



LION Integrated Report 2020



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Corporate Message

Every day is full of wonderful moments.

Birds singing outside your window.

The clean feel of a freshly washed shirt.

A blue sky without a cloud in sight.

The smiling faces of children at play.

A tasty meal after a hard day's work.

Some days are special —

weddings, birthdays, holidays ...

But even the ordinary days are precious.

At Lion our business revolves around ordinary days.

Providing the products people need

to maintain good lifestyle habits.

Supporting cleanliness, health and comfort,

while protecting our global environment.

This is our mission, one in which we take pride.

Inspired by the wonder of everyday life.

Dedicated to creating a future full of health, hope and happiness.

For people everywhere around the world.



life.love.
LION

Editorial Policy and Lion's Disclosure

Editorial Policy

The *Lion Integrated Report 2020* is intended to provide Lion's shareholders, investors and other stakeholders with key information about the Company and facilitate deeper understanding of related issues. Specifically, the main topics covered include Lion's initiatives to create social value and increase its corporate value over the medium to long term as well as its management vision, business environment and strategies, and environmental, social and governance issues.

Period Covered: From January 1, 2019 to December 31, 2019
(Some parts also include information about 2020)

Scope of Coverage: Lion Corporation and all of its consolidated subsidiaries are covered, in principle.

* Where the scope of coverage of reported activities or data differs from the above, a description is provided.

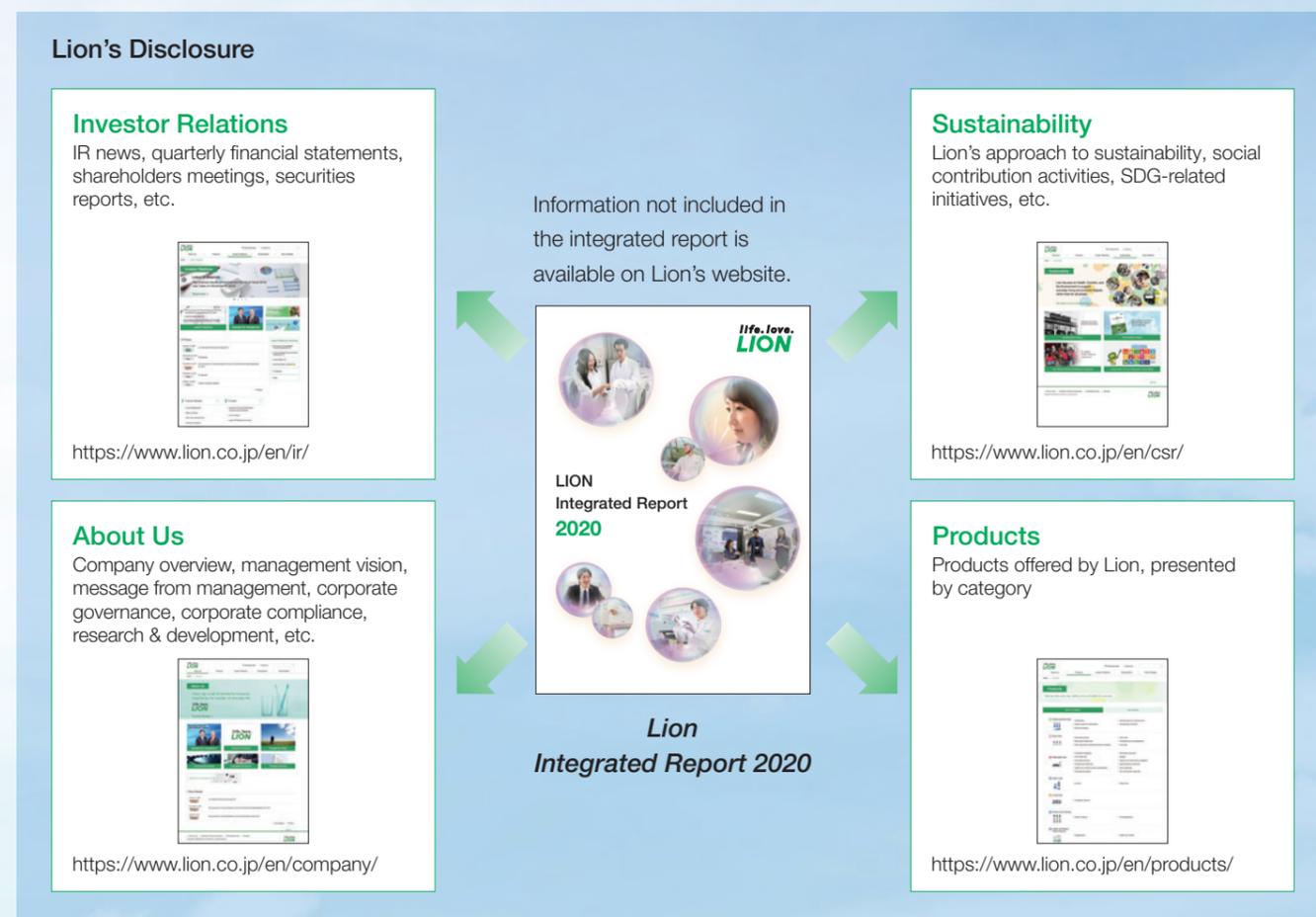
Accounting Standards Applied: International Financial Reporting Standards (IFRS)

Referenced Guidelines:

- International Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC)
- Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation issued by the Ministry of Economy, Trade and Industry
- GRI Sustainability Reporting Standards issued by the Global Reporting Initiative
- ISO 26000: 2010 Guidance on social responsibility issued by the Japanese Standards Association

Regarding Forward-Looking Statements

This Integrated Report contains forward-looking statements on subjects that include matters related to future business plans, corporate strategies and forecasts of performance. Such statements were formulated based on information that was available at the time of the preparation of this Integrated Report and contain uncertainties regarding such factors as economic conditions, market trends and foreign currency risks. Please understand that actual results may differ from the information presented in these forward-looking statements.



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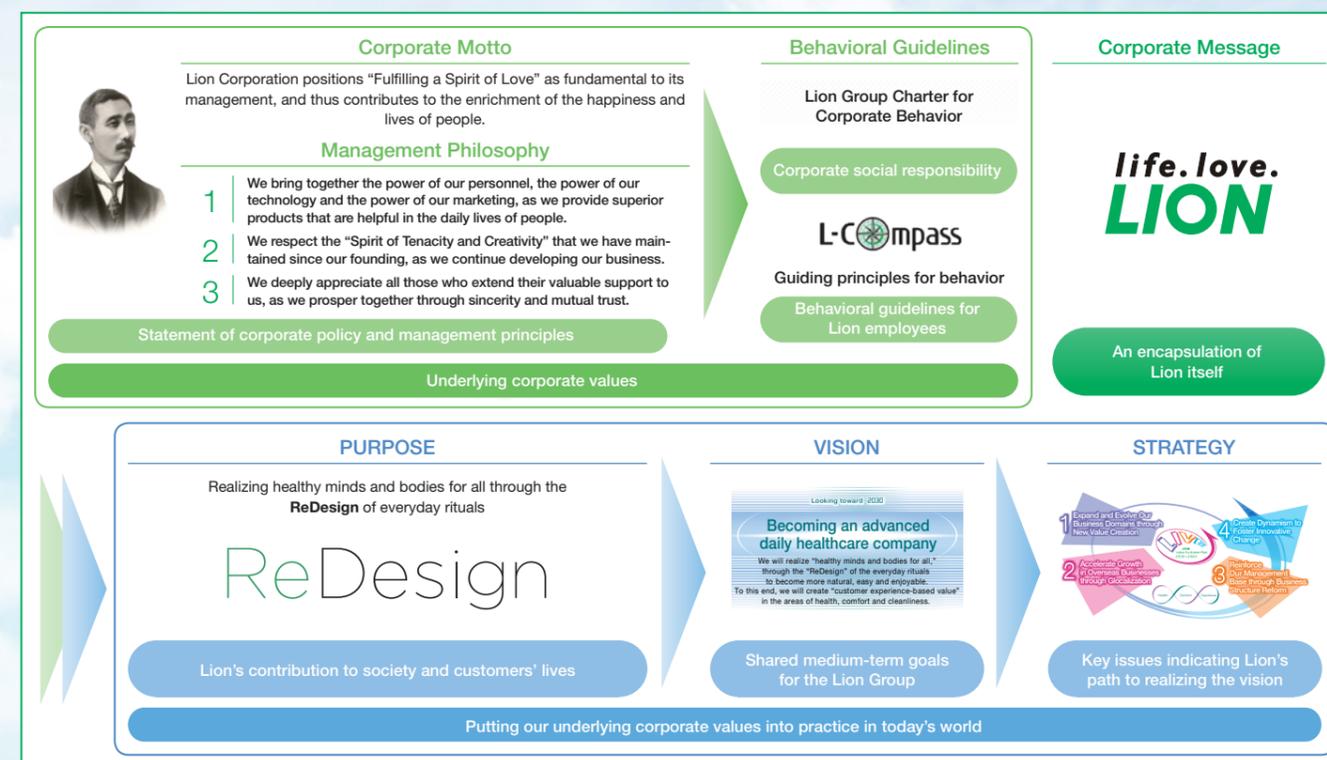
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L-MAP: Lion's Guiding Map





Our Founder's Passion

Benefiting Society through Business Activities

Lion's origins lie in soap and toothpaste. Since our founding in 1891, we have sought to help consumers enjoy healthy, comfortable living through the provision of products while engaging in educational activities and communication aimed at creating better living habits.



Lion's founder Tomijiro Kobayashi

When Lion was founded, tooth brushing was not yet widely practiced in Japan, and 96% of children had dental cavities. Lion's founder Tomijiro Kobayashi, feeling that the situation presented a real crisis with regard to the nation's future, began activities aimed at spreading oral hygiene practices. Over many years, the Company's efforts helped firmly establish tooth brushing in Japan, and the rate of cavities among children has decreased. In addition, Lion was an early promoter of overseas operations aimed at helping improve the quality of life and hygiene across Asia. In selling its products, Lion has sought to accommodate consumer preferences and enhance convenience while continuing to carry out educational programs.

Today, each and every Lion Group employee upholds the founding spirit of "benefiting society through business activities." We believe that the creation of everyday rituals that contribute to healthy, comfortable living, such as tooth brushing, hand washing, doing laundry and keeping a clean house, is fundamental and essential to enabling consumers to lead healthy and happy lives. Taking on the evolving challenges faced by society, Lion continues to work toward the realization of healthy minds and bodies for all in Japan and the Asia region.

Corporate Motto/Management Philosophy/ Lion Group Charter for Corporate Behavior

Corporate 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.

Lion Group Charter for Corporate Behavior

We, the Lion Group, shall, in addition to being an economic entity designated to pursue profits through fair competition, act as a social entity that contributes to society at large. We shall respect human rights and conduct ourselves with initiative in a socially responsible manner toward the creation of a sustainable society, observing both the spirit as well as the letter of all applicable laws and international rules and not harming the public interest, both in Japan and abroad, in accordance with the following 10 principles.

1. Principal Mission

We shall earn the confidence and satisfaction of customers (consumers and users) by providing excellent, safe goods and services useful for their daily lives.

2. Compliance with Public Rules

We shall observe all relevant laws and regulations and engage in fair, transparent and free competition and proper transactions. We shall maintain sound and proper relationships with governmental and political bodies.

3. Disclosure

We, as a socially open company, shall actively engage in communication not only with our shareholders but also with members of society at large and disclose information generally regarding Company management in an appropriate and timely manner.

4. Environmental Issues

We shall play a positive and active role in creating a sustainable society that harmonizes economic development and environmental protection.

5. Improvement of Working Environments

We shall promote fair treatment and respect the diversity, individuality and personalities of our employees. We shall ensure a safe and comfortable workplace to realize the mental and physical well-being of our employees.

6. Contribution to Society

We shall actively contribute to society as good corporate citizens.

7. Opposition to Antisocial Forces

We shall firmly oppose antisocial entities and organizations threatening the order and security of civil society.

8. Contribution in Foreign Countries

In our overseas operations, we shall not only observe international rules and the laws of relevant foreign countries, but also respect local cultures and customs and contribute to the development of local communities with sincerity and mutual trust.

9. Practice of Corporate Ethics

Top management shall assume responsibility for implementing the spirit of this Charter and shall take the initiative to set a good example and fully inform Lion Group employees of the Charter. Top management shall strive to take in internal and external opinions continuously to promote mutual understanding and the development and implementation of effective internal control systems while enforcing thorough compliance with corporate ethics.

10. Resolution of Problems

Should an incident contrary to the principles of this Charter occur, top management shall publicly clarify its position, taking responsibility to resolve the problem on its own initiative, and strive to investigate the facts, identify the causes of the incident and prevent recurrences. Top management shall fulfill its responsibility to disclose accurate information promptly and explain the situation, and shall resolve the problem in a manner fully understandable to society. After clarifying authority and responsibility for said problem, top management shall impose strict and impartial disciplinary actions upon any liable persons, including the highest level of management.

Established January 1, 2003 and amended January 1, 2008

The History of Lion's Oral Care Promotional and Educational Activities

1913



Held the first Lion oral hygiene lecture

The start of promotional and educational activities

1932



Held the first Oral Health Event of Tooth Brushing for Children

Teaching correct tooth brushing methods to children

1964



Established the Lion Foundation for Dental Health (LDH)

Promoting oral healthcare through LDH

* The photo above shows the Lion Family Dental Clinic, the origin of Lion's research laboratories

1921



Opened the Lion Dental Clinic for Children

Japan's first dental clinic for children



Held the Oral Health Event of Tooth Brushing for Children

Expanded this activity to countries and regions across Asia.



* The photo above shows parent-child dental health activities



Lion Foundation for Dental Health
<https://www.lion-dent-health.or.jp/english/>

The Evolution of Lion's Value Creation

Creating New Value

The origins of Lion's businesses lie in soap and toothpaste. Over the more than 120 years since our founding, we have created better living habits through providing products and educational activities. Today, these efforts extend beyond products to systems and services.



“ReDesign” of Everyday Rituals for Future Well-Being

1891–
Founding



1896
Launched
Lion Toothpowder

1950–
Developed numerous first-in-Japan products



1948 First in Japan
Lion F Cream
Japan's first toothpaste with fluoride

Spread effective use of the cavity-preventing fluoride among consumers



1956 First in Japan
Lipon-F, Japan's first kitchen detergent for washing fruits, vegetables and tableware
Helped address health problems caused by parasites



1962 First in Japan
Hi TOP, Japan's first foam-suppressing laundry detergent



1963
BUFFERIN antipyretic analgesics
BUFFERIN marked the start of Lion's business diversification and has been a long-selling product



1964
Dentor Lion toothpaste, the first in Japan formulated to prevention of pyorrhea



1967
Dash highly biodegradable laundry detergent



1980
Launched **Murin TOP**, a phosphate-free laundry detergent
Made with an environmentally friendly formula that is phosphate-free without reducing detergency



1981 First worldwide
CLINICA Lion cavity prevention toothpaste
The world's first toothpaste formulated with the enzyme dextranase, which breaks down dental plaque



1992
Emeron Shokubutsu-Monogatari (Plant Story) beauty soap made with 100% plant ingredients
Lion expanded its use of plant ingredients in products.



1993
Dentor Systema Lion for preventing gum disease
Lion launched a brand of liquid toothpaste, toothbrushes with super-tapered bristles and mouthwash.



1997
KireiKirei medicated hand soap
Due to a series of large-scale outbreaks of *E. coli* in 1996, group infections through food poisoning came to be seen as a social problem in Japan. In 1997, Lion responded by launching **KireiKirei**, an antibacterial hand soap based on the unique concept that hand washing can be fun. Lion has worked hard to spread the use of its products alongside good hand-washing habits, leading to the brand taking the top spot in the hand soap market from 2000 onward.

2010–

Ambitiously worked toward new growth



2010
TOP NANOX super-concentrated liquid laundry detergent (now **TOP SUPER NANOX**)
Formulated with the plant-based, high-detergency ingredient MEE, one-rinse **TOP NANOX** (now **TOP SUPER NANOX**) is environmentally friendly. Marketed based on its innovative “nano washing” property, it has grown into a brand that drives the super-concentrated liquid laundry detergent market.



2014
The renewed CLINICA brand, created from a “Preventive Dentistry” Perspective
Medicated toothpaste that enables total care by combining the three preventive dentistry essentials of aiding fluoride retention, reducing bacterial growth and removing plaque



2016 First in Japan
hadakara Body Soap
A body soap featuring Japan's first moisture-adsorbing formula, which ensures moisturizer is not washed away



2018
LOOK Plus Bath Cleansing bath detergent
With a newly developed bottle head that sprays the detergent fluid as a mist with a single pump, this product offered the new concept in bathtub cleaning with no scrubbing, accurately meeting the time-saving needs of dual-income households and becoming a major hit.

2016
Salivary Multi Test (SMT)
A saliva test system that can rapidly measure multiple indicators of dental and oral health

2018
RePERO
A smartphone app that uses AI to determine users' risk of bad breath

2019
HAGUKI CHECKER
A tool that uses AI to analyze photos taken with smartphones or other devices to check the state of users' gums

The Evolution of Lion's Value Creation

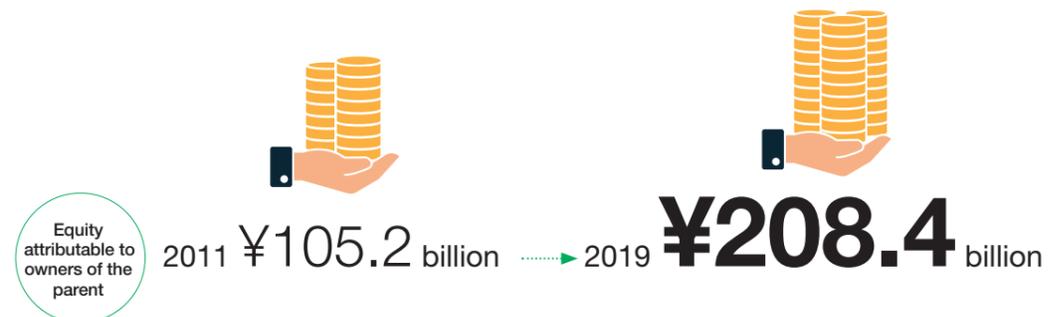
Lion's Capital Supporting Growth

In 2019, the Lion Group's consolidated net sales grew to ¥347.5 billion (IFRS basis), and the Company has long boasted the top market share in Japan in oral care. To achieve sustainable growth going forward, we will work to continue expanding and putting to more effective use the capital we have built up through our growth.

* The figures below show comparisons with 2011 because that is the year before the launch of the V-1 Plan medium-term management plan, which sparked a new phase of growth.

Financial Capital

Lion's strategy of focusing on high-value-added products and reinforcing its revenue base has enabled it to expand revenue and build up net assets. Drawing on our growing assets to fund investment, we will aggressively invest in capital expenditure, R&D and M&A aimed at sustainable growth.



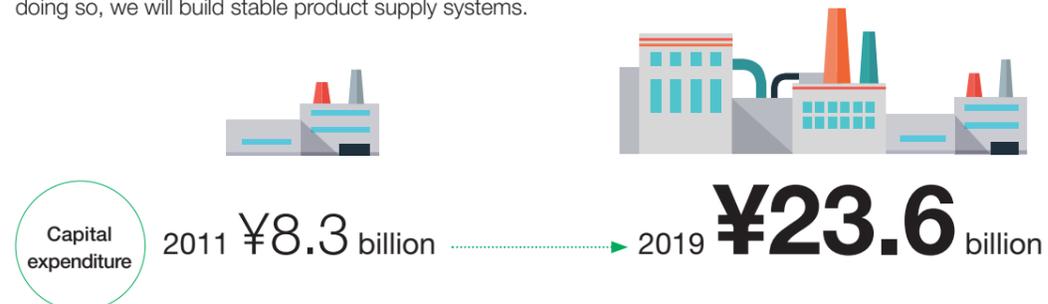
Intellectual Capital

In addition to household products, Lion's businesses span a wide range of fields, including pharmaceutical (OTC) products, functional foods and industrial chemicals. Accordingly, we carry out research in areas related to not only chemicals and biological systems, but a broad range of disciplines. We will advance R&D in coordination with research institutions in and outside Japan and combine our proprietary technologies with technologies outside the Company to ambitiously create new markets and develop new service-based businesses.



Manufactured Capital

Demand for household products has grown, reflecting the diversification of customer needs and an increase in health awareness in Japan as well as the trust customers overseas have in high-quality made-in-Japan products. Leveraging our accumulated know-how, we will aggressively invest capital in automating production processes to increase efficiency and in renewable energy to reduce net energy consumption. By doing so, we will build stable product supply systems.



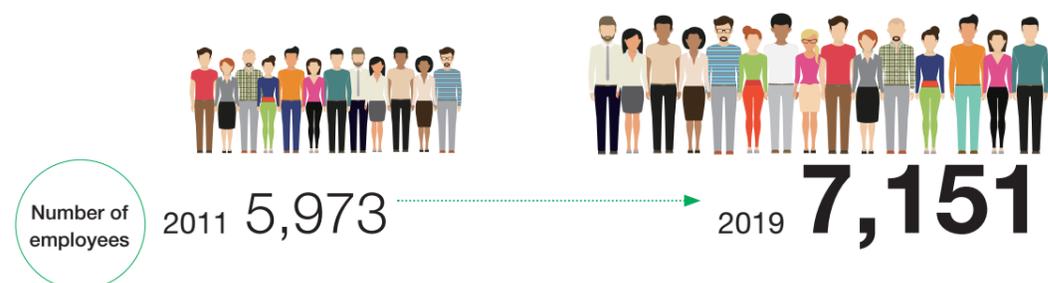
Social and Relationship Capital

Since 1932, Lion has provided opportunities for elementary school students to think about their dental and oral health and fostered health awareness by holding the Oral Health Event of Tooth Brushing for Children. In 2008, we began broadcasting the event live online, allowing students in Japan and across Asia to participate from their schools, further expanding the event. In these ways, the Oral Health Event of Tooth Brushing for Children is growing in scale each year, reaching even more elementary school students.



Human Capital

The Lion Group's businesses span Japan and other countries and regions in Asia. To achieve growth going forward, utilizing the diverse talents of all Group employees and realizing its purpose, realizing healthy minds and bodies for all, will be essential. To ensure that each individual is able to take total ownership of their role and exercise their abilities to the fullest, we are advancing the Lion Professional Fulfillment Reforms, focused on health, work styles and enabling diverse human resources to succeed.



Natural Capital

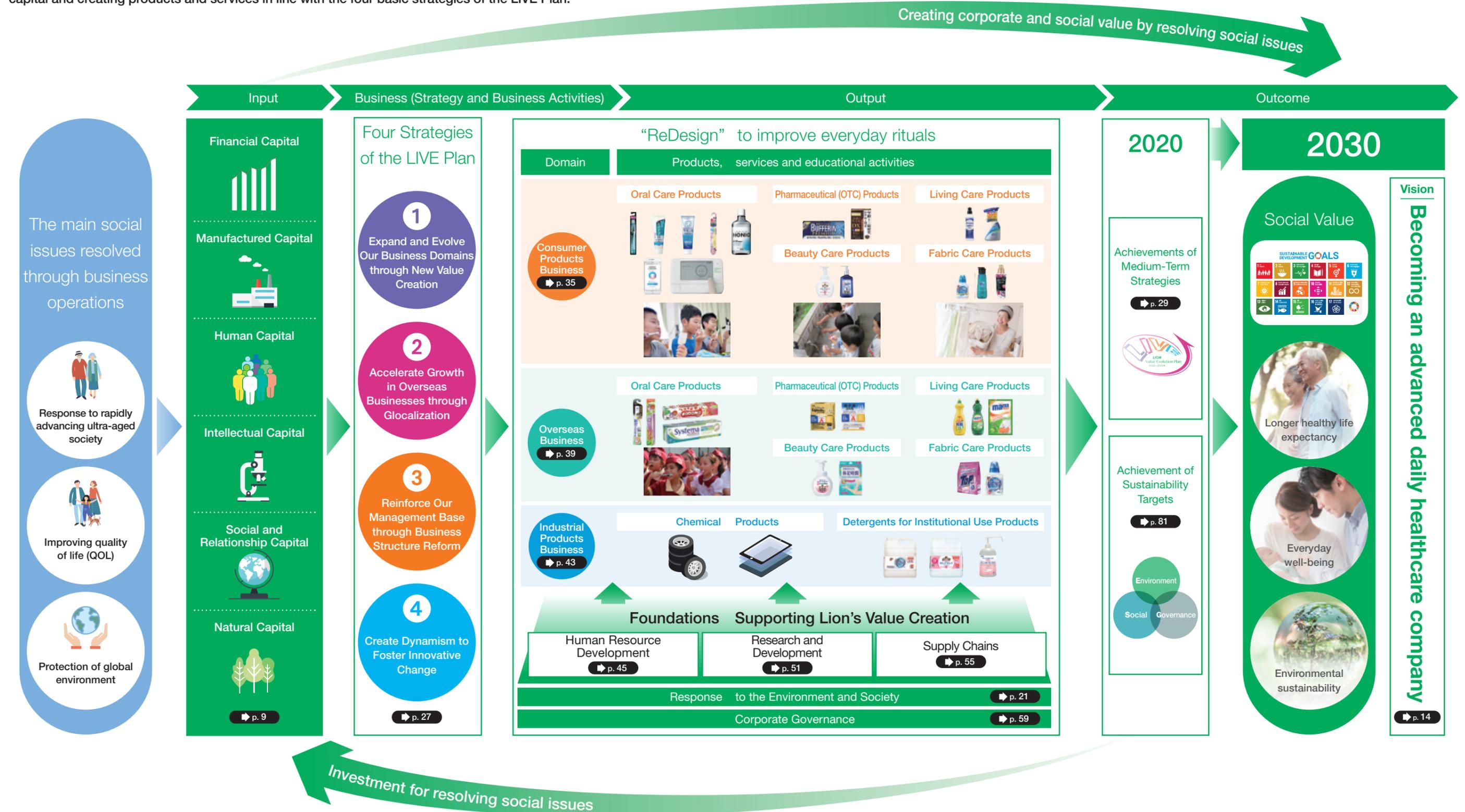
In the course of its business activities, the Lion Group uses a great deal of energy. In step with business growth, we have increased production volumes. However, by reorganizing and consolidating production bases, improving production processes and adopting energy efficient facilities and machinery, we have reduced our total annual energy use. To grow our businesses while reducing their burden on the environment, we are working to adopt renewable energy sources and implement further energy-saving measures as part of efforts to create a healthy future for people and the planet.



Lion's Value Creation Model

Since its founding, the Lion Group has worked to address evolving social issues while contributing to the realization of greater health and comfort in everyday life. To this end, in addition to providing products, we have disseminated information and carried out educational activities to actively help consumers create better living habits. To achieve our management vision for 2030, "Becoming an advanced daily healthcare company," we are utilizing our six types of capital and creating products and services in line with the four basic strategies of the LIVE Plan.

Going forward, the Lion Group will strive to generate such social value by helping to realize longer healthy life expectancy, everyday well-being* and environmental sustainability. * Lion's use of "well-being" encompasses physical, emotional and social well-being



Management Vision and Purpose

ReDesign the Everyday

Aiming to become an advanced daily healthcare company, Lion will “ReDesign” everyday rituals to become more natural, easy and enjoyable. From bothersome to easy. From chores to things you want to do. From effort to what you do naturally. We will create happiness never before experienced, and realize healthy minds and bodies for all. And we believe that this is the very purpose of Lion.

ReDesign

Looking toward 2030

Becoming an Advanced Daily Healthcare Company



The Lion Group has worked to improve business performance under Vision 2020. But, in light of the drastically changing environment going forward, Lion believes that it must clarify the orientation of its businesses and accelerate efforts aimed at innovation in order to meet the needs of society and customers and sustainably increase its corporate value. Lion has set its vision for 2030 as “Becoming an advanced daily healthcare company.”



Message from the Chairman

Becoming an Advanced Daily Healthcare Company

Itsuo Hama

Representative Director,
Chairman of the Board of Directors,
Chief Executive Officer

■ Lion's Roots

Since Lion's founding in 1891 as T. Kobayashi & Co., its mission of "benefitting society through business activities" has remained unchanging. In Oral Care Products, Lion launched *Lion Toothpowder* in 1896. Customers loved the product's high quality and affordable price, and within a few years, the Company became a leading toothpaste manufacturer. Lion went on to develop a wide range of ways to engage with consumers, such as establishing Japan's first dental clinic for children, helping to train dental hygienists, and holding the Oral Health Event of Tooth Brushing for Children to teach effective tooth brushing techniques. These are just some of the ways Lion has continually deepened its understanding into the ways people live. The insights gained have allowed us to respond to diverse needs and thereby contribute to the development of oral care in Japan.

■ New Issues in Recent Years

However, we are now faced with unprecedented conditions, including the global threat of the novel coronavirus, and the environment surrounding Lion is changing rapidly. In Japan, demographic graying has caused medical expenses to balloon into a serious social problem, making prevention and the establishment of healthy living habits more important than ever.

At the same time, in Asia, while economic development has led to growing awareness of health and needs related to creating comfortable and hygienic living environments, wide-ranging challenges remain in many countries and regions.

■ Realizing Healthy Minds and Bodies for All

In light of these circumstances, we have established "Becoming an advanced daily healthcare company" as the Lion Group's management vision for 2030. "Advanced daily healthcare" indicates our approach to providing value by contributing to the realization of healthy minds and bodies for all. Continuously contributing through products and services to the creation of societies in which people across Asia,

including Japan, can live each day with positivity and comfort is the core of the Lion Group's mission, and will be the key to growth going forward.

Living habits like tooth brushing, hand washing or doing laundry impart a rhythm to life and are important to maintaining a healthy mind and body, as well as to making every day bright and enjoyable. By creating customer experience-based value in the areas of health, comfort and cleanliness, we aim to "ReDesign" everyday rituals to be more natural, easy and enjoyable. Based on this commitment, we are working to realize healthy minds and bodies for all.

For example, we developed *HAGUKI CHECKER*, an online service that uses AI to check the state of users' teeth and gums based on photos they take with their smartphones. Through initiatives like this, we are creating technologies and services that "ReDesign" everyday rituals and thereby help extend healthy life expectancy and ensure everyday well-being.

■ Reinforcing Our Foundations to Achieve the Management Vision

To achieve the management vision, creating dynamism in our human resources, organizations and corporate culture will be indispensable. One of the strategies of the LION Value Evolution Plan (LIVE Plan) medium-term management plan is to foster corporate strength that will win out over global competition. To increase each employee's enthusiasm and develop people who will create new value, we launched the Lion Professional Fulfillment Reforms in 2019. This initiative is aimed at fostering corporate innovation based on the three pillars of health, work style and enabling diverse human resources to succeed.

Through such efforts, we will continue to meet society's expectations while contributing to healthier, better living. By doing so, we will build a solid position as an advanced daily healthcare company.



Lion's Sustainability

Addressing the Sustainability Material Issues to Achieve the Management Vision

Basic Approach

Companies are members of society, and their business activities have an impact on both society and the environment. As such, companies have a corporate social responsibility (CSR) to contribute to the creation of a sustainable society from the perspectives of the environment, society and the economy.

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

Contributing to the Achievement of the SDGs

The Sustainable Development Goals (SDGs) are a set of common goals for 2030 established by the United Nations (UN) aimed at the realization of a sustainable world.

As an advanced daily healthcare company, the Lion Group's contribution will mainly be to the realization of SDG 3, “Ensure healthy lives and promote well-being for all at all ages,” through its products and services. At the same time, by pursuing initiatives aimed at accomplishing the LIVE Plan, Lion will contribute to the creation of a sustainable world, the ultimate goal of the SDGs.

- 3 GOOD HEALTH AND WELL-BEING
 - Promoting oral healthcare
 - Establishing cleanliness and hygiene habits

Today, “Becoming an advanced daily healthcare company” is Lion's management vision. To achieve this vision, Lion is implementing its LIVE Plan Medium-term Management Plan (2018-2020), and advancing management aimed at sustainable social development and business growth. Lion is working to address material issues in its management to reduce risks while seeking to realize healthy minds and bodies for all through the promotion of oral healthcare, cleanliness and hygiene habits.

Sustainability Management (Japanese)
<https://www.lion.co.jp/ja/csr/management/>



Lion's SDG-Related Initiatives
<https://www.lion.co.jp/en/csr/sdgs/>

Identifying Material Issues

Through the steps shown at right, Lion established a set of Sustainability Material Issues to address in the years leading up to 2020 based on its vision for society in 2030, including its Management Vision and the SDGs. Lion's Sustainability Material Issues are for both Lion and society and, with the goal of helping to realize a healthy future for people and the planet, the choice of these issues was informed by the broad perspectives of business, environmental and social sustainability. In identifying these issues, we comprehensively considered the entire supply chain and Lion's stakeholders to understand the risks and opportunities they represent.

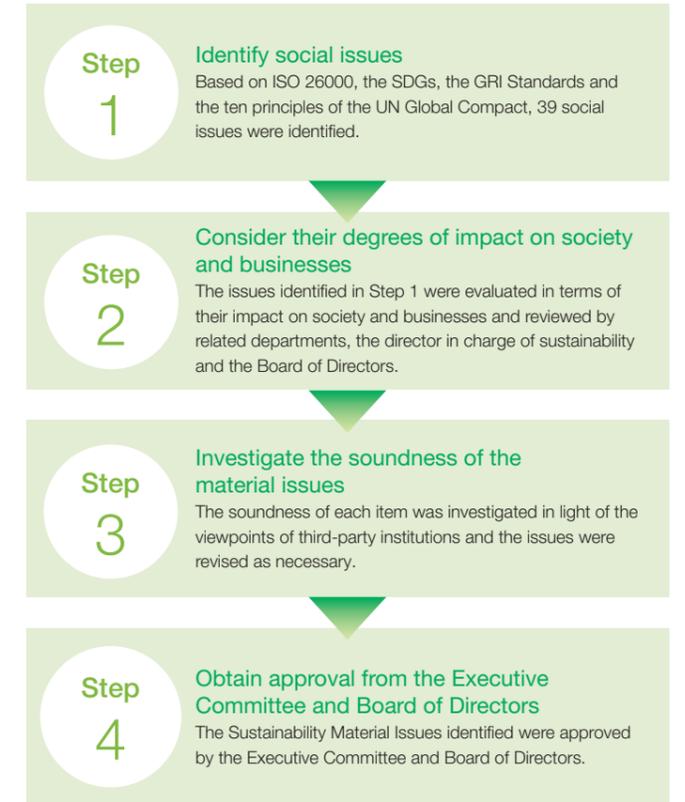
In 2020, we set new the Sustainability Material Issues and objectives for 2030 as a vision for the Lion Group in 2030. In particular, we have positioned “Promoting Environmental Initiatives for a Sustainable Planet” and “Creating Healthy Living Habits” as issues of top priority, and they represent areas in

Our approach to identifying Sustainability Material Issues



which we must invest management resources to secure a competitive advantage.

Steps for identifying Sustainability Material Issues



United Nations Global Compact

The United Nations Global Compact (UNGC) is a global initiative in which companies and organizations take action as upstanding members of society by exercising responsible, productive leadership to realize sustainable growth. Participating companies and organizations are asked to uphold and put into action ten principles in the four areas of “Human Rights,” “Labour,” “Environment” and “Anti-Corruption.”

Lion announced its support for the UNGC in 2009 and takes part in the Global Compact Network Japan (GCNJ), including active participation in subcommittee activities aimed at promoting the CSR activities of participating companies.

United Nations Global Compact
<https://www.unglobalcompact.org/>

Global Compact Network Japan (Japanese)
<http://ungcjp.org/>

The Ten Principles of the UN Global Compact

- Human Rights**
 - Principle 1: Business should support and respect the protection of internationally proclaimed human rights; and
 - Principle 2: Make sure that they are not complicit in human rights abuses.
- Labour**
 - Principle 3: Business should uphold the freedom of association and the effective recognition of the right to collective bargaining;
 - Principle 4: The elimination of all forms of forced and compulsory labour;
 - Principle 5: The effective abolition of child labour; and
 - Principle 6: The elimination of discrimination in respect of employment and occupation.
- Environment**
 - Principle 7: Business should support a precautionary approach to environmental challenges;
 - Principle 8: Undertake initiatives to promote greater environmental responsibility; and
 - Principle 9: Encourage the development and diffusion of environmentally friendly technologies.
- Anti-Corruption**
 - Principle 10: Business should work against corruption in all its forms, including extortion and bribery.



Sustainability Management

Sustainability Promotion Meeting

We believe that growing our business while reducing the burden on the planet contributes to the creation of a sustainable society.

In January 2019, the former CSV Management Meetings and Environmental Conservation Committee were integrated to create the Sustainability Promotion Meeting. Comprising all executive directors, including the President, and related departments, the meeting deliberates on and monitors the execution of Company-wide CSV strategy, the Sustainability Material Issues and policy regarding environmental issues.

Matters decided at the Sustainability Promotion Meeting are discussed by the Executive Committee and Board of Directors as necessary and then reflected in the business activities of business execution departments.

In 2020, objectives for 2030 regarding the Sustainability Material Issues were discussed by the Sustainability Promotion Meeting and approved.





Lion's Sustainability

The Lion Group Sustainability Material Issues and Objectives for 2030

With an eye to achieving its management vision of “Becoming an advanced daily healthcare company” by 2030 and contributing to the Sustainable Development Goals (SDGs), a set of shared global goals for 2030, in 2018 the Lion Group established the Lion Group Sustainability Material Issues. We are working toward objectives based on these issues by the end of 2020.

The Lion Group believes that it is crucial to take a longer-term perspective in order to ensure that it can continue to meet the needs of society and customers and grow its businesses. Accordingly, we have reexamined the material issues the Group will face in the period leading up to 2030 and set new objectives. The 2030 objectives are based on previously identified material issues but aim for a higher level of achievement and set quantitative indicators for evaluating such achievement.

The world today faces enormous social problems, from demographic graying and declining birthrates to climate change, marine plastics and pandemics.

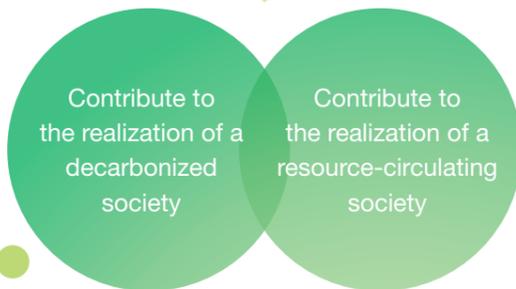
The Lion Group has designated as top-priority material issues “Promoting Environmental Initiatives for a Sustainable Planet” and “Creating Healthy Living Habits,” the latter of which contributes to the realization of everyday happiness and has been a constant focus of the Group since its founding. We are advancing initiatives aimed at solving social issues through our business activities accordingly. Some of the innovative new initiatives we are implementing in these areas are showcased in this section.

Promoting Environmental Initiatives for a Sustainable Planet

pp. 21-22

Lion's Approach

Reduce environmental impact over the entire life cycle of products, including during customer use



Creating Healthy Living Habits

pp. 23-24

Lion's Approach

“ReDesign” everyday rituals to realize healthy minds and bodies for all



Lion's Value Creation Foundation and Risk Management



Basic Approach

Through sustainable business activities that adhere to its corporate motto and management philosophy, the Lion Group is working to address the Sustainability Material Issues with the aim of contributing to a healthy future for people and the planet.

The Sustainability Material Issues and 2030 Objectives

	Material issues	Objective	Indicator	Related SDGs
E	Promoting Environmental Initiatives for a Sustainable Planet	Reduce CO ₂ emissions throughout business activities and product life cycles.	• CO ₂ emissions ⇒ Down 30% compared with 2017 levels	3, 6, 7, 9
		Promote the 3Rs (reduce, reuse, recycle) and renewable activities.	• Recycled plastic and biomass plastic usage ⇒ Double 2017 levels	12, 13, 14, 15
		Reduce water usage throughout product life cycles.	• Water usage ⇒ Down 30% compared with 2017 levels (per unit of net sales)	17
S	Creating Healthy Living Habits	Provide opportunities for everyone to practice oral healthcare whenever necessary, regardless of living environment, physical condition, economic status, education or access to information, etc.	• Persons provided with oral healthcare opportunities ⇒ 1 billion	3, 4, 6, 10, 12, 17
	Promoting Diversity	Enable human resources with diverse values and ideas to fully express their individuality and abilities and succeed professionally, regardless of such factors as nationality or gender.	• Employees who understand the necessity of diverse values ⇒ 80% or more	5, 8, 10
	Promoting Work-Life Balance	Enable employees in all countries and regions to achieve high productivity and professional fulfillment in their work.	• Employees who feel a sense of professional fulfillment ⇒ 80% or more • Productivity (profit per employee) ⇒ Increase from the 2019 level	3, 8
	Developing Human Resources	Foster human resources who think independently and create value.	• Employees who are taking action to create new value ⇒ 80% or more	5, 8, 10
	Reinforcement of Health and Productivity Management	Increase the health awareness of and foster healthy living habits among employees and their families.	• Employees and their family members who get regular dental checkups ⇒ 80% or more • All employees are working toward personal health goals	3, 8, 17
	Enhancing the Occupational Safety Management System	Enhance systems to ensure compliance with occupational health and safety in each country and region, thoroughly enforce safety awareness and facility safety and ensure employee occupational safety, healthy and comfort.	• Serious health and safety legal violations ⇒ Zero • Serious accidents and serious incidents ⇒ Zero	3, 8
	Respecting Human Rights	Reinforce systems for preventing human rights problems in line with the LION Human Rights Policy.	• Serious human rights-related issues at the Lion Group and suppliers ⇒ Zero	5, 8, 10, 16, 17
	Building Responsible Supply Chain Management	Implement sustainable procurement with zero tolerance for child labor, forced labor or environmental destruction in line with the Sustainable Material Procurement Policy and Lion Group Supplier CSR Guidelines.	• Procurement of third-party certified paper, pulp, palm oil and palm kernel oil ⇒ 100% • Procurement of third-party certified palm oil and palm kernel oil from suppliers that support efforts aimed at zero deforestation ⇒ 100%	5, 6, 7, 8, 10, 12, 13, 14, 15, 16, 17
		Reinforce systems for preventing corruption and bribery in line with the LION Anti-Bribery Principles	• Serious problems related to corruption or bribery at suppliers ⇒ Zero	
	Pursuing Customer Trust and Satisfaction	Promote and reinforce consumer-oriented management by improving customer support quality and the value of products and services.	• Products in which consumer opinions are reflected ⇒ 100%	3, 10, 12
Promoting Risk Management	Implement comprehensive, extensive management of risk-related initiatives and reinforce security systems to prevent information leakage, etc.	• Risk incidents that significantly impact management ⇒ Zero • Disclosure of information about serious future risks ⇒ At least once a year	8, 12	
G	Embedding Compliance	Reinforce effective compliance initiatives.	• Serious compliance violations ⇒ Zero	5, 10, 16
	Enhancing Group Governance	Reinforce management transparency and management systems in line with the Basic Corporate Governance Policy.	• Disclosure in line with the Basic Corporate Governance Policy ⇒ At least once a year	16



Lion's Sustainability

Promoting Environmental Initiatives for a Sustainable Planet

In 2019, the Lion Group established the LION Eco Challenge 2050, a set of long-term environmental objectives, to contribute through its business activities to the accomplishment of worldwide goals related to addressing global-scale environmental problems, such as those identified by the Paris Agreement and the Sustainable Development Goals (SDGs). Aiming to realize a decarbonized, resource-circulating society, we are putting into practice initiatives aimed at solving issues related to decarbonization, plastics and water resources.

LION Eco Challenge 2050

Healthy future for people and the planet

While striving for business growth, the Lion Group is working to contribute to global environmental sustainability, aiming to realize decarbonized, resource-circulating society by 2050.

- 1 Through all of its businesses, the Lion Group will address the issues of decarbonization (climate change) and resource circulation (plastics, water resources) to contribute to the realization of a healthy future for people and the planet.
- 2 By offering products and services based on an environment-conscious design, the Lion Group will reduce the environmental burden attributable to the household use stage of its products' life cycles.
- 3 The Lion Group will provide products that contribute naturally to environmental conservation without entailing user inconvenience or sacrifice and promote the formation of eco-friendly living habits by engaging in interactive communication with consumers.

Realizing a Decarbonized Society

Challenge 1 Lion will reduce CO₂ emissions to zero throughout business activities by 2050.
2030 objective: **30%** CO₂ emission reduction in comparison with 2017 levels in absolute quantity

Challenge 2 Lion will reduce CO₂ emissions by half throughout the life cycle of its products by 2050.
2030 objective: **30%** CO₂ emission reduction in comparison with 2017 levels in absolute quantity

Realizing a Resource-Circulating Society

Challenge 3 Lion will realize advanced plastics recycling by 2050.
2030 objectives: Promote the 3Rs (Reduce, Reuse, Recycle) and Renewable (use of sustainable resources)
• **Double** the usage of recycled and biomass plastics in comparison with 2017 levels in absolute quantity

Challenge 4 Lion will optimize water usage for sustainability by 2050.
2030 objective: **30%** water usage reduction per unit of net sales across product life cycles in comparison with 2017 levels

Making Daily Living Environmentally Friendly

Related SDGs

Through innovation and coordination with diverse stakeholders, the Lion Group aims to provide consumers with products and services that "ReDesign" everyday habits and, through interactive communication, create effortless ways for consumers to be more environmentally friendly just by living comfortably. We hope to expand these endeavors from the individual lifestyle to the local community and global levels.

Realizing a Decarbonized Society

Climate change due to global warming is causing extreme weather around the world and greatly affecting all our lives. Lion's products help make consumers' lives more comfortable and convenient. However, each stage of our business activities, from raw material procurement to production and distribution, creates environmental burden. The stages of product use in households and disposal afterward represent an especially large part of the environmental burden.

Aiming for Innovation and Providing New Value to Consumers

The use of Lion's super-concentrated liquid laundry detergents (such as TOP SUPER NANOX) by consumers as part of their daily lives helps them realize clean, comfortable living while contributing to the reduction of CO₂ emissions, plastic use and water use.

By expanding our lineup of products like this that make daily living environmentally friendly, we aim to achieve business growth while reducing the environmental burden.

Making Daily Living Environmentally Friendly

CO₂ reduction:
53%
(Product emissions, compared with 1990 levels)

Super-concentrated liquid laundry detergents

High detergency, plant-based raw materials

- High detergency with less detergent
- Carbon neutral thanks to plant-based raw materials¹

Super-concentrated detergent and compact packaging

- Container size: **Approx. 40%**
- Transport efficiency: **2.5 times** that of conventional detergents

Water saving

- Foam washes away easily, for one-rinse washing
- Saves water,² electricity and time

Refill products

- Reduced plastic use (approx. 81% less than a bottle)
- Use of biomass plastics³ reduces petroleum derived plastic use

1. Carbon neutral: In which the CO₂ emission and absorption over the product life cycle cancel each other out.
 2. Water savings of 23 l (the equivalent of forty-six 500 ml water bottles) per wash when using a horizontal drum washing machine with a 9 kg capacity to wash 3 kg of clothing.
 3. Biomass plastics are polymer materials that are produced by synthesizing, either chemically or biologically, materials which contain renewable organic materials.
 (Source: Website of the Japan BioPlastics Association).

Realizing a Resource-Circulating Society

Because Lion manufactures and sells plastic products, it has a significant responsibility regarding plastic-related problems.

To help fulfill this responsibility, since 2015, we have been implementing an initiative to collect and recycle used toothbrushes in cooperation with TerraCycle Japan. Many municipal governments and schools across Japan have taken part in this initiative. Through the Toothbrush Recycling Program, as a leader in oral care, Lion is also promoting good oral care habits, aiming to help maintain and improve consumer health.

Focus Toothbrush Recycling in Coordination with Municipal Garbage Collection

In April 2020, based on an agreement with Sumida-ku, Tokyo, where its headquarters is located, the Sumida-ku government set up toothbrush collection boxes at public facilities and schools and other educational facilities (in a total of 85 locations). As part of this initiative, in addition to collecting and recycling used toothbrushes, Lion is providing instruction on correct tooth brushing to children at non-profit children's facilities in the area, helping spread and firmly establish healthy oral care habits.

Respond to the TCFD

In May 2019, Lion endorsed the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and began evaluating the financial impact on its operations of climate-related risks and opportunities (scenario analyses*).

Going forward, we will leverage insights gleaned thus far while enhancing our scenario analyses, considering response measures and advancing disclosure based on the TCFD framework.

* Conducted with support from the Ministry of the Environment.

The "Practical guide for Scenario Analysis in line with the TCFD recommendations 2nd edition" was published on the Ministry of the Environment's website in March 2020. Lion's analysis results are on pp. 136-142. http://www.env.go.jp/policy/policy/tcfd/TCFDguide_ver2_0_E.pdf

21 Lion Integrated Report 2020

Lion Integrated Report 2020 22



Lion's Sustainability

Creating Healthy Living Habits

For more than a century, the Lion Group has been carrying out educational activities aimed at spreading healthy oral care habits. Today, these activities extend beyond Japan to other Asian countries. In line with the Group's purpose, the "ReDesign" of everyday rituals, we are now launching ambitious new initiatives to help create healthy living habits for even more people by working to solve issues ranging from the personal to the societal.



New Business Initiatives for 2030

Reducing Health Disparities

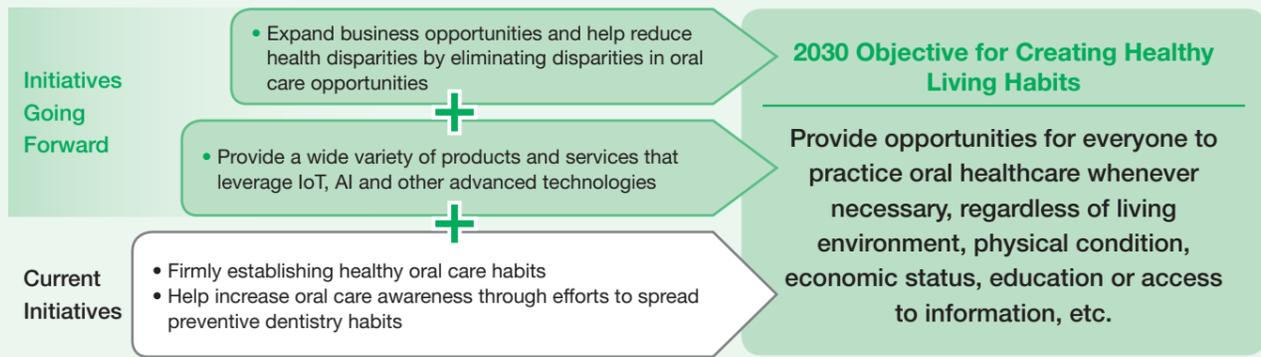
Health is influenced not only by individual factors, such as genetics and living habits, but also the culture and value of a person's living environment, their socioeconomic status and other social factors. Going forward, health disparities* caused by socioeconomic disparities are expected to worsen, becoming a greater issue around the world. We aim to become an advanced daily healthcare company. Accordingly, we will create shared value for our businesses and for society and contribute to the realization of healthy minds and bodies for all by addressing the social issue of **health disparities**. As a first step, we are rolling out new business initiatives in oral care, an area that contributes greatly to creating healthy living habits.

New Business Initiative: Inclusive Oral Care

What Is Inclusive Oral Care?

Inclusive oral care refers to activities aimed at eliminating disparities in oral care opportunities due to such factors as living environment, physical condition, economic status, education and access to information and sustainably providing oral care opportunities to all people, without exception, so that they can nurture their natural capacity to live in good health through oral care.

Approach to Initiatives and Our 2030 Objective



* A concept put forth by Chiba University's Professor Katsunori Kondo, an expert in health disparities due to socioeconomic differences.

Promoting Cleanliness and Hygiene Habits

In response to the worldwide spread of the novel coronavirus, the World Health Organization (WHO) and Japan's Ministry of Health, Labour and Welfare recommend hand washing with soap as a means of preventing infection. The Lion Group sells hand soaps and disinfectants. As such, to fulfil our corporate social responsibility, we not only provide products, but conduct educational activities to spread correct hand washing habits in Japan and across Asia.

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

Teaching correct hand washing at nursery schools, hospitals and parks

Lion Corporation (Korea)

An employee teaching children correct hand washing

Lion Corporation (Thailand) Ltd.

Students learning correct hand washing at an event

Lion Corporation

Children enjoying practicing correct hand washing while learning

Southern Lion Sdn. Bhd.

An employee using creative ways to teach children correct hand washing

Lion Corporation (Hong Kong) Ltd.

Lion Home Products (Taiwan) Co., Ltd.

Lion Corporation (Singapore) Pte Ltd

Nursery school students enjoying learning about hand washing through a quiz with the Lion mascot

The Lion Group's Goals

The Lion Group has long worked to create better living habits, such as practicing preventive dentistry and correct hand washing, in coordination with its business activities in the areas of oral care and cleanliness and hygiene. We believe that such efforts carry on our founding spirit of "benefitting society through business activities," and that by sincerely working to solve evolving social issues, we can achieve ongoing business development and contribute to the realization of healthy minds and bodies for all.

Japan is said to be one of the first countries to face certain challenges, such as severe demographic graying, and countries across Asia are forecast to face similar issues in the near future. In addition, globalization has created the conditions for infectious diseases to spread rapidly around the world. Aiming to contribute to everyday health and comfort and longer healthy life expectancy, the entire Lion Group will continue to work as one to create everyday happiness by creating healthy living habits.

Related SDGs





Message from the President

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

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



Masazumi Kikukawa

Representative Director,
President and Executive Officer
Chief Operating Officer

Message from the President

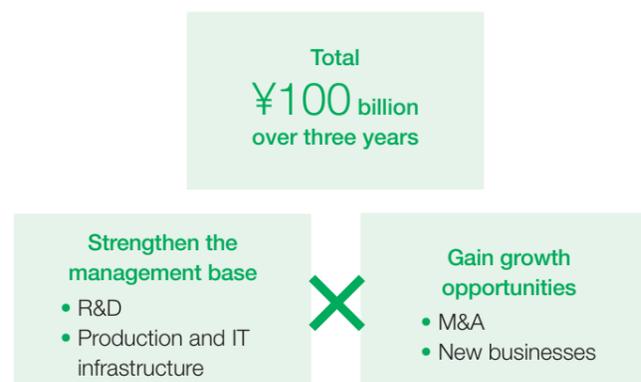
Medium-Term Management Plan: The LIVE Plan

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



Investment Strategy

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



Basic Strategies of the LIVE Plan

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

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

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

2. Accelerate Growth in Overseas Businesses through Glocalization

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

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

3. Reinforce Our Management Base through Business Structure Reform

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

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

4. Create Dynamism to Foster Innovative Change

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

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



Message from the President

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

The Four Basic Strategies of the LIVE Plan

1 Expand and Evolve Our Business Domains through New Value Creation

3 Reinforce Our Management Base through Business Structure Reform

2 Accelerate Growth in Overseas Businesses through Glocalization

4 Create Dynamism to Foster Innovative Change

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

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

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

1 Expand and Evolve Our Business Domains through New Value Creation

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

Continued Growth in High-Value-Added Products

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

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

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

New Business Creation

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

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

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

2 Accelerate Growth in Overseas Businesses through Glocalization

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

Accelerating Business Growth in China

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

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

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

Revising the Business Portfolio in Southeast Asia

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

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



Message from the President

3 Reinforce Our Management Base through Business Structure Reform

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

Stepping up Investment in Growth

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

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

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

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

4 Create Dynamism to Foster Innovative Change

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



Building Communication between Management and Front-Line Employees

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

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



Town meeting in September 2019

Lion Professional Fulfillment Reforms

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

Key Measures in 2020

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

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

Domestic Business

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

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

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

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

Overseas Business

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

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

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

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

Handling Risk

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

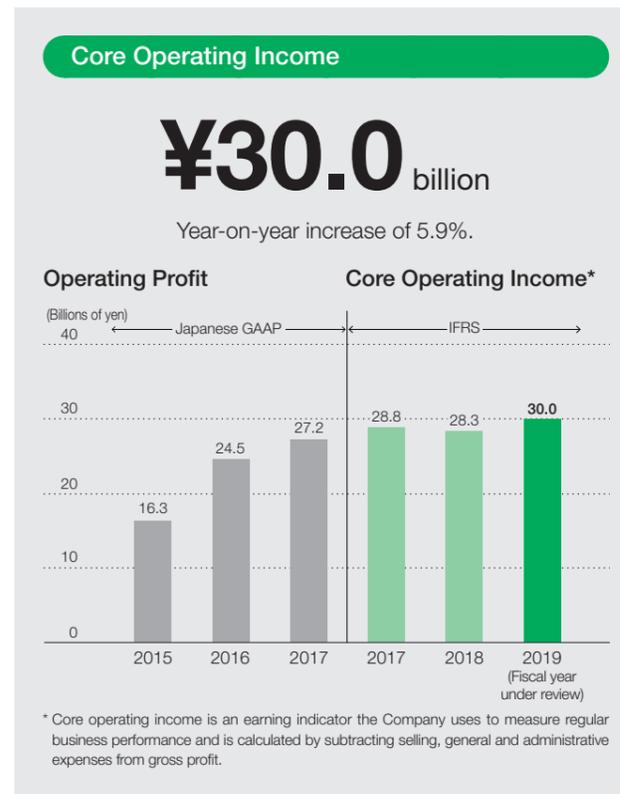
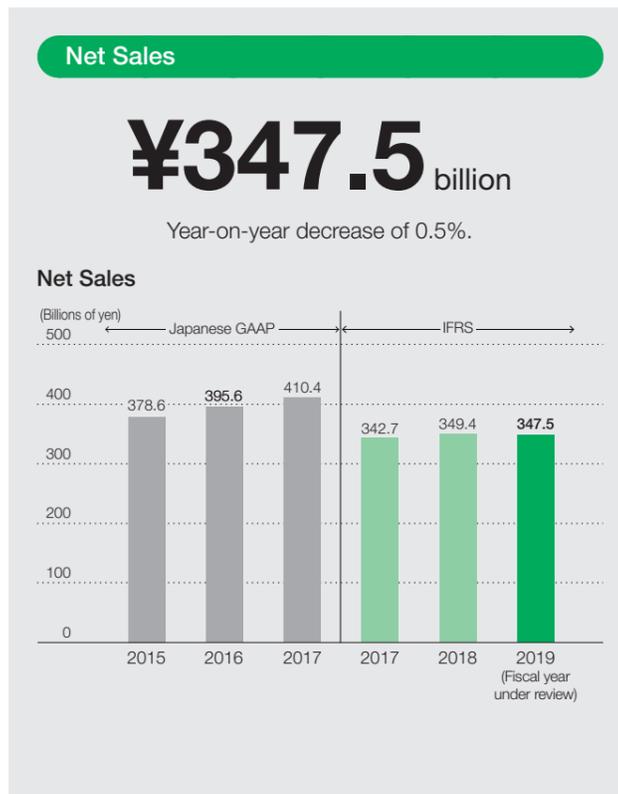
Investing in Future Growth

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

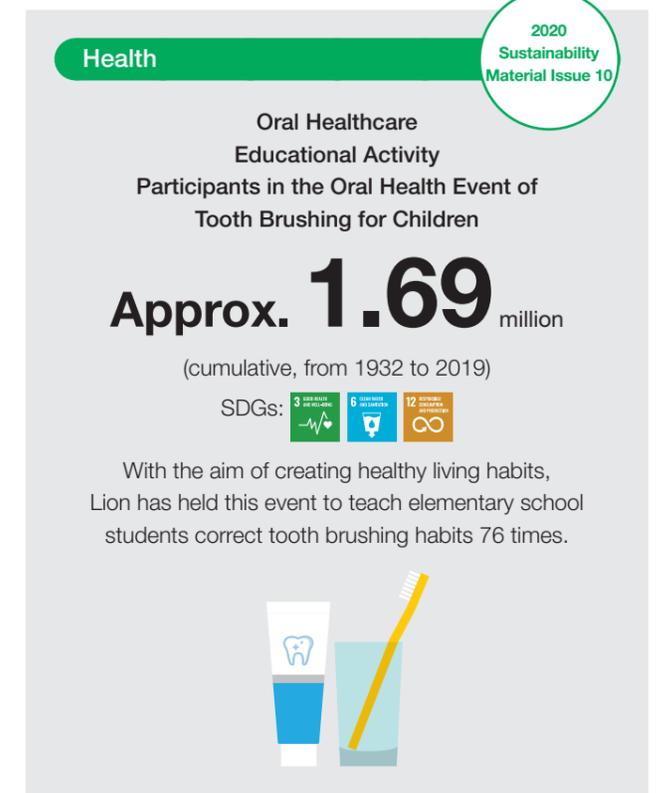
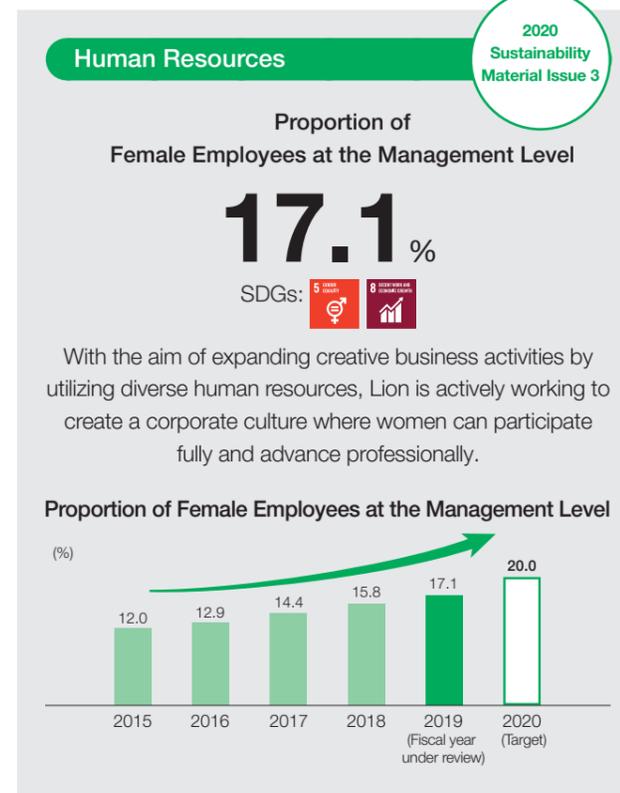
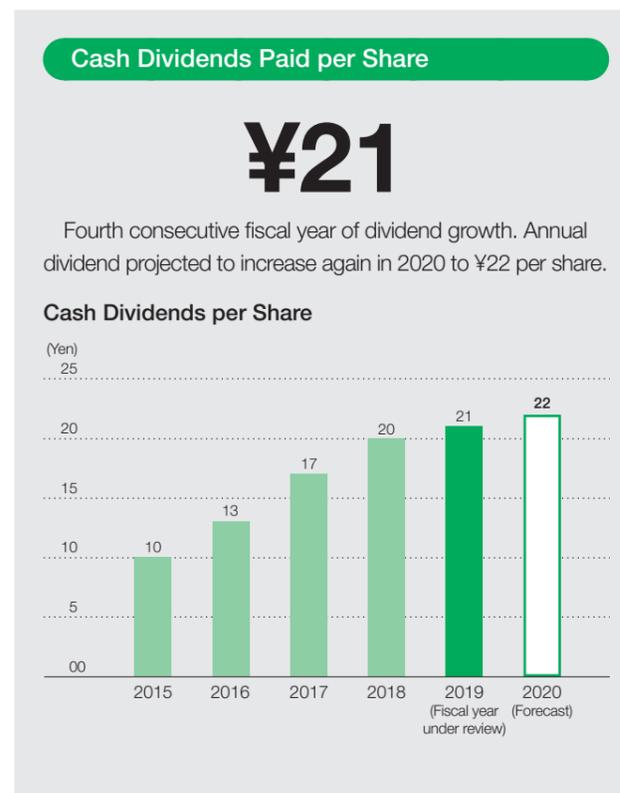
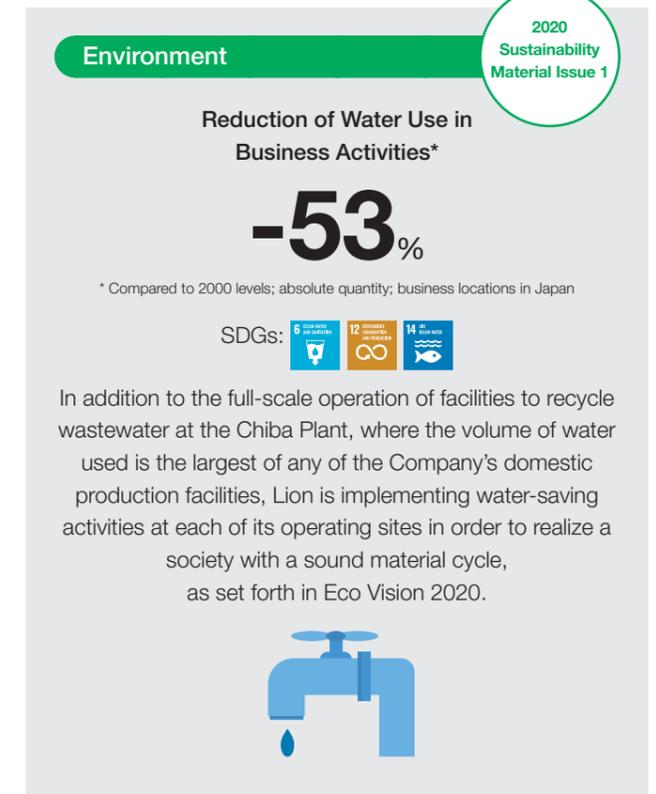
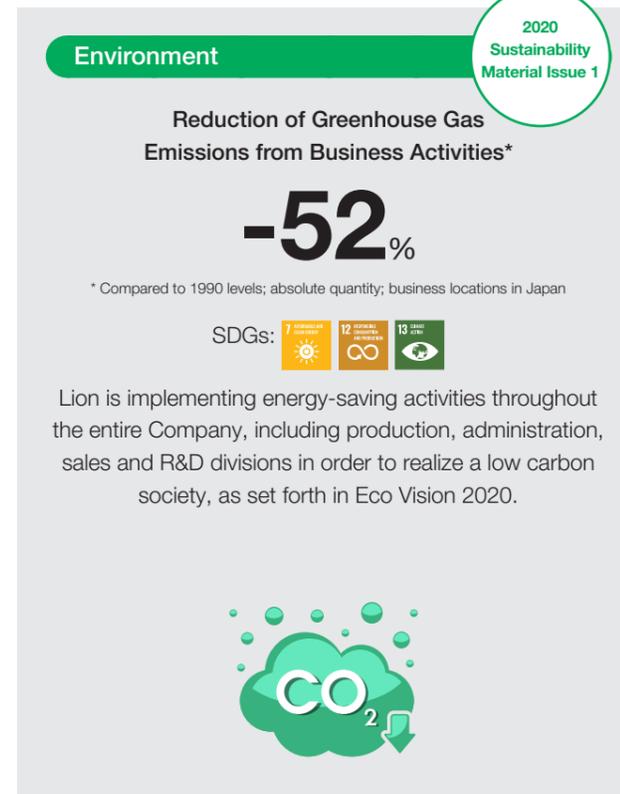


Financial and ESG Highlights

Financial Highlights



ESG Highlights



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



Consumer Products Business



Creating value for consumers to improve our position in our mainstay categories and secure a growth base

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

15%
Other



26%
Oral Care Products

Mainstay products: Toothpastes, toothbrushes, dental rinses, dental care products



Top oral care market share

Based on a Lion survey

12%
Pharmaceutical Products

Mainstay products: Antipyretic analgesics, antidiarrheals, gastrointestinal medicines, eye drops, dermatologic agents




10%
Beauty Care Products

Mainstay products: Hand soaps, body washes, antiperspirants and deodorants, shampoos, conditioners, men's toiletries



9%
Living Care Products

Mainstay products: Dishwashing detergents, household cleaners, cooking-aid products



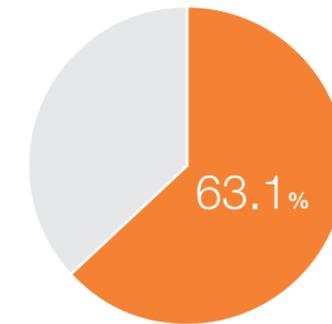
28%
Fabric Care Products

Mainstay products: Laundry detergents, fabric softeners, bleaches, clothing care agents

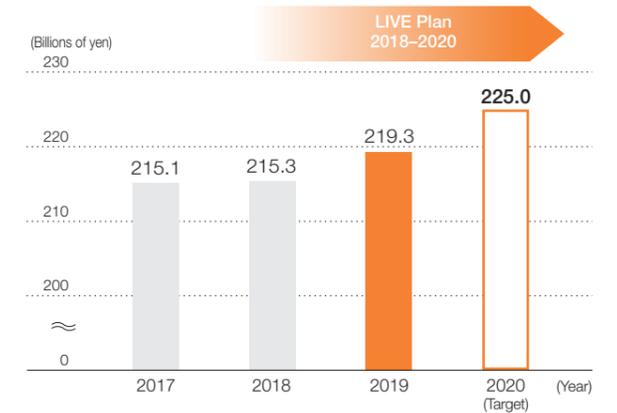


2019 Results

Percentage of Consolidated External Sales



External Sales*



Review of 2019

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

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

Market Environment

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

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

Business Strategy

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

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



Consumer Products Business

Initiatives in Oral Care

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

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

* Regular checkups at dental clinics, etc.

Focus Toothbrush Recycling Program

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

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



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

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

Resulting Business Value

Increase in toothbrush sales
Increase in Lion's presence

Resulting Social Value

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



Initiatives in Beauty Care

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

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



Activities at a nursery school



Educational activities implemented in partnership with the government

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

Initiatives in Fabric Care and Living Care

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

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

The "eco Lion" Mark

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



Initiatives in Pharmaceutical Products

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

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

In-Store Initiatives

In 2016, Lion partnered with Unicharm Corporation and Shiseido Company, Limited to establish the joint venture Japan Retail Innovation Company, Limited (JRI), which provides point-of-sale management for retail outlets, thereby beginning the collaborative operation of a framework for improving in-store operations. In 2019, we began joint shipments of in-store promotional materials that make maximum use of the synergy created by the three-company collaboration. By integrating our logistics centers and packing and shipping promotional materials for multiple companies together, we are reducing packaging volume and units sent and thereby improving distribution efficiency and reducing our environmental burden. As a result, we received the Economy, Trade and Industry Minister's Prize in the Excellent Green Logistics Commendation Program of the Green Logistics Partnership Conference. This prize recognized the partnership's contributions to reducing CO₂ emissions and the burden on retailers through the

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

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



Award Ceremony Right: Director Yugo Kume

Overseas Business



External sales for 2019 (consolidated)
¥91.7 billion

Lion Corporation (Thailand) Ltd.

Southern Lion Sdn. Bhd.

No. 1 laundry detergent market share

Lion Corporation (Korea)

No. 1 hand soap market share

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

Lion Home Products (Taiwan) Co., Ltd.

Lion Corporation (Singapore) Pte Ltd

No. 1 laundry detergent and dishwashing detergent market share

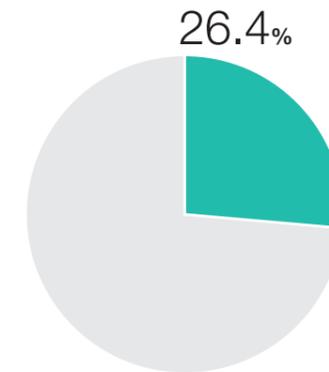
PT. Lion Wings

Lion Corporation (Hong Kong) Ltd.

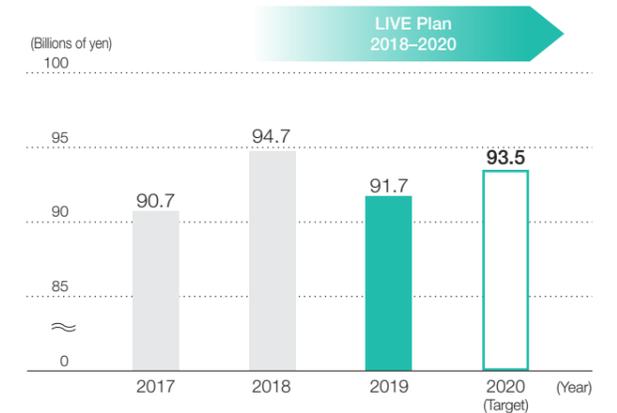
• PT. Lion Wings is an equity method subsidiary.
• Market share information is based on Lion surveys.

2019 Results

Percentage of Consolidated External Sales



External Sales*



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

Review of 2019

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

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

Market Environment

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

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

Business Strategy

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

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



Overseas Business

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

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

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

Accelerating Growth in China

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

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

Promoting Healthy Oral Care Habits through Educational Activities

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

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

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

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

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

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

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

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

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



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

Accelerating Regionally Optimized Product Development

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

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

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

Perspective of an Employee Stationed Abroad



Dairi Tsuji

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

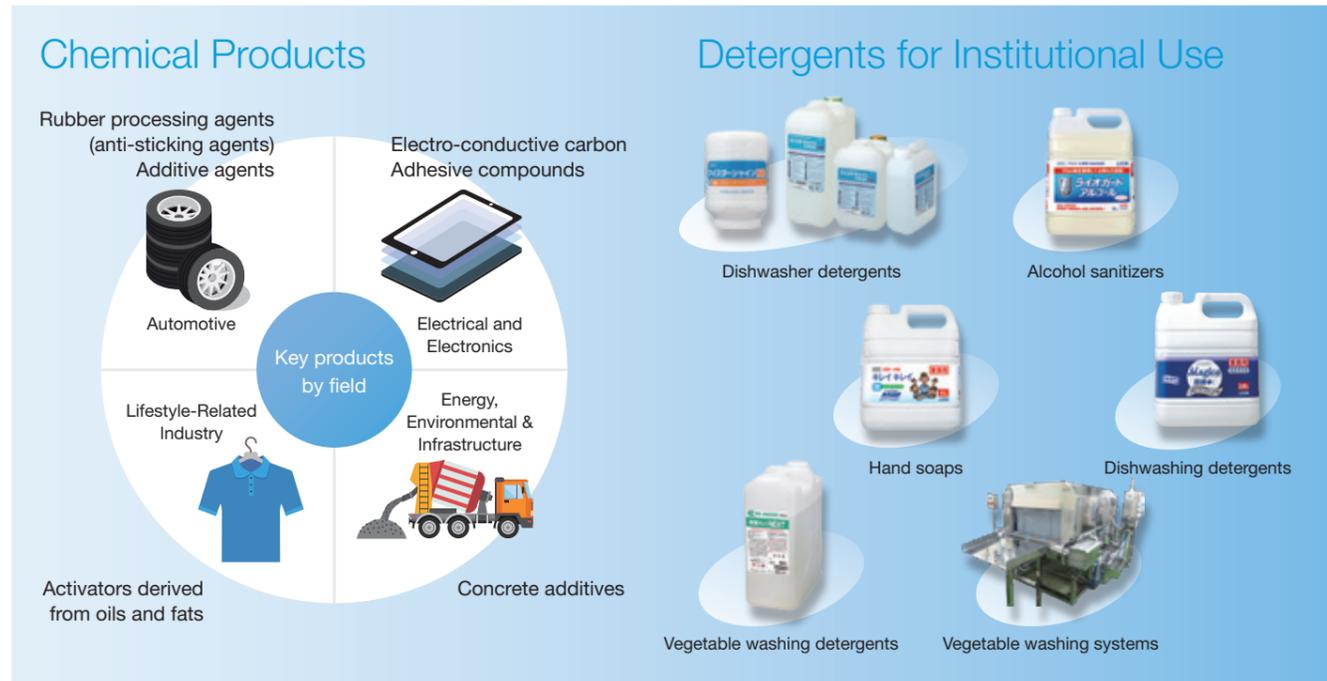
In January 2019, the operating base of the Southeast Asia Business Management Division, which is responsible for four countries in Southeast Asia (Thailand, Malaysia, Singapore and Indonesia), was moved to Singapore, and the operation of the regional business development framework began in earnest. I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

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

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



Industrial Products Business



Chemical Products Market Environment and Strategy

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

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

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

Detergents for Institutional Use Products Market Environment and Strategy

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

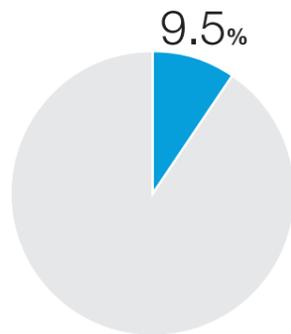
Lion Hygiene’s specialized hygiene management know-how to expand the range of our business.

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

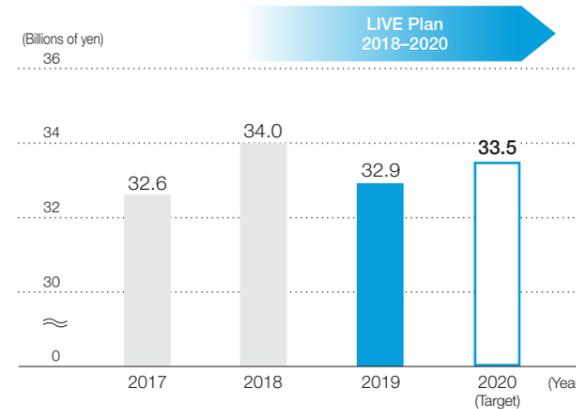
* Hazard Analysis and Critical Control Point (HACCP)
A method of hygiene management developed in the United States that has been adopted in Japan as a standard of food product hygiene management. The June 2020 amendment to the Food Sanitation Act will require all food product business operators, in principle,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

2019 Results

Percentage of Consolidated External Sales



External Sales*



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

Review of 2019

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

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

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

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

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

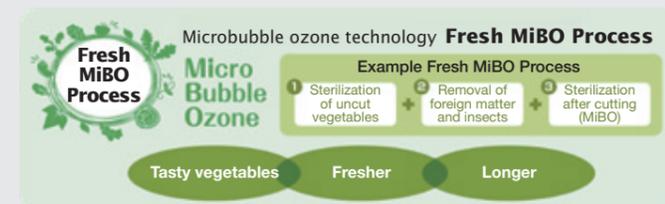
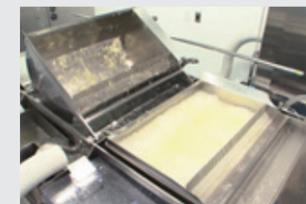


Diagram explaining the MiBO process



Vegetable washing in action

Human Resource Development



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

Yoko Koike
Executive Officer
Director of Human Resources Development Center

Basic Approach to Human Resource Development

One of the four basic strategies of Lion's LIVE Plan is "Create Dynamism to Foster Innovative Change." Under this strategy, we aim to have all employees spurring one another on and operating as autonomous individuals in order to generate waves of innovative change, that is, dynamism, across the organization as a whole. We have made the independent efforts of each individual a common element of our various measures and initiatives. From the perspective of human resource development, encompassing hiring, training, compensation and the fostering of healthy habits, we are working not only to create employee-friendly workplaces, but to instill a sense of purpose and satisfaction in every employee in order to increase productivity and create new value.

To achieve corporate growth, it is essential that all Lion Group employees exercise their diverse abilities and contribute to the achievement of Lion's purpose: realizing healthy minds and bodies for all consumers. To push toward a new stage of growth, we are working to firmly root the Lion Professional Fulfillment Reforms throughout the Company and thereby advance value-creating human resource development.

Initiatives for Creating Dynamism



Lion Professional Fulfillment Reforms

To realize the targets of the LIVE Plan, we aim to ensure that each individual is able to take total ownership of their role and exercise their abilities to the fullest. To this end, we have launched a new initiative, the Lion Professional Fulfillment Reforms, focused on health, work styles and enabling diverse human resources to succeed, with the key themes of "first, just do it" and "mutual acceptance."

Work style reforms begin with enabling employees to work with vigor and enthusiasm. For this, it is important that employees act not just because they are told to, but because they themselves feel the need and desire to act. For employees to think and create optimal work styles for themselves, they must work with deliberate autonomy. The role of the Company in this is to create environments that allow employees to utilize their own strengths, find the work styles that best suit them and coordinate with others.

Our work style reforms comprise four initiatives: 1) Make maximum use of diverse talent through work management, 2) Change ways of working, with emphasis on independence, 3) Strengthen relationships to foster mutual understanding and respect while invigorating organizations and, as the foundation supporting the first three, 4) Implement Lion-style health support, "GENKI" Action. By implementing multifaceted initiatives, we are promoting diversity and openness among our human resources, organizations and corporate culture.

Through the Lion Professional Fulfillment Reforms, we will increase the job satisfaction of each and every employee, develop personnel who generate new value and increase labor productivity.

LION Professional Fulfillment Reform Framework



1. Work Management (Make Maximum Use of Diverse Talent)

To increase the productivity of all employees, it is important to increase the abilities of all employees. We are taking a two-pronged approach comprising supporting the development of diverse talents and providing opportunities to utilize such diverse talents. We will provide support for employees to grow by autonomously acquiring knowledge and experience in order to realize the careers they have designed for themselves and thus make maximum use of their diverse talent.

Supporting Autonomous Career Development

In Japan, as average life spans continue to lengthen and people work longer before retirement, there is a growing need to adjust work styles for professionals at different life stages. For employees to be fulfilled in their professional and personal lives, it is important that they autonomously design their own careers. In 2020, we have launched what we call Career Design Support, which is aimed at supporting deliberate autonomy that will enable all employees to advance their own careers based on their own aspirations and actions. We have established a career design support hotline that offers career consultations and disseminates information in and outside the Company. We also offer career design seminars tailored by age group to help employees design their careers and rediscover their own potential.

Career Design Support



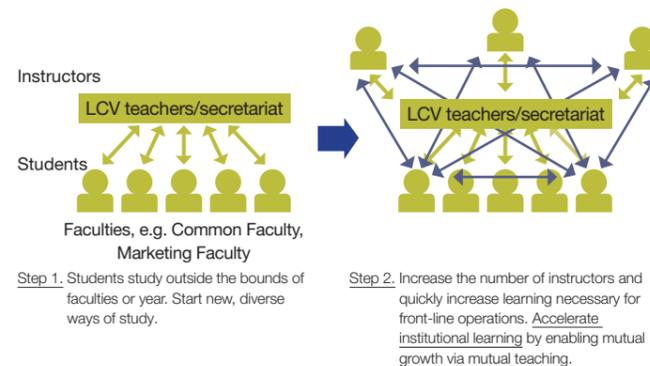


Human Resource Development

Supporting Autonomous Ability Development

In 2019, we launched Lion Career Village (LCV) to support employees' autonomous development of their abilities. More than 60% of those eligible are using LCV online instructional content, with approximately 20% participating in discussion-style programs. LCV is thus contributing to the formation of self-directed learning habits among employees. Going forward, to help employees gain knowledge that will further expand the breadth and depth of their work and with an eye to accelerating institutional learning, we will create environments that enable them to teach one another and share what they have learned.

Enhancing Lion Career Village (LCV)



Focus Lion Career Village Receives Two Awards

The new LCV system Lion launched in January 2019 to help employees realize self-directed growth received the Career Up Education Special Division 16th Japan e-Learning Grand Prize organized by e-Learning Initiative Japan and Nihon Kogyo Shimbunsha as well as the Nihon no Jinjibu HR Award 2019 from the Nihon no Jinjibu HR Award Organizing Committee.

Going forward, we will continue to improve work environments that promote ambition and creation to help all employees advance their careers in an effort to reinforce front-line capabilities.



Providing Opportunities for Employees to Utilize Their Diverse Talents

We have commenced operation of the "handpicked appointment" to select project leaders without regard to years of service or age and the "exceptional promotion" to quickly identify outstanding human resources early and expand the area of responsibility and authority. In addition, on a trial basis we have implemented multifaceted evaluations of ability to take action with an eye to increasing employee satisfaction and fostering professional fulfillment.

2. Work Styles (Change Ways of Working, with Emphasis on Independence)

We are working to reinforce organizational strength by utilizing the multifaceted talents of diverse human resources and giving decision-making authority and responsibility to all employees operating with deliberate autonomy. We are improving environments to leverage the various strengths of employees with diverse backgrounds, including differing lifestyles and values, and ensure that employees with fresh perspectives and ideas can thrive.

Promoting Smart Work

We are enhancing workplaces to improve employee work styles and the quality of communication. We have remodeled some offices, creating spaces for collaborative and solo work. Through such efforts, we are testing new types of working spaces with the aim of effectively enhancing employees' various work styles.



Revising Work Rules

Since 2019, we have been relaxing work rules, such as those about working from home and work attire. Our work-from-home system is aimed at accommodating autonomous work styles in line with the diversity of our employees and at increasing productivity. To encourage employees to try the system, we have been improving related systems and their operation, including participating in the 2019 Telework Days campaign*1 (August–September 2019).

By the end of 2019, trial implementation had expanded to the point that the portion of employees that had used the work-from-home system at least once had grown to 49%. Since February 2020, to prevent the spread of the novel coronavirus, except for employees who must be physically present to perform their duties, such as those involved in production, receiving orders and shipment operations, all employees have been working from home.*2

*1 An initiative organized by the Ministry of Internal Affairs and Communications and Ministry of Economy, Trade and Industry in collaboration with related government agencies and organizations aimed at promoting the use of telecommuting across Japan and, to alleviate transportation congestion during the Tokyo Olympic and Paralympic Games, encourage companies and other organizations nationwide to practice coordinated telecommuting on certain days
*2. As of May 31, 2020

Focus Figuring Out an Ideal Work Style: Telecommuting

User's Perspective

Iyo Takatsu

Beauty Care
Business Department,
Health and Home Care
Products Headquarters



An advantage of telecommuting is that it allows you to find better, more efficient ways of working. After getting my work done efficiently, I often have more time than I otherwise would to prepare dinner and can take more care with it. Being able to feel satisfied with the level of housework I do even on weekdays has felt like a real lifestyle improvement.

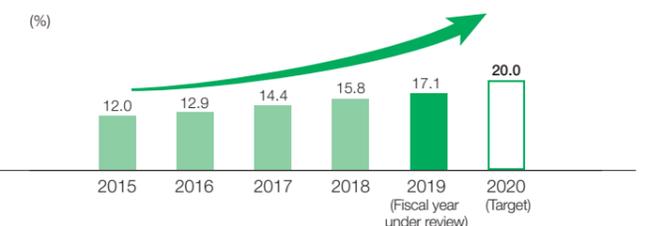
Promoting the Professional Participation and Advancement of Women

Lion recognizes that the professional participation and advancement of women is indispensable to the further enhancement of corporate value and is proactively implementing measures to promote the professional engagement of women. Based on the Act on Promotion of Women's Participation and Advancement in the Workplace, which came into full effect in 2016, Lion has expanded systems related to childcare and implemented support measures for working parents in order to allow women to fully participate professionally over the long term. We are also implementing measures to support employees balancing work and nursing care.

Furthermore, through a range of initiatives, in 2020 we aim to increase the proportion of female employees in Japan at the management level* to at least 20%.

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

Proportion of Female Employees at the Management Level



Promoting Work-life Balance (Japanese)
https://www.lion.co.jp/ja/csr/employee/work_life/

Lion's entry in the Ministry of Health, Labour and Welfare's database of companies submitting action plans and data based on the Act on Promotion of Women's Participation and Advancement in the Workplace (Japanese)
<https://positive-ryouritsu.mhlw.go.jp/positivedb/detail?id=453>

Lion Receives Platinum Kurumin Certification for its Support of Childcare

Lion is aggressively working to create environments that allow employees to work while raising children so that all employees can exercise their abilities to the fullest. Through such initiatives as encouraging the use of childcare-related systems, providing support for smooth reinstatement after childcare leave and encouraging male employees to take parental leave, we have achieved a 100% retention rate for female employees one year after giving birth and a 71% usage rate for childbirth leave or parental leave among male employees (for the period of April 2015 to December 2018). In addition, we have been advancing efforts

to promote healthy work-life balance among all employees, not only those raising children, such as encouraging the use of annual paid leave and expanding the use of the work-from-home system. As a result of these efforts, in 2019, Lion received special Platinum Kurumin certification.



Lion has received Kurumin certification five times and received Platinum Kurumin Certification in 2019.

Lion's page in the Ministry of Health, Labour and Welfare's database of companies submitting action plans and data based on the Next Generation Education and Support Promotion Act (Japanese)
https://ryouritsu.mhlw.go.jp/hiroba/search_dtl.php?cn=107866#actionplan



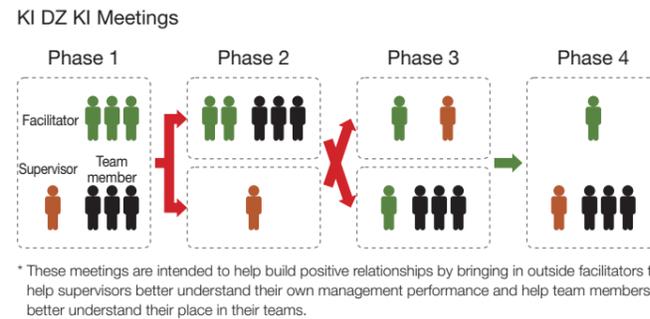
Human Resource Development

3. Strengthen Relationships (Mutual Understanding and Respect)

Strengthening intra-organizational relationships to facilitate coordination between individuals is key to the innovation of work management and work styles as well as fostering greater professional fulfillment. We aim to create organizations in which people can openly share not just information about work, but their concerns, questions and appreciation. Through mutual understanding among employees and the organization, we strive to create organizations that leverage and reinforce the abilities of individuals.

Mutual Understanding in Teams

We are implementing 1-on-1 Meetings, in which managers meet with their subordinates individually to strengthen their relationships, as well as KI DZ KI Meetings, which are aimed at strengthening relationships within entire teams, among other measures. Based on the results of trial implementation in certain units, we are rolling out the measures that are most effective to the entire Company.



4. Lion-Style Health Support—“GENKI” Action

The foundation of professional fulfillment reform is health. We believe that empowering every employee to maintain and improve their health while achieving personal growth and professional and personal fulfillment will serve to enhance corporate productivity and thereby creativity and expand opportunities for Lion to contribute to society. We are implementing Lion-style health support, “GENKI” Action, to promote the formation of healthy habits.

What is “GENKI” Action?

“GENKI” Action underlies the three frameworks of our professional fulfillment reforms. The concept behind “GENKI” Action initiatives is to “ReDesign” employees’ health-related habits to be more natural, easy and enjoyable. Through these initiatives, we are working to raise employees’ health awareness and provide support for self-directed preventive activities.



1) Clearly laying out current and future lifestyle-related disease risk
We plan to implement an individual health information system that clearly lays out each employee’s health-related data, such as that from health checkups, dental checkups and saliva tests, and make such data easy to access by that individual.

2) Fostering preventive dentistry habits
We aim for all employees to practice preventive dentistry. We are implementing a range of initiatives, such as subsidizing the cost of receiving professional care, recommending dentists and directly contacting high-risk individuals.

3) Reinforcing countermeasures for three common types of cancer*
We have established a voluntary screening system aimed at early detection and treatment.

* Lung, stomach and colon cancers

Age	40	45	50	60
① Hepatitis B/C virus tests	●			
② Stomach cancer risk screening	●			
③ Gastroendoscopy			●	→ (64 years old)
④ Lung CT and large intestine endoscope				● → (64 years old)

4) Reinforcing Anti-Smoking Initiatives
We are advancing support, including creating facilitative environments, for employees who want to quit smoking. We have an online anti-smoking support program, and, beginning in January 2020, have banned smoking during work hours. Through such efforts, we are working to reduce the smoking rate among employees.

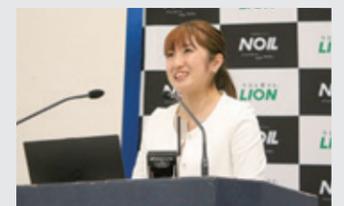
Lion aims to be a company where anyone would want to work thanks to its high productivity, new value creation and sustainability. The core element supporting ongoing growth toward this end is employees. Lion will provide support to help all employees achieve personal and professional fulfillment and growth in their roles within the Company and their families. We will evolve into a strong organization that increases professional fulfillment, fosters human resources with high aspirations and motivation, and creates new value.

Focus Discovering Innovative People

The Launch of NOIL, a New Value Creation Program

The LIVE Plan includes the basic strategies of Expand and Evolve Our Business Domains through New Value Creation and Create Dynamism to Foster Innovative Change. As part of initiatives based on these strategies, in 2019 we launched NOIL, a program for selecting and implementing new business ideas.

Under the theme of going beyond conventional healthcare wisdom, NOIL is aimed at continuously creating businesses that offer new value. In the program’s first year, it received applications from more than 100 people, collecting ideas based on diverse perspectives from employees not only in the R&D Division and Marketing Division, but divisions across the Company, including those related to sales and production. The applicants examined issues faced by consumers and, through their own efforts, devised business ideas aimed at resolving them. To commercialize the ideas for new products and services that management and outside experts selected as promising, the employees that submitted the chosen ideas have been transferred to the newly established Business Development Center, where they can take a central role in putting their ideas into action.



Presentation at the Final NOIL Evaluation in 2019

Overall Scheme of the NOIL Program



Establishment of the Business Development Center

In January 2020, we established the Business Development Center, a unit aimed at creating new value. Specifically, the center is charged with putting NOIL into action and takes a cross-sectional, overarching approach to the three elements necessary for innovation, namely customer experience development, business model design and effective use of technology, to propose new living habits based on outstanding customer experience value and thereby create new businesses.

Perspectives of Employees Working to Commercialize New Businesses

Akane Hirooka
Business Development Center
(Previously of the Marketing Division)



The experience of independently coming up with the solution to a problem I had in my own daily life was the impetus for my applying to NOIL. I wanted to share my solution with others and spread the joy it brought. I also wanted to work on solving consumers’ problems from a wider perspective that transcends the boundaries of the areas I had worked in previously. Bringing together underutilized resources and consumers’ real desires, I am starting to work toward commercialization.

Mizuho Niibori
Business Development Center
(Previously of the R&D Division)



One of the reasons I applied to NOIL was that I wanted to solve difficulties encountered in everyday life. At the same time, I wanted to do something different than what I had been doing at work to that point so that I could broaden my perspective and push myself to grow. Over the course of the program, the process of refining my idea was difficult, but I had support from both in and outside the Company and was able to deliver a final proposal. Going forward, as the “owner” of the business, I will work with even more people to make it a reality.



Research and Development



Creating New Lifestyle and Experience-Based Value through R&D

Kosuke Tanaka
Executive Officer
Executive General Manager of Research and Development Headquarters

The Mission of the Research and Development Headquarters and Lion's Strengths in Research and Development

The mission of the Research and Development Headquarters is to continually innovate in order to achieve the management vision of "Becoming an advanced daily healthcare company."

We believe that innovation is indispensable to meeting diversifying consumer needs. Lion seeks to "ReDesign" everyday rituals. This requires more than just innovative new technologies—the most important element is the consumer's perspective. The links that Lion has to consumers through the many products they use every day and Lion's understanding of daily living are its strengths. By integrating our longstanding consumer research with new research areas, such as perceptual engineering and psychology, and incorporating new approaches, such as design thinking, we are continually offering better products that are closely aligned with consumer needs to help realize healthy and comfortable living.

The core technologies that support our R&D capabilities are oral care, life science, interface science, cleaning technology and formulation technology. By combining these with new technologies in novel ways, we create innovative products, and, through the creation of new value, we contribute to extending healthy life expectancy and ensuring everyday well-being.

Going forward, in addition to offering products that are closely aligned with consumer needs to help realize healthy and comfortable living, the Research and Development Headquarters will incorporate diverse technologies and services and reinforce R&D aimed at achieving healthy minds and bodies for all. By doing so, we aim to become an advanced daily healthcare company.

Basic Policy of the Research and Development Headquarters

ReDesign

Health	Comfort	Cleanliness
Research aimed at extending healthy life expectancy, so that customers enjoy healthy, fulfilling daily living over their entire lives.	Research aimed at emotional care through the performance of household chores and personal care by scientifically designing and realizing comfort.	Research aimed at delivering cleanliness—the core of healthy, comfortable living—in exciting and surprising ways.

Lion's Strengths in Research and Development



Promotional Framework of the Research and Development Headquarters

In addition to efforts to develop technologies and products that offer new value to consumers, the Research and Development Headquarters has built a framework for expanding Lion's business domains by acquiring new technologies.

To ensure an overarching view of the business strategies of Group companies in Asian countries outside Japan and prioritize research topics by the degree to which they contribute to business, we have concentrated our overseas product development functions at the Developmental Research Laboratories and thereby reinforced our R&D capabilities.

Moreover, we are integrating Lion's technologies with digital technologies newly acquired through open innovation and collaboration with external institutions to create new businesses not only in our existing domains, but in services and other new areas.

We have also consolidated our technological development capabilities in the technological fields of oral care, interface science and analytics, which are fundamental to our businesses, to form the Basic Research Laboratories.

In January 2019, we established a department to unify our research and development strategies as well as to integrate, promote and oversee efforts related to common themes across research institutes.

Furthermore, we established an organization aimed at promoting digital transformation in research operations and at creating new value through data science. We are also ambitiously working to build a data platform aimed at creating a new health and productivity management model.

Utilizing these updated structures, Lion is further activating its existing businesses and reinforcing support for the development of products and local brands based on local needs across Asia through enhanced coordination with overseas divisions. We are advancing initiatives to create new businesses and new markets aimed at delivering lifestyle innovations unique to our Company.

Promotional Framework



Advancing R&D by Integrating Globalization and Localization

Product Development Based on by Local Culture and Living Habits

Lion is advancing glocalization to expand the scale of its overseas operations. In our R&D operations, we station researchers in the countries where we do business as needed in order to investigate local living habits, discover business opportunities that do not exist in Japan and develop new products accordingly.

In Indonesia, economic growth in recent years has driven the expansion of the beauty care market. We have positioned Indonesia as a key country for the beauty care field within Southeast Asia and are working with the affiliate PT. Lion Wings to develop new products. In an effort to make a full-fledged entry into the facial care market, Lion researchers are stationed at a local laboratory of PT. Lion Wings, working with local researchers to create skin tone balancing creams and face washes, from the initial investigations of consumer needs to formulation development and production.

Initial Investigations of Local Consumer Needs

Local dermatological research has found that, compared with consumers in Japan, consumers in hot, humid regions tend to more often confront problems related to the weakening of the skin's

natural barrier functions and with sunlight-related aging. In addition, observational research into facial care behaviors has found that these consumers value face washes that foam well and provide a well-moisturized feeling while creams are not sticky and brightening.

Working with the Local Team to Accelerate Development

At first, differences in blending methods used in manufacturing creams and face washes resulted in inconsistent product stability. Together, our research, process and production divisions worked to optimize the formulations and blending methods for the local production facilities. They also selected containers that both suited the content of each product while being easy to use. In these ways, we were able to quickly resolve issues to meet local conditions. As a result of these efforts, the new brand *POISE* was launched in August 2018, and its sales are doing well.





Research and Development

New Technologies and Products Created Based on Consumer Research

A Toothbrush That Clicks When Excessive Force Is Applied

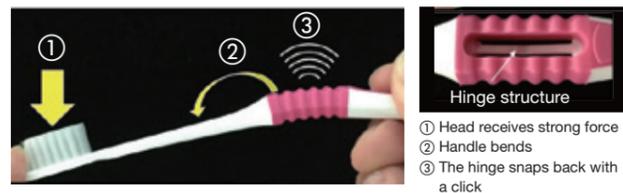
Receding of the gums occurs when the roots of the teeth, which are normally hidden under the gums, become exposed. Because the dental roots are relatively weak against acids, cavities can form very easily and advance quickly, increasing the risk of losing the tooth. Receding gums are most commonly caused by gum disease and aging, but over-brushing, can also be a factor.

A consumer survey found that 41% of respondents self-reported accidentally applying too much force while brushing their teeth (2017 Lion survey of women aged 35–59), and many people have been told by their dentists that they are brushing too hard.

Finding an appropriate brushing pressure requires the user to be aware of how much force they are applying. Thinking that sound could be an ideal tool to draw user attention, Lion combined its toothbrush design know-how and molding technologies to develop new alarm handle technology that causes a sound to be emitted from the plastic when excessive force is applied. Within the plastic

alarm handle is a hinge. When a certain amount of force is applied to the head of the toothbrush, the handle bends, and the forceful snap-back of the hinge then produces a sound.

The *CLINICA Advantage NEXT STAGE Toothbrush*, launched in 2019, mitigates excessive brushing pressure with its bendable handle that clicks to alert the user when they are brushing too hard. Simply by being careful not to make the handle click while brushing, consumers can prevent overbrushing while still effectively removing plaque. By helping users take their time and avoid brushing too hard, the product is helping to foster proper tooth brushing habits.



First Ever Laundry Detergent that Combats Odors from Indoor Drying, Age, Sweat and Pets with Total Deodorizing*

Approximately half of all consumers view odor removal as an important consideration when buying laundry detergent, and the number of such consumers has increased approximately 40% in the last five years (2018 Lion survey).

In addition, a survey about clothing odors found that consumer concerns about odors vary widely and include concerns about body odors, such as age-related and sweat odors; odors caused by bacteria, such as those from damp clothing or clothing left too long without drying; and specific odors, such as those from pets or tobacco (2019 Lion survey).

To address these concerns, Lion applied its accumulated core washing technologies, advancing product development with the aim of creating a single detergent capable of eradicating highly varied and often difficult-to-wash-out clothing odors.

TOP SUPER NANOX For Odors, released in 2019, combines four odor-removing mechanisms to achieve total deodorizing.* This super-concentrated laundry detergent for odors provides all-around deodorizing and odor prevention.

* Total approach addresses deodorizing from the biological, physical, sensory and chemical perspectives

Four Deodorizing Mechanisms

1. Unique *NANOX* washing technology (formulated with the proprietary washing ingredient MEE and new nano enzymes) removes odor-causing grime at the source with each wash.
2. The premium antibacterial formula fights bacteria for a full 48 hours, suppressing the growth of a wide range of odor-causing germs (both gram-negative and gram-positive bacteria).
* Not effective against all types of bacteria.
3. Fragrance formulated with deodorizing ingredients that neutralize and suppress the unpleasant odors that arise during wearing.
4. The refreshing aqua soap fragrance imparts a fresh, clean impression.



The combination of these effects not only alleviates concerns about odors that consumers previously had no way of addressing, it also eliminates the need to use multiple detergents, helping reduce the burden of housework.

By alleviating odor-related frustration, we aim to “ReDesign” laundry habits to be more enjoyable and contribute to consumer’s everyday well-being.

Focus New Initiatives Aimed at Creating New Value

Innovation Lab

Background of the Lab’s Establishment

The Innovation Lab was established in January 2018 to further advance innovation within the Research and Development Headquarters. The lab is a network-based unit in which each member of staff generates ideas as the leader for a certain theme and refines them together with the other members. Adopting an entrepreneurial mindset, the staff works to create new value by implementing a repeated cycle of seeking

insights from customer perspectives, prototyping, verifying and gathering feedback. The Innovation Lab is also proactively advancing open innovation. To create new businesses, we actively pursue collaboration with outside parties that have technologies not available to Lion, greatly increasing the speed of commercialization.

01 Example Initiative

A Space for Demonstration Testing to Develop New Products and Services

point 0 marunouchi

point 0 marunouchi is a membership-based coworking space created with the aim of realizing the office of the future.

Demonstration testing of the space began in July 2019 as a collaborative effort involving Lion, Okamura Corporation, Daikin Industries, Ltd., Tokio Marine & Nichido Fire Insurance Co., Ltd., MyCity Inc., Asahi Breweries, Ltd., TOA Corporation, TOTO Ltd. and Panasonic Corporation. Leveraging the latest technologies, data and know-how from each company, the project offers various types of spaces (open spaces, conference rooms, distraction-free work booths and nap booths) to enable all users to work in ways that align with their objectives and preferences. Collecting and analyzing data on the movement and physiological state of users as they work as well as the operation of equipment, we aim to further refine content and create new services.

Through this demonstration, Lion aims to develop new products and services that contribute to the improvement of healthcare and etiquette literacy for office workers. Specifically, we are utilizing oral cavity sensing to check users’ risk of bad breath and creating spaces that facilitate mental healthcare.



02 Example Initiative

Offering Fun Tooth Brushing through Open Innovation

Possi

Possi is a kids’ toothbrush for adult-assisted brushing, combining design, music and technology created in line with the concept that tooth brushing can be changed from something that children dislike to something fun. When the brush touches the teeth, sonic vibrations (sound) pass through the toothbrush head to the teeth, enabling a new experience of enjoying music or other audio by brushing. *Possi* was developed through open innovation combining Kyocera Corporation’s sophisticated ceramics technology, Lion’s oral care product expertise and the systematic startup commercialization know-how of Sony Corporation’s Sony Startup Acceleration Program (SSAP).

To test-market *Possi*, we carried out a two-month crowdfunding campaign from July 3, 2019, on Sony’s *First Flight* crowdfunding platform, successfully reaching our fundraising target. The project has received considerable attention, including coverage in nationwide newspapers and other media during the campaign.

Fundraising target: ¥20,000,000
Amount raised: ¥21,838,700
Supporters: 1,344





Supply Chain



Reinforcing Advanced, Sustainable Systems to Secure Competitive Advantage

Shinichiro Hiraoka
Executive Officer
Executive General Manager of Supply Chain Management Headquarters

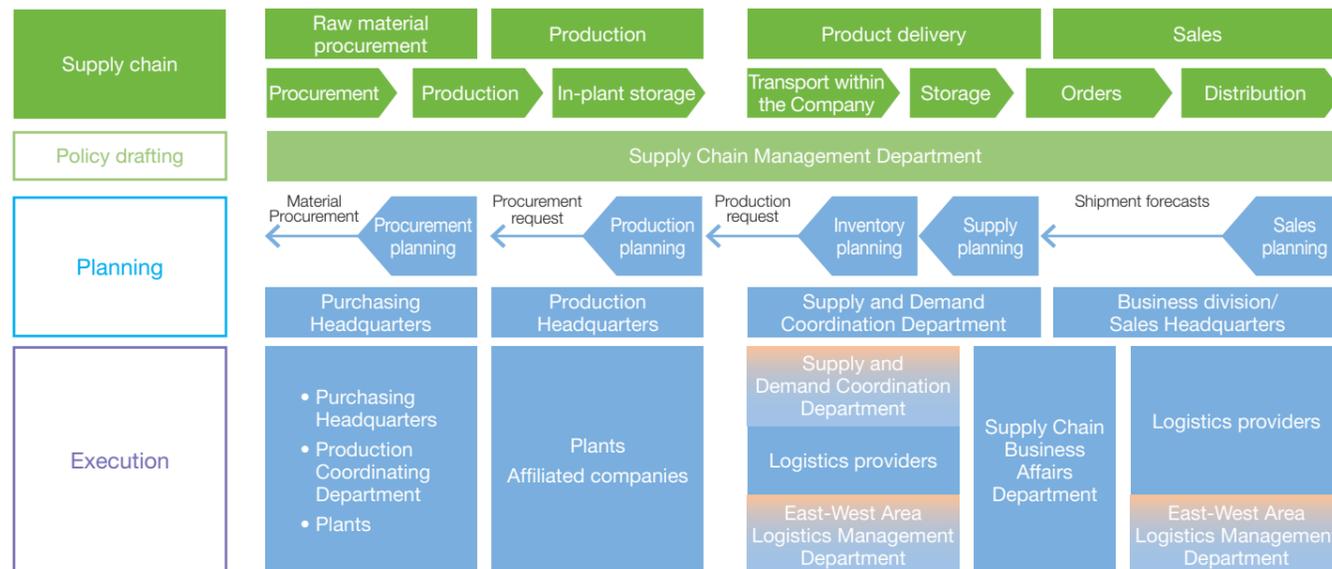
Sustainable, Highly Competitive Supply Chain Management

In response to Japan's emerging logistics crisis, driven by labor shortages and growing CO₂ emissions, Lion has designated "Build more advanced and sustainable supply chains" as a target of the LIVE Plan. To build strong supply chain management that will provide a competitive edge, we are steadily reinforcing our logistics management system, which integrates raw material procurement,

production and product delivery, advancing sustainable raw material procurement and creating stable supply systems.

In addition to Lion's own accumulated technologies and know-how, through collaboration with external partners, Lion will bring in new external approaches and facilities in order to meet constantly changing market needs and provide diverse products and services.

Logistics Management System



Sustainable Raw Material Procurement

Promoting Sustainability with Materials Manufacturers and Production Contractors

Lion regards the creation of responsible supply chain management through reinforced coordination with materials manufacturers and production contractors as a key issue in its supply chain initiatives. To reduce the negative environmental and social impacts of business activities and advance sustainable mutual business development, we must work with suppliers to evolve our sustainably initiatives based on our Procurement Principles. These principles clearly lay out Lion's policy of considering legal compliance, environmental conservation and respect for human rights when selecting suppliers. In addition, we have established the Lion Group Supplier CSR Guidelines, which specify the sustainability initiatives we expect from our materials manufacturers and production contractors. Using these guidelines, we ask these partners to implement annual self-checks of their sustainability initiatives and then provide them with feedback based on the results. Through these efforts, we have put into place a system that continuously advances CSR procurement.

Aiming for Sustainable Raw Material Procurement

Lion aims to contribute to the achievement of the Sustainable Development Goals (SDGs), a set of shared worldwide goals for 2030. However, palm oil derivatives and pulp and paper products, which are key raw materials in Lion's products, present risks to sustainable development in terms of human rights, labor issues and environmental issues. To address these risks, we have established the Sustainable Material Procurement Policy. Based on this policy, we are advancing initiatives aimed at the sustainable procurement of palm oil derivatives and pulp and paper products.

Sustainable Palm Oil Procurement

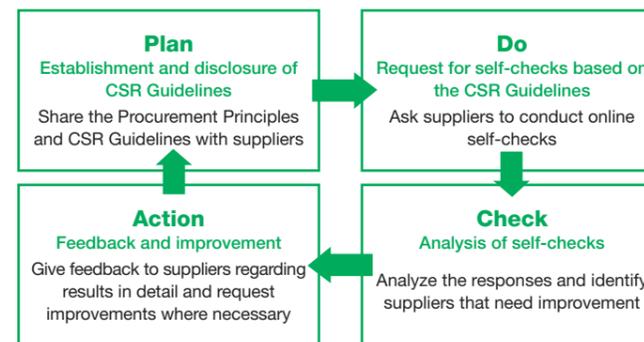
Lion uses palm oil derivatives—plant-based raw materials that are inexhaustible and carbon neutral—in its products. Lion has been a member of the Roundtable on Sustainable Palm Oil (RSPO) since 2006 and sources RSPO-certified palm oil derivatives. In 2019, we continued these efforts to meet our targets for 2020 and achieved a RSPO-certified procurement rate for palm oil derivatives of approximately 14%.

Targets:

- For all palm oil, palm kernel oil and their derivatives used in the domestic Lion Group's consumer products to meet the sustainability standards of third-party institutions by the end of 2030.
- For all palm oil derivatives purchased by the Lion Group to be RSPO-certified by the end of 2020.

In 2019, Lion took part in the Supplier Ethical Data Exchange (Sedex)—headquartered in the United Kingdom—in order to further reduce social and environmental risk in its purchasing.

PDCA Cycle for Supplier Sustainability Self-Checks



In order to ensure that our suppliers understand the importance of addressing sustainability-related issues, we include a section explaining the situation surrounding sustainability in our self-check request form. The self-check employs a three-step checking standard for each initiative and a detailed glossary.

Supplier Sustainability Self-Check Results (2019) (Japanese)
<https://www.lion.co.jp/ja/csr/businesscustom/procurement/>

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

Sustainable Pulp and Paper Procurement

Pulp and paper are used in the manufacture of Lion's product packaging, booklets and pamphlets as well as in the copy paper and other office supplies the Company purchases. In order to better protect biodiversity in the procurement of these materials, based on the Sustainable Raw Material Procurement Policy, we are advancing the procurement of third party-certified paper products. As of the end of 2019, the procurement rate of such products was 96%.

Target:

For all pulp and paper used in the domestic Lion Group's consumer products to meet the sustainability standards of third-party institutions or be sourced from recycled materials by the end of 2030.



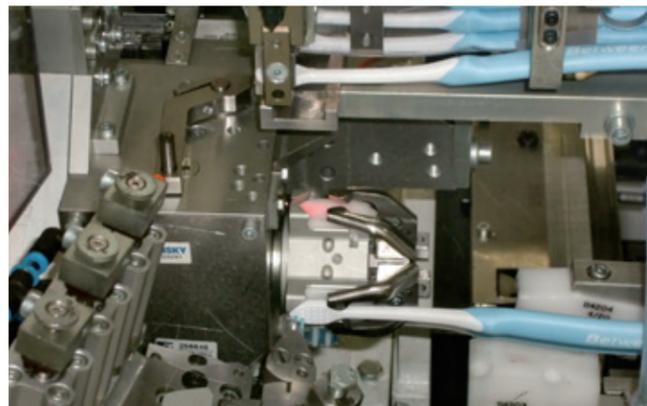
Supply Chain



Building Advanced, Resilient Supply Systems

Demand in oral care, one of Lion's mainstay businesses, continues to expand, reflecting the diversification of customer needs and an increase in health awareness in Japan as well as the trust customers overseas have in high-quality made-in-Japan products. However, in Japan, the decrease in the working-age population is creating an increasingly pressing shortage of labor for production facilities.

Given this social backdrop, to minimize the risk of losing sales opportunities, Lion is working to build resilient, efficient product supply systems. We began operations at a new factory for toothbrushes in 2018 and at another for dental rinses in 2019. This increased our production capacity for toothbrushes and dental rinses by 20% and 110%, respectively.

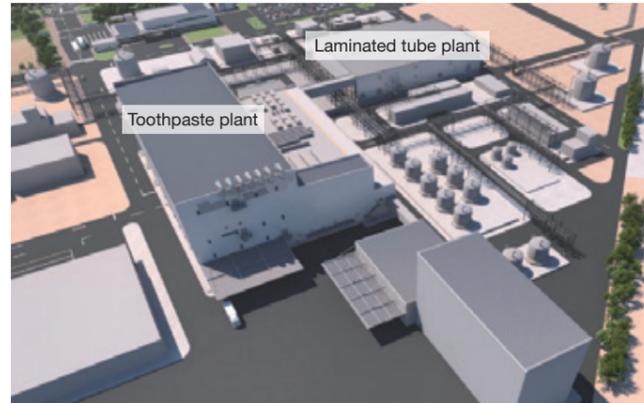


Toothbrush factory that began operation in 2018

In addition, we have established a new toothpaste factory in Sakaide City, Kagawa. This factory is scheduled to come online in 2021, increasing product supply capacity 70%. In conjunction with the construction of the new toothpaste factory, Dai Nippon Printing Co., Ltd. is building a neighboring factory to produce laminated toothpaste tubes. These facilities will realize integrated operations covering everything from laminated tube manufacturing to toothpaste production, tube filling, packaging and boxing in one location, thereby improving productivity. The two factories will share supply and demand data to more precisely time production.

In addition, the construction of the new factory will help to create jobs locally while also saving labor by using cutting-edge manufacturing technologies to completely remove the need for human intervention at any point in the process of transporting the laminated tubes to the toothpaste factory and filling them, as it is

totally automated, a first in Japan. In addition, solar panels will be installed on the roof of the employee facility building on the premises. By utilizing renewable energy and saving energy, the new factory will help realize a decarbonized society.



Artist's rendering of new toothpaste factory (Sakaide)

Lion is advancing the automation of production processes in many product categories using robotics and other technologies. In the three years ended 2019, these efforts eliminated the need for 100 employees, helping to alleviate personnel shortages. The personnel whose work was made superfluous by these labor-saving efforts were reassigned to processes related to increasing production capacity or higher-value-added operations.

By further increasing production efficiency and building stable product supply systems, we aim to meet growing demand and achieve business growth.



Automated dental rinse bottle supply

Sustainable, Advanced Logistics

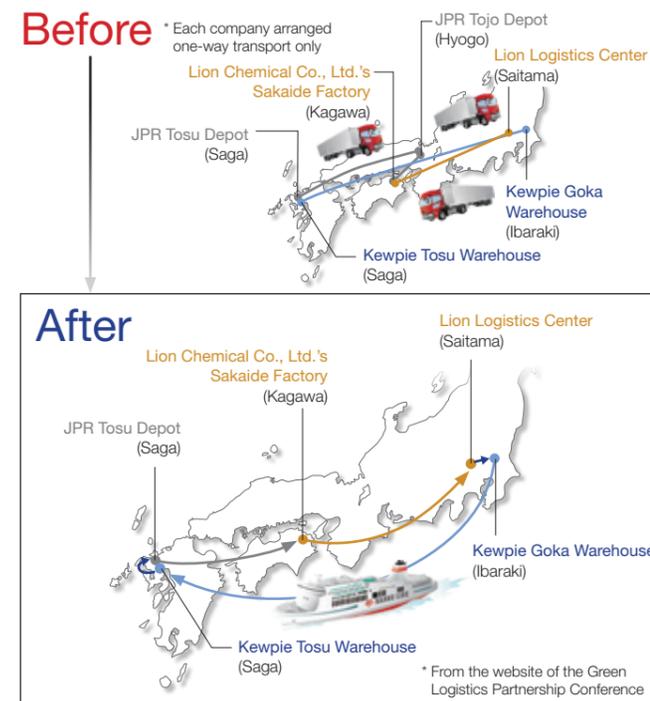
Lion aims to stably secure the necessary logistics functions for everyday life and business activities and contribute to economic growth. To this end, Lion supports the sustainable logistics movement led by the Ministry of Land, Infrastructure and Transport and in 2019 published a voluntary action declaration.

Lion is advancing a range of innovations, focusing on reducing environmental burden and promoting smart logistics. One example of these efforts is the implementation of a next-generation SCM platform that is compatible with new forms of business, including joint transport operations with other companies to address environmental issues, smart logistics that connect products and information through the utilization of automation and IoT, and one-to-one businesses in which products and services are provided in accordance with individual customer specifications.

To reduce environmental burden, in 2018 we began joint trunk line transport operations with two other companies operating in different industries, implementing a modal shift to maritime transportation (by ferry) and substantially reducing CO₂ emissions.* At the same time, this initiative contributed to reducing the burden on drivers by improving the efficiency of long-distance transportation. Going forward, by such means as expanding joint logistics and implementing transshipment to improve labor environments, we will continue to work to improve the logistics environment based on mutual understanding and cooperation with suppliers, logistics providers and other related parties.

* CO₂ emissions were reduced 62% (compared with previous methods)

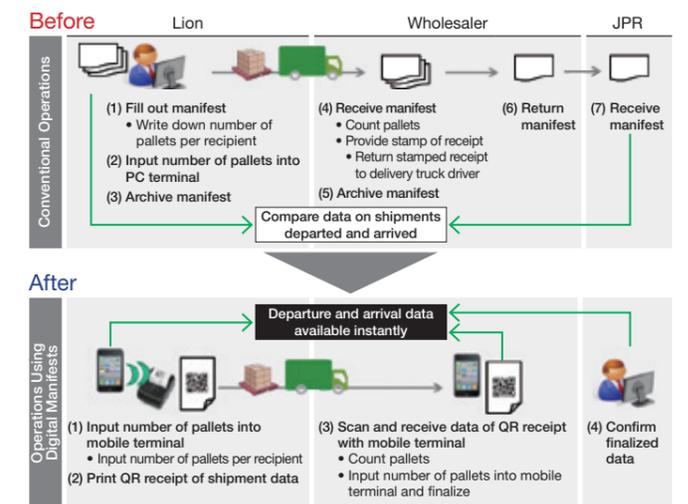
Joint Modal Shift to Maritime Shipping through Three-Company Coordination: Logistics Flow



In the area of smart logistics, to reduce the burden of logistics operations, since 2018 we have been rolling out a pallet manifest digitization service (epalDD) that uses QR codes to handle logistics between manufacturers and wholesalers, a first in the household product industry. Going beyond pallet manifests, we are digitizing other logistics information previously managed on paper and linking it with this system, reducing cumbersome tasks through the use of automated facilities, thereby increasing logistics efficiency. Furthermore, we are shifting from wooden to plastic pallets—the platforms used to transport products—to increase logistics quality, improve compatibility with automated warehousing processes, and reduce environmental burden from a life cycle assessment (LCA) perspective by improving the total number of times each pallet can be used.

Going forward, we will seek to better understand the movement of all items within our businesses and, by analyzing vast volumes of data recorded on such movement, build an information platform for end-to-end logistics operations that sets the industry standard in order to optimize logistics.

Streamlining Manufacturer-Wholesaler Joint Cargo Handling: Pallet Manifest Digitization (epalDD)



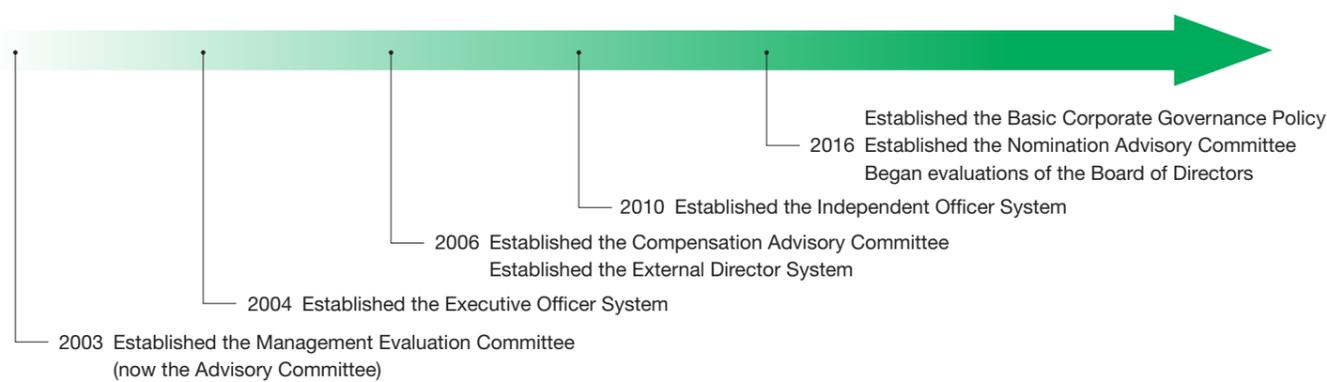
Another important theme of our logistics operations is increasing the sophistication of management functions. We have unified our internal logistics system and achieved a more detailed level of production, sales and inventory management, reinforcing the monitoring of such management and thereby significantly reducing long-term idle inventory. In addition, we are strengthening supply capacity monitoring systems to facilitate decision making about the optimal timing and level of capital expenditure.



Corporate Governance

The Lion Group'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 system, Lion aims to increase its corporate value.

Initiatives to Enhance Management Auditing and Supervision

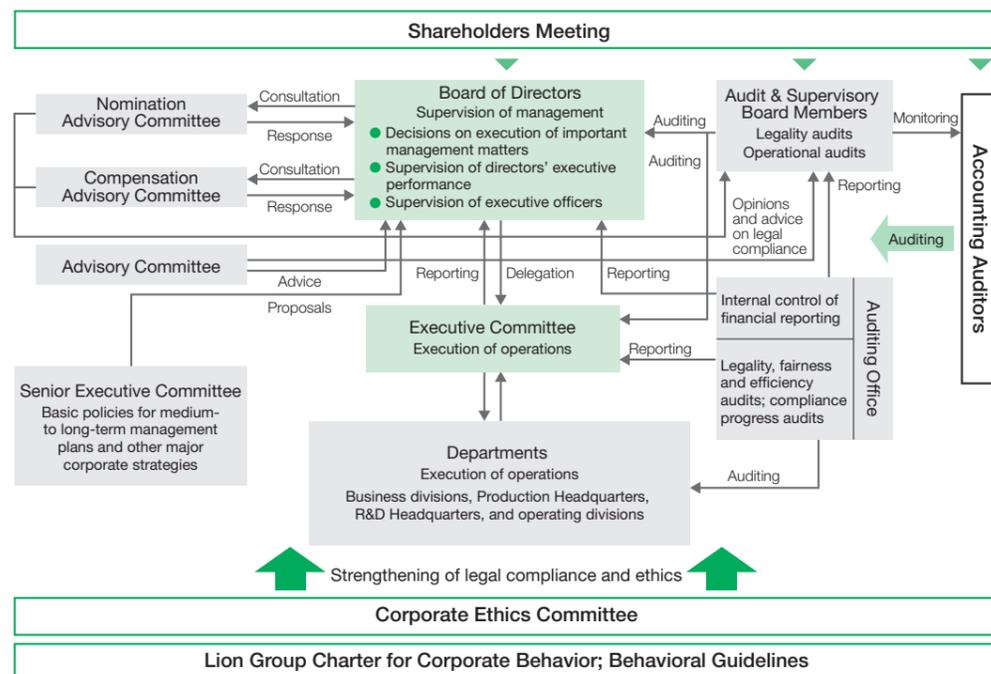


Corporate Governance System

Organizational Structure

Lion is a company with an Audit & Supervisory Board 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 Audit & Supervisory Board members provide appropriate auditing. To reinforce the Board of Directors' management oversight function and speed

decision making, Lion has adopted an executive officer system. In addition, to increase management transparency and further enhance corporate governance, Lion has established a Nomination Advisory Committee and Compensation Advisory Committee comprising mainly external directors and external Audit & Supervisory Board members.



Board of Directors/Directors

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

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

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

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



Executive Officer System

The Executive Committee serves to promote expeditious decision making with respect to basic business execution and other important matters, thereby ensuring quick business execution while reinforcing the functions of the Board of Directors. Meetings of the committee are held once a month and attended by all executive officers. There are currently 16 executive officers, five of whom hold the position of director concurrently. The term of office for executive officers is one year, which is equivalent to the term of office for directors.

Audit & Supervisory Board/Audit & Supervisory Board Members

The Articles of Incorporation specify that the Audit & Supervisory Board shall comprise no more than five members, at least half of whom must be external members. The Audit & Supervisory Board 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 Audit & Supervisory Board determines audit standards, policies and plans for the Audit & Supervisory Board members. The Audit & Supervisory Board members 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, Audit & Supervisory Board members oversee the execution of duties by directors. Fully aware of their fiduciary responsibility to shareholders, Audit & Supervisory Board members work to assure the soundness of efforts to improve corporate value and contribute to the common interests of shareholders. Audit & Supervisory Board members 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. Audit & Supervisory Board members oversee and verify the construction and operation of the system of internal control. Standing Audit & Supervisory Board members strive to share the information they obtain in the course of their duties with the other Audit & Supervisory Board members.

The Board of Directors selects candidates who meet the criteria of the Director/Audit & Supervisory Board Members Candidate Selection Standards and Standards Regarding the Independence of External Directors/Audit & Supervisory Board Members 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 Audit & Supervisory Board members, 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.



Accounting Audits

Lion has formed an audit agreement with Ernst & Young ShinNihon LLC, based on which the latter provides accounting audits as well as audits of Lion's internal control reports based on the Corporation Law and Financial Instruments and Exchange Act.

Internal Audits

The Auditing Office, under the direct supervision of the president, conducts internal audits to assess internal control at departments, subsidiaries and affiliates. Specifically, it performs internal control audits with respect to the legal compliance, fairness and efficiency of operational execution as well as audits of compliance promotion. The results of these audits are reported to the president, the responsible corporate officers and the Executive Committee as well as to the Audit & Supervisory Board to promote coordination with the audits of the Audit & Supervisory Board members.



Corporate Governance

Advisory Committees

Lion has established the Nomination Advisory Committee and Compensation Advisory Committee, comprising mainly external directors and external Audit & Supervisory Board members, 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 Audit & Supervisory Board members.

1. Nomination Advisory Committee

The Board of Directors consults the Nomination Advisory Committee regarding the necessary qualities, reasons for selection or dismissal and related processes for nominating directors, Audit & Supervisory Board members and executive officers as well as for 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 Audit & Supervisory Board members, to the Audit & Supervisory Board). The committee also exchanges opinions on the development of future Group presidents. The committee comprises external directors and external Audit & Supervisory Board members as well as a representative director designated 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 Audit & Supervisory Board member.



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 Audit & Supervisory Board members. The committee considers the matters in question and provides a response to the Board of Directors (or, for matters regarding Audit & Supervisory Board members, to the Audit & Supervisory Board). The committee comprises external directors and external Audit & Supervisory Board members. 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 Audit & Supervisory Board members who possess extensive knowledge and insight. The committee considers the appropriateness and other aspects of Lion's management policies and measures. The committee serves to reflect objective opinions from a wide range of perspectives in management. In principle, the committee meets twice a year. The chairperson of the Board of Directors reports a summary of the committee's advice to the Board of Directors.

Evaluations of the Board of Directors

To ensure its effectiveness, every fiscal year the directors evaluate the operating methods of the Board of Directors and the content and status of the proposals it considers, among other factors. This evaluation includes examinations of each director. A summary of the results of the evaluation is disclosed in the Corporate Governance Report.

Summary of the Evaluation of the Board of Directors

An anonymous self-assessment survey of all directors and Audit & Supervisory Board members was conducted regarding Board of Directors meetings held in 2019.

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

The evaluation thus found that the composition 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.

To date, evaluations of the board's effectiveness have uncovered certain issues. These include: 1) External directors and Audit & Supervisory Board members should be provided with more extensive information regarding the background and context of important agenda items and 2) Discussions of management strategy should be enhanced to further increase corporate value. 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.

Messages from the External Directors



Kazunari Uchida
External Director

I have served as an external director for Lion since 2016, and, in that time, I have seen that Lion's commitment to improving the health and daily lives of people has never wavered. In addition, because Lion's directors are so well versed in wide-ranging businesses, they actively discuss such matters as business content and strategy and organizational structure, even in areas outside the scope of their own duties. This active discussion is a positive aspect of Lion's corporate culture.

In keeping with society-wide trends in recent years, Lion has been working to increase the professional participation of women and hiring from overseas, but still has a long way to go. As an external director, I hope to provide advice that is always clearheaded and tough when needed to help keep Lion from falling behind. The openness with which this advice is received and the speed with which it is put into action are strengths of Lion's and speak to its continued growth potential.



Takashi Shiraishi
External Director

Since my appointment as external director, I have been heartened to see that Lion's dedication to providing customers with high-quality, safe and reliable products is firmly positioned as the foundation of its management. Recently, the term "research integrity" has been gaining traction in government and university circles. "Integrity" in this sense entails not only avoiding dishonesty, but also the appearance of dishonesty. In other words, it is about protecting and building social trust—a concept applicable to corporate governance, as well.

As an external director, I pay close attention to whether Lion's executives are adequately explaining their intentions to society and within the Company or doing anything that might be perceived as wrong, and I think that Lion's management thoroughly maintains the kind of integrity explained above. Going forward, safety and reliability will continue to grow in importance worldwide. I will seek to do my part to ensure that Lion is widely known as a socially trusted company in Japan and around the world.



Takako Sugaya
External Director

Lion is a trusted company that has been providing safety and reliability through essential everyday products closely aligned with consumer needs for more than a century. In my role as an external director, I have seen first hand how this trust arises from the commitment of all Lion employees to providing reliable products that make people happy, and how that commitment has built up the trusted Lion brand.

Today, the environment surrounding Lion presents a wide array of challenges ranging from Japan's graying, declining population to the diversification of consumer preferences and intensifying competition in and outside Japan. Given this, in addition to safety and reliability, new initiatives focused on innovation and sustainably are essential.

Lion must hold fast to the essential qualities that set it apart while boldly taking on ambitious new challenges in order to play an even more essential role in society and peoples' lives. I will do my best, always keeping in mind the consumer's perspective, to help it achieve this.



Corporate Governance

Selection of Directors

Directors

Name	Board of Directors Meeting Attendance	Reasons for Appointment
Itsuo Hama	17 of 17	Itsuo Hama took office as president of Lion Corporation in January 2012. Since then, he has helped improve the Company's performance. Coinciding with 2018 launch of the Company's new management vision for 2030, "Becoming an advanced daily healthcare company," and the January 2018 launch of the LIVE Plan, a medium-term management plan, he has taken the position of chairman of the Board of Directors and Chief Executive Officer, in which he is leading the Company's overall operations. The Company judges that he is well qualified to help sustainably raise its corporate value as a director.
Masazumi Kikukawa	17 of 17	Masazumi Kikukawa possesses a wealth of expert knowledge and experience, mainly in the areas of research and development and the Health & Home Care Products Division. As the officer responsible for the overall Consumer Products business, he has contributed to the qualitative growth of domestic businesses and helped improve corporate performance. Also, he took office as President and Executive Officer in January 2019 and is leading management toward the achievement of the goals of the LIVE Plan as the Company's Chief Operating Officer. The Company judges that he is well qualified to help sustainably raise its corporate value as a director.
Kenjiro Kobayashi	17 of 17	Kenjiro Kobayashi possesses a wealth of expert knowledge and experience, mainly in the areas of the Overseas Business and the Health & Home Care Products Division. As director of such managerial divisions as the Human Resources Development Center and CSV Promotion Department and as director of Corporate Ethics, he has helped to reinforce the Company's business foundation. The Company judges that he is well qualified to help sustainably raise its corporate value as a director.
Takeo Sakakibara	16 of 17	Takeo Sakakibara possesses a wealth of expert knowledge, mainly in the area of corporate planning, including experience as the president of a Lion subsidiary. As director of such managerial divisions as the Corporate Planning Department and Finance Department and as director of overall risk management, he has contributed to the Company's crisis management. The Company judges that he is well qualified to help sustainably raise its corporate value as a director.
Yugo Kume	17 of 17	Yugo Kume possesses a wealth of expert knowledge, mainly in the areas of corporate planning and the oral care business. As Executive General Manager of the Health & Home Care Products Division, he has formulated marketing strategy and contributed to the growth of domestic businesses and robust brand creation. The Company judges that he is well qualified to help sustainably raise its corporate value as a director.
Fumitomo Noritake	13 of 13	Fumitomo Noritake possesses a wealth of expert knowledge, mainly in the areas of research and development and direct-to-consumer business. Since March 2019, as director of various important operations, including the overall Chemical Business, Supply Chain Management Headquarters, Purchasing Headquarters and Production Headquarters, he has contributed to building the Company's supply chain. The Company judges that he is well qualified to help sustainably raise its corporate value as a director.

Audit & Supervisory Board Members

Name	Audit & Supervisory Board Meeting Attendance	Reasons for Appointment
Toshiyuki Nikkawa	12 of 12	Toshiyuki Nikkawa possesses a wealth of expert knowledge, mainly in household products operations and corporate planning, as well as managerial experience as the president of a Lion subsidiary. The Company judges that his insight is necessary to enhance the efficacy of its auditing.
Yoshiaki Kamao	12 of 12	Yoshiaki Kamao possesses a wealth of expert knowledge, mainly in the operations of the Finance Department, and has led the Company's finance and accounting divisions for many years as Director of the Finance Department. The Company judges that his insight is necessary to enhance the efficacy of its auditing.

Selection of External Directors and External Audit & Supervisory Board Members

In combination with the requirements of the Corporation Law, to further strengthen and enhance its corporate governance, Lion works to heighten the supervision and oversight of management by appointing individuals with no interest in the Company or its significant business partners and who can maintain a high degree of independence as external directors and external Audit & Supervisory Board members (three directors and two Audit & Supervisory Board members). All five external directors/Audit & Supervisory Board members are registered with the Tokyo Stock Exchange as independent officers posing no risk of conflict of interest with regular shareholders.

External Directors

Name	Board of Directors Meeting Attendance	Reasons for Appointment	Reasons for Appointment as an Independent External Director
Kazunari Uchida	16 of 17	Kazunari Uchida possesses experience as the Japan representative of an international management consulting group in addition to experience at other companies both as an external director and an external Audit & Supervisory Board member. He has actively participated in meetings of the Board of Directors and suitably carried out his role as an external director of 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.	Each of these individuals meets the qualifications set forth in the Lion Corporation Standards Regarding the Independence of External Directors/Audit & Supervisory Board Members as well as the criteria for independence of the Tokyo Stock Exchange Co., Inc. (Japan Exchange Group). They are, therefore, judged to be independent and have been duly appointed as an independent external directors.
Takashi Shiraishi	15 of 17	Takashi Shiraishi has managerial experience as the president of a national university, has served as the president of the Japan External Trade Organization's Institute of Developing Economies and possesses broad-ranging expert knowledge in such areas as Asian politics, economics and social issues. He has actively participated in meetings of the Board of Directors and suitably carried out his role as an external director of 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.	
Takako Sugaya	13 of 13	Takako Sugaya is not involved in corporate management outside the roles of external director and external Audit & Supervisory Board member, but she possesses a wealth of knowledge and experience as an attorney, mainly in corporate legal work, as well as experience as an external director and external Audit & Supervisory Board member at other companies. She has suitably carried out her role as an external director of the Company, including supervising business execution. The Company judges that her sophisticated understanding of governance and compliance issues is necessary to enhance the transparency of management and strengthen the oversight of the Board of Directors.	

External Audit & Supervisory Board Members

Name	Audit & Supervisory Board Meeting Attendance	Reasons for Appointment	Reasons for Appointment as an Independent External Audit & Supervisory Board Member
Takao Yamaguchi	12 of 12	Takao Yamaguchi is not involved in corporate management outside the roles of external director and external Audit & Supervisory Board member. However, he has cultivated a knowledge of accounting and taxes over his many years as a certified public accountant and certified tax accountant and has experience working as an external Audit & Supervisory Board member at other companies. The Company judges that his insight is necessary to enhance the efficacy of its auditing.	Each of these individuals meets the qualifications set forth in the Lion Corporation Standards Regarding the Independence of External Directors/Audit & Supervisory Board Members as well as the criteria for independence of the Tokyo Stock Exchange Co., Inc. (Japan Exchange Group). They are, therefore, judged to be independent and have been duly appointed as an independent external Audit & Supervisory Board members.
Setsuko Takemoto	12 of 12	Setsuko Takemoto is not involved in corporate management either as a director or Audit & Supervisory Board member. However, she has cultivated a knowledge of accounting and taxes over her many years as a certified tax accountant and has experience working in key positions in a government agency. The Company judges that her insight is necessary to enhance the efficacy of its auditing.	

Corporate Officer Compensation

1. Policy for Determining Compensation Amounts and Calculation Methods

Basic Policy on Director and Audit & Supervisory Board Member Compensation

The compensation of directors and Audit & Supervisory Board members (corporate officers) is decided by the Board of Directors based on the results of consultation with the Compensation Advisory Committee. Compensation is set within limits decided by resolution of the Shareholders Meeting. Compensation for executive corporate officers (excluding external directors and Audit

& Supervisory Board members) consists of fixed monthly compensation and performance-linked compensation (bonuses and stock-based compensation). Compensation levels are determined for each corporate officer based on their individual role and responsibilities using survey data from specialized external institutions as an objective benchmark.

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



Corporate Governance

Basic Policy

a. Executive Corporate Officers (Excluding External Directors and Audit & Supervisory Board Members)

- (1) Compensation consists of fixed monthly compensation and performance-linked compensation tied to earnings and the Company's stock price.
- (2) Fixed monthly compensation uses a flat-rate system. Fixed monthly compensation levels are set taking into consideration similar levels at other companies. In addition, once per year the fixed monthly compensation is raised or lowered following an appraisal of how well the director displays his or her ability to execute their duties and supervise management.
- (3) Performance-linked compensation consists of bonuses and performance-linked stock-based compensation and was adopted following approval at the 156th Annual Meeting of Shareholders held on March 30, 2017.
- (4) Lion aims to provide director compensation such that it comprises approximately 50% basic, fixed compensation and 50% performance-linked compensation (30% bonus and 20% stock-based compensation).
- (5) Bonuses are allocated to each director in consideration of past payments and precedents at other companies. The total amount of bonuses (rounded down to the nearest ¥10,000) is the sum of 50% of 0.5% of core operating income and 50% of 0.75% of profit attributable to owners of parent for the relevant fiscal year. The upper limit is ¥250 million. However, if core operating income or profit attributable to owners of parent are negative (a loss), the value for that item used in the formula will be zero.
- (6) Performance-linked stock-based compensation consists of a fixed portion granted each fiscal year and a performance-linked portion granted based on the degree to which earnings targets outlined in the medium-term management plan have been achieved for each fiscal year during the period of said plan. The fixed portion and the performance-linked portion form equal halves of the stock-based compensation base amount specified for each rank.

b. Non-Executive Corporate Officers (External Directors and Audit & Supervisory Board Members)

- (1) Compensation consists entirely of fixed monthly compensation.
- (2) Fixed monthly compensation uses a flat-rate system. Fixed monthly compensation levels are set taking into consideration similar levels at other companies.

Determination of Policy for Determining Compensation Amounts and Calculation Methods

Based on the above, specific policies for corporate officer compensation for the fiscal year were determined as follows. The policy regarding the determination of fixed monthly composition was decided by resolution of the Board of Directors in March 2019 based on the recommendation provided by the Compensation Advisory Committee in February 2019. The policy regarding the determination of performance-linked compensation was decided by resolution of the Board of Directors in March 2020 based on the recommendation provided by the Compensation Advisory Committee in February 2020.

Calculation of Corporate Officer Bonuses Linked to Performance in Fiscal 2019

Bonuses to corporate officers will be paid in an amount calculated and determined based on the following method.

(1) Corporate officers eligible for payment
Only those directors that are "Managing Members" as defined by the Corporation Tax Law Article 34 Section 1 No. 3 are eligible. Bonuses shall not be paid to external directors or Audit & Supervisory Board members.

(2) Total payment amount
The total payment amount (rounded down to the nearest ¥10,000) allocated to all directors is the sum of 50% of 0.5% of core operating income and 50% of 0.75% of profit attributable to owners of parent for the relevant fiscal year. The upper limit is ¥250 million. However, if core operating income or profit attributable to owners of parent are negative (a loss), the value for that item used in the formula will be zero.

(3) Individual payments
The payment per point is calculated by dividing the total payment amount determined by (2) above by a total number of points comprising the sum of all points awarded to directors. The determination of total points assigned to each rank of directors is determined by multiplying the number of directors in office in said rank as of the end of the relevant fiscal year by the number of points specified for that rank, as set out in the table below. Individual payments to each director are then calculated by multiplying the points specified for that director's rank by the payment per point as calculated above (rounded down to the nearest ¥10,000).

Points Assigned According to Director Rank

Rank	Points	Officers	Total Points
Chairman/President and Executive Officer	3.000	2	6.000
Vice President and Executive Officer	1.800	0	0.000
Senior Managing Executive Officer	1.500	0	0.000
Managing Executive Officer	1.200	0	0.000
Senior Executive Officer	1.000	2	2.000
Executive Officer	0.900	2	1.800
Total	—	6	9.800

* Calculated based on the number of directors following the 159th Annual Meeting of Shareholders held on March 27, 2020.

Calculation of Performance-Linked Stock-Based Compensation

By resolution of the 156th Annual Meeting of Shareholders held on March 30, 2017, a performance-linked stock-based compensation system was introduced for directors (excluding external directors). In this system, the number of points (number of shares) to be granted to directors per fiscal year is determined via a calculation made by the method below. In principle, shares are issued to directors upon retirement from office in a number equivalent to the number of points they have accumulated.

(1) Corporate officers eligible for payment
Those directors that are "Managing Members" as defined by the Corporation Tax Law Article 34 Section 1 No. 3 are eligible. Performance-linked stock-based compensation shall not be paid to external directors or Audit & Supervisory Board members.

(2) Total payment level
The upper limit for the total number of points granted to corporate officers eligible for payment per fiscal year is 90,000 points (one share of Lion stock per point).

(3) Calculation method and individual payment levels

The number of points for each corporate officer eligible for payment is determined individually using the following formula.

Point formula

Number of points* = (① Fixed base amount +
② Performance-linked base amount × ③ Performance coefficient)
÷ ④ Average per-share acquisition cost

* Truncated at the decimal point

① Fixed base amount

The fixed base amount for each rank is calculated by multiplying the following rank coefficients by ¥4 million, the value of the fixed base amount for directors with the rank of executive officer (for whom the rank coefficient is 1).

Rank	Rank Coefficient
Chairman/President and Executive Officer	3.625
Vice President and Executive Officer	2.000
Senior Managing Executive Officer	1.625
Managing Executive Officer	1.375
Senior Executive Officer	1.250
Executive Officer	1.000

② Performance-linked base amount

The performance-linked base amount is equivalent to the above fixed base amount.

③ Performance coefficient

The performance coefficient is calculated in accordance with the following formula.

Performance coefficient formula

Performance coefficient*¹ = Performance coefficient for core operating income*² × 50% + Performance coefficient for profit attributable to owners of parent*³ × 50%

*¹. Truncated after the second decimal place

*². Core operating income: An earnings indicator the Company uses to measure regular business performance by subtracting selling, general and administrative expenses from gross revenues.

*³. An IFRS-based earnings indicator.

The performance coefficients for each indicator will be determined in accordance with the degree to which the targets*⁴ for the indicators for the year ended December 31, 2020 are achieved.*⁵

*⁴. The targets are core operating income of ¥30,500 million and profit attributable to owners of the parent of ¥27,000 million. These are as listed in the "Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2020 (January 1, 2020–December 31, 2020)" disclosed in the Summary of Consolidated Financial Statements released on February 13, 2020 and the "Revision of Consolidated Forecasts for Fiscal 2020 (January 1–December 31, 2020)" disclosed in the news release "Lion Revises Performance Forecasts" published February 28, 2020, respectively.

*⁵.

Target Achievement Rate* ⁶	Performance Coefficients for Each Indicator
Under 100%	0
100% to under 140%	(target achievement rate) × 2.5 - 1.5* ⁷
140% or above	2.00

*⁶. In the case of 100% or above, the rate is rounded to the first decimal place

*⁷. Truncated after the third decimal place

④ Per-share acquisition cost

The per-share acquisition cost is the share acquisition cost for the trust used by this system (¥2,130 per share).

When a director transfers residency outside of Japan during his or her eligibility for this system, their accumulated points shall be voided and the director shall be paid separately at the time of retirement in a cash amount determined by multiplying the share price at the time of retirement by a number of shares equivalent to his or her accumulated points.

Indicators Used to Calculate Performance-Linked Compensation

Performance-linked compensation, which comprises bonuses and performance-linked stock-based compensation, is calculated using two indicators. The first is core operating income, which the Company uses to measure regular business performance and is one of the most highly prioritized income indicators under the medium-term management plan. The second is profit for the period attributable to owners of the parent, which is the final result of business activities and is directly linked to shareholder value.

Performance Coefficients for Fiscal 2019

Indicator	Target (millions of yen)	Result (millions of yen)	Achievement Rate (%)	Performance Coefficient
Core operating income	31,500	30,048	95	0
Profit for the period attributable to owners of the parent	21,000	20,559	97	0

2. Compensation by Officer Classification and Type

Corporate Officer Classification	Total Amount of Compensation (Millions of yen)	Total Amount by Type of Compensation (Millions of yen)				Number of Eligible Corporate Officers
		Fixed Compensation	Bonuses	Performance-Linked Stock-Based Compensation	Retirement Benefits	
Directors (Excluding External Directors)	426	227	152	46	—	7
Audit & Supervisory Board Members (Excluding External Members)	60	60	—	—	—	4
External Directors and External Audit & Supervisory Board Members	60	60	—	—	—	8

(1) There are no individuals serving concurrently as employees and corporate officers.

(2) An upper limit on directors' fixed compensation of ¥300 million per fiscal year was set by resolution of the 156th Annual Meeting of Shareholders held on March 30, 2017.

(3) An upper limit on Audit & Supervisory Board members' fixed compensation was set at ¥110 million per fiscal year by resolution of the 156th Annual Meeting of Shareholders held on March 30, 2017.



Corporate Governance

(4) By resolution of the 156th Annual Meeting of Shareholders held on March 30, 2017, an aggregate upper limit was set at ¥600 million on the amount of contributions to stock-based compensation for the four fiscal years from January 1, 2017 to December 31, 2020, with an upper limit on the total number of shares set at 360,000 shares (90,000 shares per fiscal year) for the same period.

(5) Within performance-linked compensation, bonuses are amounts calculated and determined on the basis of the core operating income and the profit for the period attributable to the owners of parent for each fiscal year, in accordance with the methods described above. Stock-based compensation is the amount obtained by converting the share granting points awarded to persons eligible under the system, depending on his or her business attainment level for the period under review.

(6) The amounts shown are rounded down to the nearest million yen.

3. Total Consolidated Compensation by Officer

Name	Total Amount of Consolidated Compensation (Millions of yen)	Corporate Officer Classification	Company Classification	Total Amount by Type of Compensation (Millions of yen)			Retirement Benefits
				Basic Compensation	Bonuses	Performance-Linked Stock-Based Compensation	
Itsuo Hama	127	Director	Submitting Company	66	46	14	—
Masazumi Kikukawa	125	Director	Submitting Company	64	46	14	—

* The above list includes only officers whose total consolidated compensation surpassed ¥100,000,000.

4. Significant Employee Salaries for Corporate Officers Concurrently Serving as Employees

Not applicable.

Strategic Shareholdings

Lion may hold strategic shares of other companies only when it has judged that they are strategically important for such purposes as maintaining and strengthening trade relationships. The Board of Directors examines the economic rationality of strategic shareholdings on an annual basis, checking the investment profitability, capital cost and other factors for each stockholding. Based on the results of these examinations and such factors as the importance of the relevant trade relationships, shareholdings determined to be unnecessary are then sold as appropriate, reducing Lion's strategic shareholdings.

The voting rights associated with strategically held shares may be exercised based on comprehensive consideration that includes the

improvement of Lion's corporate value over the medium to long-term and the common interests of Lion's fellow shareholders.

Shareholdings (As of December 31, 2019)

	Companies		Total Value on Consolidated Statement of Financial Position (Millions of yen)
	Number of Companies	Year-on-Year Change	
Unlisted shares	23	2	668
Shares other than unlisted shares	48	(6)	19,519

For more information about Lion's corporate governance, please visit our website.

Basic Corporate Governance Policy
https://www.lion.co.jp/en/company/pdf/cg_policy_e.pdf

Corporate Governance Report (Japanese)
https://www.lion.co.jp/ja/company/about/pdf/abo_gov.pdf

Internal Control Systems

In accordance with the Corporation Law and the Enforcement Regulations of the Corporation Law, Lion has put systems in place to ensure the appropriateness of the operations of itself and the Lion Group. With regard to the systems for evaluating and auditing internal control with respect to financial reporting, as prescribed in Japan's Financial Instruments and Exchange Act, we have established controls at the Company-wide and business process levels. Evaluations of the effectiveness of our internal control are

made by the Auditing Office, which reports its findings to the President and Audit & Supervisory Board members. It also reports to the Board of Directors on a regular basis. As a result of these evaluations, we have determined that Lion's internal control with respect to financial reporting in 2019 was effective, and we submitted our Internal Control Report along with our Securities Report to the Prime Minister in March 2020.

Compliance Framework

The Lion Group Charter for Corporate Behavior and Behavioral Guidelines form the foundation of the Lion Group's compliance framework. The Corporate Ethics Committee, chaired by the director responsible for corporate ethics, works proactively to foster

compliance awareness within the Lion Group. The Lion Group Charter for Corporate Behavior and Behavioral Guidelines are distributed in pamphlet form to all employees and publicly available on Lion's website. Moreover, we established the LION Anti-Bribery

Principles in January 2019 in light of developments around the world related to strengthening legal regulations against acts of bribery and corruption.

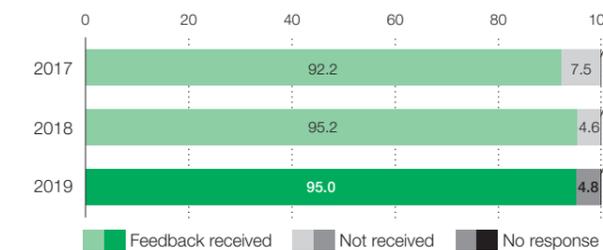
e-Learning Training

Lion conducts periodic e-learning and other training every six months. Topics covered in 2019 included a declaration of committing to the Lion Group Charter for Corporate Behavior, the basics of labor management, the workplace environment and compliance (including harassment prevention), Lion's conceptual approach to quality, information security and basic knowledge of insider trading regulations. We also provided new training regarding human rights, bribery and safety (including occupational accidents), in which 100% of employees participated.

Compliance Awareness Survey

All domestic employees of the Lion Group (including part-time workers) are asked to complete the annual Compliance Awareness Survey.* In 2019, the survey was conducted for the 16th time. Approximately 92.8% of the targeted 4,406 employees responded. The survey results are reported to management and feedback is provided to individual divisions in order to help maintain and strengthen our compliance systems. Every year, improvements are made based on opinions solicited through the survey on such matters as problems in the workplace environment. Going forward, Lion plans to expand the survey to overseas Group companies to further strengthen compliance functions.

Percentage of Employees Who Received Feedback from the Survey Results



* Compliance Awareness Survey
 Anonymous questionnaire survey covering such topics as compliance with the Lion Group Charter for Corporate Behavior, whether there was feedback from the results of the previous Compliance Awareness Survey, and awareness of the AL Heart Hotline.

Raising Awareness of the Hotline

Lion has set up an internal and external whistle-blowing system, the AL (All Lion) Heart Hotline, and is taking steps to raise awareness of said system among all employees, including temporary staff. Its recognition rate among employees was 98.6% in 2019.

The AL Heart Hotline Employee Recognition Rate

2017	95.8%
2018	98.5%
2019	98.6%

The AL Heart Hotline System



AL Heart Hotline Consultations and Reports

In 2019, the hotline received 25 consultations and reports. However, none of the cases were judged to constitute serious misconduct, and all were appropriately addressed and resolved.

Content of consultations and reports made	2017	2018	2019
Harassment	9	15	11
Personnel and labor management issues	5	6	11
Others	4	2	3

AL Heart Hotline (Japanese)
<https://www.lion.co.jp/ja/company/compliance/>

Compliance Initiatives at Overseas Group Companies

The Lion Group implements initiatives at overseas Group companies aimed at spreading and strengthening compliance awareness Group-wide.

In 2019, employees from compliance-related departments visited overseas Group companies in Singapore, China and Taiwan to promote awareness of compliance-related efforts, such as the LION Human Rights Policy, LION Anti-Bribery Principles and AL Heart Hotline, as well as related initiatives.

Information about some of our other overseas initiatives is available on our website.

Fundamental Stance Towards Eliminating Antisocial Forces and Status of Related Measures

Based on the Lion Group Charter for Corporate Behavior, Lion maintains a confrontational stance towards any antisocial forces threatening the order and security of civil society. The General Affairs Department serves as the supervisory department for handling antisocial forces. This department includes one person responsible for preventing unreasonable demands and cooperates with Lion Group operating sites and external organizations.

Embedding Compliance (Japanese)
<https://www.lion.co.jp/ja/csr/management/compliance/>



Corporate Governance

Initiatives to Ensure Respect for Human Rights

Basic Approach to Respecting Human Rights

Respect for human rights is indispensable to the pursuit of happiness and a higher quality of life. Lion recognizes that it has a responsibility as a company to affirm diversity, including that of race, religion, gender, sexual orientation, age, nationality and disability, and to fully respect all human rights, and furthermore that doing so strengthens its business foundation. The Lion Group Charter for Corporate Behavior states that “We shall respect human rights ... observing both the spirit as well as the letter of all applicable laws and international rules ... both in Japan and abroad,” and the Behavioral Guidelines state that the Group will not permit child labor or forced or coerced labor, will provide equal employment opportunities and treat employees fairly, and will take an active interest in the human rights practices of its suppliers. In addition, in 2009, Lion declared its support for Ten Principles of the United Nations Global Compact.

In January 2019, based on framework of the United Nations Guiding Principles on Business and Human Rights adopted by the United Nations Human Rights Council, we established the LION Human Rights Policy to further clarify our stance on human rights abuse as well as our global efforts in this area. This policy was approved by the Executive Committee and applies to all employees of the Lion Group, including overseas Group companies, as well as other parties closely related to the Lion Group, such as suppliers.

Measures to Prevent Human Rights Abuse: Implementing Human Rights Due Diligence

Lion regards the identification of and response to potential human rights issues throughout its value chains, from raw material procurement to use by consumers, as a top priority. Accordingly, we identify and assess potential negative impacts on human rights by stakeholder to enhance mechanisms for preventing, mitigating and remedying such adverse impacts.

Overview of Lion’s Measures to Prevent Human Rights Abuse by Value Chain and Stakeholder

Value Chain	Raw Material Procurement	Lion’s Activities	Use by Consumers
Potential Human Rights Abuse Risk	<ul style="list-style-type: none"> Forced labor or child labor in procurement or at production sites Discrimination against workers based on nationality or status as immigrants or refugees Negative health impact on local residents due to deforestation 	<ul style="list-style-type: none"> Groundwater depletion due to factory operation; inadequate factory wastewater treatment Lack of regard for employees’ occupational health and safety Abuse of authority or sexual harassment in the workplace Discrimination against sexual minorities Coercion to engage in prolonged work 	<ul style="list-style-type: none"> Accidents due to improper product labeling or use Inappropriate interactions with customers Personal information leakage, privacy violations
Assessment of human rights impact			
Stakeholders and Main Initiatives	<p>Oil Palm Plantations</p> <ul style="list-style-type: none"> Participation in RSPO activities Continued purchasing of certified oil palm derivatives <p>Suppliers</p> <ul style="list-style-type: none"> CSR procurement based on the Procurement Principles and the Lion Group Supplier CSR Guidelines Participation in Sedex 	<p>Residents around Our Plants</p> <ul style="list-style-type: none"> Environmental management under Lion’s Environmental Guidelines to prevent contamination; compliance with laws and regulations Implementation of environmental assessments when constructing new plants <p>Clinical Trial Subjects</p> <ul style="list-style-type: none"> Respect for the Declaration of Helsinki Application of the Regulations for the Implementation of Clinical Trials in order to place the highest priority on the safety of the subjects and ethical considerations <p>Group Employees</p> <ul style="list-style-type: none"> Ensuring awareness of the Lion Group Charter for Corporate Behavior and the Behavioral Guidelines Creation of environments that help prevent discrimination on the basis of religion or race, etc., and improper handling of hiring, personnel reviews and compensation Reinforcement of occupational health and safety and promotion of health and productivity management Widespread promotion of the Harassment Prevention Declarations to raise awareness Training on human rights (e-learning) Monitoring of adverse impacts through the Compliance Awareness Survey Promotion of work-life balance 	<p>Customers</p> <ul style="list-style-type: none"> Aggressive pursuit of safety and functionality through Lion’s Product Management System Creation of the Labeling Manual to ensure consideration for the elderly, children and other vulnerable consumers Promotion of customer-oriented management to enhance customer satisfaction
	<ul style="list-style-type: none"> Establishment of the AL (All Lion) Heart Hotline internal and external whistle-blowing system 		<ul style="list-style-type: none"> Establishment of and service via the customer support center

In advancing global business development, Lion will continue to educate employees about respecting human rights and strengthen related initiatives in its value chains.

LION Human Rights Policy
<https://www.lion.co.jp/en/company/compliance/human-rights.php>

Human Rights Due Diligence (Japanese)
<https://www.lion.co.jp/ja/csr/humanrights/duediligence/>

Risk Management

In order to continue providing our customers with safe and reliable products, we have appointed a Director Responsible for Risk Management who comprehensively controls and supervises risk for the whole Lion Group and reports to the Board of Directors on related initiatives annually.

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

1. Response under Normal Conditions

- The director responsible for the Corporate Planning Department has overall responsibility for the risk management of the Group. The Corporate Planning Department comprehensively manages the Group’s risk.
- The Auditing Office audits the status of risk management for each department within the Group and reports its findings to the Executive Committee and the Board of Directors.
- Under normal conditions, each department strives 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 considers appropriate risk management measures, which are then deliberated on by the Senior Executive Committee and Executive Committee for implementation.
- For the management of risk related to the environment, quality assurance, and accidents and disasters, appropriate countermeasures are formulated in advance by the Sustainability Promotion Meeting, CS/PL Committee,* and Safety, Hygiene and Disaster Prevention Meeting, respectively, and deliberated by the Executive Committee when necessary.
- Each plant is certified with ISO 14001 or operates based on ISO 14001 and works proactively to maintain and improve environmental protection, including quality management.

* CS/PL Committee
 A cross-departmental committee focused on customer satisfaction (CS) and product liability (PL) to promote quality assurance activities

2. Response in the Event of Emergency

In the case of a physical emergency, such as a natural disaster or accident, in accordance with the Emergency Response System (a system of manuals outlining countermeasures against earthquakes or influenza and other infectious diseases), we report the relevant facts to the president and Audit & Supervisory Board members. At the same time, the directors of relevant departments collect all pertinent information, formulate response measures, clarify causes, determine countermeasures, and submit reports on these actions to the Executive Committee and the Board of Directors.

Business Continuity Plan (BCP)

Lion works to build and maintain systems to minimize damage and to ensure the continuation of business operations so that it can provide products to customers even in the event of a major earthquake, outbreak of infectious disease (pandemic) or other such contingency. We will set up a task force and respond according to the “Manual on Countermeasures for Earthquake Disaster” when a major earthquake occurs, and according to the “Manual on Countermeasures against Novel Influenza and Other Infectious Diseases” if a pandemic due to a novel influenza virus or other infectious disease is foreseen. We will judge whether or not to activate a BCP according to the scale and other conditions of the disaster. If a BCP is activated, our system is designed to give top priority to businesses that supply consumer products.

Information Security Measures

In order to thoroughly protect personal information and ensure information security, Lion has established the Personal Information Management Regulations, the Basic Policy of Our Information Management, the Information Management Regulations, and the Information Security Regulations in accordance with Act on the Protection of Personal Information. In addition, with a view to ensuring appropriate publishing of information, we have established the “Lion Group Social Media Policy” and related guidelines regarding employee use of social media (social networking services, blogs, etc.).

As education for our employees in Japan, we implement e-learning every year regarding the risks of social media, information security and information management structures. All domestic Group employees participated in 2019. For our overseas Group companies, we are enhancing information security, including the protection of personal information, based on local legislation.

Lion Group Social Media Policy
<https://www.lion.co.jp/en/legal/smp.php>



Management's Discussion and Analysis of Fiscal 2019 Results

Market Environment

During fiscal 2019 (January 1, 2019–December 31, 2019), despite some weakness in production and exports, the Japanese economy as a whole continued to gradually improve, backed by improvement in personal consumption and continued steady recovery in employment.

Consolidated Results

Under its management vision, "Becoming an advanced daily healthcare company," the Lion Group moved forward with measures centered on the basic strategies of its three-year medium-term management plan, the LION Value Evolution Plan (LIVE Plan). These basic strategies are "Expand and Evolve Our Business Domains through New Value Creation," "Accelerate Growth in Overseas Businesses through Glocalization," "Reinforce Our Management Base through Business Structure Reform" and "Create Dynamism to Foster Innovative Change." At the same time, the Group introduced future-oriented growth initiatives in and outside Japan.

In its domestic operations, Lion introduced such new products as toothpastes, toothbrushes, laundry detergents, fabric softeners and eye drops. Lion worked to cultivate markets for these products through marketing initiatives designed to elicit an empathetic response in consumers while taking steps to address the demand surge ahead of the consumption tax hike.

In its overseas operations, in addition to efforts related to the home care field, which includes products such as laundry detergents, the Group sought to expand its business, focusing mainly on the personal care field, including oral care and beauty care products. However, geopolitical factors negatively impacted results in certain regions.

The market in the Lion Group's main business domain, the domestic consumer products industry, remained steady as unit prices continued to rise, despite demand fluctuation due to the consumption tax hike.

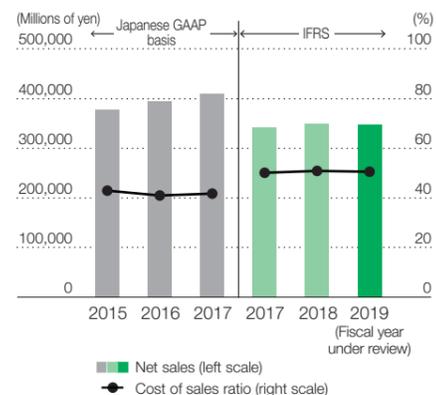
Reflecting these efforts, consolidated results for fiscal 2019 are as follows. Net sales amounted to ¥347,519 million, a year-on-year decrease of 0.5% (or a decrease of 0.4% at constant currency excluding exchange rate fluctuations). Core operating income*¹ rose to ¥30,048 million, up 5.9% compared with the previous fiscal year, while operating profit fell to ¥29,832 million, down 12.8% year on year.*² Profit for the period attributable to owners of the parent totaled ¥20,559 million, down 19.7%*² compared with the previous fiscal year.*

*1. Core operating income is an earnings indicator the Company uses to measure regular business performance and is calculated by subtracting selling, general and administrative expenses from gross profit.
*2. Operating profit and profit for the period attributable to owners of the parent for 2018 include gains on sales of land in and outside Japan and other extraordinary factors.

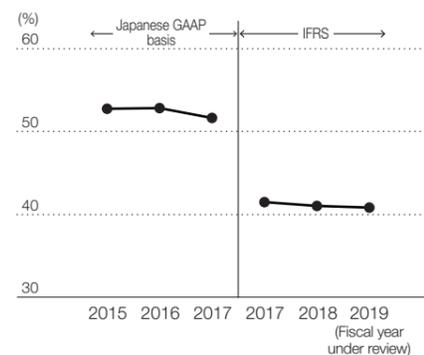
Consolidated Results

	(Millions of yen)	
	2019	2018
Net sales	347,519	349,403
Core operating income	30,048	28,375
Ratio of core operating income to net sales	8.6%	8.1%
Operating profit	29,832	34,196
Ratio of operating profit to net sales	8.6%	9.8%
ROE	10.3%	13.9%

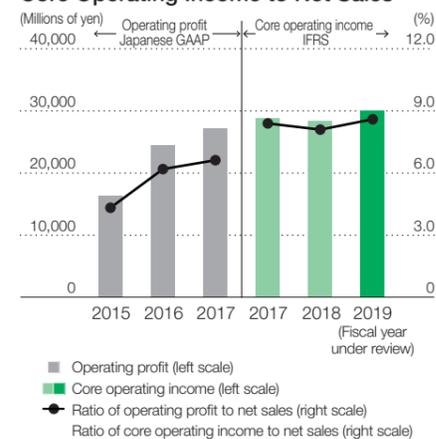
Net Sales and Cost of Sales Ratio



SG&A Expenses to Net Sales

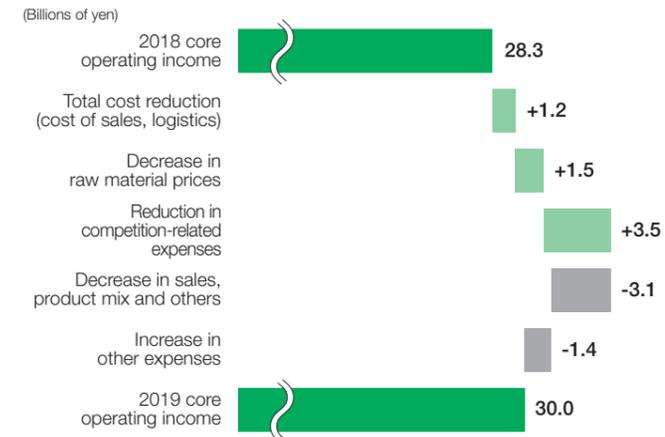


Core Operating Income and Ratio of Core Operating Income to Net Sales



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

Changes in Core Operating Income



Selling, General and Administrative Expenses

	2019		2018	
	Amount (Millions of yen)	% of net sales	Amount (Millions of yen)	% of net sales
Selling, general and administrative expenses	141,882	40.8	143,353	41.0
Sales commissions	9,166	2.6	9,307	2.7
Promotion expenses	26,219	7.5	25,933	7.4
Advertising expenses	25,119	7.2	28,787	8.2
Transportation and warehousing expenses	19,785	5.7	19,104	5.5
Salaries and allowances	15,586	4.5	15,377	4.4
R&D expenses	10,944	3.1	10,969	3.1
Other expenses	35,059	10.1	33,873	9.7

Conditions by Reportable Segment

The Lion Group's segments are based on its business divisions and subsidiaries, grouped by products, services and region. Its three reportable segments are the Consumer Products Business, Industrial Products Business and Overseas Business.

Consumer Products Business

The Consumer Products Business segment comprises the Oral Care Products, Beauty Care Products, Fabric Care Products, Living Care Products, Pharmaceutical Products and Other Products businesses. Segment net sales increased 1.2% compared with the previous fiscal year. Segment profit increased 10.1%.

Net Sales and Segment Profit

	(Millions of yen)			
	2019	% of net sales	2018	% of net sales
Net sales	234,357		231,594	
Segment profit	19,634	8.4%	17,834	7.7%
				Increase/decrease (%)
				Change (%)

* Net sales include internal net sales within and among segments, which amounted to ¥14,977 million in 2019 and ¥16,202 million in 2018.

Net Sales by Product Category

	(Millions of yen)			
	2019	2018	Increase/decrease	Change (%)
Oral Care Products	64,555	59,503	5,051	8.5%
Beauty Care Products	22,350	21,024	1,326	6.3%
Fabric Care Products	60,780	59,790	990	1.7%
Living Care Products	19,766	17,891	1,874	10.5%
Pharmaceutical Products	26,222	29,228	(3,005)	(10.3%)
Other Products	40,682	44,156	(3,474)	(7.9%)

In Oral Care Products, *SYSTEMA Toothbrush* and *NONIO Mouthwash* sales were strong, and the newly released *CLINICA ADVANTAGE NEXT STAGE Toothpaste* and *SYSTEMA Haguki (the Gums) Plus Premium Toothpaste* received favorable consumer reviews.

In Beauty Care Products, sales of *KireiKirei Medicated Foaming Hand Soap* and the *hadakara Body Soap* series were strong. Lion released new *Ban Sweat-Blocking Foot Gel*, but sales of the *Ban Sweat-Blocking Roll-On* series were down year on year.

In Fabric Care Products, Lion released improved versions of *SOFLAN Premium Deodorizer* and *SOFLAN Aroma Rich* in fabric softeners, which received favorable consumer reviews. In laundry detergents, sales of *TOP SUPER NANOX* were strong, and the new *TOP SUPER NANOX For Odors* was released to favorable consumer reviews. However, sales of *ACRON* detergent for delicates fell year on year.



Management's Discussion and Analysis of Fiscal 2019 Results

In Living Care Products, sales of bathroom fungicide *LOOK Plus Bath Antimold Fogger* were strong, and both new *CHARMY Magica Enzyme + ("Plus")* and *LOOK Plus Bath Cleansing* bath detergent, released in 2018, received favorable consumer reviews.

In Pharmaceutical Products, sales of antipyretic analgesic *BUFFERIN PREMIUM* were strong, and Lion launched new *BUFFERIN Light*. In eye drops, new products, including *Smile 40 Premium DX* and *Smile 40 Mediclear DX*, received favorable consumer reviews.

In Other Products, in the pet supplies category, sales of *Nioi wo Toru Suna* (Deodorizing Cat Litter) were firm, and those of oral care products were strong. In direct-to-consumer sales products, however, sales of *Nice rim essence Lactoferrin* decreased year on year.

Industrial Products Business

The Industrial Products Business segment includes businesses in 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, respectively. Segment net sales decreased 4.8% compared with the previous fiscal year. Segment profit decreased 25.5%.

Net Sales and Segment Income

(Millions of yen)						
	2019	% of net sales	2018	% of net sales	Increase/decrease	Change (%)
Net sales	55,164		57,958		(2,794)	(4.8%)
Segment profit	1,755	3.2%	2,357	4.1%	(601)	(25.5%)

* Net sales include internal net sales within and among segments, which amounted to ¥22,210 million in 2019 and ¥23,908 million in 2018.

In the Automotive field, sales of carbon for auto parts were firm, and overall sales increased year on year.

In the Electrical and Electronics field, due to the worsening of the market, sales of electro-conductive compounds for semiconductor carrier materials decreased year on year, and overall sales were down year on year.

In the Detergents for Institutional Use Products field, sales of alcohol sanitizers for kitchens were firm, and sales of hand soaps were favorable. Overall sales increased year on year.

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 decreased 3.8% year on year (or a decrease of 3.2% at constant currency excluding exchange rate fluctuations). Segment profit increased 9.8% year on year.

Net Sales and Segment Income

(Millions of yen)						
	2019	% of net sales	2018	% of net sales	Increase/decrease	Change (%)
Net sales	101,095		105,043		(3,948)	(3.8%)
Segment profit	7,552	7.5%	6,875	6.5%	676	9.8%

* Net sales include internal net sales within and among segments, which amounted to ¥9,354 million in 2019 and ¥10,279 million in 2018.

In Southeast Asia, overall sales were down 0.9% year on year. In Thailand, sales of toothpastes and toothbrushes were steady, and sales of *Shokubutsu-Monogatari* body washes were strong. Overall sales after yen conversion were up year on year. In Malaysia, sales of *TOP* laundry detergent were stagnant. Furthermore, in 2018, a detergent raw material manufacturing subsidiary transitioned to a joint venture structure, resulting in its exclusion from the scope of consolidation. Overall sales after yen conversion were down year on year.

In Northeast Asia, overall sales were down 9.5% year on year. In South Korea, sales of laundry detergents and hand soaps were down due to a worsening business environment. Overall sales after yen conversion were down year on year. In China, although sales of *SYSTEMA Toothbrushes* were stagnant, those of *SYSTEMA Toothpastes* were strong, and sales of products imported from Japan significantly increased. Overall sales after yen conversion were up substantially year on year.

Other

Net Sales and Segment Income

(Millions of yen)						
	2019	% of net sales	2018	% of net sales	Increase/decrease	Change (%)
Net sales	35,337		34,067		1,270	3.7%
Segment profit	1,521	4.3%	1,717	5.0%	(196)	(11.4%)

* Net sales include internal net sales within and among segments, which amounted to ¥31,909 million in 2019 and ¥28,790 million in 2018.

Financial Position

Consolidated Financial Position

	2019	2018	Increase/decrease
Total assets (millions of yen)	380,701	355,365	25,336
Total equity (millions of yen)	221,201	204,271	16,929
Ratio of equity attributable to owners of the parent to total assets*1 (%)	54.7	53.8	0.9
Equity attributable to owners of the parent per share*2 (yen)	716.94	657.50	59.44

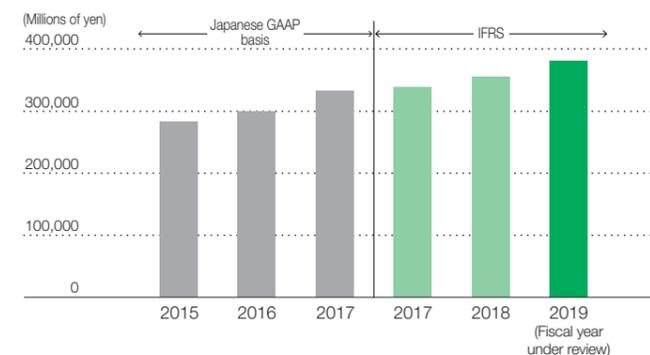
*1. Ratio of equity attributable to owners of the parent to total assets = (Total equity - Non-controlling interests)/Total assets

*2. Non-controlling interests are excluded from calculation of equity attributable to owners of parent per share.

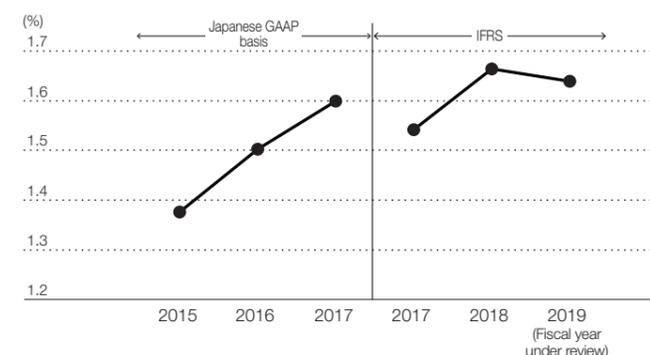
Total assets rose ¥25,336 million compared with the previous fiscal year-end to ¥380,701 million. This was primarily attributable to an increase in property, plant and equipment.

Total equity increased ¥16,929 million, to ¥221,201 million. The ratio of equity attributable to owners of the parent to total assets at year-end stood at 54.7%.

Total Assets



Current Ratio



Consolidated Cash Flows

(Millions of yen)				
	2019	2018	Increase/decrease	
Net cash provided by (used in) operating activities	36,762	31,879	4,882	
Net cash provided by (used in) investment activities	(20,754)	(8,989)	(11,765)	
Net cash provided by (used in) financing activities	(10,561)	(8,754)	(1,806)	
Effect of exchange rate change on cash and cash equivalents	(12)	(564)	552	
Net increase (decrease) in cash and cash equivalents	5,433	13,570	(8,136)	
Cash and cash equivalents at end of period	110,406	104,972	5,433	

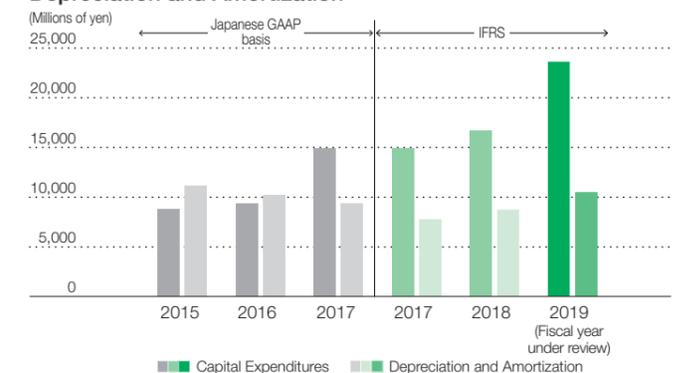
Net cash provided by operating activities totaled ¥36,762 million, due mainly to profit before tax.

Net cash used in investing activities totaled ¥20,754 million, due in part to the purchase of property, plant and equipment.

Net cash used in financing activities totaled ¥10,561 million. A major component of this outflow was cash dividends paid.

As a result of the above, cash and cash equivalents as of December 31, 2019 were up ¥5,433 million from December 31, 2018, to ¥110,406 million.

Capital Expenditures and Depreciation and Amortization





Management's Discussion and Analysis of Fiscal 2019 Results

Outlook for 2020

(Millions of yen)				
	Fiscal 2020 forecast	2019	Increase/decrease	Change
Net sales	355,000	347,519	7,480	2.2%
Core operating income*	30,500	30,048	451	1.5%
Operating profit	39,500	29,832	9,668	32.4%
Profit for the period attributable to owners of the parent	27,000	20,559	6,441	31.3%
Basic EPS (yen)	92.88	70.72	22.16	31.3%

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

During 2020, although gradual continued recovery is forecast for the Japanese economy, the outlook going forward is expected to remain unclear, reflecting shifts in raw material prices and currency exchange rates, geopolitical risks and other factors.

In the domestic consumer products industry, the Lion Group's main business domain, despite anticipated expansion in the market for high-value-added products, competition is expected to remain fierce.

Amid these circumstances, the Lion Group will rapidly implement the strategies outlined in the LIVE Plan medium-term management plan. In particular, in 2020, Lion will reinforce future-oriented growth investment aimed at improving corporate value.

In the Consumer Products Business segment, the Lion Group will cultivate markets for high-value-added products in its mainstay businesses, working to improve its market position and strengthen profitability while offering new value to customers. The Group will also work to expand production capacity, especially in the oral care field, and make its production system more efficient.

In the Industrial Products Business segment, Lion will focus management resources on key areas, such as automotive and electrical/electronic products, to reinforce its business foundation.

Basic Capital Policy and Dividends for 2019 and 2020

The Lion Group aims to improve capital efficiency and profitability while maintaining a sound financial foundation to enable ongoing growth. While maintaining an appropriate balance of investment in growth, shareholder returns and capital reserves over the medium to long term, the Company seeks to enhance Shareholders' equity while achieving return on equity (ROE) of approximately 12%.

Furthermore, in the Detergents for Institutional Use Products field, Lion will continue efforts to cultivate new customers in its vegetable washing system business.

With regard to the Overseas Business segment, the Lion Group will continue its aggressive marketing activities, primarily in the area of personal care, and strengthen sales through e-commerce channels, seeking to expand its business.

As a result of the above, consolidated results forecasts for fiscal 2020 are as follows: net sales of ¥355,000 million (up 2.2% year on year), core operating income of ¥30,500 million (up 1.5% year on year) and profit for the period attributable to owners of the parent of ¥27,000 million (up 31.3% year on year).

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

Assumptions Underlying the Forecast of Consolidated Financial Results for 2020

Lion utilized the following foreign exchange rates in the calculation of the aforementioned forecasts.

¥110 = US\$1.00

¥3.6 = 1.00 baht

Forecast of 2020 Consolidated Cash Flows

In cash flows from operating activities, Lion projects profit before tax of approximately ¥33,000 million. Depreciation and amortization is estimated to total about ¥11,000 million.

In cash flows from investment activities, Lion plans to undertake capital expenditures of around ¥48,000 million during fiscal 2020.

Cash flows from financing activities are expected to yield an outflow of about ¥10,000 million mainly due to cash dividends paid.

Based on these projections, Lion estimates that cash and cash equivalents at the end of fiscal 2020 will be down approximately ¥14,000 million year on year.

The Lion Group considers returning profits to shareholders on a continuous and stable basis to be one of its most important management issues. To this end, the Company strives to ensure the payment of continuous and stable cash dividends, aiming for a consolidated payout ratio of 30%, and bases the acquisition of treasury stock on comprehensive reviews to ensure that it

maintains the levels of internal reserves required to secure medium- and long-term growth.

Lion allocates internal reserves to research and development, capital investment in production facilities and the acquisition of external resources, aiming to reinforce the Company's growth potential and to develop a sustainable business foundation.

Business Risks

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

Note that forward-looking statements are based on decisions made by the Lion Group as of the date of the issuance of this report, and that business risks are not limited to the items listed below.

(1) Product quality and value

The Lion Group plans, develops, produces and sells products under management based on international quality standards and in strict compliance with related laws and regulations, such as the Pharmaceutical and Medical Device Act, to provide worry-free, safe, convenient and environmentally friendly products to consumers. In addition, we use consumer opinions received through our Consumer Service Office to further improve our products and packaging as well as product displays and labels.

However, an unforeseen and serious problem with product quality could lead to a decrease in the perceived value of the affected product and all products made by the Lion Group. This may adversely affect the Lion Group's management performance and financial position.

(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.

Taking into consideration the Company's cash dividend payment record, as well as its dividend payout ratio target, Lion's Board of Directors resolved to pay an interim dividend of ¥10 per share and a year-end dividend of ¥11 per share for 2019.

With regard to dividends for 2020, in accordance with its basic policy on the distribution of earnings and cash dividends, Lion plans to pay an interim dividend of ¥11 per share and a year-end dividend of ¥11 per share, for a total annual dividend of ¥22 per share.

However, an increase in raw material prices may adversely affect the Lion Group's management performance and financial position.

(3) Exchange rate fluctuations

The Lion Group translates into yen the financial statements of overseas subsidiaries when preparing consolidated financial statements. The yen values of items denominated in foreign currency may be affected by prevailing foreign exchange rates at the time of translation 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 position.

(4) Major lawsuits

In the year under review, Lion was not involved in any lawsuits that may have a 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 position.

(5) Earthquakes and other natural disasters

The Lion Group has put in place safety measures against earthquakes and other natural disasters at its product manufacturing facilities. In the event of a major disaster, however, production equipment may be damaged, or a suspension of raw material procurement or distribution activities may interrupt business activities, adversely affecting the Lion Group's management performance and financial position.

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



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



Nine-Year Financial Summary

V-1 Plan
2012–2014

V-2 Plan
2015–2017

LIVE Plan
2018–2020

Japanese GAAP

(Millions of yen)

	2011	2012	2013	2014	2015	2016	2017
Consolidated Statements of Income data							
Net sales	327,500	335,171	352,005	367,396	378,659	395,606	410,484
Cost of sales	139,646	145,385	153,336	160,677	162,435	161,992	171,209
Gross profit	187,854	189,785	198,668	206,718	216,223	233,613	239,275
Selling, general and administrative expenses	176,684	182,572	187,849	194,312	199,848	209,110	212,068
Operating income	11,169	7,213	10,819	12,406	16,374	24,502	27,206
Income before income taxes	7,780	8,594	10,925	13,085	19,387	24,035	30,560
Profit attributable to owners of parent	4,077	4,235	6,097	7,368	10,680	15,951	19,827

Consolidated Balance Sheets data

Total assets	249,272	257,595	282,098	283,352	282,434	298,510	331,751
Property, plant and equipment, net	58,503	61,955	68,989	79,275	75,060	74,402	80,981
Total noncurrent liabilities	49,417	47,288	26,208	40,380	18,455	17,190	17,511
Total liabilities	144,020	143,431	157,865	155,918	139,703	140,630	144,736
Total net assets	105,252	114,163	124,232	127,434	142,730	157,879	187,015

Other selected data

Capital expenditures*	8,368	10,820	13,709	13,555	8,801	9,407	14,892
R&D expenses	8,913	8,989	9,618	9,439	9,808	10,084	10,474
Depreciation and amortization*	12,009	11,834	11,227	10,301	11,166	10,244	9,386
Number of employees	5,973	6,006	6,162	6,343	6,816	6,895	7,075

Common share data (yen)

Earnings per share – basic	15.18	15.77	22.72	27.47	39.35	55.13	68.23
Earnings per share – diluted	15.16	15.75	22.68	26.16	36.84	55.04	68.15
Dividends per share	11.00	10.00	10.00	10.00	10.00	13.00	17.00
Net assets per share	380.11	407.08	441.59	449.94	469.05	513.76	607.61
Common stock (number of shares outstanding)	299,115,346	299,115,346	299,115,346	299,115,346	299,115,346	299,115,346	299,115,346

Ratios to net sales (%)

Gross profit	57.4%	56.6%	56.4%	56.3%	57.1%	59.1%	58.3%
Selling, general and administrative expenses	53.9	54.5	53.4	52.9	52.8	52.9	51.7
Operating income	3.4	2.2	3.1	3.4	4.3	6.2	6.6
Income before income taxes	2.4	2.6	3.1	3.6	5.1	6.1	7.4
Profit attributable to owners of parent	1.2	1.3	1.7	2.0	2.8	4.0	4.8

* Includes the effects of intangible assets.

IFRS

(Millions of yen)

	2017	2018	2019
Consolidated Statement of Income data			
Net sales	342,703	349,403	347,519
Cost of sales	171,713	177,673	175,588
Gross profit	170,990	171,729	171,931
Selling, general and administrative expenses	142,182	143,353	141,882
Core operating income	28,807	28,375	30,048
Operating profit	30,479	34,196	29,832
Profit before tax	31,998	35,658	31,402
Profit for the period attributable to owners of the parent	20,883	25,606	20,559

Consolidated Statement of Financial Position data

Total assets	338,855	355,365	380,701
Property, plant and equipment	79,539	81,546	90,903
Total non-current liabilities	20,662	21,350	23,781
Total liabilities	150,062	151,093	159,499
Total equity	188,793	204,271	221,201

Other selected data

Capital expenditures*	14,892	16,678	23,644
R&D expenses	10,474	10,969	10,944
Depreciation and amortization*	7,775	8,707	10,504
Number of employees	7,075	6,941	7,151

Common share data (yen)

Basic earnings per share	71.87	88.11	70.72
Diluted earnings per share	71.77	87.99	70.63
Cash dividends paid per share	17.00	20.00	21.00
Equity attributable to owners of the parent to total assets per share	614.08	657.50	716.94
Number of outstanding shares (common stock)	299,115,346	299,115,346	299,115,346

Ratios to net sales (%)

Gross profit	49.9%	49.1%	49.5%
Selling, general and administrative expenses	41.5	41.0	40.8
Operating profit	8.9	9.8	8.6
Profit before tax	9.3	10.2	9.0
Profit for the period attributable to owners of the parent	6.1	7.3	5.9



2020 Sustainability Material Issues and Objectives of the LIVE Plan Medium-term Management Plan (2018-2020) and Achievements in 2019

Overview

The Lion Group has implemented activities aimed at the resolution of the 2020 Sustainability Material Issues identified in 2018. We manage initiatives that address these material issues using a PDCA cycle, and have confirmed that, overall, activities focused on achieving our objectives were implemented throughout the Group. In particular, our global activities advanced through close collaboration with our overseas Group companies, and we will continue to undertake further measures going forward.



Assessment Metrics
 Achieved: Achieved 2020 Objectives
 In progress: Under way toward 2020 Objectives

The Contribution of the Lion Group's Initiatives to the Achievement of the SDGs

The Lion Group has identified 13 sustainability material issues and is advancing initiatives toward their resolution. The chart below shows the Sustainable Development Goals (SDGs) to which our efforts to solve each of these issues contribute. In particular, through our products, services and educational initiatives, we are working toward the achievement of SDG 3, "Ensure healthy lives and promote well-being for all at all ages."

The Lion Group's 13 Sustainability Material Issues and the SDGs They Help Achieve

Core Subject	Sustainability Material Issues	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
E S	The Environment	1					●	●		●			●	●	●				●
	Human Rights	2					●			●	●							●	●
		3					●			●	●								
		4					●			●	●								
	Labor Practices	5			●					●	●								
		6			●					●	●								
		7			●					●	●								●
	Fair Operating Practices	8					●	●	●	●	●		●	●	●	●	●	●	●
		9				●						●	●						
	Consumer Issues Community Involvement and Development	10			●	●		●					●						●
11																			
G Organizational Governance	12										●						●		
	13																	●	

Core Subject	Sustainability Material Issues (Related SDGs)	Basic Approach for Initiatives Aimed at the 2020 Objectives	P (Plan)	D (Do)	C (Check)	A (Action)
			2020 Objectives and KPI	Achievements in 2019 (mid-term report)	Assessment	Measures and Challenges to Address in 2020
E	1 Promoting Environmental Initiatives for a Sustainable Planet 6 7 9 12 13 14 15 17	Work together with consumers and local communities to actively promote environmental conservation activities, aiming for both a sustainable society and the development of our businesses.	<ul style="list-style-type: none"> Promotion of environmental business management Promote and achieve the Eco Vision 2020 environmental targets (Global) Establish the New Environmental Objectives 2030 to minimize environmental impacts over the entire life cycle of products, including at the stage of their use in customer households (Global) Promote the appropriate use and management of chemical substances (Global) Confirm and review the progress of environmental management through top environmental audits and the Sustainability Promotion Meeting* (Domestic) 	<ol style="list-style-type: none"> Continued activities aimed at achieving Eco Vision 2020 Established the LION Eco Challenge 2050 long-term environmental objectives following approval by the Board of Directors in May 2019 Introduced a chemical substance information management system to efficiently promote the appropriate use and management of chemical substances (Domestic) Continued to promote the appropriate use and management of chemical substances by complying with country-specific laws and regulations (Global) (1) Implemented top environmental audits by directors to promote management improvement and understanding of good example initiatives (Chiba, Osaka and Akashi Plant) (2) Promoted environmental management and bolstered awareness at related divisions through the Sustainability Promotion Meeting 	<ol style="list-style-type: none"> In progress Achieved In progress (1) In progress (2) In progress 	<ol style="list-style-type: none"> Continue activities aimed at achieving the objectives of the vision Determine measures and KPIs to achieve the objectives of LION Eco Challenge 2050 Continue promoting the appropriate use and management of chemical substances (1) Reduce risk through top environmental audits (2) Review progress through the Sustainability Promotion Meeting
S	2 Respecting Human Rights 5 8 10 16 17	Build a Group structure that respects human rights.	<ul style="list-style-type: none"> Enhancement of initiatives for promoting respect for human rights based on the Group philosophy Formulate a Group-wide human rights policy (Global) Expansion of internal and external contacts for reporting and consultation 100% recognition of the AL Heart Hotline (Domestic) 	<ol style="list-style-type: none"> Established the LION Human Rights Policy for both the domestic and overseas Lion Group and disclosed it on our website in January 2019 Visited overseas Group companies to promote awareness and understanding of the LION Human Rights Policy Implemented e-learning about Lion's human rights initiatives (100% participation) (Domestic) AL Heart Hotline recognition rate: 98.6% Promoted awareness internally through the Compliance Awareness Survey and e-learning about work environments and compliance (100% participation) (Domestic) Promoted awareness of the AL Heart Hotline at overseas Group companies to foster understanding of the hotline's importance 	<ol style="list-style-type: none"> Achieved In progress 	<ol style="list-style-type: none"> Disseminate and confirm the status of human rights initiatives at overseas Group companies Continue e-learning about Lion's human rights initiatives Continue to implement the Compliance Awareness Survey and compliance education Promote awareness of and reinforce the functions of the AL Heart Hotline at overseas Group companies
	4 Promoting Work-Life Balance 3 8	Create an uplifting feeling among employees through work style reforms.	<ul style="list-style-type: none"> Realization of "smart work"*2 to harmonize productive work and personal lives Implement employee awareness and behavior surveys (Domestic) 70% usage rate of annual paid leave (Domestic) 	<ol style="list-style-type: none"> Implemented the Lion Internal Awareness and Behavior Survey for all domestic employees, including those of domestic Group companies Increased planned annual paid leave days from three to five days. Annual paid leave usage rose to 73.7%, reflecting understanding of the importance of work-life balance among both managers and their subordinates. Increased number of users of the telecommuting system by amending it. The proportion of employees who had used the telecommuting system at least once came to 49.2%, with regular users registering at 15%. The establishment of the system is contributing to work style reforms. 	<ol style="list-style-type: none"> In progress In progress 	<ol style="list-style-type: none"> Continue the Lion Internal Awareness and Behavior Survey Encourage planned annual paid leave usage Promote efficient work by expanding the number of employees trying the telecommuting system as well as regular users

*1. Held as the Environmental Conservation Committee until 2018
 *2. Highly concentrated work styles aimed at improving productivity



2020 Sustainability Material Issues and Objectives of the LIVE Plan Medium-term Management Plan (2018-2020) and Achievements in 2019

Core Subject	Sustainability Material Issues (Related SDGs)	Basic Approach for Initiatives Aimed at the 2020 Objectives	P (Plan)	D (Do)	C (Check)	A (Action)	
			2020 Objectives and KPI	Achievements in 2019 (mid-term report)	Assessment	Measures and Challenges to Address in 2020	
S	Labor Practices	6 Enhancing the Occupational Safety Management System 3 8	<ul style="list-style-type: none"> Thorough enforcement of occupational safety and the safety of facilities Zero serious accidents and zero serious incidents (Global) 	<ul style="list-style-type: none"> Zero serious accidents and zero serious incidents (Global) Held the Safety, Hygiene and Disaster Prevention Meeting twice a year and continued to implement PDCA The director in charge of safety implemented top safety audits to achieve zero serious accidents and incidents (Odawara, Akashi and Chiba plants) Implemented e-learning for all employees to increase safety awareness (Participation: 99.8%) 	In progress	<ul style="list-style-type: none"> Hold the Safety, Hygiene and Disaster Prevention Meeting twice a year and continue to implement PDCA Reduce risk through top safety audits Implement e-learning about safety 	
		7 Reinforcement of Health and Productivity Management 3 8 17	<ul style="list-style-type: none"> Expansion of support programs to aid employees in forming good healthcare habits 1) 100% rate of receiving health checkups (Domestic) 2) 100% rate of receiving dental checkups (Domestic) 3) 100% rate of receiving age-specific cancer screenings (Domestic) 	<ul style="list-style-type: none"> Launched Lion-Style Health Support "GENKI" Action, increasing employee health awareness and providing support for self-directed healthy behavior 1) Rate of receiving health checkups: 100% 2) Rate of receiving dental checkups: 91.8%. Health guidance was provided by dental hygienists. <ul style="list-style-type: none"> Provided a subsidy program for professional care at dental clinics to promote the practice of preventive dentistry (rate of receiving professional care: 58.4%) 3) Rate of receiving age-specific cancer screenings: N/A (not implemented due to transition to "GENKI" Action) 	1) In progress 2) In progress 3) In progress	Implement Lion-Style Health Support "GENKI" Action Key measures: 1. Build and implement an individual health management system 2. Expand the practice of preventive dentistry by implementing Professional Care 100% Action 3. Implement programs aimed at the early detection of three common types of cancer Expanding the scope of cancer screenings 4. Completely ban smoking inside Company buildings at all times, including outside of work hours	
	Fair Operating Practices	8 Building Responsible Supply Chain Management 5 6 7 8 10 12 13 14 15 16 17	Promote highly effective management practices in the supply chain.	<ul style="list-style-type: none"> Build more advanced and sustainable supply chains 1) Implement supplier sustainability self-checks related to procurement (Global) 2) 100% implementation of supplier sustainability self-checks related to procurement (Domestic) 	1) Participated in the Supplier Ethical Data Exchange (Sedex) to reinforce supplier CSR activity implementation 2) Implementation of supplier sustainability self-checks: 99.7%. Provided evaluation results to suppliers as feedback (annual)	1) In progress 2) In progress	1) Expand number of countries in which we implement sustainability self-checks Encourage key suppliers to join Sedex to further reinforce sustainable supply chain management 2) Continue supplier sustainability self-checks
		9 Pursuing Customer Trust and Satisfaction 3 10 12	Thoroughly enforce corporate activities that earn and maintain customer trust across the entire Group and further develop customer-oriented management.	<ul style="list-style-type: none"> Enhancement of reliability assurance systems covering the entire supply chain Improvement of customer satisfaction through enhancement of customer support quality Enhancement of security system through system construction and supervisory management enhancement 	<ul style="list-style-type: none"> Held a second Asia QA Meeting to enhance the quality assurance capabilities of staff in charge of quality at overseas Group companies by having such staff share information. In addition to conventional quality management, participants discussed customer support challenges in their respective countries, building a common awareness of such issues at the Group level, and examined measures aimed at their resolution (ongoing) Participated for the first time in a phone service contest to reinforce the customer support quality of phone operators This event helped our staff understand the level of service at other companies and step up their own quality Implemented e-learning about information security and social media risks and basic insider trading knowledge (100% participation) 	In progress	<ul style="list-style-type: none"> Continue to hold the Asia QA Meeting. Further develop quality control initiatives in each country Develop human resources with customer-oriented management mindsets to enhance customer satisfaction Continue using e-learning content introduced in 2019 Discuss overseas Group companies' systems and security measures with the goal of improving global infrastructure
Community Involvement and Development	10 Creating Healthy Living Habits 3 4 6 12 17	Contribute to the creation of healthy living habits such as oral healthcare, cleanliness and hygiene practices and habits in order to extend healthy life expectancy and ensure people's everyday well-being.	<ul style="list-style-type: none"> Implementation of activities to establish good healthcare habits such as preventive dentistry and hand washing, in coordination with business activities Contribution to the resolution of social issues based on co-existence with communities, involvement of employees and enhancement of partnerships 	<ul style="list-style-type: none"> Promoted and continued preventive dentistry activities across the Lion Group Held the Oral Health Event of Tooth Brushing for Children (in Japan and other Asian countries, reaching 240,000 elementary school students) Implemented activities to spread healthy oral care habits through the Lion Foundation for Dentistry Health (Domestic) Implemented preventive dentistry activities in close coordination with experts and retailers (Global) Co-existence with communities: Formed partnerships with governments to promote healthy living habits. These efforts reached consumers in the communities served by these governments, encouraging healthy living habits. Involvement of employees: Junior employees in all job types, from R&D to sales and manufacturing, implemented educational activities to promote hand-washing habits Enhancement of partnerships: Implemented the Happy Marriage City Promotion Project in cooperation with governments 	In progress	<ul style="list-style-type: none"> Promote and continue preventive dentistry activities across the Lion Group Promote and continue partnerships with governments 	
G	Organizational Governance	11 Promoting Risk Management	Promotion of comprehensive and extensive risk management across the entire Group	<ul style="list-style-type: none"> Continued the promotion of comprehensive and extensive risk management across the entire Group Reported on risk management progress in 2019 to the Executive Committee (annual) Zero incidents of serious risk to business 	In progress	<ul style="list-style-type: none"> Continue the promotion of comprehensive and extensive risk management across the entire Group 	
		12 Embedding Compliance 5 10 16	Enhance the effectiveness of compliance activities across the entire Group.	<ul style="list-style-type: none"> Construction of a compliance management system 1) Expand familiarity with the Lion Group Charter for Corporate Behavior and the Behavioral Guidelines (Global) 2) 100% participation in compliance-related training (Domestic) 	1) Requested that overseas Group companies implement the Compliance Awareness Survey to expand familiarity with the Lion Group Charter for Corporate Behavior and the Behavioral Guidelines 2) Training participation: 100%. To strengthen employee awareness of compliance, implemented new training on human rights and bribery in addition to that on the workplace environment and compliance. Conducted the Compliance Awareness Survey of all employees, including part-time employees, and provided feedback (response rate: 92.8%)	1) In progress 2) In progress	1) Continue increasing awareness of the Lion Group Charter for Corporate Behavior and the Behavioral Guidelines at overseas Group companies Implement the Compliance Awareness Survey at overseas Group companies Raise awareness of hotlines and strengthen our consultation and reporting contact functions to further build up the compliance framework 2) Continue promoting initiatives toward 100% participation in e-learning
		13 Enhancing Group Governance 16	Engage in enhancing governance for the entire Group.	Improvement of the Group governance system in accordance with the Basic Policy for Corporate Governance	<ul style="list-style-type: none"> Promoted stronger governance in accordance with the Basic Policy for Corporate Governance. Explained the outline of the LION Anti-Bribery Guidelines at overseas Group companies Assured effectiveness through use in conjunction with the AL Heart Hotline function 	In progress	Assure effectiveness by establishing the LION Anti-Bribery Guidelines



Major Sustainability Indicators

Environment

Eco Vision 2020 achievements and targets

Categories				Achievements in 2018	Achievements in 2019	Targets for 2020
Realizing a Low Carbon Society	Greenhouse gases (domestic)	Within the Company	Reduction of greenhouse gases from business activities	Emission intensity per unit total revenue 36% reduction (compared to 2010) ^{*6} 50% reduction (compared to 1990) ^{*6} Absolute quantity 49% reduction (compared to 1990) ^{*6}	Emission intensity per unit total revenue 40% reduction (compared to 2010) 50% reduction (compared to 1990) Absolute quantity 52% reduction (compared to 1990)	Emission intensity per unit total revenue 34% reduction (compared to 2010) 49% reduction (compared to 1990) Absolute quantity 40% reduction (compared to 1990)
		Outside the Company	Reduction of greenhouse gases from post-use products	Emission intensity per unit total revenue 9% reduction (compared to 2010) 53% reduction (compared to 1990) Absolute quantity 51% reduction (compared to 1990)	Emission intensity per unit total revenue 9% reduction (compared to 2010) 53% reduction (compared to 1990) Absolute quantity 50% reduction (compared to 1990)	Emission intensity per unit total revenue 9% reduction (compared to 2010) 53% reduction (compared to 1990) Absolute quantity 41% reduction (compared to 1990)
	Greenhouse gases (overseas)	Within the Company	Reduction of greenhouse gases from business activities overseas ^{*1}	Emission intensity per unit production 2% reduction (compared to 2017)	Emission intensity per unit production 2% reduction (compared to 2017)	Emission intensity per unit production 1% reduction year on year
		Outside the Company	Reduction of greenhouse gases from post-use products overseas	Reduction of 52 thousand tons annually	Reduction of 45 thousand tons annually	Reduction of 100 thousand tons annually
Realizing a Sound Material-Cycle Society	Water	Within the Company	Reduction of water use in business activities	Water use per unit total revenue 34% reduction (compared to 2010) ^{*6} 49% reduction (compared to 2000) ^{*6} Absolute quantity 48% reduction (compared to 2000) ^{*6}	Water use per unit total revenue 41% reduction (compared to 2010) 54% reduction (compared to 2000) Absolute quantity 53% reduction (compared to 2000)	Water use per unit total revenue 15% reduction (compared to 2010) 35% reduction (compared to 2000) Absolute quantity 23% reduction (compared to 2000)
		Outside the Company	Reduction of water use at households using our products	Water use per unit total revenue 29% reduction (compared to 2010) 54% reduction (compared to 2000) Absolute quantity 52% reduction (compared to 2000)	Water use per unit total revenue 17% reduction (compared to 2010) 53% reduction (compared to 2000) Absolute quantity 51% reduction (compared to 2000)	Water use per unit total revenue 17% reduction (compared to 2010) 45% reduction (compared to 2000) Absolute quantity 33% reduction (compared to 2000)
	Waste	Zero emissions within the Company ^{*2}	Achievement of zero emissions at all domestic production sites ^{*4}	Achievement of zero emissions at all domestic production sites ^{*4}	Zero emissions at all domestic production sites ^{*4}	
	Wastewater	Recycling of factory wastewater discharge ^{*3}	Operation of facilities to recycle industrial wastewater at Chiba Plant	Operation of facilities to recycle industrial wastewater at Chiba Plant	Recycle industrial wastewater at multiple plants	
Harmonizing with Nature	Procurement	Biodiversity-friendly procurement of plant-derived oils	Continued purchasing RSPO ^{*5} -certified palm oil derivatives	Continued purchasing RSPO ^{*5} -certified palm oil derivatives	All palm oil derivatives purchased to be RSPO-certified	
	Biodiversity	Enhancement of biodiversity conservation activities	Carried out at all Lion plants, with implementation expanding at offices of Lion and its affiliates	Carried out at all Lion plants, with implementation expanding at offices of Lion and its affiliates	Carry out at all domestic sites	
Education	Awareness and education in society	Enhancement of environmental awareness and education for consumers	1.2 times increase in consumer participants in our awareness activities (compared to 2010)	0.9 times increase in consumer participants in our awareness activities (compared to 2010)	Double the number of consumer participants in our awareness activities (compared to 2010)	

*1. Covers Lion and consolidated subsidiaries as of December 31, 2019

*2. The waste recycling ratio is 99% or more, excluding recycling residues

*3. Wastewater from production processes

*4. Chiba Plant, Odawara Plant, Osaka Plant, Akashi Plant, Hirai Office Site, Sapporo Office, Sendai Office, Headquarters/Tokyo Office, Nagoya Office, Osaka Office, Fukuoka Office, Lion Chemical Co., Ltd. Fine Chemical Production Site, Lion Chemical Co., Ltd. Oleochemical Production Site, Lion Specialty Chemicals Co., Ltd. Yokkaichi Production Site, Lion Specialty Chemicals Co., Ltd. Ono Production Site

*5. Roundtable on Sustainable Palm Oil

*6. The figures have been revised due to an error in past data.

Community Involvement

Established in 1964, the Lion Foundation for Dentistry Health (LDH) changed its status to a public interest incorporated foundation in 2010. Lion fully supports LDH's activities to promote oral health awareness and education. LDH coordinates with the Japan Dental Association, universities, governmental bodies and other partners to help maintain and improve the dental and oral health of consumers. By doing so, LDH stays at the forefront of oral health, contributing to society by helping to improve the quality of life of all people.

Categories				Achievements in 2016	Achievements in 2017	Achievements in 2018	Achievements in 2019	Remarks
Oral Healthcare Awareness Promotion Activities through LDH	Education	Oral Health Event of Tooth Brushing for Children	Participants	Japan and other Asian countries; about 90,000 elementary schools children	Japan and other Asian countries; about 160,000 elementary schools children	Japan and other Asian countries; about 210,000 elementary schools children	Japan and other Asian countries; about 240,000 elementary schools children	Held annually since 1932 during Dental/Oral Health Week (June 4 to 10), targeting elementary school children
		Oral health promotion activities for adults (industry)	Participants	27,562	21,271	14,316	15,212	Instruction on the prevention of gum disease and maintenance/improvement of dental and oral health provided to employees of various companies
		Oral health promotion activities for the elderly	Participants	17,110	46,648	47,012	66,042	Support to help maintain the oral functions that will enable individuals to eat using their own teeth and mouths over a long time in the future
	Treatment	Dental health examination activities	Examinees	11,435	11,171	10,482	5,502	Implementation of highly specialized, quality treatment and preventive dentistry activities for people of all life stages, from infants to the elderly

Labor Practices

Categories		Achievements in 2016	Achievements in 2017	Achievements in 2018	Achievements in 2019	
Employee Data ^{*1}	Employees	Male	2,239	2,203	2,267	1,863
		Female	775	821	917	987
	Female employee ratio	%	25.7%	27.1%	28.8%	34.6%
	New employees (New graduates)	Male	49	57	63	42
		Female	29	36	33	34
	Re-hired retirees	Number	250	216	210	160
		%	8.3%	7.1%	6.6%	5.6%
	Temporary employees	Number	467	458	532	528
	Female employees at the management level ^{*2}	Number	149	170	186	200
		%	12.9%	14.4%	15.8%	17.1%
	Employees with disabilities	Number	55	63	76	77
		%	2.2%	2.4%	2.8%	2.8%
	Employees who took childcare leave	Male	2	9	16	13
		Female	53	57	53	67
	Employees who took shorter work hours for childcare	Male	0	0	0	0
		Female	40	57	64	71
Average overtime per month	Hours	12.3	12.5	13.7	13.5	
Annual paid leave used	%	55.1%	50.7%	60.3%	73.7%	
Average service years	Male	20.3	20.4	19.6	17.2	
	Female	18.0	18.0	16.8	14.1	
Employees who resigned within three years of entering the Company	Number	4	1	2	9	
	%	1.6%	0.4%	0.8%	1.4%	
Stress level check test implementation	%	97.0%	96.3%	99.0%	98.0%	
	Number	152	100	95	120	
Eligible employees participating in health seminars for 50-year-olds	%	76%	68%	68%	85.7%	
	%	71.4%	74.6%	74.3%	73.2%	
Employees receiving professional care at dental clinics ^{*3}	%	36.4%	40.7%	44.3%	40.5%	
	%	26.6%	26.0%	27.9%	29.1%	
Average number of cavities	Cavities	0.3	0.4	0.4	0.5	

*1. Scope: Lion Corporation, non-consolidated basis (including employees on loan)

*2. Personnel holding managerial positions at the level of assistant manager or higher (figures for Lion Corporation; excludes employees assigned to affiliates)

*3. Employees who received professional care at a dental clinic at some time during the year (excluding those currently undergoing treatment as of the end of the year)



Corporate Overview/Stock Information

(As of December 31, 2019)

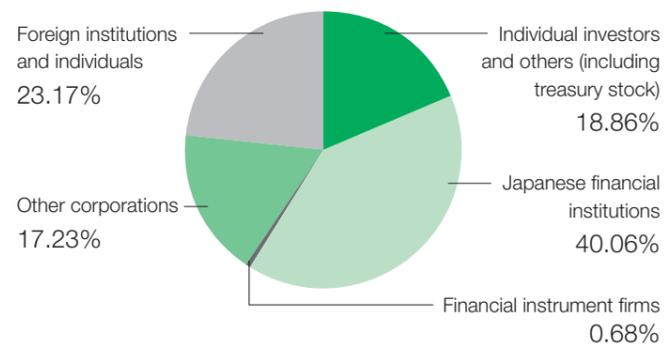
Corporate Overview

Corporate Name	Lion Corporation
Foundation	October 30, 1891
Establishment	September 1918
Capital	¥34,433 million
Address	3-7, Honjo 1-chome, Sumida-ku, Tokyo 130-8644, Japan
Employees	2,850 (Consolidated: 7,151)

Stock Information

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	69,961

Shareholders by Category



Principal Shareholders

Shareholders	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	9.96
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	5.59
The Master Trust Bank of Japan, Ltd. (Trust Account)	4.96
MUFG Bank, Ltd.	3.47
SSBTC CLIENT OMNIBUS ACCOUNT	2.35
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1.81
Japan Trustee Services Bank, Ltd. (Trust Account 7)	1.75
Mitsubishi UFJ Trust and Banking Corporation	1.71
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1.52
Meiji Yasuda Life Insurance Company	1.40

External Evaluations/Participation in External Groups

(As of May, 2020)

Lion is engaged in addressing issues not just on the financial side, but also on the environmental, social and governance side, and is included in multiple SRI (socially responsible investing) indices.

In addition, our environmental, logistics and human resources initiatives have been highly evaluated by governmental and other external institutions.

Status of Inclusion in SRI Indices

MEMBER OF
Dow Jones Sustainability Indices
In collaboration with SAM

FTSE4Good

FTSE Blossom Japan

S&P/JPX Carbon Efficient Index

MSCI Japan ESG Select Leaders Index

MSCI Japan Empowering Women Index (WIN)

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Evaluation and Certification

Overall CSR

SUSTAINA ESG AWARDS 2019 GOLD CLASS

2020 優良賞

Environment and Logistics

CDP SUPPLIER ENGAGEMENT LEADER 2019

みんなで地球にやさしい物流を

グリーン物流パートナーシップ

エコレーベルマーク

Human Resources

2020 健康経営優良法人

HR Award 2019

Japan e-Learning Awards 2019

2019年認定

Participation in External Organizations

WE SUPPORT UN GLOBAL COMPACT

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

ECO FIRS

Clean Ocean Materials Alliance

JaSPON Japan Sustainable Palm Oil Network

SCIENCE BASED TARGETS

Sedex Member

JAPAN CLIMATE INITIATIVE

Plastics Smart

Japan Initiative for Marine Environment