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.
**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.

**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 love through activities that help protect people’s cleanliness, health, comfort, and environment.
Establishment

Value Creation through Products

Value Creation through Social Contributions

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.

About Lion

1891

Founder Tomijiro Kobayashi establishes T. Kobayashi & Co. to trade in soap and match raw materials.

1900

In soap and match raw materials, establishes T. Kobayashi & Co. to trade in soap and match raw materials.

1911

Begins selling tooth brushing powder packets with donation slips as a social contribution activity.

1913

Holds Company’s first public oral hygiene lecture (later named Lion Public Lectures) to promote awareness of oral hygiene.

1920

Launches tube toothpaste, Lion Dental Cream.

1921

Establishes Lion Dental Clinic for Children for the purpose of specializing in pediatric dentistry.

1925

Begins laundry training courses to improve living conditions in agricultural and fishing villages.

1937

Publishes Standard Household Laundry Methods booklet, adopted as a home economics textbook at many girls’ high schools.

1948

Launches toothpaste with fluoride, Lion F Cream.

1956

Launches kitchen detergent, Lion F Cream.

1964

Launches Dentor Lion toothpaste, which helps protect against atherosclerosis.

1969

Launches Lion Dental Clinic for Children, which continues to this day.

1972

Establishes Consumer Consultation Office (later renamed Consumer Service Office).

1990

Yes Capital has become a holding company. The new Lion starts efforts toward realizing “healthy minds and bodies for all”.

2000

As actions to meet increasing needs for sanitizers that came out of a food poisoning case, launches medicated soaps and develops educational activities for children. Lays foundation for preventive dentistry that continues to this day.

2002

Launches Lidea, a new website for lifestyle information.

2014

Launches Lion Formula,First in Japan

2012

Under its “Vision 2020” Management Vision, focuses on developing high-value-added products such as CLAVIKA, which promotes preventive dentistry and developing global brands.

2017

Establishes the first toothbrush recycling program in Asia in order to decrease the environmental impact of used toothbrushes.

Development of High-Value-Added Products

Development of Global Brand Products
At a Glance

### Net Sales by Segment

- **Industrial Products Business**: 8.1%
- **Overseas Business**: 26.4%
- **Consumer Products Business**: 64.5%
- **Other**: 1.0%

Total Net Sales: ¥410.4 billion

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


### 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.

### 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.

### 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

- **Net Sales**
  - ¥410.4 billion
  - Net sales rose ¥14.8 billion, or 3.8%, year on year. This was a record high for a fourth consecutive fiscal year.

- **Operating Income**
  - ¥27.2 billion
  - Substantial year-on-year increase of 11.0% and a record high for a fourth consecutive fiscal year.

- **Net Income per Share**
  - ¥68.23
  - Second consecutive fiscal year of dividend growth.

- **Cash Dividends per Share**
  - ¥17
  - [Graph showing cash dividends per share from 2013 to 2017]

### Non-Financial Highlights

- **Reduction of Greenhouse Gases from Business Activities**
  - -47%
  - *1 Compared to 1990 levels: Emission intensity per unit total revenue; Business locations in Japan.

- **Reduction of Water Use in Business Activities**
  - -50%
  - *2 Compared to 2000 levels: Unit total revenue SDGs 6, 7, 13, 14, 15

- **Lion Group Educational Activities to Promote Hand Washing Habits**
  - Conducted in 5 countries
  - [Graph showing educational activities in five countries from 2013 to 2017]

- **Participants in the Oral Health Event of Tooth Brushing for Children**
  - Approx. 1.24 million
  - (cumulative from 1932 to 2017)
  - SDGs 3, 11, 12

  - The event is held annually in June during the "Dental/Oral Health Week." In 2017, elementary school students from across Japan and eight other Asian countries/regions participated via live online streaming.

“Becoming an advanced daily healthcare company”

Itsuo Hama
Representative Director, President Executive Officer

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

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

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 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.

The V-2 Plan Quantitative Targets

<table>
<thead>
<tr>
<th>(Unit: ¥ bn)</th>
<th>2014 Results</th>
<th>2017 Targets</th>
<th>2017 Results</th>
<th>Change (vs. FY2014)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>367.3</td>
<td>400.0</td>
<td>410.4</td>
<td>+11.7%</td>
</tr>
<tr>
<td>Operating income</td>
<td>12.4</td>
<td>20.0</td>
<td>27.2</td>
<td>+119.3%</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>14.0</td>
<td>22.0</td>
<td>29.1</td>
<td>+107.2%</td>
</tr>
<tr>
<td>Profit attributable to owners of parent</td>
<td>7.3</td>
<td>12.0</td>
<td>19.8</td>
<td>+169.1%</td>
</tr>
<tr>
<td>ROE</td>
<td>8.2%</td>
<td>1% or above</td>
<td>12.2%</td>
<td>+6.0pt</td>
</tr>
<tr>
<td>BEP</td>
<td>93.3%</td>
<td>90% or less</td>
<td>87.8%</td>
<td>-5.5pt</td>
</tr>
</tbody>
</table>

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

2. 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.

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.

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

* 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.

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.

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.

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.

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.

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

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.

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**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 creatively through open innovation. We believe that the current organization is irremedial to the production 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.”

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**Top Message**

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.

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**Becoming an advanced daily healthcare company**

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

2. Accelerate Growth in Overseas Businesses through Globalization

3. Reinforce Our Management Base through Business Structure Reform

4. Create Dynamism to Foster Innovative Change

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**Dividends per Share**

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
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<tbody>
<tr>
<td>¥</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>13</td>
<td>17</td>
</tr>
</tbody>
</table>

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**10 10 10**

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**13 14 15 16 17**
5. **As the head of Lion, what is your Management Philosophy? Also, what do you consider to be management risks?**

**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?**

**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
Strategy & Value Creation

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.

Value Creation Model

External Environment
- Advance of the digital transformation
- Emergence of diverse business platforms
- E-commerce channels changing retail and distribution systems
- Greater health care consciousness
- Diversification of labor environments and working styles

Social Issues
- Improving quality of life (QOL)
- Response to rapidly advancing ultra-aging society
- Protection of global environment

Investment of Capital
- Financial Capital
  - Net assets: ¥187.0 billion
  - Total assets: ¥331.7 billion
  - Planned capital investment: ¥19.0 billion (2018)
- Human Capital
  - No. of Lion Group employees: 7,075 persons
- Intellectual Capital
  - R&D expenditures: ¥10.4 billion
- Social and Relationship Capital
- Natural Capital
  - Energy input: 85,327 kJ

Business Domains and Value Creation Process

Lion’s Business Domains
- Consumer Products Business
- Industrial Products Business
- Overseas Business

The LIVE Plan (LION Value Evolution Plan)

Business Promotion Value Chain
- R&D
- Procurement
- Production
- Sales & Marketing
- Feedback

Embedding Sustainability

Corporate Philosophy
New Management Vision for 2030
“Becoming an Advanced Daily Healthcare Company”
We will realize “healthy minds and bodies for all,” through the “ReDesign” of everyday rituals.

Value Creation

Economic Value (2020 Targets) *IFRS
- Net Sales*: ¥400 billion
- Operating Income*: ¥40 billion
- Profit Attributable to Owners of Parent*: ¥28 billion
- ROE*: 12% level

Social Value
- Extension of healthy life expectancy
- Ensuring people’s everyday wellbeing
- Environmental contribution in building a sustainable planet

Participants in Oral Health Event of Tooth Brushing for Children
218 thousand children (2018)
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 healthy 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)

<table>
<thead>
<tr>
<th>Segment</th>
<th>2020 Target</th>
<th>2017 Result</th>
<th>Difference</th>
<th>Average Annual Growth Rate (AAGR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>400.0</td>
<td>342.7</td>
<td>57.2</td>
<td>5.3%</td>
</tr>
<tr>
<td>Consumer Products</td>
<td>250.0</td>
<td>215.1</td>
<td>34.8</td>
<td>5.1%</td>
</tr>
<tr>
<td>Industrial Products</td>
<td>35.0</td>
<td>32.6</td>
<td>2.3</td>
<td>2.4%</td>
</tr>
<tr>
<td>Overseas</td>
<td>112.5</td>
<td>90.7</td>
<td>21.7</td>
<td>7.4%</td>
</tr>
<tr>
<td>Other</td>
<td>2.5</td>
<td>4.0</td>
<td>(1.5)</td>
<td>(15.2%)</td>
</tr>
<tr>
<td>Adjustment</td>
<td>0.0</td>
<td>0.1</td>
<td>(0.1)</td>
<td>—</td>
</tr>
</tbody>
</table>

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.
Strategy & Value Creation

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

<table>
<thead>
<tr>
<th>Unit: Billions of yen</th>
<th>V-2 Plan Target</th>
<th>FY2017 Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>400.0</td>
<td>410.4</td>
</tr>
<tr>
<td>Operating Income</td>
<td>20.0</td>
<td>27.2</td>
</tr>
<tr>
<td>Profit Attributable to Owners of Parent</td>
<td>12.0</td>
<td>19.8</td>
</tr>
<tr>
<td>ROE</td>
<td>10.0%</td>
<td>12.2%</td>
</tr>
</tbody>
</table>

The 2030 Vision

Becoming an advanced daily healthcare company

We will realize “healthy minds and bodies for all,” through the “Re-Design” of the everyday rituals to become more natural, easy, and enjoyable. Being a leader in fostering people’s contentment from a new perspective, Lion aims to increase corporate value and a sustainable society.

Creating “customer experience-based value”

Noncompulsory application of IFRS

The LIVE Plan Target

<table>
<thead>
<tr>
<th>Unit: Billions of yen</th>
<th>LIVE Plan Target (IFRS)</th>
<th>(For Reference) 2017 Results*1 (IFRS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>400.0</td>
<td>342.7</td>
</tr>
<tr>
<td>Core Operating Income*</td>
<td>40.0</td>
<td>28.8</td>
</tr>
<tr>
<td>Operating Income</td>
<td>40.0</td>
<td>30.4</td>
</tr>
<tr>
<td>Profit Attributable to Owners of Parent</td>
<td>28.0</td>
<td>20.8</td>
</tr>
<tr>
<td>ROE</td>
<td>12.0%</td>
<td>12.2%</td>
</tr>
</tbody>
</table>

Notes:
1. 2017 IFRS results are estimates and have not been audited by an accounting auditor.
2. Core Operating Income: An earning indicator the Company uses to measure regular business performance by subtracting selling, general and administrative expenses from gross revenue.
Consumer Products Business

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

Yugo Kume
Director, Executive Officer

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.

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

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.

Market Position of Products in Japan

<table>
<thead>
<tr>
<th>Category</th>
<th>Share</th>
<th>Market Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toothpastes</td>
<td>No.1</td>
<td>¥88 billion</td>
</tr>
<tr>
<td>Toothbrushes</td>
<td>No.1</td>
<td>¥48 billion</td>
</tr>
<tr>
<td>Laundry detergents</td>
<td>No.3</td>
<td>¥141 billion</td>
</tr>
<tr>
<td>Dishwashing detergents</td>
<td>No.3</td>
<td>¥50 billion</td>
</tr>
<tr>
<td>Fabric softeners</td>
<td>No.3</td>
<td>¥96 billion</td>
</tr>
<tr>
<td>Hand soaps</td>
<td>No.1</td>
<td>¥23 billion</td>
</tr>
</tbody>
</table>

Note: Figures for market size are based on retail sales, not including sales of gift packages. Source: INDIAN Inc., SRI survey, each category. Data are from January through December 2017, on the basis of sales amount.
By providing customer solutions, we aim to gain loyal customers.

Masazumi Kikukawa
Representative Director, Senior Managing Executive Officer

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 pre-cut 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

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.
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 and social security research.

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.

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 lines 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.
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 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 globalization.

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.

Employment structure
- Gender productivity
- Time management
- Benefit program
- Work-life balance
- Job satisfaction
- Health maintenance
- Workplace safety
- Safety management

Health maintenance
- Employment structure
- Gender productivity
- Time management
- Benefit program
- Work-life balance
- Job satisfaction
- Health maintenance
- Workplace safety
- Safety management
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

Before

Developmental Research Laboratories
Applied Research Laboratories
Research Support Laboratories

After

Developmental Research Laboratories
Existing businesses and support
Basic Research Laboratories
Focused on oral care, interface science, and analytical technology
New Business
Open innovation and coordination with external organizations

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.
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.

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.
ESG Initiatives Aimed at Creating Value

**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

- **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/

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**

- **Creating Healthy, Comfortable, and Clean Living Habits**
  - 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.

- **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.

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

Social: Customers

Initiatives Aimed at Building Trust with 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 betolerated. 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.

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.

Maximization of customers’ satisfaction

We provide accurate information that is useful for consumers’ daily lives mainly by “Masters 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

Social: Business Partners

Initiatives Geared toward 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/
Shareholders and Investors

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 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.


**Majors Accomplishments**
- Held briefings for shareholders and overseas investors at 10 locations worldwide in 2017 to provide participants with pertinent information, considering an overview of the business.
- Held briefings 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 Asia 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.

**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.


Risk Management

**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.

**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
Reflering 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**

**Approach to Enhancing Functions to Audit and Supervise Management**

- **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.

**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 the 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.

**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 chairman 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.

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 reselected as an 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 reselected as an external director.

Takashi Shirashi

Attendance

Attended 13 of 13 Directors’ meetings held during the fiscal year

Reasons for Appointment

Takashi Shirashi 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 reselected as an external director.

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.

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.
ESG Initiatives Aimed at Creating Value

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)
ESG Initiatives Aimed at Creating Value

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

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

MASAHARU 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

External Directors
HIDEO YAMADA
Attorney at Law

KAZUNARI UCHIDA
University professor

TAKASHI SHIRAISHI
University professor

Audit & Supervisory Board Member
YASUTARO NAKAGAWA
Certified Public Accountant, Certified Tax Accountant

JUNKO NISHIYAMA
Certified Tax Accountant

NOBORU KOJIMA
Certified Public Accountant

HIDEO HIGASHI
Certified Tax Accountant

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

External Audit & Supervisory Board Member
Masaharu Mikuni
Executive General Manager of Production Engineering Research Headquarters

TOMOMICHI OKANO
Executive General Manager of International Division

HITOSHI SUZUKI
Executive General Manager of Corporate Strategy Headquarters

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 Headquarters

YASUTSUJI SHIMIZU
Executive General Manager of Production Headquarters

The notification of the nomination of Mr. Hideo Yamada, Mr. Kazunari Uchida, and Mr. Takashi Shiraishi as independent directors has been sent to the Tokyo Stock Exchange.

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

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ESG Initiatives Aimed at Creating Value

Major Sustainability Indicators

Environment

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

<table>
<thead>
<tr>
<th>Categories</th>
<th>Achievements in 2015</th>
<th>Achievements in 2016</th>
<th>Achievements in 2017</th>
<th>Target values for 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction of greenhouse gas emissions from business activities</td>
<td>Absolute quantity 15% reduction (compared to 2010)</td>
<td>Absolute quantity 15% reduction (compared to 2010)</td>
<td>Absolute quantity 15% reduction (compared to 2010)</td>
<td>Absolute quantity 15% reduction (compared to 2010)</td>
</tr>
<tr>
<td>Environment</td>
<td>Water use per unit total revenue 15% reduction (compared to 2010)</td>
<td>Water use per unit total revenue 15% reduction (compared to 2010)</td>
<td>Water use per unit total revenue 15% reduction (compared to 2010)</td>
<td>Water use per unit total revenue 15% reduction (compared to 2010)</td>
</tr>
<tr>
<td></td>
<td>Absolute quantity 15% reduction (compared to 2010)</td>
<td>Absolute quantity 15% reduction (compared to 2010)</td>
<td>Absolute quantity 15% reduction (compared to 2010)</td>
<td>Absolute quantity 15% reduction (compared to 2010)</td>
</tr>
<tr>
<td>Greenhouse gas (GHG) emissions from business activities, overseas</td>
<td>Reduction of 3.0 million tons annually</td>
<td>Reduction of 6.4 million tons annually</td>
<td>Reduction of 9.8 million tons annually</td>
<td>Reduction of 11.0 million tons annually</td>
</tr>
</tbody>
</table>

Water

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

<table>
<thead>
<tr>
<th>Categories</th>
<th>Achievements in 2015</th>
<th>Achievements in 2016</th>
<th>Achievements in 2017</th>
<th>Target values for 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction of water usage per unit value of output products</td>
<td>Water use per unit total revenue 15% reduction (compared to 2010)</td>
<td>Water use per unit total revenue 15% reduction (compared to 2010)</td>
<td>Water use per unit total revenue 15% reduction (compared to 2010)</td>
<td>Water use per unit total revenue 15% reduction (compared to 2010)</td>
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<tr>
<td></td>
<td>Absolute quantity 15% reduction (compared to 2010)</td>
<td>Absolute quantity 15% reduction (compared to 2010)</td>
<td>Absolute quantity 15% reduction (compared to 2010)</td>
<td>Absolute quantity 15% reduction (compared to 2010)</td>
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<tr>
<td>Waterworks</td>
<td>Full-scale operation of facilities to recycle wastewater at Chiba Plant</td>
<td>Full-scale operation of facilities to recycle wastewater at Chiba Plant</td>
<td>Full-scale operation of facilities to recycle wastewater at Chiba Plant</td>
<td>Full-scale operation of facilities to recycle wastewater at Chiba Plant</td>
</tr>
<tr>
<td></td>
<td>Recycling facility at Chiba Plant</td>
<td>Recycling facility at Chiba Plant</td>
<td>Recycling facility at Chiba Plant</td>
<td>Recycling facility at Chiba Plant</td>
</tr>
</tbody>
</table>

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.

Corporate Culture

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.

Educational Activities for Oral Health

- Participation in ‘dental/oral health week (June 4-10)’
- Carrying out activities for children to eat with their own teeth and mouths over a long time in the future
- Implementation of highly effective/last resort treatment and preventive dental activities based on the concept of restorative dentistry

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- Implementation of highly effective/last resort treatment and preventive dental activities based on the concept of restorative dentistry

Definition of Key Performance Indicators

- Key performance indicators for the sake of business activities
- Key performance indicators for products
- Key performance indicators for business activities, overseas
### Eleven-Year Financial Summary

#### Income statement data

<table>
<thead>
<tr>
<th>Year</th>
<th>Net sales</th>
<th>Cost of sales</th>
<th>Gross profit</th>
<th>Selling, general and administrative expenses</th>
<th>Operating income</th>
<th>Income (loss) before income taxes and minority interests</th>
<th>Profit (loss) attributable to owners of parent</th>
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<tbody>
<tr>
<td>2011</td>
<td>¥327,500</td>
<td>¥139,646</td>
<td>¥187,854</td>
<td>¥49,177</td>
<td>¥11,169</td>
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<td>¥140,400</td>
<td>¥190,700</td>
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</table>

#### Balance sheet data

<table>
<thead>
<tr>
<th>Year</th>
<th>Total liabilities and net assets</th>
<th>Property, plant and equipment, net</th>
<th>Total long-term liabilities</th>
<th>Total liabilities</th>
<th>Total net assets</th>
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<tr>
<td>2011</td>
<td>¥257,595</td>
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<td>¥65,758</td>
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<td>¥75,522</td>
<td>¥171,607</td>
<td>¥120,540</td>
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<td>¥81,932</td>
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<td>¥127,015</td>
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<td>¥88,932</td>
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<td>¥133,420</td>
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<td>¥96,932</td>
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<td>¥139,825</td>
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<td>2003</td>
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<td>¥64,345</td>
<td>¥105,932</td>
<td>¥171,607</td>
<td>¥146,230</td>
</tr>
<tr>
<td>2002</td>
<td>¥350,935</td>
<td>¥64,345</td>
<td>¥115,932</td>
<td>¥171,607</td>
<td>¥152,635</td>
</tr>
<tr>
<td>2001</td>
<td>¥360,935</td>
<td>¥64,345</td>
<td>¥126,932</td>
<td>¥171,607</td>
<td>¥159,040</td>
</tr>
<tr>
<td>2000</td>
<td>¥370,935</td>
<td>¥64,345</td>
<td>¥138,932</td>
<td>¥171,607</td>
<td>¥165,445</td>
</tr>
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</table>

#### Other selected data

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital expenditures</th>
<th>R&amp;D expenses</th>
<th>Depreciation and amortization</th>
<th>Number of employees</th>
<th>Common share data (yen)</th>
<th>Financial ratios (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>¥14,692</td>
<td>¥10,474</td>
<td>9,386</td>
<td>7,075</td>
<td>2017</td>
<td>58.3%</td>
</tr>
<tr>
<td>2010</td>
<td>¥9,007</td>
<td>¥10,474</td>
<td>9,386</td>
<td>7,075</td>
<td>2016</td>
<td>59.1%</td>
</tr>
<tr>
<td>2009</td>
<td>¥8,801</td>
<td>¥10,474</td>
<td>9,386</td>
<td>7,075</td>
<td>2015</td>
<td>57.1%</td>
</tr>
<tr>
<td>2008</td>
<td>¥13,555</td>
<td>¥10,474</td>
<td>9,386</td>
<td>7,075</td>
<td>2014</td>
<td>56.3%</td>
</tr>
<tr>
<td>2007</td>
<td>¥13,709</td>
<td>¥10,474</td>
<td>9,386</td>
<td>7,075</td>
<td>2013</td>
<td>56.4%</td>
</tr>
<tr>
<td>2006</td>
<td>¥10,820</td>
<td>¥10,474</td>
<td>9,386</td>
<td>7,075</td>
<td>2012</td>
<td>56.6%</td>
</tr>
<tr>
<td>2005</td>
<td>¥8,368</td>
<td>¥10,474</td>
<td>9,386</td>
<td>7,075</td>
<td>2011</td>
<td>57.4%</td>
</tr>
<tr>
<td>2004</td>
<td>¥7,081</td>
<td>¥10,474</td>
<td>9,386</td>
<td>7,075</td>
<td>2010</td>
<td>57.6%</td>
</tr>
<tr>
<td>2003</td>
<td>¥7,969</td>
<td>¥10,474</td>
<td>9,386</td>
<td>7,075</td>
<td>2009</td>
<td>57.6%</td>
</tr>
<tr>
<td>2002</td>
<td>¥11,717</td>
<td>¥10,474</td>
<td>9,386</td>
<td>7,075</td>
<td>2008</td>
<td>53.4%</td>
</tr>
<tr>
<td>2001</td>
<td>¥39,282</td>
<td>¥10,474</td>
<td>9,386</td>
<td>7,075</td>
<td>2007</td>
<td>53.4%</td>
</tr>
</tbody>
</table>

*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.

Consolidated Results

The Lion Group advanced initiatives under its medium-term management plan, Vision 2020 Part-2 (V-2 Plan).4 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 operating 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 ¥86.23 (compared with ¥56.13). Both net sales and earnings reached the target levels for the V-2 Plan.

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.

In overseas markets, the personal care market (combined oral care, oral 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.

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

<table>
<thead>
<tr>
<th>Segment Income</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>400,000</td>
<td>340,000</td>
</tr>
<tr>
<td>Operating income</td>
<td>20,000</td>
<td>17,000</td>
</tr>
<tr>
<td>Operating margin ratio</td>
<td>5.0%</td>
<td>4.6%</td>
</tr>
<tr>
<td>ROE</td>
<td>10% or above</td>
<td>12.2%</td>
</tr>
<tr>
<td>BEP</td>
<td>90% and less</td>
<td>87.8%</td>
</tr>
</tbody>
</table>

SG&A Expenses Breakdown

<table>
<thead>
<tr>
<th>Segment Income</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>290,893</td>
<td>287,028</td>
</tr>
<tr>
<td>Operating income</td>
<td>24,540</td>
<td>22,620</td>
</tr>
<tr>
<td>Operating margin ratio</td>
<td>8.0%</td>
<td>7.8%</td>
</tr>
</tbody>
</table>

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.
Financial Review

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

In toothbrushes, 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 mouthwashes, sales of NONIO Mouthwash, which kills the bacteria that causes bad breath and suppresses further growth to provide a long-lasting effect, went strong. Overall, mouthwash sales increased year on year.

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.

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 hadalara 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, hadalara, and Ban brands. We will further expand the market for KireiKirei by promoting regular hand washing, and drive growth for hadalara 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.

The 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 by Products Segment

<table>
<thead>
<tr>
<th>Products Segment</th>
<th>2017 Millions of yen</th>
<th>2018 Millions of yen</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oral Care Products</td>
<td>68,277</td>
<td>63,596</td>
<td>-4.6%</td>
</tr>
<tr>
<td>Beauty Care Products</td>
<td>24,548</td>
<td>22,333</td>
<td>-9.9%</td>
</tr>
<tr>
<td>Fabric Care Products</td>
<td>79,547</td>
<td>80,240</td>
<td>+0.9%</td>
</tr>
<tr>
<td>Living Care Products</td>
<td>20,789</td>
<td>20,763</td>
<td>-0.1%</td>
</tr>
<tr>
<td>Pharmaceutical Products</td>
<td>39,022</td>
<td>40,956</td>
<td>+4.7%</td>
</tr>
<tr>
<td>Other Products</td>
<td>58,708</td>
<td>59,135</td>
<td>+0.7%</td>
</tr>
</tbody>
</table>

Net Sales and Segment Income

<table>
<thead>
<tr>
<th></th>
<th>2017 Millions of yen</th>
<th>2018 Millions of yen</th>
<th>Ratio to net sales</th>
<th>Ratio to net sales increase/ decrease</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fabric Care Products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Living Care Products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pharmaceutical Products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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 growth in hand soap for kitchens and alcohol sanitizers. Lion also launched sales of vegetable washing systems that use microbubbl 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 changes, 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

<table>
<thead>
<tr>
<th>Segment</th>
<th>2017 (Millions of yen)</th>
<th>2016 (Millions of yen)</th>
<th>Ratio to Net sales</th>
<th>Ratio to Net sales</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseas Business</td>
<td>120,091</td>
<td>110,933</td>
<td>10.03%</td>
<td>9.157</td>
<td>8.3%</td>
</tr>
<tr>
<td>Segment income</td>
<td>-4,413</td>
<td>-4,566</td>
<td>4.1%</td>
<td>(152)</td>
<td>(3.3%)</td>
</tr>
</tbody>
</table>

Note: Net sales include internal net sales within and among segments, which amounted to ¥111,842 million in 2017 and ¥111,648 million in 2016.

<Major Countries>

(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 5ALZ 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 detergent, Ar-Kelute 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.

(Hong Kong) Sales Growth Rate: 109%

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

(Singapore) Sales Growth Rate:

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.

Other

Net Sales and Segment Income

<table>
<thead>
<tr>
<th>Segment</th>
<th>2017 (Millions of yen)</th>
<th>2016 (Millions of yen)</th>
<th>Ratio to Net sales</th>
<th>Ratio to Net sales</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseas Business</td>
<td>30,565</td>
<td>26,867</td>
<td>12.6%</td>
<td>9.6%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Segment income</td>
<td>1,336</td>
<td>915</td>
<td>4.4%</td>
<td>4.0%</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

Note: Net sales include internal net sales within and among segments, which amounted to ¥256,914 million in 2017 and ¥252,471 million in 2016.

Financial Status

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%.

Capital Expenditures and Depreciation and Amortization

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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%.
Financial Review

Cash Flows

Consolidated Cash Flows

<table>
<thead>
<tr>
<th>Millions of yen</th>
<th>2017</th>
<th>2016</th>
<th>Increase/ (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>28,562</td>
<td>32,269</td>
<td>(3,707)</td>
</tr>
<tr>
<td>Net cash provided by (used in) investment activities</td>
<td>(8,759)</td>
<td>(7,945)</td>
<td>804</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>(6,754)</td>
<td>(7,437)</td>
<td>682</td>
</tr>
<tr>
<td>Effect of exchange rate change on cash and cash equivalents</td>
<td>603</td>
<td>(529)</td>
<td>1,130</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>13,661</td>
<td>16,461</td>
<td>(2,799)</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of period</td>
<td>91,401</td>
<td>77,739</td>
<td>13,661</td>
</tr>
</tbody>
</table>

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.

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.

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.

(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

<table>
<thead>
<tr>
<th>Category</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign institutions and individuals</td>
<td>22.33%</td>
</tr>
<tr>
<td>Individual investors and others</td>
<td>20.82%</td>
</tr>
<tr>
<td>Japanese financial institutions</td>
<td>37.64%</td>
</tr>
<tr>
<td>Other corporations</td>
<td>17.86%</td>
</tr>
<tr>
<td>Financial instrument firms</td>
<td>1.35%</td>
</tr>
</tbody>
</table>

Principal Shareholders

<table>
<thead>
<tr>
<th>Shareholders</th>
<th>Shareholding ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account)</td>
<td>8.54</td>
</tr>
<tr>
<td>Trust &amp; Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.</td>
<td>5.59</td>
</tr>
<tr>
<td>The Bank of Tokyo-Mitsubishi UFJ, Ltd.</td>
<td>3.47</td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td>
<td>3.10</td>
</tr>
<tr>
<td>STATE STREET BANK AND TRUST COMPANY</td>
<td>2.88</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account 9)</td>
<td>1.82</td>
</tr>
<tr>
<td>Mitsubishi UFJ Trust and Banking Corporation</td>
<td>1.71</td>
</tr>
<tr>
<td>JP MORGAN CHASE BANK 38055</td>
<td>1.59</td>
</tr>
<tr>
<td>Tokio Marine &amp; Nichido Fire Insurance Co., Ltd.</td>
<td>1.52</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account 7)</td>
<td>1.48</td>
</tr>
</tbody>
</table>

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.

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.

Sustainability website

www.lion.co.jp/en/csr/

Lion’s annual CSR report provides detailed information about the Company’s CSR activities, which have an extremely important position in Lion’s corporate activities. An abridged translation of that report is provided on this website. Also, the website outlines the history of Lion’s CSR activities, which began at a very early stage after the Company’s founding.

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)