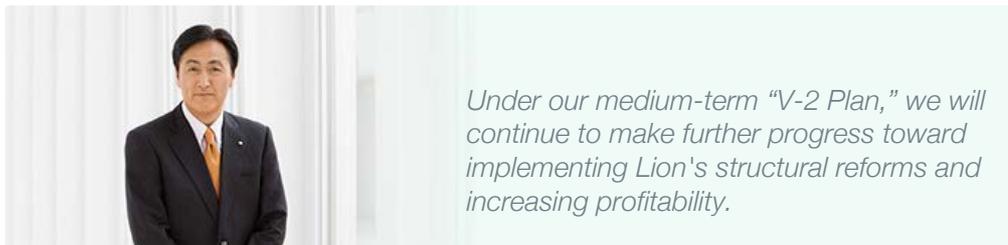
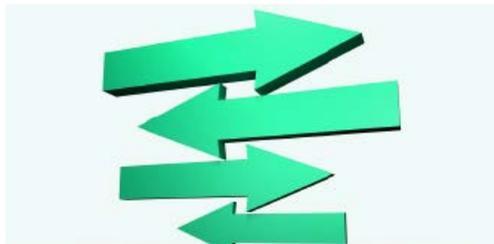


Online
Annual Report
2014



Under our medium-term "V-2 Plan," we will continue to make further progress toward implementing Lion's structural reforms and increasing profitability.

Interview with the President



Our Growth Strategy



Message from the Management



Our Business Review



Our Sustainability



Corporate Governance



Financial Review

Online Annual Report 2014

- ▶ [Our Growth Strategy](#)
- ▶ [Interview with the President](#)
- ▶ [Message from the Management](#)
- ▶ [Our Business Review](#)
- ▶ [Our Sustainability](#)
- ▶ [Corporate Governance](#)
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Previous Years'
Annual Reports



Since 2009, we have participated in the United Nations Global Compact, a global framework to realize sustainable growth, working on achievement of the 10 principles, including human rights, labor, environment, and anti-corruption.



FTSE4Good

Lion Corporation has been included in the market leading SRI index series, FTSE4Good.



Lion Corporation has been included in the Morningstar Socially Responsible Investment Index on a continuing basis since January 2010.

- ▶ Our Growth Strategy
- ▶ Interview with the President
- ▶ Message from the Management
- ▶ Our Business Review
- ▶ Consumer Products Business
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 - ▶ Beauty Care Business
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 - ▶ Other Products
- ▶ Industrial Products Business
- ▶ Overseas Business
- ▶ Our Sustainability
 - ▶ R&D Activities
- ▶ Corporate Governance
 - ▶ Messages from the Board of External Directors
 - ▶ Directors, Corporate Auditors, and Executive Officers
- ▶ Financial Review
- ▶ Consolidated Financial Statements and Notes (291KB)
- ▶ Eleven-Year Financial Summary (16KB)

Role of This Annual Report in Our Communications Toolbox

This annual report is intended to serve as a communications tool that helps investors and a wide range of other stakeholders to better understand Lion Corporation and develop strong relationships with the Company. In addition to the Company's business results and strategies, the report offers a focused presentation of distinctive characteristics of the Company that might be difficult to grasp from an outside perspective. These characteristics include Lion's management philosophy, thoughts about lifestyles and environments, human resources, and relationships with a variety of stakeholders.

This annual report has been prepared with an awareness of corporate social responsibility (CSR), and it presents the essential elements of Lion's CSR as well as the relationships between CSR and Lion's business activities.

Forward-Looking Statements

This annual report contains "forward-looking statements," including statements concerning the Company's outlook for fiscal 2014 and beyond; business plans and strategies and their anticipated results; and similar statements concerning anticipated future events and expectations that are not historical facts. The forward-looking statements in this report are subject to numerous external risks and uncertainties, including the effects of economic conditions, market trends, and currency rates, which could cause actual results to differ materially from those expressed in or implied by the statements herein.

Our Growth Strategy

▼ V-1 Plan Review ▼ Vision 2020 ▼ V-2 Plan

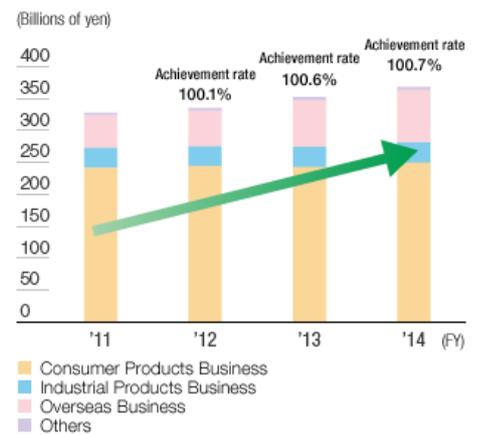
V-1 Plan Review

Success

Average sales growth rate: 4%

Achieved targeted business growth

Consolidated Net Sales by Business Segment



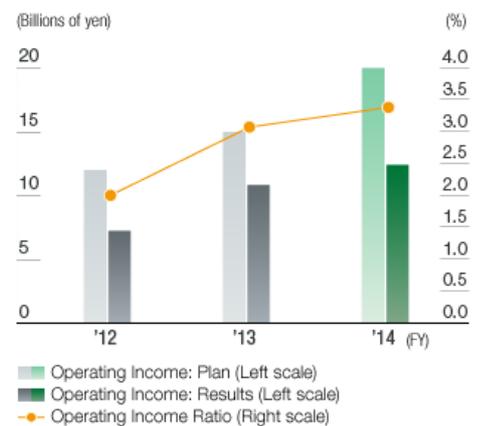
Shortcomings

Operating income ratio: 3.4%

Did not reach operating income targets (3.6%)

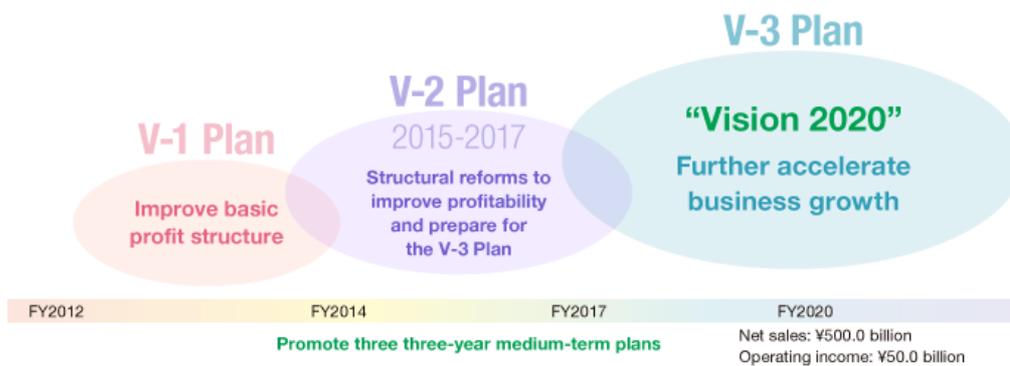
ROE:	6.2% (-3.8pp from target)
BEP:	93.3% (-3.3pp from target)

Operating Income / Operating Income Ratio





Achieving the Vision



V-2 Plan

Consolidated performance target

Reform earnings structure to attain 5% operating income ratio

V-2 Plan: Highest-priority theme is increasing profitability.

Under the V-2 Plan, building on the earnings base created under the V-1 Plan, accelerate structural reforms and realize improvements in profitability.

For more-detailed information, refer to the [Interview with the President](#) section.

Income targets

(Billions of yen)	FY2017	Percent of total	Average net sales growth rate / margin improvement
Net sales	400	100.0%	2.9%
Operating income	20	5.0%	+1.6pp
Ordinary income	22	5.5%	+1.7pp
Net income	12	3.0%	+1.0pp

Financial data

ROE:	10% or above
BEP:	90% or less

Interview with the President



Q 1. Could you please explain the factors supporting Lion's continued strong performance in fiscal 2014?

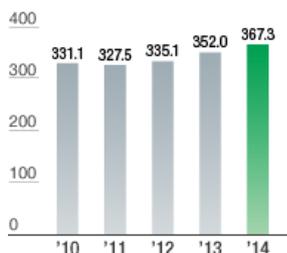
A In Japan, the increase in the consumption tax rate and unseasonable summer weather, and overseas political instability and slower economic growth, had a significant adverse impact on our performance. In addition, the business environment for the Lion Group continues to be severe.

Amid this business environment, in our Consumer Products Business, we worked to nurture the development and sales of high-value-added products, while also endeavoring to improve our product mix. In our Industrial Products Business, we were successful in improving profitability, along with the expansion in the detergent for the institutional use field and growth in high-value-added products in the chemical businesses.

In our Overseas Business also, we were able to secure steady expansion in the second half of the fiscal year in Thailand, which is our largest overseas market, and web-based sales in China showed steady growth. As a result, we were able to report continued growth in quantitative terms.

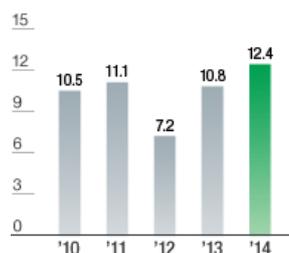
Net Sales

(Billions of yen)



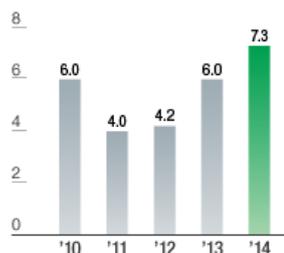
Operating Income

(Billions of yen)



Net Income

(Billions of yen)



Q 2. Under the medium-term "V-1 Plan," actual results were below targets. Please explain the reasons and Lion's future directions, including any changes in the "Vision 2020" longer-term plan.

A Under our "V-1 Plan," we achieved generally good sales growth, despite the impact of the increase in Japan's consumption tax rate and fluctuations in foreign currency exchange rates. In the domestic market, we focused on further developing our mainstay brands and strengthening our sales systems. Overseas, we stepped up the pace of the development of our global brands and were successful in showing the positive results of our aggressive marketing drive.

On the other hand, we left some issues not fully addressed from a profitability perspective. In our Consumer Products Business operations in particular during the first year of the "V-1 Plan," we reported a marked decline in income, and this had a major impact on subsequent earnings plans. Since fiscal 2013, however, we have reported steady improvement and have reported the highest income levels in Lion's history for two consecutive years now. Notwithstanding, there was a major divergence from our initial income targets.

However, through the planned and efficient control of expenditures, our profit management has improved significantly. We have also made steady progress in improving our business and financial positions, and, by building on this as a foundation, we will aim to reach the goals of the "V-2 Plan."

Our targets under our "Vision 2020" of consolidated net sales of ¥500 billion and ¥50 billion in operating income are intended to be an approximation of the volume of our activities. By increasing earnings through structural reforms, we will remain true to our initial objectives by implementing strategies to realize our management vision for the year 2020.

Q 3. Could you please provide an outline of your "V-2 Plan," which you began to implement in fiscal 2015, and its priority measures? 

A With the objective of reaching our management targets under "Vision 2020," we began to implement our "V-2 Plan" in January 2015. To reach the goals of the "V-2 Plan," we will build on the earnings base we created under the "V-1 Plan," and endeavor to implement our four basic strategies and structural reforms, and thereby achieve increases in income. The three years of the "V-2 Plan" are positioned as a time for thorough preparations to go to the implementation of our "V-3 Plan."

Performance objectives under the "V-2 Plan" are annual net sales of ¥400 billion, operating income of ¥20 billion, and an operating income to net sales ratio of 5%. To make sure that we reach this 5% goal for the operating income ratio, which has been an issue we have been considering for some time, we will make bold changes in the Lion Group's earnings structure. Particularly, with the goal of strengthening earnings power, we will review our manufacturing costs, marketing expenditures, supply chain management, and other aspects of our operations with the aim of making structural reforms to increase efficiency and optimize our activities. In addition, we will take initiatives to expand earnings and increase management efficiency, with a numerical objective of an ROE of 10%.

Let us look next at what we have specifically in mind in implementing the four basic strategies to reach the goals of "Vision 2020." The first of these strategies is "qualitative growth of domestic businesses." To implement this strategy, we will develop high-value-added products and items that create new markets within the Consumer Products Business to meet the evolving needs of Japan's aging society and the decreasing numbers of children, by seizing the initiative to meet consumers' desire for "discretionary consumption." To this end, we will concentrate resources in strategic businesses, such as oral care, fabric care, and pharmaceuticals; conduct aggressive marketing and sales activities; and work to increase the efficiency of marketing activities. From the production side, we will strive to allocate fixed costs more efficiently, and, by reviewing and improving our logistics management systems, work to maximize efficiency in supply chain management.

*The trend among consumers to exercise discretion and pay more for products they feel have value that meets their needs.

Within the Industrial Products Business, in the detergent for institutional use business in addition to sales of products to restaurant kitchens, we are expanding our hygiene management business to serve the needs of a wider range of customers, including hospitals and nursing facilities for seniors.

In the chemical products business, we will integrate the chemical operations that are dispersed through the Group and establish a new company. As a result of this realignment, we will pull together the "seeds" or ideas for new business, strengthen our marketing activities, and position ourselves to make a strong approach to overseas customers.

The second of our strategies under "Vision 2020" is "quantitative expansion of overseas businesses." To implement this strategy, we are going to strengthen our presence in Asia and aim for growth accompanied by profitability.

To seize the opportunities presented by the growing purchasing power of the middle-income classes in Asia, we will work to nurture our global brands and strengthen our lineup of high-value-added personal care brands. In addition, by reinforcing our mutually supporting intraregional supply network in northeast Asia, we will work to optimize our supply systems. Of particular interest is the launching this year of the ASEAN Economic Community. We are anticipating that this will lead to greater movements of goods in the Southeast Asia region and prepare the way to the expansion of business activities. In addition, we will work steadily to improve the profitability of the investments we made for future growth under our "V-1 Plan." These included investments in methyl ester sulfonate (MES) related activities and investments to enter the Philippine market.

The third strategy under "Vision 2020" is "development of new business value." As a result of the weakening of demand following the increase in Japan's consumption tax rate, sales of our direct-to-consumer business activities experienced slower growth. However, we are responding to the new labelling system for structured/functional food products, reviewing our production systems, and strengthening our product development capabilities to create second and third earnings generators in this business with the aim of making it a growth driver.

The fourth strategy under "Vision 2020" is "enhancement of organizational learning capabilities." To breathe new life into our organization through encouraging employees to learn and reform themselves, we are improving our measures and systems for helping employees to further their own career development by cooperating with them in dealing successfully with various events in their lives, including childbirth and rearing as well as taking care of senior family members.

Also by using the "Lidea" section of our website, which was launched last year and contains information that assists people in their daily lives, we are working to promote interactive communication with consumers, and obtain ideas for product development and marketing through digital marketing platforms.

Finally, regarding investment, we are placing priority on investments for structural reforms and investments for encouraging innovation.

Q 4. Please explain your new product strategy in fiscal 2015, including plans for high-value-added products and expansion of your brands that hold leading market shares. 

A In Japan, we cannot look forward to expansion on a unit volume basis that we experienced in the past because of such factors as the declining birthrate and shrinking population; it is clear that, in their behavior, consumers are showing a preference for choosing high-value-added products. Also, along with the demographic aging of the population, more attention is being given to the need for self-medication.

In fiscal 2015 also, we are continuing to identify changes in consumer behavior and have introduced new high-value-added products and

products that are leading to the creation of new market segments. Examples include *CHARMY Magica*, our first major new kitchen detergent product in eight years; a new antiperspirant in the *Ban* series: *Ban Sweat-Blocking Roll-On*; and new products *CLINICA ADVANTAGE Dental Gel* and *SYSTEMA Arch Fit Toothbrush*. All of these new items have been favorably received by consumers.

Under our new “V-2 Plan,” we will be striving to double the percentage of sales accounted for by Lion brands that have the leading market share in their respective segments. To make this goal a reality, we will continue to invest in related R&D and create products that consumers can sense are really better immediately from the evidence of their senses.

Q 5. Growth in your overseas sales in fiscal 2014 was quite robust. What are your strategies for your overseas operations? 

A Expansion in overseas sales will be essential for Lion to reach the targets of its “V-2 Plan.” Annual expansion of about 10% will be needed, and we are expanding the range of product categories, geographical areas, and distribution channels to facilitate the attainment of our targets.

In countries overseas where we already have a business presence, we will expand the range of product categories. In Thailand and China, our strategy will be to focus on the expansion of the personal care product lineups and entering new fields. We will take initiatives to raise sales to the middle-income groups whose spending power is expected to rise, and thereby realize growth in our earnings. Particularly in China, we are concentrating mainly on high-value-added oral care products (including toothpastes for tobacco smokers and toothbrushes for the broader market). Along with expansion in production capacity, we are considering the expansion of sales of a wide range of oral care products and market products in new product fields, including laundry detergents. Also, in Southeast Asia, since the purchasing power of the middle-income classes is forecast to expand, along with the increase in the population and the number of households, we are continuing to explore possibilities for entering the ASEAN markets where we do not yet have a presence.

To diversify our marketing channels, we are thinking especially of strengthening our Internet-based sales in China where these channels are experiencing exceptionally high rates of growth.

Along with these activities, we are working to draw actively on the capabilities of our overseas production facilities and make cost reductions through the more-efficient use of overseas production.

Q 6. In conclusion, what will be your policy for providing a return to shareholders? 

A Providing continuing stable dividends is the basis for our policy for providing returns to shareholders. We declared an annual dividend of ¥10 for fiscal 2014. Looking to the future, we will consider Lion’s corporate performance and the need for retained earnings from a comprehensive perspective as we aim to expand the return to shareholders through the payment of dividends and the purchase of Lion shares outstanding.

April 2015

Itsuo Hama
Representative Director and President

Message from the Management



Taking Robust Strides toward Attaining the Goals of Lion's "V-2 Plan" Medium-Term Plan

Under our "Vision 2020" management plan, we are moving closer to the longer-term objectives we have set for the year 2020.

As the first phase on the way to attaining these objectives, we implemented Lion's medium-term "V-1 Plan," which concluded in fiscal 2014, ended December 31, 2014. As a result, consolidated net sales expanded and both operating and ordinary income rose to the highest levels in Lion's history. Factors contributing to these results were increased profitability in Japan, through the introduction of additional high-value-added products, and success overseas in strengthening our key brands and expanding the scale of our business activities.

Results diverged from the income targets we set at the time we prepared our V-1 Plan, in part because of changes in the operating environment. However, we made definite progress in strengthening our growth potential through the steady implementation of our management strategies.

Beginning in January 2015, we began to implement our "V-2 Plan" medium-term plan, thus marking the start of the second phase on the way to reaching the objectives of Vision 2020 and are beginning to take robust strides toward securing Lion's growth potential and further strengthening profitability. During the three years of the V-2 Plan, the keys to success, in addition to implementing the four basic strategies that will underpin Vision 2020, will be to accelerate structural reforms.

In fiscal 2015, we will continue to increase profitability by nurturing our high-value-added products and, in our overseas activities, will work toward growth with profitability. We will also strengthen our corporate social responsibility (CSR) activities as a company that is advanced in environmental responsiveness and our corporate governance system. Through these various activities, we will aim to enhance our corporate value.

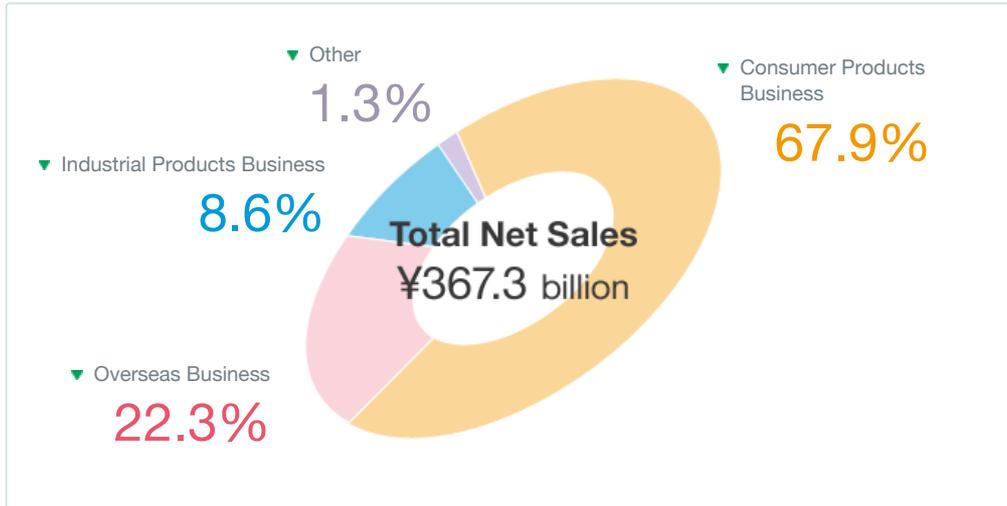
We look forward to the continuing understanding and support of you, our shareholders, as we continue to work toward our longer-term objectives.

April 2015

Sadayoshi Fujishige
Representative Director and Chairman

Itsuo Hama
Representative Director and President

Our Business Review



Notes: 1. The percentage compositions were calculated after excluding internal sales within and among segments.
2. Total net sales exclude internal sales within and among segments.

Consumer Products Business

Net Sales ¥249.3 billion

Sales to outside parties

We offer a wide range of products and information in Japan, including products such as toothpastes, laundry detergents, and OTC drugs that support "total care, from prevention to treatment and comfort."

Oral Care Business

Toothpastes, Toothbrushes, Mouthwashes



Fabric Care Business

Laundry detergents, Bleach, Fabric softeners



Pharmaceutical Business

Analgesics, Eyedrops, Tonics, Insecticides



Beauty Care Business

Liquid hand soaps, Antiperspirants



Living Care Business

Dishwashing detergents, Household cleaners, Cooking-aid products



Functional food products, Gift products, Pet supplies



Industrial Products Business

Net Sales ¥31.4 billion

Sales to outside parties

The Industrial Products Business comprises Lion's Chemical Products Business, which handles surfactant and electro-conductive carbon black products, and detergents for institutional use businesses, which supplies a range of cleaning preparations and hand soaps for use in hotels, restaurants, and other industries.

Palm fatty acid ester-based insulating oil



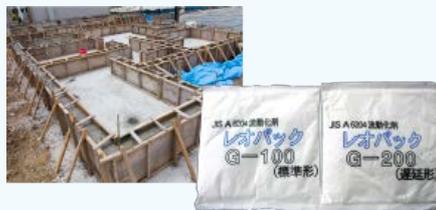
Electro-conductive carbon black products



Products for institutional use



Chemicals for civil engineering construction use



Overseas Business

Net Sales ¥81.7 billion

Sales to outside parties

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

Thailand



South Korea



China



Taiwan



Hong Kong



Singapore



Philippines



Malaysia



Indonesia



Other

Net Sales ¥4.8 billion

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

Consumer Products Business

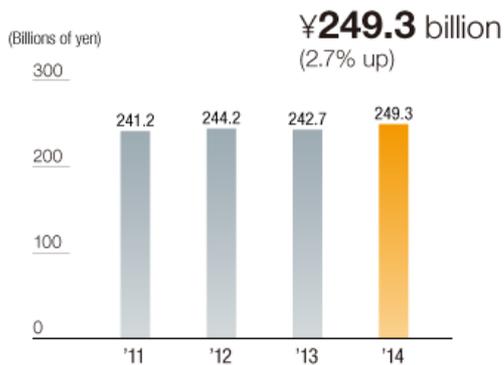
▼ Market Environment and Review of Performance in Fiscal 2014 ▼ Strategy for Fiscal 2015

In its business operations in Japan, in the first half of fiscal 2014, Lion took active initiatives to capture demand in Japan caused by the surge in spending preceding the rise in the consumption tax rate. Sales of new and value-added products were favorable, and overall sales showed substantial expansion. In the latter half of the fiscal year, in the midst of unseasonable summer weather, delays in the recovery of consumer spending, and other factors, Lion worked to nurture high-value-added products that responded to the desire among consumers for discretionary consumption. Driven by the resulting rise in unit prices, Lion's profitability increased, and the Company reported gains in both net sales and operating income.



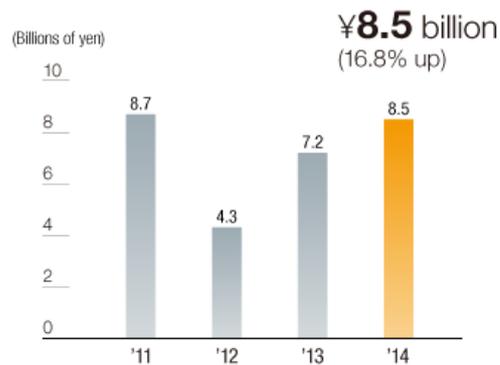
* % of consolidated net sales
* Sales to outside parties

Net Sales



* Sales to outside parties

Operating Income



Market Position of Products in Japan

Lion's major product fields and 2014 market positions in Japan



Note: Figures for market size presented above are based on retail sales data, and do not include sales of gift packages.
Source: INTAGE Inc., SRI survey, each category. Data from January through December 2014, on the basis on sales amount.

Market Environment and Review of Performance in Fiscal 2014

While experiencing the effects of the rise in the consumption tax rate and unseasonable weather conditions during the summer, Lion continued to implement measures to (1) improve its product mix from the viewpoint of profitability by further developing high-value-added products and (2) increase the efficiency of promotional expenditures through improved profit management.

In the oral care business, Lion rebranded its *CLINICA* product lineup, and, with the theme of preventive dentistry, worked to nurture this brand as an answer to the recommendations of dental professionals for more self-care. In addition, Lion strengthened its *SYSTEMA* oral care product lineup for taking proper care of the condition of the periodontal pocket surrounding the teeth.

In addition, in each of its businesses, Lion endeavored to nurture and expand the usage of its high-value-added products. For example, in the antiperspirant field, Lion launched *Ban Sweat-Blocking Roll-On*, which, with its nano-ion ingredients, effectively suppresses underarm perspiration. Also, in the laundry detergent field, Lion introduced *TOP NANOX*, with increased detergent power for washing away grime, and *TOP HYGIA*, with a new active enzyme ingredient that dissolves and eliminates the biofilm left behind in washtubs. In addition, in the field of antipyretic analgesics, Lion launched *BUFFERIN PREMIUM* that is both fast-acting and gentle on the stomach because of its original technology and ingredients.

In the direct-to-consumer business, Lion is developing functional food products, but, because of the effects of the decline in demand following the consumption tax hike, sales weakened. In the midst of this operating environment, Lion launched a new product, *Gussumin Koubo No Chikara*, which contains sake yeast to support high-quality rest and relaxation and worked to expand sales of products that help to increase the quality of life.

As a result of these activities, sales were above the previous fiscal year, and operating income was substantially higher year on year.

Strategy for Fiscal 2015

In its Consumer Products Business, Lion is working for stable expansion emphasizing profitability in the fields of daily necessities, OTC pharmaceuticals, and functional food products. Lion is taking initiatives to increase profitability by taking up the challenges of launching new products that offer new value and respond to latent consumer needs while also creating new markets and accelerating the expansion of growing markets and raising unit prices in existing markets. In fiscal 2015, Lion will work to provide even more-definitive responses to consumers' desire for discretionary consumption by developing high-value-added products and items that create new markets. Lion will also continue to implement active marketing and increase the efficiency of its sales activities.

Oral Care Business

▼ Key Products Contributing to Performance in Fiscal 2014 ▼ Strategy in Fiscal 2015

As a result of the rebranding of its *CLINICA* lineup of oral care products, improvements and new product launches in the *SYSTEMA* line as well as other initiatives, Lion's growth during the year under review exceeded growth in all the oral care markets where it has a presence, and sales of this business rose above the prior year.

Key Products Contributing to Performance in Fiscal 2014

CLINICA Brand Line

Lion rebranded its *CLINICA* lineup of oral care products with the theme of encouraging self-care and preventive dentistry, which dental health specialists recommend. "Preventive dentistry" means not getting dental treatment after tooth decay and other problems occur, but preventing them before they occur. This rebranding initiative covered toothpastes, toothbrushes, mouthwashes, and other *CLINICA* oral care products. To encourage more and more consumers to practice preventive dentistry, Lion continued its activities to disseminate information and provide product samples through its interfaces with dental clinics, maternity hospitals, young people from infancy to elementary, middle and high school age, as well as through retail stores. Lion is also working intensively to expand its interfaces with consumers and others. By encouraging the wider practice of preventive dentistry, Lion is seeking to increase awareness and change behavior patterns among consumers. As a result of these activities, after rebranding, sales in 2014 expanded 14%* over the previous year and helped to drive growth in the oral care market overall.

* INTAGE Inc. SRI survey of the oral care market (toothpastes, toothbrushes, dental rinses and other dental products). Accumulated sales amount from January through December 2014



In the *CLINICA* series, Lion is offering a full line of products to help consumers meet the three recommendations for self-care made by dental professionals. These are (1) remaining fluoride in the mouth, (2) cleaning away plaque from the teeth, and (3) restraining the growth of germs in the mouth. In 2015, Lion launched two more preventive dentistry products with the aims of promoting the wider practicing of preventive dentistry and revitalizing the market for oral care products. In the *SYSTEMA* line of oral care products for preventing periodontal disease through the proper care of the periodontal pocket surrounding the teeth, Lion introduced a new toothbrush for periodontal care. This product is based on Lion's proposal to consumers "to start periodontal pocket care in their 30s," and Lion will work to expand the number of consumers who properly care for their periodontal pockets.

Lion will continue to give priority to further developing the market for its *CLINICA* and *SYSTEMA* product lineups and thereby consolidate its position as the strong No. 1 company in total oral care.



Fabric Care Business

▼ Key Products Contributing to Performance in 2014 ▼ Strategy in Fiscal 2015

Along with the shrinkage in the market for powdered laundry detergents, sales of laundry detergents were level with the previous year, but sales of fabric softeners with fragrances and deodorants were favorable. As a result, sales of this business rose over the previous year.

Key Products Contributing to Performance in 2014

Kaori to Deodorant no SOFLAN (SOFLAN with Fragrance and Deodorant) Aroma Natural

The fabric softener market continued to expand, rising 6%^{*1} over the previous year during the fiscal term under review. Within this market, sales of softeners^{*2}, featuring long-lasting fragrances as well as fragrances and deodorizing properties, are on an expansionary trend. Surveys of users of these fragrant and deodorizing softeners indicate that they place equal emphasis on the fragrance and deodorant features of these products^{*2}. Lion's *Kaori to Deodorant no SOFLAN (SOFLAN with Fragrance and Deodorant) Aroma Natural* has two lines, that allows users to enjoy with natural aromas, and that offers a powerful deodorizer for clothing and other articles. This brand has been favorably received by consumers since its launching in September 2013, and the value of sales of this brand rose 27%^{*3} over the previous year during the fiscal year under review. With this growth, which exceeded the rate of growth of the overall market, the brand became a market driver.

*1 INTAGE Inc. SRI survey of the fabric softener market. Accumulated sales amount from January through December 2014, compared with the previous year

*2 According to Lion's classification

*3 According to Lion research



Strategy in Fiscal 2015

In the laundry detergent market, sales of super-concentrated liquid detergents are growing 7%^{*4} annually, and the fabric softener market is expanding by rising sales of softeners featuring long-lasting fragrances and fragrance and deodorizing properties. In fiscal 2015, Lion will continue to invest in the marketing of these fabric care products and will aim for the No. 1 position in this product category by growing faster than the market.

*4 INTAGE Inc. SRI survey of the laundry detergent market, super-concentrated liquid detergents (as defined by Lion). Accumulated sales amount from January through December 2014, compared with the previous year



Pharmaceutical Business

▼ Key Products Contributing to Performance in 2014 ▼ Strategy in Fiscal 2015

Sales of Lion's high-value-added antipyretic analgesic pharmaceuticals and eyedrops were favorable. In addition, Lion's sales in this business as a whole rose above the previous year.

Key Products Contributing to Performance in 2014

BUFFERIN PREMIUM

BUFFERIN PREMIUM was launched in February 2014 to meet the needs of working women who want antipyretic analgesics that are fast acting and effective in treating headaches while being gentle on the stomach. The principal purchasers of this preparation are employed women in their 30s. The favorable growth in sales indicates that *BUFFERIN PREMIUM* has struck a chord with working women and responds to their needs.



Sales of *BUFFERIN PREMIUM* are holding strong and were approximately 1.5 times the planned level. After the introduction of this new Lion product, sales in the overall market for antipyretic analgesics, which had been virtually level with the previous year, expanded 4%^{*1}. In addition, in the subcategory of highly functional antipyretic analgesics^{*2}, sales grew a substantial 14%^{*3}, indicating that the launching of *BUFFERIN PREMIUM* contributed to the revitalization of the market for these products.

*1 INTAGE Inc. SDI survey of the antipyretic analgesics market. Accumulated sales amount from January through December 2014, compared with the previous year

*2 According to Lion's classification

*3 INTAGE Inc. SDI survey of the antipyretic analgesics market, highly functional category (as defined by Lion). Accumulated sales amount from January through December 2014, compared with the previous year.

Strategy in Fiscal 2015

Lion will work to thoroughly reinforce its business base in the fields of antipyretic analgesics and high-value-added eyedrops. In the antipyretic analgesics business, Lion will aim to expand its lineup of highly functional products. This will include introducing new products for the increasing number of persons in Japan's aging society who are suffering from body pain* and other new products to respond to emerging markets and, thereby, strive to create new demand and revitalize the market. In the eyedrops business, Lion will endeavor to increase the earning power by further developing eyedrops in the high-priced to medium-priced range and strengthening its lineup targeted at people in the middle-to-upper age categories.



*Back, shoulder, and other pain

Beauty Care Business

▼ Key Products Contributing to Performance in Fiscal 2014 ▼ Strategy in Fiscal 2015

Sales of foaming hand soaps and new antiperspirant products were favorable. In this business, growth in Lion's sales in all markets where it has a presence exceeded overall market growth, and sales in this business as a whole rose above the previous fiscal year.

Key Products Contributing to Performance in Fiscal 2014

Ban Sweat-Blocking Roll-On

Ban Sweat-Blocking Roll-On, which was launched in 2014, showed growth through the five months after its introduction in February, and unit sales surpassed 2.5 million. This new deodorant product matched market needs because its new advertising message appealed to consumers' sense of sight, "suppresses underarm perspiration and relieves you of worry about sweat stains." In addition, sales of this new addition to the *Ban* line which incorporates Lion's original technologies that make the active ingredients adhere even more firmly to the skin and blocks underarm perspiration before it emerges expanded, reflecting the highly favorable appraisal among users of the feeling of the new antiperspirant in use. In 2014, sales in the overall market for antiperspirants in Japan were below the level of the previous year because of unseasonable weather during the period from June to August, which is normally the time of highest antiperspirant usage. However, sales of Lion's new product substantially exceeded planned levels. In addition, sales in the category of roll-on antiperspirants for women expanded 1.3 times^{*1}, thus contributing to market revitalization.



*1 INTAGE Inc. SRI survey of the antiperspirant market for women, roll-on category (as defined by Lion). Accumulated sales amount from January through December 2014

Strategy in Fiscal 2015

In 2015, in the *KireiKirei* brand and *Ban* brand lines, Lion will aim for growth above that of the overall market and work to increase its market share. Growth in the market for *KireiKirei* hand soap products, which are used about 30% of the time in the kitchen^{*2}, is expected, and Lion introduced new foaming products in this line for use in the kitchen by focusing on the special hand washing needs in the kitchen, which differ from those in the bathroom sink, and expand the lineup of foaming hand soap products, which are driving the growth in the overall market.

In the *Ban* brand line, Lion introduced new items in the *Ban* Sweat-Blocking Roll-On lineup, to meet market needs that became apparent last year for "suppressing underarm perspiration stains." Lion also introduced new products for suppressing underarm odor, which is one other important consumer concern, and work to expand the antiperspirant market.

*2 Results of Lion's research



Living Care Business

▼ Key Products Contributing to Performance in Fiscal 2014 ▼ Strategy in Fiscal 2015

Among detergents for the kitchen, sales of Lion's automatic dishwasher detergents were favorable, and, among household cleaners, sales of Lion's fogged type of fungicide for preventing growth of black mold in the bathroom held firm. However, sales of hand dishwashing detergent *CHARMY Awa no Chikara (Power of Suds)* were weak, leading to overall sales below the level of the previous year.

Key Products Contributing to Performance in Fiscal 2014

LOOK Bath Antimold Fogger

LOOK Bath Antimold Fogger was newly launched in 2012 and uses smoke-like silver-ion fog to eliminate mold and spores throughout the bathroom to prevent black mold from growing. Since its introduction, it has received high marks from housewives, who were dissatisfied with the effectiveness of other products for cleaning mold from the bathroom, and other consumers with a keen awareness of hygiene. Over the past two years, sales have exceeded 10 million units*. In recent years, the market for mold-removal products had been on a shrinking trend, but, with the introduction of this product, unit prices have risen, and, in 2013 and 2014, the market expanded. Through stepped-up advertising and promotion, Lion is working to establish this product's position among consumers, and, in fall 2014, added a new version, *LOOK Bathroom Antimold Fogger Soap Fragrance*, which led to further market revitalization.

*According to Lion research



Strategy in Fiscal 2015

In the market for detergents for the kitchen, sales of automatic dishwasher detergents are expanding, but sales of hand dishwashing detergents remain stagnant. Consumers feel good about the detergency of hand dishwashing detergents, but do not get any satisfaction from the process of washing. Lion is focusing on this point and is endeavoring to offer new value in addition to detergency power to give new impetus to market revitalization. To offer a solution to this, Lion developed a nano-technology based detergent that washes away stubborn grease easily and quickly, and, thereby, adds new value by enabling users to finish their dishwashing chores quickly and efficiently. Through the launching of such innovative products, Lion is working to recover its position in detergents for the kitchen and revitalize the market.



Other Products

▼ Direct-to-Consumer Business ▼ Pet Supplies Business

The Other Products Business includes the direct-to-consumer business, which sells functional food and other products through direct channels to consumers, the pet supplies business, and other businesses.

Direct-to-Consumer Business

Performance in Fiscal 2014

In the direct-to-consumer business, Lion launched a new product, *Gussumin Koubo No Chikara*, which contains sake yeast to support high-quality rest and relaxation, and it has been well received by consumers. Mainstay product in this business *Nice rim essence Lactoferrin*, however, experienced limited expansion as Lion optimized the allocation of its promotional expenses in the face of lower demand following the rise in Japan's consumption tax rate, and increases in costs caused by higher raw material prices. Overall sales in this business were below the level of the previous fiscal year.



Strategy in Fiscal 2015

In the direct-to-consumer business, Lion will begin to respond to the new labelling system for structured/functional food products. In addition, attention will focus on the further nurturing of products that increase the quality of life, such as those in the *Fleuria* aging haircare series and *Gussumin Koubo No Chikara*, to strengthen product development to establish second and third mainstay products in this business. Initiatives will also be implemented to increase per consumer product purchases.



Performance in Fiscal 2014

In this business, Lion is focusing on “furthering the development of pet oral care” and “creating a pet laundry care category.” In the oral care series, sales held strong as Lion launched a new *PET KISS* series of products with additional functional features. Sales of *Nioi wo Toru Suna* (*Deodorizing Cat Litter*) were steady, and Lion took initiatives to create a new market, including the launching of *LION Pet Laundry Detergent* that contains ingredients to eliminate odors characteristic of pets.



Strategy in Fiscal 2015

In fiscal 2015, Lion will adopt a thoroughgoing focus not only on pet oral care but also on its recently created pet laundry care category. In the pet oral care business, Lion will strengthen its activities for nurturing the *PET KISS* oral care brand as a comprehensive periodontal disease care series for pets as well as promoting the understanding of the need for pet periodontal care in collaboration with veterinary brands. In addition, Lion will expand its product lineup for “pet laundry care,” and, by promoting the understanding of the need for laundering pet apparel, will thereby aim to bring about further market development.



Industrial Products Business

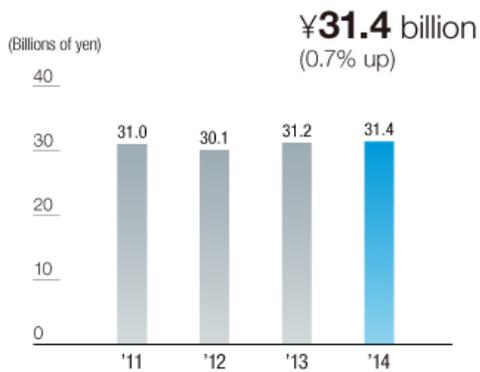
▼ Chemical Products ▼ Detergent for Institutional Use Business

In the Industrial Products Business, sales of electro-conductive carbon black and chemicals for construction and civil engineering use held firm, and, in the institutional detergents field, sales of hand soaps were robust. Similarly, sales of alcohol for disinfecting purposes for institutional kitchens were favorable. As a result, overall sales in this business were substantially higher than in the previous fiscal year.



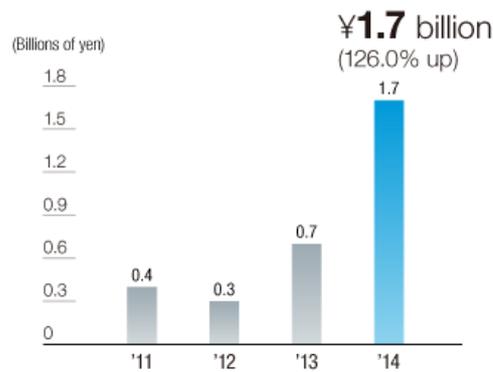
* % of consolidated net sales
* Sales to outside parties

Net Sales



* Sales to outside parties

Operating Income





Palm fatty acid ester-based insulating oil



Electro-conductive carbon black products



Products for institutional use



Chemicals for civil engineering construction use

Chemical Products

Review of Fiscal 2014 and Outlook for Fiscal 2015

In fiscal 2014, sales of high-value-added products expanded, including *KETJENBLACK* for secondary batteries, such as lithium-ion batteries and related items, and chemicals for civil engineering construction use. As a consequence, income showed a major improvement. In 2015, the Lion Group will realign and integrate its chemical products businesses. Internal resources, which have been dispersed, will be brought together, and marketing approaches to domestic and overseas customers will be strengthened. Also, by introducing the centralized supervision of research, production, marketing, and supply chain management, Lion will work to increase efficiency and aim for significant further growth.

Detergent for Institutional Use Business (Lion Hygiene Co., Ltd.)

Review of Fiscal 2014 and Outlook for Fiscal 2015

In 2014, in response to the rise in hygiene consciousness, Lion expanded sales of hand soap and alcohol by submitting proposals for comprehensive hygiene management services. Also, sales of cooking paper (*REED*) for institutional use expanded, and, as a result, both sales and operating income rose at double-digit levels. In 2015, by continuing to expand its marketing activities for comprehensive hygiene management services, Lion will substantially upgrade its services for users, as well as expand its share in the professional use markets, including detergents for institutional dishwashing machines and preparations for use in cleaning establishments. Lion will also aim to cultivate new customers among hospitals, elderly care facilities, and other customers where growth is expected.

Overseas Business

▼ Market Environment and Review of Performance in Fiscal 2014 ▼ Strategy for Fiscal 2015 ▼ Regional Reports

Sales in fiscal 2014 showed a major increase over the previous year because of the favorable performance of oral care products and body soaps in Thailand and oral care products in China. Operating income was below the level of the previous year because of investments for future business expansion.

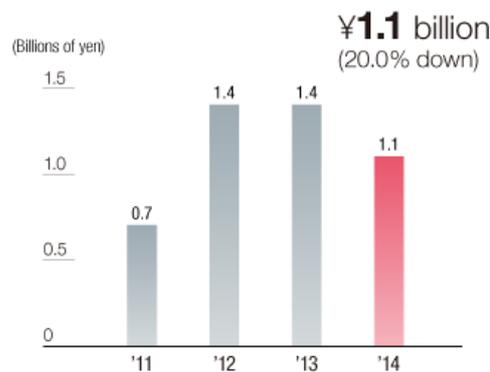


* % of consolidated net sales
* Sales to outside parties

Net Sales



Operating Income



Market Environment and Review of Performance in Fiscal 2014

In fiscal 2014, sales were positively influenced by the decline in the value of the yen and rose 12% (6.0% after excluding the effects of foreign currency fluctuations). Thailand, Hong Kong, and certain other countries experienced political instability, and the growth of the Chinese economy slowed; however, sales in the personal care field, which were targeted mainly at the growing middle-income classes principally in Southeast Asia, showed increases. In addition, sales growth in Thailand recovered in the latter half of the fiscal year and made up for weaker performance in the first half. In China, sales of oral care products were favorable and sales via the Internet expanded.

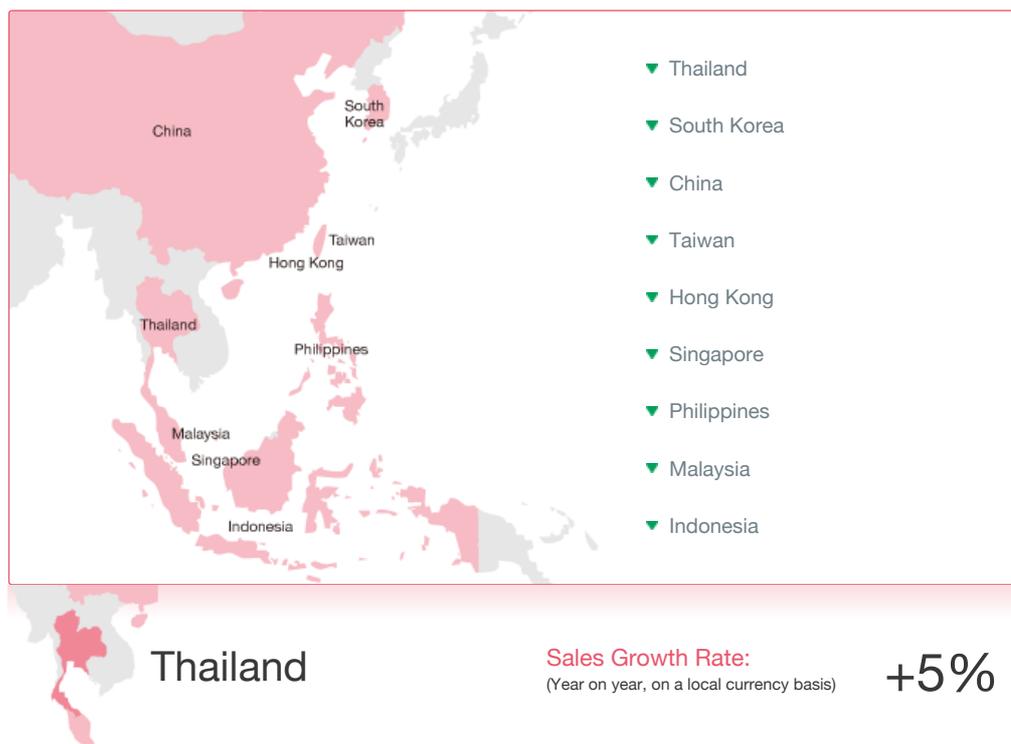
In the Overseas Business segment, in the mainstay fields of oral care, laundry detergents, and other products, Lion pursued aggressive marketing activities and expanded its global brand items, including *Systema*, *TOP*, *KireiKirei*, and *Shokubutsu Monogatari*, focusing on increasing the scale of its business activities. Moreover, Lion is adding to its production capacity step by step, and, in 2014, began operations at a new oral care products plant in China.

Strategy for Fiscal 2015

In fiscal 2015 also, Lion is raising its presence in Asia and working to bolster its earnings base. Principal initiatives include tapping into the rising demand in the middle-income classes, further nurturing its global brands, and taking further measures to strengthen its personal care brands, while also working to expand sales and improve its mix of businesses. Also, drawing on the capabilities of efficient production facilities, Lion is working to strengthen its business base and increase its cost-competitiveness. In the Philippines, where it began business activities in fiscal 2013, Lion is working to expand its operations

there and is also working to expand the customer base of its MES business, with the aim of realizing a return on the investments for future growth it has made in that country.

Regional Reports



Review of Fiscal 2014

Lion's business activities in Thailand include oral care, laundry detergents, shampoo, body soap, kitchen detergents, and other products. Lion's sales in Thailand are the largest among the overseas businesses where it has a presence.

In Thailand, sales of *Systema* toothbrushes and *Shokubutsu Monogatari* body soap, in which Lion has focused its promotional activities, were favorable. Moreover, sales of toothpaste, where Lion continued promotional activities, and sales of conventional powdered laundry detergents were favorable. Although there were signs of deterioration in consumer confidence and slowing of markets where Lion has a presence, in the latter half of the fiscal year, sales growth recovered, and overall sales were above the level of the previous fiscal year, even when converted to yen.

Strategy in Fiscal 2015

In its mainstay brand lines of oral care and laundry detergents, Lion is launching additional high-value-added products based on new technology and incorporating new materials, while also further developing the toothpaste business through advertising and other promotional activities. In both the mainstay oral care and laundry detergents businesses, Lion is working to increase profitability.



Pao
Laundry detergents



Systema
Toothbrushes



Shokubutsu Monogatari
Body soap



South Korea

Sales Growth Rate:
(Year on year, on a local currency basis)

-4%

Review of Fiscal 2014

In South Korea, Lion is developing its business operations in the fields of laundry detergents, oral care, kitchen detergents, hand soaps, and other items. In fiscal 2014, sales of newly introduced *Systema* brand oral care toothpaste and toothbrushes for removal of tartar, *Beat* liquid laundry detergent, and a new product in the hand soap lineup, *Ai-kekute* (sold under the *KireiKirei* brand in Japan), were favorable. However, sales of kitchen detergents were sluggish. Overall sales were below the level of the previous year, but, because of foreign currency fluctuations, sales converted to yen were significantly higher than in the previous year.

Strategy in Fiscal 2015

In South Korea, Lion has positioned improving profitability and strengthening of its mainstay brands *Beat*, *Ai-kekute*, *Systema*, kitchen detergent *Cham Green*, and other items as priority business themes. Lion will work to raise its position in the market through the introduction of high-value-added products, emphasizing business in growth markets, and expanding sales through new channels, including e-commerce.



Ai-kekute
Hand soap



Beat
Liquid laundry detergent



Systema
Toothbrushes



China

Sales Growth Rate:
(Year on year, on a local currency basis)

+22%

Review of Fiscal 2014

Sales of *Systema* brand toothbrushes were favorable, and newly introduced *Systema* toothpaste was well received by consumers. In addition, sales through e-commerce channels and imported Japanese products increased. Therefore, overall sales were substantially higher than in the previous fiscal year, and, even converted to yen terms, showed major increases. Lion completed a plant for manufacturing oral care products in 2014 and began operations there in April. As a result, production capacity has increased about threefold, and Lion was able to increase production as scheduled.

Strategy in Fiscal 2015

In China, Lion will continue to concentrate on oral care products, implement strategies to expand its geographical coverage and sales channels, introduce products suited to the characteristics of particular regions, upgrade its marketing systems, and work to increase the scale and profitability of business activities. Due to the start-up of the new production plant, Lion will be positioned to respond to growing demand for oral care products in China. Also, Lion will optimize its production systems for oral care products in northeast Asia, realize further synergies, and accelerate product development.



Systema
Toothbrushes



Systema
Toothpaste



New production plant



Taiwan

Sales Growth Rate:
(Year on year, on a local currency basis)

-2%

In the fabric care field, Lion introduced *NANOX* detergent in May, and sales rose above the previous year, but, in the oral care field, sales were stagnant. As a consequence, sales for the full year were below the previous fiscal year. Lion is aiming to increase profitability by strengthening its position in the health care field and through implementing strategies suited to each market channel.



NANOX
Liquid laundry detergent



Hong Kong

Sales Growth Rate:
(Year on year, on a local currency basis)

+5%

In the fabric care field, sales of *NANOX* superconcentrated liquid laundry detergent were favorable. Also, in the oral care field, as a result of the continuation of promotional activities, sales of *Systema* toothbrushes held firm. Overall sales in Hong Kong were above the previous year in both local currency and yen terms.



NANOX
Liquid laundry detergent



Singapore

Sales Growth Rate:
(Year on year, on a local currency basis)

+3%

Lion successfully launched new products in the *Systema* series of oral care products; the *TOP* lineup of powdered detergents in the fabric care business; in the *KireiKirei* series of foaming hand soaps in the beauty care business; and in its body soap lineup. As a consequence, overall sales in local currency and yen terms were above the previous fiscal year. For each product category, Lion will implement sales promotion activities, including effective in-store promotions, to consolidate its position as the leading brand and expand sales of high-margin products.



Top
Powdered detergents



KireiKirei
Foaming hand soap



Philippines

Sales Growth Rate: Since business activities in the Philippines began during fiscal 2013, comparable data is not available for the previous fiscal year.

Lion began sales of oral care products in July 2013 and beauty care products in September 2013. In fiscal 2014, Lion implemented active advertising and other promotional activities to increase the awareness of its new brands. Along with the expansion of the middle-income classes, sales of high-value-added shampoo and toothpaste are increasing. Lion will invest in advertising and promotional activities and expand distribution to retail stores to increase sales and raise profitability.



HANA
Shampoo



Systema
Toothpaste



Malaysia^{*1}

Sales Growth Rate:
(Year on year, on a local currency basis)

No Change^{*2}

In the oral care business, sales of *Systema* toothbrushes were favorable. In the fabric care business, Lion maintained the No. 1^{*3} market share in fiscal 2014, but sales were unchanged from the previous fiscal year. Lion will work to strengthen its No. 1 position in the laundry detergents market and, in the health care business, will strive to expand its product lineup and implement other measures to strengthen its business base and increase profitability.



Top
Powdered detergents



Systema
Toothbrushes

*1 Company accounted for under the equity method

*2 Excluding Lion Eco Chemicals Sdn. Bhd.

*3 Results of Lion's research



Indonesia*

Sales Growth Rate:
(Year on year, on a local currency basis)

+16%

In the first half of fiscal 2014, there were signs of a slowing trend in the markets where Lion has a presence, but, in the living care field, sales of Lion's dishwashing detergent *Mama* were favorable. In addition, in the beauty care field, sales of an improved version of *emeron* shampoo and sales in the oral care field of toothbrushes held firm. Sales in both local currency and yen terms were above the previous fiscal year. Lion also introduced high-value-added products to respond to demand from the growing middle-income classes of consumers, with the goals of maintaining growth and increasing profitability.



Mama
Dishwashing detergent



emeron
Shampoo

*Company accounted for under the equity method

Link to Overseas Affiliates list: <http://www.lion.co.jp/en/company/html/com0303f.htm#2>

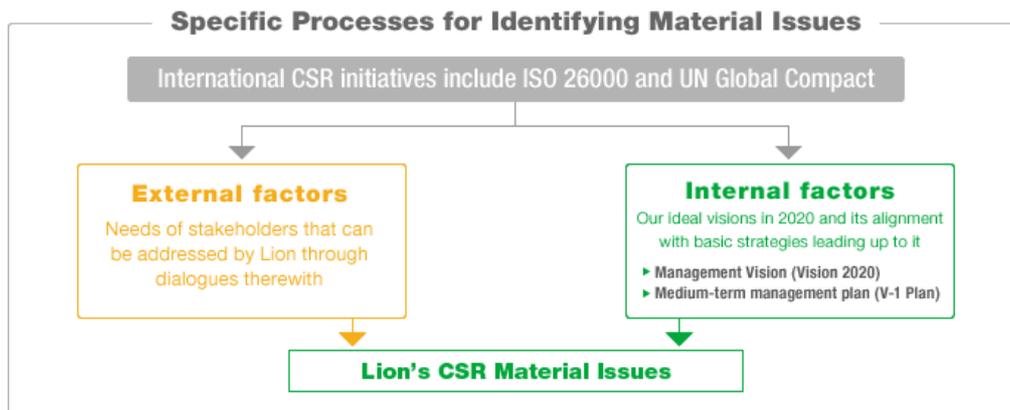
Our Sustainability

Business Activities Supporting Clean, Healthy, Comfortable, and Sustainable Life

The origins of Lion's approach to CSR can be traced to our founding spirit of "working for the benefit of people and society." With the robust business foundation established based on the Company Motto and management philosophy, Lion has contributed to sustainable development of society through conducting business activities under its management vision and by addressing CSR material issues.

Setting Objectives and Managing Progress

Since 2011, we have promoted our CSR activities based on ISO 26000, the global social responsibility standard, and by listening to, and incorporating opinions of third-party organizations, we have confirmed and evaluated achievements in Lion Group companies in Japan. Also, by considering world CSR trends, the Company's unique business characteristics, potential risks, opportunities, and their respective implications, we identified CSR material issues in 2012. For each of the material issues, we established a medium-term objective for 2014 and conducted improvement activities based on the PDCA management cycle. For managing CSR activities in overseas Group companies, we have visited eight of our Group companies overseas and interviewed them regarding their CSR efforts with the aims of determining what actions the Group should take going forward and sharing views regarding material CSR issues. Looking ahead, we are setting medium-term objectives for overseas Group companies and will proceed with the PDCA management cycle.



CSR Material Issues

Core Subjects	Ideal Visions	CSR Material Issues
Organizational Governance	Maintaining a sound management system that is continuously trusted by society	Establishing the Group-wide CSR management structure Reviewing the Business Continuity Plan Embedding compliance/internal control systems
Human Rights	Establishing framework for respecting human rights	Formulating and disseminating human rights policy Ensuring human rights due diligence

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Labor Practices	Changing awareness of employees through raising morale and motivation	Promoting human resource development/revitalization programs
		Establishing good working environments
		Promoting employees' health management
		Enhancing Group-wide occupational health and safety management systems

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The Environment	Contributing to the development of a sustainable society as an environmentally advanced company	Engaging in progressive environmental activities
		Preventing pollution
		Enhancing Group-wide management of chemical substances

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Fair Operating Practices	Promoting CSR Activities throughout the value chain	Promoting CSR procurement
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Consumer Issues	Pursuing customer satisfaction by creating safe and trustworthy products	Offering products and information that contribute to the development of a sustainable society
		Providing information useful for daily life and promoting educational activities
		Enhancing the Group-wide quality assurance system
		Promoting information security

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Community Involvement and Development	Co-existing and co-prospering with society and communities/Contributing to the development of society in health, comfort and environment areas	Enhancing social contribution programs in health and comfort areas
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Pickup

Research and Development

Lion's R&D divisions have selected strategic themes that will contribute to attaining the objectives of "Vision 2020."



R&D Activities

Research and Development

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 also proceeding with the development of new products. Over the three years of the "V-2 Plan" of Lion's "Vision 2020," which began during the current fiscal year, "competitive advantage" has been selected as a key phrase.

With this key phrase, the R&D divisions are conducting R&D to a greater degree into the fields of Oral health Science and Interface Science, where Lion has its strengths. For domestic business, they are concentrating their efforts on developing high-value-added products in the Oral care, Fabric care, and Pharmaceutical fields to substantially increase profitability. Also, for the life science-related business fields, such as pharmaceuticals and functional foods, Lion's R&D divisions have been focusing on creating new value and new growth areas by collaborative research with outside research institutes as well as by developing seeds of innovative technologies based on scientific evidence, such as clinical trial results. In overseas business, Lion is taking initiatives to substantially strengthen teamwork with R&D divisions overseas and is developing products that will offer new value in the high-growth markets of Southeast Asia and Northeast Asia.

Lion's R&D divisions are striving to demonstrate company-wide capabilities that transcend technological fields, product categories, and organizational frameworks. While promoting open innovation, Lion's R&D aims to develop competitively superior products and technologies as well.

Corporate Governance

- ▼ Basic Approach
- ▼ Corporate Governance System
- ▼ Matters Related to the Selection of External Directors and External Auditors
- ▼ Total Compensation of Directors and Auditors

Maintaining a Sound Management System that Wins the Lasting Trust of Society

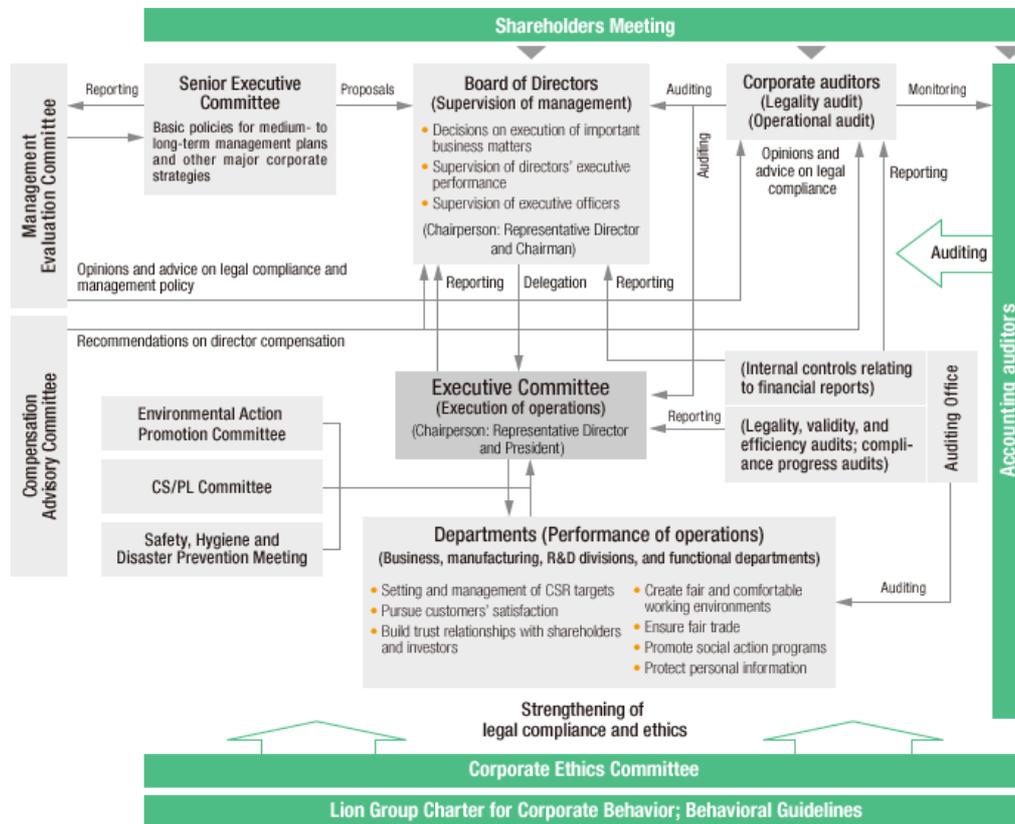
Basic Approach

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

Corporate Governance System

To evaluate our management objectively from the standpoint of social acceptability, including social responsibilities to be fulfilled by the Company and stakeholders' trust, the Management Evaluation Committee composed of knowledgeable persons from outside the Company was formed in October 2003 to ensure that evaluations and opinions of the Committee members regarding Lion's corporate governance system, directions of business and product development, and CSR will be available to Lion management for their decision making. In March 2004, Lion introduced its Executive Officer system and reduced the number of directors to strengthen its business execution functions and give greater flexibility to the Board of Directors to perform its functions. In March 2006, Lion appointed two external directors to further enhance the supervisory functions of the Board of Directors. In December 2006, to increase the objectivity and transparency of compensation for directors and others, Lion formed its Compensation Advisory Committee consisting of two external directors and two external corporate auditors. Regular meetings are held between the Representative Directors and all external directors and auditors to exchange information and, thereby, enhance the supervision and monitoring of management. In January 2013, the Lion Corporation Standards Regarding the Independence of External Directors/Corporate Auditors were instituted to clarify that only persons who have no conflicts of interest with Lion and who can remain independent from the Company will be appointed as external directors and external auditors.

Please note that countermeasures for large purchases of the Company's shares (takeover defense measures) were adopted with the approval of the Shareholders' Meeting in 2009. These countermeasures have been extended with shareholder approval and were extended again through 2018 at the 2015 ordinary shareholders' meeting.



Board of Directors

Lion's Board of Directors has the responsibility of determining Company-wide objectives and drawing up management plans to attain these objectives. The Board of Directors has 10 members, 2 of whom are external directors. Board of Directors' meetings are held regularly once a month, with extraordinary meetings convened as 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 directors 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.

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 functions of the Board of Directors. At the same time, the Executive Committee serves to promote expeditious decision making with respect to both fundamental and important matters related to business execution. There are currently 14 executive officers, 7 of whom hold the position of director concurrently. The term of office of executive officers is one year, which is equivalent to the term of office of directors.

Board of Corporate Auditors

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

Of the four auditors, two are external auditors.

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.

Management Evaluation Committee

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

This committee was formed to increase the objectivity and transparency of matters related to executive compensation. This committee consists of two external directors and two external corporate auditors, for a total of four independent officers.

Matters Related to the Selection of External Directors and External Auditors

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

External Directors

Name	Mitsuaki Shimaguchi
Attendance	Attended 17 of 18 Board of Directors' meetings held during the fiscal year
Reasons for Appointment	<p>Mr. Shimaguchi has been active in the field of marketing and has had experience as external director and external auditor in other companies. By appointing him as external director of Lion, we are able to draw on his rich accumulation of knowledge and experience and enhance the supervision of management.</p> <p>Mr. Shimaguchi meets the qualifications set forth in the Lion Corporation Standards Regarding the Independence of External Directors/Corporate Auditors as well as the criteria for independence of the Tokyo Stock Exchange Co., Inc. (Japan Exchange Group). He is, therefore, judged to be independent, and was duly appointed.</p>

Name	Hideo Yamada
Attendance	Attended 14 of 18 Directors' meetings held during the fiscal year
Reasons for Appointment	<p>Mr. Yamada, as an attorney at law, has compiled a rich accumulation of knowledge and experience and has had experience as external director and external auditor in other companies. By appointing him as external director of Lion, we are able to increase the transparency and objectivity of management as well as enhance the supervision of the Company's activities.</p> <p>Mr. Yamada meets the qualifications set forth in the Lion Corporation Standards Regarding the Independence of External Directors/Corporate Auditors as well as the criteria for independence of the Tokyo Stock Exchange Co., Inc. (Japan Exchange Group). He is, therefore, judged to be independent, and was duly appointed.</p>

External Corporate Auditors

Name	Hideo Doi
Attendance	Attended 18 of the 18 Board of Directors' meetings and 13 of the 13 Board of Auditors' meetings held during the fiscal year
Reasons for Appointment	<p>Mr. Doi has extensive professional knowledge and experience gained as a certified public accountant. By appointing him as external auditor at Lion, we are able to enhance the supervision of management.</p> <p>Mr. Doi meets the qualifications set forth in the Lion Corporation Standards Regarding the Independence of External Directors/Corporate Auditors as well as the criteria for independence of the Tokyo Stock Exchange Co., Inc. (Japan Exchange Group). He is, therefore, judged to be independent, and was duly appointed as independent external auditor.</p>

Name	Sumiaki Nomura
Attendance	Attended 17 of the 18 Board of Directors' meetings and 13 of the 13 Board of Auditors' meetings held during the fiscal year
Reasons for Appointment	<p>Mr. Nomura has extensive professional knowledge and experience gained as a certified tax accountant and has had experience as external director in other companies. By appointing him as external auditor at Lion, we are able to enhance the supervision of management.</p> <p>Mr. Nomura meets the qualifications set forth in the Lion Corporation Standards Regarding the Independence of External Directors/Corporate Auditors as well as the criteria for independence of the Tokyo Stock Exchange Co., Inc. (Japan Exchange Group). He is, therefore, judged to be independent, and was duly appointed as independent external auditor.</p>

Total Compensation of Directors and Auditors

To ensure the objectivity and transparency of the Company's policy regarding compensation paid to directors and auditors, maximum consideration is given to the recommendations made by the Compensation Advisory Committee. Decisions on director compensation and auditor compensation are made by the Board of Directors and the Board of Auditors, respectively.

Corporate Officer Classification	Number of Corporate Officers	Total Compensation Paid (FY2014)
Directors (External Directors)	10 (2)	¥442 million (¥23 million)
Auditors (External Auditors)	4 (2)	¥76 million (¥23 million)
Total (External Auditors)	14 (4)	¥519 million (¥47 million)

Messages from the Board of External Directors



Mitsuaki Shimaguchi

External Director
Professor Emeritus of Keio University

The magnificent aspect of Lion Corporation is that, because of its organizational culture based on love for humanity, it has a history of continuing to offer products and services that have value for society based on a spirit of kindness and charity. However, this tradition sometimes gives rise to self-satisfaction, and this may restrain Lion's drive to innovate, and, as a result, cause it to fall behind in markets that are intensely competitive and where consumers are becoming increasingly sophisticated and demanding. To contribute to further Company development, Lion must bring the logic of new ideas into its organization and continue to undergo relentless reforms to maintain a fresh perspective. Lion has outstanding staff and advanced technological capabilities, and, while it must protect its admirable traditions, it must also make further leaps forward and continue to develop. I would like to contribute to this evolution and, by making strong requests, provide an outside perspective and ideas from within.



Hideo Yamada

External Director
Attorney at Law

Through my work as an attorney, I have seen many companies grow and develop while others have gone out of business. Companies work to show favorable results as they give due regard to the points of view of their stakeholders. I have experienced firsthand that survival and development of companies are not as easy as some might be prone to say. In recent years, in particular, corporate success has come to depend on more than just performance, and also requires attention to compliance, or, otherwise, the company may be eliminated from the market. Companies must obey legal regulations as they also display originality, and are required to generate profits. Lion is a company with a beautiful tradition and a fair corporate philosophy that is widely recognized by the public. As an outside director at Lion, I am drawing on my many years of experience in corporate law, and, as I work to protect Lion's beautiful aspects, I want to encourage Lion's stance of taking on challenges without fear. I would also like to contribute to building Lion's future as a company that conducts its activities based on the corporate message: "Life. Love. LION."

Directors, Corporate Auditors, and Executive Officers

As of March 27, 2015



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 the Oleochemicals Business Development Office of the International Division



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)



External Director

HIDEO YAMADA

(Attorney at Law)

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



Standing Corporate Auditor
YASUTARO NAKAGAWA



Standing Corporate Auditor
JUNKO NISHIYAMA



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



External Corporate Auditor
HIDEO HIGASHI
(Certified Tax Accountant)

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

Substitute Corporate Auditor
TAKAO YAMAGUCHI
(Certified Public Accountant, Certified Tax Accountant)

Executive Officers
TAKEO SAKAKIBARA
President of Lion Trading Co., Ltd.

SHU KAWAZOE
President of Lion Hygiene Co., Ltd.

KOHEI MIYAUCHI
Executive General Manager of Purchasing Headquarters

TOMOMICHI OKANO
Executive General Manager of Research and Development Headquarters

HIROYUKI CHIBA
Executive General Manager of Chemicals Division

RYUJI NAKAZAWA
Executive General Manager of Gift and Channel-Specific Products Division

YUTAKA SHINOHARA
Executive General Manager of Production Headquarters

Financial Review

- ▼ Market Environment ▼ Consolidated Performance ▼ Operating Review by Segment ▼ Operating Review by Reporting Segment
- ▼ Financial Position ▼ Cash Flows ▼ Outlook for Fiscal 2015 ▼ Basic Policy on the Distribution of Earnings and Cash Dividends
- ▼ Business Risk Information

Management's Discussion and Analysis

Market Environment

During fiscal 2014, domestic markets were influenced by the consumption tax hike. Lion's activities in the markets in the rest of Asia met with a positive response.

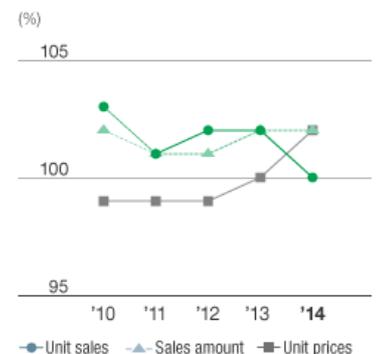
In fiscal 2014, as the effects of the increase in Japan's consumption tax rate move through the economy, the trends toward improvement in personal consumption and corporate profitability paused in the second half of the fiscal year, but, overall, the economy remained on a moderate recovery trend as the government implemented fiscal policies and the Bank of Japan continued its monetary-easing measures.

In the domestic market for daily necessities, which is the principal market for the business activities of the Lion Group, there were recognizable signs of a bottoming out of price declines. However, in the midst of the surge in demand prior to the consumption tax rate increase and the subsequent reactionary decline in demand, competition at the store level continued to be intense.

Review of the Domestic Market for Daily Necessities in Fiscal 2014

In the domestic market for daily necessities, Lion has a presence in 40 of the market segments. The average unit prices in these markets increased 2% in fiscal 2014 over the previous year¹. On the other hand, unit sales remained at the same level, or 100% of the level of the prior year². The sales amount rose 2% over the previous year³, in part because of an increase in the average prices.

Trends in Home Products Market (YOY)



Note: INTAGE Inc. SRI surveys. Figures for the change in unit sales, sales amount, and unit prices are the accumulated totals from January through December of the respective years, compared with the corresponding figures of the previous year. Data for 2010 cover 44 household goods markets, data for 2011 and 2012 cover 42 such markets, and data for 2013 and 2014 cover 40 markets.

Review of the Domestic Market for Pharmaceuticals in Fiscal 2014

In the over-the-counter (OTC) pharmaceutical market, Lion has a presence in eight of the market segments. In recent years, the unit sales and unit prices had been on a decline, but in fiscal 2014, the average unit prices rose 2% at an annual rate⁴. The unit sales decreased to 99% of the previous year⁵, but the sales amount stood at 100% of the level in the previous year⁶, in part because of the increase in average prices.

In overseas markets, although the market environment underwent severe change because of political unrest in Thailand, Hong Kong, and elsewhere and due to the slowing of economic growth in China, the markets for daily necessities expanded because of the growing awareness among consumers of hygiene

matters and the rising need for high-value-added products along with the expansion in the middle-income classes. As a result, the potential for growth in the nine countries and regions where Lion has a presence is thought to be extremely high.

2015 GDP Growth Forecasts for Countries and Regions in which Lion Has Operations

	Thailand	Singapore	Malaysia	Indonesia	Philippines	South Korea	China	Hong Kong	Taiwan
Growth rate (vs. 2014) (%)	4.0	2.9	5.2	5.3	6.0	3.3	6.9	3.2	3.6

Source: Mitsubishi Research Institute forecast (As of February 2015)

*1 INTAGE Inc. SRI survey of 40 household goods markets. Accumulated average unit prices from January through December 2014, compared with the previous year

*2 INTAGE Inc. SRI survey of 40 household goods markets. Accumulated unit sales from January through December 2014, compared with the previous year

*3 INTAGE Inc. SRI survey of 40 household goods markets. Accumulated sales amount from January through December 2014, compared with the previous year

*4 INTAGE Inc. SDI survey of 8 pharmaceutical product markets. Accumulated average unit prices from January through December 2014, compared with the previous year

*5 INTAGE Inc. SDI survey of 8 pharmaceutical product markets. Accumulated unit sales from January through December 2014, compared with the previous year

*6 INTAGE Inc. SDI survey of 8 pharmaceutical product markets. Accumulated sales amount from January through December 2014, compared with the previous year.

Consolidated Performance

In fiscal 2014, Lion reported record levels of income for the second consecutive year. Return on equity and earnings per share both rose above the levels of the previous fiscal year.

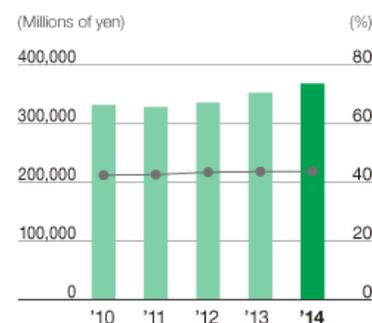
Amid the market conditions described, the Group entered the final year of its three-year medium-term plan, "V-1 Plan (Vision 2020 Part 1)," and made further progress toward attaining the objectives of its Management Vision "Vision 2020." Lion continued to focus on the four strategic themes: Qualitative Growth of Domestic Businesses, Quantitative Expansion of Overseas Businesses, Development of New Business Value, and Enhancement of Organizational Learning Capabilities.

In its business activities in Japan, in fiscal 2014, Lion worked aggressively to capture sales from the surge in demand that preceded the increase in the consumption tax rate. In addition, Lion launched new, high-value-added products to expand sales of products for which consumers exercise discretion, including toothpaste, antiperspirants, antipyretic analgesics, fabric softeners, and other products, and focused on developing the market positions of these products. Lion also worked to increase profitability by reducing costs from an overall perspective, including manufacturing costs as well as distribution and other costs. Also in the direct-to-consumer business field, which Lion has positioned as part of activities aimed at "development of new business value," Along with expanding sales of mainstay products and working to secure new customers, Lion introduced new products that increase the quality of life and worked to expand the business scale of these activities. However, sales in this field were adversely impacted by the increase in the consumption tax rate and the increase in raw material prices.

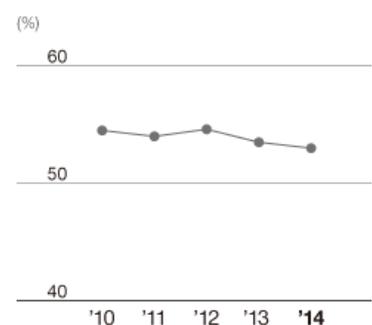
In its Overseas Business activities, Lion conducted aggressive marketing activities in its principal businesses of oral care and laundry detergents, and endeavored to increase the value of its key brands as well as expand the scale of its business activities. In these areas, Lion targeted the growing middle-income consumer classes and took initiatives to improve its product portfolio by increasing the percentage of high margin products. In addition, in China, Lion completed and began operations at a new manufacturing facility for oral care products, in line with plans to increase capacity under the "V-1 Plan."

As a consequence of these activities and developments, the Group's consolidated net sales in fiscal 2014 were ¥367,396 million, an increase of 4.4% from the previous year (or 3.1% after the exclusion of the effects of foreign currency movements). This was higher than Lion's previously announced forecast for the fiscal year. Operating income amounted to ¥12,406 million, an increase of 14.7%. This increase in profitability was due to gains in sales reported mainly in the Industrial Products Business and Overseas Business segments, the positive impact of improvements in the product mix for Consumer Products Business in the domestic market, Industrial Products business, and other factors. Ordinary income was ¥14,059 million, an increase of 14.3% from the prior fiscal year, the highest level in Lion's history. Net income amounted to ¥7,368 million, an increase year on year of 20.8%. As a result, ROE, defined as the ratio of net income to shareholders' equity, was 6.2%, compared with 5.4% in the previous year. Earnings per share were ¥27.47, versus ¥22.72 for the prior year.

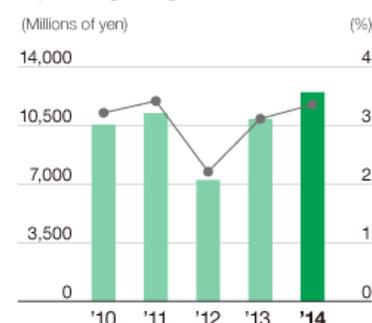
Net Sales and Cost of Sales Ratio



SG&A Expenses to Net Sales



Operating Income and Operating Margin



SG&A Expenses Breakdown

	2014		2013		2012	
	Amount (Millions of yen)	% of net sales	Amount (Millions of yen)	% of net sales	Amount (Millions of yen)	% of net sales
Selling, general and administrative expenses	194,312	52.9	187,849	53.4	182,572	54.5
Sales commission expenses	8,290	2.3	11,960	3.4	16,673	5.0
Sales promotion expenses	86,430	23.5	78,384	22.3	71,229	21.3
Advertising expenses	24,517	6.7	24,273	6.9	24,724	7.4
Freight and storage expenses	16,723	4.6	15,979	4.5	15,810	4.7
Salaries and allowances	14,241	3.9	13,665	3.9	12,999	3.9
R&D expenses	9,439	2.6	9,618	2.7	8,989	2.7
Other	34,669	9.4	33,966	9.6	32,146	9.6

Factors Impacting Operating Income in Fiscal 2014

(Billions of yen)



* Competition expenses are comprised of sales incentive, sales promotion, and advertising expenses.

Operating Review by Segment

The Lion Group's business activities are divided into three reporting segments.

The Group's business segments are classified by product and service based on operating divisions and subsidiaries, and by geographical area. Its three reporting segments are Consumer Products, Industrial Products, and Overseas.

Reporting segments are as follows:

Consumer Products Business

Lion manufactures, sells, and trades in daily necessities, OTC pharmaceuticals, functional food products, and other products mainly in Japan. Principal products include toothpaste, toothbrushes, hand soaps, antipyretic analgesics, eyedrops, tonics and nutrients, insecticides, laundry detergents, dishwashing detergents, fabric softeners, household cleaners, bleaches, and pet supplies.

Industrial Products Business

The Group manufactures, sells, and trades in chemical intermediate materials in Japan and overseas, products for institutional and other industrial uses, and other items. Principal products include activators derived from oil and fats, electro-conductive carbon, detergents for institutional use, and other items.

Overseas Business

The Group's overseas subsidiaries and affiliates are primarily engaged in manufacturing, selling, and trading in daily necessities.

Other

The Group's subsidiaries in Japan are primarily engaged in activities related to businesses of the Group. Principal products and services include construction, management of real estate, transportation and storage, human resources services, and other activities.

Operating Review by Reporting Segment

In fiscal 2014, in Japan, Lion reported increases in sales in both the Consumer Products Business and Industrial Products Business as well as major increases in segment income. Overseas, Lion reported growth, but owing to investments in new businesses for future growth, income declined.

Consumer Products Business

Lion's activities are classified into Oral Care business, Beauty Care business, Fabric Care business, Living Care business, Pharmaceutical business, and Other.

Total sales in the Consumer Products Business segment in fiscal 2014 were ¥274,427 million, 3.5% above the level of the previous fiscal year. To place maximum priority on strengthening profitability in the medium-to-long term, Lion launched new high-value-added products in fields where consumers exercise discretion and worked to strengthen their position in the market. Through these and other initiatives, Lion worked to drive increases in average product prices.

As a result, Lion reported improvements in its product mix, as a consequence of growth in sales of high-value-added products in the Oral Care and Pharmaceutical businesses, and operating income of this segment rose 16.8% over the previous year.

Millions of Yen						
	FY2014	% of segment sales	FY2013	% of segment sales	Change	
					Amount	%
Net sales	274,427		265,207		9,219	3.5
Operating income	8,516	3.1	7,289	2.7	1,227	16.8

Net Sales by Business

Millions of Yen					
	FY2014	FY2013	Change		
			Amount	%	
Oral Care business	55,344	51,628	3,715	7.2	
Beauty Care business	20,468	19,044	1,424	7.5	
Fabric Care business	83,540	80,951	2,588	3.2	
Living Care business	20,179	21,620	(1,441)	(6.7)	
Pharmaceutical business	38,156	36,776	1,379	3.8	
Other	56,738	55,185	1,552	2.8	

Lion's Major Toiletry Products Fields and 2013 Market Positions in Japan

	Billions of Yen Market Size in Japan	Lion's Market Position
Toothpastes	81	1
Toothbrushes	45	1
Hand soaps	21	1
Laundry detergents	136	3
Fabric softeners	84	3
Dishwashing detergents	46	3

Source: 2014 INTAGE Inc., each category, Data from January through December 2014, on the basis of sales amount

Note: Figures for market size presented above are based on retail sales data and do not include sales of gift packages

Oral Care Business

In fiscal 2014, Lion continued to concentrate on promoting high-value-added products. In specific terms, Lion rebranded its mainstay *CLINICA* lineup of oral care products with the theme of encouraging preventive dentistry, and positioned it as a brand that will enable consumers to engage in "self-care," which dental health specialists recommend. At the same time, Lion strengthened its *SYSTEMA* series of oral care products, which enables consumers to take proper care of the periodontal pocket surrounding the teeth.

In the toothpaste field, sales of Lion's *CLINICA ADVANTAGE Toothpaste* with an improved high adhesion fluoride formula were favorable. Lion also newly launched *SYSTEMA Haguki (the gums) Plus Toothpaste* that revitalizes weakened gum cells and helps prevent gum disease (inflamed gums and periodontal infection). As a consequence, overall sales of toothpastes rose above the level of the previous year.

In the toothbrush field, sales in the mainstay *SYSTEMA* series were steady, and sales of the *CLINICA ADVANTAGE Toothbrush* were favorable, and overall sales of toothbrushes were significantly higher than in the previous year.

In the mouthwash field, Lion's new product *CLINICA ADVANTAGE Dental Rinse*, with its long-acting anti-bacterial formula that helps prevent cavities, was highly appraised by consumers, and overall sales in this field rose substantially over the previous fiscal year.

In addition, sales of *CLINICA ADVANTAGE Dental Floss Y-Type*, which easily gets into the spaces between molars and features high-strength floss that is resistant to breakage, also met with a favorable response from consumers.

Beauty Care Business

In the Beauty Care business, Lion offers hand soaps, antiperspirants, and other products that are aimed at opening up new markets by providing consumers with new hygiene routines for their daily lives.

In the hand soap business, Lion is promoting a shift toward high-value-added foaming types that have higher prices than conventional liquid types. In fiscal 2014, sales of *KireiKirei Medicated Foaming Hand Soap*, which is easier for small children to use because of its foaming properties, were extremely favorable and contributed to profitability while also significantly boosting overall hand soap sales.

In the antiperspirant business, in February 2014, Lion introduced *Ban Sweat-Blocking Roll-On*, an antiperspirant and deodorant featuring a nano ion sweat-blocking effect that controls underarm sweat, which causes sweat stains and odor. Although the market was influenced by unseasonable weather during the summer, sales of this product were quite robust, and, during the five months after its introduction (February to June), sales were 240% above the planned level and served to give a major boost to overall antiperspirant sales.

Fabric Care Business

In the laundry detergent business, which is one of Lion's principal markets in Japan, Lion is promoting a shift from powdered detergents, where price competition is intense, to high-value-added super-concentrated liquid detergents. Along with the rising awareness of hygiene matters among consumers, demand has risen for laundry detergents that remove substances and bacteria that are invisible to the human eye but cause odors. To respond to this demand, Lion has introduced an improved version of its *TOP NANOX* that uses a double enzyme formula to achieve "new nano-washing" that breaks down keratin and enhances detergency action to remove odor-causing grime. In addition, Lion has introduced an improved version of its *TOP HYGIA*, which, in addition to its previous properties of "enhancing the antibacterial properties of laundry through washing" and "helping to prevent the transfer of bacteria and mold to and between items being laundered," now has new enzyme ingredients that can even dissolve and remove washtub biofilm. Although sales of these two products have continued to be firm, sales of powdered detergents have declined along with the shrinkage in the size of the market. As a result, overall

sales in the laundry detergent business were level with the previous fiscal year.

In the fabric softener business, *Kaori to Deodorant no SOFLAN (SOFLAN with Fragrance and Deodorant) Aroma Natural* series, with Lion's original "nano-deodorizing ingredient," is long-lasting and allows users to enjoy the pure fragrances of its aroma oil ingredients. As a consequence, this product series has accurately met the tastes of users of softener products, and sales continue to be favorable. The success of this series has increased softener sales substantially above the previous fiscal year.

Living Care Business

In the kitchen detergents market, the number of households nationwide in Japan with automatic dishwashers has exceeded 30% of the total (according to the *Survey of Consumption Trends*, issued by the Cabinet Office), and sales of Lion's *CHARMY Crysta* series are favorable. On the other hand, sales of the *CHARMY Awa no Chikara (Power of Suds)* dishwashing detergent were lackluster, and overall sales of kitchen detergents were below the level of the previous year.

Lion's *LOOK* brand of household cleaners for use in the bath, toilet, and elsewhere is opening up new market segments for preparations that help make pleasant living environments a reality by proposing new cleaning routines. Lion's *LOOK Bath Antimold Fogger*, which was launched in September 2012, impedes the growth of black mold in the bath. Over the period of approximately two years since its launch, the accumulated total of unit sales has exceeded 10 million. In recent years, the market for mold removal preparations had been shrinking, but, in fiscal 2014, it rose a firm 2%* over the previous year. In the fall, Lion added a new product in this series, *LOOK Bath Antimold Fogger Soap Fragrance*. The outlook is for this product to continue to significantly revitalize the market for mold removal products. On the other hand, sales of *LOOK Mame-Pika Antibacterial Toilet Cleaner*, which enables users to use toilet paper to quickly and easily wipe the toilet seat, toilet bowl exterior, and the surrounding area, weakened. Therefore, total sales of household cleaner products were below the previous year.

In the cooking-aid products business, Lion launched *REED Healthy-Cooking Paper* originally in 1970 and is still making product improvements to meet the needs of the times and proposing new ways of using these cooking-aid products. In 2014, Lion introduced *REED Healthy Kitchen Paper Smart Type*, which is more compact, can be removed one sheet at a time, and is an ideal size for low-waste cooking in small amounts. As a result, overall sales of the cooking-aid products were slightly above the previous year.

* INTAGE Inc. SRI survey of the mold-removal markets. Accumulated sales amount from January through December 2014, compared with the previous year

Pharmaceutical Business

Lion supplies products for eight markets within the OTC pharmaceutical market. In recent years, the unit sales and average unit prices in the OTC market have continued to decline gradually, but in fiscal 2014 average unit prices increased and the sales amount was level with the previous year. However, Lion's view is that, along with the demographic aging of the population and increases in medical care costs, the OTC market will expand going forward. In addition, consumer needs are shifting from the treatment of diseases to prevention, and, as more and more people seek to prevent diseases in their daily lives, forecasts are that this shift will be reflected in a transition in consumer lifestyles toward purchasing OTC preparations and the recovery of OTC pharmaceutical market is expected.

In the antipyretic analgesic business, new product *BUFFERIN PREMIUM* was launched in 2014 to meet the need for preparations that act quickly and effectively in treating headaches while being gentle on the stomach. Working women who want analgesics that are not only "effective" and "fast" but also "easy on the stomach" have a special need for these functions in a preparation, and *BUFFERIN PREMIUM* has successfully developed new market demand. Sales of *BUFFERIN PREMIUM* were favorable and raised overall sales of Lion's antipyretic analgesics significantly over the prior year. In addition, this preparation drove expansion in the OTC antipyretic analgesics, which had been level through the end of the previous year.

In the eyedrop business, in fiscal 2014, sales of both *Smile 40 Premium* in the high-priced range and *Smile 40EX GOLD MILD* in the medium-priced range were favorable. *Smile 40 Premium* is effective for alleviating eye fatigue, eye mucous, and other conditions due to aging and prolonged use of the eyes that cause blurry vision and *Smile 40EX GOLD MILD* gives users a mild sensation of refreshment. As a result, overall sales of eyedrops were markedly above the previous year, and, because of the improvement in the product mix in the medium- to high-priced range, they also contributed to profitability.

In the topical anti-inflammatory analgesic business, Lion offers *HALIX HOGRELA Cool and Hot*, an analgesic that comes as an adhesive poultice that relieves the pain of shoulder stiffness that troubles many by treating it at the source, deep in the tissue, and stimulates blood flow. In 2014, Lion introduced *HALIX HOGRELA Roll-On Type*, which is portable and easy to carry outside the home. For women who put up with stiff and painful shoulders on a regular basis because of long hours spent using PCs, Lion has proposed a new practice of taking this pain reliever with them. As a result, sales of this roll-on type were quite favorable, thus raising overall sales of topical anti-inflammatory analgesics markedly.

Other

In the direct-to-consumer business, Lion launched a new functional food product, *Gussumin Koubo No Chikara*, which contains sake yeast to support high quality and relaxation and was favorably received by consumers. On the other hand, existing direct-to-consumer products experienced a decline in regular purchasers following the increase in Japan's consumption tax rate, and sales of mainstay product *Nice rim essence Lactoferrin* showed little growth in new customers as Lion optimized the allocation of its promotional expenses in the face of this weaker demand and higher raw material prices and other costs. As a result, overall sales in this business were below the level of the previous fiscal year.

In the pet supplies business, sales of oral care products were firm, and sales of *Nioi wo Toru Suna (Deodorizing Cat Litter)* were steady. Overall sales of this business exceeded the level of the previous fiscal year.

Industrial Products Business

Millions of Yen						
	FY2014	% of segment sales	FY2013	% of segment sales	Change	
					Amount	%
Net sales	59,793		51,630		8,162	15.8
Operating income	1,759	2.9	778	1.5	980	126.0

This business handles activators derived from oil and fats, electro-conductive carbon, detergents for institutional use, and other products.

In the electro-conductive carbon field, sales of *KETCHENBLACK* for use in lithium-ion batteries and other secondary batteries held firm during fiscal 2014, and overall sales of electro-conductive carbon products were above the previous year.

In the field of chemicals for construction and civil engineering use, sales of ground stabilization products were favorable, and sales of chemicals for construction and civil engineering use were substantially above the previous fiscal year.

In the field of detergents for institutional use, sales of hand soaps were steady, and sales of alcohol for kitchen disinfectant use were favorable. Overall sales of detergents for institutional use rose markedly over the previous fiscal year. In the services business related to hygiene management, Lion worked to develop new customers and broaden its customer base among hospitals and senior care facilities, which are expected to be an important market along with the aging of society.

As a consequence of these activities, industrial product sales rose 15.8% over the previous fiscal year, to ¥59,793 million. Operating income in this segment increased 126.0% on the back of an increase in sales of high-value-added electro-conductive carbon and related products, and favorable results in the institutional detergents business.

Overseas Business

Millions of Yen						
	FY2014	% of segment sales	FY2013	% of segment sales	Change	
					Amount	%
Net sales	86,202		76,865		9,336	12.1
Operating income	1,147	1.3	1,435	1.9	(287)	(20.0)

Lion is actively introducing new products in the nine countries and regions where it has a presence, which include Thailand, South Korea, China, and the Philippines, where it made a full-scale entry in fiscal 2013. In fiscal 2014, mainly in the countries of Southeast Asia, Lion is targeting the middle-income classes, and sales of oral care and beauty care products expanded.

In Thailand, sales of *Systema* brand toothbrushes and *Shokubutsu Monogatari Body Soap* were favorable. Overall sales were above the previous fiscal year, and, even converted to yen terms, sales exceeded the prior year.

In South Korea, sales of *KireiKirei Hand Soap* were favorable, but sales of *Cham Green* dishwashing detergent were lackluster, and overall sales were below the previous year. However, after conversion to yen terms, sales were significantly above the previous year because of the effects of foreign currency conversion.

In China, sales of oral care products were favorable. Consumers were especially attracted to *Systema* toothbrushes and newly introduced *Systema* toothpastes. In addition, sales of products imported from Japan also increased, and network sales expanded, reflecting the growing confidence that customers place in Lion. As a result, overall sales in China were markedly above the previous fiscal year in both local currency terms and after conversion to yen.

As a consequence of the previously mentioned developments, total sales in the Overseas Business segment rose 12.1% (6.0% in real terms, after exclusion of the effects of conversion into foreign currencies), to ¥86,202 million. Overseas sales accounted for 22.3% of consolidated net sales. Segment operating income decreased 20.0%. This decline was due in part to the effect of investments for future growth in PEERLESS LION (in the Philippines) and Lion Eco Chemicals Sdn. Bhd. (in Malaysia). Other related factors included the fact that there is room for improvement in profit margins in markets where Lion has a

presence. Going forward, management issues to address will be generating additional income at an early date from the investments it has made for future growth and improving its business portfolio in these overseas markets, focusing on the high-value-added oral care and beauty care fields.

Other

	Millions of Yen					
	FY2014	% of segment sales	FY2013	% of segment sales	Change	
					Amount	%
Net sales	28,682		28,723		(40)	(0.1)
Operating income	597	2.1	1,016	3.5	(418)	(41.2)

Financial Position

Total assets increased in fiscal 2014, while cash flow decreased.

Consolidated Financial Status

	Millions of Yen		
	FY2014	FY2013	Change
Total assets (millions of yen)	283,352	282,098	1,254
Total net assets (millions of yen)	127,434	124,232	3,201
Shareholders' equity to total assets ^{*1} (%)	42.6	42.0	0.6
Net assets per share ^{*2} (yen)	449.94	441.59	8.35

*1 Shareholders' equity to total assets = (Net assets Subscription rights to shares and Minority interests)/Total assets

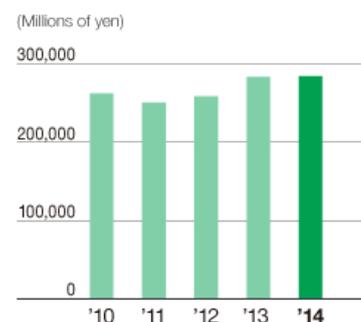
*2 Subscription rights and minority interests were excluded from calculation of net assets per share.

Total consolidated assets at the end of the fiscal year amounted to ¥283,352 million, an increase of ¥1,254 million over the prior year.

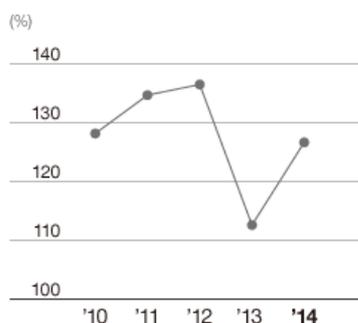
Total consolidated liabilities at the end of the fiscal year were ¥155,918 million, or ¥1,947 million lower than at the end of the previous fiscal year. This was attributable to a decline in notes and accounts payable-trade and a decrease in the current portion of long-term loans payable. Current liabilities amounted to ¥115,537 million, representing a decrease of ¥16,119 million from the previous fiscal year-end, and the current ratio at year-end was 126.5%.

Total consolidated shareholders' equity rose ¥4,612 million, to ¥115,201 million. Net assets were ¥127,434 million, which was ¥3,201 million higher than at the end of the previous fiscal year.

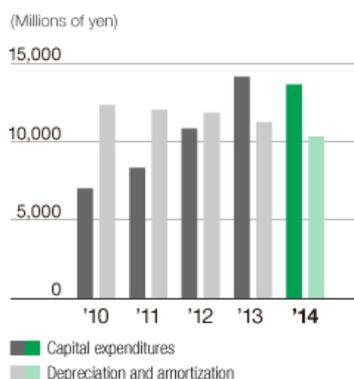
Total Assets



Current Ratio



Capital Expenditures and Depreciation and Amortization



Cash Flows

Consolidated Cash Flows

	Millions of Yen		
	FY2014	FY2013	Change
Net cash provided by (used in) operating activities	11,738	22,910	(11,171)
Net cash provided by (used in) investing activities	(16,838)	(12,819)	(4,018)
Net cash provided by (used in) financing activities	(6,520)	(2,772)	(3,748)
Effect of exchange rate changes on cash and cash equivalents	829	709	120
Net increase (decrease) in cash and cash equivalents	(10,791)	8,027	(18,818)
Cash and cash equivalents at end of the period	38,150	48,941	(10,791)

Net cash provided by operating activities totaled ¥11,738 million, mainly influenced by income before income taxes.

Net cash used in investing activities amounted to ¥16,838 million, mainly influenced by purchases of property, plant and equipment.

Net cash used in financing activities was ¥6,520 million. Principal cash outflows were for cash dividends paid and repayments of long-term loans payable.

As a consequence, cash and cash equivalents at the end of the fiscal year were ¥38,150 million, representing a decrease compared with the previous fiscal year-end of ¥10,791 million.

Outlook for Fiscal 2015

As the first year of Lion's "V-2 Plan," during fiscal 2015, Lion will aim to increase sales and income mainly by continuing to shift its product portfolio in Japan and overseas toward high-value-added items.

Millions of Yen

	FY2015	FY2014	Change	
			Amount	%
Net sales	375,000	367,396	7,603	2.1
Operating income	13,500	12,406	1,093	8.8
Net income	7,500	7,368	131	1.8

Although the Japanese economy is forecast to continue on a moderate recovery trend, the outlook will continue to be uncertain because of trends in personal consumption, the international financial situation, geopolitical risks, and other factors.

The Lion Group is forecasting that the business environment will become more severe as conditions in the markets for daily necessities where Lion conducts its principal business activities will be influenced by the delay in recovery of personal consumption and intense competition at the retail store level.

Amid this business environment, under its new three-year management plan "V-2 Plan (Vision 2020, Part 2)," which commenced in fiscal 2015, the Group will steadily implement the basic strategies of this plan and undertake initiatives toward substantially further business structural reforms with the objectives of setting new records for income (operating income and ordinary income) and increasing corporate value.

In domestic business operations, Lion will continue to give highest priority to "Improving Profitability in Consumer Product Businesses." To this end, Lion will launch new high-value-added products in businesses, such as toothpaste, antiperspirants, and kitchen detergents where consumers exercise discretion in their choice of products, and raise the profile of these products in the market. For example, in the kitchen detergent market, through the introduction of epoch-making products, such as *CHARMY Magica* dishwashing detergent, which can thoroughly clean grease from dishes through dissolving it at the nano-level, Lion is working to ensure growth and improvement in profitability. In addition, in the direct-to-consumer business, Lion is strengthening its business base in this field by conducting aggressive marketing activities focusing on functional food products and moving forward with activities to increase the efficiency of its production systems.

In the Industrial Products Business, Lion is striving to increase the profitability and growth of its chemical products business. In addition, Lion is proceeding with structural reforms in its chemicals business through the realignment of three Group companies.

In Overseas Business activities, Lion will continue to strengthen its marketing activities focusing on oral care products and laundry detergents and work to improve its product mix with the aim of seizing business opportunities in the expanding middle-income classes. In addition, Lion is working to improve profitability by growing its business activities in the Philippines, where it began full-scale operations in fiscal 2013, and putting its increased capacity in Malaysia for the production of surfactant methyl ester sulfonate (MES) on track.

Another issue Lion is addressing is strengthening its mutually supporting intraregional supply network in northeast Asia. This will involve developing an optimal production system and accelerating the speed of product development through the maximization of Group synergies.

As a consequence of the business initiatives previously mentioned, in 2015, Lion is forecasting consolidated net sales of ¥375.0 billion (2.1% growth over the previous year), operating income of ¥13.5 billion (8.8% growth), ordinary income of ¥15.0 billion (6.7% growth), and net income of ¥7.5 billion (1.8% growth).

The outlook for cash flows in fiscal 2015 is as follows.

Among cash flows from operating activities, Lion is forecasting ¥13.0 billion in income before income taxes and depreciation and amortization of ¥11.0 billion.

Among cash flows used in investing activities, capital expenditures are forecast to amount to ¥11.0 billion.

Cash flows used in financing activities are expected to amount to ¥3.0 billion, including cash outflows for cash dividends paid and the repayment of loans payable.

As a result of the above cash flow movements, the balance of cash and cash equivalents at the end of the fiscal year is forecast to be approximately ¥10.0 billion higher compared with the end of the previous fiscal year.

Note: The following were the principal exchange rates used in calculating performance forecasts for 2015: US\$1=¥118 and one baht=¥3.5. The forecasts for performance are as of February 10, 2015.

Basic Policy on the Distribution of Earnings and Cash Dividends

The Group considers the return of profits to shareholders, on a continuing and stable basis, as its consolidated earnings capacity rises, to be its most-important management issue. As it continues to pay stable dividends, the Group will give comprehensive consideration to, and is considering making purchases of its own shares from the market, while at the same time giving due attention to the accumulation of retained earnings to finance medium- to

long-term growth. Retained earnings will also be allocated to research and development as well as to investment in production facilities and the acquisition of external resources with the objectives of strengthening corporate growth and preparing a sustainable business base for future expansion.

After taking into consideration Lion's record of cash dividend payments, as well as its dividend payout ratio, for fiscal 2014, Lion's Board of Directors resolved to pay an interim dividend of ¥5 per share (paid on September 5, 2014) and a year-end dividend of ¥5 per share (paid on March 4, 2015).

For dividends in fiscal 2015, under its basic dividend policy, Lion plans to pay interim and year-end dividends of ¥5 per share, thus bringing the total dividends for the full year to ¥10 per share.

Business Risk Information

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

Please note that forward-looking statements are based on judgments made by the Lion Group as of February 10, 2015. Business risks are not limited to the items listed below.

1. Perceptions of product quality and value

The Lion Group plans, develops, produces, and sells products following management practices that are based on international quality standards while strictly following related laws and regulations, such as Japan's Pharmaceutical Affairs Law, to provide worry-free, safe, convenient, and environmentally conscious products to consumers. In addition, after products have been launched, the Company makes full use of consumers' opinions received through its Customer Service Office to improve its products, packaging, labeling, and other aspects of its products.

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

2. Changes in raw materials prices

The Lion Group's products use petrochemical and vegetable oils and fats as basic materials. Since the prices of these materials are easily affected by international market trends, the Company has established measures to reduce costs and diversify the range of materials used. However, increases in raw materials prices may adversely affect the Lion Group's management performance and financial position.

3. Exchange rate fluctuations

The Lion Group translates into yen the figures in the financial statements of overseas subsidiaries when preparing its consolidated financial statements. The value of items denominated in foreign currencies may, therefore, be affected by foreign exchange rates when they are converted to yen. The Lion Group takes steps to minimize the risk of increases in raw materials costs by hedging against exchange rate fluctuations. However, short-, medium-, and long-term changes in foreign exchange rates may adversely affect the Lion Group's management performance and financial position.

4. Major lawsuits

In fiscal 2014, Lion was not involved in any lawsuits that might have a significant impact on its business. However, if the Lion Group is found to be liable to pay significant damages in a future lawsuit, this may adversely affect the Lion Group's management performance and financial position.

5. Earthquakes and other natural disasters

In its manufacturing facilities, the Lion Group implements safety measures against earthquakes and other natural disasters. In the event of a major disaster, however, if the Group's production activities are interrupted because of damage to facilities and/or issues related to raw materials procurement and logistics, this may adversely affect the Lion Group's management performance and financial position.

Detailed financial information on Lion Corporation can be accessed below.

- ▶ [Consolidated Financial Statements and Notes \(291KB\)](#)
- ▶ [Eleven-Year Financial Summary \(16KB\)](#)