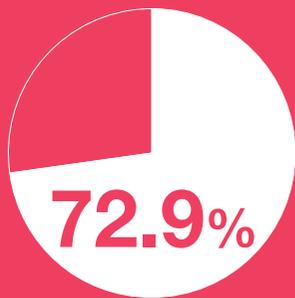


## Review of Operations



# Consumer Products Operations

Sales in the oral care business, including toothpastes and toothbrushes, and in the fabric care business, including laundry detergents, held firm, while sales in the direct-to-consumer business showed significant expansion and, as a result, sales in the Consumer Products Business rose over the previous year.

Operating income showed a steep decline because of the decrease in sales of high-margin seasonal products and the rising percentage of items in the lower-priced range.

### Net Sales

**¥244.2 billion** (1.3% up)

Note: Sales of business segments exclude internal sales within and among segments.

### Operating Income

**¥4.3 billion** (50.9% down)

## Market Environment

In the domestic markets for domestic toiletries products where Lion has a presence, unit prices continued to show a moderate declining trend. However, as a result of the increase in the number of households and the launching of new, high-value-added products in the laundry detergent and fabric softener market, sales value rose approximately 1%\* over the previous fiscal year. On the other hand, sales of pharmaceuticals in the over-the-counter (OTC) market declined.

\* 2012 INTAGE Inc., SRI Survey

## Market Position of Products in Japan

Lion's major product fields and 2012 market positions in Japan  
(Market size in Japan)



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

Source: 2012 INTAGE Inc., SRI survey, on the basis of sales value

## Performance in Fiscal 2012

Amid the declining trend in unit prices of daily necessities, Lion has launched high-value-added products and worked to develop their market positions under the key words of “having clear evidence of effectiveness,” “having well-defined target markets,” and “giving consumers a reassuring feeling of effectiveness.” In July last year, Lion launched *TOP HYGIA*,\*<sup>1</sup> a super-concentrated liquid laundry detergent, and sales were above the planned levels. Another newly launched product, *LOOK Bath Antimold Fogger*,\*<sup>2</sup> a fungicidal agent for stamping out mold in bathrooms, is a completely new and path-breaking product that received a favorable reception from consumers.

Moreover, in the direct-to-consumer business, sales of functional food and other products that help consumers raise their quality of life (QOL) were quite favorable. Sales of *Nice rim essence Lactoferrin*, Lion’s principal health food product, expanded substantially, and the lineup of direct-to-consumer products was expanded through the introduction of *Tomatosu + Milk Peptide Seikatsu*.

As a result of these initiatives, although sales were above the level of the previous fiscal year, operating income declined. Factors accounting for this were decreases in sales of high-margin seasonal items, such as antiperspirants and

insecticides, because of the effects of unseasonable weather conditions. Other factors were the deterioration in the product mix, as sales of antipyretic analgesics, eyedrops, and certain other items showed little growth due to shrinkage in the OTC market; expenditures for sales promotion activities were increased to deal with sales competition at the store level; and investments in advertising were made to build brand equity and promote the direct-to-consumer business.

\*1 See the Fabric Care section on page 24.

\*2 See the Living Care section on page 25.

## Implementing Lion’s Basic Strategy “V-1 Plan”

In the Consumer Products Business, in the daily necessities, OTC pharmaceutical, and functional food product fields, Lion is working to identify consumers’ latent needs under three key words (namely, “health, comfort, and environment”) and, thereby, create new markets by inviting consumers to try new value proposals. These initiatives are also aimed at strengthening the Lion brand as well as rejuvenating and expanding the market as a whole. In the mature domestic markets, Lion is launching new high-value-added products in growth fields, expanding and focusing its advertising investments to support the expansion of sales of these products and achieve improvement in the quality of its business activities. In addition, in the rapidly expanding direct-to-consumer business, Lion is moving forward with developing and expanding the lineup of products that can become the second mainstay of this business after *Nice rim essence Lactoferrin*.



### Masazumi Kikukawa

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

## Oral Care Business

Performance of newly launched products in the *Clinica* and *Dentor Systema* brand lines was favorable, and sales of this business rose above the previous fiscal year.

### Key Products Contributing to Performance in Fiscal 2012

#### Launching *Dentor Systema Toothpaste Sensitive Care*

The total market for toothpastes in Japan expanded 2% over the previous year in fiscal 2012. Within this market, the demand for toothpastes to prevent hypersensitivity expanded 14%.<sup>\*</sup> According to Lion's research, consumers who are experiencing hypersensitivity are concerned about inflammation of their gums, bleeding, and other symptoms, and are becoming increasingly aware of the need to prevent periodontal diseases and use toothpastes and toothbrushes that are effective in preventing these conditions. Also, since there is a general belief that toothpastes for the prevention of hypersensitivity are a special type and not for the general population, there may be many people who could benefit but are not using these types of toothpaste. With these consumers in mind, in fall 2012, Lion newly launched its *Dentor Systema Toothpaste Sensitive Care* under its *Dentor Systema* brand lineup of oral care products for consumers. This toothpaste applies Lion's periodontal pocket care technology and provides a practical way to prevent both stinging pain from hypersensitivity and periodontal disease as well as prevent gingivitis and periodontitis.

The introduction of *Dentor Systema Toothpaste Sensitive Care* has enabled Lion to win new customers among those consumers who still do not use toothpastes for combating painful hypersensitivity.

<sup>\*</sup> 2012 INTAGE Inc., SRI Survey



### Strategy in Fiscal 2013

During fiscal 2013, Lion will continue to prioritize activities aimed at adding new value to products in its two major oral care brand lines, *Clinica* and *Dentor Systema*. In the *Clinica* line, Lion introduced its *Clinica Advantage Toothbrush*, which will be a top-of-the-line, high-quality product featuring a thin head and a slender neck for reaching the back of the molars, which is a design recommended by dentists. To strengthen its brand positioning, Lion has launched this high-value-added toothbrush with an original shape that gives the feeling of more-effective brushing. In the *Dentor Systema* brand line, Lion will further promote sales of *Dentor Systema Toothpaste Sensitive Care* as well as other products to raise its position in the market for periodontal disease prevention.

## Beauty Care Business

Sales of newly introduced hand soaps were strong, but performance of antiperspirants was weak because of the effects of unseasonable weather. As a result, sales of this business were below the level of the previous fiscal year.

### Key Products Contributing to Performance in Fiscal 2012

#### Launching *KireiKirei* Medicated Foaming Hand Soap

Along with epidemics of the norovirus and influenza, the market for hand soaps is continuing to expand. Consumers, including not only children but the rest of the family as well, are shifting their support especially to foaming hand soaps, because of their ease of use. As a result, these foaming soaps now account for about 65% of the hand soap market.\*1 In addition, within this market segment, consumer interest in hand soaps with various fragrances is rising, and in line with this market trend, Lion launched additional new fragrances in September 2012, bringing the total fragrance lineup to three, while also introducing improved versions. Lion also offered limited edition sets comprising empty dispensers and refills as well as sets with full dispensers and refills have also been successful, and sales of these products increased over the previous year. To commemorate the 15th anniversary of the launching of the *KireiKirei* line of hand soaps, Lion held a special campaign, calling for consumers to submit their photos of “clean hands” and faces that had just been washed with *KireiKirei* hand soap. In total, about 20,000 photographs were collected, and these were used to make massive photo art panels, which were displayed in 14 major rail stations nationwide and on the Lion website.\*2

\*1 2012 INTAGE Inc., SRI Survey. On basis of retail sales

\*2 <http://kireikirei.lion.co.jp/ad/>

### Strategy in Fiscal 2013

In fiscal 2013, Lion launched *Ban Shower Deodorant*, an aqueous antiperspirant for the entire body that gives a “just showered” feeling. According to the results of Lion’s survey of working women in their 20s and 30s, about 80% said they use a deodorant in the mornings before going to work to control perspiration and odor as well as refresh them and “switch on” their minds. In addition, about 60% said they would like to take a shower in the morning but actually cannot because of “not enough time” and “it’s too much bother.” Lion has introduced *Ban Shower Deodorant* for working women to provide them with an antiperspirant that gives them a “just showered” feeling in the morning and enables them to refresh themselves and adopt a positive frame of mind as they tackle the challenges of the day ahead. Lion will continue to develop new market segments and encourage consumers to use existing deodorizing powders, sheets, and roll-on preparations at the appropriate times and on the appropriate occasions with the goal of revitalizing the market.



## Fabric Care Business

Liquid laundry detergents and fabric softeners with long-lasting fragrances showed robust performances in 2012, and sales in this business rose over the previous year.

### Key Products Contributing to Performance in 2012

#### Launching of TOP HYGIA

Consumer awareness of disease prevention and personal hygiene has risen in recent years as a consequence of an increase in the frequency of cases of influenza and the norovirus. Along with this growing awareness, consumers have recognized the value of personal hygiene in the laundering of clothing and have shown a desire for being relieved of their concerns\*<sup>1</sup> in this area. In view of this

trend, Lion has released TOP HYGIA, a super-concentrated liquid laundry detergent that offers the new "prevention concept"\*<sup>2</sup> to enhance the antibacterial\*<sup>3</sup> properties of laundry with each washing.

This effect has been achieved by a combination of positive-ion antibacterial ingredients and detergency that removes the protein-based grime that nurtures bacteria. As a result of the launching of TOP HYGIA, a new detergent category has been created

that offers "hygiene and relief" in addition to the existing categories of "enjoyment and happiness" (product groups that focus on fragrance and softness) and "cleanliness and refreshment" (products that focus on detergency). This category is winning new consumers. Sales of this product were 6% above initial plans, and are acting as a driving force in expanding the super-concentrated liquid laundry detergent market.

\*<sup>1</sup> According to Lion research

\*<sup>2</sup> The "prevention concept" is based on the idea of forestalling in advance the growth of bacteria and odor formation on clothing through detergency and antibacterial action.

\*<sup>3</sup> TOP HYGIA does not increase the effectiveness against all types of bacteria.



### Strategy in Fiscal 2013

During fiscal 2013, Lion will continue to aggressively launch products and invest in advertising activities in the field of super-concentrated liquid laundry detergents and fabric softeners with fragrance and deodorant. The aims of these activities will be to secure growth at a higher pace than the overall market and raise its market presence. In the field of super-concentrated liquid laundry detergents, Lion introduced a new version of TOP NANOX with improved detergency that achieves greater whiteness and better removes odors coming from sebum. Lion will work to win the No. 1 market share in this category with its lineup of TOP NANOX, TOP HYGIA, and Kaori Tsuzuku (Long-Lasting Fragrance) TOP plus. Among fabric softeners, Lion added Annie, a newly developed fragrance in the Kaori to Deodorant no SOFLAN (SOFLAN with Fragrance and Deodorant) Aroma Rich line to drive growth in the market for softeners of this type and win the No. 1 market share in this category.

## Living Care Business

Sales of Lion's new fogged type of fungicide for preventing growth of black mold in the bathroom were favorable, but performance of dishwashing detergents and cooking-aid products was weak, leading to sales below the previous year.

### Key Products Contributing to Performance in 2012

#### Lion's newly launched fungicide *LOOK Bath Antimold Fogger*

According to Lion's consumer research on household fungus growths, the biggest concern about cleaning the bathroom is mold. However, many consumers indicate dissatisfaction with the conventional chlorine-based mold cleaning agents because of their "strong smell" and "the inconvenience of having to use gloves." Consumers also feel that mold cleaning is burdensome, because mold grows again almost immediately, and thus causes consumers to be further dissatisfied with conventional mold removers. After reviewing these results, we concluded that stopping this endless and repetitious cleaning process is the key to satisfying consumers' potential needs.

To determine the basic reasons for the growth of black mold, we conducted a survey of the bathrooms of 25 typical households. This led us to discover that the cause of recurrence of mold growth was the black mold spores lurking on the ceiling. Based on this finding, we decided to apply Lion's fumigation technology because mold spores in the whole bathroom, including the ceiling, have to be eliminated. The key points about the new technology are that the fungicidal agent is delivered in the form of a "fog," and that silver ions were selected as the anti-mold agent because they are harmless to human beings.

As a consequence, Lion has made an important breakthrough in bathroom cleaning, shifting the focus from "removal of mold" to "prevention of mold growth from the spore stage." The creation of this new category of home cleaner has helped to revitalize the household bathroom cleaner market.



### Strategy in Fiscal 2013

Lion will continue to promote *LOOK Bath Antimold Fogger*, which was launched in September 2012, and effectively establish this new household cleaning style as "preventing the growth of mold." In addition, we will endeavor to win new customers for *LOOK Mame-Pika Toilet Cleaner* and establish an even stronger position for this product in the household cleaner market.

## Pharmaceutical Business

As a result of shrinkage in the OTC pharmaceutical market as a whole and the effects of more intense competition in the antipyretic analgesic field, sales in this business were below the level of the previous year.

### Key Products Contributing to Performance in Fiscal 2012

#### Launching *Sucrate Ichoyaku*

Because of the decline in recent years in the number of occasions when consumers drink alcoholic beverages, the number of people experiencing stomach discomfort and taking gastrointestinal agents for relief is also decreasing. On the other hand, the number of people experiencing stomach pain is on the rise. The causes of stomach pain include stress, overwork, and aging, and one direct cause of pain is irritation of the stomach lining.

Lion's research has indicated that people most frequently experience pain when their stomachs are empty, after waking up in the morning, and at other times, but, because of the stereotyped notion that medicines should be taken after meals, they may not seek medicinal relief at these times.

Lion's *Sucrate Ichoyaku* series contains the active ingredient sucralfate hydrate, which selectively adheres to and heals the inflamed stomach lining that is the cause of pain. Therefore, the less that the stomach contains, the more effectively *Sucrate Ichoyaku* can give relief to pain sufferers.

For the growing number of people experiencing stomach pain, in fall 2012, Lion introduced *Sucrate Ichoyaku* with a new package design and a new and clearer promotional message printed on the package: "*Sucrate Ichoyaku* goes directly to work on your pain at the source and is most effective when your stomach is empty or you are asleep." Sales of this preparation were favorable, and Lion exceeded its targeted market

share by winning new customers, expanding opportunities for potential customers to try *Sucrate Ichoyaku*, and increasing the number of stores

handling *Sucrate Ichoyaku* by capitalizing on the medicine's good reputation among retailers and wholesalers.



### Strategy in Fiscal 2013

In fiscal 2013, Lion will work to strengthen its core brands.

In the *BUFFERIN* brand lineup, Lion is making an even stronger appeal to *BUFFERIN*'s excellence as a preparation that satisfies the two major customer needs for analgesics—fast acting and easy on the stomach. Also, through expanded corporate initiatives, Lion aims to recapture the No. 1 market share in the antipyretic analgesic category. In the *Smile* eyedrop lineup, Lion has introduced high-value-added products for middle-aged and older persons and aim to fully consolidate its No. 1 position in this market segment. Also, in fall 2012, Lion introduced improved versions of its *Stoppa* and *Sucrate Ichoyaku* brands, *Stoppa EX Antidiarrheal* and *Sucrate Ichoyaku*. Lion has strengthened its promotional activities for these products to establish their unique position and further expand market share.

## Other Products

The Other Products business segment includes the goods-on-order business, which markets novelty items for corporations and gift items, the direct-to-consumer business, which sells functional food and other products through direct channels to consumers, and the pet supplies business.

## Direct-to-Consumer Business

### Performance in Fiscal 2012

Lion increased sales in the direct-to-consumer business. The number of customers who have tried *Nice rim essence Lactoferrin*, which provides support for healthy dieting practices, exceeded one million, and the number of regular purchasers of this product rose. Lion launched *Tomatosu + Milk Peptide Seikatsu*, which contains powdered tomato vinegar and *Milk Peptide*,\* in tablet form, which makes it easy, even for persons who dislike the taste of vinegar to enjoy the health advantages of this product. Thus, sales in the direct-to-consumer business expanded at double-digit rates. Total sales of this business were ¥9.7 billion for the fiscal year, almost attaining the target of the Medium-Term Management Plan of ¥10 billion set for fiscal 2014 ahead of schedule.

\* *Milk Peptide MKP* developed by Morinaga Milk Industry Co., Ltd.



### Strategy in Fiscal 2013

Lion will continue to make investments in the direct-to-consumer business, including advertisements on TV, in newspapers, and over the Internet, and endeavor to win new customers for *Nice rim essence Lactoferrin*, *Tomato Su Seikatsu*, *Denshichi Ninjin Shukan*, and other products. Lion will focus on developing and expanding sales of products that can become the second mainstay of this business following *Lactoferrin*.

## Pet Supplies Business

### Performance in Fiscal 2012

In the Japanese pet market, the market size for pet supplies decreased from the previous year because of low growth in the number of dogs and cats kept at home. In addition, the market structure has changed because of a number of trends, including purchasing smaller pets, an increase in the number of aging and obese pets, and raising pets indoors. In this market environment, Lion's cat litter showed favorable sales and maintained its No. 1 market share.\* Furthermore, Lion's pet sanitary sheets for dogs also posted good sales performance because of the launching of superior new products with high waste absorbency performance and the incorporation of deodorizing fragrance technology. As a result, sales of pet supplies were above those of the previous fiscal year.

### Strategy in Fiscal 2013

In line with the structural changes taking place in the pet supplies market, there is an ongoing trend toward providing high-value-added oral care and sanitary products for dogs. Lion is expanding the scope of its *Pet Kiss* brand lineup of oral care products as well as working to expand the market by proposing and raising awareness of its "One-Week Oral Care Program," which is recommended by veterinarians. Also, through expanding its offering of sanitary products for dogs, Lion is endeavoring to increase customer satisfaction.

\* 2012 INTAGE Inc., SRI Survey





## Industrial Products Business

Performance of detergents for institutional use and related products held firm. However, the Chemical Products Business experienced difficult operating conditions because of the stagnation in demand for chemicals and the decline in exports owing to the appreciation of the yen. Overall sales in the Industrial Products Business moved below the level of the previous year.

### Net Sales

**¥30.1 billion** (2.8% down)

Note: Sales of business segments exclude internal sales within and among segments.

### Operating Income

**¥0.3 billion** (16.0% down)

### Lines of Business

The Industrial Products Business comprises the Chemical Products Business, which includes surfactants, electro-conductive carbon black, and other products, and the detergents for institutional-use business, which markets various types of cleaning agents and hand soaps for use in the kitchens of hotels and restaurants.

### Industrial Products Business



Palm fatty acid ester-based insulating oil



Electro-conductive carbon black



Detergent for institutional use

## Chemical Products Business

### Market Environment and Performance in Fiscal 2012

During the year, this business worked to expand sales and raise profitability, principally in its three core areas—ester derivatives, electro-conductive carbon black, and industrial cleaners. However, performance was below the previous year because of stagnant industrial demand worldwide and shrinkage in exports due to the appreciation of the yen.

### Strategy in Fiscal 2013

To increase business scale and profit, this business will continue to prioritize resource allocation to its three core areas. In ester derivatives products, focus will be on high-value-added products, including plant-based insulating oils for transformer use. In electro-conductive carbon black products, efforts will be concentrated on rechargeable batteries for automobiles and electronic components. In industrial cleaners, marketing will focus on applications in automotive parts, where demand is firm, and on uses in IT and electronic components. Along with these domestic marketing activities, the Chemical Products Business is building production and marketing capabilities overseas, mainly in ASEAN countries. Also, as demand for recovery from the March 2011 earthquake rises, this business will expand sales to the civil engineering construction field, including agents for chemical admixture for soil foundations, as it also aggressively enters new environment and energy related markets.

## Detergents for Institutional-Use Business

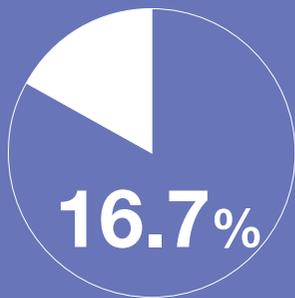
(Lion Hygiene Co., Ltd.)

### Market Environment and Performance in Fiscal 2012

Along with the decline in the rates of utilization of hotels and restaurants as well as the increasing emphasis on frugality, demand for cleaning services has also decreased. Sales of detergents for institutional dishwashing remained at the same level as during the previous year, and sales of detergents to the cleaning industry were above the previous year because of the cultivation of new customers. In addition, because of the unseasonably hot weather from the latter half of July onward and efforts to prevent cases of food poisoning, sales of clothing detergents, hand soaps, and alcohol were favorable, leading to an overall rise in sales of this business.

### Strategy in Fiscal 2013

Lion will work to expand sales of detergents for institutional dishwashing and for hotel linens by stepping up its marketing approach to develop customers among new restaurant and hotel chains. Lion will also strive to win potential customers among hospitals and homes for the elderly, where demand is expected to remain firm and where requirements for detergents are less influenced by fluctuations in the economy. Among product fields, sales activities will be reinforced for hand soaps and finger cleaners for which strong demand is anticipated along with the growing awareness of the importance of personal hygiene. Lion will also strengthen its sales approach for cleaners used in food product manufacturing plants.



## Overseas Business

Sales overseas rose above the previous year, driven by a favorable performance of detergents in Thailand and a substantial increase in sales of oral care products in China. Operating income exceeded the level of the preceding year as a result of more-efficient use of sales promotion expenses, reductions in costs, and other factors.

### Net Sales

**¥56.0 billion** (9.9% up)

Note: Sales of business segments exclude internal sales within and among segments.

### Operating Income

**¥1.4 billion** (85.0% up)

### Market Environment in Fiscal 2012

In the countries of Southeast Asia where Lion has a presence, demand for daily necessities, including oral care products and laundry detergents, is expanding along with growth in populations and incomes. Moreover, consumers are showing a growing preference for high-value-added products. Lion is also expanding its manufacturing facilities for the production of oral care products and laundry detergents, while working to capture demand by expanding the scope of its product lineup to cover the range from general to high-value-added products.

### Review of Fiscal 2012

During fiscal 2012, overseas sales and operating income showed almost double-digit growth. Lion launched products suited to the needs of individual countries and continued to expand its sales channels. In Thailand, sales of fabric care and living care products were favorable, and in China, sales of oral care products showed steady growth.

Under its strategy of “quantitative expansion of overseas business,” Lion worked to implement product policies and expand production facilities with the major goals of becoming “No. 1 in oral care” and “No. 1 in laundry detergents.”

Policies implemented to become No. 1 in oral care included strengthening the *Systema* brand and conducting activities to increase brand value. In Southeast Asia, Lion is launching high-value-added products to respond to the preferences of the growing middle-income classes, and, in Thailand, sales of newly introduced toothbrushes continued to be favorable. In Northeast Asia, Lion implemented measures to meet demand for oral care products that is rising along with the aging of the population, and sales in China expanded. In addition, to expand production capacity, Lion moved forward with the construction of new plants for oral care products in Thailand and China. The Thai plant will go into operation during 2013 and the plant in China in 2014.

To secure the No. 1 position in laundry detergents, Lion worked to achieve quantitative expansion in each of the countries overseas where it has a presence. In Malaysia, Lion maintained the top market share for laundry detergents\* and expanded production facilities for powdered detergents. In addition, to respond to the increase in the percentage of liquid detergents in the product mix in Southeast Asia, Lion launched high-value-added liquid detergents in Thailand. Also, in Hong Kong, Lion introduced super-concentrated liquid detergent *TOP NANOX* and seized the top share\* in the liquid detergent market.

\* Results of Lion's research

## Strategy for Fiscal 2013

In its overseas business, Lion will launch new products aggressively, make marketing investments, and undertake further investments in plants and equipment as it aims to become No. 1 in laundry detergents and oral care through double-digit growth. Lion will strive to secure a profitable business structure through the introduction of high-value-added products, focusing on toothpaste and toothbrushes in the *Systema* brand line, and through manufacturing and supplying products that are suited to its business strategy. In addition, in the laundry detergents business, Lion will develop products that are appropriate for differing apparel laundry customs and preferences in various countries, and endeavor to win the leading market share in both powdered and liquid detergents.

In the Philippines, where Lion entered into a joint venture, PEERLESS LION CORPORATION, last year, operations are scheduled to commence in 2013 in the oral care and shampoo products fields. Lion will continue to strengthen its overseas business operations by entering additional markets overseas where it does not currently have a presence. In parallel with this, Lion will expand its range of high-value-added products, along with the rise of the middle-income classes, and enter new fields.



**Kenjiro Kobayashi**

Director, Executive Officer, and  
Executive General Manager of  
International Division

Regional Reports

# Thailand



**Products**

Toothpaste, Toothbrushes  
Body soap  
Shampoo  
Laundry detergents  
Fabric softeners  
Dishwashing detergents  
Etc.

**Sales Growth Rate**

(Year on year, local currency basis)

**+13%**

### Market Environment and Performance in Fiscal 2012

Lion's sales in Thailand are the largest of any of its overseas markets and account for more than 50% of its consolidated overseas sales. In Thailand, sales of new products in the *Pao* brand lineup of laundry detergents during the year and sales of liquid detergents, which were introduced in 2011, were favorable. In addition, performances of newly introduced *Systema* toothbrushes and *Lipon* dishwashing detergent held strong. Also, Lion moved ahead with further market development by placing its products not only in large chain retail stores but also in smaller traditional trade stores. As a result of these initiatives, sales in Thailand showed double-digit growth.

### Strategy in Fiscal 2013

In the laundry detergent field, Lion will further develop sales of the high-value-added *Pao Silver Nano* Series, which was launched in the previous year and experienced favorable sales,



New oral care product facility in Thailand

as well as take further steps to nurture this product and other liquid detergents. In the oral care field, Lion will step up its investments in advertising for its *Systema Super Spiral* toothbrush, which was introduced last year, and, in the toothpaste field, Lion will further develop its products targeted at particular geographical regions. In 2013 also, Lion will secure growth and income through developing products targeted at particular price zones and geographical regions, by nurturing its core brands through its sales strategies and through the introduction of new, highly differentiated products.



*Pao*  
Laundry detergents



*Systema*  
Toothbrush



*Systema*  
Toothpaste



*Lipon*  
Dishwashing detergent

# South Korea



## Products

Toothpaste, Toothbrushes  
Hand soap  
Shampoo, Conditioner  
Laundry detergents  
Dishwashing detergents  
Etc.

## Sales Growth Rate

(Year on year, local currency basis)

+1%

### Market Environment and Performance in Fiscal 2012

In South Korea, Lion is developing its presence in the fields of laundry detergents, oral care, dishwashing detergents, hand soaps, and other fields. The market for daily necessities in South Korea showed a slight increase in sales value; however, within the laundry detergent market, the percentage accounted for by liquid laundry detergents expanded. Also, in the hand soap market, foam types showed increases in sales. Lion experienced tough operating conditions in the oral care and fabric care fields, but sales of *Ai-kekute* (sold under the brand name *KireiKirei* in Japan) hand soap grew at double-digit rates. As a result, sales in South Korea overall were above the previous year.

### Strategy in Fiscal 2013

In South Korea, Lion will give priority to enhancing profitability in existing businesses, while working primarily to nurture and strengthen the



Oral care advisory counter

*Systema* brand lineup in the oral care field. In the liquid laundry detergent market, Lion will launch a new product containing bleach, and strive to increase profitability through the development of high-value-added, high-margin products. At the same time, in the *Systema* oral care series, Lion will carry out measures to improve communication with consumers through its oral care advisory counter and other means to raise its presence in the market.



*Ai-kekute*  
Hand soap



*Cham Green*  
Dishwashing detergent



*Systema Sonic*  
Vibration Assist Toothbrush



*BEAT*  
Liquid laundry detergent

## Review of Operations

### Singapore



#### Products



Toothpaste, Toothbrushes  
Body soap  
Hand soap  
Laundry detergents  
Dishwashing detergents  
Etc.

#### Sales Growth Rate

(Year on year, local currency basis)

**+6%**

Sales performances of powdered *TOP* improved version and liquid *TOP* laundry detergents were favorable. In addition, in the beauty care field, Lion expanded its product offerings to include body soaps in the *Shokubutsu-Monogatari* brand and *KireiKirei* brand lines. Lion will continue to develop *TOP*, *Systema*, *Shokubutsu-Monogatari*, and *KireiKirei* as global brands.

### China



#### Products



Toothpaste, Toothbrushes  
Etc.

#### Sales Growth Rate

(Year on year, local currency basis)

**+13%**

In the oral care business, as a result of the addition of new products in the *Systema* toothbrush brand line as well as investments in advertising to increase the awareness of products in this lineup in priority cities and other activities, sales in China expanded substantially. After fall 2012 and the change in the situation in China, Lion's performance has been affected, but, overall, sales expanded 13% for the fiscal year. A new plant for increasing manufacturing capacity in oral care products is scheduled to go into operation in fiscal 2014.

### Taiwan



#### Products



Toothpaste, Toothbrushes  
Laundry detergents  
Body soap  
Etc.

#### Sales Growth Rate

(Year on year, local currency basis)

**-2%**

In the laundry detergent business, Lion launched a new, concentrated powdered detergent with long-lasting fragrances. Also, in the toothbrush area within the oral care field, Lion continued to run commercials advertising its *Systema* toothbrush, and sales remained favorable. Overall sales were virtually level with the previous year because of weakness in the fabric care field.

### Hong Kong



#### Products



Toothpaste, Toothbrushes  
Laundry detergents  
Etc.

#### Sales Growth Rate

(Year on year, local currency basis)

**+16%**

In the fabric care field, sales promotion activities for liquid detergents *TOP* and *NANOX* proved effective, bringing a favorable sales performance in comparison with the previous year. In addition, as a result of the launch of *NANOX*, Lion rose to the No. 1\*1 position in the liquid laundry detergent market. Sales of oral care products, including toothpastes and toothbrushes, continued to be favorable, and, as a consequence, overall sales in Hong Kong showed double-digit growth.

# Malaysia<sup>\*2</sup>



## Products

Toothpaste, Toothbrushes  
Body soap  
Shampoo  
Laundry detergents  
Etc.

## Sales Growth Rate

(Year on year, local currency basis)

+8%<sup>\*3</sup>

In the laundry detergent market, where Lion has the No. 1 market share,<sup>\*1</sup> sales of powdered and liquid *TOP* brand laundry detergents grew substantially over the previous year. In the oral care field, sales of *Systema* toothbrush and *Fresh & White* toothpaste as well as sales of *Shokubutsu-Monogatari Body Soap* were favorable. Going forward, Lion will continue to implement its strategy to remain the No. 1 company in the laundry detergent field and move ahead with activities to nurture its global brands in the oral care and beauty care fields.



Top



Bio Zip  
Laundry detergent

# Indonesia<sup>\*2</sup>



## Products

Toothpaste, Toothbrushes  
Shampoo  
Body soap  
Dishwashing detergents  
Etc.

## Sales Growth Rate

(Year on year, local currency basis)

+23%

As the market in Indonesia expands, Lion is increasing its investments in advertising for existing brands, and, as a result, sales of beauty care, oral care, and living care products held strong. In the beauty care business, sales of shampoo, which Lion has been advertising aggressively, expanded and the performance of skin care products introduced in fiscal 2011 has also been favorable.



ZINC  
Shampoo



Mama LEMON  
Dishwashing detergent



Ciptadent  
Toothpaste

\*1 Results of Lion's research

\*2 Company accounted for under the equity method

\*3 Excluding Lion Eco Chemicals Sdn. Bhd.