

Annual Report 2015

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Editorial Policy

This annual report has been prepared to assist shareholders, investors, and other stakeholders to better understand LION's financial information, including its management vision and performance, and its non-financial information, including its initiatives that contribute to society and the natural environment.

Website for Shareholders and Investors: <http://www.lion.co.jp/en/invest/>

CSR Website: <http://www.lion.co.jp/en/csr/>



Top Message

Under the new medium-term "V-2 Plan," Lion is stepping up its initiatives to create a strong earnings power.



Vision & Strategy



Business Review



Corporate Governance



CSR



Financial Review



The UN Global Compact (UNGC), in which Lion has participated since 2009, is a voluntary initiative of companies and organizations aiming at realizing ten principles relevant to the "protection of human rights," "exclusion of unfair labor practices," "environmental responses" and "anti-corruption." Lion is also a member of the Global Compact Network Japan (GCNJ), and participates in subcommittee activities on a regular basis in order to promote the CSR activities of the member companies.



Lion Corporation is a member of the FTSE4Good Index, an equity index series that is designed to facilitate investment in companies that meet globally recognised corporate responsibility standards.



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

Forward-Looking Statements

This annual report contains "forward-looking statements," including statements concerning the Company's outlook for fiscal 2016 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.

Financial Highlights

Net sales

378.6
billions of yen

Net sales rose ¥11.2 billion or 3% year on year. Sales of new products and high-value-added products were favorable.

Operating income

16.3
billions of yen

Major increase of 32% over the previous fiscal year.

Net income per share

39.35 yen



Free cash flow

28.5
billions of yen



ROE

8.5%

ROA

6.4%

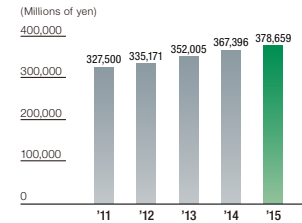
Return on equity and Return on assets increased.

Cash dividends per share

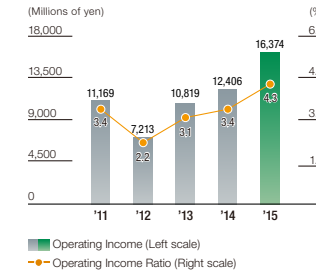
10 yen

PROFITABILITY

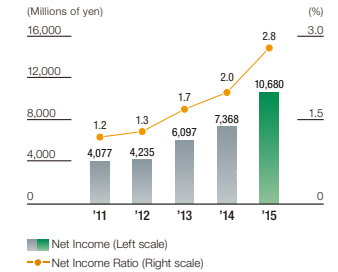
Net Sales



Operating Income/
Operating Income Ratio

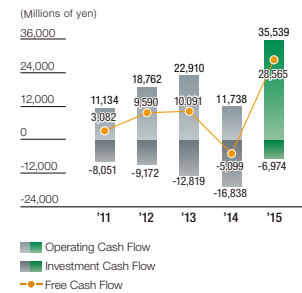


Net Income/
Net Income Ratio

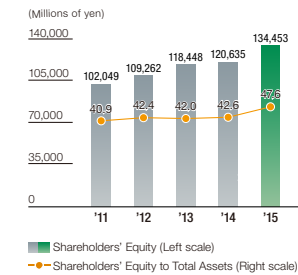


SOUNDNESS

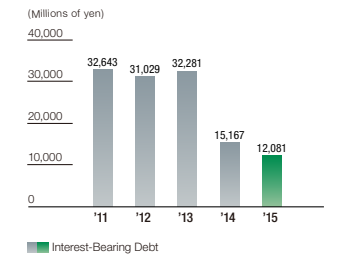
Operating Cash Flow/
Investment Cash Flow/
Free Cash Flow



Shareholders' Equity/
Shareholders' Equity to Total Assets

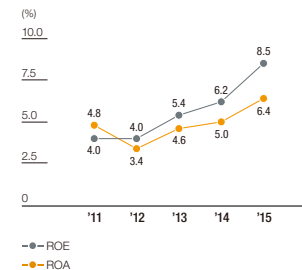


Interest-Bearing Debt

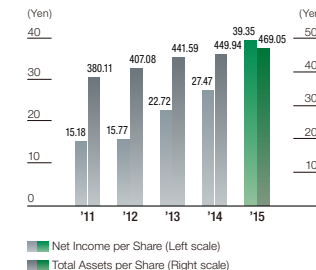


EFFICIENCY

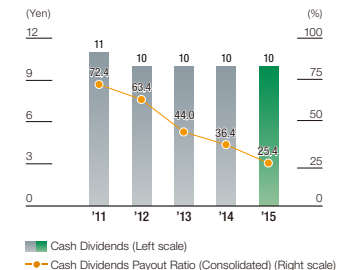
ROE/ROA



Net Income per Share/
Total Assets per Share



Cash Dividends/
Cash Dividends Payout Ratio
(Consolidated)

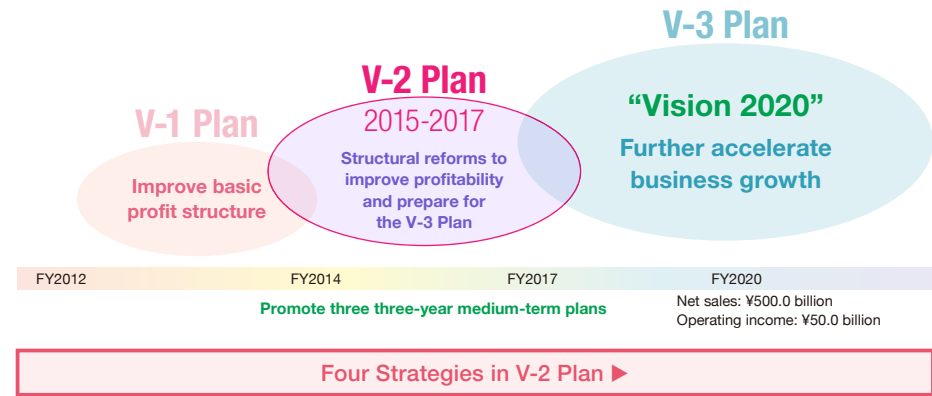


* The cash dividend of ¥11 for 2011 includes a ¥1 dividend to commemorate the Company's 120th anniversary.

Vision & Strategy

Vision 2020 Achieving the Vision

To attain the objectives of "Vision 2020," which outlines the ideal Lion Corporation in 2020, Lion began to implement its medium-term management plan in 2012 in three stages.



Vision & Strategy



| Business Fields | Vision & Strategy | | Our Focus |
|--|--|--|--|
| <p>Lion offers products and services that are useful for people's daily lives in the three business domains of "health," "comfort," and "environment" with the aims of contributing to individual life "today" for everyone with a view to future value.</p> | <p>Today, the views of consumers related about livelihood and health are undergoing qualitative transformation. Rather than being concerned simply about treating their illnesses and living a long life, consumers are now showing more concern about living comfortable and fulfilling lifestyles. Moreover, with the explosion in the</p> | <p>world's population on the horizon, people are paying more attention than before to the sustainability of growth in society. Another way of thinking that is changing is that we are moving from a zero-sum competitive society, where everyone wants to seize a piece of the pie, to a more collaborative plus-sum society where people</p> | <p>are seeking to create and expand value in society as a whole.</p> <p>With an awareness of these changes in society, Lion has prepared its management vision, entitled "Vision 2020," which sets forth Lion's ideal and basic strategies of how its activities will unfold between now and 2020.</p> |
| <p>Health</p> <p>Comfort</p> <p>Environment</p> | <p>Management Vision: The Ideal Lion Corporation in Fiscal 2020</p> <p>In the midst of these social changes, Lion has established three visions that it will contribute to realizing through the year 2020. These are</p> | <p>Health, Comfort, and Environment. Lion will strive to....</p> <ul style="list-style-type: none"> • Be a company that creates value for lifestyle and spiritual fulfillment | <p>To implement these four strategies, Lion is endeavoring to innovate in three areas.</p> |
| | <p>The Ideal Lion Corporation in Fiscal 2020</p> <p>A company that creates value for lifestyle and spiritual fulfillment long into the future by consistently safeguarding health, comfort, and the environment for people each and every day</p> | <p>Strategy</p> <p>To realize the three visions of Vision 2020, Lion is continuing to pursue four strategic activities.</p> <p>Quantitative Growth of Domestic Businesses—Cultivate Leading Brands Nurture corporate brands that will be supported by consumers and business partners and work to increase corporate value</p> <p>Quantitative Expansion of Overseas Businesses—Establish Business Leadership in Asia In Asia, where economic growth and rising standards of living are expected, Lion will actively expand its business activities.</p> <p>Development of New Business Value—Develop Direct & Service Business Models Along with implementing growth strategies in its current businesses, Lion is taking initiatives to develop and expand new businesses.</p> <p>Enhancement of Organizational Learning Capabilities—Rejuvenate the Organization and Nurture Human Resources Lion will not confine itself to existing frameworks but will boldly take on the challenges of the future and aim to be an organization that continues to learn organically of its own accord.</p> | <p>Life Innovation Create value that contributes to human well-being, the quality of life, and spiritual health Lion will make proposals for products and services that make lives today better and help to create a fulfilling future for all our life stages and lifestyles by new discoveries in life sciences and family and consumer sciences.</p> <p>Green Innovation Create value that contributes to the sustainable society Lion will substantially increase its environmental responsiveness in its existing businesses and endeavor to contribute to the realization of recycling-based societies, low-carbon economies, and symbiosis with the nature by new discoveries.</p> <p>Knowledge Innovation Create organizational power that gives birth to new value Cultivate a high-performance organization that has the capability of creating new value through nurturing human resources and innovating in business processes.</p> |
| | | <p>• Be a company that is advanced in the area of environmental responsiveness</p> <p>• Be a company that continues to take on challenges, create and learn</p> | <p>Create Value + Transmit Value</p> |

Creating value to enhance people's lifestyles

Vision & Strategy

Four Strategies in V-2 Plan

Under the V-2 Plan, from 2015 to 2017, Lion is giving highest priority to increasing profitability, and is implementing four strategies: “Qualitative Growth of Domestic Businesses,” “Quantitative Growth of Overseas Businesses,” “Development of New Business Value,” and “Enhancement of Organizational Learning Capabilities.”

Strategy 1: Qualitative Growth of Domestic Businesses

Lion is working to establish an even stronger earnings base in its domestic business activities.

In its Consumer Products Business, Lion is focusing on working to nurture its principal business fields and brands and on developing high-value-added products and items that create new markets. In addition, Lion is reviewing its production and supply systems and taking initiatives in increasing the efficiency of its assets.

In its Chemical Products Business within its Industrial Products Business, Lion is endeavoring to increase its profitability by offering new business value through making use of and combining technology seeds and ideas. Also, in its detergents for institutional use businesses, Lion will work to attain further growth by providing solutions for securing “safe and sanitary” environments.

Strategy 2: Quantitative Expansion of Overseas Businesses

In overseas businesses, Lion is endeavoring to strengthen its presence in Asia and build a stronger earnings base to achieve growth accompanied by profitability. With this objective, Lion is nurturing its global brands and broadening its lineup of high-value-added personal care products while encouraging close collaboration within the Lion Group, and aiming to realize Group synergies.

Strategy 3: Development of New Business Value

To develop new business value, Lion will work to create future earnings generators.

In its Direct-to-Consumer Business, to expand the sales of these activities, Lion is working to develop products to follow *Nice rim essence Lactoferrin*, which is the current mainstay product in this business, and is taking initiatives to increase efficiency.

Also, drawing on its management resources, Lion is searching for additional business opportunities in new business domains.

Strategy 4: Enhancement of Organizational Learning Capabilities

To enhance organizational learning capabilities, Lion is endeavoring to create working environments where a diversity of human resources can work and, thereby, encourage the development of a corporate culture where personnel are motivated to take up challenges.

Moreover, we want to further develop two-way communication with consumers, enhance the sophistication of marketing, and realize the development of products that reflect an understanding of consumer needs.

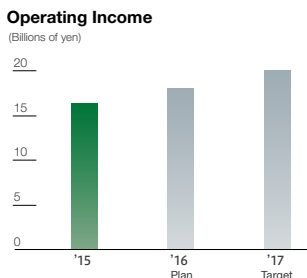
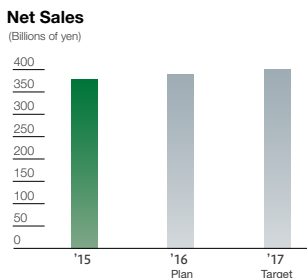
Consolidated Performance Target

Changing the earnings structure to achieve an operating income to sales ratio of 5%

Under the V-2 Plan, Lion will accelerate reforms in its earnings structure, based on the improvements in earnings under the V-1 Plan, to realize improvements in earnings power.

| Income targets | | | Financial data | |
|-------------------|--------|------------------|----------------|-------------|
| (Billions of yen) | FY2017 | Percent of total | ROE | 10% |
| Net sales | 400 | 100.0% | BEP | 90% or less |
| Operating income | 20 | 5.0% | | |
| Ordinary income | 22 | 5.5% | | |
| Net income | 12 | 3.0% | | |

Progress under the V-2 Plan



Top Message



1. Fiscal 2015 was the first year of Lion's V-2 Plan medium-term plan (Vision 2020, Part-2) and performance was favorable. Do you sense that you made progress toward your objectives?



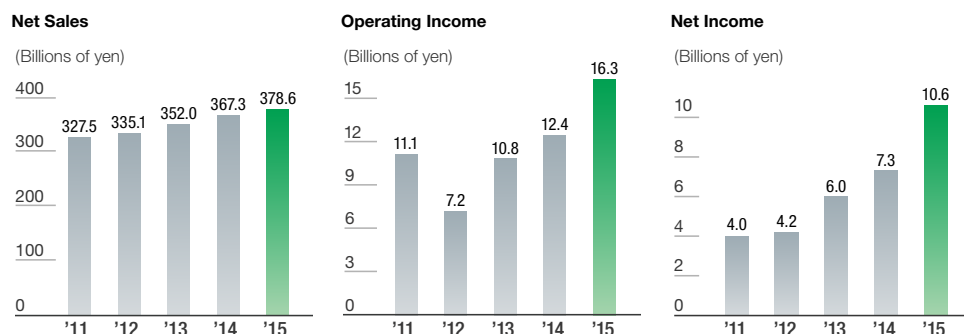
During the fiscal year under review, there were short-term instabilities related to the slowdown in the Chinese economy, unstable conditions in Europe, prospects for an increase in interest rates in the United States and other factors, but markets where Lion has a presence held firm in Japan and overseas. In fact, at the end of the day, we revised our performance forecasts upward twice during the year. This and other factors led me to conclude that Lion's progress in the first year of the V-2 Plan toward attaining the highest priority goal of increasing profitability was fully satisfactory.

Factors driving this performance included the increase in sales of high-value-added products in Japan and a rise in the percentage of overseas sales accounted for by the personal care field. Both of these favorable developments moved us toward a higher margin product mix. During the fiscal year under review, to achieve qualitative growth in our domestic business operations, we are working to allocate

Top Message

promotional expenditures more efficiently, while, at the same time, increasing our advertising expenses in Japan and overseas, and making marketing investments to enhance brand value of Lion's products. Raw material costs decreased more than expected during the fiscal year, and, while that was an external factor, it also contributed to profitability.

In addition, through structural reforms and progress in enhancing our marketing activities, we are making headway toward improving profitability by creating an earnings structure that will not be influenced by trends in the external environment. I visit about 20 office locations each year to verify whether our strategies are being implemented, and my feeling is that the morale of our personnel at the working level is becoming more and more favorable.



2. Regarding Lion's four basic strategies, what were your specific accomplishments in the first year and what issues are left to be addressed?



Domestically, in Lion's Consumer Products Business, as unit prices were on a rising trend, in the oral care, OTC pharmaceutical, detergents for dishwashing, and other fields, performance of high-value-added products was favorable. Especially in the oral care field, sales of high-priced toothpaste and toothbrushes expanded, and Lion was able to secure growth in sales in this business higher than the expansion in the market as a whole. Additionally, mainly in the pharmaceutical business, Lion was successful in capturing demand generated by tourists visiting Japan from overseas. As a result of growth in high-value-added products, the sales mix changed, and profit margins rose. In the Direct-to-Consumer Business, beginning at the end of June 2015, Lion launched an improved version of *Nicerim essence Lactoferrin*, which is now classified as a Food with Function Claims. Under this new labeling system, it is possible to prepare more easily

understandable labels and product information that are based on scientific and other evidence to emphasize the appealing points of functional products. Thereafter, from July onward, sales expanded at double-digit rates over the previous year. Going forward, Lion will pursue the further development of this business by addressing the issue of expanding its share in priority markets.

In the Industrial Products Business, which includes the Chemical Products Business and the Detergent for Institutional Use Business, Lion realigned and integrated its three Group companies in the Chemical Products Business into a single, newly established company. As a result of this integration, management functions are becoming stronger and efficiency is improving. Moreover, Lion refocused the business of the new company on the automotive, electrical and electronics, environmental and infrastructure, and lifestyle-related industries. At the same time, Lion is working to strengthen its operating and marketing systems by concentrating attention on priority customers in Japan and overseas. In the detergent for institutional use business, in addition to the previous approach of focusing on selling detergent products, Lion has positioned the sanitary and hygiene management field as a new growth business, and, by introducing highly advanced and differentiated products, it is endeavoring to expand into this business domain. In the Industrial Products Business, especially accompanying structural reforms in the Chemical Products Business, Lion has identified the stabilization of this business at an early date and is proceeding with the implementation of growth strategies as important issues. Accordingly, Lion is accelerating activities to consolidate a firm business base.

In Overseas Business, Lion has been able to show growth in its principal markets of Thailand, South Korea, and China at higher rates than that of GDP in these countries. In Asia, which is the focus of Lion's overseas business activities, the health care market is expanding against a background of growth in demand among the middle-income classes and the demographic aging of the population. Within this operating environment, Lion has been able to satisfy the steady need for high-value-added products and personal care. In major countries, Lion is implementing measures suited to individual markets. This approach has resulted in growth in oral care in Thailand, growth in beauty care in South Korea, expansion in e-commerce in China, and a resulting improvement in profitability. In addition, Lion has engaged in aggressive structural reform initiatives, including launching a new subsidiary in Taiwan to expand marketing capabilities and, in Malaysia, has repositioned an affiliated company, formerly accounted for by the equity method, as a consolidated subsidiary. Looking ahead, as Lion works to achieve growth accompanied by profitability, it will take initiatives to address the issues of raising Lion's market position and expanding its presence in overseas markets.

Q 3. What is your outlook for the second year of the V-2 Plan that will end in December 2016? What will be your priority measures during this year?

A For the current fiscal year, ending in December 2016, we have set the highest targets in Lion's history: ¥390 billion in consolidated net sales (a year-on-year increase of ¥11.3 billion) and ¥18.0 billion in operating income (representing a return on sales ratio of 4.6%). However, we have not positioned these targets as final goals. We want to set even higher goals for fiscal 2017 and thereafter in our medium-term plan and, accordingly, have positioned this year as a time for implementing measures for further expansion.



Next fiscal year, with the aim of ultimately reaching objectives in fiscal 2017 and later years, Lion will focus on oral care and laundry detergents, its principal markets and areas of competition, and concentrate its efforts on expanding its market share and promoting the enlargement of the overall market. Moreover, in the Direct-to-Consumer Business, Lion has launched its Wellness Direct Division and, to achieve additional growth, will focus on expanding sales of products classified as Foods with Function Claims and broaden its lineup of new items.

In Overseas Business, Lion will make aggressive marketing investments in Northeast Asia to increase its brand power. In the rapidly growing Chinese market, Lion will aim for further expansion of e-commerce sales. In Southeast Asia, Lion will work to expand sales of its *KODOMO* brand lineup of products for children into additional countries and geographical areas to expand its presence in the personal care market. Lion will also take the formation of the ASEAN Economic Community (AEC), which was established at the end of fiscal 2015, as a good opportunity to implement other measures and increase exports to neighboring countries in the region.

Q 4. What risks do you think you will encounter in implementing your priority measures?

A One factor I can cite is the risk presented by trends in overseas economies. This is because we procure raw materials from overseas sources and we are placing emphasis on developing our overseas business activities. Many uncertainties still remain, including, especially, the impact of trends in the Chinese economy on related markets, the effects of increases in U.S. interest rates, the depreciation of major currencies, and the impact of macroeconomic trends. All of these factors may influence Lion's performance.

Although these external factors exist, Lion is moving ahead with its activities to increase its profitability and strengthen its business and financial positions. These measures have the objective of creating an earnings structure that will not be influenced by these individual external trends.

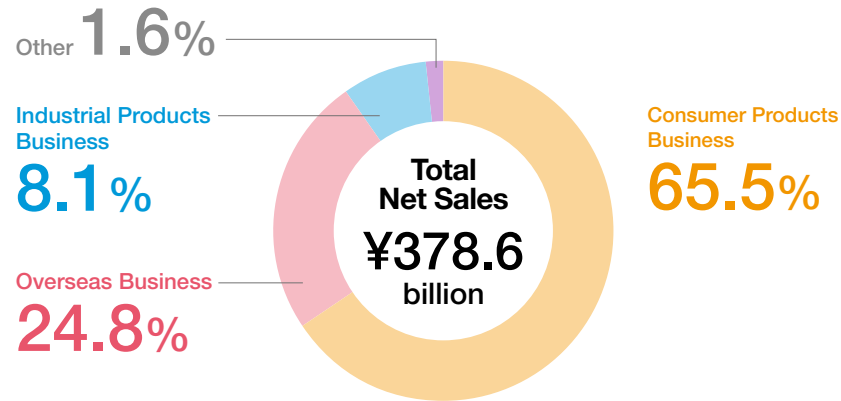
Q 5. What will be your policy for providing a return to shareholders, and what will be your initiatives in this area?

A Providing continuing stable dividends is the basis for our policy of providing a return to shareholders, and this will not change. With that as a basis, we are considering enhancing the return to shareholders, while giving due regard to the need for retaining earnings and progress toward our goal of raising profitability. In fiscal 2016 we are scheduled to increase our annual dividend per share by ¥1, bringing the annual dividend to ¥11 per share.

March 2016

Itsuo Hama
Representative Director and President

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
¥247.9 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



Beauty Care Business

Liquid hand soaps, Antiperspirants



Fabric Care Business

Laundry detergents, Bleach, Fabric softeners



Living Care Business

Dishwashing detergents, Household cleaners, Cooking-aid products



Pharmaceutical Business

Analgesics, Eyedrops, Tonics, Insecticides



Other

Functional food products, Gift products, Pet supplies



Industrial Products Business

Net Sales
¥30.8 billion

Sales to outside parties

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.

Chemical Products Business

Automotive Business



Lifestyle related Industry Business



Electrical and Electronics Business



Energy, Environmental & Infrastructure Business



Detergents for Institutional Use Business



Overseas Business

Net Sales
¥93.9 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
¥5.9 billion

Sales to outside parties

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.

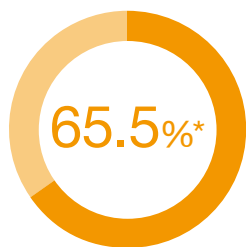
Business Review

Consumer Products Business

In the Consumer Products Business, sales declined because of the reactionary drop in spending that followed the surge in demand prior to Japan's consumption tax hike in 2014.

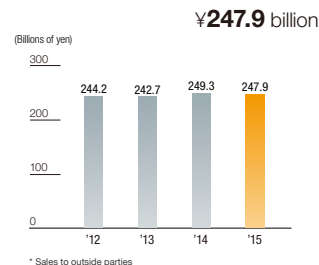
However, in the oral care and pharmaceutical

fields, due to the shift toward value-added products, Lion's component ratio of high-margin products has improved. As a result, profitability rose, and major gains were reported in operating income.



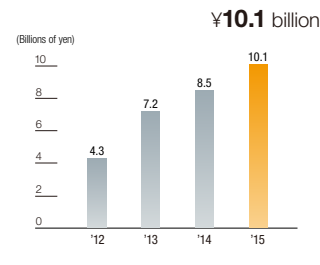
* % of consolidated net sales
* Sales to outside parties

Net Sales



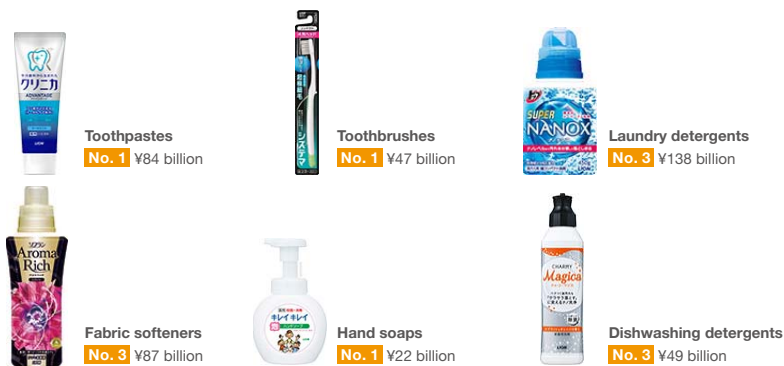
* Sales to outside parties

Operating Income



Market Position of Products in Japan

Lion's major product fields and 2015 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 2015, on the basis of sales amount.

Market Environment and Review of Performance in 2015

In the markets where Lion has a presence, in 2015, there was some impact from the reaction to the surge in demand prior to the consumption tax increase, and sales in unit volume terms were at

approximately the same level as in the previous year. As a result of the continuing shift to value-added products, the rise in unit prices continued, and sales in monetary terms were up 3% above the previous year. Inbound market demand (generated by tourists visiting Japan) helped to stimulate overall demand and revitalize this market.

Under Lion's V-2 Plan, the theme with highest priority is increasing profitability. Accordingly, Lion launched high-valued-added products in growing markets as well as products aimed at creating new markets with the goal of raising profitability.

In the oral care products field, sales of value-added and new products, including *SYSTEMA Haguki (the Gums) Plus Toothpaste*, *Between Zeitaku Care Toothbrush*, *SYSTEMA Arch Fit Toothbrush*, and other products were favorable. Lion's growth rate in sales was greater than that of the market as a whole and contributed to market expansion. In the pharmaceutical products business, as a result of continued activities to nurture high-value-added items, sales of such products, including antipyretic analgesic *BUFFERIN PREMIUM*, *Smile40 Premium* eyedrops, and other items reported double-digit growth, and Lion was able to realize increases in unit prices. In addition, inbound market demand resulted in major growth in external medications for treating acne, elastic pads for cooling the legs, and other items. In the direct-to-consumer business, Lion strengthened its position by making an

accurate response to the new *Foods with Function Claims* system in the marketing of *Nice rim essence Lactoferrin* and through launching of new products.

Strategy in Fiscal 2016

During 2016, Lion is continuing to work to increase its profitability and is aiming to raise its position in major markets, including oral care and fabric care. In the oral care field, Lion is the No. 1* manufacturer in Japan and is working to further strengthen the position of its *CLINICA* brand lineup. In addition, in the laundry detergents field, Lion newly launched *TOP SUPER NANOX* and will step up its marketing initiatives in the super-concentrated liquid detergents business. Activities to increase Lion's market share and raise profitability will include strengthening Lion's in-store promotion programs and securing additional consumers to try Lion products, while also working to encourage the shift to super-concentrated liquid detergents.

* INTAGE Inc., SRI survey of the oral care market (covering toothpastes, toothbrushes, dental rinses, and other dental products). Accumulated sales from January to December 2015.

Oral Care Business

Sales in this business expanded as a result of growth due to new product launches in the *CLINICA* and *SYSTEMA* brand lines of oral care products and expansion in sales of high-value-added items in the toothbrush lineup. Sales in this business as a whole exceeded those of the previous year.



A Review of 2015 and Products that Contributed to Performance

CLINICA and SYSTEMA Brand Line

In 2015, Lion continued to place emphasis on the further development of the *CLINICA* and *SYSTEMA* brand lines and worked to further consolidate its position as the number one company in oral care in Japan*.

In 2014, Lion proclaimed the *CLINICA* brand lineup as the focus of its preventive dentistry products and rebranded its offerings of toothpastes, toothbrushes, mouthwashes, and other oral care products. In 2015, Lion went on to launch

CLINICA ADVANTAGE Dental Gel and *CLINICA ADVANTAGE Dental Tuft* and is positioning *CLINICA* as the only brand for preventive dentistry that provides a wide range of information to users. As a consequence, the image of "CLINICA = preventive dentistry" became fixed in users' minds, and the number of persons using several *CLINICA* items and practicing "preventive dentistry" is increasing.



Business Review

In the SYSTEMA brand line, Lion newly launched the SYSTEMA Arch Fit Toothbrush and Haguki (the Gums) Plus Toothbrush series.



As a result of these various developments, sales of CLINICA brand products and SYSTEMA brand items grew 108%* and 112%*, respectively, and exceeded the rate of growth in the overall oral care market, thereby helping to expand the market.

* INTAGE Inc., SRI survey of the oral care market (covering toothpastes, toothbrushes, dental rinses, and other dental products). Accumulated sales amount from January through December 2015.

Strategy in Fiscal 2016

In the CLINICA lineup, to make these preventive dentistry activities even easier for users, Lion has added new ingredients to products in the CLINICA ADVANTAGE Toothpaste line and introduced this improved version as the total care

toothpaste for use in preventive dentistry. Moreover, since one of the points in preventive dentistry is to reduce bacteria growth, Lion launched CLINICA ADVANTAGE Dental Rinse as another item in the CLINICA brand line with ingredients that, if used before bedtime, provide an antibacterial coat on the teeth that lasts until morning and, thereby, helps to prevent cavities.



In the SYSTEMA brand line, Lion continued to develop the SYSTEMA Haguki (the Gums) Plus series, which was introduced in 2015, to enable users to take proper care of the periodontal pocket.

In 2016 also, Lion will continue to step up its development of the CLINICA and SYSTEMA series with a focus on value added to further consolidate its number one position in the oral care market.

Beauty Care Business

Among hand soaps, sales of foaming types held firm and, in the antiperspirant business, newly introduced roll-on type products performed favorably. However, sales of this business as a whole were approximately level with the previous year.



A Review of 2015 and Products that Contributed to Performance

In the Beauty Care Business in 2015, Lion worked to expand sales of KireiKirei hand soap products and Ban antiperspirant brand lines at rates above growth in the market and expand market share.

Ban Sweat-Blocking Roll-On

Ban Sweat-Blocking Roll-on suppresses underarm perspiration and relieves users of worry about sweat stains. Users highly evaluated this new product because it appeals to consumers' sense of sight and feels good when applied due to incorporation of Lion's original technologies. In February 2015, Lion introduced a new soap scented Ban that attracted new users. Ban is used not only in the summertime but for other seasons as well, and the accumulated total of units sold exceeded five million at the end of May

2015. By the end of 2015, this total had climbed to 5.7 million. As a result of the hit performance of the Ban brand lineup, other companies also launched products that appealed to the absence of underarm perspiration stains, and a special category of underarm sweat solutions was added in the antiperspirant market. In 2015, total annual market sales in this category expanded 142%*, and this favorable performance boosted overall growth in the market for directly applied antiperspirants to 14%**.



*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 2015.

**2 Including roll-on, stick, cream, and gel products (excluding products for men).

Strategy in Fiscal 2016

Growth in the market for hand soap is led by foaming hand soap products and expansion is continuing. With the appearance of new types of viruses, consumers have become more aware of the need for hygiene, and the number of times people wash their hands is increasing (from 6.0 times per day in 2008 to 7.4 times in 2014). With these developments as a background, further growth in this market is forecast. Lion focused on the finding that users of foaming-type hand soaps were concerned about bacteria growing on the dispenser pump head*. As a result, Lion became the first company** in the hand soap market to adopt a pump head** that is bacteria resistant and prevents bacterial growth and Lion newly launched KireiKirei Foaming Hand Soap dispensers with this feature, aiming at capturing the number one market share in the foaming-type hand soap market.



about perspiration stains. Through the further development of its product lineup, Lion is working to expand the market for direct application type antiperspirants.

In 2016, Lion will continue to aim for growth in the KireiKirei and Ban brand lines that exceeds overall market expansion and raise its market share.

*1 Results of Lion research

**2 Among products registered with the Society of Industrial Technology for Antimicrobial Articles (SIAA) as of November 2015

**3 Restrains growth of bacteria on the pump head

Fabric Care Business

Sales of laundry detergents decreased from the previous year because of the shrinkage in the market for powdered laundry detergents. In the fabric softeners business, sales of softeners with long-lasting fragrances and those with fragrances and deodorizing properties continued to be favorable, but overall sales of this business were below the previous year.



A Review of 2015 and Products that Contributed to Performance

SOFLAN Aroma Rich

In fiscal 2015, Lion continued to invest in the marketing of super-concentrated liquid laundry detergents and fabric softeners with long-lasting fragrances as well as those with fragrances and deodorants, which are on an expansionary trend, and worked to attain growth that exceeded the rate of expansion of the market.



The fabric softener market as a whole continued to expand, rising 4%* over the previous year during the fiscal year under review. Within this market, sales of softeners with long-lasting fragrances** that are emitted distinctly as long as the apparel is worn are expanding, and showed year-over

year growth of 6%. Since many users of softeners with long-lasting fragrances add softeners each time they wash their clothes and use two or more types of softeners, per capita purchases are rising. As a result, the market for softeners with long-lasting fragrances is forecast to expand.

Business Review

Responding to user needs, Lion introduced an improved version of *SOFLAN Aroma Rich* in October 2015 with a selection of new fragrances. Sales of this brand expanded 16%*¹ over the previous year, substantially higher than growth in the overall market, thus becoming a market driver.

*1 INTAGE Inc., SRI survey of the fabric softener market. Accumulated sales amount from January through December 2015, compared with the previous year.

*2 Softeners with long-lasting fragrances is according to Lion's classification, *SOFLAN Aroma Rich*, etc.

Strategy in Fiscal 2016

In the laundry detergent market, sales have expanded 10%*³ over the past five years, driven by the sales of super-concentrated liquid detergents which have expanded 2.27 times over the same period. Going forward, for the laundry detergent market where growth is expected to continue, in February 2016, Lion launched a new product, *TOP*

SUPER NANOX. Lion has developed Super-Nano-Washing technology, which has greatly increased detergency against sebum, and this technology was adopted for use in *TOP SUPER NANOX*.



In 2016 also, Lion will continue to invest in the market for super-concentrated liquid detergents and endeavor to exceed the rate of overall market growth and, thereby, expand its market.

*3 INTAGE Inc., SRI survey of the laundry detergent and fabric softeners market, super-concentrated liquid detergents (as defined by Lion). Comparison of accumulated sales amount from January through December in 2010 and in 2015.

Living Care Business

Sales of household cleaners were below the level of the previous year, but among detergents for dishwashing, sales of newly introduced dishwashing detergents *CHARMY Magica* and automatic dishwashing detergents were favorable, and overall sales in this business rose above the previous year's level.



A Review of 2015 and Products that Contributed to Performance

CHARMY Magica

During 2015, Lion aimed at recovering its market position in dishwashing detergents and revitalizing the market.

The market for dishwashing detergents continued to be stagnant, but Lion focused on the market need for "even quicker, more effective cleanup," and newly launched *CHARMY Magica* (hereinafter, *Magica*), which makes grease slide off dishes like water and gives users the feeling of a high level of detergency power. The quality of *Magica* is receiving the support of consumers, and, as a result, repeat purchase ratios of this product are higher than for previous products, and sales of refills increased, bringing sales growth of 29%*¹ over the previous year. As a consequence of the launching of *Magica*, the market for dishwashing detergents has been revitalized, with overall market sales growth of 5%*².

*1 INTAGE Inc., SRI survey of the dishwashing detergents market. Accumulated sales from January to December 2015. Comparison with Lion's *Awa no Chikara (Power of Suds)* detergent, accumulated from January to December 2014.

*2 INTAGE Inc., SRI survey of the dishwashing detergents market. Accumulated sales from January to December 2015



Strategy in Fiscal 2016

In 2016, Lion will continue to recover its position in the market for dishwashing detergents and continue to develop high-value-added products. For dishwashing detergent *Magica*, Lion will raise user awareness of its merits and value and increase the number of users by expanding the lineup of *Magica* products. Lion will secure more users who are

interested in antibacterial effectiveness by offerings of products with antibacterial power through adding *CHARMY Magica Antibacterial + (Plus)*. For the increasing needs of users preferring unscented dishwashing detergents, Lion has added *CHARMY Magica Unscented*, which is the only unscented detergent formula in the dishwashing detergent market in Japan*³, thereby pioneering in offering this unscented product. By adding these two detergents to the product lineup to satisfy users' needs, Lion will continue to develop the *Magica* lineup and

enhance the profitability of the product mix.

*3 Lion research on INTAGE Inc., SRI monthly surveys from December 2014 to November 2015 on whether products (excluding private brand labels) with annual sales of ¥10 million or higher have or do not have "unscented" in their names



Pharmaceutical Business

Sales of high-value-added items, such as antipyretic analgesic *BUFFERIN PREMIUM* and *Smile40 Premium* eyedrops, grew at double-digit rates, and the average price per item increased. Lion was also active in capturing demand from foreign visitors to Japan (in-bound demand). As a result of these and other factors, overall sales in this business rose above the previous year, resulting in higher growth rates than in the previous year in both market segments where Lion has a presence.



A Review of 2015 and Products that Contributed to Performance

In 2015 in the Pharmaceutical Business, Lion continued to strengthen its lineup of high-value-added antipyretic analgesics and eyedrops and worked to substantially strengthen its business base.

Smile40 Premium

Smile40 Premium eyedrops, which are targeted at relieving eye fatigue due to aging and overuse of the eyes, are sold at ¥1,400 or higher per bottle in the middle-age to senior market segment, compared to an overall average market price of about ¥400*¹. Despite this price gap, sales of *Smile40 Premium* expanded 31% year on year in 2015. Lion promoted the understanding of the special features of *Smile40 Premium* eyedrops through various communication activities, including newspaper advertising, point-of-purchase (POP) promotions, and through seminars aimed at retail stores that are in direct contact with our customers. In addition, Lion created package designs that show clearly the features of *Smile40 Premium* at a glance. These various

promotional activities met with a favorable response from middle-age individuals to seniors, thus leading to favorable sales performance.

The middle-age to senior segment of the eyedrop market, where sales had been stagnant, expanded after Lion launched this product in 2013, and sales expanded 10% year on year in 2015*², thus leading to expansion in the market.

*1 The eyedrop market segment is categorized by the following: (1) Product concepts, such as "a product for use by middle-aged to seniors," are clearly defined and, (2) Product names include a number specifying the target consumer age category (e.g., "40"), or the products' attractive points, including phrases that indicate the targeted consumers' age, such as "aged," "elderly," and "beyond adolescence."

*2 INTAGE Inc., SDI survey of the eyedrops market. Accumulated sales from January through December 2015, compared with the previous year.

Strategy in Fiscal 2016

Lion will work to substantially strengthen and consolidate its business base in the antipyretic analgesics and high-value-added eyedrops markets in 2016.



Business Review

In the antipyretic analgesics field, Lion will continue working to develop the subcategory of highly functional *BUFFERIN PREMIUM* and newly launched *BUFFERIN EX* in March 2016. By adding *BUFFERIN EX* as a "new pain reliever that should always be on hand at home" for treating headaches (analgesic use), back pain, arthralgia, menstrual pain, and similar conditions, Lion will work to strengthen the position of the *BUFFERIN* brand lineup and aim for vitalizing the

market through expansion of the range of applications where *BUFFERIN* is effective for providing relief.

In the eyedrops field, Lion will continue to develop the position of the *Smile40* brand as a high-value-added medicine for middle-age persons to seniors and work to increase the profitability of its pharmaceutical business.

► Other Products Business

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



Direct-to-Consumer Business

Performance in Fiscal 2015

In the direct-to-consumer business, Lion responded to the new Foods with Function Claims system, which went into effect in April 2015, and, in June 2015, launched an improved version of *Nice rim essence Lactoferrin*, which is now classified as a Food with Function Claims. Under the new system, it is possible to prepare more easily understandable labels and product information that are based on scientific and other evidence to emphasize the appealing points of functional products, and, as a result, after introducing the new version of *Nice rim essence Lactoferrin*, sales of this product expanded substantially. In December, Lion also introduced *Ayumu Chikara*, a beverage in powdered form that supports people's ability to walk strongly and smoothly; however, in part because of the restraints on advertising and promotional expenses, overall sales in this business were below the previous year.



Strategy in Fiscal 2016

In the direct-to-consumer business, Lion will use the new Foods with Function Claims system to maximum advantage and work to develop second and third mainstay products in this business. To manage this business efficiently for future growth, beginning in January 2016, Lion established the Direct Marketing Division, and will aim for further business expansion.



Pet Supplies Business

Performance in Fiscal 2015

In this business, Lion focused on actively developing the pet oral care business. As a result of concentrating investments in promoting the understanding of the need for pet oral care, growth in sales remained substantially above that of the market, and results were favorable. In the Pet Supplies Business, sales of deodorizing cat litter products, which is a mainstay product in this business, were stagnant due to the effect of shrinkage in the market for mineral-based cat sand market. As a result, sales in the Pet Supplies Business were approximately the same as in the previous fiscal year.



Strategy in Fiscal 2016

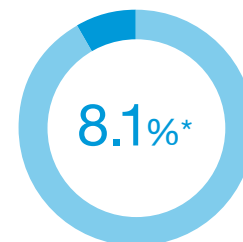
In fiscal 2016, Lion will introduce new products in the growth fields of pet oral care and body care products. To further accelerate growth, Lion will devote further efforts to promoting better awareness among pet owners of the importance of caring for their pets. Focusing on the profitable cat sanitary product field, Lion is planning to introduce an improved version of its mainstay mineral-based cat litter, work to reduce costs, and improve profitability.



Industrial Products Business

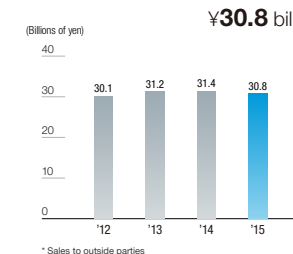
The Industrial Products Business includes the Chemical Products Business and the Detergents for Institutional Use Business. In the Chemical Products Business, Lion realigned and integrated its three Group companies in the chemical

products field, into a single company newly established in July 2015. As a result of the netting out of intercompany transactions, sales decreased, but sales in the detergents for institutional use businesses expanded.

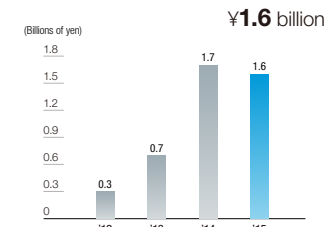


* % of consolidated net sales
* Sales to outside parties

Net Sales



Operating Income



► Chemical Products Business

A Review of 2015 and Strategy in 2016

The previously mentioned new company invested corporate resources in four products fields: Automotive, Electrical and Electronics, Energy, Environmental & Infrastructure, and Lifestyle Related Industry. During the first year of operation, priority was given to setting these businesses on track. Sales expanded robustly in the mainstay electro-conductive carbon business, but due to more intense competition in the electrical and

electronics businesses, overall sales in the businesses of the new company decreased from the previous year. On the other hand, as a result of declines in material costs and cost-cutting, operating income of the new company expanded. In 2016, this company will proceed with the development of new products that draw on the synergies among the three predecessor companies, and will focus on expanding sales in the Automotive and Electrical and Electronics businesses, while also stepping up marketing activities throughout Asia.

► Detergents for Institutional Use Business

A Review of 2015 and Strategy in 2016

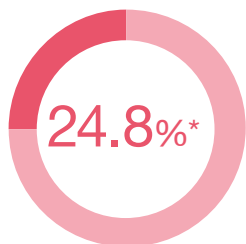
In 2015, expansion in hand soaps and medicated hand sanitizers, following Lion's proposals for comprehensive hygiene management services in response to the rise in hygiene consciousness, and growth in cooking paper (*REED*) sales for institutional use resulted in a second consecutive year of double-digit growth in this business. In 2016, Lion will work to attain further growth by

providing solutions for securing "safe and sanitary environments." Especially in market segments, such as hospitals and elderly care facilities, where further growth is anticipated, Lion will proceed to cultivate new customers and substantially raise its market share in the areas of detergents for institutional dishwashing machines, cleaners used in food product manufacturing plants, preparations for use in cleaning establishments, and other professional use markets.

Overseas Business

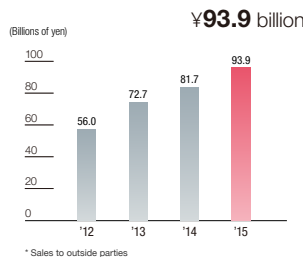
Performance held firm in major overseas markets, including Thailand, South Korea, and China. Also, as a consequence of expansion in the oral care and beauty care fields (hereinafter, the personal care field), sales and operating income rose in this business segment. In addition, Lion

implemented active business reforms, including establishing a new company to strengthen marketing capabilities in Taiwan, and, in Malaysia, including a company formerly accounted for under the equity method within the scope of full consolidation, as well as other initiatives.

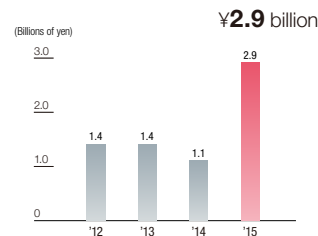


* % of consolidated net sales
* Sales to outside parties

Net Sales



Operating Income



Market Environment and Review of Performance in Fiscal 2015

In 2015, it has been said that, as a result of the slowdown in the Chinese economy, overall market growth weakened, but this did not have a major impact on the overseas toiletries markets where Lion already has an active presence. On the other hand, from the perspective of product distribution, the percentage of sales through e-commerce channels expanded in Northeast Asia, principally in China.

Performance in the personal care field in major overseas countries was favorable as a result of the further development of Lion's global brands, including *Systema*, *KireiKirei*, and *Shokubutsu Monogatari*. Sales expanded 18.4% (10.9% in real terms after the exclusion of foreign currency translation effects). The percentage of sales accounted for by personal care products continued to expand, and sales rose 22%. As a result, the composition of sales of this business changed from 29% to 31%, making a substantial

improvement in profitability, and operating income increased 159.9%. Thailand, South Korea, and China reported robust expansion and resulted in accelerated growth accompanied by profitability.

Strategy in Fiscal 2016

In 2016 also, Lion will endeavor to strengthen its presence in Asia and work to bolster its earning base. In Northeast Asia, Lion is shifting its approach toward making aggressive investments in marketing in South Korea and Taiwan. In addition, Lion is stepping up its initiatives, mainly in the e-commerce business in China where conditions are favorable. In Southeast Asia, Lion is moving forward with strengthening its *Kodomo* brand to secure its market presence in the personal care field, and continuing to report growth with profitability. Also, along with growth in demand in overseas countries, Lion is moving to upgrade its production infrastructure with an eye to making exports to affiliated companies and supplying products to countries in the region.

Regional Reports



- ▶ Thailand
- ▶ South Korea
- ▶ China
- ▶ Taiwan
- ▶ Hong Kong
- ▶ Singapore
- ▶ Philippines
- ▶ Malaysia
- ▶ Indonesia

▶ Thailand

Sales Growth Rate:

4%

(Year on year, All on a local currency basis)

Review of 2015

Lion's main businesses in Thailand are oral care, fabric care, beauty care, and living care, and sales in Thailand account for about half of Lion's total overseas sales.

In the oral care field, Lion launched new products in its existing *Kodomo* brand lineup, and performance of its SALZ brand toothpaste, which Lion marketed aggressively through advertising and other promotional activities, was favorable. As a result, sales in this business expanded at double-digit rates. In addition, in the beauty care field, sales of *Shokubutsu Monogatari* body soap held strong, reflecting the success of promotional activities targeted at consumers. As a result of expansion in the personal care field, overall sales in Thailand in both local



Systema
Toothpaste

Kodomo
Toothpastes, Toothbrushes

Shokubutsu
Monogatari
Body soap

currency and yen terms rose above the previous year and operating income expanded year on year.

Strategy in Fiscal 2016

In the oral care field, Lion will introduce new products in the high-priced segment, and work to expand overall sales in the personal care field, including beauty care. In addition, in the fabric care field, Lion will introduce new products and expand existing lines in the markets where expansion is continuing and aim for sales growth accompanied by profitability. Along with this, Lion stepped up its activities to supply its products to neighboring countries.

▶ South Korea

Sales Growth Rate:

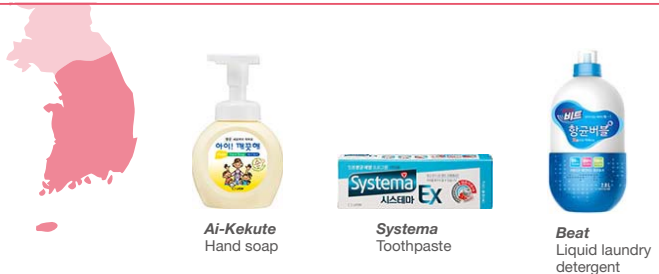
4%

(Year on year, All on a local currency basis)

Review of 2015

In South Korea, Lion's main businesses are fabric care, oral care, beauty care, and living care.

In the beauty care field, sales of hand soap *Ai-Kekute* (sold under the brand name *KireiKirei* in Japan) grew substantially as a result of promotional activities, steady initiatives to acquaint consumers with the importance of hand washing, increases in demand due to MERS (the Middle East Respiratory Syndrome), and other factors. In the fabric care field, sales were below the previous year, as the expansion in liquid detergents was not sufficient to compensate for the shrinkage in the market for powdered detergents. However, as a result of expansion in other business fields, overall sales increased year on year. Operating income showed major growth, owing to cost-cutting, including measures to increase the



Ai-Kekute
Hand soap

Systema
ALSEMI EX
Toothpaste

Beat
Liquid laundry
detergent

effectiveness of promotional expenditures, initiatives to open up more-profitable sales channels, decreases in raw material prices, and other factors.

Strategy in Fiscal 2016

In 2015, Lion made use of the income generated by cost-cutting and the results of measures to increase the effectiveness of promotional expenses to make investments in future growth. In 2016, Lion will work to consolidate its earnings structure created in 2015, while also working to build the base for future growth through investments in marketing to enhance the brand value of its products and strengthen its market position, and by opening up growing sales channels, entering new business, and undertaking other initiatives.

▶ China

Sales Growth Rate:

20%

(Year on year, All on a local currency basis)

Review of 2015

In China, sales of newly launched *Systema* and *KODOMO* brand toothbrushes were favorable. In addition, Lion sustained the trust of Japanese products, including those imported into China from Japan, among consumer segments with purchasing power, and sales continued to be firm. In China, the e-commerce business remains on an increasing trend, and sales through these channels expanded 82% over the previous year, rising to about 35% of sales in that country. Overall sales in China grew 20% year on year and posted major expansion even when converted to yen.

Strategy in Fiscal 2016

In 2016, Lion will work toward further expansion in the scale of its business operations in China with the oral care field as a base. Other key initiatives, in addition to investments in marketing, will include upgrading marketing systems to strengthen Lion's position in this field including expansion of its sales area coverage, implementing channel strategies, and marketing of products strategically targeted at various regions. Moreover, Lion will position e-commerce, which is continuing to grow, as a major channel and work to raise web-based sales by broadening the range of product categories offered, in addition to oral care, to include hand soaps, which were added last year, and other products with the aim of expanding the percentage of sales accounted for by e-commerce. Through these activities, Lion will aim to expand e-commerce sales and raise the percentage of e-commerce sales in its business operations in China. Lion will also endeavor to develop business opportunities in other fields, and work to grow its businesses in China and enhance profitability.



KODOMO
Toothbrushes



KireiKirei
Hand soap

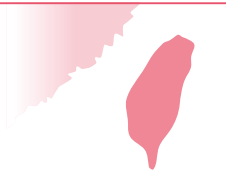
Business Review

▶ Taiwan

Sales Growth Rate:

11%

(Year on year, All on a local currency basis)



NANOX
Liquid laundry detergent

As a consequence of active investments to consolidate the market position of *NANOX* super-concentrated liquid laundry detergent and strengthen the position of *Systema* toothbrushes in the oral care field, overall sales in Taiwan in 2015 in both local currency and yen terms were above the previous year. In September 2015, Lion

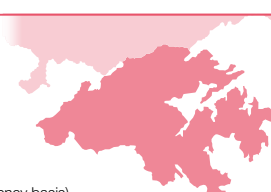
established a wholly owned subsidiary with the objective of strengthening sales and marketing activities, and it commenced operations in January 2016. This new subsidiary will aim to become a highly profitable marketing and sales company, with activities focused on health care related products.

▶ Hong Kong

Sales Growth Rate:

6%

(Year on year, All on a local currency basis)



NANOX
Liquid laundry detergent

Lion began sales of its *Magica* dishwashing detergents in August 2015. As a result of continued promotional activities, sales of *NANOX* super-concentrated liquid laundry detergent in the fabric care field and *Systema Sonic Toothbrushes* in the oral care field were favorable.

Overall sales in Hong Kong in both local currency and yen terms exceeded the previous year. Going forward, Lion will aim to increase sales and operating income through the active introduction of high-value-added products.

▶ Singapore

Sales Growth Rate:

4%

(Year on year, All on a local currency basis)



TOP
Powdered detergents



Shokubutsu
Body soap

Lion's initiatives to introduce new products and improved versions of existing ones met with success, and, as a result of favorable sales of *Systema* products in the oral care field, *TOP* in the fabric care field, and *Shokubutsu Monogatari* in the beauty care field, overall

sales rose above the previous year in both local currency and yen terms. Lion will work to attain sales increases by consolidating its market position as the leading brand in each category and by continued expansion in sales of high-margin products.

▶ Philippines

Sales Growth Rate:

33%

(Year on year, All on a local currency basis)



HANA
Shampoo



Systema
Toothpaste

In the Philippines, Lion commenced operations in the oral care field in July 2013 and in beauty care in September. During 2015, Lion concentrated on introducing and nurturing new products in the beauty care field and continued promotional activities for *Systema* prod-

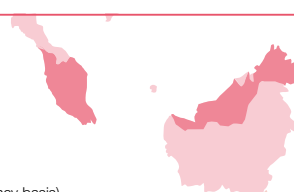
ucts in the oral care field. As a result, overall sales rose above the previous year in both local currency and yen terms. In 2016, Lion will endeavor to secure sales by expanding delivery of shampoos and toothpastes, mainly in small packages (sache type).

▶ Malaysia

Sales Growth Rate:

4%*1

(Year on year, All on a local currency basis)



TOP
Powdered detergents



Systema
Toothbrushes

To accelerate decision making in Malaysia, Lion made Southern Lion Sdn. Bhd. a consolidated subsidiary at the end of the third quarter of 2015. Also in 2015, in the oral care field, Lion launched new products in the *Systema* toothbrush lineup, and sales were firm. In addition, in the fabric care field, sales of powdered and liquid detergents exceeded those of the previous year, and Lion maintained its No. 1² share in the laundry detergent

market. In 2016, Lion will work to further strengthen its 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.

*1 Excluding Lion Eco Chemicals Sdn. Bhd.
*2 Results of Lion's research

▶ Indonesia*3

Sales Growth Rate:

8%

(Year on year, All on a local currency basis)



Systema
Toothbrushes



ZINC
Shampoo

In 2015, in the oral care field, newly introduced products in the *Systema* toothbrush lineup and *ZINC* brand shampoos in the beauty care field reported favorable performances. As a result, overall sales rose above the previous year in both local currency and yen terms.

Lion will also introduce high-value-added products to respond to demand from the growing middle-income classes of consumers, and is aiming, thereby, to maintain growth and increase profitability.

*3 Company accounted for under the equity method

Innovation

Research and Development

Lion's R&D Organization

Lion's R&D Headquarters has laboratories with three different functions: Developmental Research, Applied Research, and Research Support. The Developmental Research Laboratories are divided into each product area, and, working in close collaboration with the product planning divisions, undertake the development of new products. The Applied Research Laboratories engage in technological development for the application of materials and technology "seeds" to Lion products and work to discover new technologies using its knowledge of interfacial science, life science, and other areas, while seeking to make available the results of their activities for new product development. The Research Support Laboratories and Centers provide assistance for developmental and applied research in technical fields that are shared in common by Lion's R&D activities, including packaging, flavors and fragrances, analysis, environment and safety as well as other areas. In addition, when new materials and new products are commercialized,

the Production Engineering Center develops manufacturing technologies that link development research and production.



Realizing Vision 2020

Lion's R&D Headquarters has set strategic themes to attain the objectives of its Vision 2020 plan and has kept tackling the challenges of realizing technological innovation in new product development. The V-2 Plan, which is the second three-year medium-term plan under Vision 2020, was originally launched in 2015, and has the key word of "competitive advantage."

With the aim of making this key word a reality, the R&D Headquarters is working on further development of technologies in oral care and interfacial science, which are areas of particular strength for Lion, and focusing on developing high-value-added products that will lead to the further enhancement of profitability. In addition, in the healthcare field, including pharmaceuticals and functional food products, Lion concentrates its efforts

on generating new value for products and creating new growth business fields by conducting joint research with outside research organizations and pursues the development of technology "seeds," backed by scientific evidence, including clinical trials. In its overseas activities, Lion's R&D Headquarters has been substantially stepping up collaboration with its overseas affiliates' R&D, and, while aiming to respond to needs in local markets, is endeavoring to develop new products that will offer new value in the high-growth markets of Southeast Asia and Northeast Asia.

Lion's R&D Headquarters is working to draw on the capabilities of the Lion Group as a whole by going beyond the existing organizational framework, technology fields, and categories in Japan and overseas. Also, by promoting open innovation, Lion is working to achieve competitive advantage in products and technology development.

Collaboration with Outside R&D Institutions

Working with Juntendo University, Lion has conducted research on the causes of the thinning of women's hair and collected data that suggest that the direct cause is a decline in the level of female hormones. Based on the results of this research, Lion developed and marketed *Fleuria*, a set of products for women's aging hair care that promotes the growth of women's hair while preventing hair loss.

In addition, in 2013, Lion sent its research staff into the Business-Academia Cooperation Laboratories in the Yokohama City University Advanced Medical Research Center (Advanced Research Center) to conduct research on the prevention of lifestyle-related diseases and development of new oral care technologies. Using the R&D results developed at the Advanced Research Center and its know-how, Lion is working to develop new products for customers to live healthier lives in the future.



Corporate Governance

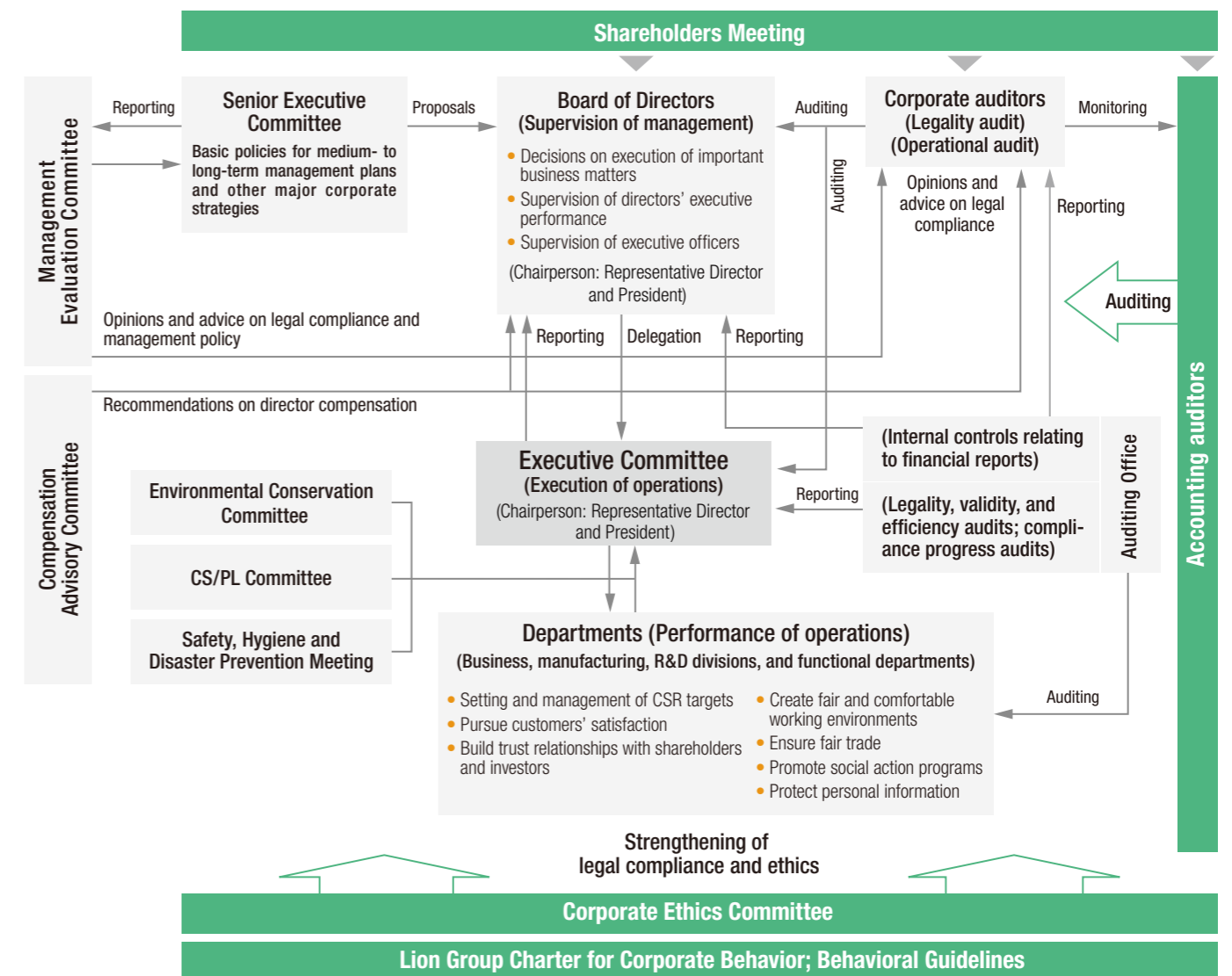
Basic Approach

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.

Model of 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 other matters 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 super-



Corporate Governance

vision 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 Annual Meeting of Shareholders in 2009. These countermeasures have been extended with shareholder approval and were extended again through 2018 at the 2015 Annual Meeting of Shareholders.

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 8 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.

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 16 executive officers, 6 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 worksites, 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.

Compensation Advisory Committee

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 | Hideo Yamada |
| Attendance | Attended 17 of 17 Directors' meetings held during the fiscal year |
| Reasons for Appointment | Mr. Yamada has a wealth of experience and knowledge as a lawyer, and also has experience at other companies both as an external director and an external corporate auditor. The purpose of electing him as an external director of the Company is to enhance the transparency and objectivity of management and strengthen the oversight of the Board of Directors. Reasons for Appointment 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. |

| | |
|-------------------------|---|
| Name | Kazunari Uchida |
| Attendance | Mr. Uchida was elected at Lion Corporation's Annual Meeting of Shareholders for the fiscal year ended December 31, 2015, held on March 30, 2016. |
| Reasons for Appointment | Mr. Uchida has a distinguished career as the representative for Japan of a management consulting group as well as experience as an external director and external auditor for other companies. The purpose of electing him as an external director of the Company is to make use of his expert knowledge and experience in the Company's management and so that he may help reflect the strengthening of the oversight functions of the Board of Directors in management. Reasons for Appointment Mr. Uchida 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. |

External Corporate Auditors

| | |
|-------------------------|---|
| Name | Noboru Kojima |
| Attendance | Attended 13 of the 13 Directors' meetings and 11 of the 11 meetings of the Board of Corporate Auditors held during the fiscal year |
| Reasons for Appointment | Mr. Kojima is a Certified Public Accountant and Certified Tax Accountant and has in-depth knowledge of accounting and tax matters. He also has experience as external corporate auditor for other companies, and Lion would like to have access to his knowledge and experience to strengthen its accounting functions. Reasons for Appointment Mr. Kojima 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 Corporate Auditor. |

Corporate Governance

| | |
|-------------------------|---|
| Name | Hideo Higashi |
| Attendance | Attended 13 of the 13 Directors' meetings and 11 of the 11 meetings of the Board of Corporate Auditors held during the fiscal year |
| Reasons for Appointment | Mr. Higashi has expert knowledge of tax and financial matters and experience in key positions in government agencies. Accordingly, Lion would like to draw on his knowledge and experience to strengthen its accounting functions. Reasons for Appointment Mr. Higashi 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 Corporate Auditor. |

Total Compensation of Directors and Auditors

To ensure the objectivity and transparency of the Company's policy regarding compensation paid to directors and auditors, based on the reports of the

| Corporate Officer Classification | Number of Corporate Officers | Total Compensation Paid (FY2015) |
|----------------------------------|------------------------------|----------------------------------|
| Directors (External Directors) | 10 (2) | ¥501 million (¥24 million) |
| Auditors (External Auditors) | 8 (4) | ¥76 million (¥24 million) |
| Total | 18 (6) | ¥578 million (¥48 million) |

The above figures include the fixed portion of the compensation of four auditors (including two External Corporate Auditors) who resigned at the conclusion of the Annual Meeting of Shareholders held on March 27, 2015.

Compensation Advisory Committee, decisions on director compensation and auditor compensation are made by the Board of Directors and the Board of Auditors, respectively.

Messages from the External Corporate Auditors

External Corporate Auditor (Certified Public Accountant, Certified Tax Accountant)
Noboru Kojima



The function of the corporate auditors is to confirm that the directors are performing their duties without acting illegally or engaging in extremely inappropriate behavior. I am drawing on my many years of experience as auditor and advisor to corporate managements in the capacity of certified public accountant, and fulfilling my duties as an external auditor from a third-party perspective. Fortunately, prior to becoming an external auditor at Lion, I had experience as auditor at two listed companies. By comparing my experience as auditor at other companies, I am able to perform a more in-depth auditing function at Lion.

Lion, with its over 120 years of history, has developed a corporate culture characterized by a free and open atmosphere that enables individual employees to demonstrate their capabilities to the fullest extent. This means that it is easy to communicate freely, and, from an organizational perspective, the directives issued by top management are transmitted clearly to all staff members. Moreover, the information of individual employees can be relayed to top management easily, creating the feeling that Lion has an open and responsive organization. From the auditors' perspective, Lion's organization is one where there is a high level of compliance with laws and regulations. I believe that the role I would like to play, while drawing on these good points of Lion's culture, is to instill a spirit of accurate governance that takes account of the long-term perspective.

External Corporate Auditor (Certified Tax Accountant)
Hideo Higashi



In Japan, there is a general consensus that companies are public institutions and, therefore, do not belong just to the shareholders. Amid this environment, the corporate philosophy of Lion Corporation holds that companies should work for the well-being not only of the shareholders but also other stakeholders who support the Company, including customers, business partners, and employees, while also contributing to society as a whole. With this philosophy, Lion has earned the strong trust of many people and has come to be a corporation that is highly evaluated.

In my former position in the field of national taxation, I was able to observe many companies. In addition, in my current position as a certified tax accountant, I have many opportunities to work with corporations. Different companies have differing corporate cultures, but, as the economy continues to globalize, companies share the same stance in endeavoring to strengthen corporate governance and compliance with the aim of fulfilling their social responsibilities.

Last year, revisions of Japan's Companies Act came into effect aimed at strengthening corporate governance, focusing especially on the oversight of corporate directors. As a consequence, I think the roles of the corporate auditors have grown in importance. As an external corporate auditor, I am in the position to audit, fairly and justly, the company directors in the conduct of their management duties from an independent perspective. I, therefore, want to carry out my duties and contribute thereby to increasing Lion's shareholder value and corporate value.

Corporate Governance

Directors, Corporate Auditors, and Executive Officers As of March 30, 2016



Representative Director and President
ITSUO HAMA
Chairman of the Board, Chief Executive Officer



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



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



Director, Executive Officer
KENJIRO KOBAYASHI
Responsible for Secretary, Corporate Brand Promotion Office, System, General Affairs, Corporate Communication Center, CSR Promotion Department



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



Director, Executive Officer
TAKEO SAKAKIBARA
Responsible for Risk Management, Corporate Planning Department, Finance, Consumer Service Center, Pharmaceutical Affairs and Quality Assurance Department, Legal Department



External Director
HIDEO YAMADA
(Attorney at Law)



External Director
KAZUNARI UCHIDA
(University professor)

The notification of the nomination of Mr. Hideo Yamada and Mr. Kazunari Uchida 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
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
President and Executive General Manager of Lion Specialty Chemicals Co., Ltd.

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

YUTAKA SHINOHARA
Executive General Manager of Production Headquarters

YUGO KUME
Executive General Manager of Health and Home Care Products Division

FUMITOMO NORITAKE
Executive General Manager of Direct Marketing Division and Manager of Direct Marketing Division Sales Promotion Department

MASAHARU MIKUNI
Executive General Manager of Health and Home Care Products Sales Division

HITOSHI SUZUKI
Executive General Manager of International Division and Director of the Oleochemicals Business Development Office of the International Division and Manager of New Area Preparations Office

CSR

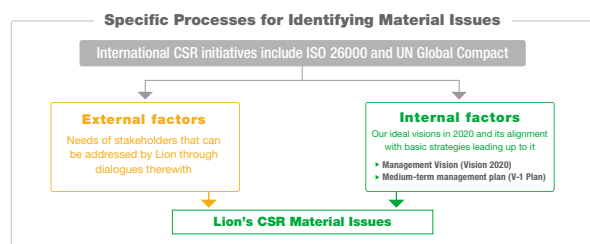
Business Activities Supporting a Healthy and Comfortable Society and Environment

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. Moreover, for each of these issues, in tandem with our management vision, "Vision 2020," we have established three-year medium-term objectives. In 2015, we set objectives for overseas Lion Group companies and set in motion PDCA management improvement activities for the entire Group.



Establishment of Medium-Term Objectives for 2017 for CSR Material Issues

Under Lion's V-2 Plan (2015 to 2017) also, to be able to contribute to sustainable development in better ways, we have set objectives for material issues and are working to improve CSR activities. In Lion and its consolidated Group companies in Japan, activities conducted thus far will be continued; we believe it will be necessary to strengthen our initiatives with a view to social trends

and Lion's management policies and have, therefore, set objectives for addressing CSR material issues.

In addition, in consolidated subsidiaries overseas, based on interviews about CSR activities conducted from 2012 to 2014, we have established objectives for these activities. While giving attention to differences in laws, culture, and customs of various countries and regions, we are proceeding steadily while taking account of the status of individual Group companies.

Our objectives for 2017 are shown in the following table.

CSR Material Issues

| Organizational Governance ▶ Read More... (763KB) | | |
|---|--|---|
| Ideal Visions | CSR Material Issues | 2017 Medium-term Objectives |
| Maintaining a sound management system that is continuously trusted by society | Establishing the Group-wide CSR management structure | [Domestic] Disseminating the Lion Group Charter for Corporate Behavior as a CSR policy (ongoing) |
| | | [Overseas] Disseminating policies concerning CSR |
| | | [Domestic] Managing progress toward objectives (ongoing) [Overseas] Setting objectives and managing progress |
| Promoting risk management *1 | | [Domestic] Continuously operating Business Continuity Plan (BCP) based on multi-phase projections |
| Embedding compliance/internal control systems | | [Domestic] Raising awareness of compliance [Overseas] Enhancing internal control systems |

| Human Rights ▶ Read More... (347KB) | | |
|---|---|--|
| Ideal Visions | CSR Material Issues | 2017 Medium-term Objectives |
| Establishing framework for respecting human rights | Formulating and disseminating human rights policy | [Domestic] Disseminating the Lion Group Charter for Corporate Behavior as human rights policy (ongoing) |
| | Ensuring human rights due diligence*2 | [Domestic] Promoting self-assessment questionnaire of CSR activities by suppliers and offering its feedback (ongoing) |
| | | [Domestic] Disseminating information regarding the hotline and strengthening the advice and whistle-blowing framework (ongoing) [Overseas] Setting up and operating internal contacts for reporting and consultations |

| Labor Practices ▶ Read More... (1.1MB) | | |
|---|--|--|
| Ideal Visions | CSR Material Issues | 2017 Medium-term Objectives |
| Changing awareness of employees through raising morale and motivation | Promoting human resource development/revitalization programs | [Domestic] Embedding measures for promoting PDCA through implementation of the target management system Global human resource development |
| | Establishing good working environments | [Domestic] Enhancing the "Diverse Human Resource Promotion Programs" Implementing supporting measures for women to build their careers [Domestic] Promoting work-life balance with measures for building an environment where employees can work healthily and energetically [Overseas] Enhancing opportunities for talks between employees and management |
| | Promoting employees' health management | [Domestic] Improving the environment to allow employees to work healthily and energetically |
| | Enhancing Group-wide occupational health and safety management systems | [Domestic] Improving occupational safety and safety of facilities based on the "Health, Safety and Disaster Prevention Management System" |

| The Environment ▶ Read More... (776KB) | | |
|---|--|---|
| Ideal Visions | CSR Material Issues | 2017 Medium-term Objectives |
| Contributing to the development of a sustainable society as an environmentally advanced company | Engaging in progressive environmental activities | [Domestic / Overseas] Promoting "Eco Vision 2020" and managing progress thereof (ongoing) |
| | Preventing pollution | [Domestic] Promoting pollution prevention (ongoing) |
| | Enhancing Group-wide management of chemical substances | [Domestic] Enhancing chemical substances management systems (ongoing) |

| Fair Operating Practices ▶ Read More... (1.1MB) | | |
|---|---------------------------|---|
| Ideal Visions | CSR Material Issues | 2017 Medium-term Objectives |
| Promoting CSR activities throughout the value chain | Promoting CSR procurement | [Domestic] Promoting self-assessment questionnaire of CSR activities by suppliers and offering its feedback (ongoing) [Domestic] Promoting "Eco Vision 2020" and managing progress thereof |

| Consumer Issues ▶ Read More... (1.4MB) | | |
|--|---|---|
| Ideal Visions | CSR Material Issues | 2017 Medium-term Objectives |
| Pursuing customer satisfaction by creating safe and trustworthy products | Offering products and information that contribute to the development of a sustainable society | [Domestic] Promoting environmental educational activities for consumers through products |
| | Providing information useful for daily life and promoting educational activities | [Domestic] Enhancing the provision of information that contributes to healthy and comfortable lives according to lifestyle and life stages (ongoing) |
| | Enhancing the Group-wide quality assurance system | [Domestic] Enhancing group-wide quality assurance system (ongoing) [Overseas] Reinforcing compliance with regulations in each country and enhancing responses to customers |
| | Promoting information security | [Domestic] Promoting information security (ongoing) [Overseas] Enhancing information security management systems |

| Community Involvement and Development ▶ Read More... (849KB) | | |
|---|---|--|
| Ideal Visions | CSR Material Issues | 2017 Medium-term Objectives |
| 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 leading to forming healthy and comfortable living habits | [Domestic / Overseas] Promoting educational activities for oral health Promoting preventive dentistry (recommending self-care and professional care) and education for health instructors and children [Domestic / Overseas] Promoting cleanliness activities "Promoting Education Activities for Children's Hand Washing and Gargling" |

*1 As the BCP guidelines were set in 2014, "Reviewing the Business Continuity Plan," which was a material issue, was replaced by "Promoting Risk Management."

*2 Steps that an organization should take in order to recognize, prevent, and address negative influences on human rights

Social and Environmental Contribution Activities

Seeking to support people's lives for creating future value for everyone, Lion promotes social and environmental contribution activities, focusing on the Health and Comfort Field and the Environmental Field. In the Health and Comfort Field, to contribute to making better living habits, we conduct educational activities for oral health and hygienic practices. Also, in the Environmental Field, as our main products, such as laundry detergents, toothpastes, hand soaps, and dishwashing detergents, are deeply related to water through washing, we also actively conduct water resource conservation activities.

In Lion's social and environmental contribution activities, our priorities are on co-existence with the relevant communities and conducting activities with involvement of employees. To continue our business, it is necessary to co-exist with those communities where our business facilities are located. Therefore, we work to solve the issues faced by local communities in cooperation with local residents, local governments, and citizens' groups. In addition, by providing each employee more opportunities to participate in social and environmental contribution activities related to business, we foster human resources who create new value based on a high degree of social and environmental awareness.

In 2015, Lion took initiatives in its social contribution programs, especially through its educational activities for preventive dentistry and its educational activities for hand washing in collaboration with the community.

Preventive Dentistry Educational Activities

Significance of Preventive Dentistry

To enjoy healthy and tasty meals every day, it is said that each person should have at least 20 teeth. In recent years, it has been revealed that dental health and oral health have a significant impact on health not only in the mouth but also throughout the body, and the status of a person's dental health will make a difference in their future quality of life (QOL). Compared with Sweden, which is known as an advanced country in terms of preventive dentistry, the number of teeth per person is lower in Japan, and in anticipation of a super-aging society, Lion is making further efforts in this regard.

Preventive dentistry is the idea that we should focus not on treatment after getting a cavity and periodontal disease, but on prevention before it happens.

The Key Points about Preventive Dentistry

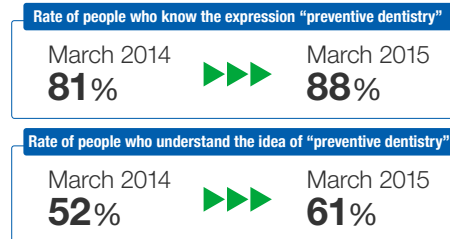
For preventive dentistry to be effective, we consider it important to practice both periodic "professional care," including guidance on tooth brushing and preventive treatment at dental clinics and elsewhere as well as daily "self-care" with guidance from dentists and dental hygienists. Lion provides oral care products for self-care, while the Lion Foundation for Dental Health (a public interest incorporated foundation) (LDH) offers professional care services emphasizing the concept of preventive dentistry, and Lion as a whole conducts educational activities that enable customers to take the initiative in preventive dentistry.

Preventive Dentistry Education by Stage of Life

In self-care, Lion provides various products that prevent the development of cavities. In addition, Lion works in cooperation with external organizations, such as government organizations, schools, hospitals, and dental clinics, to educate the members of the public about preventive dentistry, taking into account the consumers' life stage tailored to persons from women in pregnancy to the elderly. To further promote preventive dentistry, Lion also devotes efforts to preparing educational posters and TV commercials.

Results of Preventive Dentistry Activities

As a result of Lion's educational activities in this area, the understanding of preventive dentistry is spreading. Because of the company-wide educational activities for preventive dentistry in 2014, the ratio of people who know the expression "preventive dentistry" rose from 81% in March 2014 to 88% in March 2015. Similarly, the number of respondents replying that they understand the idea of preventive dentistry increased from 52% in March 2014 to 61% in March 2015.



* Surveyed by Lion for 1,000 women in their 20s to 40s.

Hand-Washing Education Activities

Social Issues

For our customers to live healthy lives every day, it is important for them to learn and always practice habits that promote cleanliness and good hygiene. However, it is a social issue that many people do not know the right way to wash their hands. Since Lion is developing

its business activities to provide products, such as its "KireiKirei" brand hand soaps, that contribute to enabling everyone to lead clean, healthy, and comfortable lives, at Lion, we consider it our responsibility to conduct educational activities to inform the public about correct hand-washing practices in addition to selling related products.

Hand-Washing Education Activities

In principle, our hand-washing educational activities are conducted primarily by employees with the aim of helping consumers develop healthy lifestyles every day. In these activities, Lion has positioned its hand soap production plant (in Sakaide City, Kagawa Prefecture), its business locations throughout Japan, and Ishinomaki City (in Miyagi Prefecture), an area affected by the Great East Japan Earthquake, as priority areas. We are engaged in these activities with the objective of having an increasing number of Lion employees participate in hand-washing education activities. The targets for the percentage of Lion's employees participating in these activities are 20% in 2020, 50% in 2030, and 100% in 2050.

"KireiKirei City—Sakaide" Project

As part of hand-washing education activities, three project partners—namely, Sakaide City of Kagawa Prefecture, Lion, and Lion Chemical Co., Ltd.—are taking the initiative in implementing the KireiKirei City—Sakaide Project, which began in 2014 and will last through 2017. In collaboration with Sakaide City, where "KireiKirei" hand soaps are manufactured, the three partners are working together to conduct hand-washing educational activities at local kindergartens and pre-schools, public facilities, and elsewhere in Sakaide City.

Going forward, with employees acting together to provide educational activities to inform the public about correct hand-washing practices, Lion is working to promote healthy and hygienic practices and habits.

Financial Review

Eleven-Year Financial Summary

| (Millions of Yen) | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Income statement data | | | | | | | | | | | |
| Net sales | ¥378,659 | ¥367,396 | ¥352,005 | ¥335,171 | ¥327,500 | ¥331,100 | ¥321,947 | ¥338,236 | ¥341,717 | ¥330,380 | ¥331,798 |
| Cost of sales | 162,435 | 160,677 | 153,336 | 145,385 | 139,646 | 140,400 | 136,619 | 157,523 | 159,200 | 165,570 | 163,153 |
| Gross profit | 216,223 | 206,718 | 198,668 | 189,785 | 187,854 | 190,700 | 185,327 | 180,712 | 182,517 | 164,810 | 168,644 |
| Selling, general and administrative expenses | 199,848 | 194,312 | 187,849 | 182,572 | 176,684 | 180,200 | 175,290 | 172,435 | 173,611 | 164,467 | 162,577 |
| Operating income | 16,374 | 12,406 | 10,819 | 7,213 | 11,169 | 10,500 | 10,036 | 8,277 | 8,905 | 343 | 6,066 |
| Income (loss) before income taxes and minority interests | 19,387 | 13,085 | 10,925 | 8,594 | 7,780 | 10,925 | 9,694 | 6,088 | 9,564 | 13,020 | 8,737 |
| Net income (loss) | 10,680 | 7,368 | 6,097 | 4,235 | 4,077 | 6,041 | 5,465 | 3,040 | 5,423 | 5,540 | 5,473 |
| Balance sheet data | | | | | | | | | | | |
| Total liabilities and net assets | ¥282,434 | ¥283,352 | ¥282,098 | ¥257,595 | ¥249,272 | ¥260,939 | ¥256,220 | ¥267,438 | ¥279,147 | ¥246,327 | ¥249,303 |
| Property, plant and equipment, net | 75,060 | 79,275 | 68,989 | 61,955 | 58,503 | 60,668 | 62,846 | 63,473 | 64,345 | 65,606 | 68,570 |
| Total long-term liabilities | 18,455 | 40,380 | 26,208 | 47,288 | 49,417 | 52,483 | 58,688 | 65,758 | 75,522 | 42,818 | 36,008 |
| Total liabilities | 139,703 | 155,918 | 157,865 | 143,431 | 144,020 | 155,179 | 152,595 | 166,864 | 171,607 | 141,193 | 137,411 |
| Total net assets*1 | 142,730 | 127,434 | 124,232 | 114,163 | 105,252 | 105,760 | 103,624 | 100,574 | 107,540 | 105,133 | 111,892 |
| Total shareholders' equity | — | — | — | — | — | — | — | — | — | — | 109,103 |
| Other selected data | | | | | | | | | | | |
| Capital expenditures*2 | ¥ 8,995 | ¥13,619 | ¥14,100 | ¥10,811 | ¥ 8,368 | ¥ 7,081 | ¥ 7,969 | ¥11,717 | ¥39,282 | ¥10,149 | ¥11,794 |
| R&D expenses | 9,808 | 9,439 | 9,618 | 8,989 | 8,913 | 8,910 | 9,057 | 8,522 | 8,745 | 7,922 | 8,506 |
| Depreciation and amortization*2 | 11,166 | 10,301 | 11,227 | 11,834 | 12,009 | 12,349 | 12,425 | 12,444 | 10,590 | 9,634 | 9,754 |
| Number of employees | 6,816 | 6,343 | 6,162 | 6,006 | 5,973 | 5,972 | 5,750 | 5,774 | 5,761 | 5,771 | 6,024 |
| Common share data (yen) | | | | | | | | | | | |
| Net income (loss) per share - basic*3 | ¥ 39.35 | ¥ 27.47 | ¥ 22.72 | ¥ 15.77 | ¥ 15.18 | ¥ 22.41 | ¥ 20.22 | ¥ 11.23 | ¥ 20.06 | ¥ 19.60 | ¥ 19.10 |
| Net income (loss) per share - diluted | 36.84 | 26.16 | 22.68 | 15.75 | 15.16 | 22.37 | 20.19 | 11.22 | 20.02 | 19.52 | 19.05 |
| Dividends paid per share | 10.00 | 10.00 | 10.00 | 10.00 | 11.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 9.00 |
| Net assets per share*4 | 469.05 | 449.94 | 441.59 | 407.08 | 380.11 | 382.18 | 371.50 | 362.02 | 382.80 | 376.76 | 384.60 |
| Common stock (number of shares outstanding) | 299,115,346 | 299,115,346 | 299,115,346 | 299,115,346 | 299,115,346 | 299,115,346 | 299,115,346 | 299,115,346 | 299,115,346 | 299,115,346 | 313,515,346 |
| Financial ratios (%) | | | | | | | | | | | |
| As a percent of net sales | | | | | | | | | | | |
| Gross profit (%) | 57.1% | 56.3% | 56.4% | 56.6% | 57.4% | 57.6% | 57.6% | 53.4% | 53.4% | 49.9% | 50.8% |
| Selling, general and administrative expenses | 52.8 | 52.9 | 53.4 | 54.5 | 53.9 | 54.4 | 54.4 | 51.0 | 50.8 | 49.8 | 49.0 |
| Operating income (%) | 4.3% | 3.4% | 3.1% | 2.2% | 3.4% | 3.2% | 3.1% | 2.4% | 2.6% | 0.1% | 1.8% |
| Income (loss) before income taxes and minority interests | 5.1 | 3.4 | 3.1 | 2.6 | 2.4 | 3.3 | 3.0 | 1.8 | 2.8 | 3.9 | 2.6 |
| Net income (loss) | 2.8 | 2.0 | 1.7 | 1.3 | 1.2 | 1.8 | 1.7 | 0.9 | 1.6 | 1.7 | 1.7 |

*1 Figures under "Total net assets" are newly provided to conform to Japanese accounting regulation revisions. The fiscal 2005 figures have also been restated to reflect this change.

*2 Includes the effects of intangible assets.

*3 See Note 2 of the Notes to Consolidated Financial Statements on the website.

*4 Following amendments to accounting rules in 2001, the figures for net assets per share are calculated using the number of shares issued less treasury stock.

▶ Eleven-Year Financial Summary (17KB) 

Management's Discussion and Analysis

Market Environment

The market in the Lion Group's main business domain, the domestic toiletries industry, was steady, as unit prices rose and some product categories benefitted from demand generated by tourists visiting Japan from overseas. During fiscal 2015 (January 1, 2015–December 31, 2015), the Japanese economy as a whole gradually recovered, with corporate profits and hiring continuing to improve despite some weakness in production and exports in the latter half of the year.

Overseas, although the slowdown in the Chinese economy had an impact on the surrounding countries in Asia, overall, market growth continued against a background of the rising desire among the middle-income classes to increase their quality of life. Amid these conditions, demand for value-added products is expanding, and Lion assesses the potential for growth in those regions where it has a presence to be extremely high.

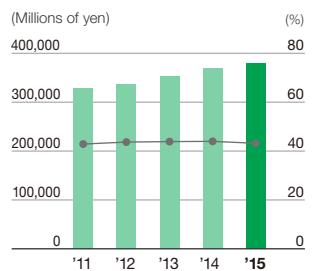
Consolidated Results

The Lion Group launched its new medium-term management plan, "Vision 2020 Part-2 (V-2 Plan)." The V-2 Plan positions strengthening profitability as the Company's highest priority goal and centers on four strategies: (1) Qualitative Growth of Domestic Businesses; (2) Quantitative Expansion of Overseas Businesses; (3) Development of New Business Value; and (4) Enhancement of Organizational Learning Capabilities. Domestically, Lion launched such new, high-value-added products as toothpastes, toothbrushes, fabric softeners and dishwashing detergents and

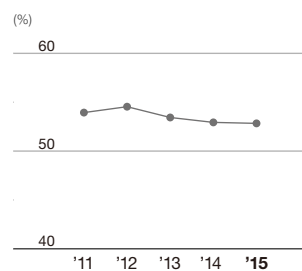
worked to cultivate markets for these products using aggressive marketing. Furthermore, the Lion Group reorganized its chemicals business to enhance functionality and make more efficient use of management resources by unifying operations.

Overseas, focusing mainly on the personal care field, including oral care and beauty care products, the Group sought to cultivate markets for its key brands as part of efforts to expand its business. As of the end of the third quarter of 2015, Southern Lion Sdn. Bhd. was made a consolidated Lion subsidiary. Consequently, consolidated results for the period under review are as follows: Net sales amounted to ¥378,659 million, a year-on-year increase of 3.1% (or an increase of 1.4% in terms of real net sales, which exclude the influence of exchange rate conversions). The Company recorded operating income of ¥16,374 million, up 32.0% compared with the same period of the previous fiscal year, and net income stood at ¥10,680 million, up 44.9% compared with the previous fiscal year. As a result, Lion reported the highest figures in its history for operating income, which rose for the second consecutive fiscal year, and ordinary income, which rose for the third consecutive fiscal year. Return on equity (ROE) rose to 8.5% (compared with 6.2% in the previous fiscal year), and earnings per share (EPS) was ¥39.35 (compared with ¥27.47 in the previous fiscal year).

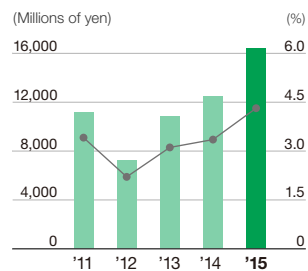
Net Sales and Cost of Sales Ratio



SG&A Expenses to Net Sales



Operating Income and Operating Margin



Performance by Segment

The Lion Group's three reportable segments (distinguished by products, services, and regions) that

therefore comprise Lion Corporation's operations are: Consumer Products Business, Industrial Products Business, and Overseas Business.

SG&A Expenses Breakdown

| | 2015 | | 2014 | | 2013 | |
|--|--------------------------|----------------|--------------------------|----------------|--------------------------|----------------|
| | 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 | 199,848 | 52.8 | 194,312 | 52.9 | 187,849 | 53.4 |
| Sales commission expenses | 8,198 | 2.2 | 8,290 | 2.3 | 11,960 | 3.4 |
| Sales promotion expenses | 87,380 | 23.1 | 86,430 | 23.5 | 78,384 | 22.3 |
| Advertising expenses | 26,222 | 6.9 | 24,517 | 6.7 | 24,273 | 6.9 |
| Freight and storage expenses | 17,011 | 4.5 | 16,723 | 4.6 | 15,979 | 4.5 |
| Salaries and allowances | 14,721 | 3.9 | 14,241 | 3.9 | 13,665 | 3.9 |
| R&D expenses | 9,808 | 2.6 | 9,439 | 2.6 | 9,618 | 2.7 |
| Other | 36,506 | 9.6 | 34,669 | 9.4 | 33,966 | 9.6 |

Factors Accounting for Changes in Operating Income

(Billions of yen)



Conditions by Reportable Segment

In fiscal 2015, there was a year-on-year decline in the domestic economy in the first quarter compared with the surge in demand in the first quarter of 2014 prior to the increase in the consumption tax. As a consequence, sales for the full year 2015 decreased from 2014. Nevertheless, Lion's business mix and profitability both improved. In Overseas Business, sales expanded and segment income increased 159.9% year on year.

In fiscal 2015, net sales in the Consumer Products Business segment decreased 0.3% compared with the previous fiscal year. Segment income increased 18.7% due to focused efforts to cultivate markets for high-value-added products and decreases in raw materials costs.

| | Millions of Yen | | | | | |
|------------------|-----------------|--------------------|---------|--------------------|-----------------|------------|
| | FY2015 | % of segment sales | FY2014 | % of segment sales | Change (Amount) | Change (%) |
| Net sales | 273,486 | | 274,427 | | (940) | (0.3) |
| Operating income | 10,108 | 3.7 | 8,516 | 3.1 | 1,591 | 18.7 |

Consumer Products Business

The Consumer Products Business segment is divided into the Oral Care Products, Beauty Care Products, Fabric Care Products, Living Care Products, Pharmaceutical Products, and Other Products businesses.

Net Sales by Business

| | Millions of Yen | | | |
|-------------------------|-----------------|--------|-----------------|------------|
| | FY2015 | FY2014 | Change (Amount) | Change (%) |
| Oral Care business | 59,414 | 55,344 | 4,070 | 7.4 |
| Beauty Care business | 19,885 | 20,468 | (583) | (2.9) |
| Fabric Care business | 77,985 | 83,540 | (5,554) | (6.6) |
| Living Care business | 20,971 | 20,179 | 791 | 3.9 |
| Pharmaceutical business | 38,754 | 38,156 | 598 | 1.6 |
| Other | 56,475 | 56,738 | (262) | (0.5) |

Financial Review

Oral Care Products

In the oral care field, sales of high-priced products are favorable, and Lion is securing sales growth that is higher than overall market growth. In toothpastes, sales of Lion's mainstay *CLINICA* series were firm. Lion added new hypersensitivity prevention and tooth whitening products to the *SYSTEMA Haguki (the Gums) Plus* series, which saw sales grow to three times their level in the previous fiscal year. As a result, overall sales were up year on year. In toothbrushes, sales of *CLINICA ADVANTAGE Toothbrush* were favorable, and Lion's newly launched products, including the *SYSTEMA Arch Fit Toothbrush* and *Between Zeitaku Care*, received favorable consumer reviews, leading to a substantial year-on-year increase in overall sales.

Beauty Care Products

In the Beauty Care Products field, in hand soaps, sales of *KireiKirei Medicated Foaming Hand Soap* were steady, and Lion released new *KireiKirei Medicated Foaming Hand Soap for the Kitchen*, a product that effectively removes even meat grease as well as fish odors that linger on hands after food preparation. Consequently, overall sales increased year on year. In antiperspirants and deodorants, sales of *Ban Sweat-Blocking Roll-On* were favorable, and Lion worked to develop the market for new *Ban Odor-Blocking Roll-On*, which features a nano ion antibacterial agent that helps prevent odors all day long. Sales of *Ban Deodorant Powder Spray*, however, were sluggish. Overall sales decreased year on year.

Fabric Care Products

In the Fabric Care field, in laundry detergents, Lion focused on cultivating demand for super-concentrated liquid laundry detergents *TOP NANOX* and *TOP HYGIA*, but overall sales were down year on year due to such factors as the shrinkage of powder detergent markets. In fabric softeners, sales of the *Kaori to Deodorant no SOFLAN (SOFLAN with Fragrance and Deodorant) Aroma Natural* series were firm, and those of the new-and-improved *SOFLAN Aroma Rich* series were strong. Overall sales grew year on year.

Living Care Products

In dishwashing detergents, new *CHARMY Magica*, featuring nano cleansing action that makes stubborn grease slide like water off dishes for faster cleanup, garnered favorable consumer reviews, and overall sales were up significantly year on year.

With the *LOOK* brand of household cleansers, Lion focused on nurturing the bathroom fungicide *LOOK Bath Antimold Fogger* and *LOOK Mame-Pika Toilet Cleaner*, but overall sales were below those of the same period of the previous fiscal year.

Pharmaceutical Products

In antipyretic analgesics, although sales of *BUFFERIN PREMIUM* were firm, sales of *BUFFERIN A* were stagnant, leading to overall sales that were down year on year.

In eyedrops, sales of *Smile40 Premium* and *Smile40 EX GOLD Mild* were favorable. Overall sales increased year on year.

Lion also endeavored to capture demand generated by tourists visiting Japan from overseas, and sales of externally applied preparations for treating acne and elastic pads for cooling the legs increased significantly.

Other Products

In direct-to-consumer sales products, at the end of June, Lion re-launched *Nice rim essence Lactoferrin* which is classified as a Food with Function Claims, that helps reduce visceral fat and brings down high BMI, and sales following the re-launch were favorable. Overall sales, however, fell year on year.

In pet supplies, sales of oral care products were strong, but sales of *Nioi wo Toru Suna (Deodorizing Cat Litter)* were stagnant, and overall sales were virtually equivalent to those in the previous fiscal year.

Industrial Products Business

| | Millions of Yen | | | | |
|------------------|-----------------|--------------------|--------|--------------------|---------------------|
| | FY2015 | % of segment sales | FY2014 | % of segment sales | Change (Amount) (%) |
| Net sales | 56,104 | | 59,793 | | (3,688) (6.2) |
| Operating income | 1,612 | 2.9 | 1,759 | 2.9 | (147) (8.4) |

The Industrial Products Business segment comprises businesses in such product categories as electro-conductive carbon, surfactants and detergents for institutional use. In 2015, Lion realigned and integrated its three Group companies in this business into a single, newly established company. As a result, within the Chemical Products Business, management functions are becoming stronger and efficiency is improving.

In electro-conductive carbon, sales of *KETJENBLACK* for use in lithium-ion and other secondary batteries were steady, and overall sales increased year on year.

In surfactants, sales of raw materials for detergents were sluggish, and overall sales fell year on year.

In detergents for institutional use, sales of alcohol sanitizers for kitchen use were favorable, while those of hand soaps were firm, and overall sales increased significantly year on year.

As a result, in the Industrial Products Business, overall sales declined 6.2%, and segment income decreased 8.4%.

Overseas Business

| | Millions of Yen | | | | |
|------------------|-----------------|--------------------|--------|--------------------|---------------------|
| | FY2015 | % of segment sales | FY2014 | % of segment sales | Change (Amount) (%) |
| Net sales | 102,077 | | 86,202 | | 15,875 18.4 |
| Operating income | 2,983 | 2.9 | 1,147 | 1.3 | 1,835 159.9 |

[Sales by Region]

| | Millions of Yen | | | |
|----------------|-----------------|--------|-------------------|------------|
| | FY2015 | FY2014 | Increase/decrease | Change (%) |
| Southeast Asia | 67,614 | 56,950 | 10,663 | 18.7 |
| Northeast Asia | 34,463 | 29,251 | 5,211 | 17.8 |

The Overseas Business segment comprises mainly Consumer Products business operations located in

Southeast Asia, including Thailand and Malaysia, and Northeast Asia, including South Korea and China. Performance in the personal care field, including the oral care and beauty care fields, held firm, with sales in personal care expanding over 20% and rising to account for 31% of overall sales in Overseas Business.

By region, in Southeast Asia, overall sales were up 18.7% year on year. In Thailand, sales of oral care products reported double-digit growth, and the sales of the *KODOMO* brand oral care series and *Shokubutsu-Monogatari* body wash were favorable. Overall sales after yen conversions increased substantially compared with the same period of the previous fiscal year. In Northeast Asia, sales, as a whole, increased 17.8% year on year. In South Korea, sales of *Systema* toothpaste were firm, and those of *KireiKirei* hand soap were favorable. Consequently, overall sales after yen conversions increased significantly year on year. In China, e-commerce business showed major expansion, and rose to account for 35% of sales in that country. Sales of *Systema* toothbrushes were firm, and sales of imported Japanese products increased. Overall sales after yen conversions increased substantially year on year.

As a result of these developments, overall segment sales in Overseas Business increased 18.4% year on year (or in terms of real net sales, which exclude the influence of exchange rate conversions, increased 10.9%). Segment income increased 159.9% year on year due in part to growth in sales of personal care products.

Other

| | Millions of Yen | | | | |
|------------------|-----------------|--------------------|--------|--------------------|---------------------|
| | FY2015 | % of segment sales | FY2014 | % of segment sales | Change (Amount) (%) |
| Net sales | 29,166 | | 28,682 | | 483 1.7 |
| Operating income | 956 | 3.3 | 597 | 2.1 | 358 60.0 |

Financial Position

| | Millions of Yen | | |
|--|-----------------|---------|--------|
| | FY2015 | FY2014 | Change |
| Total assets (millions of yen) | 282,434 | 283,352 | (918) |
| Total net assets (millions of yen) | 142,730 | 127,434 | 15,296 |
| Shareholders' equity to total assets*1 (%) | 47.6 | 42.6 | 5.0 |
| Net assets per share** (yen) | 469.05 | 449.94 | 19.11 |

*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.

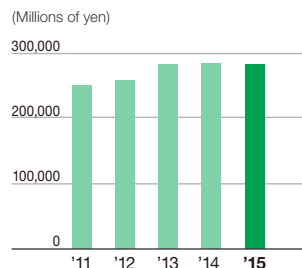
In 2015, the Company's total assets decreased, but, on the other hand, cash flow increased.

Total assets fell ¥918 million compared with the previous consolidated fiscal year-end, to ¥282,434 million. This is primarily attributable to a decrease in property, plant and equipment.

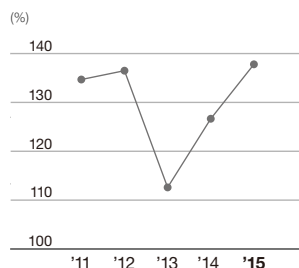
Total liabilities decreased ¥16,215 million in comparison with the end of the previous fiscal year, to ¥139,703 million, mainly due to decreases in bonds with subscription rights to shares and the Company's net defined benefit liability. Current liabilities decreased ¥5,170 million, to ¥121,247 million, and the liquidity rate stood at 137.6%.

Total consolidated shareholders' equity rose ¥15,876 million, to ¥131,077 million due to the decline in the balance of treasury stocks and increase in retained earnings. Net assets increased ¥15,296 million, to ¥142,730 million. Shareholders' equity to total assets stood at 47.6%

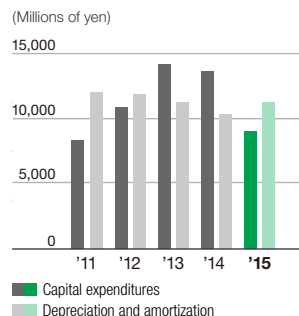
Total Assets



Current Ratio



Capital Expenditures and Depreciation and Amortization



Cash Flows

Consolidated Cash Flows

| | Millions of Yen | | |
|--|-----------------|----------|---------|
| | FY2015 | FY2014 | Change |
| Net cash provided by (used in) operating activities | 35,539 | 11,738 | 23,800 |
| Net cash provided by (used in) investing activities | (6,974) | (16,838) | 9,864 |
| Net cash provided by (used in) financing activities | (5,062) | (6,520) | 1,458 |
| Effect of exchange rate changes on cash and cash equivalents | (374) | 829 | (1,203) |
| Net increase (decrease) in cash and cash equivalents | 23,128 | (10,791) | 33,919 |
| Cash and cash equivalents at end of the period | 61,278 | 38,150 | 23,128 |

Net cash provided by operating activities totaled ¥35,539 million, due mainly to income before income taxes.

Net cash used in investing activities amounted to ¥6,974 million, and consisted of purchases of property, plant and equipment and other items.

Net cash used in financing activities totaled ¥5,062 million. Major components of this outflow included cash dividends paid and repayment of short-term loans payables.

As a result of the above, cash and cash equivalents as of December 31, 2015 increased ¥23,128 million compared with the consolidated fiscal year ended December 31, 2014, to ¥61,278 million.

Outlook for Fiscal 2016

| | Millions of Yen | | | |
|---|-----------------|---------|-----------------|------------|
| | FY2016 | FY2015 | Change (Amount) | Change (%) |
| Net sales | 390,000 | 378,659 | 11,340 | 3.0 |
| Operating income | 18,000 | 16,374 | 1,625 | 9.9 |
| Profit attributable to owners of parent | 11,000 | 10,680 | 319 | 3.0 |

In the domestic toiletries industry, the Lion Group's main business domain, despite anticipated expansion in the market for high-value-added products, competition is expected to remain fierce. Amid these circumstances, the Lion Group will steadily implement the V-2 Plan (Vision 2020 Part-2), its three-year medium-term management plan launched in 2015, and work to improve its corporate structure, aiming to boost corporate value.

In the Consumer Products Business segment, the Lion Group will work to further develop its brands in the oral care field as well as release new, high-value-added products in its mainstay businesses, including toothpastes and laundry detergents, as it works to improve its market position and strengthen profitability. The Group will also work to expand its direct-to-consumer sales business by reinforcing the development of products that offer unique value, particularly in the area of functional foods, and through aggressive marketing.

In the Industrial Products Business segment, Lion will focus management resources on key areas, such as automotive and electrical and electronics products, to reinforce its business foundation. Furthermore, Lion will continue to cultivate new customers in its detergents for institutional use business.

With regard to the Overseas Business segment, the Lion Group will continue its aggressive marketing activities, primarily in the area of personal care, seeking to expand its business.

As a result of the above, consolidated results forecasts for fiscal 2016 are as follows: net sales of ¥390,000 million (up 3.0% year on year), operating income of ¥18,000 million (up 9.9% year on year), ordinary income of ¥19,000 million (up 5.0% year on year), and net income of ¥11,000 million (up 3.0% year on year).

The forecast of fiscal 2016 consolidated cash flows is as follows:

In cash flows from operating activities, Lion projects income before income taxes of approximately ¥17,000 million. Depreciation and amortization is estimated to total about ¥11,000 million.

In cash flows from investing activities, Lion plans to undertake capital expenditures of around ¥11,000 million during fiscal 2016.

The cash flows from financing activities are expected to yield an outflow of about ¥4,000 million mainly due to cash dividends paid and the repayment of loans payable.

Based on these projections, Lion estimates that cash and cash equivalents at the end of fiscal 2016 will be up approximately ¥13,000 million year on year.

Basic Policy on the Distribution of Earnings and Cash Dividends

Lion considers returning profits to shareholders on a permanent and stable basis by increasing its consolidated earnings capacity as one of its most-important management issues. To this end, the Company strives to ensure the payment of continuous and stable cash dividends and bases the acquisition of treasury stock on comprehensive reviews of the appropriate levels of internal reserves required to secure medium- and long-term growth.

Lion allocates internal reserves to making investments aimed at reinforcing the Company's growth potential and developing a sustainable business foundation. In the area of investment in innovation, Lion is stepping up the pace of its R&D, mainly to strengthen its position in healthcare and life sciences, including the pharmaceutical field and functional food products. In its marketing-related investments, Lion is accelerating the expansion of its brands that have No. 1 positions in their respective markets in Japan and speeding up its expansion of global brands. Regarding capital investments, Lion is investing in the domestic oral care business and taking steps to upgrade its production systems to meet rising demand in overseas countries, principally in Thailand, with a view to exporting from that country to supply regional demand.

Financial Review

Taking into consideration the Company's cash dividend payment record, as well as its dividend payout ratio target, the Company decided to pay an interim dividend of ¥5 per share and a year-end dividend of ¥5 per share for fiscal 2015. With regard to dividends to be paid for fiscal 2016, in accordance with its basic policy on the distribution of earnings and cash dividends, Lion plans to pay an interim dividend of ¥5 per share and a year-end dividend of ¥6 per share, for a total annual dividend of ¥11 per share.

Business Risk Information

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

(1) Product quality and value

The Lion Group plans, develops, produces, and sells products under management based on international quality standards while strictly following related laws and regulations, such as the Pharmaceutical Affairs Law, to provide worry-free, safe, convenient, and environmentally conscious products to consumers. In addition, we use consumers' opinions received through our Consumer Service Office to improve our products and packaging as well as respective displays and text. 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 status.

(2) Changes in raw material prices

The Lion Group's products use petrochemical and vegetable oils and fats as basic materials. Since these materials are easily affected by international market prices, we have measures in place to reduce costs and diversify the range of materials used. However, an increase in raw material prices may adversely affect the Lion Group's management performance and financial status.

(3) Exchange rate fluctuations

The Lion Group translates into yen the financial statements of overseas subsidiaries when preparing consolidated financial statements. For items denominated in foreign currency, their yen values may be affected by prevailing foreign exchange rates when translated into yen. The Lion Group has taken steps to minimize the risk of an increase in raw material costs by hedging against exchange rate fluctuations. However, short-, medium-, and long-term changes in foreign exchange rates may adversely affect the Lion Group's management performance and financial status.

(4) Major lawsuits

As of December 31, 2015, Lion is not involved in any lawsuits that may have significant impact on its business. However, if the Lion Group were to be successfully sued for significant damages, these could adversely affect the Lion Group's management performance and financial status.

(5) Earthquakes and other natural disasters

In the product manufacturing process, the Lion Group has put in place safety measures against earthquakes and other natural disasters. In the event of a major disaster, however, our production equipment may be damaged, or a suspension of raw materials procurement or distribution activities may cause business activities to cease, adversely affecting the Lion Group's management performance and financial status.

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

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

► Consolidated Financial Statements and Notes (348KB) 

Investor Information

In order to ensure that all shareholders, including those overseas, have fair and timely access to information about the Company, Lion is taking steps to enhance the provision of information through its website.

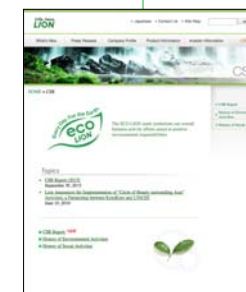
Corporate website:
www.lion.co.jp/en/

This website offers important management and financial information, as well as timely press releases on a wide range of topics, such as new products. In addition, the website provides a variety of information to ensure a better understanding of Lion and its history, such as detailed product information that could not be included in the annual report.



Investor information website:
www.lion.co.jp/en/invest/

This website provides not only the timely release of important management decisions and financial information but also historical financial data. Moreover, the website also provides a full range of qualitative information, such as messages from the president. Requests for printed versions of annual reports can also be made through this website. (To access the detailed financial statements, go to <http://www.lion.co.jp/en/invest/html/inv0300f.htm>)



CSR website:
www.lion.co.jp/en/csr/

Lion's annual CSR report provides detailed information about the Company's CSR activities, which have an extremely important position in Lion's corporate activities. An abridged translation of that report is provided on this website. Also, the website outlines the history of Lion's CSR activities, which began at a very early stage after the Company's founding.