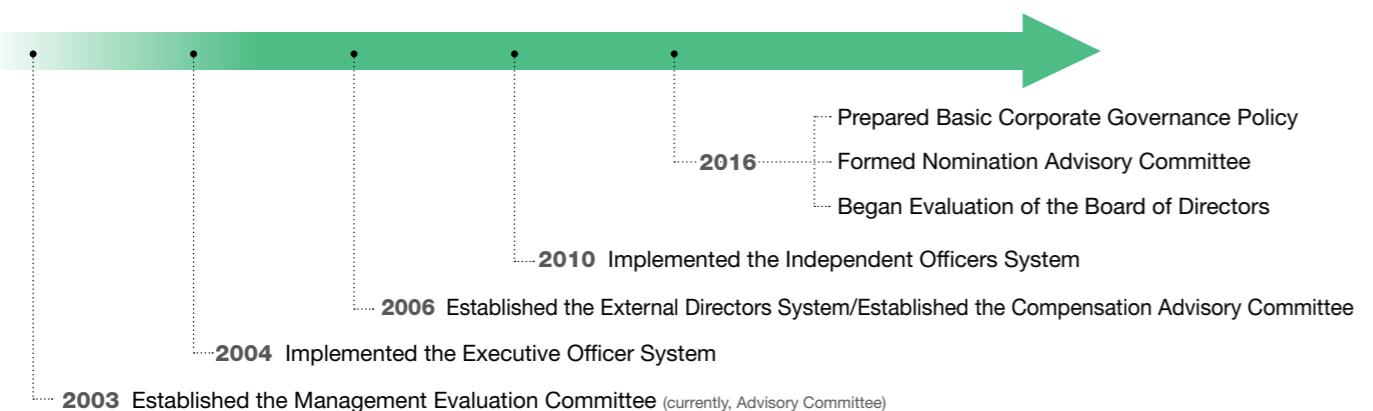


About Lion's Stance toward Governance as a Means to Enhance Corporate Value

LION's Action

Lion's top priorities for corporate governance are to increase management transparency, strengthen supervisory functions, accelerate decision making, and ensure compliance. By strengthening and enhancing its corporate governance systems, Lion aims to increase its corporate value.

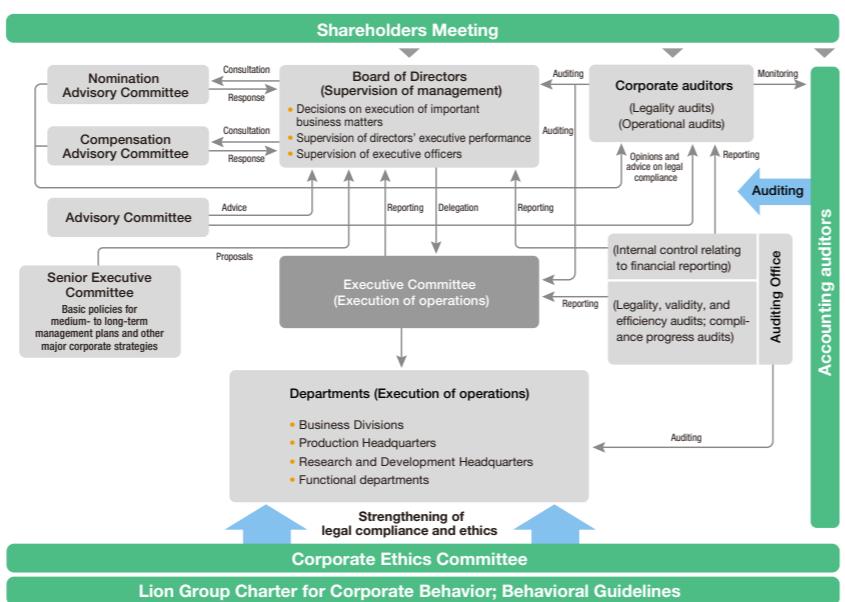
Approach to Enhancing Functions to Audit and Supervise Management



System of Corporate Governance

Organizational Structure

Lion is a company with a Board of Corporate Auditors as defined in the Corporation Law, with a system of corporate governance in which the Board of Directors provides adequate oversight of management while independently operating corporate auditors provide appropriate auditing. To reinforce the Board of Directors' management oversight function and speed decision making, Lion has adopted an executive officer system. In addition, to increase management transparency and further enhance corporate governance, Lion has established a Nomination Advisory Committee and Compensation Advisory Committee comprising mainly external directors and external corporate auditors.



Board of Directors / Directors

The Board of Directors carries out the duties specified by law and the Articles of Incorporation, decides important matters related to Lion's business execution, and oversees the execution of the duties of directors and executive officers.

Such important matters as Groupwide management policy and strategy are considered by the Senior Executive Committee, which determines their general outline, before being taken up by the Board of Directors for a final decision. Important matters related to business execution by individual departments are delegated to the Board of Executive Officers for more nimble decision making. To ensure speedy decision making, the Articles of Incorporation specify that the Board of Directors shall comprise no more than 11 members. To improve the effectiveness of the board's oversight function, at least two members are external directors.

Directors, being fully aware of their fiduciary responsibility to shareholders, must work to increase the corporate value of the Lion Group and contribute to the common interests of shareholders. Directors must endeavor to actively contribute to Board of Directors meetings, engage in constructive discussion, and gather the information and obtain the knowledge and training necessary to carry out their duties.

External directors must oversee management from an independent perspective and work to provide management advice, monitor conflicts of interest, and actively reflect the opinions of stakeholders at meetings of the Board of Directors.



Executive Officers System

Attended by all executive officers, the Executive Committee meets once a month to ensure that the execution of duties is conducted in a timely manner and to strengthen the functions of the Board of Directors. At the same time, the Executive Committee serves to promote expeditious decision making with respect to both fundamental and important matters related to business execution. There are currently 16 executive officers, 6 of whom hold the position of director concurrently. The term of office of executive officers is one year, which is equivalent to the term of office of directors.

Board of Corporate Auditors / Auditors

The Articles of Incorporation specify that the Board of Corporate Auditors shall comprise no more than five members, at least half of whom must be external corporate auditors. The Board of Corporate Auditors provides oversight to ensure that the directors are executing their duties in accordance with the law and the Articles of Incorporation. The board also exercises appropriate authority over such matters as the selection, dismissal, and compensation of accounting auditors. The Board of Corporate Auditors determines audit standards, policies, and plans for the corporate auditors. The corporate auditors attend important meetings, including those of the Board of Directors, conduct hearings on the status of the execution of the directors' duties, implement on-site audits at Lion's headquarters and other important operating sites, and investigate Lion subsidiaries.

As independently operating authorities, corporate auditors oversee the execution of the duties of the directors. Fully aware of their fiduciary responsibility to shareholders, corporate auditors work to assure the soundness of efforts to improve corporate value and contribute to the common interests of shareholders. Corporate auditors must endeavor to secure the transparency and fairness of the Company's decision making, actively express their opinions at Board of Directors meetings, and gather the information and obtain the knowledge and training necessary to carry out their duties. Corporate auditors must oversee and verify the construction and operation of the system of internal control. Standing corporate auditors must strive to share the information they obtain in the course of their duties with the other corporate auditors.

The Board of Directors selects candidates who meet the criteria of the Director/Corporate Auditor Candidate Selection Standards and Standards Regarding the Independence of External Directors/Corporate Auditors established by the Board of Directors and submits them for consideration by the Nomination Advisory Committee. Based on the results of this consideration and approval by the Board of Corporate Auditors, the Board of Directors selects candidates to propose for appointment to the Shareholders Meeting. Reasons for the selection of candidates are provided in the convening notice of each Shareholders Meeting as part of the appointment proposal.

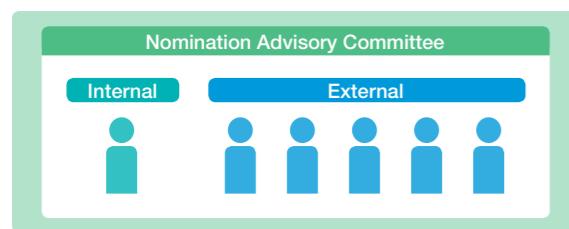
Advisory Committees

Lion has established the Nomination Advisory Committee and Compensation Advisory Committee, comprising mainly external directors and external corporate auditors, as advisory bodies to the Board of Directors. These committees help improve management objectivity and transparency. In addition, to further enhance corporate governance, Lion maintains an Advisory Committee composed of outside experts other than external directors and external corporate auditors.



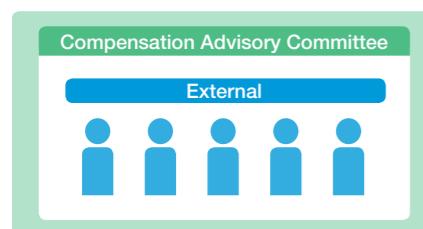
1. Nomination Advisory Committee

The Board of Directors consults the Nomination Advisory Committee regarding the necessary qualities, reasons for selection and related processes for nominating directors, corporate auditors, and executive officers as well as hiring individuals who have previously served in these roles as consultants. The committee considers the matters in question and provides a response to the Board of Directors (or, for matters regarding corporate auditors, to the Board of Corporate Auditors). The committee also exchanges opinions on the development of future Group presidents. The Nomination Advisory Committee comprises external directors and external corporate auditors as well as a representative director predetermined by the chairman of the Board of Directors. The members of the committee select from among themselves the committee chairperson, who must be an external director or external corporate auditor.

**2. Compensation Advisory Committee**

The Board of Directors consults the Compensation Advisory Committee regarding such matters as the compensation system, compensation levels, and bonus calculation methods for directors and corporate auditors. The committee considers the matters in question and provides a response to the Board of Directors (or, for matters regarding corporate auditors, to the Board of Corporate Auditors).

The Compensation Advisory Committee comprises external directors and external corporate auditors. The members of the committee select from among themselves the committee chairperson.

**3. Advisory Committee**

The Advisory Committee comprises outside experts other than the external directors and external corporate auditors who possess extensive knowledge and insight. The committee considers the appropriateness and other aspects of Lion's management policies and measures. The committee serves to reflect objective opinions from a wide range of perspectives in management. In principle, the committee meets twice a year. The chairperson of the Board of Directors reports a summary of the committee's advice to the Board of Directors.

Matters Related to the Selection of External Directors and External Auditors

To contribute to the strengthening of its corporate governance and enhance the supervision and monitoring of management, Lion appoints external officers (three external directors and two external corporate auditors) who have no conflicts of interest with the Company and the Company's important business partners, and who can remain independent. At present, Lion has five such independent external officers.

External Directors**Hideo Yamada**

Attendance	Attended 18 of 18 Directors' meetings held during the fiscal year
Reasons for Appointment	Hideo Yamada possesses a wealth of expert knowledge and experience as a lawyer and also has experience at other companies both as an external director and an external corporate auditor. He has actively participated in meetings of the Board of Directors, and suitably carried out his role as an external director for the Company, including supervising business execution. The Company judges that his sophisticated insight into such issues as compliance is necessary to enhance the transparency of management and strengthen the oversight of the Board of Directors, and therefore requests that he be reelected as an external director.
Reasons for Appointment as an independent External Director	Mr. Yamada meets the qualifications set forth in the Lion Corporation Standards Regarding the Independence of External Directors/Corporate Auditors as well as the criteria for independence of the Tokyo Stock Exchange Co., Inc. (Japan Exchange Group). He is, therefore, judged to be independent, and was duly appointed as an independent External Director.

Kazunari Uchida

Attendance	Attended 16 of 18 Directors' meetings held during the fiscal year
Reasons for Appointment	Kazunari Uchida possesses experience as the Japan representative of an international management consulting group and also has experience at other companies both as an external director and an external corporate auditor. He has actively participated in meetings of the Board of Directors, and suitably carried out his role as an external director for the Company, including supervising business execution. The Company judges that his sophisticated understanding of management decision making is necessary to enhance the transparency of management and strengthen the oversight of the Board of Directors, and therefore requests that he be reelected as an external director.
Reasons for Appointment as an independent External Director	Mr. Uchida meets the qualifications set forth in the Lion Corporation Standards Regarding the Independence of External Directors/Corporate Auditors as well as the criteria for independence of the Tokyo Stock Exchange Co., Inc. (Japan Exchange Group). He is, therefore, judged to be independent, and was duly appointed as an independent External Director.

Takashi Shiraishi

Attendance	Attended 13 of 13 Directors' meetings held during the fiscal year
Reasons for Appointment	Takashi Shiraishi has managerial experience as the president of a national university, has served as the president of the Japan External Trade Organization's Institute of Developing Economies and possesses broad-ranging expert knowledge in such areas as Asian politics, economics and social issues. He has actively participated in meetings of the Board of Directors and suitably carried out his role as an external director for the Company, including supervising business execution. The Company judges that his sophisticated understanding of management decision making is necessary to enhance the transparency of management and strengthen the oversight of the Board of Directors and therefore requests that he be reelected as an external director.
Reasons for Appointment as an independent External Director	Mr. Shiraishi meets the qualifications set forth in the Lion Corporation Standards Regarding the Independence of External Directors/Corporate Auditors as well as the criteria for independence of the Tokyo Stock Exchange Co., Inc. (Japan Exchange Group). He is, therefore, judged to be independent, and was duly appointed as an independent External Director.

External Corporate Auditors**Noboru Kojima**

Attendance	Attended 17 of the 18 Directors' meetings and 13 of the 13 meetings of the Board of Corporate Auditors held during the fiscal year
Reasons for Appointment	Mr. Kojima is a Certified Public Accountant and Certified Tax Accountant and has in-depth knowledge of accounting and tax matters. He also has experience as external corporate auditor for other companies, and Lion would like to have access to his knowledge and experience to strengthen its accounting functions.
Reasons for Appointment as an independent External Corporate Auditor	Mr. Kojima meets the qualifications set forth in the Lion Corporation Standards Regarding the Independence of External Directors/Corporate Auditors as well as the criteria for independence of the Tokyo Stock Exchange Co., Inc. (Japan Exchange Group). He is, therefore, judged to be independent, and was duly appointed as an independent External Corporate Auditor.

Hideo Higashi

Attendance	Attended 17 of the 18 Directors' meetings and 13 of the 13 meetings of the Board of Corporate Auditors held during the fiscal year
Reasons for Appointment	Mr. Higashi has expert knowledge of tax and financial matters and experience in key positions in government agencies. Accordingly, Lion would like to draw on his knowledge and experience to strengthen its accounting functions.
Reasons for Appointment as an independent External Corporate Auditor	Mr. Higashi meets the qualifications set forth in the Lion Corporation Standards Regarding the Independence of External Directors/Corporate Auditors as well as the criteria for independence of the Tokyo Stock Exchange Co., Inc. (Japan Exchange Group). He is, therefore, judged to be independent, and was duly appointed as an independent External Corporate Auditor.

Director and Corporate Auditor Compensation

Director and corporate auditor compensation is decided by the Board of Directors based on the results of consultation with the Compensation Advisory Committee. Compensation is set within the limits decided by resolution of the Shareholders Meeting. Compensation for directors (excluding external directors) consists of fixed monthly compensation and performance-linked compensation (bonuses and stock-based compensation).

Compensation levels are determined for each director and corporate auditor based on individual roles and responsibilities using survey data from specialized external institutions as an objective benchmark.

The ratio of performance-linked compensation and stock-based compensation for directors is revised as necessary to maintain sound, appropriate incentives to increase corporate value over the medium and long terms.

Total Compensation of Directors and Corporate Auditors

Corporate Officer Classification	Number of Corporate Officers	Total Compensation Paid (FY2017)
Directors (External Directors)	9 (3)	¥491 million (¥33 million)
Corporate Auditors (External Auditors)	4 (2)	¥82 million (¥24 million)
Total	13 (5)	¥573 million (¥57 million)

Evaluations of the Board of Directors

Striving to ensure the effectiveness of the Board of Directors, every fiscal year, the board conducts evaluations related to such areas as the board's operating methods and the content and status of the proposals it considers. These evaluations include examinations of each director. A summary of the results of these evaluations is disclosed in the Corporate Governance Report. An anonymous self-assessment survey of all directors and corporate auditors was conducted regarding Board of Directors meetings held in 2017.

Summary of the Evaluation of the Board of Directors

- The number of persons on Lion's Board of Directors is sufficient for deliberations, including the number and proportion of external directors. Board members have the knowledge, experience, capabilities, and diversity necessary to enhance corporate value.
- The frequency, number of agenda items, and deliberation time of the Board of Directors are appropriate. The deliberations comprise open, constructive debate that does not hinder risk taking.

The evaluation found that the membership and operations of Lion's Board of Directors are appropriate, and that decision making on important matters related to business execution and oversight of the execution of duties, are conducted in a proper manner. As such, the effectiveness of Lion's Board of Directors was deemed sufficient.

In fiscal 2016, an evaluation of the board's effectiveness uncovered certain issues. These included: 1) Discussions on management strategy should be enhanced to further increase corporate value and 2) External directors and corporate auditors should be provided with more extensive information regarding the background and context of important agenda items. While Lion has achieved a measure of success with initiatives aimed at addressing each of these issues, the Company recognizes that there is still room for improvement. Looking ahead, Lion will continue to implement necessary measures, and make efforts to further enhance the effectiveness of the Board of Directors.

See Lion's Corporate Governance website for further details.

[Basic Corporate Governance Policy](#)

[Corporate Governance Report](#) (Available in Japanese only)

Messages from External Audit & Supervisory Board Members

Noboru Kojima External Audit & Supervisory Board Member



Auditors audit the execution of business by directors on behalf of shareholders, and submit an audit report with the results of that audit to the General Meeting of Shareholders.

I have been an Audit & Supervisory Board member for Lion for three years, and have performed these duties utilizing my experience as a Certified Public Accountant. I hold interviews with all directors and executive officers, and conduct site visits of all major facilities both in Japan and overseas, and audit those operations. The auditing method, appropriateness of results, and audit quality are affirmed in the auditing reports received from the accounting auditors at the end of each fiscal quarter and fiscal year.

Fortunately, Lion's corporate environment is apposite from the perspective of corporate governance, and an internal control organization has been established. I think that Lion's executives and employees, supported by steady business results, are performing to the best of their abilities.

Five of Lion's 13 directors and Audit & Supervisory Board members are independent officers. These independent officers play a central role in the lively questioning during meetings of the Board of Directors, while, at the same time, help to deepen discussions of the Nomination and Compensation committees.

These structures express a desire to fulfill responsibilities to shareholders and all stakeholders. I believe that my role is to undertake part of that responsibility, and do my best for Lion's business operations.

Hideo Higashi External Audit & Supervisory Board Member



I have served as an external Audit & Supervisory Board member for Lion for three years. I believe that my role as an external auditor is to have an "inner outward-looking eye," and audit from a broad and objective viewpoint, without being constrained by conventional wisdom within the Company. Audit & Supervisory Board members, by auditing the execution of business by directors as independent agents, also have a duty to ensure the healthy and sustainable growth of a company, and contribute to the establishment of a high-quality corporate governance system to meet its social responsibility.

During these last three years, together with the Audit & Supervisory Board members, I conducted regular interview-style audits with the representative directors, and operating audits of directors and executive officers. I received detailed explanations of Lion's various

businesses, and confirmed from an impartial, third-party standpoint that compliance and governance with the aim of risk management reaches the furthest corners of the Company.

Recently, scandals have been uncovered at major corporations that had been praised as companies with leading governance systems. However, I feel that Lion's internal controls for risk management are functioning efficiently, as confirmed through audits of major facilities both in Japan and overseas.

Going forward, I will use what abilities I have in a sincere effort to contribute to greater shareholder and enterprise value at Lion through the independent stance and universally equitable approach of an external Audit & Supervisory Board member.

Directors, Corporate Auditors, and Executive Officers (As of March 29, 2018)



Representative Director,
President Executive Officer
ITSUO HAMA
Chairman of the Board and Chief Executive Officer



Representative Director,
Senior Managing Executive Officer
MASAZUMI KIKUKAWA
Responsible for Corporate Ethics, Direct Marketing
Division, International Division and Overall Chemicals
Businesses



Director, Senior Executive Officer
KENJIRO KOBAYASHI
Responsible for Human Resources and General
Affairs Headquarters, Secretary Department, CSV
Promotion Department, System Department and
Corporate Communication Center



Director, Senior Executive Officer
TAKEO SAKAKIBARA
Responsible for Risk Management, Corporate
Strategy Headquarters, Consumer Service Center,
Reliability Assurance Department and Legal
Department



Director, Senior Executive Officer
TOSHIO KAKUI
Responsible for Supply Chain Management
Headquarters, Production Engineering Research
Headquarters, Purchasing Headquarters, Research
& Development Headquarters, Production
Headquarters, Intellectual Property Department
and Safety and Disaster Prevention Promotion
Department



Director, Executive Officer
YUGO KUME
Executive General Manager of Health & Home Care
Products Division, Responsible for Communication
Design Department, Consumer Knowledge Center
and Distribution Policy Department



External Director
HIDEO YAMADA
Attorney at Law



External Director
KAZUNARI UCHIDA
University professor



External Director
TAKASHI SHIRAISHI
University professor



Audit & Supervisory Board Member
YASUTARO NAKAGAWA



Audit & Supervisory Board Member
JUNKO NISHIYAMA



External Audit & Supervisory Board Member
NOBORU KOJIMA
Certified Public Accountant, Certified Tax Accountant



External Audit & Supervisory Board Member
HIDEO HIGASHI
Certified Tax Accountant

The notification of the nomination of Mr. Noboru Kojima and Mr. Hideo Higashi as independent directors has been sent to the Tokyo Stock Exchange.

Substitute Audit & Supervisory Board Member
TAKAO YAMAGUCHI
Certified Public Accountant, Certified Tax Accountant

Executive Officers
FUMITOMO NORITAKE
Executive General Manager of Research and
Development Headquarters

MASAHIRO MIKUNI
Executive General Manager of Health and Home
Care Products Sales Division

JIRO NAGASAWA
Executive General Manager of Human Resources
and General Affairs Headquarters

TAKASHI NAGAI
Executive General Manager of Direct Marketing
Division

TOMOMICHI OKANO
Executive General Manager of Production
Engineering Research Headquarters

HITOSHI SUZUKI
Executive General Manager of International Division

KENGO FUKUDA
Executive General Manager of Corporate Strategy
Headquarters

HIROYUKI CHIBA
Executive General Manager of Purchasing
Headquarters

SHINICHIRO HIRAOKA
Executive General Manager of Supply Chain
Management Headquarter

YASUTSUGU SHIMIZU
Executive General Manager of Production
Headquarters

ESG Data

Major Sustainability Indicators

► Environment

Achievements of Eco Vision V-2 and target values of Eco Vision 2020

Categories			Achievements in 2015	Achievements in 2016	Achievements in 2017	Target values for 2020
Realizing a Low Carbon Society	Greenhouse gases (domestic)	Within the Company	Emission intensity per unit total revenue 24% reduction (compared to 2010) 41% reduction (compared to 1990) Absolute quantity 43% reduction (compared to 1990)	Emission intensity per unit total revenue 27% reduction (compared to 2010) 43% reduction (compared to 1990) Absolute quantity 43% reduction (compared to 1990)	Emission intensity per unit total revenue 32% reduction (compared to 2010) 47% reduction (compared to 1990) Absolute quantity 47% reduction (compared to 1990)	Emission intensity per unit total revenue 34% reduction (compared to 2010) 49% reduction (compared to 1990) Absolute quantity 40% reduction (compared to 1990)
		Outside the Company	Emission intensity per unit total revenue 2% reduction (compared to 2010) 49% reduction (compared to 1990) Absolute quantity 50% reduction (compared to 1990)	Emission intensity per unit total revenue 8% reduction (compared to 2010) 52% reduction (compared to 1990) Absolute quantity 51% reduction (compared to 1990)	Emission intensity per unit total revenue 9% reduction (compared to 2010) 53% reduction (compared to 1990) Absolute quantity 41% reduction (compared to 1990)	Emission intensity per unit total revenue 9% reduction (compared to 2010) 53% reduction (compared to 1990) Absolute quantity 41% reduction (compared to 1990)
		Within the Company	Emission intensity per unit of production 0.4% reduction in a year (compared to 2014)	Emission intensity per unit of production 4% reduction in two years (compared to 2014)	Emission intensity per unit of production 6% reduction in three years (compared to 2014)	Emission intensity per unit of production 1% reduction year on year
		Outside the Company	Reduction of greenhouse gases from post-use products, overseas	Reduction of 58 thousand tons annually	Reduction of 64 thousand tons annually	Reduction of 66 thousand tons annually
		Within the Company	Reduction of greenhouse gases from business activities, overseas	Reduction of 100 thousand tons annually		
	Water	Within the Company	Water use per unit total revenue 28% reduction (compared to 2010) 45% reduction (compared to 2000) Absolute quantity 47% reduction (compared to 2000)	Water use per unit total revenue 34% reduction (compared to 2010) 49% reduction (compared to 2000) Absolute quantity 49% reduction (compared to 2000)	Water use per unit total revenue 35% reduction (compared to 2010) 50% reduction (compared to 2000) Absolute quantity 49% reduction (compared to 2000)	Water use per unit total revenue 15% reduction (compared to 2010) 35% reduction (compared to 2000) Absolute quantity 23% reduction (compared to 2000)
		Outside the Company	Reduction of water usage at households using our products	Water use per unit total revenue 16% reduction (compared to 2010) 45% reduction (compared to 2000) Absolute quantity 47% reduction (compared to 2000)	Water use per unit total revenue 23% reduction (compared to 2010) 49% reduction (compared to 2000) Absolute quantity 49% reduction (compared to 2000)	Water use per unit total revenue 17% reduction (compared to 2010) 45% reduction (compared to 2000) Absolute quantity 33% reduction (compared to 2000)
		Waste	Zero emissions within the Company ^{*1}	Achievement of zero emissions at all domestic production sites	Achievement of zero emissions at all domestic production sites	Achievement of zero emissions at all domestic production sites
		Wastewater	Recycle of factory wastewater discharge ^{*2}	Completion of facilities to recycle wastewater at Chiba Plant	Operation of facilities to recycle wastewater from production processes at Chiba Plant	Operation of facilities to recycle wastewater from production processes at Chiba Plant
Harmonizing with Nature	Procurement	Procurement of plant-derived oils that take biodiversity into consideration	Continuing purchase of RSPO ^{*3} -certified palm oil derivatives	Continuing purchase of RSPO ^{*3} -certified palm oil derivatives	Continuing purchase of RSPO ^{*3} -certified palm oil derivatives purchased to be RSPO-certified	All palm oil derivatives purchased to be RSPO-certified
	Biodiversity	Increase biodiversity conservation activities	Carried out in all Lion's plants and at offices of Lion and some of its affiliate companies	Carried out in all Lion's plants and at offices of Lion and some of its affiliate companies	Carried out in all Lion's plants with implementation expanding at offices of Lion and its affiliate companies	Carry out in all domestic sites
Education	Awareness and education in the society	Environmental awareness and education for consumers	60% increase in consumer participation in our awareness activities (compared to 2010)	70% increase in consumer participation in our awareness activities (compared to 2010)	80% increase in consumer participation in our awareness activities (compared to 2010)	100% increase in consumer participation in our awareness activities (compared to 2010)

*1 The recycling ratio of total waste generation is 99% or more, excluding recycling residues.

*2 Wastewater from production processes

*3 Roundtable on Sustainable Palm Oil

Community Involvement

Lion gives full support to the activities of the Lion Foundation for Dentistry Health (LDH) established in 1964 as a foundation. LDH changed its status to a public interest incorporated foundation in 2010 and works to promote awareness and education activities regarding oral health. LDH has consistently been coordinating with the Japan Dental Association, universities and administrators to maintain and promote the dental and oral health of consumers. LDH is also contributing to society at the forefront of oral health in order to improve the quality of life of all people.

Categories	Achievements in 2015	Achievements in 2016	Achievements in 2017	Remarks
Educational Activities for Oral Health via Foundations	Number of schools where the Oral Health Event of Tooth Brushing for Children was implemented	Seven countries/regions 1,302 elementary schools	Eight countries/regions 1,729 elementary schools	Held at the same time as the "dental/oral health week (June 4 to 10)" each year targeting elementary school children since 1932
	Activities for oral health promotion for adults (industry)	Diagnosed: 28,326 people	Diagnosed: 27,562 people	Education focused on the prevention of periodontal disease and instructions on the maintenance/improvement of teeth and oral health provided to employees of various companies
	Activities for oral health promotion for the elderly	Attendance: 691 people	Attendance: 17,110 people	Support to help maintain the oral functions that will enable individuals to eat with their own teeth and mouths over a long time in the future
	Treatment activities	Diagnosed: 11,691 people	Diagnosed: 11,435 people	Implementation of highly professional, quality treatment and preventive dentistry activities based on the concept of risk control dentistry

Corporate Culture

Categories	Achievements in 2015	Achievements in 2016	Achievements in 2017	Scope
Labor Practices	Average service years (Male/Female)	19.8 years/ 17.4 years	20.3 years/ 18.0 years	Including employees assigned to affiliated companies and regionally based employees
	Number of new employees (new graduates) (Male/Female)	57/28	49/29	Registered new graduates as of December 31
	Ratio of employees who resigned within three years of entering the Company	2.4%	1.6%	New graduates
	Number of re-hired retirees	8.7%	8.3%	7.1%
	Number of temporary employees	461	467	458
	Female employee ratio	25.0%	25.7%	27.1%
	Ratio of female managers ^{*1}	12.0%	12.9%	14.4% Female managers/All managers (including executive officers)
	Employees with disabilities ratio	2.0%	2.2%	2.4%
	Average overtime per month (hours)	12.1	12.3	12.5 Average overtime for the 12-month period from January to December (Total overtime for all employees below the role of G2/Number of times payments are made (including re-hired employees))
	Annual paid leave used (%)	51.8%	55.1%	51.8% Take-up rate as of January 16 of leave granted employees and employees on full-time commission
Employee Health	Number of employees who took childcare leave (Male/Female)	5/33	2/53	8/57
	Number of employees who took shorter work hours for childcare (Male/Female)	0/58	0/40	0/57
	Employee pride toward the Lion Group (%)	96.8%	96.4%	97.2% Percentage of total Lion Corporation employees excluding affiliated companies
	Stress level check test implementation rate	97.9%	97.0%	96.3%
	Number and percentage of employees participating in health seminars for 50-year olds	140 (87%)	152 (76%)	100 (68%)
	Percentage of employees who brush their teeth after lunch	71.1%	71.4%	74.6%
	Percentage of employees undergoing professional care at dental clinics	41.1%	36.4%	40.7%
	Incidence of periodontal disease	28.3%	26.6%	26.0%
	Average number of cavities	0.3	0.3	0.4

*1 Personnel in a managerial position, which is at the level of an assistant manager or higher

Eleven-Year Financial Summary

(Millions of Yen)	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Income statement data											
Net sales	¥410,484	¥395,606	¥378,659	¥367,396	¥352,005	¥335,171	¥327,500	¥331,100	¥321,947	¥338,236	¥341,717
Cost of sales	171,209	161,992	162,435	160,677	153,336	145,385	139,646	140,400	136,619	157,523	159,200
Gross profit	239,275	233,613	216,223	206,718	198,668	189,785	187,854	190,700	185,327	180,712	182,517
Selling, general and administrative expenses	212,068	209,110	199,848	194,312	187,849	182,572	176,684	180,200	175,290	172,435	173,611
Operating income	27,206	24,502	16,374	12,406	10,819	7,213	11,169	10,500	10,036	8,277	8,905
Income (loss) before income taxes and minority interests	30,560	24,035	19,387	13,085	10,925	8,594	7,780	10,925	9,694	6,088	9,564
Profit (loss) attributable to owners of parent	19,827	15,951	10,680	7,368	6,097	4,235	4,077	6,041	5,465	3,040	5,423
Balance sheet data											
Total liabilities and net assets	¥331,751	¥298,510	¥282,434	¥283,352	¥282,098	¥257,595	¥249,272	¥260,939	¥256,220	¥267,438	¥279,147
Property, plant and equipment, net	80,981	74,402	75,060	79,275	68,989	61,955	58,503	60,668	62,846	63,473	64,345
Total long-term liabilities	17,511	17,190	18,455	40,380	26,208	47,288	49,417	52,483	58,688	65,758	75,522
Total liabilities	144,736	140,630	139,703	155,918	157,865	143,431	144,020	155,179	152,595	166,864	171,607
Total net assets	187,015	157,879	142,730	127,434	124,232	114,163	105,252	105,760	103,624	100,574	107,540
Other selected data											
Capital expenditures* ¹	¥14,892	¥ 9,407	¥ 8,801	¥13,555	¥13,709	¥10,820	¥ 8,368	¥ 7,081	¥ 7,969	¥11,717	¥39,282
R&D expenses	10,474	10,084	9,808	9,439	9,618	8,989	8,913	8,910	9,057	8,522	8,745
Depreciation and amortization* ¹	9,386	10,244	11,166	10,301	11,227	11,834	12,009	12,349	12,425	12,444	10,590
Number of employees	7,075	6,895	6,816	6,343	6,162	6,006	5,973	5,972	5,750	5,774	5,761
Common share data (yen)											
Net income (loss) per share - basic	¥ 68.23	¥ 55.13	¥ 39.35	¥ 27.47	¥ 22.72	¥ 15.77	¥ 15.18	¥ 22.41	¥ 20.22	¥ 11.23	¥ 20.06
Net income (loss) per share - diluted	68.15	55.04	36.84	26.16	22.68	15.75	15.16	22.37	20.19	11.22	20.02
Dividends paid per share	17.00	13.00	10.00	10.00	10.00	10.00	11.00	10.00	10.00	10.00	10.00
Net assets per share	607.61	513.76	469.05	449.94	441.59	407.08	380.11	382.18	371.50	362.02	382.80
Common stock (number of shares outstanding)	299,115,346	299,115,346	299,115,346	299,115,346	299,115,346	299,115,346	299,115,346	299,115,346	299,115,346	299,115,346	299,115,346
Financial ratios (%)											
Gross profit	58.3%	59.1%	57.1%	56.3%	56.4%	56.6%	57.4%	57.6%	57.6%	53.4%	53.4%
Selling, general and administrative expenses	51.7	52.9	52.8	52.9	53.4	54.5	53.9	54.4	54.4	51.0	50.8
Operating income	6.6	6.2	4.3	3.4	3.1	2.2	3.4	3.2	3.1	2.4	2.6
Income (loss) before income taxes and minority interests	7.4	6.1	5.1	3.6	3.1	2.6	2.4	3.3	3.0	1.8	2.8
Profit (loss) attributable to owners of parent	4.8	4.0	2.8	2.0	1.7	1.3	1.2	1.8	1.7	0.9	1.6

*1 Includes the effects of intangible assets.

Management's Discussion and Analysis

Market Environment

During fiscal 2017 (January 1, 2017–December 31, 2017), the Japanese economy as a whole gradually recovered, backed by a recovery in personal consumption amid continued improvement in employment and corporate profits. The market in the Lion Group's main business domain, the domestic toiletries industry, was steady, as unit prices continued to rise and sales volumes decreased.

In overseas markets, the personal care market (combined oral care, beauty care, pharmaceuticals, and functional foods) continues to expand with the growing middle class in major Asian countries and greater demand for a higher quality of life among consumers.

Consolidated Results

The Lion Group advanced initiatives under its medium-term management plan, Vision 2020 Part-2 (V-2 Plan). The V-2 Plan positions strengthening profitability as the Company's highest priority goal and centers on four strategies: (1) Qualitative Growth of Domestic Businesses; (2) Quantitative Expansion of Overseas Businesses; (3) Development of New Business Value; and (4) Enhancement of Organizational Learning Capabilities.

In its domestic operations, Lion introduced such new high-value-added products as toothpastes, toothbrushes, mouthwashes, antiperspirants, and fabric softeners and worked to cultivate markets for these products through aggressive marketing. In its overseas operations, the Group sought to cultivate markets for its key brands as part of efforts to expand its business, focusing mainly on the personal care field, including oral care and beauty care products.

Consequently, consolidated results for the period under review are as follows: Net sales amounted to ¥410,484 million, a year-on-year increase of 3.8% (or an increase of 2.5% in terms of real net sales, which exclude the influence of exchange rate conversions). The Company recorded operat-

ing income of ¥27,206 million, up 11.0% compared with the previous fiscal year, and ordinary income of ¥29,126 million, up 10.8% year on year. Profit attributable to owners of parent stood at ¥19,827 million, up 24.3% million compared with the previous fiscal year. As a result, Lion achieved record high levels of net sales and operating income for a fourth consecutive fiscal year, and ordinary income for a fifth consecutive fiscal year. Return on equity (ROE) was 12.2% (compared with 11.2% in the previous fiscal year), with earnings per share (EPS) of ¥68.23 (compared with ¥55.13). Both net sales and earnings reached the target levels for the V-2 Plan.

V-2 Targets and Fiscal 2017 Results (Japanese GAAP)

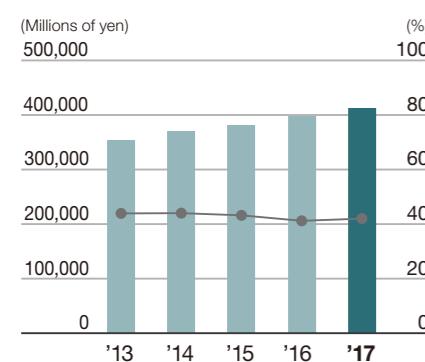
	Millions of yen		
	V-2 Target	2017	2014
Net sales	400,000	410,484	367,396
Operating income	20,000	27,206	12,406
Operating income margin ratio	5.0%	6.6%	3.4%
ROE	10% or above	12.2%	6.2%
BEP	90% and less	87.8%	93.3%

Performance by Segment

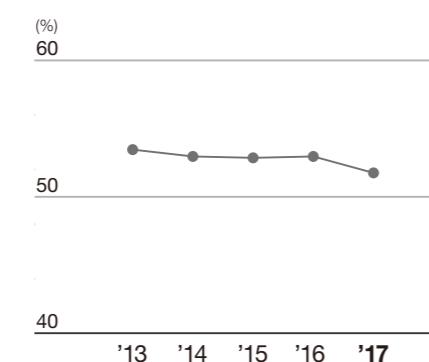
The Lion Group comprises the corporate headquarters, segments centered on the products and services that are the foundation for the Company, and regional segments.

Its three reportable segments are Consumer Products Business, Industrial Products Business, and Overseas Business.

Net Sales and Cost of Sales Ratio



SG&A Expenses to Net Sales



Operating Income and Operating Margin



SG&A Expenses Breakdown

	2017		2016		2015	
	Amount (Millions of yen)	% of net sales	Amount (Millions of yen)	% of net sales	Amount (Millions of yen)	% of net sales
Selling, general and administrative expenses	212,068	51.7	209,110	52.9	199,848	52.8
Sales commission expenses	9,012	2.2	8,623	2.2	8,198	2.2
Promotion expenses	90,797	22.1	90,107	22.8	87,380	23.1
Provision for promotion expenses	2,928	0.7	2,060	0.5	1,618	0.4
Advertising expenses	29,968	7.3	30,976	7.8	26,222	6.9
Transportation and warehousing expenses	18,653	4.5	17,829	4.5	17,011	4.5
Salaries and allowances	15,034	3.7	14,721	3.7	14,721	3.9
Research and development expenses	10,474	2.6	10,084	2.5	9,808	2.6
Other	35,199	8.6	34,707	8.8	34,888	9.2

Factors Accounting for Changes in Operating Income

(Billions of yen)	
Operating income for 2016	24.5
Sales, product mix and others	+6.2
Total cost reduction efforts (manufacturing and logistics costs)	+1.5
Crude oil and vegetable oil prices	-2.9
Other expenses	-1.2
Competition expenses	-0.9
Operating income for 2017	27.2

Conditions by Reportable Segment

Profitability in Japan increased during 2017 as a result of higher unit sales prices from high-value-added items and improvement in the business mix. Overseas, Lion pursued measures for quantitative growth by introducing high-value-added products in the personal care field and strengthening sales through e-commerce channels.

Consumer Products Business

The Consumer Products Business segment is divided into the Oral Care Products, Beauty Care Products, Fabric Care Products, Living Care Products, Pharmaceutical Products, and Other Products businesses. Segment net sales increased 1.3% compared with the previous fiscal year.

Segment income increased 19.7% due to an expansion in sales of high-value-added products despite rising raw material costs.

Net Sales and Segment Income

	Millions of yen				
	2017	Ratio to net sales	2016	Ratio to Increase/Decrease	Change
Net sales	290,893		287,028		3,865 1.3%
Segment income	18,934	6.5%	15,817	5.5%	3,117 19.7%

Note: Net sales include internal net sales within and among segments, which amounted to ¥26,077 million in 2017 and ¥25,722 million in 2016.

Net Sales by Products Segment

	Millions of yen			
	2017	2016	Increase/ decrease	Change
Oral Care Products	68,277	63,596	4,680	7.4%
Beauty Care Products	24,548	22,333	2,215	9.9%
Fabric Care Products	79,547	80,240	(692)	(0.9%)
Living Care Products	20,789	20,763	26	0.1%
Pharmaceutical Products	39,022	40,958	(1,936)	(4.7%)
Other Products	58,708	59,135	(427)	(0.7%)

Oral Care Products

In toothpastes, new *NONIO* Toothpaste, which is designed to prevent bad breath, received favorable consumer reviews. And *CLINICA* marketed the new concept “preventive dentistry from age zero”, and marked a steady increase in sales. *CLINICA Kid’s Gel Toothpaste* launched a new flavor and it went strong. Overall, toothpaste sales increased year on year.

In toothbrushes, sales of *CLINICA Kid’s Toothbrushes*, designed to meet children’s needs at each growth stage in order to help with everything from establishing good brushing habits to properly caring for permanent teeth, rose three-fold from the previous fiscal year. Sales were also steady for the *Between Zeitaku Care Toothbrushes*, with a new compact version added to the lineup. Overall, toothbrush sales increased year on year.

In mouthwashes, sales of *SYSTEMA Haguki (the Gums) Plus Dental Rinse* reported steady growth. In addition, new *NONIO Mouthwash*, which kills the bacteria that causes bad breath and suppresses further growth to provide a long-lasting effect to prevent bad breath, received favorable consumer reviews. Overall, mouthwash sales increased considerably year on year.

During 2018, Lion will continue to proactively invest in the mainstay brands of *CLINICA*, *SYSTEMA*, *Dent Health*, and *NONIO*, in order to further enhance the Company’s market position.

Beauty Care Products

In hand soaps, sales of *KireiKirei Medicated Foaming Hand Soap* were firm, and overall sales increased year on year. In body washes, overall sales increased significantly from the previous fiscal year on positive sales of the *hadakara Body Soap* series due to an expanded lineup with new products that both moisturize and leave a smooth feel on the skin. In antiperspirants and deodorants, Lion helped to invigorate the market for directly applied products with the launch of new *Ban Sweat-Blocking Stick Premium Label*, a solid-type antiperspirant that goes on smoothly and dry and effectively controls underarm sweat.

During 2018, Lion will continue to develop the *KireiKirei*, *hadakara*, and *Ban* brands. We will further expand the market for *KireiKirei* by promoting regular hand washing, and drive growth for *hadakara* by strengthening marketing. Further, in the *Ban* line, we will launch a new directly applied type antiperspirant for men utilizing technology from the *Sweat-Blocking* series, aiming to enhance our position in the antiperspirant market.

Fabric Care Products

In fabric softeners, *Kaori to Deodorant no SOFLAN (SOFLAN with Fragrance and Deodorant) Premium Deodorizer Plus*, which effectively eliminates sweat and body odor from clothing, received favorable consumer reviews. Overall sales were up year on year. In laundry detergents, sales of *TOP HYGIA*, a super-concentrated liquid laundry detergent featuring a newly developed and even more effective ‘premium antibacterial formula’, were strong. However, sales of powder detergents fell year on year, reflecting continued market shrinkage, and overall sales were down year on year.

During 2018, Lion will continue to launch high-value-added products like *TOP SUPER NANOX*, and strengthen its communication and promotions, in order to stimulate the market.

Living Care Products

Lion offers new high-value-added products in dishwashing detergents, household cleaners, and food preparation products, in order to lessen the housework burden.

In dishwashing detergents, sales of the *CHARMY Magica* series rose steadily with the addition of the *Quick Dry + (“Plus”)* type to help dishes dry quickly after washing. In household cleaners, sales were positive for the bathroom fungicide *LOOK Bathroom Antimold Fogger*. In food preparation products, we added food storage bags *REED Freshness Keeping Storage Bags for Freezer and Fridge* to the product lineup. As a result, overall sales were down slightly from the previous fiscal year.

During 2018, Lion will continue to cultivate high-value-added products, and increase earnings capacity with the addition of *LOOK Plus Clean Reset*, *Total Drain Cleaner for Kitchens* in household cleaners, and *REED Petit Pressure Cooking Bags* in food preparation products.

Pharmaceutical Products

In antipyretic analgesics, sales of *BUFFERIN PREMIUM* were strong, and overall sales rose from the previous year, while overall sales were down from the previous year due to intensifying competition in eye drops.

During 2018, Lion will thoroughly strengthen the four core brands (*BUFFERIN*, *Smile*, *Stoppa*, and *Sucrate*) to achieve sustainable growth, and will develop a new category.

Other Products

In direct-to-consumer sales products, sales of *Nice rim essence Lactoferrin* were steady, but overall sales edged down year on year.

During 2018, Lion will strengthen its business foundation by cultivating existing products centered on functional foods and aging care, while also working to strengthen sales outside Japan and establish new business models.

In pet supplies, sales of *Nioi wo Toru Suna (Deodorizing Cat Litter)* were firm, and those of oral care products were strong. Overall sales were up year on year.

During 2018, Lion will raise its position for cat litter, cultivate products to be the second and the third sales pillars, and create a foundation for growth. We will also implement far-reaching cost reductions to strengthen the earnings base.

► Industrial Products Business

The Industrial Products Business segment includes the Automotive, Electrical and Electronics, and Detergents for Institutional Use Products fields. These businesses handle products that include anti-sticking agents for tires, electro-conductive carbon for secondary batteries, and detergents for institutional and kitchen use.

Segment net sales increased 2.6% compared with the previous fiscal year. Segment income decreased 9.5%.

Net Sales and Segment Income

	Millions of yen				
	2017	Ratio to net sales	2016	Ratio to Increase/ net sales decrease	Change
Net sales	55,763		54,330		1,433 2.6%
Segment income	2,316	4.2%	2,560	4.7%	(243) (9.5)%

Note: Net sales include internal net sales within and among segments, which amounted to ¥22,441 million in 2017 and ¥22,934 million in 2016.

Sales rose in the Automotive field on an increase in Japan for anti-sticking agents for tires due to the recovery in automobile production, and in the Electrical and Electronics field on an increase in electro-conductive compounds for semiconductor carrier materials on a positive performance in the electronic components industry. In the Detergents for Institutional Use Products field, sales rose overall on steady growth in hand soap for kitchens and alcohol sanitizers. Lion also launched sales of vegetable washing systems that use microbubble ozone technology, aimed at food processing plants.

During 2018, in the Automotive and Electrical and Electronics fields, Lion Specialty Chemicals will work to build collaborative frameworks with external companies, expand and advance its businesses, and improve profitability. We will also develop global niche leading products and businesses, and establish a business foundation for the future. In the Detergents for Institutional Use Products field, Lion Hygiene will develop new business models for foods factories aimed at establishing the industry default standard.

► Overseas Business

The Overseas Business segment comprises business operations located in Southeast Asia, including Thailand and Malaysia, and Northeast Asia, including South Korea and China. Segment net sales increased 8.3% year on year (or in terms of real net sales, which exclude the influence of exchange rate conversions, increased 3.4%).

Segment income decreased 3.3% year on year, due in part to rising raw material costs and an increase in competition-related expenses aimed at improving market position.

Net Sales and Segment Income

	Millions of yen				
	2017	Ratio to net sales	2016	Ratio to Increase/ net sales decrease	Change
Net sales	120,091		110,933		9,157 8.3%
Segment income	4,413	3.7%	4,566	4.1%	(152) (3.3%)

Note: Net sales include internal net sales within and among segments, which amounted to ¥11,842 million in 2017 and ¥11,648 million in 2016.

<Major Countries>

* Sales growth rate is compared with the previous year on a local currency basis.

(Thailand) Sales Growth Rate: 105%

The Thailand business includes the oral care, beauty care, fabric care, and living care sectors.

In oral care, sales rose steadily with the launch of new products including SALZ toothpaste *Herbal Pink Salt* and SYSTEMA Anti-Bac toothbrush, strengthening the product lineup. In beauty care, sales of *Shokubutsu Monogatari* body wash were favorable on expanded promotions. Exports to nearby countries were also firm, and overall sales on a local currency basis rose from the previous fiscal year. During 2018, Lion will aim to create categories with leading market shares in the personal care sector (combined oral and beauty care).



(Malaysia) Sales Growth Rate: 108%

In oral care, sales rose steadily for the new SYSTEMA toothbrush. In fabric care, Lion maintained its leading market share (in-company survey) through proactive introduction of new and updated products for major brands such as TOP. Overall, sales on a local currency basis rose from the previous fiscal year.



During 2018, Lion will further enhance profitability in its mainstay fabric care field, while at the same time expand the personal care field to strengthen the business foundation and raise profitability.

(South Korea) Sales Growth Rate: 108%

The South Korea business comprises the oral care, beauty care, fabric care, living care, pharmaceuticals, and functional foods sectors.

Sales continued to expand for BEAT liquid laundry detergent, Ai-Kekute hand soap, and Kyusoku Jikan foot sheets, enhancing market competitiveness. Profitability in the Korea business increased overall as a result of measures with high-margin sales channels, improved efficiency in sales promotions and cost reductions, and lower raw material prices. Furthermore, the local subsidiary changed its name to Lion Corporation (Korea), and has become a wholly owned subsidiary.



During 2018, Lion will strengthen support for BEAT liquid laundry detergent, develop the new business areas of pharmaceuticals and functional foods, and strengthen online business.

(China) Sales Growth Rate: 109%

In the growing e-commerce business, sales were positive in the oral care field, as well as for such products as hand soaps and laundry detergents. Sales were favorable for CLINICA ENAMEL PEARL whitening toothpaste imported from Japan, due to the continued communication centered on the message of "meihao" (beautiful). The Company's e-commerce sales in China increased 15% from the previous fiscal year to account for around 54% of sales, and contributing to the expansion of the China business overall.



During 2018, Lion will further bolster the oral care sector as the foundation of its business by expanding sales through ongoing strengthening of existing products and introduction of new products, as well as narrowing its focus areas and sales channels, and developing the sales structure. We will also seek further expansion for the growing e-commerce business, broadening the China business and increasing profitability.

<Counties and Regions excluding Major Countries>

(Taiwan)

Lion shifted its business focus from detergents to personal care, and implemented successful marketing investments tailored to the local market, achieving positive results in the oral care field.



During 2018, Lion will continue to expand business in healthcare products, and enhance profitability.

(Hong Kong)

In beauty care, Lion launched the new *Shokubutsu Botanic Touch* body wash. In fabric care, sales of *Soflan Aroma Rich* fabric softener were positive. During 2018, Lion will continue to strengthen development of high-value-added products, and enhance profitability.



(Singapore)

In oral care, sales of the SYSTEMA series were positive. In fabric care, sales were favorable for TOP NANOX super-concentrated liquid laundry detergent.



During 2018, Lion will solidify its market position in each category, expand market share, and increase sales in high-margin categories.

(Indonesia)

In beauty care, sales increased considerably on the popularity of the newly launched Serasoft complete hair therapy shampoo and expanded lineup of deodorants. In living care, effective promotional activities for the dishwashing detergent *mama* resulted in a sharp rise in sales year on year.



During 2018, Lion will introduce high-value-added products to meet the needs of the growing middle class, and seek to maintain business growth and enhance profitability.

► Other

Net Sales and Segment Income

	Millions of yen				
	2017	Ratio to net sales	2016	Ratio to Increase/ net sales decrease	Change
Net sales	30,565		26,867		3,698 13.8%
Segment income	1,336	4.4%	915	3.4%	421 46.1%

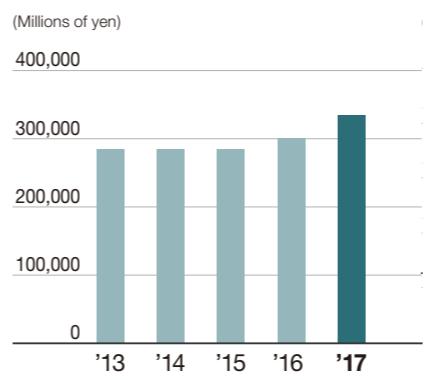
Note: Net sales include internal net sales within and among segments, which amounted to ¥26,469 million in 2017 and ¥23,247 million in 2016.

Total assets rose ¥33,241 million compared with the previous consolidated fiscal year-end, to ¥331,751 million.

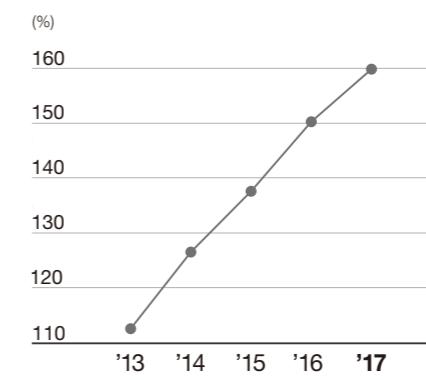
Total liabilities increased ¥4,105 million, to ¥144,736 million, mainly due to increases in provision for sales promotion expenses and deferred tax liabilities, offsetting decreases in short-term loans payable and net defined benefit liability. Current liabilities increased ¥3,785 million, to ¥127,225 million, with the liquidity rate at 159.9%.

Total consolidated shareholders' equity rose ¥15,461 million, to ¥162,104 million, due mainly to an increase in retained earnings. Shareholders' equity to total assets stood at 53.2%.

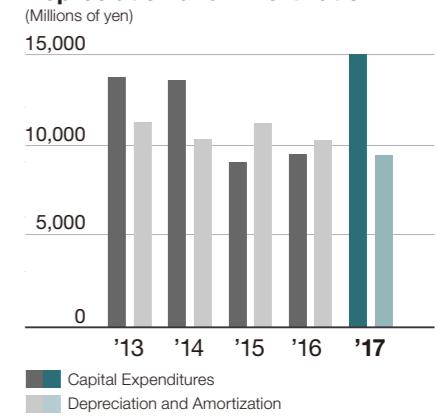
Total Assets



Current Ratio



Capital Expenditures and Depreciation and Amortization



► Cash Flows

Consolidated Cash Flows

	Millions of yen		Increase/ decrease
	2017	2016	
Net cash provided by (used in) operating activities	28,562	32,269	(3,707)
Net cash provided by (used in) investment activities	(8,750)	(7,845)	(904)
Net cash provided by (used in) financing activities	(6,754)	(7,437)	682
Effect of exchange rate change on cash and cash equivalents	603	(526)	1,130
Net increase (decrease) in cash and cash equivalents	13,661	16,461	(2,799)
Cash and cash equivalents at end of period	91,401	77,739	13,661

Outlook for Fiscal 2018

From the first quarter of fiscal 2018, Lion will begin applying the International Financial Reporting Standards (IFRS). Therefore, changes between values for fiscal 2017 and fiscal 2018 are calculated using estimates of the fiscal 2017 results recalculated according to IFRS.

	Millions of yen			
	2018 (IFRS)	2017 ¹ (IFRS)	Increase/ decrease	Change
Net sales	355,000	342,703	12,296	3.6%
Core operating income ²	29,000	28,807	192	0.7%
Operating income	33,000	30,479	2,520	8.3%
Profit attributable to owners of parent	25,000	20,883	4,116	19.7%
EPS (yen)	86.03	71.87	14.16	19.7%

Notes: 1. 2017 IFRS results are estimates and have not been audited.
2. Core operating income: An earnings indicator the Company uses to measure regular business performance by subtracting selling, general and administrative expenses from gross revenues.

During fiscal 2018 (the year ending December 31, 2018), although gradual continued recovery is forecast for the Japanese economy, the outlook going forward is expected to remain unclear, reflecting shifts in raw material prices and currency exchange rates, geopolitical risks, and other factors. In the domestic toiletries industry, the Lion Group's main business domain, despite anticipated expansion in the market for high-value-added products, competition is expected to remain fierce. And although the market is expected to expand in Asia, where the Group is currently expanding its businesses, Lion forecasts an increasingly harsh environment.

Amid these circumstances, the Lion Group will continue to aim to improve corporate value as it steadily implements strategies outlined in the three-year LIVE Plan starting from

Net cash provided by operating activities totaled ¥28,562 million, due mainly to income before income taxes.

Net cash used in investment activities totaled ¥8,750 million, due in part to the purchase of property, plant and equipment.

Net cash used in financing activities totaled ¥6,754 million. Major components of this outflow included cash dividends paid.

As a result of the above, cash and cash equivalents as of December 31, 2017 increased ¥13,661 million compared with the consolidated fiscal year ended December 31, 2016, to ¥91,401 million.

The forecast of fiscal 2018 consolidated cash flows is as follows:

In cash flows from operating activities, Lion projects income before income taxes of approximately ¥35,000 million. Depreciation is estimated to total about ¥9,000 million.

In cash flows from investment activities, Lion plans to undertake capital expenditures of around ¥19,000 million during fiscal 2018.

The cash flows from financing activities are expected to yield an outflow of about ¥6,000 million, mainly due to cash dividends paid and the repayment of loans payable.

Based on these projections, Lion estimates that cash and cash equivalents at the end of fiscal 2018 will be up approximately ¥19,000 million year on year.

Basic Policy on the Distribution of Earnings and Cash Dividends

Lion considers returning profits to shareholders on a continuous and stable basis by increasing its consolidated earnings capacity to be one of its most-important management issues. To this end, the Company strives to ensure the payment of continuous and stable cash dividends, aiming for a consolidated payout ratio of 30%, and bases the acquisition of treasury stock on comprehensive reviews to ensure that it maintains levels of internal reserves required to secure medium- and long-term growth. Lion allocates internal reserves to research and development, capital investment in production facilities, and the acquisition of external resources,

aiming to reinforce the Company's growth potential and to develop a sustainable business foundation.

Taking into consideration the Company's cash dividend payment record, as well as its dividend payout ratio target, Lion's Board of Directors resolved to pay an interim dividend of ¥7 per share and a year-end dividend of ¥10 per share for fiscal 2017.

With regard to dividends to be paid in fiscal 2018, in accordance with its basic policy on the distribution of earnings and cash dividends, Lion plans to pay an interim dividend of ¥10 per share and a year-end dividend of ¥10 per share, for a total annual dividend of ¥20 per share.

Business Risks

The Lion Group's management performance and financial status may be adversely affected by various risks as business activities are pursued in the future. Of these risks, the following items, in particular, may have a material impact on the decisions of investors.

Note that forward-looking statements are based on decisions made at the time of the issuance of this report, and that business risks may not be limited to the items listed below.

(1) Product quality and value

The Lion Group plans, develops, produces, and sells products under management based on international quality standards while strictly following related laws and regulations, such as the Pharmaceutical and Medical Device Act, to provide worry-free, safe, convenient, and environmentally conscious products to consumers. In addition, we use consumers' opinions received through our Consumer Service Office to improve our products and packaging as well as respective displays and text.

In the event of an unforeseen and serious problem with product quality, however, the affected product and all products made by the Lion Group may lose their perceived value. This may adversely affect the Lion Group's management performance and financial status.

(2) Changes in raw material prices

The Lion Group's products use petrochemical and vegetable oils and fats as basic materials. Since these materials are easily affected by international market prices, we have measures in place to reduce costs and diversify the range of materials used. However, an increase in raw material prices may adversely affect the Lion Group's management performance and financial status.

(3) Exchange rate fluctuations

The Lion Group translates into yen the financial statements of overseas subsidiaries when preparing consolidated financial statements. For items denominated in foreign currency, their yen values may be affected by prevailing foreign exchange rates when translated into yen. The Lion Group has taken steps to minimize the risk of an increase in raw material costs by hedging against exchange rate fluctuations. However, short-, medium-, and long-term changes in foreign exchange rates may adversely affect the Lion Group's management performance and financial status.

(4) Major lawsuits

As of December 31, 2017, Lion is not involved in any lawsuits that may have significant impact on its business. However, if the Lion Group were to be sued and found liable for significant damages, these could adversely affect the Lion Group's management performance and financial status.

(5) Earthquakes and other natural disasters

In the product manufacturing process, the Lion Group has put in place safety measures against earthquakes and other natural disasters. In the event of a major disaster, however, our production equipment may be damaged, or a suspension of raw materials procurement or distribution activities may cause business activities to cease, adversely affecting the Lion Group's management performance and financial status.

For more-detailed IR information on the Lion Group, please access the following site.

<http://www.lion.co.jp/en/ir/>

Company Overview

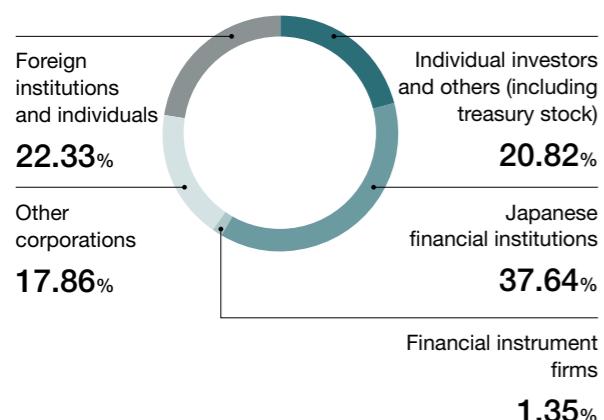
Corporate Name	Lion Corporation
Foundation	October 30, 1891
Establishment	September 1918
Capital	¥34,433 million (as of December 31, 2017)
Address	3-7, Honjo 1-chome, Sumida-ku, Tokyo 130-8644, Japan
Employees	Consolidated: 7,075 Non-consolidated: 2,550 (as of December 31, 2017)

Stock Information

(As of December 31, 2017)

Stock Listing	1st Section of Tokyo Stock Exchange (Security Code: 4912)
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation
Number of Common Stock	299,115,346 shares (Issued and outstanding)
Number of Shareholders	61,301

Composition Ratios by Shareholder Category



Principal Shareholders

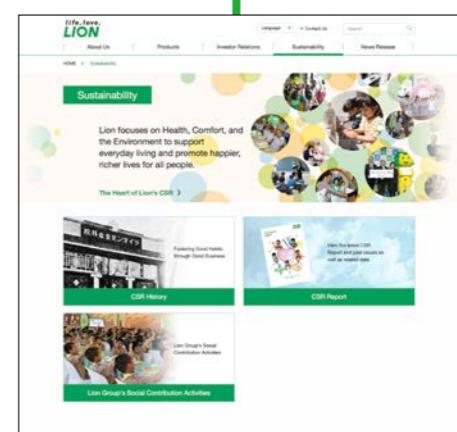
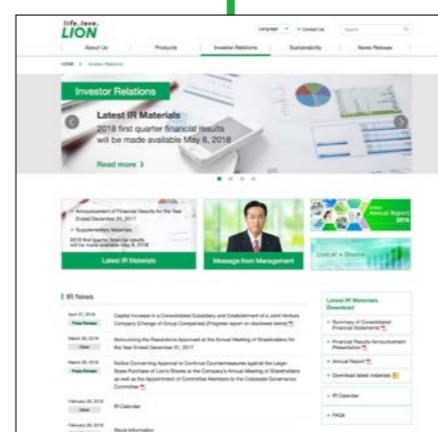
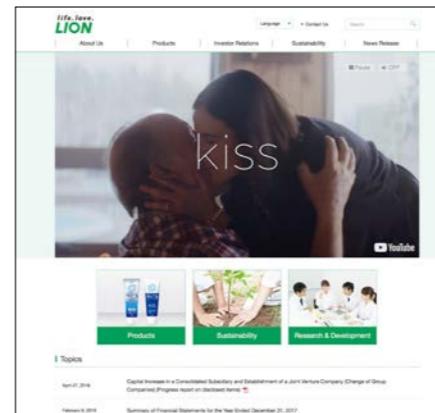
Shareholders	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	8.54
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	5.59
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3.47
The Master Trust Bank of Japan, Ltd. (Trust Account)	3.10
STATE STREET BANK AND TRUST COMPANY	2.88
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1.82
Mitsubishi UFJ Trust and Banking Corporation	1.71
JP MORGAN CHASE BANK 380055	1.59
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1.52
Japan Trustee Services Bank, Ltd. (Trust Account 7)	1.48

Investor Information

Corporate website

www.lion.co.jp/en/

This website offers important management and financial information, as well as timely press releases on a wide range of topics, such as new products. In addition, the website provides a variety of information to ensure a better understanding of Lion and its history, such as detailed product information that could not be included in the annual report.



Investor Relations website

www.lion.co.jp/en/ir/

This website provides not only the timely release of important management decisions and financial information but also historical financial data. Moreover, the website also provides a full range of qualitative information, such as messages from the president.

External Evaluation

- Dow Jones Sustainability Asia Pacific Index
 - FTSE4Good Index
 - FTSE Blossom Japan Index
 - Morningstar Socially Responsible Investment Index
 - UN Global Compact
 - 2017 Constituent MSCI Japan ESG Select Leaders Index
 - 2017 Constituent MSCI Japan Empowering Women Index (WIN)
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WE SUPPORT
UN GLOBAL COMPACT



2017 Constituent
MSCI Japan ESG Select Leaders Index



2017 Constituent
MSCI Japan Empowering Women Index (WIN)