

From Good Morning to Good Night
More Dreams for Your Life

LION

CSR Report 2009



Our CSR Starts with Lion's Founding Spirit

Sadayoshi Fujishige

President and Chief Executive Officer

Lion's Corporate Social Responsibility (CSR)

Since its foundation in 1891, Lion Corporation has strived to contribute to society by serving needs related to personal health and clean, comfortable living.

Throughout the 118 years of our history up to the present, we have maintained our founder's philosophy of contributing to society through our business, maintaining honesty as the best business strategy, and viewing our employees as partners who work together to develop the Company. This philosophy provides the foundation for CSR activities that encompass environmental protection and social contribution efforts as well as our business, which has evolved around the key focus areas of health, comfort and the environment. Because this essential concept of CSR comes naturally for Lion, each and every employee engages in CSR activities as an intrinsic component of our business.

Looking Back at 2008

In 2008, the Toyako Summit was held in Hokkaido, immediately followed by the Japanese government's cabinet-level approval of the Action Plan for Achieving a Low-carbon Society. This year, the government, industries and the general public shared a common perception of the need to take action toward the development of a low-carbon, recycling-oriented society. On another front, the deteriorating global economic climate triggered by the financial crisis in the United States forced us to also reexamine corporate social responsibility from the perspectives of business operations and employment. Under these circumstances, Lion guided its business and social contribution activities to support the sustainable development of society as a responsible corporate citizen while at the same time meeting the needs of those who desire to live healthy and comfortable lives, endeavor to be environmentally friendly and do something on their own for the environment.

1. Enriching everyday life

—Demonstrating leadership in a culture of healthy, comfortable lifestyles

The mission of Lion is to enhance the happiness and lifestyles of each and every customer. Since its founding, the Company has encouraged the development of healthy behavior including good dental habits as well as the regular washing of dishes and vegetables. In recent years, Lion has also demonstrated its commitment to helping establish good hand-washing and gargling habits. We are proud of our role in the development of a clean and sanitary culture in Japan through these activities.

In 2008 as well, we focused on delivering products that instill comfort and new habits into everyday life, and such new products as Kaoritsuzuku TOP and BATHTOLOGY have been well-received.

Looking ahead, Lion intends to play a part in extending healthy life expectancy (lifelong health and independent living) and help people enrich their everyday existence with an enhanced quality of life.

2. From everyday living to a low-carbon and recycling-oriented society

—Becoming a leading company in environmental friendliness

We are advancing environmental activities in three priority areas.

The first area is the shift to plant-based materials. Throughout the 36 years since 1972, Lion has been replacing petroleum-based materials with plant-based materials. The ratio of plant-based materials in Company products is now over 50%. We also established a new company in Malaysia, Lion Eco Chemicals, to encourage the widespread use of MES (methyl ester sulfonate), a plant-based surfactant that does not increase Lion's CO₂ emissions. The Company will start full-scale commercial production in 2009. In the procurement of



palm oil as a major plant-based material, Lion is a member of an international roundtable for sustainable palm oil supply to ensure environmentally and socially responsible procurement.

The second area is preserving aquatic environments. Water is an indispensable component of Lion's business, which has been providing a variety of washing-related products since its foundation. So it was natural for Lion to establish the Lion Award at the Japan Society on Water Environment in 2008 to support scientific and technological research by honoring young scientists. The Company also launched the LION TOP Eco Project, which invites customers to participate in activities to preserve aquatic environments. In this project, a portion of the proceeds from the sale of TOP laundry detergent is donated to the Foundation for Living with Clean Rivers operated by the Japan River Association to provide monetary support for activities that protect rivers, lakes and other aquatic environments.

The third area is Lion Eco Standards-based product development. We set product development standards that incorporate environmental considerations and focus on the development and launch of eco-conscious products.

In recognition of these efforts, Lion was selected in March 2008 and then again in 2009 for FTSE4Good Indices, one of the best-known global indices for socially responsible investment. Lion was also recognized as the first Eco First Company in the manufacturing industry by the Ministry of the Environment in June 2008. This certification is awarded to companies leading in environmentally sound operations.

3. A company in which employees can work every day with pride and energy **—Building a dynamic corporate culture**

Lion Corporation has long maintained a corporate culture that values tenacity and creativity and boldly offers younger workers key tasks. I believe that at its core, this culture embodies respect for people and discipline in business. People feel immensely empowered to tackle challenging tasks when

they feel understood by those around them. We must nurture employees from a long-term perspective. Awareness of this support builds confidence and boosts motivation. We at Lion Corporation are committed to establishing and improving systems that free employees from concern about their futures and offer a variety of options for living and working. We view these initiatives as an investment for the Company's future. We have also established a fund through which Company management encourages young employees to plan and develop new businesses without fear of taking risks. Lion Corporation strives to be a company that instills pride in every employee and is recognized by employee families as an excellent place to work.

CSR in the Future

To support lifestyles that are filled with happiness, all of us at Lion focus our actions on delivering customer satisfaction as the root principle of our business. Since April 2008, the first thing a director, auditor or operating officer sees on their monitor when they turn on their computers is the VOC (Voice of the Customer) daily bulletin. This provides particularly key inquiries and opinions about new products selected from comments received by the Consumer Service Office. We believe that paying attention at all times to external trends, including customer comments, is an important means for maintaining the Company's awareness of social values. We always keep the Company's founding spirit in mind while at the same time recognizing the needs of the times through dialogues with our stakeholders so that we can quickly advance our CSR-driven management across a wide range of fields, such as environmental considerations, the creation of safe workplaces and protection of human rights, creation of employment and the establishment of beneficial and appropriate relationships with business partners as well as product quality assurance.

Introducing Eco-friendly Detergent Material “MES” to the World

Operations Underway at Lion Eco Chemicals Plant



Production of Eco-friendly Detergent Material Begins

At an ideally situated location

MES (methyl ester sulfonate) is a surfactant used in laundry detergents such as Lion's TOP. This washing component is eco-friendly, as it easily biodegrades in the natural environment after use and does not increase the volume of CO₂ in the atmosphere since it is a plant derivative with a higher detergency than the conventional surfactant LAS*¹. Lion Eco Chemicals Sdn. Bhd. completed its Malaysian plant for producing MES and began production this year. With an oleochemical business that is the most developed in the world, Malaysia is able to provide a stable supply of palm-oil-derived methyl ester and produces 18 million tons of palm oil annually. The plant, situated just ten kilometers north of Singapore, is ideally situated in a strategic location for marine transportation and for highly efficient product exporting.

Accelerating the Dissemination of MES

At a locally-established R&D division

The most beneficial characteristic of MES produced in our Malaysian plant is its granularity, which facilitates blending into detergent while achieving high quality. The plant has adopted a completely new production process by combining innovative technologies and the experience built up since 1991 at our domestic plants. We have set up a local R&D division and provide information on the characteristics and use of MES. The division has established a system for fully supporting formulation development tailored to the specific washing conditions and user needs in different parts of the world. This is feasible by taking advantage of the MES blending techniques the Company has created over about 20 years of product use. And we believe it will accelerate the dissemination of MES while earning consumer trust. We

have also finished preparations for supplying the European market by completing preliminary registry with Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), which came into force in 2008 in Europe.

Reduced the Environmental Impact Associated with our Plant

Using natural resources

Serious consideration is given to plant eco-friendliness in view of its own operations. One feature of the plant is its photovoltaic power systems, which cover the entire roofs of its office and process control buildings and enable the utilization of solar energy. Annual output is about 60 MWh, roughly equivalent to the annual electrical power consumed by 20 average families of four. Another eco-friendly feature is the use of rainwater for cooling. We installed rainwater collection tanks with a total capacity of 500 tons and plan to save about 9.8 thousand tons of tap water every year. Furthermore, waste water is treated before discharge in facilities that utilize the latest technology.

We will not only supply MES to Asian countries but to Europe and the U.S. as a way to protect the global environment.

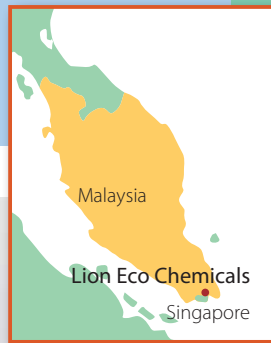


Detergent performance evaluation at Lion Eco Chemicals

*¹ See p. 35 for more details on environmental considerations associated with MES.



Panoramic view of Lion Eco Chemicals



Mitsuharu Kachi

Executive Officer, Senior Executive General Manager of International Division and Representative Director of Lion Eco Chemicals Sdn. Bhd.

Aiming to Achieve Sustainable Procurement of Palm Oil

Toward Securing a Sustainable Supply

Lion has been a member of the Roundtable on Sustainable Palm Oil (RSPO) since 2006. In addition, since as early as the 1980s, Lion has been providing technical cooperation related to the refinement and effective utilization of palm oil to the national Palm Oil Research Institute of Malaysia (current Malaysia Palm Oil Board: MPOB). In 2007, RSPO adopted "the principles and criteria for sustainable palm oil production (plantation management criteria)." Based on these, certification audits of plantations and distribution of RSPO-certified sustainable palm oil began in 2008. Case studies of various certification systems were introduced at the 6th Annual Roundtable of the RSPO held in November 2008. In anticipation of full-scale operations under RSPO certification, Lion implemented an independent audit of supplier plantations in May 2007.

In response to the possible future depletion of such finite natural resources as petroleum, renewable resources through the cultivation of plants are being made available. These viable alternatives to fossil-based natural resources are effective in the fight against global warming owing to their carbon-neutral effect. Palm oil is a resource that Lion will continue to use into the future because of its superior level of yield.

RSPO (Roundtable on Sustainable Palm Oil)

A council established by the WWF (World Wide Fund for Nature) and palm oil-related enterprises for sustainable production and procurement of palm oil. Membership includes over 300 palm-oil-related organizations worldwide including plantations, process manufacturers, consumption-goods producers, retailers, banks and NGOs. RSPO website: <http://www.rspo.org/>



6th Roundtable on Sustainable Palm Oil

Resolving Issues Related to Procurement of Palm Oil

The production of palm oil exceeds that of all other fats and oils in the world. Approximately 80% of palm oil is used as cooking oil, margarine and shortening, with the remainder used as industrial raw materials. As the world's population continues to increase, the global food supply is projected to become even more strained in the near future. To meet the increased demand from China and India, in particular, the level of production of palm oil, which has a high rate of yield, is projected to continue rising in the coming years.

Various environmental and social problems, however, such as the clearing of tropical rain forests and the shrinking of wildlife habitats stemming from the development of new plantations, as well as poor working conditions, are becoming increasingly evident. In light of such conditions at these areas of production, Lion is working to maintain responsible procurement of palm oil through actions that promote adequate management among suppliers—following the RSPO's criteria for plantation management—as well as through activities undertaken by the RSPO.

Principles and Criteria for Sustainable Palm Oil Production

These basic principles were established to make sustainable palm oil production a reality alongside the prevention of rampant plantation development and the protection of workers. The 8 principles and 39 criteria include: Environmental responsibility and conservation of natural resources and biodiversity, Responsible consideration of employees and of individuals and communities affected by growers and mills, and Responsible development of new plantations.



Visiting plantations

Lion's Efforts to Preserve Aquatic Environments

Support for the Japan Water Award

Since 2006, Lion has been supporting the Japan Water Award, an authoritative honor that recognizes outstanding activities to preserve Earth's water resources. The 10th Award (2008) was presented to Kumamoto City for broadening preservation activities to integrate water circulation systems with the hometown cultural aspects of water.

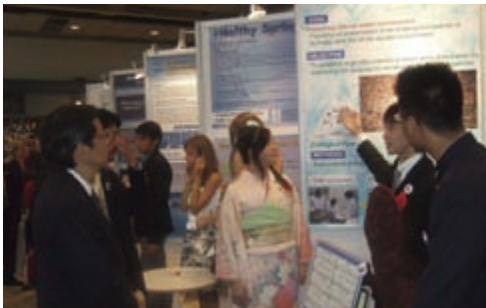


Japan Water Award ceremony (June 12, 2008)



Supporting Civil Activities

Support for the Japan Stockholm Junior Water Prize



Japanese representative presenting at the international convention (August 19, 2008)

Since 2006, Lion has been supporting the Japan Stockholm Junior Water Prize, which recognizes outstanding research activities related to water environment soundness and conducted by students under the age of 20. In 2008, the award was presented to a team from Hiroshima Prefectural Hiroshima Kokutaiji High School for a heredity study and preservation of Japanese giant salamanders (*Andrias japonicus*). The study was jointly conducted with American and Chinese high schools. The team attended an international convention in autumn held in Sweden.



Supporting Youth Research Activities

Saving the Earth, Our Beautiful Planet of Water

Fresh water comprises only 2.5% of all water on Earth. Excluding water locked in glaciers and groundwater, only 0.01% of all water is available for human use. We must therefore use it wisely if we are to create a sustainable recycling society.

Establishing the Lion Award at the Japan Society on Water Environment



43rd Annual Meeting (March 17, 2009)

In 2008, Lion established the Student Best Poster Award (commonly called the "Lion Award") at the Japan Society on Water Environment, the largest academic society in Japan for the preservation of water environments. The award is presented for outstanding research efforts conducted by undergraduates, technical college students and junior college students. The first Lion Award was presented at the 43rd annual meeting on March 17, 2009. The award recipient commented, "This valuable experience has inspired me to do even more." Lion will continue its efforts to boost the motivation of young researchers.



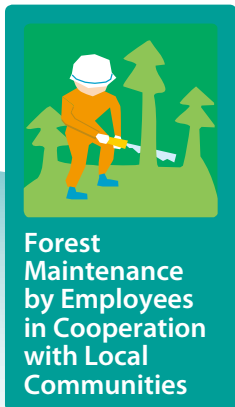
Supporting Young Researchers



Supporting Activities to Encourage the Use of Rainwater

Support for Rainwater Network Japan

Massive floods and great droughts occur frequently on a global scale, disrupting the water cycle. Lion supports the Rainwater Network Japan, through which citizens, government agencies, enterprises and researchers exchange information about rainwater use as a solution for creating a water-recycling society.



Lion Forest in Yamanashi

Forests have the capacity to retain rainwater and thereby has the ability to produce clean water. Lion has been supporting the maintenance of the Lion Forest in Yamanashi City. The Company also encourages employees to volunteer for forest maintenance activities, such as tree planting, removing underbrush and thinning to nurture their environmental awareness. These activities also promote interaction with local residents. Thinned wood from the Lion Forest in Yamanashi is used for paper in such documents as CSR reports.

	2006	2007	2008
Number of sessions	1	2	3
Total number of participants from Lion	25	42	76



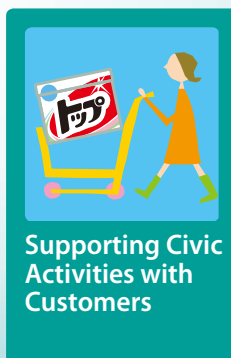
Thinning work (April 17, 2009)

As a Company in the Business of Washing

Lion has evolved its business with a deep involvement in the process of washing, always in a close relationship with water. The Company has been continually introducing into the marketplace water-environment-friendly products, including phosphate-free detergents in the 1970s (see p. 34 for details). We will continue moving ahead with approaches to preserve water environments.



Planting trees with local primary school children (April 16, 2009)



LION TOP Eco Project

Lion provides monetary support for activities that protect rivers, lakes and other water environments undertaken in many parts of the nation by donating a portion of proceeds from the sale of TOP laundry detergent to the Japan Clean Water Foundation, which is operated by the Japan River Association. In 2008, the Company donated ¥12,186,257, a portion of its sales from April 1 through June 30, to the Japan Clean Water Foundation. A total of 23 organizations were subsequently selected to receive support after an impartial examination by the foundation's panel, which ensures the money will be used for notable activities to protect water environments around the nation. In addition, Lion held the Waterfront Painting Contest, designed to encourage children to consider rivers and lakes as a part of our immediate natural environment. A total of 3,568 paintings were submitted to the contest, and 21 children received awards.



Rainwater Network Japan (August 6, 2008)



Contest award ceremony (August 9, 2008)



Lion's Dialogue with Stakeholders Forms the Foundation for its CSR Activities

The fundamental approach to Lion's CSR is fulfilling social responsibilities through our corporate activities. To respond to social expectations, Lion is further deepening its communications with stakeholders.

Lion's Approach to CSR

Guided by its corporate motto and management philosophy, Lion has worked diligently since its foundation in every facet of its business activities to become a trusted member of society. The concept behind CSR—corporate social responsibility—comes naturally for Lion Corporation. Nevertheless, the Company constantly reviews its CSR activities in light of evolving social expectations.

In 2003, we announced our Compliance Declaration and formulated the Lion-Group Charter for Corporate Behavior. Built on ten principles, this Charter enables us to maintain a

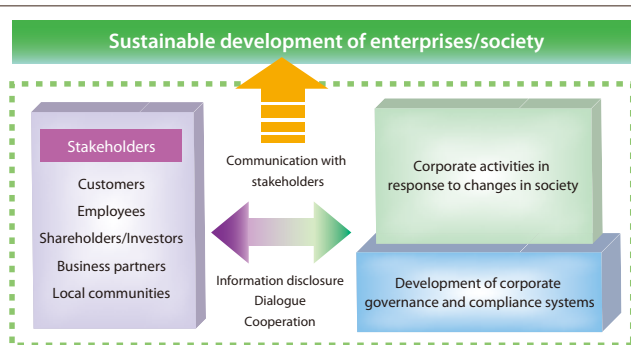
positive influence on society. In 2005, Lion established the CSR Promotion Department for general management of CSR activities across the Company. In its VIP II 09 medium-term management plan, Lion positions proactive CSR activities as an essential factor for increasing corporate value.

We revised the Lion-Group Charter for Corporate Behavior and the Behavior Guidelines*1 in 2008 to reflect changes in society. Drawing upon these sources, we established our CSR-oriented Procurement Principles to clearly state what suppliers must consider in the areas of environmental protection, human rights and labor. We also convened the first formal stakeholder dialogue after a pilot gathering. Looking ahead, we will continue to pursue CSR activities by further deepening our dialogues with stakeholders.

■ Lion's CSR Activities

The Company promotes CSR activities in accordance with its company motto, management philosophy and Charter for Corporate Behavior.

We establish effective systems for corporate governance and compliance in the framework of these basic concepts. This is done while implementing corporate activities in response to changes in society by communicating with our major stakeholders toward creating a sustainable society.



Convening Stakeholder Dialogues

On November 11, 2008, Lion held its first Stakeholder Dialogue after inviting four outside experts to exchange opinions for the purpose of more closely aligning business activities with changes in society.

The discussion in this first dialogue sought to avoid a narrow focus by encompassing a broad range of topics to deepen mutual understanding around the theme, "Communication through CSR reports—Is the Company's intention being conveyed?" Comments were used to guide a review of the composition and description of CSR Report 2009. Starting in 2009, we will deepen the dialogues by focusing on individual topics in order to identify issues and improve corporate activities through reflecting in them the dialogue results. The initial dialogue served as the first step in this direction.

■ Participants

Outside experts: Tamae Kobayashi, Visiting Researcher, Environmental Affairs, Communication Science Institute Inc.
Yoshiki Midorikawa, Co-Chairperson, The Valdez Society, and Director of Green Consumer Research Group
Satoshi Yura, Senior Fellow and SRI Program Director, the Center for Public Resources Development
Minako Oishi, Deputy Chair of the Environment Committee, Nippon Association of Consumer Specialists

Lion Corporation: Tetsuo Yamada, Senior Executive Director and Representative Director;
Yasutsugu Kawabata, Director of Personnel Department; Takamasa Fujii, Director of Investor Relations Office;
Yoshiyuki Aida, Director of Public Relations Department; Kazuo Nago, Director of CSR Promotion Department

Facilitator: Kazunori Kobayashi, Manager, Japan for Sustainability

■ Key comments

- Although the report as a whole includes a sufficient volume of information, it is not easy to identify the essential concepts that undergird individual activities as well as their meaning and interrelationships.
- Include self-evaluation of your responses to inquiries on product problems.
- The report does not portray the big picture of company employees, including the rate of part-time and fractional employment.
- Disclosure of information about CO₂ excels.
- The ongoing pursuit of sustainable palm oil procurement is worthy of merit; the report is to be especially commended for discussing this issue in detail.
- The report does not clearly make connections between individual activities for preserving aquatic environments or for ensuring their continuity.

*1 Behavior Guidelines **HP** <http://www.lion.co.jp/en/company/html/com0201f.htm>

■ Lion's 2008 CSR Status and Issues for the Future

	Item	Status of major activities	Issues for the future
Management	Governance and internal control	<ul style="list-style-type: none"> Partially revised the executive compensation system based on the Compensation Advisory Committee report 	
		<ul style="list-style-type: none"> Completed assessment of internal controls regarding the financial results report and the prior evaluation of the audit system Revised the internal control system 	<ul style="list-style-type: none"> Appropriate operation of the evaluation/audit system of internal control
	Compliance	<ul style="list-style-type: none"> Promoted and established the Heart Hotline Implemented an e-learning program on information leakage Announced the Charter for Corporate Behavior and ensured it was understood by all Company employees 	<ul style="list-style-type: none"> Encourage business partners to use the Heart Hotline Broaden effectiveness across affiliated companies
	Facilitating communication	<ul style="list-style-type: none"> Held a Stakeholder Dialogue 	<ul style="list-style-type: none"> Utilize the Stakeholder Dialogue
	Risk management	<ul style="list-style-type: none"> Established guidelines for responding to new influenza viruses Developed a business continuity plan 	<ul style="list-style-type: none"> Disseminate the guidelines for response to new influenza viruses throughout the Company
Customers	Enhancing customer satisfaction	<ul style="list-style-type: none"> Developed the Quality Policy Reinforced support for marketing/R&D by the Quality Assurance Office Began releasing the Voice of Customer (VOC) daily newsletter 	<ul style="list-style-type: none"> Improve the product management system and reinforce operation Further enhance marketing/R&D support through smooth operation of the quality assurance system Accelerate company-wide dissemination of the VOC daily newsletter
Employees	Creating an optimal workplace	<ul style="list-style-type: none"> Extended the period of reduced working hours due to childcare to the end of the year during which the child is in first grade Set up a new special paid-leave system in response to the citizen judicial system Revised the sexual harassment prevention manual Began providing specific health checkups and healthcare advice Implemented mental health education for managerial level 	<ul style="list-style-type: none"> Promote the Phase 3 Action Plan for the Act on Advancement of Measures to Support Raising Next-Generation Children Confirm the quality of healthcare advice given by nursing staff Raise awareness of mental health in the workplace
Shareholders and investors	Sufficient information disclosure	<ul style="list-style-type: none"> Held briefing sessions for individual investors (2,000 investors in total) Created and distributed IR brochures for investors Shared comments from shareholders and investors across the Company (updated intranet) 	<ul style="list-style-type: none"> Improve the quality of information disclosure through enhanced website content Implement themed events to broaden understanding of the Company
Business partners	Promotion of CSR procurement	<ul style="list-style-type: none"> Established the CSR Procurement Principles Inspected palm-oil supplying plantations 	<ul style="list-style-type: none"> Fully inform business partners about the Procurement Principles
Society	Business-related support for society	<ul style="list-style-type: none"> Supported oral health activities of the LDH^{*2} and those of overseas affiliated companies Expanded participation in forest maintenance activities in the Lion Forest in Yamanashi to include retired employees Established the Lion Award at the Japan Society on Water Environment 	<ul style="list-style-type: none"> Use forest maintenance activities for environmental education
Environment	See p. 23 and following pages.		

*2 See pp. 21 and 22 for information on activities of the LDH (Lion Foundation for Dental Health).

Corporate Governance

Fundamental Approach

Lion places the highest priority on enhancing management transparency, ensuring prompt decision-making and effective supervision, and securing compliance. It is our strong belief that reinforcing and improving the corporate governance system will bring to fruition an increase in corporate value.

Corporate Governance System

Lion has adopted an audit system to ensure adequate management supervision. In March 2004, the Company introduced an executive officer system, separating the executive and supervisory functions. Under the new system, the Board of Directors is responsible for decision-making and

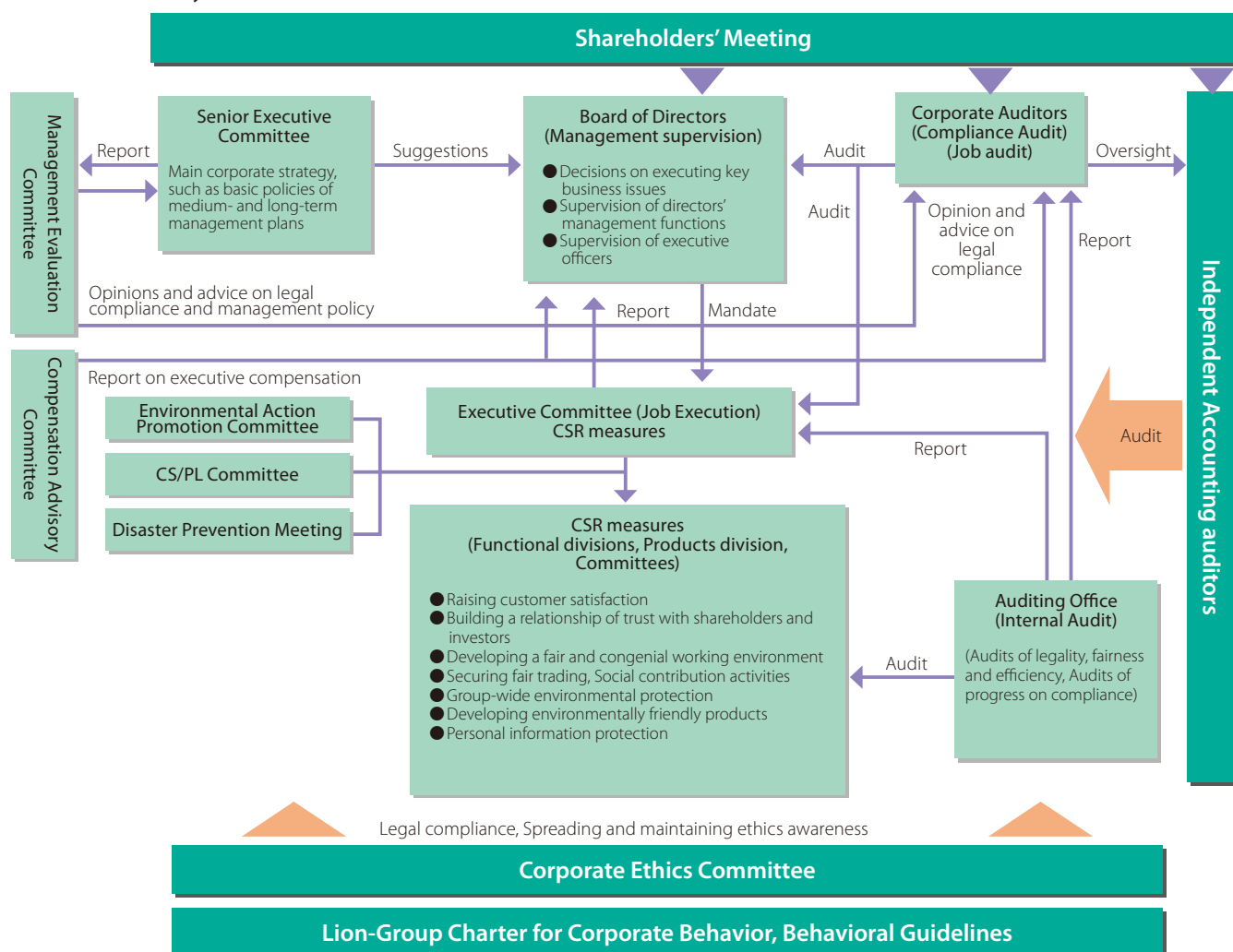
management supervision, while the Executive Committee is responsible for job execution.

The Board of Directors is comprised of 11 directors. To revitalize the Board of Directors and to enhance energy and agility, Lion implemented measures such as appointing two external directors and reducing the director's term of office to one year. Lion has appointed two standing auditors and two external corporate auditors. Furthermore, Lion established the Management Evaluation Committee as a means of securing and incorporating the opinions and advice of outside experts provided from a commonly accepted point of view.

In addition, Lion introduced measures for the large-scale purchase of the Company's stock and related matters (defensive actions against takeovers) after approval at an ordinary general meeting of shareholders on March 27, 2009.

In December 2006, Lion established the Compensation Advisory Committee, which is comprised of external directors and external corporate auditors, for the purpose of enhancing objectivity and clarity in matters concerning executive compensation.

CSR Promotion Systems



Development of Internal Control System

In accordance with the Corporation Law and the Enforcement Regulations of the Corporation Law, Lion improved the following systems in order to secure appropriateness in the Group's business activities.*1

1. A structure to ensure that the executive duties of directors and employees comply with legal requirements and the Company's Articles of Incorporation
2. A management structure relating to information maintenance and storage of matters concerning the execution of directors' duties
3. Rules and other structures for managing the risk of loss
4. A structure to ensure that directors' duties are executed efficiently
5. A structure to secure appropriate operations as a corporate group
6. Matters relating to employees and the independence of employees from directors in support of corporate auditors in the case that auditors request such employees
7. A structure for reporting to corporate auditors by directors and employees and other matters relating to reporting procedures to corporate auditors
8. A structure to ensure efficient and appropriate auditing by corporate auditors
9. A structure to ensure the reliability of financial results reports
10. A structure to ensure the rejection of all contact with antisocial forces

Evaluation of the Internal Control System Regarding the Financial Results Report

As regards evaluating and auditing systems within the internal control system related to the financial results report, based on the Financial Instruments and Exchange Act, Lion formulated a special task force team in July 2006, under the president's direction, to further controls on a company-wide level within the Lion Corporation and the Lion Group, as well as job-process level controls for operational maintenance. In December 2008, the Board of Directors adopted the Basic Internal Control System Policies, which stipulate the following items.

- Points for developing an internal control system
- Respective responsibilities and roles for developing and operating the internal control system
- Scope and methods for evaluating the internal control system
- Evaluating the use of the internal control system
- Roles in the evaluation procedure for the internal control system

In January 2009, the first year of the system, the Auditing Office that serves as an evaluation body under the direct control of the president began conducting evaluations. Findings are reported to the president and corporate auditors while remedial actions, if any, are proposed to the related divisions followed by progress review.

Evaluation findings and the status of remedial actions will also be regularly reported to the Board of Directors.

We will prepare an internal control report in March 2010 and proceed with operations so that we can submit this information along with the securities report to the Prime Minister.

*1 Basic Internal Control System Policies: <http://www.lion.co.jp/en/company/html/com0501f.htm>

Providing Products that Are Worry-free and Bring Fresh Excitement to Customers



To provide products and services that are useful in daily life, Lion developed a quality assurance system in accordance with its quality policy while promoting company-wide quality assurance activities in the framework of its product management system.

Quality Assurance System

Reinforcing the quality assurance system

To promote quality assurance activities across the Company, Lion set up a CS/PL*1 Committee, which consists of the CSR Promotion Department (Quality Assurance Office and Consumer Service Office), the Product Division, the Production Division, the Research and Development Division and the Headquarters Staff Division. The committees operate from the perspective of quality assurance to handle company-wide promotion of compliance-related activities, the setting of voluntary standards and targets and the development of superior products as well as monitoring the progress of responses to issues in these areas.

In March 2008, Lion clearly stated the spirit of its company motto and management philosophy with regard to its

products in its quality policy to further strengthen its quality assurance activities and assurance system.

Operation of the product management system

Lion operates its product management system rigidly and rationally to develop superior products and services that are useful in daily life. The product management system defines the flow and structure of quality assurance processes and tasks to be carried out throughout the stages of product development (strategy, planning, development, manufacturing, marketing and improvement/discontinuation) in conformity with ISO 9001 (JISQ 9001). To verify that the quality we produce will satisfy customer expectations, Lion holds Quality Verification Meetings during the development stage and ensures stringent quality control.

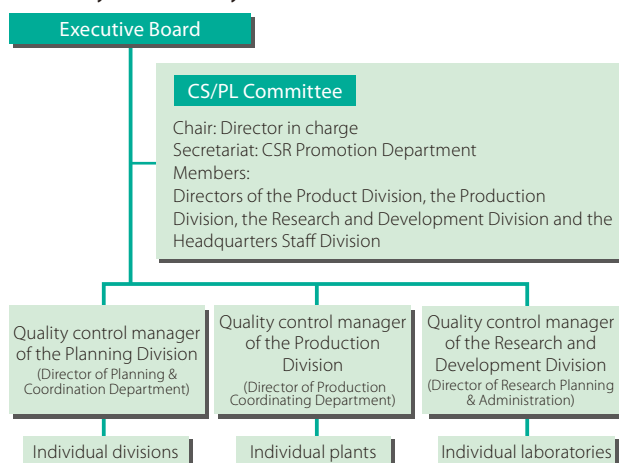
Quality audit

The audit controller and audit team members regularly conduct quality audits of the Company and contractors and provide instruction for improvement as needed. In 2008, a field survey was carried out at target company sites and contractors in light of the timing and evaluation results of the previous survey.

Thorough employee education to bolster understanding of quality and product safety

To promote the development of superior products, Lion provides employees with education and training to bolster understanding of product quality and safety. In 2008, the Company revised its product management system to further strengthen its quality assurance system and trained employees so they would fully understand the system. In addition, Product Division staff received training on the effective use of customer feedback in which they directly listened to customer comments.

Quality assurance system



*1 CS/PL: Customer Satisfaction/Product Liability

Quality Policy

The mission of Lion Corporation is to provide superior products and services that are useful in daily life, while achieving customer satisfaction and trust. Ceaselessly implementing quality assurance activities, the Company is striving to increase customer satisfaction.

1. The importance of customer communication

The serious consideration given to customer comments is reflected in Lion's products and services.

Along with gathering information related to quality, Lion provides information that is accurate and easy to understand.

2. Lion thoroughly pursues safety and functionality in all of its products

Thoroughly pursuing safety features, Lion is actively engaged in improving product capabilities.

3. Considering the global environment

Reducing the burden of products and services on the global environment, Lion is aiming to create a sustainable society.

4. Compliance with laws and regulations

Complying with related laws and internal company regulations, Lion is improving its quality assurance activities.

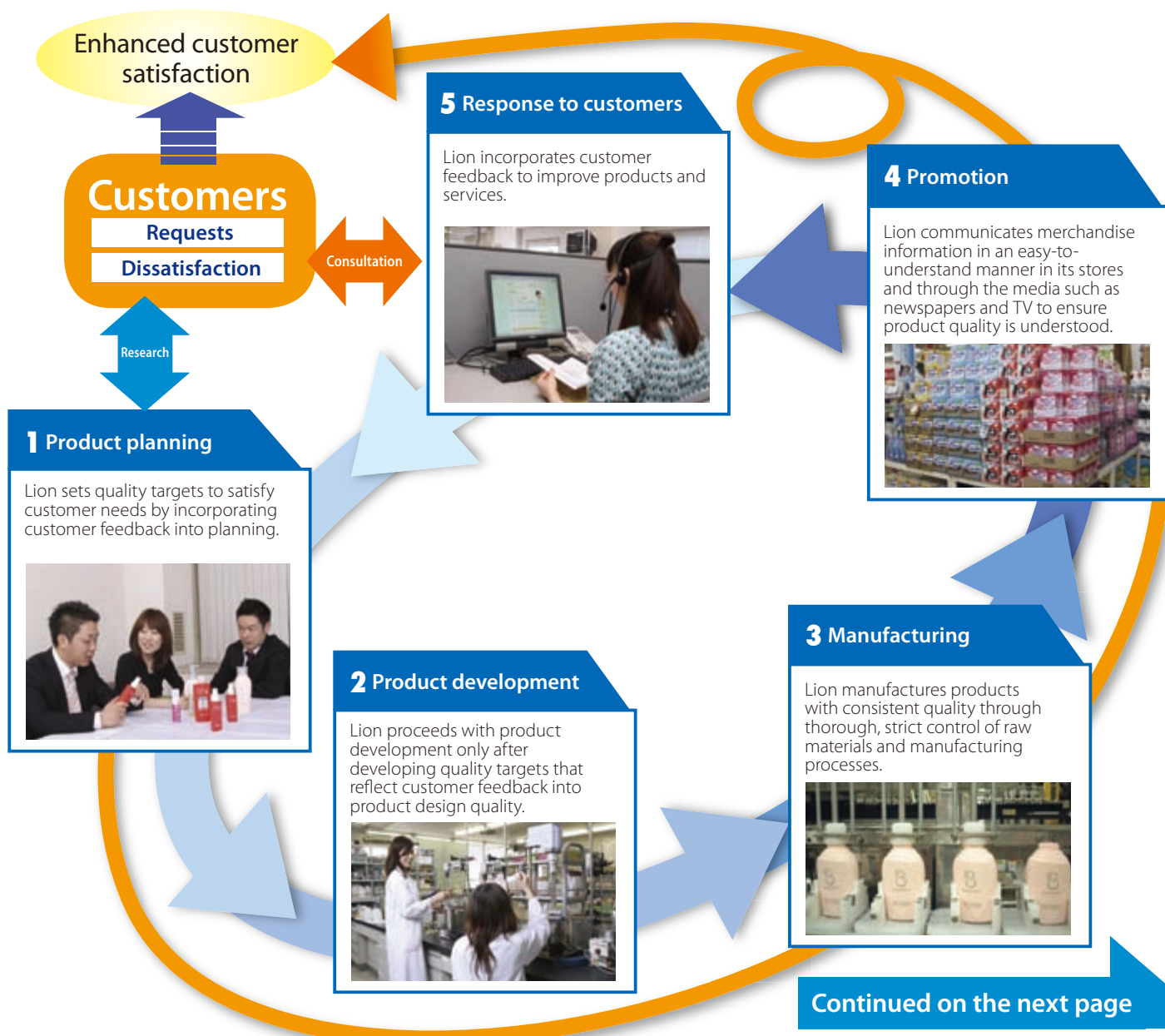
5. Providing products and services that are full of fresh surprises

By ceaselessly engaging in the creation of attractive products, Lion is working to increase customer satisfaction.

March 28, 2008

Efforts for Reliability, Safety and Quality

Lion implements quality assurance activities at every stage of product planning, product development, manufacturing, promotion and response to customers in order to deliver products that fully satisfy customers.



1 Product planning

Customer feedback

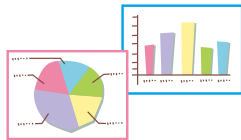
Feedback from customers is used to better understand their expectations and requests.



Marketing research

Market analysis

The market and competitor trends are surveyed and analyzed.



Customer research

Our customers' daily activities, purchasing behavior, awareness, needs and desires are researched.



Analysis/ deliberation

Product concepts are developed by utilizing customer feedback and the results of marketing research.



Planning proposal

Quality targets are stated in terms customers can easily understand.

Developing product brief

Product Planning Meeting

Executive Board

Content of product planning is discussed before approval.



2 Product development

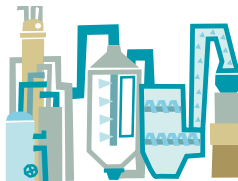
Examining ingredients/package, process/equipment and product displays that satisfy product design quality standards

Ingredients/package



Reviewed from the perspectives of safety, function and performance, usability, etc.

Process/equipment



Factors such as the quality of raw materials and productivity are examined.

Product Displays



Displays that are easy for customers to read is deliberated.

Production Technology Meeting

Deliberation and approval of the development results

Product Planning Meeting

Deliberation and approval of marketing plan

Executive Board

Decision on marketing plan



Quality Verification Meeting (at the start of development) Confirms the appropriateness of quality targets and items required for considering development

Quality Verification Meeting (when development are completed) Confirms that the developed product satisfies expectations

Process Safety Verification Meeting Confirms the safety of the manufacturing process

3 Manufacturing

Pre-manufacturing preparation



Specifications and standards are established and the quality of raw material is confirmed.

Trial manufacturing



Decisions are made on mass production after confirming manufacturing quality and production capacity.

Manufacturing



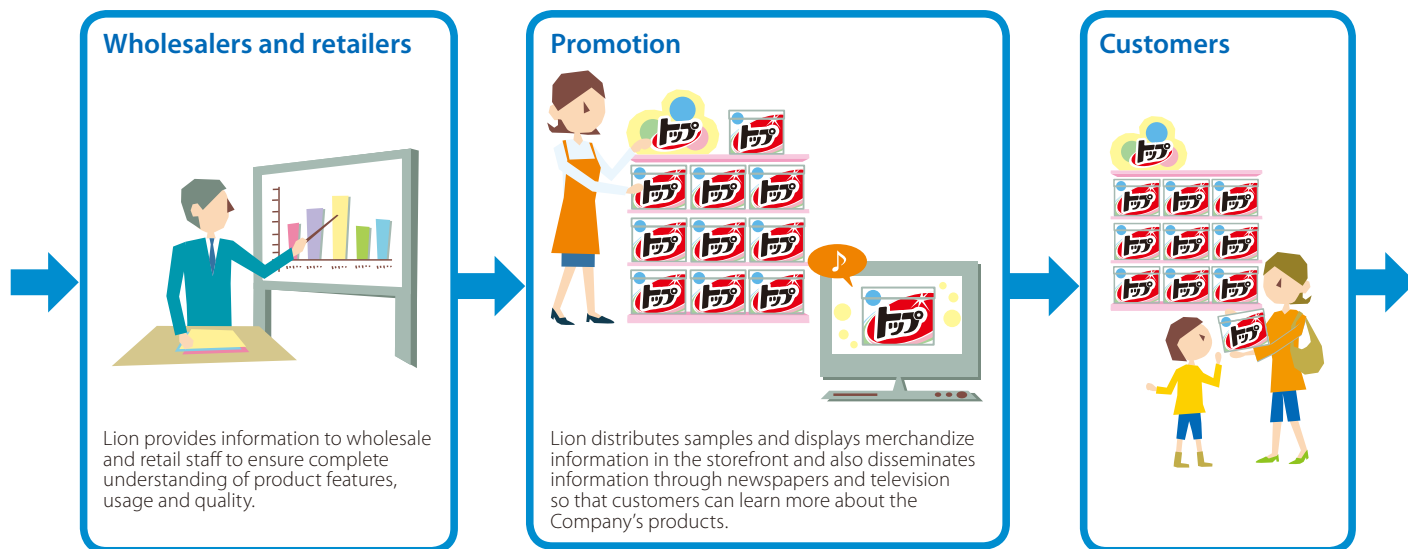
A consistent level of product quality is maintained by carrying out manufacturing based on the production plan.

Storage (shipment)

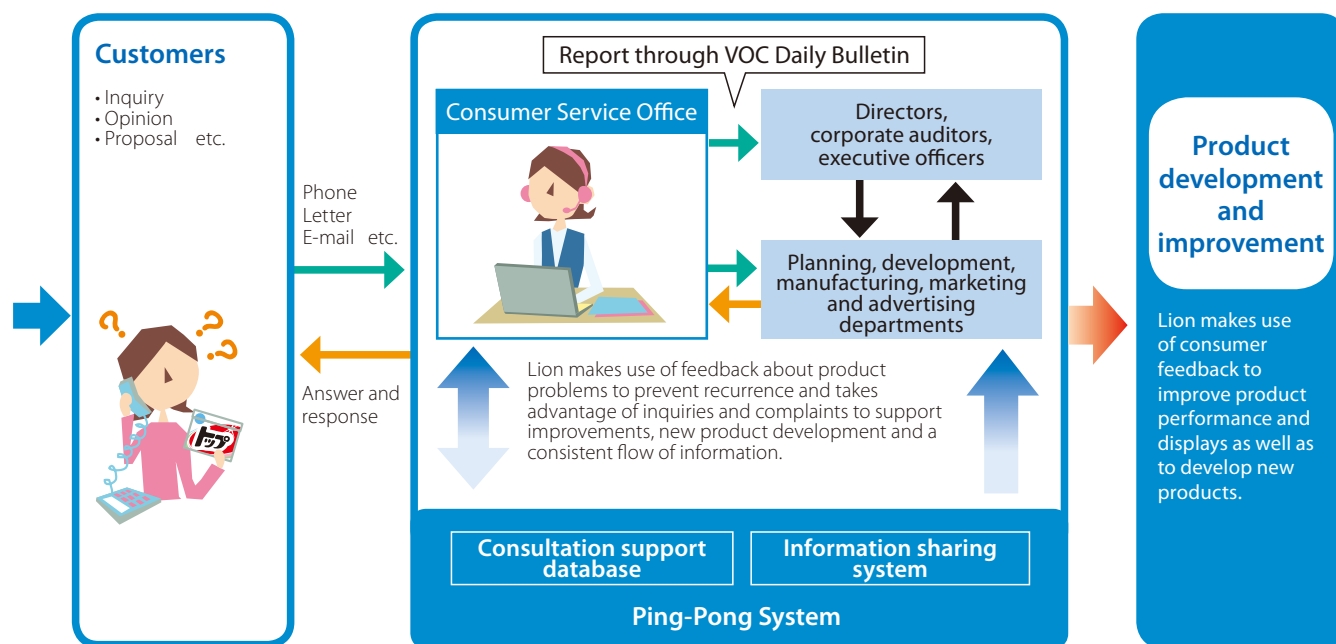


Products manufactured in plants are stored under suitable conditions. Freshness and quality management is conducted during storage.

4 Promotion



5 Response to customers



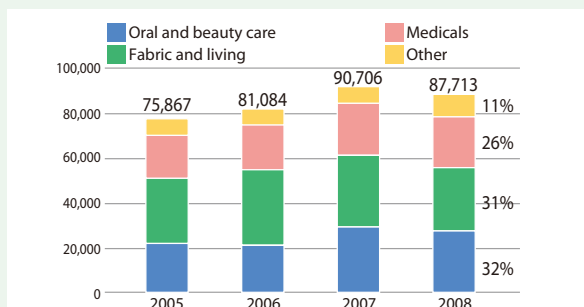
Effectively responding to consumer feedback

Consumer inquiries and comments

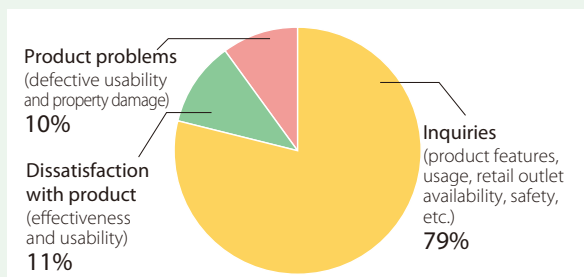
In 2008, almost 90 thousand inquiries and comments were received by the Consumer Service Office (a 3% decrease from the previous year). Broken down by category, 79% of the inquiries related to usage, retailers and product safety; 11% related to dissatisfaction with effectiveness, fragrance or taste after using a Company product (a 4% decrease from the previous year); 10% related to product problems, such as deterioration during storage and detergent-related floor damage caused by spillage while refilling (a 12% decrease from the previous year).

In 2008 we introduced a search system for consumers who inquire on where our products are sold in order to afford more timely responses to consumers.

■ Number of inquiries and complaints received at the Consumer Service Office



■ Breakdown of inquiries and complaints (2008)



Creating a consumer-oriented corporate culture

Since 2005, Lion has been providing training on the effective use of customer feedback to cultivate nurturing a corporate culture for taking action from the customer's point of view. In this training, employees in the product planning and development divisions directly respond to customer inquiries or complaints. The goal is to have employees feel closer to customers through dialogue and as a result create products from the customer's point of view. We will further expand the scope of employees who take this training to establish a consumer-oriented corporate culture.

Disseminating information

Lion's website makes available information about campaigns, current and discontinued products as well as useful hints for daily living, such as laundry washing and oral care. The site also provides answers to frequently asked questions and explains how to deal with such issues as accidentally ingesting products.

To ensure the reliable use of products by the visually impaired, the Company publishes the Lion Product Catalog in Braille, SP code and large-type print, and issues the "Lion Products and Lifestyle Information Oto (Audio) Mail," an e-mail magazine that contains information useful for daily life and is compatible with screen-reading software for the visually impaired. The catalog and magazine are distributed free of charge to all interested parties.

We will continue to provide up-to-date information through such media as our website and printed booklets.

Concretely responding to customer feedback

Improving the locking function of the paper packages for washing detergents such as TOP

Paper boxes of our washing detergents are equipped with a simple lock to prevent the lid from popping open when the box falls (see the figure below). Customers commented, however, that the slit was too narrow to insert the locking flap. In response, we made improvements by changing the shape of the reinforcement around the slit and enhanced the interlayer strength (adhesiveness between paper layers) of the hardboard used for the lid.



Recall status of Varsan Hyosatsu Jet Spray

Varsan Hyosatsu Jet Spray for Flying Bugs and Varsan Hyosatsu Jet Spray for Creeping Bugs have been voluntarily recalled since August 27, 2007 as a result of several cases of combustion involving these products. As of the end of March 2009, 1.48 million of these spray cans have been returned (a 45.5% return rate). If you have either of these products, contact us for information on how to return it.

Customer service dedicated to the recall of Varsan Hyosatsu Jet Spray

Toll-free phone number: 0120-670-225
From 9:00 a.m. to 5:00 p.m.
(excluding weekends and holidays)

To Maintain a Comfortable Workplace Where Employees Can Work Cheerfully



Lion offers fair compensation and its human resource development operations respect the character and individuality of each employee. To ensure a safe and rewarding workplace, the Company seeks to establish an optimal environment for employees to work in while maintaining their physical and mental health.

Facilitating the Use of Diverse Human Resources

Lion is aiming to ensure a workplace environment in which all employees enjoy job satisfaction under fair conditions. Management by Objectives and self-assessment systems as well as regular interviews are used for personnel evaluation, an agreeable approach that facilitates understanding of evaluation results.

With its many core products for daily living, the Company is able to provide female employees ample opportunities for

Employee-related Data (Lion)

		2006	2007	2008
Regular employee	Male	1,985	1,965	1,934
	Female	509	531	546
New employee*1, 2	Male	47	55	57
	Female	30	35	25
Retired employees reemployed	Person	15	51	78
	Percentage	0.6	2.0	3.1
Percentage of females		20.4	21.3	22.0
Female management level staff	Person	23	30	32
	Percentage	3.2	4.3	4.7
Employment rate for handicapped employees	Person	39	45	45
	Percentage	1.6	1.8	1.8
Employees who took childcare leave	Female/Person	2	3	3
	Percentage	2.7	5.5	4.4
	Male/person	43	38	36
	Percentage	100	100	100
Shortened working hours due to childcare	Male	0	0	0
	Female	28	33	34
Average amount of overtime per month (hours)		8.3	9.2	10.7
Percentage of paid leave taken		42.6	43.0	45.2
Turnover rate up to three years after hiring*3	Person	3	9	12
	Percentage	1.6	4.1	5.7

*1 Including new employees hired mid-year

*2, 3 Revised investigation results and figures

applying know-how obtained from homemaking experiences. In addition, decisions related to promotion and advancement are made within a comprehensive context, eliminating any potential negative influence associated with absence due to child bearing and rearing, so that female employees can nurture their aspirations. With increasing opportunities for women to take on more active roles, the ratio of female management staff is also rising.

Balance between work and private life

Lion values the balance between work and the private life of employees and improves workplace comfortability to bring tangible results. Given the declining birthrate in an aging society, nurturing the next generation is a pressing issue.

Having accomplished its own action plan in compliance with the Next Generation Education and Support Promotion Act, Lion was certified as a "company that proactively engages in striking the balance between work and childcare" in 2007 and 2009. During this time, Lion extended the timeframe for shortened working hours due to childcare to the end of the year in which the child is in first grade. We also support flexible work styles, such as use of flextime systems. At present, 100% of Lion's eligible female employees have acquired maternity leave. The number of male employees that take leave is also steadily increasing (a total of eight by the end of 2008). Beyond simply introducing these systems, Lion establishes a corporate climate that encourages employees to actually use them. We will work on the Next Generation Act Phase 3 Action Plan presented below until 2011.

Next Generation Act Phase 3 Action Plan

Period: April 2009 to March 2011

"Kurumin" next generation certification mark



- Goal 1. Reach a point at which seven male employees or more use the systems, such as paternity leave, during the Phase 3 Action Plan period
- Goal 2. Grant one day of scheduled paid leave in 2009
- Goal 3. Develop an environment for disseminating corporate information via the intranet to employees on maternity leave
- Goal 4. Introduce measures to rehire employees who had resigned for personal reasons

Retired Worker Reemployment Systems

In April 2006, Lion introduced two types of Retired Worker Reemployment Systems: In the standard type, retired employees can choose the most suitable job for them from among a list of jobs offered by Lion; and in the highly specialized type, Lion appoints certain retired employees who have indispensable knowledge and expertise for particular positions. In the three years since the establishment of the system, about 60% of retired employees have used it and are contentedly applying the skills, knowledge and experience they have cultivated.

Preventing Workplace Harassment

Lion has been working to prevent various types of harassment that negatively impact the work environment. In 1999, the Company issued a declaration to prevent sexual harassment and developed manuals for managers and employees. In 2008, the Company compiled examples of power harassment cases to call managers' attention to problems that could occur while coaching subordinates.

Spirit of Tenacity and Creativity —Human Resource Development

Lion provides diverse opportunities for employees to develop their abilities. Taking qualifications, age and job duties into consideration, the Company provides training at each level of employment, career development training, and specialized education. Lion also provides a variety of training programs, especially for motivated employees. These additional programs include elective training and support for self-development. Particularly in terms of supporting self-development, Lion provides a diverse array of courses to assist employees in developing their capabilities. The Company is also implementing human resource development measures that include the Lion Challenge Cup, which provides employees with opportunities to present results of group study directly to executives; and opportunities for international workforce training, which include business training at overseas affiliates and presentations at overseas conferences to develop human resources for overseas operations in response to the globalization of the business.

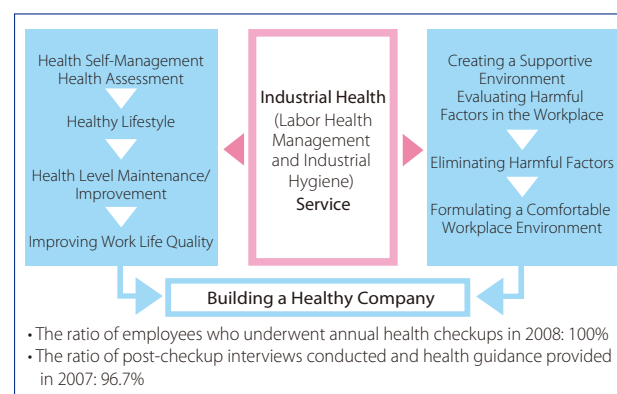
For further details of Lion's personnel and training systems, see the Company website.*¹

Employee Health Management

Employee Health is an Asset to Lion

Considering that employee health is the most important asset both for the individual and the Company, Lion is conducting activities based on its Fundamental Health Management Policy. Activities that promote an increase in the number of employees who can manage their own health as well as activities that build a comfortable workplace are key pillars of this policy. In addition to such measures as post-checkup interviews with all employees, Lion is finely tuning its health management activities in consultation with industrial healthcare professionals.

■ Outlining the aim of Lion's Fundamental Health Management Policy



Responding to Specific Health Checkups and Specific Healthcare Advice

Regarding the measures for specific health checkups for individuals 40 years old or over and the provision of specific healthcare advice that was enacted into law in fiscal 2008, Lion developed a five-year plan to promote health checkups and healthcare advice for insured employees with the cooperation of Lion's own health insurance association.

Taking Action for Mental Health

Given that mental health is an important issue both in terms of a corporate organization's vitality and its risk management strategies, Lion is making every effort to identify and prevent emotional problems among its employees. In addition to its internal industrial and mental health consultation system, the Company has also contracted clinical psychotherapists to provide counseling to employees internally and counseling organizations to provide these services externally, making it possible for employees and their families to readily obtain counseling over the telephone and in person.

*¹ Employment opportunities **HP** <http://www.lion.co.jp/ja/saiyo/> (In Japanese)

Safety and Disaster Prevention

Company-wide Endeavors in Safety, Health and Disaster Prevention Management

Lion is striving to ensure safety on a routine basis under the principle of safety comes before anything else. The Company has constructed a safety, health and disaster prevention management system while raising employee awareness and providing training through measures such as briefing sessions at individual business sites. Under this system, we are steadily working to accomplish the goals of “no accidents” and “no disasters” as well as to build a framework that minimizes the impact of unavoidable emergencies.

Work Safety

To maintain top priority on work safety, Lion routinely invites lecturers from inside and outside of the Company to provide safety education and advice. There were no major accidents or disasters impacting people or equipment in 2008. However, there was one accident that involved lost work time and seven accidents that did not. Incidents of chemical-related injuries increased. To address this issue, we are implementing improvements focused on risk assessment concerning the handling of chemical substances.

Facility Safety

Lion ensures the safety of chemical plants through assessment by an external institution. Following assessment at the Chiba Plant in 2005, the Company adopted this same process for confirming safety at the plants of Lion Chemical Co., Ltd., the Fine Chemical Division, and overseas affiliates (in Korea, Malaysia and Thailand) and completed remedial actions in 2008. Recognizing the importance of routine monitoring for chemical plants, we are also conducting periodic inspections. In addition, we recognize that the efficient assessment and repair of aging plant facilities represent obstacles for the future, and we have therefore begun efforts to ensure equipment safety by proactively adopting advanced assessment methods.

Management and employees must work together to ensure safety. And we intend to maintain the safety of our equipment by further improving our management cycle including an increase in reviews by the executives.

Response to Emergencies

To ensure a prompt and effective response and safeguard the safety of employees in times of disaster, Lion has developed manuals at each business site. These are in addition to regular evacuation drills and practices for confirming the safety of people and joint training with fire departments.

In 2008, Lion conducted a training exercise for quickly restoring business operations under the scenario that a Tonankai (area between central and south-west Japan) earthquake had hit the Nagoya Office and Lion AKZO Co., Ltd. Yokkaichi Plant. In this drill, the Tokyo headquarters supported

the disaster headquarters in the stricken area by using a video teleconference system and other means.

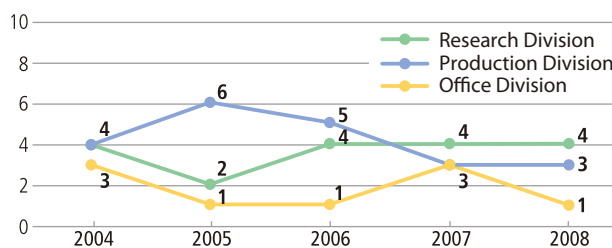
Individual departments and business sites also conduct timely training using a system to quickly and accurately confirm the well-being of employees in the event of disaster.

Having completed seismic reinforcement of the office buildings owned by the Group, Lion is conducting a series of seismic assessments and reinforcement work at its plants. These efforts have been completed at the Chiba, Odawara and Akashi plants, and reinforcement is currently underway at the Osaka Plant. We will continue making improvements to minimize damage in the event of a disaster.

■ Number of facility disasters

2004	2005	2006	2007	2008
0	0	0	0	0

■ Number of work accidents (excluding those during commuting hours)



■ Frequency of work accidents in the production division (number of victims of accidents that involved lost work time / total working hours (million hours))

2004	2005	2006	2007	2008
0.00	0.00	0.00	0.00	0.74

■ Severity of work accidents in the production division (person-days lost / total actual working hours (thousand hours))

2004	2005	2006	2007	2008
0.00	0.00	0.00	0.00	0.03

■ Accident-free working hours at the end of 2008 (10 thousand hours)

Research Division				Production Division			
Hirai	Honjo	Odawara	Fukushima	Chiba	Odawara	Osaka	Akashi
529	25	91	7	250	198	146	14



Emergency drill at Akashi Plant
(December 12, 2008)

Working to Achieve a Sustainable Society through Our Supply Chain



Driven by concerns about compliance, quality, environmental protection, labor and human rights in the supply chain, Lion aspires to fulfill its responsibility together with its business partners for achieving a sustainable society. The Company reinforced CSR activities throughout its supply chain in 2008 by establishing new procurement principles and conducting a questionnaire survey on corporate activities.

Procurement Principles

Since its foundation, Lion has been doing its utmost to provide safe, high quality products and services that promote healthy, comfortable lifestyles. Upholding this effort in the procurement of raw materials and the purchase of products, and with the cooperation of our business partners, we shall:

1. Comply with prevailing laws and social norms and engage in appropriate, rational transactions with every business partner in a freely competitive framework that is equitable, fair, and transparent;
2. Rationally select business partners on the basis of quality, cost, and timely delivery to fulfill our responsibility to customers;
3. Fully consider throughout purchasing activities our social responsibilities in such areas as global environmental protection, labor, and human rights toward creating a sustainable, healthy society;
4. Respect the confidentiality of business partners' information and intellectual property rights and never engage in inappropriate or unethical acquisition or use of such information or rights;
5. Never offer business entertainment, gifts, or monetary compensation to unfairly obtain profit;
6. Fulfill our social responsibilities together with our business partners with a shared commitment to coexistence and co-prosperity.

Established October 1, 2008

Promoting Cooperative Relationships with Business Partners

Advancing CSR Procurement

Lion has been constructing supply chain management systems and at the same time ensuring fair raw material procurement and product purchasing under its Purchasing Activity Principles.

To more clearly grasp the CSR activity status of its business partners, Lion conducted a survey in 2008 using a questionnaire that consisted of six items, compliance, quality/safety of products and services, environmental consideration, labor and human rights, fair trade, and activities in overseas business sites, which were selected using the Ten Principles of the Global Compact*¹ as a reference. With the cooperation of several Group companies*², the questionnaire was sent to 564 business partners and received responses from 395 (response rate of 70%). In reviewing the responses, no major problems were discovered. Overall, the development of policies and systems in their overseas business operations, however, was not deemed sufficient compared with their domestic businesses. Another finding was that larger scale companies tended to have more advanced CSR efforts.

Lion drew upon these findings to establish its Procurement Principles on October 1, 2008, as CSR-based procurement principles with clearer social and environmental considerations.

We will strive to thoroughly implement these principles and identify potential problems encompassing all business partners, including those who did not respond to the survey.

*1 The Ten Principles of the Global Compact [HP](http://www.unglobalcompact.org/aboutTheGC/TheTenPrinciples/index.html) <http://www.unglobalcompact.org/aboutTheGC/TheTenPrinciples/index.html>

These principles were espoused by Kofi Annan, the Secretary-General of the United Nations at the time, at the World Economic Forum held in January 1991, and they were formally inaugurated at the UN Headquarters in July 2000.

*2 Lion Chemical Co., Ltd., Lion Packaging Co., Ltd., Lion Corporation, Lion Hygiene Co., Ltd., Ipposha Oil Industries Co., Ltd., Calp Corporation

Working Together with Wholesalers and Retailers— Creating Product Displays that Provide Customer Satisfaction

The essence of Lion's logistics policy is "coexistence and co-prosperity" founded on close ties with wholesalers. Regarding the marketing of consumer products, the Company has established an organized structure to promote better communications. One feature of this structure is "Lion-kai," which has 266 wholesaler members as of January 1, 2009. In Lion-kai meetings, Lion provides an explanation of its business strategies and sales and marketing strategies, while at the same time clarifying roles and responsibilities through vigorous exchanges of opinion. In this way, Lion works in unison with wholesalers to improve customer satisfaction.

Over the last few years, nationwide wholesalers that handle a wide range of products have also appeared in the distribution business for household and medical products. Against this background and with the revised Pharmaceutical Affairs Act firmly in mind, we have been advancing the integration of product divisions for household and medical products since 2006 and have prepared a framework to support integrated operations. We set up the Customer Development Department in 2009 to share and resolve business challenges with wholesalers and retailers.

For our wholesalers and retailers, Lion holds the Spring New Product Presentation, during which the Company introduces a broad range of new products including household, medical and gift products. At each product booth, Lion researchers provide easy-to-understand explanations of product features, while suggestions related to marketing methods and the creation of product display areas are offered by the Product Division.

Supported by the mutual understanding that these efforts cultivate between wholesalers, retailers and Lion, store coordinators from Lion Field Marketing Co., Ltd. and Leo Field Promotions Co., Ltd. regularly visit about 8,600 stores. The coordinators collect information concerning customer needs and distributor requirements. At the same time, they work to create fresh, attractive product display areas at retail outlets, ensuring a quality that satisfies customers.



Spring New Product Presentation
(January 25, 2009)



Lion-kai (February 10, 2009)

Moving toward Product Development that Has the Highest Customer Satisfaction

Given that the development, stable supply and quality assurance management of new materials and raw materials with new functions are very important for making products that satisfy customers, cooperative ties between the Company and suppliers are indispensable. To this end, Lion exchanges information with suppliers to deepen these trusting relationships through its regular business activities, while making every effort to gain a precise understanding of the latest trends concerning raw materials.

One example of this is our development of user-friendly packages and tools. We are working together with package manufacturers to improve both product quality and operating efficiency by providing them with consumer testing results of our product prototypes and mutually sharing design software.

We also sign confidentiality agreements toward fair transactions in the development of new functional materials, which in turn accelerates such development.

Lion has also established standards from the perspectives of safety, environmental suitability and quality that are applied to its purchases of new raw materials, ensuring full implementation of safety measures including inspections of manufacturing facilities.

To cope with the skyrocketing raw material prices from 2007 to 2008, the Company worked to secure the stable supply of major raw materials and to reduce costs on both sides by purchasing from multiple suppliers and increasing delivery units.

Working Together with Competitors "Competing at the point of sales, while distributing in cooperation"

Together with a competing manufacturer, Lion established Planet Logistics Co., Ltd. in 1989 and conducts joint shipments to wholesalers. The idea behind joint shipments is to compete at the point of sales, while distributing in cooperation. Each manufacturer competes fairly at the store level, while leveraging the advantages of joint distribution. These advantages include: (1) a reduction in logistics costs; (2) enhanced logistics quality; and (3) more appropriate measures to address environmental issues. Enforcement of the revised Law concerning the Rational Use of Energy in 2006 further increased the importance of efforts for preventing global warming in distribution. We recognize that joint distribution is an important solution for this challenge. As of the end of 2008, 18 manufacturers had participated in joint distribution.

Set schedules, set volumes, bulk shipping, systemization and standardization related to joint distribution are directly connected to operational improvement and efficiency for businesses to which Lion delivers (see p. 31 for more details).

Undertaking Social Contribution Activities Focused on Oral Hygiene and Aquatic Environments



Lion contributes to society by helping it achieve health and comfort. In particular, since its founding, the Company has consistently promoted and provided education on proper oral care. Lion is also strengthening its efforts to preserve aquatic environments*1 while placing emphasis on support for academic and educational activities, coexistence with communities and respect for the volunteer spirit of employees.

Social Contribution through Support for the Lion Foundation for Dental Health

Since 1913 when the Company initiated Lion Lecture Meetings under the concept of returning to society a portion of its profits from business operations, Lion has been consistently promoting and providing education on oral care. Actions include the setting up of Japan's first clinic specialized in pediatric dentistry (1921), a primary school visiting program (since 1922) and Mass Tooth Brushing Exercise for School Children (since 1932).

Lion established the Lion Foundation for Dental Health (LDH) in 1964 and carried out a broad range of public promotional and education activities through its support for the LDH. We are now conducting activities for oral health tailored to each life stage and community-based model activities for oral health in response to the needs of the times.

2008 activities related to oral care promotion and education and dental care

1

Dental Health Activities for Mothers and Children

Events held: 38 times at 38 places
Participants: 983 children and 994 parents



4

Oral Health Checkup Activities at Worksites

Number of businesses visited: 519 times at 237 places
Number of participants: 30,359



2

Visiting Schools and Kindergartens to Offer Presentations

Number of schools and kindergartens that had programs: 694 times at 487 schools and kindergartens
Number of participants: 50,165 children and 3,312 parents



5

Oral Care Activities to Provide Advice for the Elderly

Events held: 50 times at 46 places
Number of participants: 1,246



3

Mass Tooth Brushing Exercise for School Children

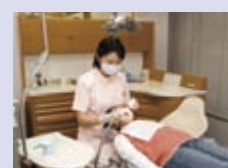
Number of participating elementary school students: 1,400
Number of participating dental hygienist school students: 1,700



6

Dental Care Activities

Number of patients: 12,658



*1 See pp. 5 and 6 (Special Topic 2) for aquatic environment preservation activities.

● Activities for Oral Health Tailored to Each Life Stage

Following our belief that the well-being of the body begins with a healthy mouth, the LDH engages in educational activities related to oral health for people in every stage of life, from infancy to old age.

The LDH is working to improve the quality of life by maintaining and enhancing functions of the mouth such as eating, talking and laughing, for an entire lifetime.

■ Activities of the LDH at each stage of life

Age	Birth	5	10	15	20	30	40	50	60	70	80
Life stage	Fetal	Infancy	Childhood	Puberty	Adulthood	Middle age				Senior	
Dental characteristics	<ul style="list-style-type: none">• Tooth formation	<ul style="list-style-type: none">• Tooth formation• Frequent occurrence of baby teeth cavities	<ul style="list-style-type: none">• Replacement with permanent teeth• Frequent occurrence of cavities on permanent teeth• Onset of gingivitis	<ul style="list-style-type: none">• Increase of gingivitis	<ul style="list-style-type: none">• Onset of periodontitis	<ul style="list-style-type: none">• Start of tooth loss• Advanced phase of periodontitis• Frequent occurrence of root cavities				<ul style="list-style-type: none">• Rapid increase in tooth loss	
LDH activities	Dental Health Activities for Parents and Children				Dental Health Activities for Adults						
	Visiting Schools and Kindergartens for Training Programs				Dental Health Activities for the Elderly						
	Dental Health Activities for the Handicapped										
	Dental Health Activities for the Community										
	Research, Dental Care, Information Dissemination										

● Community-based Dental Care Activities

To increase public awareness of oral health, the LDH has been conducting activities for oral health tailored to each life stage since 2007, with the selection of Sumida Ward, the location of the LDH's Tokyo office, as a model area. In cooperation with the Sumida Ward Government, primary and junior high schools in that area, the Dental Association, the Chamber of Commerce and Industry and other

organizations, we support ward residents in maintaining and improving their oral health to build momentum in the movement for "A Healthy Mind and Body Begins with a Healthy Mouth." In 2008, 45 activities were carried out in Sumida Ward involving about 3,700 participants.

The LDH plans to expand this local movement to the entire nation.

■ Oral health activities in cooperation with various organizations



Summer holiday sumo calisthenics
Ryogoku Kokugikan (National Sports Arena)

Support for child raising
Bunka, Sumida Ward



Food education festival
Sumida Riverside Hall



Kaekko Bazaar
Sumida Sangyokaikan



Spring/summer holiday extra lessons for primary school children
Lion Headquarters Building Auditorium

With institutions and organizations

Club for the elderly
Higashi Komagata Community Center



With governments and schools

Preserving and Improving the Oral Health of Sumida Ward Residents

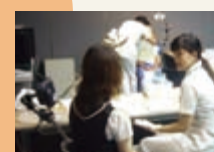


Providing oral health advice at junior high schools

With dental association and others



Lectures for businesses in the ward
Sumida SME* Center



Dental consulting for workers
Sumida SME* Center

Oral care activities to provide advice for employees working for small and medium-sized corporations in Sumida
Chamber of Commerce and Industry

*SME: Small and medium-sized enterprise

Aiming to Become a Leading Company in Environmental Friendliness



As a company that provides products used in consumers' everyday lives, Lion views protecting the environment as a fundamental management concern. The Company is thus actively involved in protecting the global environment toward creating a sustainable, low-carbon, recycling-oriented society.

Environmental Management System

Aiming to become a leading company in environmental friendliness, Lion is implementing ECO LION activities, which are environmental activities carried out companywide within the framework of the Environmental Guidelines. The Company also maintains an environmental management structure and system to strengthen efforts to protect the environment. Furthermore, Lion is striving to raise the environmental awareness of its employees.

Environmental Guidelines

Lion is to act voluntarily and proactively to reduce the environmental burden of its corporate activities—from research and development to raw materials procurement, manufacturing, logistics, sales and marketing, household use, and disposal—on the global environment, with due consideration to global warming prevention, effective use and recycling of natural resources and contribution to the improvement of people's health and the natural ecosystem.

(1) Aiming for a Sustainable Society

Establish an environmental management system, and through ongoing maintenance and improvement of that system, protect the global environment.

(2) Complying with Legal and Other Requirements

Comply with the system of legislation, regulations and arrangements pertaining to environmental protection and establish and implement voluntary standards of conduct.

(3) Setting and Verifying Implementation of Environmental Objectives and Targets

Correctly understand the environmental impact of corporate activity, and as far as technically and economically possible, establish objectives and targets for improvement, while at the same time formulating, implementing and regularly verifying the status of implementation of an environmental management program.

(4) Developing Environment-Friendly Products

Continue aggressively with product development in accordance with Lion's own "Three Principles of Environmentally Responsible Composition Development" and the "3Rs of Container and Packaging Reduction."

(5) Advancing Green Supply Chain Management

Construct a green supply chain with raw material suppliers, OEM partners and retail outlets and strive for environmental burden reduction throughout entire product lifecycles, from procurement to sale to customers.

(6) Enhancing Environmental Protection Activities Based on Uniform Understanding of the Guidelines within the Lion Group

Disseminate the Guidelines to all Lion employees, including those of its affiliated companies, raise an awareness of environmental protection among them and bolster environmental management activities throughout the entire Lion Group.

(7) Promoting Disclosure of Information

Seek to maintain and promote communication with stakeholders involved in Lion's businesses. These Environmental Guidelines are freely available to anyone upon request.

Revised April 3, 2006

Environmental Guidelines

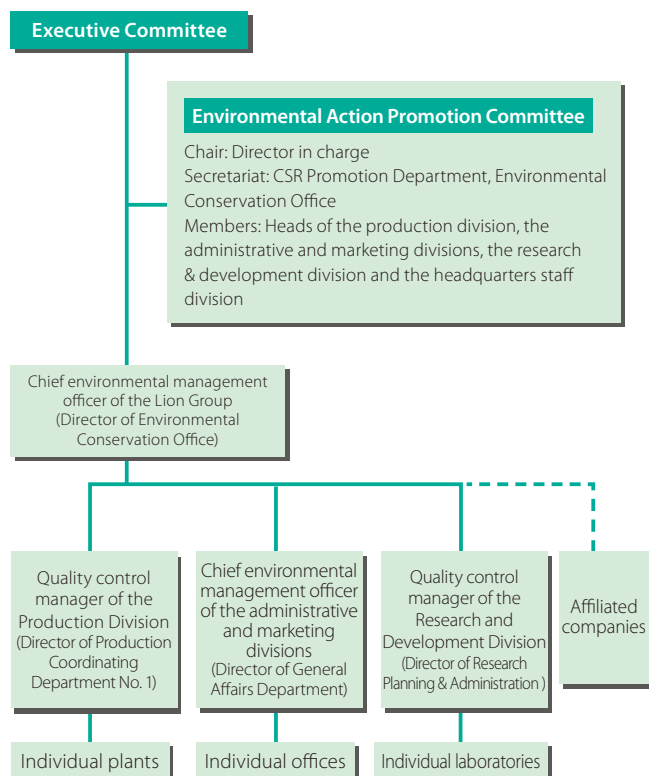
Lion has formulated its Environmental Guidelines in line with the underlying spirit of the Lion-Group Charter for Corporate Behavior, which states: "We shall play a positive and active role in creating a sustainable society, harmonizing economic development and environmental protection."

In April 2006, Lion revised its Environmental Guidelines (see p. 23) to include the aggressive development of environmentally friendly products as well as reduction of environmental impact throughout the entire supply chain to clearly express the Company's commitment to ECO LION activities.

Environmental Management Structure

For accommodating collaboration of all employees within the Lion Group for tackling environmental issues, Lion established the Environmental Action Promotion Committee, which involves the production, administrative and marketing, research & development and headquarters staff divisions. By constantly reviewing the status of business operations from the perspective of environmental protection, we are working to ensure legal compliance and have set up voluntary standards and targets to precisely discern progress to date.

■ Environmental management structure



The Environmental Management System

The environmental management system facilitates the measurement, evaluation and reduction of the environmental impact associated with our business operations, products and services. Lion deploys the system for continuous improvement of its environmental protection activities in the framework of the Environmental Guidelines using the Plan, Do, Check, and Act (PDCA) cycle.

Waste and Recycling Governance

To ensure compliance with laws concerning waste treatment and to fulfill our Producer Responsibility, we established a Waste and Recycling Governance System in 2006 for the entire Group in order to unify and standardize the management of waste treatment and recycling. Having clarified management responsibility through this system, the Company is working to prevent related problems and encourage recycling by supporting appropriate waste treatment and information sharing. Results are reviewed through internal audit, and periodic audits are conducted by Lion's director in charge, who orders improvements as required.

Status of ISO 14001* Certifications

All of Lion's factories obtained ISO 14001 certification in July 2001. The Japan Management Association Quality Assurance Registration Center subsequently conducted triennial reviews at Lion in May 2004 and 2007, resulting in renewed certification in both years. The Company also underwent a certification review in 2008, and we are continuing to improve our management system and environmental protection activities based on the results.

Legal Compliance

Lion complies with all environmental regulations, laws and ordinances. No violations requiring penalties or fines occurred in 2008.

Internal Environmental Audit

Employees who qualify as Internal Environmental Auditors after receiving "Education to Foster Internal Environmental Auditors" regularly carry out internal environmental audits to confirm compliance with all ISO requirements. In the event of any noncompliance, remedial steps are recommended and the related departments assume the responsibility of demonstrating improvement with regard to reported items. In addition, the director in charge of CSR conducts regular management reviews as environmental audits.

* ISO 14001: An international standard for certification of a company's voluntary environmental management system; certification requires inspection by an independent third party and confirms that a company's environmental management system meets international standards

Lion's Environmental Goals and Achievements in 2008 and CO₂ Emission Reduction Targets for 2020

Lion attained its goals virtually in all areas in 2008, with particularly significant results in the reductions of CO₂ emissions derived from energy use and total waste. Last year, Lion set long-term goals for further reducing CO₂ emissions by 2020 and declared them as its Eco First Commitment.

In 2008, the second year of the Lion Group's Three-Year Medium-Term Environmental Plan established in 2007, various measures were initiated for each aspect of the plan, and achievements are steadily being made. For 2009, Lion reviewed the original goals that had been accomplished in 2008 and replaced them with higher goals. As for the goal for product-derived CO₂ emissions, we adjusted it in accordance with the long-term goal. This was done because the original target has become more difficult to accomplish due to the increased amount of fossil materials used as a result of a

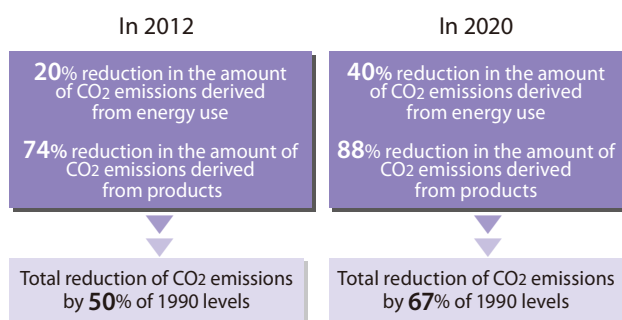
change in product sales ratio, hindering the planned progress in promoting the use of plant-based ingredients. Last year, the Lion Group set and announced its targets for reducing CO₂ emissions (in absolute terms) for 2012, the final year of the Kyoto Protocol, as well as those for 2020 as a post-Kyoto target. The targets were declared to the Ministry of the Environment as our Eco First Commitment. Lion is striving to steadily achieve these lofty goals and is integrating them into future business plans.

Environmental goals for 2007 to 2009 and achievements in 2008

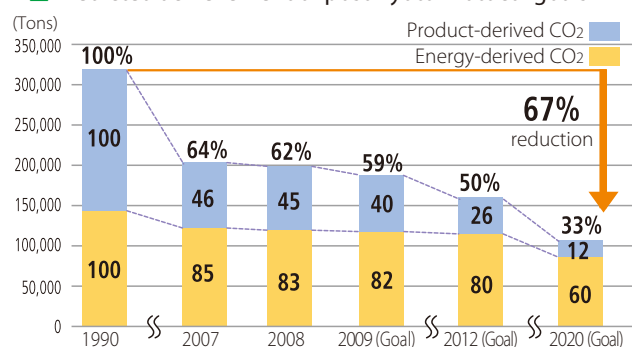
◎: Attained ○: Almost attained ×: Unattained

Item	Results			Goals		Related page
	2008 plan	Principal measures (Results for 2008)	Achievements (Results for 2008)	2009		
				Original 3-year plan goal	Revision	
Reduced CO2 emissions	Reduce CO2 emissions by 14% or more compared to the 1990 level	Energy-saving improvements in the drying process of powdered laundry detergent production Installation and upgrading of energy conservation devices	◎ (17% reduction compared to the 1990 level)	Reduce by 10% or more	Reduce by 18% or more	P30
	Reduce energy use per unit of specific productivity in the Logistics Division by 1% or more compared to the 2007 level	Modal shift and shifting to larger vehicles were pursued, but the transport of products increased due to a change in production sites	× (104% compared to the 2007 level)	Reduce by 1% or more compared to the 2008 level	Reduce by 2% or more compared to the 2008 level	P31
Chemical substance management	Reduce volatile organic compound (VOC) emissions by 40% or more compared to the 2000 level	Introduction of VOC recovery equipment and improved product composition to reduce VOC emissions	◎ (62% reduction compared to the 2000 level)	Reduce by 40% or more	Reduce by 65% or more	P39
Waste control	Reduce total waste generation by 44% or more compared to the 1990 level	Promoting the maximization of resource usage Reducing unreacted loss by improving the reaction process	◎ (49% reduction compared to the 1990 level)	Reduce by 40% or more	Reduce by 50% or more	P32
	Reduce final waste landfill volume by 89% or more compared to the 1990 level	Promotion of recycling programs	◎ (90% reduction compared to the 1990 level)	Reduce by 90% or more	Same as at left (not revised)	P32
Environmental care through company products		The increased amount of fossil materials used due to rising sales in one product segment prevented any further reduction in spite of efforts to promote the use of plant-based ingredients	No 2008 target (100,000-ton reduction compared to the 1990 level)	CO2 emissions derived from products reduced by 150,000 tons or more from the 1990 level	Reduce by 105,000 tons or more	P30
		Reduced the amount of containers and packaging materials used as a result of implementing innovative, compact designs and expanded the use of refill products	No 2008 target (71% compared to the 1995 level)	Reduce the amount of plastic containers and packaging materials used per unit of specific productivity in eight home product segments to 70% or less of the 1995 level	Same as at left (not revised)	P37

CO₂ emission reduction plan



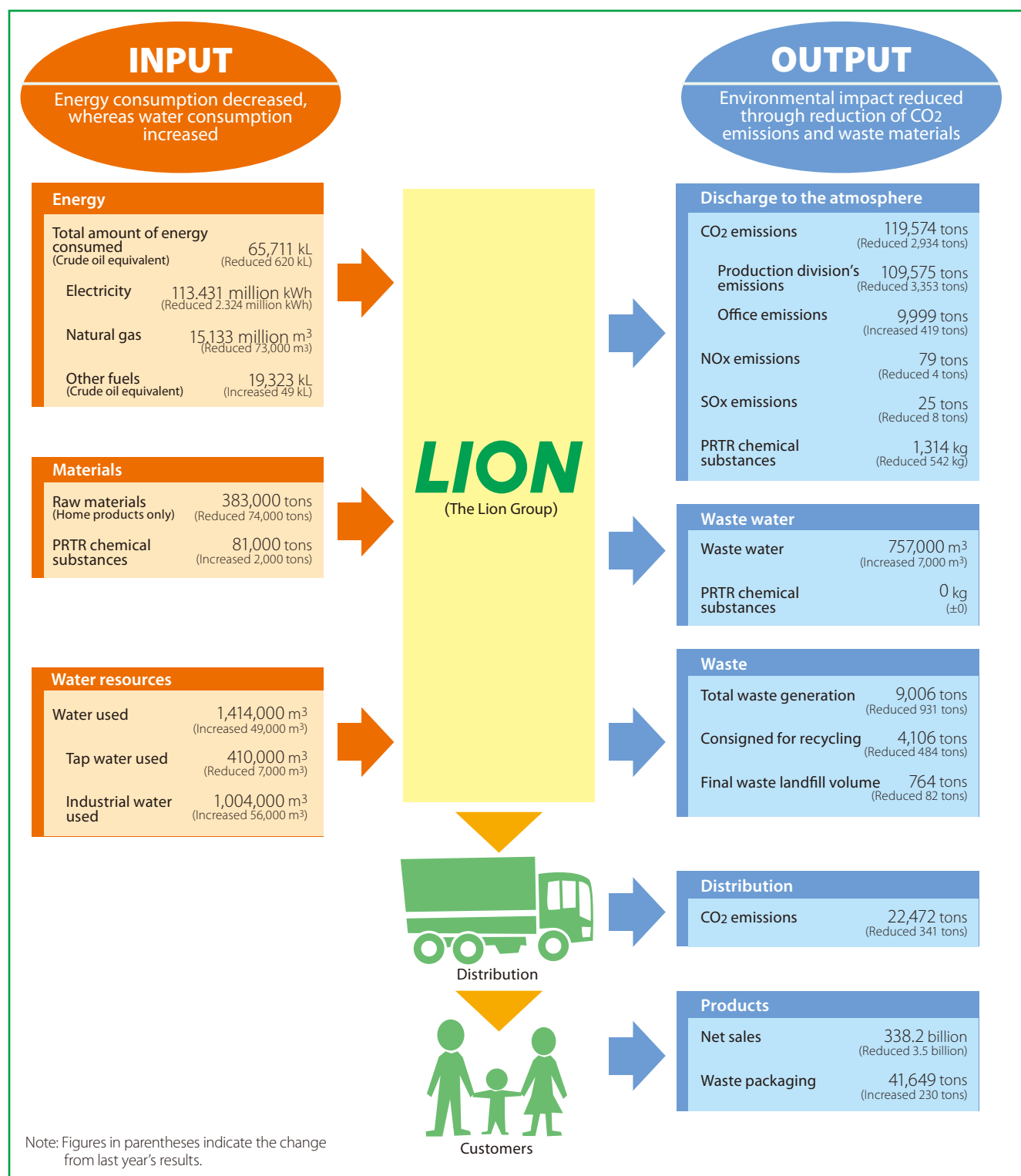
Predicted achievement of post-Kyoto Protocol goals



An Overview of Environmental Impact from Business Operations

Lion is working to reduce environmental impact throughout the entire product life cycle, from raw materials procurement to product disposal. In 2008, significant reductions were achieved in CO₂ emissions and total waste generation.

Up to 2007, Lion published environmental data, including those from domestic consolidated subsidiaries wholly owned by the Company. This year, data of the Ipposha Oil Industries Co., Ltd. and Lion AKZO Co., Ltd. were added to the scope of the report. The value of 1990 as the reference year was adjusted in accordance with the revised scope.



Environmental Accounting and Eco-efficiency

Environmental accounting is a key indicator for pursuing efficient and sustainable environmental protection activities. Lion will continue to improve its environmental actions by using environmental accounting to gain a comprehensive picture.

Environmental Accounting

Lion Group's Environmental Accounting

Every year, Lion calculates the aggregated economic effects (real effects) associated with the actions, costs and outcomes of environmental protection efforts throughout the Group under Ministry of the Environment guidelines.

The costs of environmental protection refer to investments and expenses for such activities as prevention, containment, risk management and damage mitigation associated with the environmental impact of business operations. Having placed high priority on the environmentally friendliness

of its products, the Lion Group lists environmentally friendly products under the business-area cost associated with environmental protection costs. Environmental protection costs of environmentally friendly products are calculated by multiplying a product's environment friendly coefficients, determined using Lion Eco Standards, by the investments and facility costs of the product. The calculations for manufacturing facilities that produce several kinds of products, however, are adjusted to take into account manufacturing volume at a facility by applying a weighted-distribution method.

Lion Eco Standards are used across the Company to facilitate the development of environmentally friendly products (see p. 33).

Environmental protection effects reflect the results of environmental protection efforts expressed in quantitative terms.

Lion set four items for determining economic effects (real

Economic benefits associated with environmental protection measures

(): Reduction

Item				Item			Related page
Category	Principal activities	Investment	Cost	Item	2008	effects	
Business area costs	Pollution prevention Air pollution prevention, Water pollution prevention, etc.	25	121	NOx emissions (tons) SOx emissions (tons) Particulate emissions (tons) Total COD (tons)	79 25 15 21	(4) (8) (3) 4	P32 P39–40
	Environmental protection Energy conservation, etc.	100	4,860	Energy consumption (tons of CO ₂) Industrial water used (m ³) Tap water used (m ³) Wastewater emissions (m ³)	119,574 1,003,764 410,217 756,971	(2,934) 56,094 (6,987) 6,813	P30–32
	Resource recycling Waste disposal, recycling, etc.	1	362	Total waste generated (tons) Total waste volume for final landfill (tons) Recycling rate (%) (Volume of recycling / Volume of waste consignment)	9,006 764 69	(931) (82) (13)	P32
	Environment-friendly products Environment-friendly product manufacturing facilities, etc.	1,267	2,893	Use of biodegradable materials, plant-based materials, compact products, refillable products, recycled paper, reprocessed PET bottles, etc.			P33–38
Upstream/ downstream costs	Commissioning costs incurred in connection with the Containers and Packaging Recycling Law and product waste disposal, etc.	—	607	Packaging materials used (tons) Product waste (tons)	72,760 4,027	(1,071) (1,887)	P37–38
Managerial activity costs	ISO 14001 renewal expenses, environmental education, publication of reports, exhibitions, etc.	1	598				P24 P41–42
Research and development costs	Environment-friendly product development expenses, etc.	106	1,286				P33–34 P37–38
Community service costs	Regional environmental activities, donations, etc.	0	17				P41–42
Environmental damage costs	Costs for soil improvement, etc.	0	15				P40
Total		1,500	10,759				

effects) accompanying environmental protection: (1) Decline in cost due to energy conservation; (2) Decline in cost due to natural resources conservation; (3) Reduced cost of water and sewerage, and; (4) Reduced cost of waste disposal. Reductions are calculated in comparison with the previous year.

Lion Corporation's environmental accounting period is the same as the Company's financial year, January 2008 to December 2008.

Summary of 2008 Environmental Accounting

Environmental protection costs

Total investment in 2008 was approx. 1.5 billion yen, down by approx. 2.6 billion yen from 2007. This is because a significant investment was made for facility relocation and other purposes in 2007, whereas investment in 2008 was limited to a small number of facilities, including the reinforcement of packaging facilities at the Osaka Plant. Expenses were approx. 10.8 billion yen, down by 0.18 billion from 2007 due to the reduced treatment cost of voluntarily recalled products.

Environmental protection effects

Energy consumed (in tons-CO₂) declined by approx. 3,000 tons-CO₂ due to the decrease in heavy oil used for the heat source in the distillation process. Industrial water use increased by approx. 56,000 tons as a result of the washing work accompanying product switching. Tap water use decreased by approx. 7,000 tons as purified industrial water was used in place of tap water. Total waste generation dropped by approx. 900 tons as a result of reduced waste acid through equipment improvements and efforts to transform waste into valuable resources.

Economic effects (real effects)

Decline in cost due to natural resources conservation was approx. 290 million yen. This was the result of cost reduction in logistics achieved by a review of packaging specifications, a reduction in the amount of resin used, and downsized packing. The reduced amount of waste disposal cost was attributed to waste reduction while the decreased water and sewerage bills resulted from reduced water usage. We were not able to reduce costs by energy saving.

■ Economic benefits associated with environmental protection measures

Effects	Year-on-Year Reduction (Millions of yen)
Decline in cost due to energy conservation	—
Decline in cost due to natural resources conservation	285
Reduction in water and sewerage cost	26
Reduction in waste disposal cost*	3

* Figure includes the sales of valuable resources

Eco-efficiency

Assessing Environmental Impact Using LIME*¹

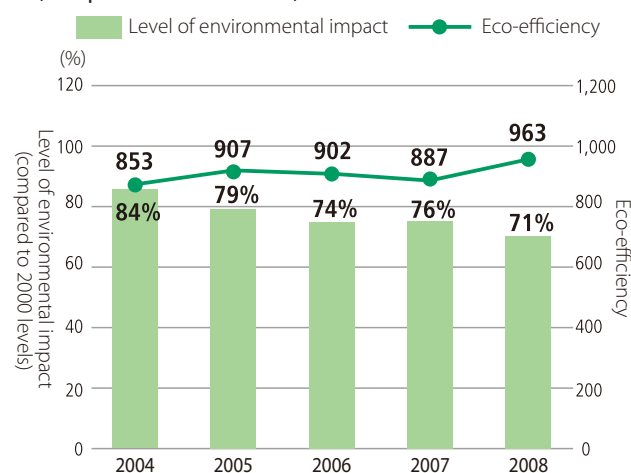
Every year, Lion calculates its eco-efficiency using the following formula to assess the efficiency of corporate activities in terms of environmental impact. The Company then works to improve efficiency in light of the result.

$$\text{Eco-efficiency} = \frac{\text{Results of business activities (net sales)}}{\text{Environmental impact (Level of environmental impact calculated using LIME)}}$$

The level of environmental impact was calculated using LIME, which provides a single indexed model for the degree of environmental impact associated with environmental load substances and resource consumption, including CO₂, NO_x, SO_x, harmful chemical substances, waste, and energy consumption, with due consideration for weighting the various impacts and load substances. Calculations involving substances for which LIME does not provide data are made by analogy based on the energy and raw materials used to produce them. The base year for the level of environmental impact is 2000.

Environmental impact decreased from 2007 down to 71% of the 2000 level as a result of factors including reduced CO₂ emissions and atmospheric pollutants. Eco-efficiency based on LIME therefore increased from 2007 levels as the results of business activities (sales) maintained their 2007 levels.

■ Trends in eco-efficiency and level of environmental impact (compared to 2000 levels)



*¹ LIME (Life-cycled Impact Assessment Method) is a Japanese version of the damage-oriented impact assessment method developed by the "Development of Assessment Technology of Life Cycle Environment Impacts of Products, etc." (the "LCA Project") of the Ministry of Economy, Trade and Industry (METI). LIME is used to calculate potential damage associated with each of about 1,000 substances in 11 areas, including global warming, ozone layer destruction, hazardous chemical substances and resource consumption. The resulting level of environmental impact is expressed in monetary terms.

ECO LION Activities (Lion's Environmental Protection Activities)

Lion pursues ECO LION activities based on five principal initiatives toward becoming a “leading company in environmental friendliness.” Lion is achieving sound results in implementing its plan toward achieving the goals of the Three-Year Medium-Term Environmental Plan established in 2007.

ECO LION activities encompass all of Lion Corporation's business activities, from research and development, raw materials procurement, manufacturing at plants, marketing, logistics, and sales, to household use and disposal.

In response to the Eco First Program being promoted by the Ministry of the Environment, Lion announced its medium- to long-term environmental protection goals as Lion's Eco First Commitment, which emphasizes efforts to prevent global warming through business activities and products. As a result, Lion became the first manufacturer to receive the “Eco First Company” certification from the Ministry of the Environment.



Ceremony of Eco First Commitment
(June 24, 2008)



ECO LION Activities' Five Initiatives

1



Reducing Greenhouse Gas Emissions

Lion is undertaking activities to reduce total CO₂ emissions, including emissions from its business activities and those attributed to the use of its products by consumers.

2



Effectively Using and Recycling Resources

Lion strives to reduce total waste generation and final waste landfill volume while establishing a waste recycling control system.

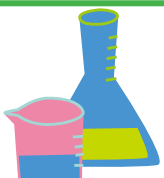
3



Considering the Environment from a Product-Oriented Perspective

Lion is promoting the development of eco products through the utilization of Lion Eco Standards, established in 2006 from the perspective of LCA*1, which quantitatively measures environmental impact from material procurement to product disposal.

4



Appropriately Handling Chemical Substances

Thoroughly complying with various relevant regulations regarding safety assurance and environmental consciousness, Lion pays close attention to safety and the environment at every stage of product life, striving for thorough control of chemical substances and reduction of their use.

5



Fostering Environmental Awareness within the Lion Group

Aiming to become a “leading company in environmental friendliness,” Lion is implementing environmental education on a continual basis to raise each employee's awareness of environmental issues.

*1 LCA: Life Cycle Assessment



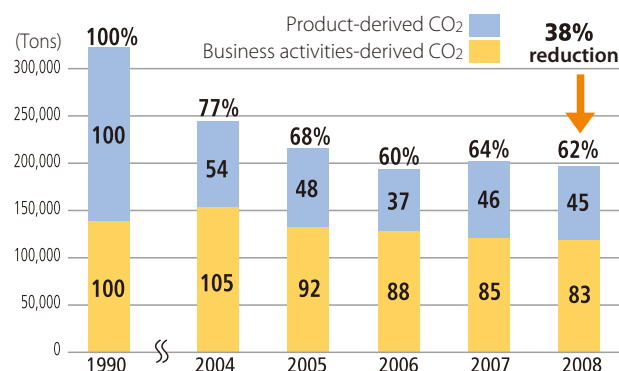
Reducing Greenhouse Gas Emissions

Anticipating a post-Kyoto Protocol framework, Lion is reducing CO₂ emissions from its business activities as well as those attributed to the use of its products by consumers to prevent global warming.

In 2005, the Kyoto Protocol came into effect, calling for Japan to reduce its greenhouse gas emissions by 6%, compared to 1990 levels, between 2008 and 2012. It is believed that a 50% reduction in worldwide CO₂ emissions will be necessary by 2050. In this context, Lion Corporation is preparing for a post-Kyoto Protocol framework by having all employees actively strive to reduce CO₂ emissions.

In 2008, the Lion Group successfully reduced its CO₂ emissions by 38% from the 1990 level. This included emissions related to business activities and those attributed to the use of its products by consumers.

■ Total CO₂ emissions from the Lion Group's business activities and the use of its products

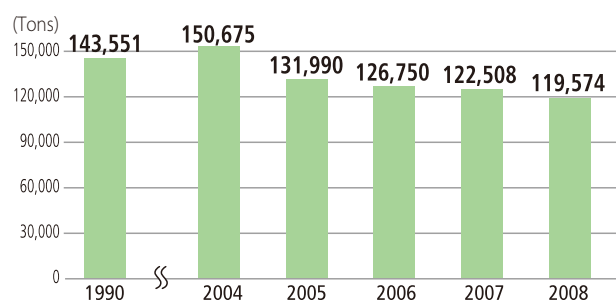


Reducing CO₂ Emissions Associated with Business Activities by 17% (from the 1990 level)

As part of its efforts to reduce CO₂ emissions in 2008, the Production Division implemented energy conservation measures such as improving the production process for powdered laundry detergent. Among its activities for reducing CO₂ emissions, Lion Corporation participated in Japan's Team Minus 6% project at its offices and R&D division, thoroughly promoted the "eco-drive" effort for commercial vehicles, switched to low-emission vehicles, and reduced the number of its vehicles.

As a result, CO₂ emissions in 2008 were reduced by 17% compared to the 1990 level, making it possible for Lion to achieve emission targets for 2008 that are at least 86% of the 1990 level formulated in the Three-Year Medium-Term Environmental Plan (a reduction of at least 14%).

■ Business activities-derived CO₂



Utilizing Plant-based Materials to Reduce CO₂ Emissions Attributed to the Use of Products by Consumers

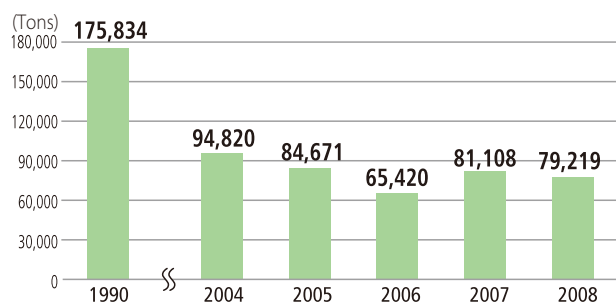
Lion Corporation is conducting product research and development toward reducing CO₂ emissions from products after household use.

These efforts specifically involve advancing the conversion from surfactants made from petroleum-based ingredients to plant-based surfactants that do not lead to increasing CO₂ (that is, carbon neutral; see p. 35), as efforts to reduce CO₂ emissions associated with products.

In 2008, the Company implemented measures such as a partial conversion from synthetic to plant-based alcohol but was not able to increase the use of plant-based materials as planned due to the increased use of petrochemical materials as a result of a change in the product sales ratios. Going forward, Lion will continue to achieve higher goals by further increasing the use of plant-based surfactants.

The Greenhouse Gas Inventory of the Ministry of the Environment calculates CO₂ generated through the biodegradation of petrochemical surfactant after use, which confirms the importance of the Company's efforts to reduce CO₂ emissions from products after use.

■ Product-derived CO₂



Environmental Activities at Lion Offices

All employees are promoting ECO LION efforts to establish Lion as a leading company in environmental friendliness.

As part of these efforts, Lion participated in the Team Minus 6% project in July 2005, a government-promoted national movement to prevent global warming. To that end, Lion is implementing the following four measures.

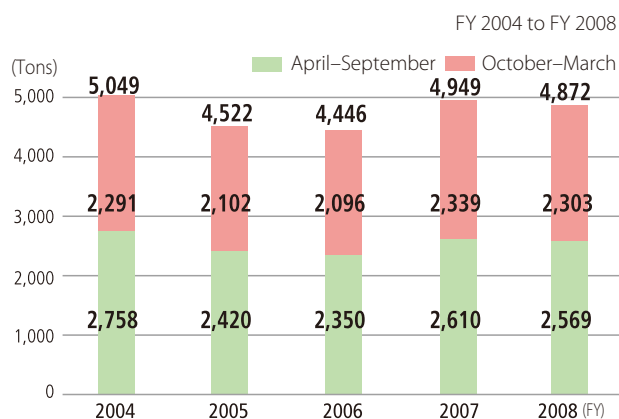
1. Appropriate temperature settings for air conditioning (summer: 28°C; winter: 20°C)
2. Adopting a system that allows all employees to leave on time once a week to reduce electricity usage
3. Practicing thorough energy-saving measures by switching off unnecessary lighting during lunchtime as well as in unattended restrooms and other areas
4. Promoting eco-driving with its company vehicles



We are also striving to reduce CO₂ emissions through other measures that include power-saving initiatives independently developed and implemented by individual business sites. In addition, the sales departments are vigorously working on actions for reducing CO₂ emissions, such as the use of low-emission vehicles as company cars, reducing the number of vehicles and encouraging car sharing initiatives.

As a result of these efforts, Lion Group offices reduced CO₂ emissions by 77 tons from the previous year between April 2008 and March 2009.

The Lion Group's total CO₂ emissions at its offices



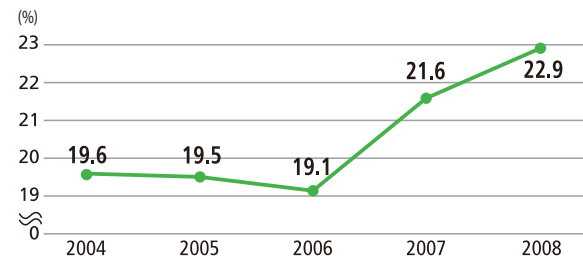
Global Warming Countermeasures in Logistics

We have long worked to enhance the efficiency of logistics operations in cooperation with affiliated companies that handle logistics within the Lion Group. We are also pursuing joint logistics with other manufacturers. CO₂ emissions in 2008 stood at 98.5% of the previous year as a result of efforts that included reducing the amount of fuel used in logistics by expanding direct shipments from factories and bypassing the distribution center and also by improving shipment load ratios.

Having acquired in 2005 the Eco Rail Mark certified by the Ministry of Land, Infrastructure and Transport, the Company is pursuing a modal shift in its logistics system by switching to railways and ships. The modal shift rate for long-distance transport over 500 km has now exceeded 50%, and a similar shift is also underway for middle-distance transport. The modal shift rate for total traffic volume improved to 22.9%.

Energy consumption per unit of specific productivity in 2008, however, rose to 104% over the previous year as the transport of stored products increased due to the change in production sites. Lion will further promote rational use of energy as a specified shipper defined in the revised Law concerning the Rational Use of Energy.

Modal shift rate



Reducing CO₂ Emissions by Car Sharing for Promotional Activities

Nobuyuki Shikata
General Affairs Department



We typically assign one vehicle to each sales person; some sales activities, however, may be conducted more efficiently using public transportation. Therefore, we initiated car sharing and using vehicles less frequently in the Tokyo area while avoiding any potential interference with the effectiveness of sales activities. As a result, we were able to reduce the number of vehicles used for promotional activities in the Tokyo area by about 15%. Looking ahead, we will continue to find ways of reducing CO₂ emissions from vehicles.



Effectively Using and Recycling Resources

In accordance with the philosophy of the Basic Law for Establishing the Recycling-based Society, Lion is facilitating waste reduction and recycling, bringing significant results. Lion has achieved substantial reductions in both total waste generation and final waste landfill volume compared to the 1990 level.

Lion Group's Total Waste Generation

In 2008, the Production Division strived to reduce waste acids by improving exhaust-gas treatment equipment and turning discarded flexible containers into valuable materials. The Division also implemented other actions on an ongoing basis, including efforts to reduce packaging materials loss by stabilizing manufacturing processes. The Research and Development Division sought to turn waste into valuable materials through thorough sorting processes. Consequently, total waste generation was reduced by 49% from the 1990 level, achieving the target for 2008. In 2009, Lion will pursue a reduction of 50% or more compared to the 1990 level.

Lion Group's Final Waste Landfill Volume

Lion has already attained its target for final waste landfill volume*¹ (at least 14% below the 1990 level by 2010) set by Nippon Keidanren. Lion is bolstering its efforts to achieve a reduction of 90% or more from the 1990 level in 2009. Lion achieved zero emissions*² in 2002 at its production facilities and has remained at that level. Among the Group affiliated companies, Lion Chemical Co., Ltd. achieved zero emissions in 2008. Looking ahead, the entire Lion Group will work toward achieving zero emissions.

Furthermore, regarding waste disposal, supervisors responsible for overseeing waste generation at each site select and commission waste disposal contractors in accordance with the standards for selecting the primary trustees outsourced following waste management regulations. Lion also implements regular on-site inspections of waste disposal contractor operations and verifies that contractors are complying with these regulations.

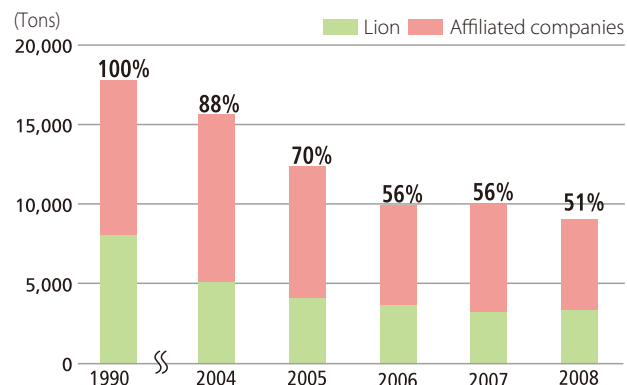
Water Resources Preservation

While continuing its efforts to control water consumption and wastewater discharge, Lion endeavors to reduce impact on the water environment. In particular, it engages in the conservation of water resources through the maintenance and stabilization of wastewater processing facilities on a regular basis. In 2008, the COD*³ increased from the previous year in spite of such efforts as efficient water-cleaning operations at its production facilities.

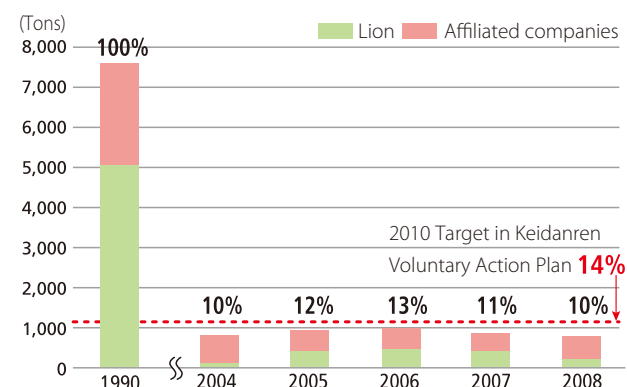
Green Purchases

Lion is encouraging companywide green purchasing of office supplies used by employees. The ratio of green purchases of office supplies in 2008 was 66%. This was a result of a review of our green purchase standards in response to the revelation in early 2008 that the ratio of recycled pulp in the paper manufacturing industry had been misrepresented.

Lion Group's total waste generation

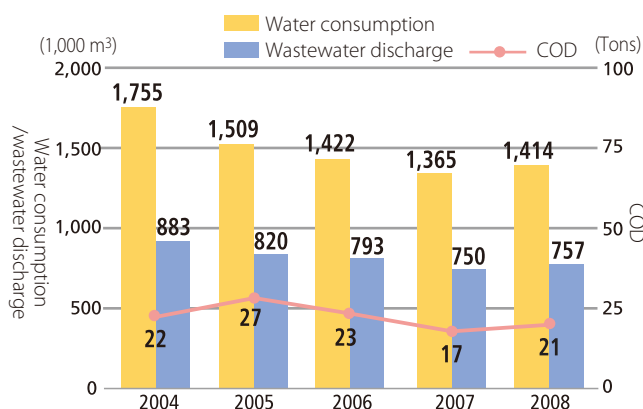


Lion Group's final waste landfill volume



* Excluding construction waste for 2007 and earlier

Lion Group's water consumption, wastewater discharge and COD



*¹ Final waste landfill volume: The final volume of waste not reused as a resource

*² Lion's definition of zero emissions: A 99% or better proportion of total waste products emitted that are reused as resources; this does not include the residue from such reuse

*³ COD: Chemical oxygen demand; an index of water pollution that indicates the amount of oxygen consumed in order to oxidize and break down organic substances in water

3



Considering the Environment from a Product-Oriented Perspective

Lion promotes the development of eco products by establishing Lion Eco Standards from the perspective of Life Cycle Assessment (LCA), which quantitatively assesses the environmental impact of products, from raw materials procurement to disposal.

Product Development Activities that Consider the Environment

Lion product development activities consider the environment in terms of product composition (content) as well as containers and packaging.

Environmental impact is quantitatively evaluated utilizing Lion Eco Standards for each stage of a product's life cycle: (1) raw materials procurement; (2) packaging materials procurement; (3) manufacturing; (4) logistics; (5) household use and; (6) disposal. Products that meet at least one criterion of the Lion Eco Standards are designated as Eco Products.

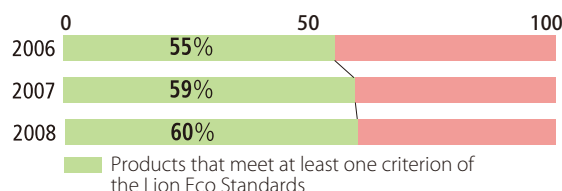
To realize a sustainable, recycling-oriented society, it is necessary to recognize the value of petroleum and other limited resources, which in turn requires reducing environmental impact at every stage of a product's life cycle. In this context, Lion will continue to proactively develop products that take the environment into consideration.

Evaluation Items and Criteria in the Lion Eco Standards

Evaluation items and criteria in the Lion Eco Standards are described below.

Lion did not include specific criteria for eliminating harmful chemical content or incorporating outstanding biodegradable properties among the evaluation items in the Lion Eco Standards since these aspects are already considered to be absolutely essential for the Company's products.

Ratio of eco products to the total number of Lion products



Stage	Evaluation item	Evaluation criteria
1 Raw materials procurement	Use of plant-based materials	<ul style="list-style-type: none"> The ratio of plant-based materials to organic composition in products should be over 50%
2 Packaging materials procurement	Use of recycled materials Use of plant-based and biodegradable materials	<ul style="list-style-type: none"> Materials (paper and plastic) should be recycled materials (for paperboard, the ratio of recycled paper, thinned wood or certified forest pulp should be over 94% of 2010 target established by the Ministry of Economy, Trade and Industry and the paper manufacturing industry) Materials should use plant-based or biodegradable resins
3 Manufacturing	Energy conservation Decreased generation of waste	<ul style="list-style-type: none"> Either energy consumption or waste volume should be reduced by more than 20% compared with the conventional manufacturing method
4 Logistics	Energy conservation due to smaller-sized containers and more concentrated content	<ul style="list-style-type: none"> Both containers and contents should be over 20% smaller or more concentrated than existing products
5 Household use	Reduction of usage volume Energy conservation Water conservation	<ul style="list-style-type: none"> Organic loading generated through use of the product should be 20% or less compared to existing products Energy consumption in product use should be 20% or less compared to existing products Save 20% or more water in product use
6 Disposal	Reduction of container and packaging materials Reduction of waste by means of refillable containers	<ul style="list-style-type: none"> Materials used for containers and packaging should be reduced 15% or more than for existing products Materials used for pouch and refill packages should be less than 50% of the original containers' weight

Environmentally Responsible Formulation Development

In accordance with its own Three Principles of Environmentally Responsible Formulation Development, the Company is pursuing product formulation (content) development that protects the aquatic environment and prevents global warming. For environmentally responsible formulation development, relevant evaluation items have been established for each stage of (1) raw materials procurement, and (5) household use under the Lion Eco Standards.

Product Formulation Development Activity 1

Use of Plant-based Materials

Surfactants used in detergents and other products, which are released in the environment after use, biodegrade*1 into CO₂ and water. Surfactants made of carbon neutral plant-based material, however, do not increase the total volume of CO₂ in the atmosphere. In addition, plants are renewable resources that can be cultivated. Conserving natural resources is also an environmental consideration.

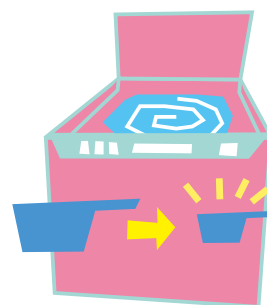
Under the Lion Eco Standards, plant-based ingredients must comprise at least 50% of the organic matter contained in products designated as Eco Products.



Product Formulation Development Activity 2

Reducing the Amount of Organic Matter per Load

Excessive organic matter discharged into an aquatic environment requires more time to biodegrade due to the additional strain on the environment. The amount of discharged organic matter can be reduced by using highly efficient content that requires less per use, thus decreasing the environmental impact. Products designated as Eco Products under the Lion Eco Standards reduce the discharge of organic matter by at least 20% compared with conventional products.



Product Formulation Development Activity 3

Use of Biodegradable Surfactants

Surfactants used in Lion products biodegrade quickly after use and do not remain in the environment for long periods.



* See p. 35 for a more detailed explanation of the features of the plant-based surfactant methyl ester sulfonate, MES, developed by Lion.

History of Lion's Efforts to Protect Aquatic Environments

1960s

Problem of foaming rivers

Rivers were covered with foam due to the low biodegradability of the surfactant ABS that was used in synthetic detergents at the time.

Lion switched detergent material to easily degradable LAS. The Company then developed highly biodegradable AOS (alpha olefin sulfonate) in 1967 and launched "Dash," the world's first AOS-based laundry detergent.

1970s

Eutrophication phenomenon

Eutrophication is associated with problems such as red tide. One cause of red tide is phosphorus, used at the time for laundry detergent to increase detergency.

Lion conducted research on phosphate-free detergents and launched "Seseragi," the first phosphate-free detergent in 1973. In 1980, the Company launched "Phosphate-free TOP," which has a substantially higher detergency because it contains zeolite.

Since 1980s

Global environmental problems

Environmental issues at a global scale surfaced, requiring due consideration for resource preservation and environmental impact.

In 1988, Lion launched High TOP, a compact laundry detergent featuring a high cleansing effect using smaller amounts. And then in 1991, the Company developed "Spark" laundry detergent using MES processed from coconut and palm oil.

*1 Biodegradation: the decomposition by microorganisms of organic matter emitted into the environment into carbon dioxide, water and inorganic substances, or the ingestion of this matter by living organisms

Considering the Environment by Using MES

Lion was the first in the world to succeed in the industrial production of MES, a plant-based surfactant with superior detergency and biodegradability. MES is used in the Company's laundry detergents such as TOP. Lion is now working toward establishing MES as the global standard for washing components (see p. 3).

Superior Properties of MES

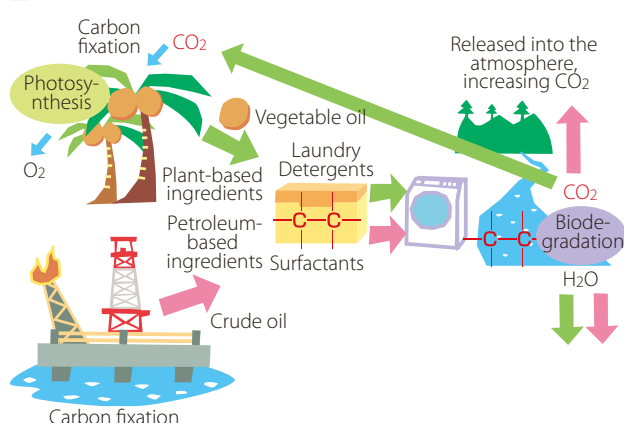
1. Carbon Neutral

Surfactants contain carbon (C). After use, surfactants are biodegraded in the environment into carbon dioxide (CO₂) and water.

Both plant- and petroleum-based laundry detergents contain carbon and therefore biodegrade in the same manner, releasing CO₂ emissions. Although plant-based surfactants emit CO₂ as they biodegrade, there is no increase in the total volume of CO₂ released into the atmosphere because plants absorb CO₂ and solar energy as they grow and therefore their use is carbon neutral.

This means that plant-based detergent MES does not add to the total amount of CO₂ in the atmosphere despite releasing CO₂ as it decomposes after use.

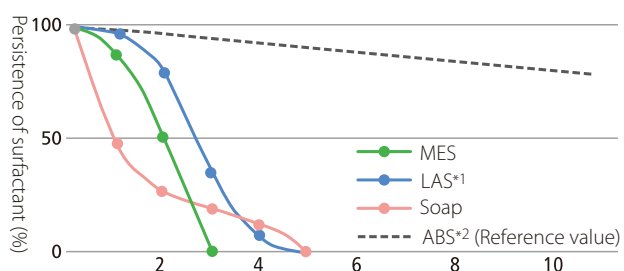
Carbon neutral



2. Superior Biodegradability

Surfactants discharged into the environment after use are decomposed (biodegraded) into CO₂, water and other inorganic substances by microorganisms. MES biodegrades easily and does not remain in the environment for a long time.

Biodegradation of surfactants



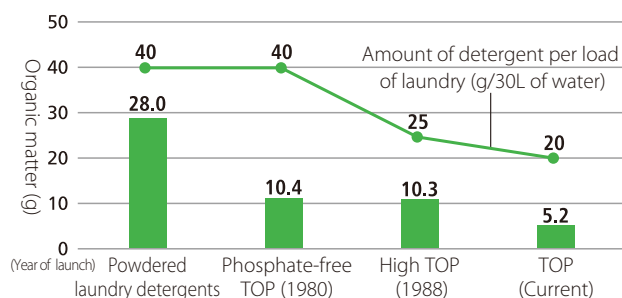
Days elapsed MBAS (Methylene blue active substance) Indicator

* Source: Journal of the Japan Oil Chemists Science, Vol. 42, No. 9, pp. 643-648 (1993).

3. High Detergency

A smaller amount of detergents that feature high detergency are required per load of laundry, making it possible to reduce the amount of organic matter released, thereby reducing the overall load on the aquatic environment. The present version of TOP laundry detergent is blended with high detergency MES and releases only 5.2 g of organic substances per load of laundry.

Amount of organic matter released per load of laundry



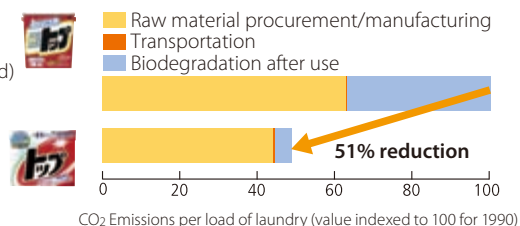
MES also exhibits other superior properties, including high detergency in hard water and compatibility with enzymes that break down grime.

Comparison of CO₂ Emission with Laundry Detergents Using LCA

TOP, which was released into the market in March 2009 with a higher MES ratio, can cut CO₂ emission per use by 51% compared with CO₂ emissions produced by the petroleum-based High TOP laundry detergent introduced in 1990 (figures calculated by means of LCA).

High TOP of the 1990s
(principal washing component is petroleum-based)

Current TOP
(principal washing component is plant-based)



*1 LAS: Readily biodegradable surfactant linear alkylbenzene sulfonate

*2 ABS: Branched alkylbenzene sulfonate; a surfactant that is highly resistant to biodegradation

Environmental Care in the Chemicals Division Business

The Chemical Division's Environmental Solutions Business

In addition to its healthcare and household product businesses, Lion has the Chemicals Division, which provides industrial chemicals to each industry.

Given the increasing social demand in recent years for environmental-friendliness among customers of the Chemicals Division, Lion Corporation has been striving to meet this demand by developing a wide range of products that reduce environmental impact, thus supporting a sustainable, recycling-oriented society in areas not readily visible to the public.

Plant-Based Chemical Products

Today, the majority of chemical products are made from petroleum. However, Lion is aggressively developing environmentally friendly industrial products by leveraging plant-based materials such as coconut oil and palm oil. Some of these products are raw materials used for ink solvents and as oil-spill dispersants.

Lion has successfully developed plant-based, high-performance electrical insulating oil (palm fatty esters) used in substation transformers. Lion obtained the environmental label "Eco Mark" in 2008 for this transformer oil because of its high biodegradability.

■ Plant-derived raw materials



Presently, transformer oil uses petroleum-based oils, of which approximately one million kilolitres is produced worldwide each year. However, this oil releases approximately 2.5 million tons of CO₂ when it is burned. Lion is contributing to the curbing of CO₂ emission increases in the atmosphere by switching to renewable and carbon-neutral, plant-based oils.



High-capacity transformer

De-Inking Agent, Essential to Paper Recycling

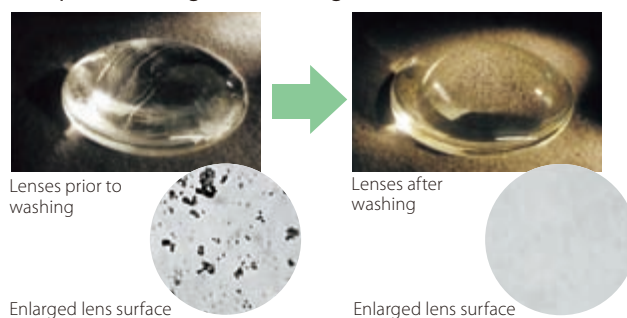
To manufacture recycled paper from old newspapers and magazines, ink on the used paper must be removed first. This process is called "de-inking." Referred to as recycled paper cleaning, this technology is one of Lion's strong points.

Consequently, Lion has been extensively providing de-inking agents used in this process to paper manufacturers and has supported domestic paper-recycling manufactures for over 30 years. The Company now markets de-inking agents in Europe, the United States and the rest of Asia.

Industrial Aqueous Detergents with Less Environmental Impact

Information/electronic hardware has become remarkably sophisticated in recent years. To complete the manufacture of component parts, a number of cleaning processes are necessary, each requiring superior detergency. On the other hand, demand is strong for environmentally friendly washing components in place of detergents that contain ozone-layer-destroying fluorocarbons and chlorinated solvents. Given this trend, Lion utilizes its proprietary microemulsion technology to develop and offer aqueous detergents that contain absolutely no petroleum solvents. Because their base component is water, these detergents are environmentally friendly and safe for people to use. They are presently used in the manufacturing process for such items as optical lenses and liquid crystal displays. Lion's products also support the environmental measures being undertaken by automobile manufacturers as well as electronics makers.

■ Aqueous detergent's cleaning effect



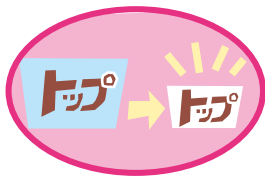
Aside from the products already mentioned, Lion markets sophisticated industrial chemicals in Japan and overseas that are playing a key role in environmental protection on a global scale.

The "3Rs" of Containers and Packaging Reduction

Lion is actively promoting the "3Rs" (Reduce, Reuse, Recycle) as an initiative to reduce containers and packaging materials. In addition, to achieve the Japan Soap and Detergent Association's 2010 target of reducing packaging materials to 70% or less (compared with the 1995 level) in 2009, in accordance with its voluntary action plan, Lion is undertaking a wide range of efforts to reduce containers and packaging materials.

Items*1 to evaluate the reduction of containers and packaging materials are defined for the related stages of (2) packaging material procurement, (4) logistics and (6) disposal, of the Lion Eco Standards (see p. 33).

The "3Rs" of containers and packaging reduction



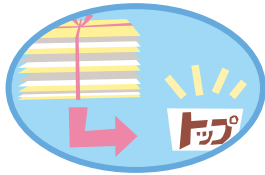
Reduce

Reducing usage volume
Reduce the quantity and size of containers and packaging



Reuse

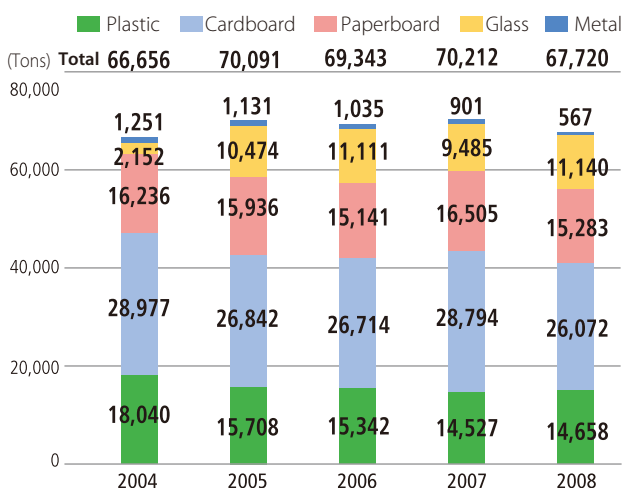
Reusing containers and packaging
Increasing the number of refill products



Recycle

Conserving resources
Promoting the use of recycled materials

The volume of containers and packaging materials used



*1 Evaluation standards for each stage: (2) Packaging material procurement: Use of recycled materials

(4) Logistics: Compactness and concentration of products

(6) Disposal: Reduction of containers and packaging materials, and reduction of packaging materials through the use of refillable containers

Reduce Reducing Usage Volume

Making Products Compact and Improving Container Design

Lion is promoting the development of a more compact product package to reduce containers and packaging materials by achieving higher performance laundry and dishwashing detergents, fabric softeners and other products that are at higher concentrations.

In 2008, the amount of containers and packaging materials used stood at 67,720 tons. The overall volume decreased by 2,492 tons from 2007 as a result of decreases in cardboard, paperboard and metals despite using more glass and plastic.

The volume of plastic used in eight categories of home products as defined by the Japan Soap and Detergent Association was 71% of the 1995 level.

Lion will remain committed to reducing the amount of containers and packaging materials used by developing more compact products and innovative container designs.

Specifically designed containers



Integrating Environmental Considerations with Quality and Usability

Takashi Sakaguchi
Packaging Engineering Research Laboratories
Research and Development Headquarters



We implement the "3Rs" for containers and packaging materials with a special focus on using less packaging material (Reduce) and utilizing recycled materials (Recycle). In the course of developing products with these goals, we also ensure quality and convenience in such factors as usability from the consumer's perspective. We want to advance efforts for the environment together with customers who use Lion products.

Reuse Reusing Containers and Packaging

Increasing the Number of Refill Products

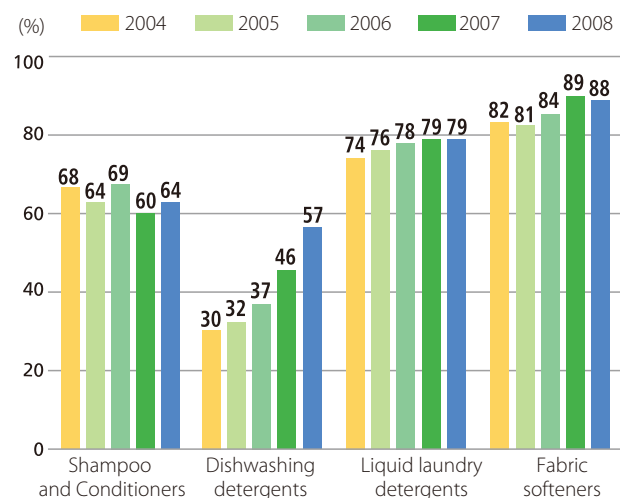
Plastic bottles for dishwashing detergent, shampoo and other products can be refilled and used repeatedly. And the use of refill products requires less material for manufacturing containers, thereby helping to reduce household trash.

Lion has been working to increase the number of refill products since 1992. Refill products are now available for a wide array of products, including shampoo and fabric softener. For spray-type products, refillable containers are available as well as containers without the spray trigger. Lion is exploring container shapes and other innovations for refill products that are easier for customers to use. We will expand our range of refill products while at the same time striving to further improve the design of containers toward making them simpler to manage for customers.

Innovative refill products and waste reduction effect



Refill product sales ratio for Lion's mainstay product categories



Recycle Conserving Resources

Promoting the Use of Recycled Materials

Utilizing Recycled Plastic

Lion jointly developed with container manufacturers a technology for using reprocessed PET resin. In 1989, Lion launched Mama Pockety, the first dishwashing detergent in Japan to make use of reprocessed PET resin for its container. The Company subsequently developed a technology for solving the longstanding challenge of using reprocessed PET resin for transparent bottles.

Containers for the Lion dishwashing detergents Charmy Awa no Chikara (Power of Suds), Charmy V Quick and Charmy Mild are composed of at least 20% reprocessed PET resin from plastic beverage bottles. And measuring spoons for powdered laundry detergents use reprocessed resin from discarded home appliances such as washing machines.



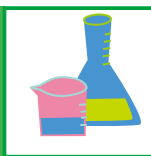
Utilizing Recycled Paper Blended with Recycled Pulp

Containers and packaging material for such products as toothpaste and laundry detergent use white paperboard blended with recycled pulp. Labeling on powdered laundry detergent containers clearly states the ratio of recycled paper is at least 70%.

In addition, the composition ratio of recycled pulp for transportation cardboard is 94%.



4



Handling Chemical Substances Appropriately

Lion pays full attention to safety and the environment and strives to thoroughly control and reduce chemical substances in the entire process, from product development to household use and disposal.

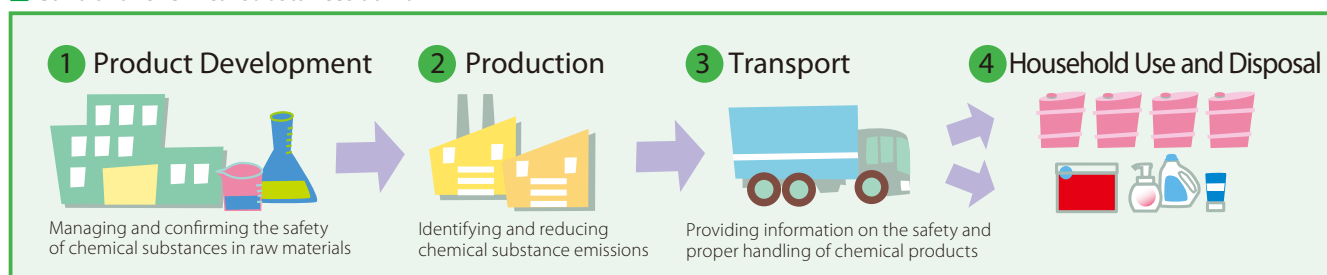
In addition, Lion verifies on an independent basis what impact MES—Lion's proprietary surfactant—has on aquatic environments.

Safe Handling of Chemical Substances

Chemical substances are necessary in helping to make our lifestyle congenial and comfortable. However, if appropriate

controls are neglected, or if an accident were to occur, there could be significant impact on people's health and the entire ecosystem. As well as complying with related laws and regulations, Lion makes every effort to control chemical substances at every stage, from product development to household use and disposal.

Control of chemical substances at Lion



Product Development

Management of Chemical Substances in Lion Products

Chemical substances in Lion's products are administered under prevailing laws and regulations as well as the Company's proprietary criteria, starting from the process of raw material procurement.

Confirmation of Chemical Substance Safety

Lion participated in the OECD/HPV Program's*1 international consortium and cooperated in safety confirmation work for linear alkylbenzene sulfonate (LAS), fatty-acid methyl ester (ME) and α -olefin sulfonate (AOS). In addition, Lion committed itself as a sponsor of MES in the Japan Challenge Program*2 and carried out safety confirmation work in cooperation with the Japanese government. The Company compiled MES safety information in May 2009 and completed a report for the Japanese government. The Company also participates in the activities of the "Joint Article Management Promotion-consortium (JAMP),"*3 and is developing mechanisms to manage chemical substances and disseminate information to its supply chains.

Production

Complying with the PRTR Law*4

The Production Division and the Research and Development Division submit reports regarding the emissions and transport volume of chemical substances covered under the PRTR Law on a yearly basis. During fiscal 2008, reports were submitted related to the emissions and transport volume of 37 materials. The Company is preparing for full compliance with the PRTR Law as revised in November 2008 and scheduled for

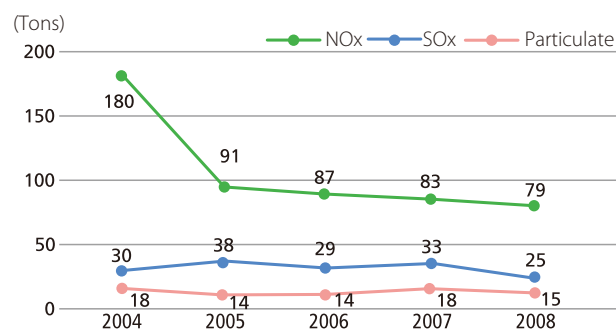
enforcement in April 2010.

Hereafter, Lion will take measures to reduce emissions at production facilities.

Voluntary Activities for Air Pollution Prevention

Lion is conducting voluntary activities to reduce chemical substances such as nitrogen oxide (NOx), sulfur oxide (SOx), and particulate and volatile organic compounds (VOC) that cause air pollution. Lion reduced VOC emissions in 2008 by 62% compared to the 2000 level and has already achieved the target of 40% or more reduction of these emissions.

Trends of NOx, SOx, and particulate emissions (Lion Group)



Transport

Providing Safety Information during Transport

Lion distributes and attaches Yellow Cards and Container Yellow Cards*5 that provide emergency information for personnel engaged in the transport of raw materials and semimanufactured products.

*1 OECD/HPV Program: An approach for establishing a database and disclosing the results of environmental and health impact from High Production Volume (HPV) chemicals (produced in quantities over 1,000 tons per year) conducted by the Organization for Economic Co-operation and Development (OECD)

*2 Japan Challenge Program: A program for linking industry and the Japanese government, accelerating the collection of safety information regarding existing chemical substances and distributing this information to a wide range of citizens

Household Use and Disposal

Ecological Risk Assessment of Chemical Substances Included in Products Discharged after Household Use

Surfactants that are contained in products are discharged into the environment after household use.

Every year, the Japan Soap and Detergent Association (JSDA), with which the Lion Corporation is affiliated, conducts

ecological risk assessments of public water sources. The JSDA conducts these assessments four times annually and reports on river water concentrations of four types of surfactants found in water discharged from households.*6 With regard to the surfactant MES, Lion independently conducts similar assessments. These surveys have confirmed a negligible impact on the ecosystem.

Control of chemical substances at Lion

Substance number specified by the law	Substance name	Amount released (kg/year)				Amount transferred (kg/year)			
		Atmosphere		Public water systems		Sewage		Waste	
		2007	2008	2007	2008	2007	2008	2007	2008
1	zinc compounds (water-soluble)	0.0	0.0	0.0	0.0	2.0	1.5	23	17
3	acrylic acid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4	ethyl acrylate	0.0	0.0	0.0	0.0	0.0	0.0	1,100	780
6	methyl acrylate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12	acetonitrile	25	22	0.0	0.0	0.0	0.0	20,000	16,000
16	2-aminoethanol	0.0	0.0	0.0	0.0	3.8	1.1	44	12
17	N-(2-aminoethyl)-1,2-ethanediamine; diethylenetriamine	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.1
22	allyl alcohol	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
24	n-alkylbenzenesulfonic acid and its salts (alkyl C=10-14)	420	220	0.0	0.0	58	140	46,000	43,000
42	ethylene oxide	120	110	0.0	0.0	0.0	0.0	0.0	0.0
43	ethylene glycol	0.0	0.0	0.0	0.0	0.0	0.0	1,500	200
45	ethylene glycol monomethyl ether	380	0.0	0.0	0.0	2.6	0.6	29	6.6
46	ethylenediamine	0.0	0.0	0.0	0.0	53	11	610	130
47	ethylenediaminetetraacetic acid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
54	epichlorohydrin	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
56	1,2-epoxypropane; propylene oxide	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
63	xylene	1.3	1.1	0.0	0.0	0.0	0.0	42	38
65	glyoxal	0.0	0.0	0.0	0.0	0.0	0.0	1,800	1,100
96	chloromethane; methyl chloride	370	520	0.0	0.0	0.0	0.0	0.0	0.0
134	1,3-dichloro-2-propanol	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
166	N,N-dimethyldodecylamine N-oxide	0.0	0.0	0.0	0.0	0.0	0.0	0.0	200
177	styrene	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
193	O,O-dimethyl O-3-methyl-4-(methylthio)phenyl phosphorothioate; fenthion; MPP	0.0	0.0	0.0	0.0	0.0	0.0	8.4	0.1
227	toluene	540	440	0.0	0.0	0.0	0.0	5,700	8,500
231	nickel	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
232	nickel compounds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
251	bis(hydrogenated tallow)dimethylammonium chloride	0.0	0.0	0.0	0.0	0.0	0.0	0.0	540
267	3-phenoxybenzyl 3-(2,2-dichlorovinyl)-2,2-dimethylcyclopropanecarboxylate; permethrin	0.4	1.3	0.0	0.0	0.0	0.0	210	190
283	hydrogen fluoride and its water-soluble salts	0.0	0.0	0.0	0.0	4.7	4.4	6.9	6.5
297	benzyl chloride	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
304	boron and its compounds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
307	poly(oxyethylene) alkyl ether (alkyl C=12-15)	0.0	0.0	0.0	0.0	7,300	8,500	190,000	210,000
310	formaldehyde	0.0	0.0	0.0	0.0	0.0	0.0	1,900	0.0
313	maleic anhydride	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
314	methacrylic acid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
320	methyl methacrylate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
179	dioxins	4.4 mg-TEQ	2.7mg-TEQ	0.0mg-TEQ	0.0mg-TEQ	0.0mg-TEQ	0.0mg-TEQ	130mg-TEQ	130mg-TEQ

Notes:

• None of the above were discharged into soil or disposed to landfill.

• For more details on the emissions and transport of chemical substances, visit: [HP](http://www.lion.co.jp/ja/csr/env/report/) <http://www.lion.co.jp/ja/csr/env/report/> (in Japanese)

*3 Joint Article Management Promotion-consortium (JAMP): Established to manage chemical substances within products and to disseminate specific mechanisms that facilitate disclosure/conveyance of such information along the supply chain

*4 PRTR Law: The Pollutant Release and Transfer Register Law promotes steps for precisely understanding the emission volume of specific chemical substances in the environment as well as management improvements for this purpose. The PRTR Law requires businesses that handle chemical substances that may cause harm to human health and ecosystems to independently measure the volume of these substances discharged into the environment or transferred from businesses and to report this information to the Japanese government.

*5 Yellow Cards, Container Yellow Cards: A labeling system that provides information on the properties of chemical substances and emergency procedures in the event of a chemical leak during transport

*6 Related pages on the website of the Japan Soap and Detergent Association: [HP](http://jsda.org/w/01_katud/a_seminar012.html) http://jsda.org/w/01_katud/a_seminar012.html (in Japanese)

5



Fostering Environmental Awareness within the Lion Group

To further increase environmental awareness among all employees engaged in ECO LION activities and to encourage voluntary environmental activities, Lion implements environmental education and provides opportunities to carry out these activities.

Implementing Periodic Environmental Education

Lion regularly conducts environmental education for all employees to encourage voluntary environmental activities.

Lion conducted training programs in 2008 for new employees as well as employees in charge of waste management and those in charge of chemical substance management. In terms of training for internal environmental auditors, nine employees completed an external course in 2008, bringing the total number of those who have obtained certificates to 45. A total of 395 employees have completed in-house courses. In addition, the Company is striving to increase employee knowledge and awareness of environmental issues by featuring the environmental activities of individual divisions in an in-house magazine.



In the in-house magazine, Lion features special topics regarding environmental preservation activities aiming to enhance employees' environmental awareness.

All Lion Employees Participate in Japan's Team Minus 6% Project

Since July 2005, all Lion employees have been participating

in the Team Minus 6% Project (see p. 31). In addition, Lion has been supporting "My Challenge Declaration" since 2008 and cooperating with the "I declare CO₂ reduction of 1 kg 1 day 1 person" movement under the Ministry of the Environment.



Poster encouraging employee participation in the project

Implementation of the ECO LION Proposal Campaign

As part of ECO LION activities, Lion has been holding the ECO LION Proposal Campaign since 2006 to invite submissions of ideas related to ecological themes from as wide a range of employees as possible.

The total number of ideas posted in 2008 was 2,577. Lion will continue this campaign to enhance employees' environmental awareness.

Fostering Environmental Awareness through Support for Nature Conservation Activities

Lion began undertaking forest trimming support activities in 2006 and opened the Lion Forest in Yamanashi as its first project under the Company Forest Promotion Project carried out by Yamanashi Prefecture. We recruit volunteers from among our employees annually for this purpose. In 2008, this activity was held three times, with 76 employees participating (see p. 6). In addition, individual business sites are independently engaging in nature conservation activities in their respective regions.

Biodiversity and Environmental Communication Initiatives

Biodiversity Efforts

Lion is working to preserve biodiversity while at the same time pursuing eco-friendly business activities.

Lion fosters nature conservation activities as a member of the Nippon Keidanren Committee on Nature Conservation. And since 2006, the Company has been taking part in the Roundtable on Sustainable Palm Oil to ensure the responsible procurement of palm oil (see p. 4). Furthermore,

Lion is promoting production activities in harmony with nature through activities such as raising Odawara killifish (an endangered species) and fireflies at its Odawara plant by taking advantage of its clean water resource. In terms of protecting the global environment, biodiversity initiatives are as important as actions for preventing global warming. Therefore, the Company will explore additional concrete actions in the future.

Environmental Communication Activities

Lion is developing dynamic communication activities to enable the general public to better understand its environmental preservation efforts.

Communication with Communities and Various Organizations

Lion participates in the activities of the Japan Responsible Care Council (JRCC), through which the chemical industry strives to implement and improve environment and safety measures throughout the entire life cycle of chemical substances, from development, production, distribution, use and final consumption to disposal. In 2008, the Osaka and Akashi plants participated in community dialogues as a part of JRCC activities. The Chiba Plant convenes its own dialogue with community residents every year. In addition, Lion highlighted its efforts by presenting the "Report on Lion's CO₂ reduction initiatives—CO₂ emissions from a product-oriented perspective" at the Responsible Care Report 2008 Debriefing Session.

Participating in Environment-related Events

Lion participates in environment-related events in various regions to provide information on its efforts, including ECO LION activities, to as many people as possible. Following its participation the previous year, the Company joined Eco Products 2008 and set up a booth to show our activities. Eco Products is one of Japan's largest environmental exhibitions, held at Tokyo Big Sight. Lion highlighted its efforts, including utilization of plant-based materials and 3R initiatives, to introduce its approach for taking the environment into account from a product-oriented perspective as well as its efforts to preserve aquatic environments. The Company has also presented at other exhibitions, such as Eco Messe 2008 in Chiba and the Summit of World's Sea Level Cities—Global Environment Exhibition in Edogawa-ku, Tokyo.



Eco Products 2008
(December 11–13, 2008)



Summit of World's Sea Level
Cities—Global Environment
Exhibition
(December 15–17, 2008)

Participating in the Carbon Footprint*¹ Trial

After joining in 2008 the Study Group for Developing and Promoting the Carbon Footprint System organized by the Ministry of Economy, Trade and Industry (METI), Lion explored the possibilities of visualizing CO₂ emission volume based on LCA toward realizing a low-carbon society. The Company also took part in a market test carried out by the study group in addition to a presentation on "Dentar Clear MAX" accompanied with a demonstration display of CO₂ emissions at the METI booth in Eco Products 2008 from December 11 through 13.



Publishing Environmental Reports

Lion publishes the CSR Report every year to communicate its environmental efforts. The Company also releases Site Reports from individual business locations to disclose detailed information on their environmental activities. Lion additionally compiles a more compact Eco Leaflet to aid in the public understanding of its environmental activities. This leaflet is attached to the end of the CSR Report and is also distributed to visitors at exhibitions and company factory tours.

Disseminating Information on Environmental Activities through Our Website

Lion provides detailed information on its ECO LION environmental protection activities and environment-related reports (the CSR Report, Eco Leaflet and Site Reports) on the CSR (Environment/Society) page of the Company website. Lion is striving through these and other means to provide timely information to customers. On the Lion Kids website, specially designed for children, the Company provides environment-related information in a manner that elementary school children can readily understand.



► Lion Kids Home page
HP <http://www.lion.co.jp/kids/>



*¹ Carbon footprint refers to information provided on product labeling that displays CO₂ emissions throughout a product's life cycle, from raw material procurement, manufacturing, sales and use to disposal.

Cover

Painting by Mafune Shibusawa of Shizuoka Prefecture.

First prize winner of the My River Picture Contest (LION TOP Eco Project)



Lion Corporation

June 30, 2009

CSR Promotion Department

Contact point for questions regarding the report

CSR Promotion Department

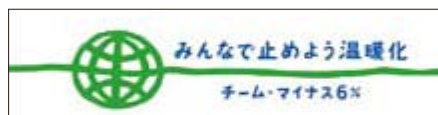
Social Responsibility Promotion Team/ Environmental Conservation Office

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

Release schedule for the next report: June 2010



In order to achieve "a 6% reduction in greenhouse gas emission," which is goal of Kyoto Protocol, it is essential to realize "3.9% CO₂ absorption" in forests in Japan. This annual report was printed utilizing red pine trees in "Lion Forest in Yamanashi" as papermaking stock, contributing to the increased CO₂ absorption in forests in Japan.

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