

Fulfilling Our Social Responsibilities as a Corporation that Continues to Prioritize Cleanliness, Health, Comfort, and the Environment

The origins of Lion's approach to CSR can be traced to its founding spirit of "working for the benefit of people and society." Having built a robust foundation for business based on its Company Motto and management philosophy, Lion is continuing to contribute to the sustainable development of society by conducting business activities under its management vision.

Since its founding, Lion has worked to promote oral hygiene and create a culture of cleanliness by offering products that are useful for daily life, conducting related promotional and educational activities, and encouraging the formation of good health habits. Oral hygiene is Lion's core business area. Over the years, we have contributed to the improvement of people's living habits by developing many dentifrices with new functions and have disseminated the correct knowledge about dental and oral hygiene. Also, by supplying many kinds of detergents, including those for laundry use as well as soaps, we have helped to instill a culture of cleanliness in society.

In product development, we are currently working to help solve global environmental issues, including those related to water quality.

In 2011, we prepared a management vision and corporate message. With the slogan of "life. love. LION", we are pursuing business activities, including those related to mental health and comfort, as we aim to become a company that contributes to value creation now and into the future.

When implementing our CSR-related activities, we refer to ISO 26000, the international social responsibility standards. We confirm and assess our response to CSR requirements, refer to the opinions of independent third-party organizations, and assess the importance of each for the Lion Group. We also establish objectives based on discussions with Lion Group companies and are moving forward as a group to attain these. The table below shows the seven core themes of ISO 26000. These are "organizational governance," "human rights," "labor practices," "environment," "fair operating practices," "consumer issues," and "community involvement and development." We identify the "Ideal Visions," "Important Issues," and "Medium-Term Objectives (2014)." We then monitor and report on our accomplishments toward addressing each of these themes to give impetus to these activities in the future.

Core Themes of ISO 26000

Core Subjects	Ideal Visions	Important Issues	Medium-Term Objectives (2014)
Organizational Governance	Maintain a sound management system that is continuously trusted by the society	Establish the Group-wide CSR management structure	<ul style="list-style-type: none"> Disseminate the Lion Group Charter for Corporate Behavior as a CSR policy Set objectives/KPIs and manage progress
Human Rights	Establish framework for respecting human rights	Create and disseminate human rights policy Human rights due diligence	<ul style="list-style-type: none"> Strengthen the framework securing respect for human rights Disseminate information regarding the hotline and strengthen the advice and whistle-blowing framework
Labor Practices	Change the awareness of employees through raising morale and motivation	Human resource development/revitalization programs	<ul style="list-style-type: none"> Implement human resource development/revitalization programs Carry out diverse human resources promotion programs
		Establish good working environments	<ul style="list-style-type: none"> Achieve the requirements for the Next-Generation Support Act Phase 4 Action Plan
Environment	Contribute to a sustainable society as an environmentally advanced company	Progressive environmental activities	<ul style="list-style-type: none"> Promote and manage progress of "Eco Vision 2020"
Fair Operating Practices	Promote social responsibility activities throughout the value chain	Promote CSR procurement	<ul style="list-style-type: none"> Carry out supplier CSR questionnaires and offer its feedback to suppliers
Consumer Issues	Pursue customer satisfaction by creating safe and trustworthy products	Offer products and information that contribute to sustainable development Communicate information useful for daily life and educational activities	<ul style="list-style-type: none"> Promote and manage progress of "Eco Vision 2020" Enhance the provision of information that contributes to healthy and comfortable life according to the lifestyle and life stages
Community Involvement and Development	Co-exist and co-prosperity with society and communities/contribute to the development of society in health, comfort, and environmental areas	Enhance social contribution programs in health and comfort areas (environmental programs to be dealt with under "Eco Vision 2020")	<ul style="list-style-type: none"> Promote oral hygiene activities Promote children's tooth brushing education programs Promote hygiene programs Promote children's hand washing and gargle program

Organizational Governance

Maintain a Sound Management System That Is Continuously Trusted by Society

Corporate Mission and Basic Approach to Corporate Governance

The mission of corporations is to use the funds that investors have placed with them effectively and to generate business results. Ultimately, these company results belong to the shareholders who invested their funds. However, in the medium-to-long term, to generate results that shareholders expect and continue to build on the assets that have been placed with Lion, it must, first and foremost, value its customers, who use the Company's products, as well as the many stakeholders surrounding the Company (including principal customers, business partners, employees, and others).

Lion's top priorities for corporate governance are increasing management transparency, improving the pace of supervision and decision making, and ensuring compliance. By strengthening and improving its corporate governance system, Lion aims to enhance its corporate value.

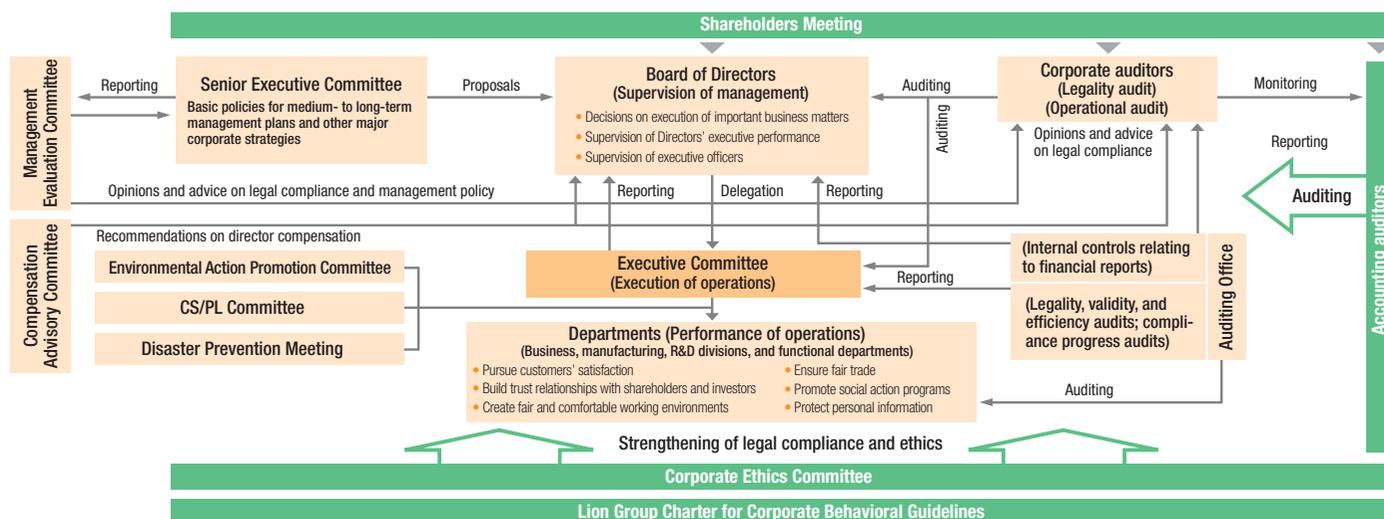
Corporate Governance System

Lion has adopted a system of executive officers to strengthen the managerial decision making and executive functions. At the

same time, the supervision of management is conducted through a corporate auditor system. Since January 2012, we have enhanced our governance system, separating the supervision and execution of management.

Guided by its Criteria for the Independence of External Directors, which can be found on the Company's website (<http://www.lion.co.jp/jp/company/about/pdf/independence.pdf>, in Japanese only), Lion has adopted a variety of measures, including the appointment of four independent members of management (two external directors and two external auditors) and submitted all appropriate documentation to the Tokyo Stock Exchange. These initiatives are aimed at enhancing the supervision and monitoring of management as well as strengthening corporate governance. All four external appointees have been designated as independent officers who exhibit no risk of any conflict of interest with the Company's shareholders. Also, in October 2003, the Company formed its Management Evaluation Committee, and, in December 2006, established its Compensation Advisory Committee, which is composed of external directors.

Model of Corporate Governance System



Corporate Social Responsibility (CSR)

Board of Directors

The Board of Directors has the responsibility of determining Company-wide objectives and targets while also drawing up management plans to ensure that these objectives and targets are achieved. The Board of Directors is comprised of 10 members, 2 of whom are appointed from outside the Company. Board of Directors' meetings are held regularly once a month, with extraordinary meetings convened as and when necessary. Responsibilities of the Board of Directors include making decisions on key management matters and supervising the conduct of duties by directors and executive officers. The term of office of each director is one year.

To enhance objectivity and transparency, compensation paid to directors is determined by the Board of Directors based on the recommendations of the Compensation Advisory Committee.

Board of Corporate Auditors

In accordance with standards relating to the conduct of audits by corporate auditors and auditing policies established by the Board of Corporate Auditors, each corporate auditor attends meetings of the Board of Directors and other important meetings, monitors the execution of the specific duties of each director, implements on-site audits of Lion's Head Office and major work sites, and conducts audits of subsidiaries and affiliates. In addition, corporate auditors meet twice a year with representative directors to exchange opinions.

The Board of Corporate Auditors serves as a coordinating entity, undertaking a variety of activities, including the exchange of opinions regarding the audit reports submitted by the independent auditing firm and the Auditing Office, which is in charge of internal auditing.

The Total Amounts of Compensation Paid to Directors and Corporate Auditors for Fiscal 2013

Category	Total Number of Officers (Number of External Officers)	Total (Figures in parentheses represent the amount paid to external officers) (Millions of yen)
Directors	10 (2)	399 (22)
Corporate Auditors	4 (2)	75 (22)
Total	14 (4)	474 (44)

The Status of Major Activities of External Directors and External Corporate Auditors

Status	Name	Attendance at Board of Directors' Meetings	Attendance at Board of Corporate Auditors' Meetings	Major Remarks and Contributions
External Directors	Mitsuaki Shimaguchi	Attended 17 of 17 meetings	—	Provides informed opinions about overall business management policies with a view to ensuring proper and appropriate decision making
	Hideo Yamada	Attended 17 of 17 meetings	—	Provides informed opinions, principally regarding the Group's risk management and compliance systems
External Corporate Auditors	Hideo Doi	Attended 17 of 17 meetings	Attended 12 of 12 meetings	Provides informed opinions with a view to ensuring the appropriateness of management, primarily in relation to finance and accounting
	Sumiaki Nomura	Attended 17 of 17 meetings	Attended 12 of 12 meetings	Provides informed opinions with a view to ensuring the appropriateness of management, primarily in relation to tax matters

Executive Officer System

Attended by all executive officers, the Executive Committee meets once a month to ensure that the execution of duties is conducted in a timely manner and to strengthen the function of the Board of Directors. At the same time, the Executive Committee serves to promote expeditious decision making with respect to both fundamental and important matters as they apply to business execution. There are currently 15 executive officers, 7 of whom hold the concurrent position of director. The term of office of each executive officer is one year, which equates to the term of office of directors.

Management Evaluation Committee

Composed of seven knowledgeable persons from outside the Company, this committee meets twice each year and was set up to enable Lion to draw on the evaluations and opinions of its members and reflect these in the Company's overall management. Matters addressed by this committee include the corporate governance system, the direction of business and product development, the approach to corporate social responsibility (CSR), and other matters.

Compensation Advisory Committee

This committee was formed to increase the objectivity and transparency of matters related to executive compensation. This committee is comprised of the Company's two external directors and two external auditors, for a total of four independent officers.

Risk Management

Lion has appointed an officer responsible for overseeing risk as a part of exhaustive and comprehensive efforts to manage risk across the Group as a whole. In particular, steps are taken to ensure that individual committees relating to such wide-ranging areas as the environment, quality assurance, accidents, and disasters consider all necessary risks and countermeasures in advance. The risk management process also entails deliberation by the Executive Committee as and when required. Moreover, each plant has acquired ISO 14001 certification and is actively engaged in quality management and environmental protection activities.

In the event of a natural disaster or accident, and in accordance with the Emergency Response System, steps are taken to collect all relevant information, formulate responsible policies and measures, and clarify causes. Details are then reported to the Board of Directors.

Turning to business continuity plans, Lion has bolstered alternative arrangement for the execution of headquarters functions as well as the functions for receiving orders at the time of a disaster. Moreover, the Company has strengthened measures for arranging backup production in the event of a plant shut-down and securing adequate inventories to ensure the continuous supply of products.

Bolstering Internal Control Systems

Systems and provisions have been put in place to ensure the appropriateness of Lion Group operations in accordance with Japan's Companies Act and the Ordinance for Enforcement of the Companies Act.

With regard to systems for evaluating and auditing internal control over financial reporting, as prescribed in Japan's Financial Instruments and Exchange Act, Lion and the rest of the Lion Group have established controls at the Company-wide

and business process levels since July 2006. In December 2008, the Board of Directors passed a resolution on the "Internal Control Policies Regarding Financial Results Reporting."

Evaluations of internal control effectiveness are carried out by the Auditing Office, which reports findings to the president and corporate auditors, as well as on a regular basis to the Board of Directors. In the event of an inadequacy, details of items requiring improvement are communicated to concerned divisions and the progress of improvements verified.

In 2012, Lion's internal control over financial reporting was deemed effective. A report on internal controls was submitted to the Prime Minister in March 2013 together with the Company's securities report.

Promotion of Compliance

Within the Lion Group, the Corporate Ethics Committee, chaired by the director responsible for corporate ethics, works to actively foster compliance awareness.

The basis for compliance is the *Lion Group Charter for Corporate Behavior*. This is distributed in pamphlet form to all people working for the Lion Group and is publicly available via Lion's website. Also, an annual program of employee awareness surveys and regular educational activities is also implemented. The latter includes e-learning, lectures by outside speakers, and various training courses conducted in each workplace according to rank.

The e-learning activities conducted in 2013 include securing agreement of each employee to abide by the *Lion Group Charter for Corporate Behavior* as well as instruction related to rules of employment and other basic labor matters, social media risks, and information security.

Compliance Awareness Survey

All Lion Group employees are asked periodically to complete a compliance awareness survey. Findings are reported to management, and feedback is provided to individual divisions to communicate issues within the same workplace or company. These activities contribute to the maintenance and strengthening of compliance systems.

Directors, Corporate Auditors, and Executive Officers As of March 28, 2014



Representative Director and
Chairman of the Board of Directors
SADAYOSHI FUJISHIGE



Representative Director and President
ITSUO HAMA
Executive Officer, Chief Executive Officer



Executive Director, Executive Officer
TAKAYASU KASAMATSU
Responsible for Risk Management, Corporate Ethics, Secretary, Corporate Brand Promotion Office, Corporate Planning Department, Finance, Personnel, General Affairs, Corporate Communication Center, Consumer Service Center, CSR Promotion Department, Pharmaceutical Affairs and Quality Assurance Department, and Legal Department



Executive Director, Executive Officer
YUJI WATARI
Responsible for Purchasing Headquarters, Production Headquarters, Logistics Planning and Development, System, Business Coordination Center, and Production Engineering Research Center



Director, Executive Officer
MASAZUMI KIKUKAWA
Responsible for Health and Home Care Products Division, Gift and Channel-Specific Products Division, Executive General Manager of Health and Home Care Products Division, Responsible for Advertising, Behavioral Science Research, and Distribution Policy Department



Director, Executive Officer
KENJIRO KOBAYASHI
Responsible for General Overseas Matters and Executive General Manager of International Division and Director of Business Development Department I



Director, Executive Officer
YASUO SHIMIZU
Executive General Manager of Health and Home Care Products Sales Division



Director, Executive Officer
TOSHIO KAKUI
Responsible for Research and Development Headquarters and Chemicals Division and Responsible for Intellectual Property Department



External Director
MITSUAKI SHIMAGUCHI
 (Professor Emeritus of Keio University)

The notification of the nomination of Mr. Mitsuaki Shimaguchi and Mr. Hideo Yamada as independent directors has been sent to the Tokyo Stock Exchange.



External Director
HIDEO YAMADA
 (Attorney at Law)



Standing Corporate Auditor
SHINJIRO IWAHORI



Standing Corporate Auditor
SHOZO HANADA



External Corporate Auditor
HIDEO DOI
 (Certified Public Accountant)

The notification of the nomination of Mr. Hideo Doi and Mr. Sumiaki Nomura as independent directors has been sent to the Tokyo Stock Exchange.



External Corporate Auditor
SUMIAKI NOMURA
 (Certified Tax Accountant)

Substitute Corporate Auditor
NOBORU KOJIMA
 (Certified Public Accountant, Certified Tax Accountant)

Executive Officers
HIDEYUKI IMAI
 Director of Behavioral Science Research Institute

SADAO HAMADA
 Executive General Manager of Gift and Channel-Specific Products Division

FUMIHIRO MIKUCHI
 Executive General Manager of Production Headquarters and President of Lion Chemical Co., Ltd.

TAKEO SAKAKIBARA
 President of Lion Trading Co., Ltd.

SHU KAWAZOE
 President of Lion Hygiene Co., Ltd.

HIROYUKI CHIBA
 Executive General Manager of Chemicals Division

TOMOMICHI OKANO
 Executive General Manager of Research and Development Headquarters

KOHEI MIYAUCHI
 Executive General Manager of Purchasing Headquarters

Messages from the Board of External Directors

External Director

Mitsuaki Shimaguchi

(Professor Emeritus of Keio University)



It has been said that the sustainability of a company, as a member of society, is dependent on how well it can reflect and respond to the values of that society. In that sense, I believe that Lion Corporation has an excellent corporate philosophy and management vision. Within an organization that may tend to become exclusively inward looking, the role of external directors is to bring in an objective viewpoint from the outside. For Lion, as a company that “cares for people,” to become an organization that is even more caring, it must not only think of its employees but also its external stakeholders, including consumers, its stockholders, and the community. Even though this may appear to be a thankless task, I would like us to continue to make efforts in this direction going forward. I will accomplish this by expressing my views in meetings of the Board of Directors and endeavoring to prevent “caring for people” from possibly leading to a lack of close attention to Lion’s business activities, I would like to do my part, however small, to be sure that Lion continues to pay close attention to continuing to implement business reforms and to being an agent for change.

External Director

Hideo Yamada

(Attorney at Law)



I think that Lion is one of those few priceless Japanese companies that gives people a sense of “beauty.” There is hardly a day that goes by when we fail to encounter Lion products in our daily lives. Lion supports the well-being of the Japanese people and has put down deep roots to become an integral part of their lives. This is precisely the reason why Lion’s mission must be to continue to offer great products for people in keeping with its corporate message of “life. love. LION”, which means living each day going by to the fullest.

I want to continue to provide my encouragement for Lion—a company with an incomparable, excellent corporate culture and legacy—to survive, maintain itself, and develop further. I also think that my role, at times, should be to provide candid advice and make some requests that may be difficult to implement. At those times, I will be aware, as I express my views, that the eyes of society are upon us, including not only those of stockholders, employees, and business partners but also seniors who have retired from Lion. I will always want to make my comments from a point of view that takes account of the implementation of compliance best practices, fulfilling corporate social responsibility, and policies that benefit Lion’s philosophy and mission in society.

Human Rights

Establish Framework for Respecting Human Rights

Framework to Ensure Respect for Human Rights

From the perspective of due diligence related to human rights, Lion believes it is important to enhance its frameworks for ascertaining the impact of its activities on human rights, its frameworks for reporting, taking corrective action, and conducting other related follow-up.

Lion conducts e-learning courses for its employees that cover periodic training related to the *Lion Group Charter for Corporate Behavior* and activities to make all employees aware of the importance of human rights as they related to sexual and power harassment. To confirm compliance with the *Lion Group Charter for Corporate Behavior*, Lion conducts compliance awareness surveys on an annual basis. In addition, Lion confirms respect for human rights at various stages, including hiring, personnel assessments, and setting terms of employment, based on the *Lion Group Charter for Corporate Behavior*.

For our customers, Lion complies with its originally developed product management system and works at all times to ensure safety and proper functionality. Lion has also prepared a manual for the preparation of product labels that give consideration to the needs of senior citizens, children, and other vulnerable groups, and endeavors to develop product packaging, including labels, that are clear and easy to read.

For its suppliers, Lion has made available publicly its basic procurement policy, which reflects its concern for social responsibility, including human rights. In 2013, Lion newly issued its Supplier CSR Guidelines, which includes content related to human rights, including elimination of child labor and forced labor. Based on these guidelines, we request our suppliers and other business partners to conduct self-checks on their own human rights initiatives. In addition, Lion has made available a hotline for its suppliers that makes it possible to confirm factual matters and respond appropriately.

Labor Practices

Change the Awareness of Employees through Raising Morale and Motivation

Human Resource Diversity

Lion has made efforts to promote human resource diversity in light of major changes in the composition of its workforce and the need to respond swiftly to changes in the business environment.

The Diverse Human Resource Promotion Committee was set up in 2010 to plan and formulate personnel measures for promoting the active participation of diverse human resources.



Career Forum (Diverse Human Resource Promotion Committee)

Promoting Work-Life Balance

Lion strives to create an environment where employees can work dynamically and deliver results, while placing value on maintaining an optimal balance between their working and private lives.

In 2013, consideration was given to increasing the efficiency of operations and reducing overtime hours, and steps were taken to improve the working environment.

Safety and Disaster Prevention Initiatives

Based on the principle of “safety first,” Lion has established its unique “Health, Safety, and Disaster Prevention Management system”—which combines the “Occupational Safety and Health Management System” of Japan’s Ministry of Health, Labour and Welfare with disaster prevention provisions. Lion set up a Disaster Prevention Meeting, which consists of representatives from the production, R&D, administration, as well as sales divisions, and is responsible for managing and promoting Company-wide policies, targets, annual plans, and achievements in the areas of safety and disaster prevention.

Environment

Contribute to a Sustainable Society as an Environmentally Advanced Company

Environmental Guidelines

Lion's Environmental Guidelines adhere to the spirit of the *Lion Group Charter for Corporate Behavior and Action Guidelines*, which state: "We shall play a positive and active role in creating a sustainable society, harmonizing economic development and environmental protection."

In 2013, together with the preparation of its Eco Vision 2020, Lion revised its Environmental Guidelines. These revised guidelines clarify Lion's policies of "realizing a low-carbon society," "realizing a sound material-cycle society," and "achieving harmony with nature" as well as its stance toward environmental initiatives overseas.

Environmental Management System

The purpose of the Lion Group's environmental management system is to identify, evaluate, and rectify any adverse effects on the environment associated with its business activities, products, and services, and to facilitate ongoing improvements in the Group's environmental protection activities. We are working to achieve ongoing improvements through the implementation of a plan-do-check-act (PDCA) cycle in line with our Environmental Guidelines.

Systems for environmental management and reporting activities have been enhanced with the aim of bolstering the Group's global environmental response capabilities. Data of overseas affiliated companies is posted on our website.*

* Data on the environmental footprints of the plants of our overseas affiliated companies may be accessed at URL: http://www.lion.co.jp/en/csr/pdf/csr_2013_17.pdf

Eco Vision 2020

1. Realizing a Low-Carbon Society

2. Realizing a Sound Material-Cycle Society

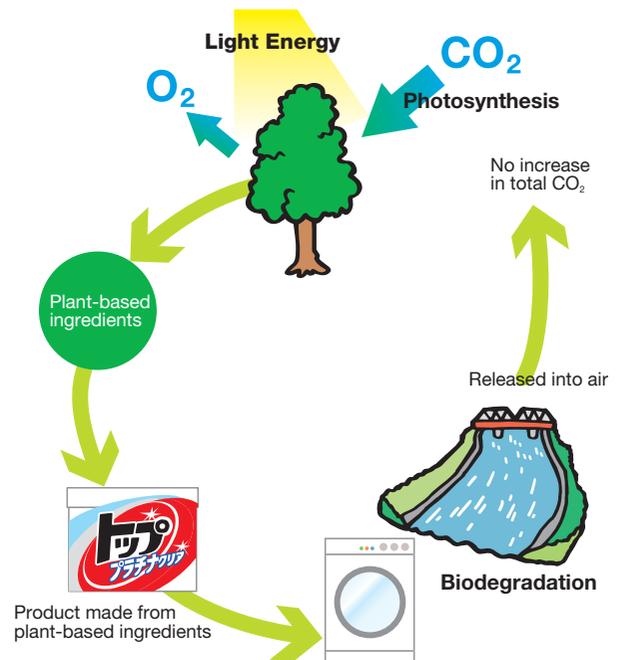
3. Achieving Harmony with Nature

Sustainable Use of Resources

Methyl ester sulfonate (MES) and methyl ester ethoxylate (MEE), unique surfactants developed by Lion, are raw materials of detergents derived from reproducible plants, which can contribute to the reduction of CO₂ emissions.

After use, surfactants, including detergents, are decomposed by microbes in the environment to become CO₂ and water. As plants grow, they absorb CO₂ in the atmosphere. Therefore, even when surfactants made from plant-based ingredients decompose emitting CO₂, there is no increase in the amount of CO₂ in the air. This is referred to as carbon neutral. Moving forward, we will endeavor to use plant-derived materials.

Carbon Neutrality

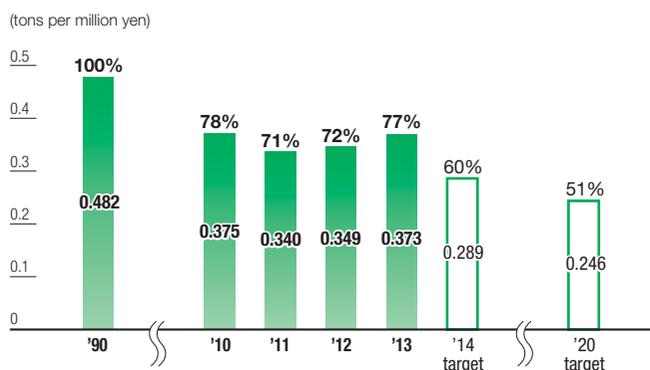


Climate Change Mitigation and Adjustments

To reduce CO₂ emissions, Lion has worked to develop highly concentrated laundry detergents, review and upgrade its manufacturing processes in production divisions, introduced energy-saving equipment when older facilities are retired, and taken other eco-friendly measures. In addition, all departments Company-wide, including administrative, operating, and R&D units, engage in energy-conservation activities. However, because of the prolonged stoppage of nuclear power plants, the estimated CO₂ emission coefficients of electric power companies in 2013 in Japan have expanded. As a result, in 2013, CO₂ emissions (per unit of sales), which had declined to 77% of the level of 1990, are estimated to have increased over the previous year once again.

Overseas emissions of CO₂ of the Lion Group rose over the level of the previous year along with the expansion in overseas production. However, Lion is engaging in activities to decrease its CO₂ emissions by 1% or more for each unit of output on an annual basis. In addition to the previously mentioned activities to reduce CO₂ emissions, Lion is working to reduce such emissions from its business activities and emissions in the post-usage, transport, and other phases of the life cycles of its products.

Total CO₂ Emissions from Business Activities (per unit of sales)

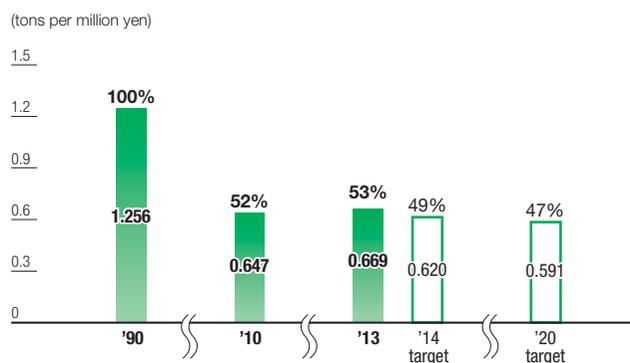


Biodiversity Conservation

Lion has assumed a leading role in tackling water environmental issues, such as pollution and the eutrophication of waterways linked to the use of detergents, and has considered biodiversity conservation at each stage from raw material procurement to disposal.

Looking ahead, Lion will continue to position the conservation of biodiversity and the water environment as important issues.

Total CO₂ Emissions due to Product Use (per unit of sales)



Note: To increase the level of accuracy, the method of calculation for 2013 data has been changed. To set the base dates in 1990 and 2010, the figures for these years have been calculated using the new method.

Fair Operating Practices

Promoting Social Responsibility Activities throughout the Value Chain

Frameworks for Securing Fairness in Business Activities

At Lion, the Corporate Ethics Committee, chaired by the director responsible for corporate ethics, works to actively foster compliance awareness within the Lion Group.

We believe that it is important for Lion to fulfill its corporate social responsibilities based on a spirit of mutual co-existence and co-prosperity with its business partners. We have published basic *Procurement Principles* that reflect consideration for social responsibilities, including guidelines for appropriate and reasonable transactions that observe laws and social norms, environmental conservation, and other related matters. In 2013, we newly issued our *Lion Supplier CSR Guidelines*, which requests our business partners to take the initiative in conducting self-checks on their relationships, including transactions, with Lion and other business partners as well as other stakeholders, based on these guidelines. In addition, we have made available a hotline for use by business partners.

Initiatives in the Value Chains

Lion believes that one of the important CSR-related issues in its value chains is to strengthen teamwork with its suppliers of raw materials and its manufacturing partners. To reduce the impact on the environment of our business activities and minimize possible negative effects on society as well as work toward the further sustainable and mutual development of business activities with our business partners, we believe it is necessary to revitalize CSR activities by sharing information on CSR and other related activities. In addition, we have been aware that one of our important issues is to procure supplies of palm oil for the production of MES, which was developed originally by Lion as a plant-derived ingredient used in the production of laundry detergent. Therefore, as demand for palm oil expands, we are working toward sustainable procurement and promoting the use of substitutes.

Aiming for Sustainable Palm Oil Procurement

The output of palm oil is expanding year by year because it can be harvested all year round and is, therefore, efficient to produce. However, the cutting of tropical rain forests to develop new palm plantations is raising issues because it has certain adverse effects, including shrinkage in the size of wildlife habitats.

To resolve these and related issues, Lion has participated in the Roundtable on Sustainable Palm Oil (RSPO) since 2006. In 2012, the Oreo chemical plant of Lion Chemical Co., Ltd., which takes the delivery of supplies of palm oil, obtained a supply chain certification from RSPO, and Lion has begun to use palm oil obtained under this certification. Lion is working to assure the sustainability of palm oil sources, and has set a goal of procuring all its palm oil from RSPO-certified sources by 2015.

Respect for Intellectual Property Rights

Lion's basic policy regarding intellectual property, which is set forth in its *Behavioral Guidelines*, is to create, appropriately protect, and proactively use intellectual properties, respect intellectual property rights of others, and avoid improper acquisition and use of the rights.

We established a department specializing in intellectual properties to confirm that rights are properly used without infringing on the rights of others.

Consumer Issues

Pursuing Customer Satisfaction by Creating Safe and Trustworthy Products

Developing Safe and Reliable Products

In product planning, we strive to fully comprehend the valuable opinions received from customers in an effort to identify customers' needs. In product development, the quality of developed products is verified with respect to seven parameters, including function and performance. Furthermore, we endeavor to provide clear, easy-to-read labeling for customers.

Quality is managed at each stage of the manufacturing process. Products that have passed inspections are shipped with data identifiable for each lot. This initiative is effective in after-sale management.

A wealth of information is relayed through explanations about our products and the supply of samples to wholesalers and retailers.

Appropriate Information Provision

In order to provide information that customers need in an unbiased and appropriate manner, we have a system in place through which several departments check the labeling of products and advertisements.

Turning to activities outside Japan, we indicate usage and ingredients in the local language, in compliance with laws and regulations of the sales area, to facilitate customers' accurate understanding about the features of our products.

Examples of KireiKirei Hand Soap Labeling



Approach to Safety and Reliability

Lion evaluates the safety of raw materials and safety during product use to ensure customer peace of mind.

Safety of Raw Materials

Use of raw materials is determined only after verifying safety and implementing sample evaluations and supplier surveys to ensure a predetermined level of quality. Before use, raw materials undergo quality inspections using parameters and testing methods according to specific categories, including drugs and food; quasi-drugs and cosmetics; and various products.

Safety during Product Use

Considering our consumers' various usage styles as well as the needs of our consumers with vulnerabilities, Lion conducts safety evaluations of its products based on a policy of averting risk through product design.

Evaluation check sheets are employed to confirm whether safety has been achieved through product design, ranging from "normal use" cases to "mistaken use" cases. Even for "irregular use" cases, we evaluate whether risk has been minimized and whether the risk is acceptable. The evaluation results are reflected in product safety, for example, with the inclusion of sufficient warnings on labels when necessary.

Responding to Customers' Inputs

To draw on inputs obtained during consultations with customers and work to make product improvements and develop new products, we have developed systems to strictly manage personal information. After information has been registered in our database, this system provides for Company-wide sharing of information, after personal information has been excluded.

Information gathered that is deemed to have an effect on customer satisfaction is included in Lion's *Voice of the Customer* (VOC) daily bulletins, which is reported to management on a daily basis. With the product planning divisions as the focal point, we take the customers' perspective and make use of this information by giving it prompt consideration and developing responses to improve product quality. In 2013, Lion transmitted a total of 239 VOC daily bulletins.

Community Involvement and Development

Co-Existence and Co-Prosperity with Society and Communities/Contribute to the Development of Society in Health, Comfort, and Environment Areas

Social Contribution Activities through the Lion Foundation for Dental Health

Under the consistent philosophy of “returning benefits from corporate activities to society,” since its founding, Lion has been conducting oral care promotion and educational activities since 1913. The Lion Foundation for Dental Health (LDH) was founded in 1964 under the approval of the then-Ministry of Health and Welfare of Japan, and was recognized as a public interest incorporated foundation by Japan’s Cabinet Office in 2010. LDH continues to contribute to society in the front line of oral health, leading to a better quality of life for all people, by maintaining and improving the dental and oral health of ordinary citizens through three projects* in cooperation with dental associations, universities, government authorities, and other parties. Lion has provided full support for these activities.

* The three LDH projects:

1. Raising awareness of and promoting oral health: Promotion of and dissemination of information related to oral health of people at all life stages
2. Research and investigation: Research related to the importance of oral health in lengthening people’s healthy life expectancy and dissemination of research results obtained through business and activities to specialists and the general public
3. Education and training: Providing of various seminars and lectures for health instructors and dental specialists



A school-age children's tooth brushing event (2013)

Conservation Work

Lion is inherently linked to water through its role as a supplier of detergents and other products, including toothpaste and hand soaps. Therefore, we have a responsibility to protect the water environment by taking into consideration the natural environment in the development of our products. Lion is quite active in this area, and its initiatives include forest maintenance activities in the Lion Forest in Yamanashi, which plays a major role in the protection of water resources, and promoting the understanding and usage of rainwater—a water resource we are all familiar with.



A school-age children's tooth brushing event

TOPICS Lion's Principal Contributions to Society

Forest Preservation Activities in the Lion Forest in Yamanashi

Lion established the "Lion Forest in Yamanashi" in 2006 and has positioned it as a place for field activities that will raise environmental awareness among employees. Objectives include forest maintenance activities with the aim of preserving biodiversity, preserving forests as sources of water, and revitalizing local communities. During 2013, a cumulative total of 148 persons participated in related activities, including new employees

undergoing training and volunteers who participated in forest maintenance activities on two occasions.

2013 Rainwater Utilization Idea Contest

To encourage primary and middle-school pupils throughout Japan to think more about the importance of water resources, Lion held its "2013 Rainwater Utilization Idea Contest" for another consecutive year. A total of 5,738 entries were submitted in the four categories of "essays," "posters," "free research," and "slogans." Nine prizes for excellence were presented during

an awards ceremony held in March 2014 at Lion's Hirai Office. In addition, school encouragement awards were presented to each primary school and the middle school that submitted the most-outstanding entries.



Column

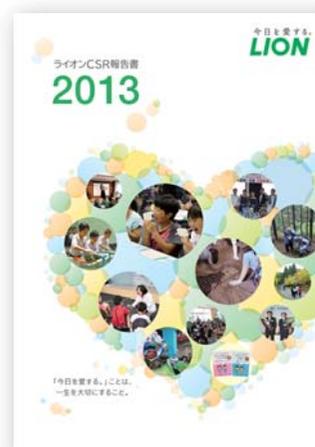
Introducing the Lion CSR Report

Lion views its CSR Report as an important tool allowing the Company to communicate its CSR initiatives and draw on stakeholder opinions while furthering corporate activities.

Lion issued its Japanese-language CSR Report 2013 in June 2013. The English-language edition of this report was posted on the Company's website in November 2013.



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



Research and Development

Lion's R&D Policy and Core Technology

Lion's R&D divisions have selected strategic themes that will contribute to attaining the objectives of "Vision 2020." As these divisions tackle the challenges of meeting high R&D objectives and developing innovative technologies, they are proceeding with the development of new products.

Lion's core technologies encompass four fields: oral health science, interface science, life science, and material science. The fields where Lion has been conducting research since the commencement of its R&D activities are oral health science and interface science.

In the field of oral health science, Lion is building on its R&D findings that have been accumulated over many years and is conducting joint research with outside R&D institutions to clarify the relationship between the intraoral environment and systemic health. Lion is also combining a broad range of in-house and outside technologies, primarily together with oral care technologies, to create new value in many fields, including not only for oral care products but also for food products and pharmaceuticals.

In the field of interface science, Lion has conducted R&D activities and has led the field in developing and enabling Lion to offer consumers detergents of new value with leading-edge technologies. In recent years, to respond to the need for eco-friendly products, Lion has developed a plant-based surfactant derived from palm oil, which has drawn worldwide attention because of its high detergency and biodegradability. In addition, Lion is working aggressively and steadily on a day-to-day basis on the development of washing technologies of the future that will not require the use of surfactants.

R&D Center and New Research Facilities

Since 2009, Lion has engaged in the redevelopment of its R&D facilities to strengthen R&D and production technology as well as its consumer research capabilities. Phase II of the redevelopment activities was completed with the opening of new facilities in summer 2013. These facilities are based around three concepts. The first one is to concentrate development functions related to oral care. State-of-the-art equipment for research has been installed in the new facilities. The aim of the concentration of facilities is to promote synergies in research activities to further improve the quality and speed of Lion's R&D activities. The second concept is "to expand and enhance open innovation functions." Open facilities make possible collaboration with overseas subsidiaries and affiliates as well as outside organizations. These facilities also include a laboratory space with evaluation rooms that can simulate climate and water quality around the world. The third concept is promoting closer interaction among Lion's R&D researchers. The new facilities have been designed to promote organic ties among Lion's laboratories and mutual communication among research staffs. Lion's R&D aims to create new value in the health, comfort, and environmental domains that will impress consumers by stepping up, to a higher level than at present, the mutual exchange of technology among Lion's research laboratories, and encouraging collaboration with the R&D members of the Lion Group in Asia and outside institutions.



Evaluation rooms that can simulate climate and water quality around the world