Editorial Policy
This annual report has been prepared to assist shareholders, investors, and other stakehold-
ers 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/

Regarding Forward-Looking Statements
This Annual Report contains “forward-looking statements” including matters related to future busi-
ness plans, corporate strategies, forecasts of performance, and other matters. Such statements
were formulated based on information that was available at the time of the preparation of this
Annual Report and may contain factors that are unverifiable, such as economic conditions, market
and consumer behavior, and others. Accordingly, it should be noted that the actual results may not be identical
to and may differ from the forecast outlook.

The UN Global Compact (UNGC), in which Lion has partici-
pated since 2009, is a voluntary initiative of companies
and organizations aiming at realizing ten principles relevant
to the “protection of human rights,” “abolition of under-
labor practices,” “environmental responsiveness,” and “anti-cor-
ruption.” Lion is also a member of the Global Compact
Network Japan (GCN), 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 responsi-
bility standards.

Lion Corporation has been included in the Morningstar
Socially Responsible Investment Index on a continuing
basis since 2003.
Financial Highlights

Net Sales

395.6 billions of yen
Net sales rose ¥16.9 billion or 4.5% year on year. Sales of new products and high-value-added products were favorable.

Operating Income

24.5 billions of yen
Major increase of 49% over the previous fiscal year.

Net Income per Share

55.13 yen

Cash Dividends per Share

13 yen

ROE

11.2%
Return on equity increased.

ROA

9.1%
Return on assets increased.

Free Cash Flow

24.4 billions of yen
Non-Financial Highlights

Environmental Engagement

Reduction of Greenhouse Gases from Business Activities**

-43%

*1 Compared to 1990 levels; Emission Intensity per unit total revenue; Business locations in Japan

SDGs: 11 12 13 14 15

Lion is promoting energy-saving activities throughout the entire Company, including the production, administration, sales, and R&D divisions.

Reduction of Water Use in Business Activities**

-49%

*2 Compared to 2000 levels; Unit total revenue

SDGs: 6 12 13 14 15

Since the volume of water used at the Chiba plant is the largest of any of the Company’s domestic production facilities, this is expected to represent a considerable water saving effect for the Company as a whole.

Create Healthy and Comfortable Living Habits

Lion Group Educational Activities

Participants in the Oral Health Event of Tooth Brushing for Children

Approx. 1.08 million

(cumulative from 1932 to 2016)

SDGs: 3 6 12

The event is held annually in June during the “Dental/Oral Health Week.” In 2016, elementary school students from across Japan and eight other Asian countries/regions participated via live online streaming.

Lion Group Educational Activities to Promote Hand Washing Habits

Conducted in 5 countries

(Countries where Lion sells hand soap, and conducts the educational activities)

SDGs: 3 6 12

Lion conducts educational activities to promote hand washing habits in Japan as well as in South Korea, Singapore, Thailand, and China.

Workplace Diversity

Employment Rate of Employees with Disabilities

2.2%

(Non-consolidated, including employees assigned to affiliated companies)

(As of December 31, 2016)

SDGs: 3 6 12

Lion established the special subsidiary Lion Tomoni Co., Ltd. to further promote the proactive employment of persons with disabilities. Lion Tomoni undertakes to provide office services for Lion on contract.

Employees Returning to Work Following Childcare Leave

100%

(As of December 31, 2016)

SDGs: 5 12 13 14 15

As a result of efforts to expand childcare-related systems and measures to provide career support while raising children, the ratio of employees returning to work following childcare leave reached 100%.

Vision & Strategy

Three Business Fields

Lion offers products and services that are useful for people’s daily lives in the three business fields of “health,” “comfort,” and “environment” with the aims of contributing to individual life “today” for everyone with a view to future value.

Strategy

Four Strategies

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

1. Qualitative Growth of Domestic Businesses
   - Lion is focusing on cultivating and reinforcing key brands as it also works to develop high-value-added business areas. In tandem with these activities, Lion is taking initiatives to use its management resources more efficiently and strengthen profitability.

2. Quantitative Expansion of Overseas Businesses
   - To ensure profitable business growth, Lion is nurturing and strengthening its global brands and expanding into the personal care field. Together with these activities, Lion is seeking to optimize use of production facilities within the Group and considering entry into new business areas.

3. Development of New Business Value
   - In the direct-to-consumer sales business, Lion is accelerating the development and cultivation of additional products to join the flagship product. Lion is also actively exploring new businesses and business opportunities that will use its existing management resources.

4. Enhancement of Organizational Learning Capabilities
   - With “Life.love.LION” as its corporate slogan, Lion is seeking to create a bolder, more enterprising corporate culture. Lion is also focusing more strongly on its ECO LION environmental activities and its activities to promote interactive communication of lifestyle-related information.

Vision

Management Vision: The Ideal Lion Corporation in Fiscal 2020

In the midst of these social changes, Lion has established three visions that it will contribute to realizing through the year 2020: These are Health, Comfort, and Environment. Lion will strive to...

The Ideal Lion Corporation in Fiscal 2020

- Be a company that creates value for lifestyle and spiritual fulfillment
- Be a company that is advanced in the area of environmental responsiveness
- Be a company that continues to take on challenges, create and learn

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 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 are seeking to create and expand value in society as a whole. 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.

Our Focus

Three Innovations

To implement these four strategies, Lion is endeavoring to innovate in three areas.

- **Life Innovation**  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.

- **Green Innovation**  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.

- **Knowledge Innovation**  Cultivate a high-performance organization that has the capability of creating new value through nurturing human resources and innovating in business processes.
In fiscal 2016, net sales expanded in Japan and overseas, and profitability showed major improvement because of improvement in Lion’s product mix. As a result, both net sales and profit rose to record highs, and Lion reached its target for profit one year ahead of plans.

### Qualitative Growth of Domestic Businesses
In fiscal 2016, in the Consumer Products Business, Lion proceeded with shifting its product mix to high-value-added items, principally in Oral Care and Pharmaceutical Products, and profitability rose in Fabric Care Products.

In the Industrial Products Business, Lion worked to strengthen its business base through the focus and concentration of its resources, succeeded in raising profitability in Chemical Products, and proceeded with expansion in the Detergents for Institutional Use Products.

### Progress Goals of the V-2 Plan
In preparation for the commencement of Lion’s next V-3 Plan, Lion is accelerating its initiatives to raise profitability through structural reforms. Together with this, Lion is placing priority on building the base for its future growth strategies.

### Quantitative Expansion of Overseas Businesses
Business growth accelerated in major countries in Southeast Asia, including Thailand and Malaysia, and in Northeast Asia, including South Korea and China. On a local currency basis, sales were favorable in each of the overseas countries, and the margin of growth in overseas business expanded. Profitability rose along with a favorable performance in Personal Care Products.

### Development of New Business Value
In the direct-to-consumer sales business, sales of food with function claims rose and reached the highest level to date. This and other indicators showed that this business is expanding steadily.

### Enhancement of Organizational Learning Capabilities
Lion gave its support for initiatives to promote a diversity of workstyles and enhanced its systems for accommodating and promoting diversity in general.

### Management Indicators

<table>
<thead>
<tr>
<th></th>
<th>Goal for fiscal 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE</td>
<td>10% or above</td>
</tr>
<tr>
<td>BEP</td>
<td>90% or less</td>
</tr>
</tbody>
</table>

### Results in 2016

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>386.6</td>
<td>378.6</td>
</tr>
<tr>
<td>Operating income</td>
<td>24.5</td>
<td>16.3</td>
</tr>
<tr>
<td>Profit attributable to owners of parent</td>
<td>15.9</td>
<td>10.6</td>
</tr>
</tbody>
</table>

Change

- Net sales: +4.5%
- Operating income: +49.6%
- Profit attributable to owners of parent: +49.4%
2. Lion’s growth scenario includes being a “next-generation healthcare company.” What does this involve?

Lion’s aim is to offer care (prevention) and cure (treatment) for all generations, from infants to the elderly, and to create new value in the areas of health, cleanliness, and comfort. This includes providing one-to-one solutions tailored to an individual’s health status.

Our plan is to use “healthcare” as the basic approach in each of our business categories. In oral care, for example, recent research has identified a close connection between the hygiene of a person’s mouth and their physical health. From the standpoint of oral healthcare, this expands the possibilities for proposing and creating not only toothbrushing and other dental care products but also a wide range of ideas and products to improve lifestyle habits. The health status of each person is different, which creates market opportunities. We also hope to support mental health by presenting ideas for a comfortable life.

3. As part of its policy for 2017 of aiming to be a next-generation healthcare company, Lion has established measures to strengthen its position in the Japanese market. What are your specific plans?

We are focusing on expanding “empathetic marketing” presenting new lifestyle habits, and reinforcing the digital approaches that comprise the tools and information to spark an empathetic response. We are also accelerating efforts to pursue various types of tie-ups, based on the idea of “new combinations.”

“Empathetic marketing” is an approach designed to create completely new high-value-added product markets. Instead of a “product-centered” focus on developing new functionality, in empathetic marketing we are taking an “experience-centered” approach in which consumers try the product, recognize the benefits, and adopt new lifestyle habits.

An example of empathetic marketing is our initiative to tailor marketing to regional characteristics, which is one of the keys to empathetic marketing. Living environments, cultures, customs, and preferences are particular to specific regions, both within Japan and overseas. To take one example, depending on differences in local foods and climate, clothing becomes soiled in different ways. Marketing that generates empathy distinctive to that area allows Lion products to make inroads into regional communities and gain customer understanding and acceptance more effectively.

We have also launched a new initiative for joint in-store measures with other companies. Along with proposals for sales spaces, we are offering new value through an “experience” approach that links the product categories of each company, and generating broad-based empathy. We are also considering marketing tie-ups in the future.

4. Turning to overseas strategies, what are Lion’s strengths in terms of competing with the global giants in Asian markets?

We cannot compete by doing the same things. Backing the reputation of Japanese quality, we will utilize the strengths and expertise we have gained in the Japanese market, and seek sustainable growth through a different approach than that of our global competitors.

The trust and value placed in Japanese products is a huge advantage. For example, the aging of populations in both Northeast and Southeast Asia will increase rapidly in the next 5-10 years. We will be able to apply our experience and expertise in Japan’s senior market to these markets as well. Also, since the percentage of young people across Northeast and Southeast Asia is higher than in Japan, we created the KODOMO brand* of products for children, and achieved growth in this region. By combining this unique and strong brand power with this high value added, we are confident we can develop larger markets over the longer term.

Further, as in Japan, we do not just sell products, but are expanding our market position by educational activities and social contribution activities related to healthcare.

5. You have included reinforcing e-commerce channels, mainly in China, as a priority measure. What has been your progress and results so far?

We have been pursuing e-commerce in China as a new alternative sales channel to retail stores. Currently, e-commerce accounts for half of Lion’s sales in China, with toothbrushes among the best-selling items on the main online sites.

We have struggled with retail sales in China, but were one of the first companies to embrace e-commerce, leading the growth we have today.

We will use e-commerce channels to highlight the added value of Lion products and enhance our appeal as a Japanese brand in order to strengthen our brand power, and thereby increase sales in retail stores as well. We have a plan to apply the Chinese business model to Taiwan, South Korea, and Southeast Asian markets as well.
6. The strength of R&D activities and human resources development are vital to corporate growth. Since your background is in the R&D division, what are your expectations for R&D?

I think that collaboration, both within and outside the organization, is essential to creating new businesses and sparking innovation. Especially in R&D, I hope that our “new combinations” of internal and external collaboration through open innovation will quickly lead to value creation.

There is a saying in the R&D world that “success breeds success and that a person who makes one breakthrough is likely to do it again.” This is because an exceptional research result opens up several channels to bring together a newly inspired personnel network and information, creating a virtuous circle that leads to the next success. Lion as a company will change with these new combinations, and it is my hope that the R&D division will be at the forefront.

7. What are the main points of the corporate governance reform measures by the Basic Corporate Governance Policy, formulated in June 2016?

We will discuss and consider Lion’s business activities from various perspectives, centered on external directors and experts. By steering the Company in the proper direction, we aim to establish a structure that ultimately returns profit to shareholders.

Lion’s top priorities for corporate governance are to increase management transparency, strengthen supervisory functions, accelerate decision making, and ensure compliance.

I also think it is important to create a flexible structure that incorporates varied opinions, and in which management itself generates new combinations with external parties. We formulated the basic policy as the rules to achieve this.

In terms of organizational structure, we established a new Nomination Advisory Committee comprising mainly external directors to advise the Board of Directors. This is also aimed at ensuring diversity in our executives. The former Management Evaluation Committee has been remodeled as the Advisory Committee, comprising outside experts other than external directors, to provide a wide range of perspectives on Lion’s management policies and strategies.

These policies will encourage debate on Lion’s business activities from diverse viewpoints, leading to more-accurate decision making, and meeting the expectations of shareholders.

8. Finally, what message do you have for shareholders and investors?

Lion’s business performance has grown significantly since I assumed the role of president in 2012. However, this new history is nothing more than the starting line. As Lion seeks to become a next-generation healthcare company, I think investors can look forward to dramatic growth, and a future filled with potential.

Lion’s improvement in profitability is not just from cost-cutting. It is the success of structural reforms and changes in the way of thinking throughout the Company. Next year (2018), we will announce our growth strategies for beyond 2020, and accelerate our efforts for nurturing a “Spirit of Tenacity and Creativity” that will help us put these strategies into action. Shareholders and investors should expect even bigger things from Lion.

Finally, our basic policy of providing returns to shareholders as a management priority is unchanged. We will further strengthen our profitability, make investments for growth, and ensure continuing and stable shareholder returns.

April 2017

Itsuo Hama
Representative Director, President Executive Officer
**Net Sales by Segment**

- **Consumer Products Business**
  - Net Sales ¥261.3 billion
  - Sales to outside parties
  - We offer a wide range of products and information in Japan, including products such as toothpastes, laundry detergents, and OTC drugs that support “total care, from prevention to treatment and comfort.”

- **Fabric Care Products**
  - Laundry detergents, Bleach, Fabric softeners, and Other Products

- **Oral Care Products**
  - Toothpastes, Toothbrushes, Mouthwashes, and Other Products

- **Beauty Care Products**
  - Liquid hand soaps, Antiperspirants, and Other Products

- **Living Care Products**
  - Dishwashing detergents, Household cleaners, Cooking-aid products, and Other Products

- **Pharmaceutical Products**
  - Analgesics, Eyedrops, Tonics, Insecticides, and Other Products

- **Chemical Products**
  - Automotive
  - Energy, Environmental & Infrastructure

- **Industrial Products Business**
  - Net Sales ¥31.3 billion
  - Sales to outside parties

- **Detergents for Institutional Use Products**

- **Overseas Business**
  - Net Sales ¥99.2 billion
  - Sales to outside parties

- **Other**
  - Functional food products, Gift products, Pet supplies, and Others

**Note:** Total net sales and the percentage compositions were calculated after excluding internal sales within and among segments.
Consumer Products Business

Profitability increased as a result of positive sales in oral care and pharmaceutical products, along with improvement in the business mix stemming from a greater component ratio of high-value-added products in all fields. In addition to the above factors, earnings rose sharply on lower raw material prices, cost reductions, and the effective spending on sales promotion costs.

### Market Environment and Business Results in 2016

In Lion’s main business markets, sales rose steadily in 2016, up 4%* from the previous year on higher unit sales prices due to the expansion of high-value-added products, along with an increase in sales volume, and inbound demand.

During 2016, the midpoint for the V-2 Plan, Lion reaffirmed the goal of “increasing profitability” as its highest priority, and launched high-value-added and market-creating products in growing markets.

In oral care products, sales of high-value-added products, such as SYSTEMA Haguki (the Gums) Plus Toothpaste, CLINICA ADVANTAGE Toothbrush, and SYSTEMA Haguki (the Gums) Plus Toothbrush, rose by double digits, exceeding market growth and contributing to market expansion.

In beauty care products, hadakara, a body soap launched in September 2016 in which moisturizing components are hardly washed away (compared to other Lion products), has been popular with customers as a market-creating product, with sales increasing. In fabric care products, Lion introduced TOP SUPER NANOX, expanding the sales ratio for super-concentrated liquid laundry detergent, and increasing profitability. In the pharmaceutical products, as a result of an ongoing effort to promote high-value-added products, sales were steady for antipyretic analgesic BUFFERIN PREMIUM, Smile 40 Premium eyedrops, and other high-value-added items, with increases in unit sales prices.

Inbound market demand (consumption by overseas visitors to Japan) grew at a slower pace compared to the previous year, but remained steady, centered on PAIR acne treatment medicine.

### Strategy for 2017

During 2017, although gradual continued recovery is forecast for the Japanese economy, the outlook going forward is expected to remain unclear, reflecting shifts in raw material prices and currency exchange rates, geopolitical risks, and other factors. In the Consumer Products Business, the Lion Group’s main business domain, despite anticipated expansion in the market for high-value-added products, competition is expected to remain fierce. For the final year of the V-2 Plan, Lion will pursue the following four measures during 2017 in order to further strengthen its market position, and establish a resilient earnings structure less susceptible to the market environment.

1. Shift from a “product-centered” focus on functionality to an “experience-centered” approach in which products convey feeling through sympathy with people, pursuing “empathetic marketing” that presents new life habits.

2. Strengthen digital marketing approaches that encourage new consumption behavior.

3. Instead of uniform nationwide marketing measures, strengthen area-based appeals through alliance with sales channels and media attuned to the characteristics of particular areas.

4. Partner with other companies to strengthen offerings in various categories.

---

* 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 2016, on the basis of sales amount.

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

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

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

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

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

* Figures for market size presented above are based on retail sales data, and do not include sales of gift packages.
Business Review and Key Products in 2016

**CLINICA ADVANTAGE and SYSTEMA Haguki (the Gums) Plus brand lines**

Lion launched new products in the CLINICA and SYSTEMA brand lines, with a continued focus on brand development. Sales for these brands rose 9% and 12%, respectively, exceeding growth in the oral care market overall.*

For the CLINICA brand, Lion offered an oral care lineup addressing the three important points in preventive dentistry—helping fluoride remain on teeth, removing plaque, and reducing bacterial growth. Awareness of preventive dentistry has increased in recent years, and more people are getting checkups at dental clinics. Considering this market development, Lion launched a slimmer three-row type of the CLINICA ADVANTAGE Toothbrush with a dentist-recommended design, and renewed versions of its CLINICA ADVANTAGE Toothpaste and CLINICA ADVANTAGE Dental Rinse. An increasing number of consumers are using a combination of CLINICA brand items.

For the SYSTEMA brand, sales were positive for the SYSTEMA Haguki (the Gums) Plus series with improved periodontal pocket care according to the state of the gums, as well as for new toothbrushes.


**Strategy for 2017**

Lion will continue to develop the KireiKirei, Ban and hadakara product lines. For KireiKirei, we will further expand the market through efforts to establish a custom of handwashing.

For Ban, we anticipate market growth, and will concentrate on high-margin direct application and sheet-type products, with an aim of enhancing profitability.

For hadakara, we will strengthen our marketing activities and product lineup, with the aim of expanding market share.

*The body soap formula utilizes an adsorption mechanism provided by a soap and cationic polymer complex to enhance adsorption of the cationic polymer to the skin through a combination of phenoxyethanol (base) and POE cetyl ether (base). (Source: Lion from Mintel Japan, Inc. database, December 2015)
Fabric Care Products

Sales rose overall from the previous year, due mainly to strong sales of laundry detergents on the popularity of new super-concentrated liquid detergents, and steady sales of fabric softeners for fragrance and deodorant-type products.

Business Review and Key Product in 2016

TOP SUPER NANOX

During 2016, Lion launched a new super-concentrated liquid detergent, a growing category that is expanding the laundry detergent market.

The way people do laundry has changed in recent years. Drivers of this change have been the introduction of washing machines that conserve water and have larger capacity as well as the trend among singles and working couples to wash larger loads less frequently. This has given rise to a need for detergents that can wash larger amounts of laundry with less water. Lion is working to provide the cleaning power to remove dirt and stains in such varied household settings, developing new technologies to thoroughly clean grime off every fiber, and launching TOP SUPER NANOX. We conducted broad communication measures to convey the message of “supreme cleaning power,” including TV commercials, in-store promotions, online strategies, and a community website for consumers to share their experiences using the products. These efforts increased the number of new users, and led to a significant gain in sales from the previous fiscal year.

Strategy for 2017

During 2017, Lion will continue to foster further growth in the market for super-concentrated liquid detergents and fabric softeners.

In addition to TOP SUPER NANOX, during 2017 Lion launched a renewed version of TOP HYGIA with improved antibacterial effect and cleaning power. The market for antibacterial laundry detergents has grown rapidly, with sales in 2016 double that of five years ago.* Lion will enhance its position in the super-concentrated liquid detergent market and expand the market overall through the further development of TOP HYGIA, aimed at consumers with a strong focus on hygiene, and TOP SUPER NANOX for those seeking greater cleaning power.

In fabric softeners, for the growing “odor prevention and deodorizing” market, Lion launched a renewed version of Kaori to Deodorant no SOFLAN [SOFLAN with Fragrance and Deodorant] Premium Deodorizing Plus with improved deodorizing properties for unpleasant odors, such as sweat and body odor. Lion will enhance its position in the fabric softener market with the launch of a new odor prevention/deodorizing product, and further the development of the long-lasting SOFLAN Aroma Rich with new all day long fragrance.

Living Care Products

Sales declined overall from the previous year, as sales of household cleaners were flat, and new products in the CHARMY Magica dishwashing detergent line showed favorable performance.

Business Review and Key Product in 2016

CHARMY Magica Antibacterial + (“Plus”)

During 2016, Lion regained its market position in dishwashing detergents, and continued to develop high-value-added products.

The market for antibacterial dishwashing detergents has expanded in recent years with greater hygiene awareness among consumers, with sales growing from ¥9.8 billion in 2011 to ¥14.3 billion in 2015.* Lion responded to this demand for antibacterial performance by launching the new CHARMY Magica Antibacterial + (“Plus”) with improved antibacterial properties along with the basic cleansing mechanism that makes grease slide off like water. In addition to the development of existing products, Lion acquired new users through the addition of this antibacterial-type product. Also, through these initiatives, Lion enhanced the market position of the CHARMY Magica brand that offers quicker, more-efficient cleanup, and, thereby, expanding the dishwashing detergents market overall.

Strategy for 2017

During 2017, Lion will continue to develop dishwashing detergents and high-value-added products.

In dishwashing detergents, Lion will continue with development measures for the CHARMY Magica lineup, expanded during 2016, and establish its position as a brand for efficient kitchen cleanup.

We will also strengthen the development of high-value-added products, such as CHARMY Crysta dishwasher detergent and LOOK Bath Antimold Fogger, to prevent black mold in the bathroom, as part of an effort to enhance profitability.

* Source: INTAGE Inc., SRI survey, “Dishwashing Detergents Market – Antibacterial Category (Excluding Automatic Dishwasher Detergents), Sales Amount 2011-2015” (The antibacterial market is defined as products that have “antibacterial” and “citric acid” in their product names and make claims for being effective in removing bacteria. Lion’s definition)
Sales rose overall from the previous year, due mainly to steady sales of high-value-added products, such as the antipyretic analgesic BUFFERIN PREMIUM and Smile 40 Premium eyedrops. Lion also steadily captured demand from foreign visitors to Japan, though growth from this inbound demand has slowed.

Lion enhanced added value and developed new demand with the launch of new antipyretic analgesics and eyedrops.

In antipyretic analgesics, in addition to BUFFERIN A, Lion strengthened brand development for the high-value-added BUFFERIN PREMIUM, along with BUFFERIN Luna i for effective relief from headaches and menstrual cramps. We also launched a renewed version of BUFFERIN Luna J for persons 15 years of age and over with additional dosage and administration instructions for usage. We worked to consolidate the BUFFERIN brand as an antipyretic analgesic effective for various types of pain, suitable for all ages from young children to the elderly.

In eyedrops, the new product Smile Whitéye, which eliminates ocular hyperemia for healthy-looking, clear white eyes, was well received by consumers. Sales also rose steadily for Smile 40 Premium for alleviating eye fatigue due to age or over-use of the eyes, as well as itchiness caused by mucus.

Lion will continue to develop high-value-added products for antipyretic analgesics and eyedrops. Lion is also planning to enter the new market field of dermatologic agents to treat itchiness. Many women in their 20s to 40s suffer from itchy skin, and are unsure whether general skin medicines to treat irritation are appropriate for their own skin problems.* Lion is focusing on this unmet need, and plans to establish Method, a new brand of skin medicines that make it easy for consumers to select the product to best treat their particular problem. Lion’s product lineup will include cream and sheet-type products to meet user needs, with a focus on further growth in the pharmaceutical business and market invigoration.

* Source: Lion

**Pharmaceutical Products**

**Business Review and Key Products in 2016**

**BUFFERIN and Smile**

**Strategy for 2017**

Lion will continue to develop high-value-added products for antipyretic analgesics and eyedrops. Lion is also planning to enter the new market field of dermatologic agents to treat itchiness. Many women in their 20s to 40s suffer from itchy skin, and are unsure whether general skin medicines to treat irritation are appropriate for their own skin problems. Lion is focusing on this unmet need, and plans to establish Method, a new brand of skin medicines that make it easy for consumers to select the product to best treat their particular problem. Lion’s product lineup will include cream and sheet-type products to meet user needs, with a focus on further growth in the pharmaceutical business and market invigoration.

**Other Products**

Other Products mainly comprise the Direct Marketing business, handling direct-to-consumer sales of functional foods and other products, and the Pet Supplies business, selling products for the pet markets.

**Direct Marketing Business**

**Review of 2016**

The Direct Marketing Division was established in January 2016. Overall sales in this business reached record highs as the start of food with functional claims labeling increased consumer understanding of such products as Nice rim essence Lactoferrin and Gussumin Yeast NO CHIKARA. Lion expanded its product lineup with the launch in March of Gussu Aroma bath additives and linen mist spray, and in April added damaged hair care products in the Fleuria lineup. Further, as part of its efforts for cross-border e-commerce, in January Lion began selling functional foods through China’s Tmall Global.

**Strategy for 2017**

Lion will continue to expand sales of Nice rim essence Lactoferrin, and establish a second core product. In addition, in 2017 Lion will launch the Plus Series, a new brand to promote everyday health and beauty, and is making preparations for a lineup of products with potential for related sales with existing products. Further, Lion will introduce a new back-end system and other improvements to support further business expansion.

**Pet Supplies Business**

**Review of 2016**

Lion concentrated on the growth category of pet oral care, developing the business through such efforts as the creation of an oral care advisory center. As a result, sales exceeded market growth in terms of amount, volume, and unit price. In addition to established products for dogs, growth was particularly strong in oral care food and supplies for cats.

In the high-margin cat sanitary product field, Lion introduced a renewed version of its mineral-based cat litter, achieving significant year-on-year gains in revenue and earnings.

**Strategy for 2017**

Lion will work to increase sales by expanding its product lineup for pet oral care, and conducting an expanded promotional campaign for the 25th anniversary of the Nioi wo Toru Suna (Deodorizing Cat Litter) series. We will also strive for continued business growth by reinforcing measures with wholesalers and retailers, opening new sales channels, and strengthening communication with consumers.
Industrial Products Business

The Industrial Products Business comprises Chemical Products and Detergents for Institutional Use Products. Operating income rose overall from the previous year as Lion enhanced efficiency in Chemical Products through business integration, and entered new business fields in Detergents for Institutional Use Products, including hygiene management services and vegetable washing.

### Chemical Products (Lion Specialty Chemicals Co., Ltd.)

#### Review of 2016 and Strategy for 2017

During 2016, Lion Specialty Chemicals invested management resources in the four sectors of 1) Automotive, 2) Electrical and Electronics, 3) Energy, Environmental & Infrastructure, and 4) Lifestyle Related Industry, conducting marketing deeply linked to customers in particular business fields, and working to gain loyal customers.

Net sales overall were on a par with the previous fiscal year, with a slight decline in the Automotive field of chemicals for tires due to a decline in domestic automobile production, and in Electrical and Electronics for functional polymers used in smartphones and other electronic devices. Operating income, however, rose as a result of increased sales of conductive compounds and other high-margin products, along with a decline in raw material prices.

In 2017, to pursue the aims of the business integration, Lion Specialty Chemicals will conduct new product development drawing on the technological strengths of the predecessor companies and accelerate global business development in priority fields, such as Automotive and Electrical and Electronics.

#### Detergents for Institutional Use Products (Lion Hygiene Co., Ltd.)

#### Review of 2016 and Strategy for 2017

During 2016, net sales rose overall on positive performance for commercial kitchen and institutional products, such as commercial-use paper towels, hand soap, and detergents, along with firm sales of detergents for dry cleaning. By sales channel, sales expanded to direct sales companies and food product manufacturing plants. In addition, to meet the continually growing market demand for precut vegetables, Lion Hygiene also developed and began selling detergents and washing machines used in the vegetable washing process.

For 2017, Lion Hygiene will continue to pursue further growth for this business by gaining new customers for its washing machines (such as food product plants), developing products for hospitals and elderly care facilities, and expanding its hygiene management services.

### Overseas Business

Net sales rose from the previous fiscal year, due mainly to firm results in major overseas markets including Thailand and South Korea, along with the inclusion of Malaysian company Southern Lion Sdn. Bhd. in the scope of consolidation. Operating income also increased, mainly as a result of improvement in the business mix following expansion of personal care products (combined oral care and beauty care), greater efficiency in the usage of expenditures to enhance competitiveness, and cost reduction measures, as well as a decline in raw material prices.

### Market Environment and Business Results in 2016

Revenue and earnings growth exceeded rises in national GDP, boosted by the effects of weaker local currencies. Lion achieved greater profitability in overseas markets through proactive marketing investments to strengthen brands, along with expansion of the personal care products in mainstay markets such as Thailand, South Korea, Malaysia, and China, with particularly sharp year-on-year gains in all markets for global brand Systema toothbrushes. In China, “modern store” sales through supermarkets and chain stores in urban areas declined, but sales through e-commerce channels continued to expand. Of note, Lion withdrew from the Philippine market, which it had entered in 2013, because of delays in establishing a stable business track.

### Strategy for 2017

Lion will further expand its market position as part of the final effort to complete the V-2 Plan (Vision 2020 Part-2). We will further develop and strengthen the global brands Systema, Shokubutsu Monogatari, and KODOMO, and, through accelerating the shift to personal care products, will work to enhance profitability and achieve sustainable growth. We will also strengthen the e-commerce business, and further expand e-commerce in China, applying that know-how in other markets. Further, Lion will continue to explore new areas for market entry.
Regional Reports

Thailand
Sales Growth Rate
+9% (Year on year, All on a local currency basis)

Review of 2016
Lion’s businesses in Thailand are oral care, beauty care, fabric care, and living care. In oral care, Lion continued to develop the Systema and SALZ' brands. Toothbrush sales were particularly favorable, with a sharp increase in Lion’s market share on the expansion of the production lineup with the launch of new Systema products in a higher price range. In beauty care, sales were favorable for new Shokubutsu Monogatari body soap. Exports to neighboring countries were also firm, and overall sales rose year on year on a local currency basis.

Strategy for 2017
Lion will aim to establish the leading market share in personal care products (combined oral care and beauty care). In oral care, we will continue to nurture the development of products in the growing high price range segment and introduce new items. In beauty care, we will continue to introduce new products for the expanding body soap market, accelerate the shift to the personal care field, and strengthen our foundations for growth. In fabric care, we will pursue added value in liquid laundry detergents and other products, and enhance profitability.

Malaysia
Sales Growth Rate
+14%*1 (Year on year, All on a local currency basis)

Review of 2016
In oral care, sales of the new Systema toothbrushes were favorable, with positive sales in beauty care for Shokubutsu Monogatari body soap. In fabric care, Lion proactively launched new and improved products for Top and other major brands, maintaining its leading market share*2 in the laundry detergent market. Sales in the oral care, beauty care, and fabric care segments achieved double-digit growth.

Strategy for 2017
Lion will continue to actively introduce new and improved products for core brands, and continue its business development measures. In mainstream fabric care, we will maintain our top market share in the laundry detergent market, and further increase earnings. At the same time, we will expand personal care products, seeking to strengthen the business base and improve profitability.

*1 Excluding Lion Eco-Chemicals Sdn. Bhd.
*2 Source: Lion
South Korea
Sales Growth Rate
+13%
(Year on year, All on a local currency basis)

Review of 2016
Lion's businesses in South Korea are oral care, beauty care, fabric care, and living care.
In beauty care, sales rose sharply for Al-Kekute® hand soap on the launch of an improved product and promotional activities. In fabric care, a proactive promotional campaign led to favorable sales of Beat liquid laundry detergent. Both the beauty care and fabric care segments posted double-digit growth. Earnings in South Korea rose overall, owing to initiatives in high-margin sales channels, streamlining of promotional expenditures, cost-reduction measures, and lower raw material prices.

Strategy for 2017
Lion will continue marketing investment to enhance brand value and our market position in mainstay categories such as laundry detergent, hand soap, and dishwashing detergents. We will also work to establish a foundation for the future, including further development of the pharmaceutical business, which we entered in 2016, and initiatives for growth channels.

China
Sales Growth Rate
+23%
(Year on year, All on a local currency basis)

Review of 2016
Sales were positive for the newly launched Systema toothpaste and toothbrushes. In the growing e-commerce business, along with products in oral care, sales increased for hand soap and laundry detergent. Lion’s e-commerce sales in China increased 59% from the previous fiscal year, accounting for around 47% of net sales, and contributing to the expansion of the Chinese business overall.

Strategy for 2017
As the foundation of oral care, Lion will continue to develop existing products, introduce new products, and take other measures for continued business expansion. In addition to marketing investments, we will also launch products tailored to regional characteristics, upgrade our sales structure, and take other steps to strengthen this business field. Lion will further expand the growth in e-commerce business, broaden the scope of the Chinese business, and enhance profitability.

Taiwan
Sales Growth Rate
-18%
(Year on year, All on a local currency basis)

Lion established a wholly owned subsidiary in Taiwan to strengthen sales and marketing activities, and expedite management decision making. This subsidiary commenced operations in January 2016. We are shifting the focus of our business from detergents to personal care products, and achieving positive results in oral care and pharmaceuticals by conducting successful marketing investments tailored to the local market. During 2017, Lion will continue to expand business in health care products, and enhance profitability.

Hong Kong
Sales Growth Rate
+5%
(Year on year, All on a local currency basis)

In fabric care, Lion posted positive sales for the renewed Soflan Aroma Rich fabric softener. In oral care, toothbrush sales rose steadily on proactive campaigns and promotional activities. During 2017, Lion will continue to strengthen development of high-value-added products, and enhance profitability.

Singapore
Sales Growth Rate
+3%
(Year on year, All on a local currency basis)

In fabric care, Lion launched NANOX super-concentrated liquid laundry detergent, achieving positive sales of liquid laundry detergents overall, including regular types. During 2017, Lion will solidify its market position in each category, including dishwashing detergents, oral care, beauty care, and laundry detergents. We will expand our market share, and increase sales in high-margin categories.

Indonesia*
Sales Growth Rate
+19%
(Year on year, All on a local currency basis)

In oral care, sales of new toothbrush products were positive, with a considerable year-on-year increase in sales overall. In beauty care, shampoo sales increased, with significant growth for the expanded lineup of deodorant body sprays. In living care, effective promotional activities for the dishwashing detergent mama resulted in a sharp rise in sales. During 2017, Lion will introduce high-value-added products to meet the needs of the growing middle class, maintain business growth, and enhance profitability.

* A Equity method affiliate

Link to Overseas Affiliates list: http://www.lion.co.jp/en/company/group/global/
Innovation

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 marketing 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 interfacing 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, 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 and production.

R&D Initiatives

Lion’s R&D Headquarters has set strategic themes to attain the objectives of its Vision 2020 plan and has kept tackling new technological challenges with outside research organizations and pursues the development of technology “seeds,” backed by scientific evidence, including clinical trials. In its overseas business, 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. In its R&D departments, Lion is working to draw on the capabilities of the Lion Group as a whole by going beyond the existing technology fields, categories, and organizational framework in Japan and overseas and is promoting open innovation.

Initiatives for Creating New Value

Lion has clarified the correlation between the condition of the oral cavity, including the content of saliva and the depth of the periodontal pocket, etc., in clinical trials. Based on these findings, Lion has developed its Salivary Multi Test, which can measure items related to the health of teeth and gums as well as cleanliness of the oral cavity in five minutes and present the results in visual form. Lion plans to sell this testing system to dental clinics, drugstores, and health centers and thereby encourage preventive dentistry.

In addition, Lion is a participant in the COI*1 research institute at Hiroaki University and has donated a course entitled “Oral Health Care Lectures.” The Hiroaki University Research Institute (and Hiroaki University’s COI) have instituted the Iwaki Health Promotion Project*2, which is engaged in the analysis and usage of Big Data to pursue scientific evidence, and the results can be applied in the development of products and services. Research is also being conducted on sleep, including research on the relationship between the quality of sleep and overall health.

*1: The Center of Innovation. This center is looking to the shape of society 10 years in the future and conducts programs that are challenging and high risk with the support of Japan’s Ministry of Education, Culture, Sports, Science and Technology.

*2: This project is a major undertaking, consisting of research on health and health promotional activities that was introduced over a 10-year period starting in 2010. It was conducted by the Iwaki Health Promotion Center at the Iwaki City Health Diagnostic Center of Aomori Prefecture. The aim of the project was to find ways to prevent lifestyle diseases in the local district of Hiroaki City, maintain and improve the health of inhabitants, and lengthen their life expectancy.

Corporate Governance

Approach to Enhancing Functions to Audit and Supervise Management

2003 Established the Management Evaluation Committee (currently, Advisory Committee)
2004 Implemented the Executive Officer System
2006 Established the External Directors System
2006 Established the Compensation Advisory Committee
2010 Implemented the Independent Officers System
2016 Prepared Basic Corporate Governance Policy
2016 Formed Nomination Advisory Committee
2016 Began Evaluation of the Board of Directors

Basic Approach to Corporate Governance

Lion’s top priorities for corporate governance are to increase management transparency, strengthen supervisory functions, accelerate decision making, and ensure compliance. By strengthening and enhancing its corporate governance systems, Lion aims to increase its corporate value.

System of Corporate Governance

Organizational Structure

Lion is a company with a Board of Corporate Auditors as defined in the Corporation Law, with a system of corporate governance in which the Board of Directors provides adequate oversight of management while independently operating corporate auditors provide appropriate auditing. To reinforce the Board’s management oversight function and speed decision making, Lion has adopted an executive officer system. In addition, to increase management transparency and further enhance corporate governance, Lion has established a Nomination Advisory Committee and Compensation Advisory Committee comprising mainly external directors and external corporate auditors.

Shareholders Meeting
Board of Directors / Directors

The Board of Directors carries out the duties specified by law and the Articles of Incorporation, decides important matters related to Lion’s business execution, and oversees the execution of the duties of directors and executive officers. Such important matters as Groupwide management policy and strategy are considered by the Senior Executive Committee, which determines their general outline, before being taken up by the Board of Directors for a final decision. Important matters related to business execution by individual departments are delegated to the Board of Executive Officers for more nimble decision making. To ensure speedy decision making, the Articles of Incorporation specify that the Board of Directors shall comprise no more than 11 members. To improve the effectiveness of the board’s oversight function, at least two members are external directors. Directors, being fully aware of their fiduciary responsibility to shareholders, must work to increase the corporate value of the Lion Group and contribute to the common interests of shareholders. As independently operating authorities, corporate auditors oversee the execution of the duties of the directors. Fully aware of their fiduciary responsibility to shareholders, corporate auditors work to ensure the soundness of their efforts to improve corporate value and contribute to the common interests of shareholders. Corporate auditors must endeavor to secure the transparency and fairness of the Company’s decision making, actively express their opinions at Board of Directors meetings, and gather the information they obtain in the course of their duties with the other corporate auditors. The Board of Directors selects candidates who meet the criteria of the Director/Corporate Auditor Candidate Selection Standards and Standards Regarding the Independence of Directors/Corporate Auditors established by the Board of Directors and submits them for consideration by the Nomination Advisory Committee. Based on the results of this consideration and approval by the Board of Corporate Auditors, the Board of Directors selects candidates to propose for appointment to the Shareholders Meeting. Reasons for the selection of candidates are provided in the convening notice of each Shareholders Meeting as part of the appointment proposal.

Board of Corporate Auditors / Auditors

The Articles of Incorporation specify that the Board of Corporate Auditors shall comprise no more than five members, at least half of whom must be external corporate auditors. The Board of Corporate Auditors provides oversight to ensure that the directors are executing their duties in accordance with the law and the Articles of Incorporation. The board also exercises appropriate authority over such matters as the selection, dismissal, and compensation of accounting auditors. The Board of Corporate Auditors determines audit standards, policies, and plans for the corporate auditors. The corporate auditors attend important meetings, including those of the Board of Directors, conduct hearings on the status of the execution of the directors’ duties, implement on-site audits at Lion’s headquarters and other important operating sites, and investigate Lion subsidiaries. As independently operating authorities, corporate auditors oversee the execution of the duties of the directors. Fully aware of their fiduciary responsibility to shareholders, corporate auditors work to ensure the soundness of their efforts to improve corporate value and contribute to the common interests of shareholders. Corporate auditors must endeavor to secure the transparency and fairness of the Company’s decision making, actively express their opinions at Board of Directors meetings, and gather the information they obtain in the course of their duties with the other corporate auditors. The Board of Directors selects candidates who meet the criteria of the Director/Corporate Auditor Selection Standards and Standards Regarding the Independence of External Directors/Corporate Auditors established by the Board of Directors and submits them for consideration by the Nomination Advisory Committee. Based on the results of this consideration and approval by the Board of Corporate Auditors, the Board of Directors selects candidates to propose for appointment to the Shareholders Meeting. Reasons for the selection of candidates are provided in the convening notice of each Shareholders Meeting as part of the appointment proposal.

Executive Officers 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 18 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.

Advisory Committees

Lion has established the Nomination Advisory Committee and Compensation Advisory Committee, comprising mainly external directors and external corporate auditors, as advisory bodies to the Board of Directors. These committees help improve management objectivity and transparency. In addition, to further enhance corporate governance, Lion maintains an Advisory Committee composed of outside experts other than external directors and external corporate auditors.

1. Nomination Advisory Committee

The Board of Directors consults the Nomination Advisory Committee regarding the necessary qualifications, reasons for selection and related processes for nominating directors, corporate auditors and executive officers as well as hiring individuals who have previously served in these roles as consultants. The committee considers the matters in question and provides a response to the Board of Directors (or, for matters regarding corporate auditors, to the Board of Corporate Auditors). The committee also exchanges opinions on the development of future Group presidents. The Nomination Advisory Committee comprises external directors and external corporate auditors as well as a representative director predetermined by the chairman of the Board of Directors. The members of the committee select from among themselves the committee chairperson, who must be an external director or external corporate auditor.

2. Compensation Advisory Committee

The Board of Directors consults the Compensation Advisory Committee regarding such matters as the compensation system, compensation levels, and bonus calculation methods for directors and corporate auditors. The committee considers the matters in question and provides a response to the Board of Directors (or, for matters regarding corporate auditors, to the Board of Corporate Auditors). The Compensation Advisory Committee comprises external directors and external corporate auditors. The members of the committee select from among themselves the committee chairperson.

3. Advisory Committee

The Advisory Committee comprises outside experts other than the external directors and external corporate auditors who possess extensive knowledge and insight. The committee considers the appropriateness and other aspects of Lion’s management policies and measures. The committee serves to reflect objective opinions from a wide range of perspectives in management. In principle, the committee meets twice a year. The chairperson of the Board of Directors reports a summary of the committee’s advice to the Board of Directors.
To contribute to the strengthening of its corporate governance and enhance the supervision and monitoring of management, Lion appoints external officers (three external directors and two external corporate 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 five such independent external officers.

Director and Corporate Auditor Compensation

Director and corporate auditor compensation is decided by the Board of Directors based on the results of consultation with the Compensation Advisory Committee. Compensation is set within the limits decided by resolution of the Shareholders Meeting. Compensation for directors (excluding external directors) consists of fixed monthly compensation, performance-linked compensation (bonuses and stock-based compensation). Compensation levels are determined for each director based on individual roles and responsibilities using survey data from specialized external institutions as an objective benchmark.

The ratio of performance-linked compensation and stock-based compensation for directors is revised as necessary to maintain sound, appropriate incentives to increase corporate value over the medium and long terms.

Total Compensation of Directors and Corporate Auditors

The above figures include the fixed portion of the compensation and stock options of four directors (of which one was an External Corporate Director) who resigned at the conclusion of the 155th Annual Meeting of Shareholders held on March 30, 2016.

External Directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Attendance</th>
<th>Reasons for Appointment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hideo Yamada</td>
<td>Attended 17 of 17 Directors’ meetings held during the fiscal year</td>
<td>Hideo Yamada possesses a wealth of expert knowledge and experience as a lawyer and also has experience at other companies both as an external director and an external corporate auditor. He has actively participated in meetings of the Board of Directors, and suitably carried out his role as an external director for the Company, including supervising business execution. The Company judges that his sophisticated insight into such issues as compliance is necessary to enhance the transparency of management and strengthen the oversight of the Board of Directors, and therefore requests that he be reelected as an external director.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name</th>
<th>Attendance</th>
<th>Reasons for Appointment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kazunari Uchida</td>
<td>Attended 12 of 13 Directors’ meetings held during the fiscal year</td>
<td>Kazunari Uchida possesses experience as the Japan representative of an international management consulting group and also has experience at other companies both as an external director and an external corporate auditor. He has actively participated in meetings of the Board of Directors, and suitably carried out his role as an external director for the Company, including supervising business execution. The Company judges that his sophisticated understanding of management decision making is necessary to enhance the transparency of management and strengthen the oversight of the Board of Directors, and therefore requests that he be reelected as an external director.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name</th>
<th>Attendance</th>
<th>Reasons for Appointment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Takashi Shiraishi</td>
<td>Appointed at the 156th Annual Meeting of Shareholders held on March 30, 2017</td>
<td>Takashi Shiraishi has never been involved in corporate management either as a director or corporate auditor. However, he has managerial experience as the president of a national university, has served as the president of the Japan External Trade Organization’s Institute of Developing Economies and possesses broad-ranging expert knowledge in such areas as Asian politics, economics, and social issues. The Company judges that his sophisticated understanding of management decision making is necessary to enhance the transparency of management and strengthen the oversight of the Board of Directors, and therefore requests that he be reelected as an external director.</td>
</tr>
</tbody>
</table>

External Corporate Auditors

<table>
<thead>
<tr>
<th>Name</th>
<th>Attendance</th>
<th>Reasons for Appointment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Noboru Kojima</td>
<td>Attended 17 of the 17 Directors’ meetings and 12 of the 12 meetings of the Board of Corporate Auditors held during the fiscal year</td>
<td>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 an external corporate auditor for other companies, and Lion would like to have access to his knowledge and experience to strengthen its accounting functions.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name</th>
<th>Attendance</th>
<th>Reasons for Appointment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hideo Higashi</td>
<td>Attended 16 of the 17 Directors’ meetings and 11 of the 12 meetings of the Board of Corporate Auditors held during the fiscal year</td>
<td>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.</td>
</tr>
</tbody>
</table>

Corporate Officers

<table>
<thead>
<tr>
<th>Classification</th>
<th>Number of Corporate Officers</th>
<th>Total Compensation Paid (FY2016)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors (External)</td>
<td>12 (3)</td>
<td>¥462 million (¥24 million)</td>
</tr>
<tr>
<td>Corporate Auditors (External)</td>
<td>4 (2)</td>
<td>¥176 million (¥24 million)</td>
</tr>
<tr>
<td>Total</td>
<td>16 (5)</td>
<td>¥638 million (¥48 million)</td>
</tr>
</tbody>
</table>

The above figures include the fixed portion of the compensation and stock options of four directors (of which one was an External Corporate Director) who resigned at the conclusion of the 155th Annual Meeting of Shareholders held on March 30, 2016.
Evaluations of the Board of Directors

Striving to ensure the effectiveness of the Board of Directors, every fiscal year, the board conducts evaluations related to such areas as the board’s operating methods and the content and status of the proposals it considers. These evaluations include examinations of each director. A summary of the results of these evaluations is disclosed in the Corporate Governance Report. An anonymous self-assessment survey of all directors and corporate auditors was conducted regarding Board of Directors meetings held in 2016.

Summary of the Evaluation of the Board of Directors

• The number of persons on Lion’s Board of Directors is sufficient for deliberations, including the number and proportion of external directors. Board members have the knowledge, experience, capabilities, and diversity necessary to enhance corporate value.

• The frequency, number of agenda items, and deliberation time of the Board of Directors are appropriate. The deliberations comprise open, constructive debate that does not hinder risk taking.

The evaluation found that the membership and operations of Lion’s Board of Directors are appropriate, and that decision making on important matters related to business execution and oversight of the execution of duties, are conducted in a proper manner. As such, the effectiveness of Lion’s Board of Directors was deemed sufficient.

Of note, suggestions received from the evaluation included: 1) Discussions on management strategy should be enhanced to further increase corporate value and 2) External directors and corporate auditors should be provided with more extensive information regarding the background and context of important agenda items. Lion will implement necessary measures, and make efforts to further enhance the effectiveness of the Board of Directors.

See Lion’s Corporate Governance website for further details.

Messages from the External Directors

External Director Hideo Yamada

There are few companies with a history dating back a century. In fact, it is often said that a company’s average lifespan is just 30 years. Lion is an exceptional company that well exceeds 100 years. Moreover, this has been accompanied by remarkable progress over the last 10 years. For a company to increase earnings to this extent while gaining the trust of society is exceedingly rare. I honestly believe that Lion is deserving of being called a “Beautiful Company.” Lion’s corporate management, displaying a respect for tradition and underpinned by humanity, is conducted with full consideration of the interests of shareholders, employees, trading partners, and consumers. I do what I can in my position as an external director to ensure continued growth for Lion for another 100 years. Specifically, this means asking direct questions during Board of Directors meetings when there are unclarified issues, and having the courage to offer candid advice as necessary. At the same time, part of my role is to provide encouragement as a close supporter, based on judgments from a broad perspective. In particular, in my position as an attorney, I approach my role with a focus on compliance and governance.

External Director Kazunari Uchida

Lion is a wonderful company with extremely kind and serious people. That corporate culture is reflected in the Board of Directors, with few barriers between people or divisions, and an atmosphere in which opinions are exchanged freely.

At the same time, I sometimes sense a lack of a drive to achieve goals no matter what, and make Lion a better company. Of course, there is nothing wrong with a pleasant workplace, but I would like Lion to be an excellent company where employees can achieve further growth with the assistance of management while the Company aims higher.

As a management consultant, I utilize the experience I have gained advising numerous companies to fulfill two roles. The first is “negative checks,” directly indicating problems or concerns regarding Lion’s management from the standpoint of corporate governance. The other is to offer advice to promote Lion’s further growth, such as suggesting a course of action, or urging a more-aggressive stance if a target seems overly conservative. These are called “positive checks.”
Directors, Corporate Auditors, and Executive Officers (As of March 30, 2017)

External Director
HIDEO YAMADA
Attorney at Law

External Director
KAZUNARI UCHIDA
University professor

External Director
TAKASHI SHIRAISHI
University professor

The notification of the nomination of Mr. Hideo Yamada, Mr. Kazunari Uchida, and Mr. Takashi Shiraishi as independent directors has been sent to the Tokyo Stock Exchange.

Audit & Supervisory Board Member
YASUTARO NAKAGAWA
Certified Public Accountant, Certified Tax Accountant

Audit & Supervisory Board Member
JUNKO NISHIYAMA

External Audit & Supervisory Board Member
NOBORU KOJIMA
Certified Public Accountant, Certified Tax Accountant

External Audit & Supervisory Board Member
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 Audit & Supervisory Board Member
TAKAO YAMAGUCHI
Certified Public Accountant, Certified Tax Accountant

Executive Officers

KOHEI MIYAJI
Executive General Manager of Purchasing Headquarters

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

FUMITOMO NORITAKE
Executive General Manager of Direct Marketing Division

SHINICHIRO HIRAOKA
Executive General Manager of Supply Chain Management Headquarters and Director of Supply Chain Management Department

TOMOMICHI OKANO
Executive General Manager of Research and Development Headquarters

YUTAKA SHINOHARA
Executive General Manager of Production Headquarters

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

JIRO NAGASAWA
Executive General Manager of Human Resources and General Affairs Headquarters

HIROYUKI CHIBA
President and Executive General Manager of Lion Specialty Chemicals Co., Ltd.

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

HITOSHI SUZUKI
Executive General Manager of International Division and Director of Strategic Planning Department

KENGO FUKUDA
Executive General Manager of Corporate Strategy Headquarters

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

Representative Director, Senior Managing Executive Officer
YUJI WATARI
Responsible for Corporate Ethics, Supply Chain Management Headquarters, Purchasing Headquarters, Production Headquarters and Production Engineering Research Center

Director, Managing 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, Advertising Department, Behavioral Science Research, and Distribution Policy Department

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

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

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

Director, Senior Executive Officer
TOMOMI SAKURAI
Responsible for Risk Management, Corporate Strategy Headquarters, Consumer Service Center, Pharmaceutical Affairs and Quality Assurance Department and Legal Department

Director, Senior Executive Officer
TOMOMI SAKURAI
Responsible for Risk Management, Corporate Strategy Headquarters, Consumer Service Center, Pharmaceutical Affairs and Quality Assurance Department and Legal Department

YASUTARO NAKAGAWA
Certified Public Accountant, Certified Tax Accountant

JUNKO NISHIYAMA

NOBORU KOJIMA
Certified Public Accountant, Certified Tax Accountant

HIDEO HIGASHI
Certified Tax Accountant

TAKAO YAMAGUCHI
Certified Public Accountant, Certified Tax Accountant

HIDEO YAMADA
Attorney at Law

KAZUNARI UCHIDA
University professor

TAKASHI SHIRAISHI
University professor

NOBORU KOJIMA
Certified Public Accountant, Certified Tax Accountant

HIDEO HIGASHI
Certified Tax Accountant

TAKAO YAMAGUCHI
Certified Public Accountant, Certified Tax Accountant

KOHEI MIYAJI
Executive General Manager of Purchasing Headquarters

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

FUMITOMO NORITAKE
Executive General Manager of Direct Marketing Division

SHINICHIRO HIRAOKA
Executive General Manager of Supply Chain Management Headquarters and Director of Supply Chain Management Department

TOMOMICHI OKANO
Executive General Manager of Research and Development Headquarters

YUTAKA SHINOHARA
Executive General Manager of Production Headquarters

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

JIRO NAGASAWA
Executive General Manager of Human Resources and General Affairs Headquarters

HIROYUKI CHIBA
President and Executive General Manager of Lion Specialty Chemicals Co., Ltd.

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

HITOSHI SUZUKI
Executive General Manager of International Division and Director of Strategic Planning Department

KENGO FUKUDA
Executive General Manager of Corporate Strategy Headquarters
Overview of CSR Activities
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 the Management Philosophy, Lion has contributed to sustainable development of society through conducting business activities under the management vision and by integrating CSR material issues.

Setting Objectives and Managing Progress
We have promoted our CSR activities based on ISO 26000, the global social responsibility standard, since 2011, and by listening to and incorporating the opinions of third-party organizations, we have confirmed and evaluated our achievements in our domestic group. By considering world CSR trends, our company’s unique business characteristics, potential risks, opportunities, and their respective implications, in 2012, we identified CSR material issues, and have set three-year medium-term objectives for each issue linked to our management plan “Vision 2020.” We set medium-term objectives for overseas group companies in 2015, and have been conducting an improvement program based on the PDCA (plan-do-check-act) cycle for the entire Lion Group.

Sustainable corporate and social development

Overview of Lion’s Social and Environmental Contribution Activities
Seeking to support people’s lives for creating future value for everyone, Lion promotes social and environmental contribution activities, in addition to its business activities.

Establishing the Group-wide CSR Management Structure

Specific Processes of Identifying Material Issues
- External factors
  Needs of stakeholders that can be addressed through dialogues with Lion
- Internal factors
  Our ideal visions for 2020 and its alignment with basic strategies leading up to it
  - Management Vision (Vision 2020)
  - Medium-term management plan

Lion’s CSR

Management Vision (Vision 2020)
- Ideal Vision
  - A company that creates value for lifestyles and spiritual fulfillment
  - A company that is committed to the area of environmental management
  - A company that continues to take on challenges, create and share

In 2020 V-3 Plan

In 2014 V-1 Plan

In 2017 V-2 Plan

CSR Material Issues

Foundation for Business
Lion Group Charter for Corporate Behavior/Behavioral Guidelines
Company Motto/Management Philosophy

Value Chain and Material Issues

Stages of Value Chain
- Opportunities
  - Promoting Human Resource Development/Retraining Programs
  - Establishing Good Working Environments
  - Promoting Employee Health Management
  - Supporting people’s lives for creating future value for everyone
- Risks
  - Promoting CSR Procurement
  - Promoting Information Security
  - Enhancing Group-wide Quality Assurance System
  - Enhancing Group-wide Occupational Health and Safety Management System
- Key Stakeholders
  - Business Partners
  - Employees
  - Customers
  - Shareholders / Investors
  - Local Communities
  - Suppliers
  - Business Activities
  - Social and Environmental Contribution Activities
  - Education activities for oral health
  - Social and Environmental Contribution Activities in the Health and Comfort Field
  - Involvement of employees
  - Co-existence with communities
  - Water resource conservation activities
  - Social and Environmental Contribution Activities in the Environmental Field
  - Environmental-friendly Business
  - Comfort Business
  - Healthy Business

For details on these activities, see the Lion CSR Report 2016.
Establishment of Medium-Term Objectives for 2017 for CSR Material Issues

Lion also established objectives for material issues in its V-2 Plan (2015 to 2017) with the aim of contributing to sustainable development in more positive ways, and is working to improve CSR activities. In Japan, new personnel measures and various kinds of training through e-learning were conducted, in addition to cross-departmental committee activities conducted every year. In overseas group companies, taking into account laws, cultures, and customs which vary depending on countries and regions, activities have been promoted based on the situation of each group company.

Medium-term objectives for 2017 are presented in the following table.

<table>
<thead>
<tr>
<th>CSR Material Issues</th>
<th>Sustainable Development Goals (SDGs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promoting CSR Activities</td>
<td>The numbers in the column of material issues in the table shown below are numbers of SDGs which Lion hopes to contribute to through its businesses. We will consider our objectives and KPI toward achievement of each SDG, taking into account our business direction.</td>
</tr>
</tbody>
</table>

Organizational Governance

<table>
<thead>
<tr>
<th>Ideal Vision</th>
<th>CSR Material Issues</th>
<th>2017 Medium-Term Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lion also established objectives for material issues in its V-2 Plan (2015 to 2017) with the aim of contributing to sustainable development in more positive ways, and is working to improve CSR activities. In Japan, new personnel measures and various kinds of training through e-learning were conducted, in addition to cross-departmental committee activities conducted every year. In overseas group companies, taking into account laws, cultures, and customs which vary depending on countries and regions, activities have been promoted based on the situation of each group company.</td>
<td>Establishing the Groupwide CSR Management System that is Continuously Trusted by Society.</td>
<td></td>
</tr>
<tr>
<td>Promoting Risk Management</td>
<td>Establishing the Lion Group Charter for Corporate Behavior as a CSR policy.</td>
<td></td>
</tr>
<tr>
<td>Organizational Governance</td>
<td>Domestic: Raising awareness of compliance.</td>
<td></td>
</tr>
<tr>
<td>Domestic: Enhancing internal control systems.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Human Rights

<table>
<thead>
<tr>
<th>Ideal Vision</th>
<th>CSR Material Issues</th>
<th>2017 Medium-Term Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensuring Human Rights Due Diligence*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promoting self-assessment questionnaire of CSR activities by suppliers and offering its feedback.</td>
<td>Domestic: Promoting self-assessment questionnaire of CSR activities by suppliers and offering its feedback.</td>
<td></td>
</tr>
</tbody>
</table>

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

Labor Practices

<table>
<thead>
<tr>
<th>Ideal Vision</th>
<th>CSR Material Issues</th>
<th>2017 Medium-Term Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changing Awareness of Employees Through Raising Morale and Motivation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promoting Human Resource Development/Rehabilitation Programs</td>
<td>Domestic: Embedding measures for promoting POCA through implementation of the target management system. Global human resource development.</td>
<td></td>
</tr>
<tr>
<td>Establishing Good Working Environments</td>
<td>Domestic: Promoting work-life balance with measures for building an environment where employees can work healthily and energetically.</td>
<td></td>
</tr>
<tr>
<td>Promoting Employees’ Health Management</td>
<td>Domestic: Improving the environment to allow employees to work healthily and energetically.</td>
<td></td>
</tr>
</tbody>
</table>

The Environment

<table>
<thead>
<tr>
<th>Ideal Vision</th>
<th>CSR Material Issues</th>
<th>2017 Medium-Term Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preventing Pollution</td>
<td></td>
<td>Domestic: Promoting pollution prevention.</td>
</tr>
<tr>
<td>Enhancing Group-wide Management of Chemical Substances</td>
<td></td>
<td>Domestic: Enhancing chemical substance management systems.</td>
</tr>
</tbody>
</table>

Car Operating Practices

<table>
<thead>
<tr>
<th>Ideal Vision</th>
<th>CSR Material Issues</th>
<th>2017 Medium-Term Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promoting CSR Activities throughout the Value Chain</td>
<td>Promoting CSR Procurement</td>
<td>Domestic: Promoting self-assessment questionnaire of CSR activities by suppliers and offering its feedback.</td>
</tr>
</tbody>
</table>

Consumer Issues

<table>
<thead>
<tr>
<th>Ideal Vision</th>
<th>CSR Material Issues</th>
<th>2017 Medium-Term Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promoting Customer Satisfaction by Creating Safe and Trustworthy Products</td>
<td>Offering Products and Information that Contribute to the Development of a Sustainable Society.</td>
<td>Domestic: Promoting environmental educational activities for consumers through products.</td>
</tr>
<tr>
<td>Providing Information Useful for Daily Life and Promoting Educational Activities</td>
<td></td>
<td>Domestic: Enhancing the provision of information that contributes to healthy and comfortable life according to lifestyle and life stages.</td>
</tr>
<tr>
<td>Enhancing Group-wide Quality Assurance System</td>
<td></td>
<td>Domestic: Enhancing group-wide quality assurance system.</td>
</tr>
<tr>
<td>Overseas: Reinforcing compliance with regulations in each country and enhancing responses to customers.</td>
<td></td>
<td>Overseas: Enhancing information security management systems.</td>
</tr>
</tbody>
</table>

Community Involvement and Development

<table>
<thead>
<tr>
<th>Ideal Vision</th>
<th>CSR Material Issues</th>
<th>2017 Medium-Term Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Promoting preventive dentistry (recommending self-care and professional care) and education for health instructors and children.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Domestic: Promoting cleanliness activities “Promoting Education Activities for Children’s Hand Washing and Gargling.”</td>
</tr>
</tbody>
</table>

Leading the Way to a Cleanliness and Hygiene Culture

Establishing a habit of hand washing around the world

Since its establishment, Lion has provided useful products and services to benefit everyday life, expanding its business with the aim of establishing a culture of cleanliness and hygiene. One part of this effort is educational activities for hygienic practices conducted in Japan and overseas.

In Japan, following an outbreak of food poisoning from E. coli O157:H7 in 1997, Lion launched KireiKirei Medicated Liquid Hand Soap in 1997. Lion not only provided products, but also conducted educational activities for hygienic practices to promote the habit of hand washing. In subsequent years, the use of hand soap outside of the home, including at schools, workplaces, and restaurants, has increased.

Overseas, Lion currently sells KireiKirei hand soap in South Korea, Singapore, Thailand, China and Hong Kong. As in Japan, we conduct hand washing educational activities in these regions to promote the correct way to wash hands, providing products for raising awareness of cleanliness and hygiene.

Overseas market where KireiKirei Hand Soap is sold
## Eleven-Year Financial Summary

### Income statement data

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales (Millions of Yen)</td>
<td>¥395,606</td>
<td>¥378,659</td>
<td>¥367,396</td>
<td>¥352,005</td>
<td>¥335,171</td>
<td>¥327,500</td>
<td>¥331,100</td>
<td>¥321,947</td>
<td>¥338,236</td>
<td>¥341,717</td>
<td>¥330,380</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>161,992</td>
<td>162,435</td>
<td>160,677</td>
<td>153,336</td>
<td>145,385</td>
<td>139,646</td>
<td>140,400</td>
<td>136,619</td>
<td>157,523</td>
<td>159,200</td>
<td>165,570</td>
</tr>
<tr>
<td>Gross profit</td>
<td>233,613</td>
<td>216,223</td>
<td>206,718</td>
<td>198,668</td>
<td>189,785</td>
<td>187,854</td>
<td>190,700</td>
<td>185,327</td>
<td>180,712</td>
<td>182,517</td>
<td>164,810</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>209,110</td>
<td>199,848</td>
<td>194,312</td>
<td>187,849</td>
<td>182,572</td>
<td>176,684</td>
<td>180,200</td>
<td>175,290</td>
<td>172,435</td>
<td>173,611</td>
<td>164,467</td>
</tr>
<tr>
<td>Operating income</td>
<td>24,502</td>
<td>16,374</td>
<td>12,406</td>
<td>10,819</td>
<td>7,213</td>
<td>11,169</td>
<td>10,500</td>
<td>10,036</td>
<td>8,277</td>
<td>8,905</td>
<td>343</td>
</tr>
<tr>
<td>Income (loss) before income taxes and minority interests</td>
<td>24,035</td>
<td>19,387</td>
<td>13,085</td>
<td>10,925</td>
<td>8,594</td>
<td>7,780</td>
<td>10,036</td>
<td>9,694</td>
<td>6,088</td>
<td>9,564</td>
<td>13,020</td>
</tr>
<tr>
<td>Profit (loss) attributable to owners of parent</td>
<td>15,951</td>
<td>10,680</td>
<td>7,368</td>
<td>6,097</td>
<td>4,235</td>
<td>4,077</td>
<td>6,041</td>
<td>5,465</td>
<td>3,040</td>
<td>5,423</td>
<td>5,540</td>
</tr>
</tbody>
</table>

### Balance sheet data

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total liabilities and net assets (Millions of Yen)</td>
<td>¥298,510</td>
<td>¥282,434</td>
<td>¥283,352</td>
<td>¥282,098</td>
<td>¥257,595</td>
<td>¥249,272</td>
<td>¥260,939</td>
<td>¥256,220</td>
<td>¥267,438</td>
<td>¥279,147</td>
<td>¥246,327</td>
</tr>
<tr>
<td>Property, plant and equipment, net</td>
<td>74,402</td>
<td>75,060</td>
<td>79,275</td>
<td>68,989</td>
<td>61,955</td>
<td>58,503</td>
<td>60,668</td>
<td>62,846</td>
<td>63,473</td>
<td>64,345</td>
<td>65,606</td>
</tr>
<tr>
<td>Total long-term liabilities</td>
<td>17,190</td>
<td>19,455</td>
<td>40,380</td>
<td>26,208</td>
<td>47,288</td>
<td>52,463</td>
<td>58,688</td>
<td>65,758</td>
<td>75,522</td>
<td>42,818</td>
<td>42,818</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>140,630</td>
<td>139,703</td>
<td>155,918</td>
<td>157,865</td>
<td>143,431</td>
<td>144,020</td>
<td>155,179</td>
<td>152,595</td>
<td>166,864</td>
<td>171,607</td>
<td>141,193</td>
</tr>
<tr>
<td>Total net assets</td>
<td>157,879</td>
<td>142,730</td>
<td>127,434</td>
<td>124,232</td>
<td>114,163</td>
<td>105,252</td>
<td>105,760</td>
<td>103,624</td>
<td>100,574</td>
<td>107,540</td>
<td>105,133</td>
</tr>
<tr>
<td>Capital expenditures*1</td>
<td>¥ 9,435</td>
<td>¥ 8,801</td>
<td>¥13,619</td>
<td>¥14,100</td>
<td>¥10,811</td>
<td>¥ 8,368</td>
<td>¥ 7,081</td>
<td>¥ 7,969</td>
<td>¥11,717</td>
<td>¥39,282</td>
<td>¥10,149</td>
</tr>
<tr>
<td>R&amp;D expenses</td>
<td>10,084</td>
<td>9,808</td>
<td>9,439</td>
<td>9,618</td>
<td>8,999</td>
<td>8,913</td>
<td>8,910</td>
<td>9,057</td>
<td>8,522</td>
<td>8,745</td>
<td>7,922</td>
</tr>
<tr>
<td>Depreciation and amortization*1</td>
<td>10,244</td>
<td>11,166</td>
<td>10,301</td>
<td>10,592</td>
<td>10,459</td>
<td>10,425</td>
<td>10,425</td>
<td>10,424</td>
<td>10,390</td>
<td>9,634</td>
<td>9,634</td>
</tr>
<tr>
<td>Number of employees</td>
<td>6,895</td>
<td>6,816</td>
<td>6,343</td>
<td>6,162</td>
<td>6,007</td>
<td>5,973</td>
<td>5,972</td>
<td>5,750</td>
<td>5,774</td>
<td>5,761</td>
<td>5,771</td>
</tr>
<tr>
<td>Net income (loss) per share - basic (Yen)</td>
<td>¥ 55.13</td>
<td>¥ 39.35</td>
<td>¥ 27.47</td>
<td>¥ 22.72</td>
<td>¥ 15.77</td>
<td>¥ 15.18</td>
<td>¥ 22.41</td>
<td>¥ 20.22</td>
<td>¥ 11.23</td>
<td>¥ 20.06</td>
<td>¥ 19.60</td>
</tr>
<tr>
<td>Net income (loss) per share - diluted (Yen)</td>
<td>55.04</td>
<td>36.84</td>
<td>26.16</td>
<td>22.68</td>
<td>15.75</td>
<td>15.16</td>
<td>22.37</td>
<td>20.19</td>
<td>11.22</td>
<td>20.02</td>
<td>19.52</td>
</tr>
<tr>
<td>Dividends paid per share</td>
<td>13.00</td>
<td>10.00</td>
<td>10.00</td>
<td>10.00</td>
<td>10.00</td>
<td>10.00</td>
<td>10.00</td>
<td>10.00</td>
<td>10.00</td>
<td>10.00</td>
<td>10.00</td>
</tr>
<tr>
<td>Net assets per share*2</td>
<td>¥513.76</td>
<td>469.05</td>
<td>449.94</td>
<td>441.59</td>
<td>420.08</td>
<td>380.11</td>
<td>362.18</td>
<td>371.50</td>
<td>362.02</td>
<td>382.80</td>
<td>376.76</td>
</tr>
</tbody>
</table>

### Financial ratios (%)

#### As a percent of net sales

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross profit (%)</td>
<td>59.1%</td>
<td>57.1%</td>
<td>56.3%</td>
<td>56.4%</td>
<td>56.6%</td>
<td>57.4%</td>
<td>57.6%</td>
<td>57.6%</td>
<td>53.4%</td>
<td>53.4%</td>
<td>49.9%</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>52.9</td>
<td>52.8</td>
<td>52.9</td>
<td>53.4</td>
<td>54.5</td>
<td>53.9</td>
<td>54.4</td>
<td>54.4</td>
<td>51.0</td>
<td>50.8</td>
<td>49.8</td>
</tr>
<tr>
<td>Operating income (%)</td>
<td>6.2%</td>
<td>4.3%</td>
<td>3.4%</td>
<td>3.1%</td>
<td>2.2%</td>
<td>3.4%</td>
<td>3.2%</td>
<td>3.1%</td>
<td>2.4%</td>
<td>2.6%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Income (loss) before income taxes and minority interests</td>
<td>6.1</td>
<td>5.1</td>
<td>3.4</td>
<td>3.1</td>
<td>2.6</td>
<td>2.4</td>
<td>3.3</td>
<td>3.0</td>
<td>1.8</td>
<td>2.8</td>
<td>3.9</td>
</tr>
<tr>
<td>Profit (loss) attributable to owners of parent</td>
<td>4.0</td>
<td>2.8</td>
<td>2.0</td>
<td>1.7</td>
<td>1.3</td>
<td>1.2</td>
<td>1.8</td>
<td>1.7</td>
<td>0.9</td>
<td>1.6</td>
<td>1.7</td>
</tr>
</tbody>
</table>

*1 Includes the effects of intangible assets.
*2 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.
Management’s Discussion and Analysis

Market Environment

During fiscal 2016 (January 1, 2016–December 31, 2016), the Japanese economy as a whole gradually recovered, backed by continued improvement in employment and personal consumption, despite less than robust improvement in corporate profits and capital expenditure in the latter half of the year.

The market in the Lion Group’s main business domain, the domestic toiletries industry, was steady, as unit prices continued to rise and sales volumes increased.

Consolidated Results

The Lion Group advanced initiatives under its medium-term management plan, “Vision 2020 Part-2 (V-2 Plan).” The V-2 Plan aims to achieve a target operating income of ¥24,502 million, up 49.6% compared with the previous fiscal year. Profit attributable to owners of parent stood at ¥15,951 million, up 49.4% compared with the previous fiscal year. As a result, Lion achieved a record high of operating income for a third consecutive fiscal year, and ordinary income for a fourth consecutive fiscal year. Return on equity (ROE) was 11.2% (compared with 8.5% in the previous fiscal year), and earnings per share (EPS) of ¥55.33 (compared with ¥39.35). Earnings reached the target levels for the V-2 Plan a year ahead of plan.

Consolidated results for the period under review are as follows: Net sales during the period under review amounted to ¥395,606 million, a year-on-year increase of 4.5% (or an increase of 7.7% in terms of real net sales, which exclude the influence of exchange rate conversions). The Company recorded operating income of ¥24,502 million, up 49.6% compared with the previous fiscal year. Profit attributable to owners of parent stood at ¥15,951 million, up 49.4% compared with the previous fiscal year. As a result, Lion achieved a record high of operating income for a third consecutive fiscal year, and ordinary income for a fourth consecutive fiscal year. Return on equity (ROE) was 11.2% (compared with 8.5% in the previous fiscal year), and earnings per share (EPS) of ¥55.33 (compared with ¥39.35). Earnings reached the target levels for the V-2 Plan a year ahead of plan.

Consolidated results for the period under review are as follows: Net sales during the period under review amounted to ¥395,606 million, a year-on-year increase of 4.5% (or an increase of 7.7% in terms of real net sales, which exclude the influence of exchange rate conversions). The Company recorded operating income of ¥24,502 million, up 49.6% compared with the previous fiscal year. Profit attributable to owners of parent stood at ¥15,951 million, up 49.4% compared with the previous fiscal year. As a result, Lion achieved a record high of operating income for a third consecutive fiscal year, and ordinary income for a fourth consecutive fiscal year. Return on equity (ROE) was 11.2% (compared with 8.5% in the previous fiscal year), and earnings per share (EPS) of ¥55.33 (compared with ¥39.35). Earnings reached the target levels for the V-2 Plan a year ahead of plan.

Performance by Segment

The Lion Group has three reportable segments (distinguished by products, services, and regions) that therefore comprise Lion Corporation’s operations:


SG&A Expenses Breakdown

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>% of net sales</th>
<th>2015</th>
<th>% of net sales</th>
<th>2014</th>
<th>% of net sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling, general and administrative expenses</td>
<td>209,110</td>
<td>52.9%</td>
<td>199,848</td>
<td>52.8%</td>
<td>194,312</td>
<td>52.9%</td>
</tr>
<tr>
<td>Sales commission expenses</td>
<td>6,623</td>
<td>2.2%</td>
<td>8,198</td>
<td>2.2%</td>
<td>8,290</td>
<td>2.3%</td>
</tr>
<tr>
<td>Promotion expenses</td>
<td>90,107</td>
<td>22.8%</td>
<td>87,380</td>
<td>23.1%</td>
<td>86,490</td>
<td>23.5%</td>
</tr>
<tr>
<td>Provision for promotion expenses</td>
<td>2,060</td>
<td>0.5%</td>
<td>1,618</td>
<td>0.4%</td>
<td>994</td>
<td>0.2%</td>
</tr>
<tr>
<td>Advertising expenses</td>
<td>30,976</td>
<td>7.8%</td>
<td>26,222</td>
<td>6.9%</td>
<td>24,517</td>
<td>6.7%</td>
</tr>
<tr>
<td>Transportation and warehousing expenses</td>
<td>17,629</td>
<td>4.5%</td>
<td>17,011</td>
<td>4.5%</td>
<td>16,723</td>
<td>4.6%</td>
</tr>
<tr>
<td>Salaries and allowances</td>
<td>14,721</td>
<td>3.7%</td>
<td>14,721</td>
<td>3.9%</td>
<td>14,241</td>
<td>3.9%</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>10,084</td>
<td>2.5%</td>
<td>9,808</td>
<td>2.6%</td>
<td>9,439</td>
<td>2.6%</td>
</tr>
<tr>
<td>Other expenses</td>
<td>34,707</td>
<td>8.8%</td>
<td>34,888</td>
<td>9.2%</td>
<td>33,775</td>
<td>9.2%</td>
</tr>
</tbody>
</table>

Conditions by Reportable Segment

Profitability in Japan increased significantly during 2016 as a result of higher unit sales prices from high-value-added items, and improvement in the business mix. Overseas, sales rose in principal markets, with segment earnings increasing 53% year on year.

Net Sales and Cost of Sales Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales (Millions of yen)</th>
<th>(% of net sales)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>405,000</td>
<td>100%</td>
</tr>
<tr>
<td>2015</td>
<td>395,606</td>
<td>100%</td>
</tr>
</tbody>
</table>

SG&A Expenses to Net Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales (Millions of yen)</th>
<th>SG&amp;A Expenses (Millions of yen)</th>
<th>(% of net sales)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>405,000</td>
<td>209,110</td>
<td>52.9%</td>
</tr>
<tr>
<td>2015</td>
<td>395,606</td>
<td>199,848</td>
<td>52.8%</td>
</tr>
<tr>
<td>2014</td>
<td>378,659</td>
<td>194,312</td>
<td>52.9%</td>
</tr>
</tbody>
</table>

Operating Income and Operating Margin

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Income (Millions of yen)</th>
<th>(% of net sales)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>24,502</td>
<td>6.2%</td>
</tr>
<tr>
<td>2015</td>
<td>24,502</td>
<td>6.2%</td>
</tr>
<tr>
<td>2014</td>
<td>16,374</td>
<td>4.3%</td>
</tr>
</tbody>
</table>

Note: The previous fiscal year’s data includes ¥205,722 million in 2015 and ¥208,008 million in 2016.
Pharmaceutical Products
Lion continued to develop the market for high-val-
ue-added products, achieving gains in antipyretic anal-
egics and eyedrops that exceeded market growth.
In antipyretic analgesics, sales of BUFFERIN A were firm, and those of BUFFERIN PREMIUM were strong. Overall sales were up significantly year on year.
In eyedrops, new Smile Whitelye, which alleviates blood-
shot eyes and helps keep the whites of the eyes healthy and clear, received favorable consumer reviews, and sales of Smile 40 Premium were firm. Overall sales increased year on year.

Other Products
In direct-to-consumer sales products, sales of Nice rin essence Lactofenin and Gussumin yeast NO CHIKARA were favorable. Overall sales were significantly higher compared with the previous fiscal year.
In pet supplies, sales of oral care products were strong, and sales of Niori wo Toru Sana (Deodorizing Cat Litter) were firm. Overall sales were higher than in the previous fiscal year.

Industrial Products Business
The Industrial Products Business segment includes the Electrical and Electronics, Lifestyle-Related Industry, and Detergents for Institutional Use Products. These busi-
nesses handle products including electro-conductive carbon, surfactants, and detergents for institutional and kitchen use, respectively. Segment net sales decreased 3.2% compared with the previous fiscal year, but seg-
ment income increased 58.9%, mainly because of the improvement in profitability of high-value-added prod-
ucts in chemical products.
In Electrical and Electronics, sales of adhesives for liquid crystal films used in smartphones and other applications were sluggish, and overall sales were flat year on year.
In the Lifestyle-Related Industry, sales of raw materials for fabric softeners were firm, but sales of raw materials for laundry detergents were sluggish. Overall sales were flat year on year.

Net Sales by Products Segment

<table>
<thead>
<tr>
<th>Product Segment</th>
<th>2016 (¥ millions)</th>
<th>2015 (¥ millions)</th>
<th>Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oral Care Products</td>
<td>63,596</td>
<td>59,414</td>
<td>4,182</td>
</tr>
<tr>
<td>Beauty Care Products</td>
<td>22,333</td>
<td>19,985</td>
<td>2,347</td>
</tr>
<tr>
<td>Pharmaceutical Products</td>
<td>20,763</td>
<td>20,971</td>
<td>(207)</td>
</tr>
<tr>
<td>Fabric Care Products</td>
<td>30,240</td>
<td>27,985</td>
<td>2,255</td>
</tr>
<tr>
<td>Living Care Products</td>
<td>20,763</td>
<td>20,971</td>
<td>(207)</td>
</tr>
<tr>
<td>Other Products</td>
<td>50,135</td>
<td>56,475</td>
<td>(6,340)</td>
</tr>
</tbody>
</table>

Sales by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>2016 (¥ millions)</th>
<th>2015 (¥ millions)</th>
<th>Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southeast Asia</td>
<td>75,544</td>
<td>77,671</td>
<td>(2,127)</td>
</tr>
<tr>
<td>Northeast Asia</td>
<td>36,389</td>
<td>34,463</td>
<td>1,926</td>
</tr>
</tbody>
</table>

Note: Net sales include internal net sales within and among segments, which amounted to ¥11,648 million in 2016 and ¥8,174 million in 2015.

In the Detergents for Institutional Use Products, sales of alcohol sanitizers for kitchens were favorable, while those of hand soaps were steady, and overall sales increased year on year.

Net Sales by Products Segment

<table>
<thead>
<tr>
<th>Product Segment</th>
<th>2016 (¥ millions)</th>
<th>2015 (¥ millions)</th>
<th>Increase/Decrease</th>
</tr>
</thead>
</table>
| In direct-to-consumer sales products, sales of Nice rin essence Lactofenin and Gussumin yeast NO CHIKARA were favorable. Overall sales were significantly higher compared with the previous fiscal year.
In pet supplies, sales of oral care products were strong, and sales of Niori wo Toru Sana (Deodorizing Cat Litter) were firm. Overall sales were higher than in the previous fiscal year.

Industrial Products Business
The Industrial Products Business segment includes the Electrical and Electronics, Lifestyle-Related Industry, and Detergents for Institutional Use Products. These busi-
nesses handle products including electro-conductive carbon, surfactants, and detergents for institutional and kitchen use, respectively. Segment net sales decreased 3.2% compared with the previous fiscal year, but seg-
ment income increased 58.9%, mainly because of the improvement in profitability of high-value-added prod-
ucts in chemical products.
In Electrical and Electronics, sales of adhesives for liquid crystal films used in smartphones and other applications were sluggish, and overall sales were flat year on year.
In the Lifestyle-Related Industry, sales of raw materials for fabric softeners were firm, but sales of raw materials for laundry detergents were sluggish. Overall sales were flat year on year.

Net Sales by Products Segment

<table>
<thead>
<tr>
<th>Product Segment</th>
<th>2016 (¥ millions)</th>
<th>2015 (¥ millions)</th>
<th>Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oral Care Products</td>
<td>63,596</td>
<td>59,414</td>
<td>4,182</td>
</tr>
<tr>
<td>Beauty Care Products</td>
<td>22,333</td>
<td>19,985</td>
<td>2,347</td>
</tr>
<tr>
<td>Pharmaceutical Products</td>
<td>20,763</td>
<td>20,971</td>
<td>(207)</td>
</tr>
<tr>
<td>Fabric Care Products</td>
<td>30,240</td>
<td>27,985</td>
<td>2,255</td>
</tr>
<tr>
<td>Living Care Products</td>
<td>20,763</td>
<td>20,971</td>
<td>(207)</td>
</tr>
<tr>
<td>Other Products</td>
<td>50,135</td>
<td>56,475</td>
<td>(6,340)</td>
</tr>
</tbody>
</table>

Sales by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>2016 (¥ millions)</th>
<th>2015 (¥ millions)</th>
<th>Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southeast Asia</td>
<td>75,544</td>
<td>77,671</td>
<td>(2,127)</td>
</tr>
<tr>
<td>Northeast Asia</td>
<td>36,389</td>
<td>34,463</td>
<td>1,926</td>
</tr>
</tbody>
</table>

Note: Net sales include internal net sales within and among segments, which amounted to ¥11,648 million in 2016 and ¥8,174 million in 2015.

In the Detergents for Institutional Use Products, sales of alcohol sanitizers for kitchens were favorable, while those of hand soaps were steady, and overall sales increased year on year.

Industrial Products Business
The Industrial Products Business segment includes the Electrical and Electronics, Lifestyle-Related Industry, and Detergents for Institutional Use Products. These busi-
nesses handle products including electro-conductive carbon, surfactants, and detergents for institutional and kitchen use, respectively. Segment net sales decreased 3.2% compared with the previous fiscal year, but seg-
ment income increased 58.9%, mainly because of the improvement in profitability of high-value-added prod-
ucts in chemical products.
In Electrical and Electronics, sales of adhesives for liquid crystal films used in smartphones and other applications were sluggish, and overall sales were flat year on year.
In the Lifestyle-Related Industry, sales of raw materials for fabric softeners were firm, but sales of raw materials for laundry detergents were sluggish. Overall sales were flat year on year.

Net Sales by Products Segment

<table>
<thead>
<tr>
<th>Product Segment</th>
<th>2016 (¥ millions)</th>
<th>2015 (¥ millions)</th>
<th>Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oral Care Products</td>
<td>63,596</td>
<td>59,414</td>
<td>4,182</td>
</tr>
<tr>
<td>Beauty Care Products</td>
<td>22,333</td>
<td>19,985</td>
<td>2,347</td>
</tr>
<tr>
<td>Pharmaceutical Products</td>
<td>20,763</td>
<td>20,971</td>
<td>(207)</td>
</tr>
<tr>
<td>Fabric Care Products</td>
<td>30,240</td>
<td>27,985</td>
<td>2,255</td>
</tr>
<tr>
<td>Living Care Products</td>
<td>20,763</td>
<td>20,971</td>
<td>(207)</td>
</tr>
<tr>
<td>Other Products</td>
<td>50,135</td>
<td>56,475</td>
<td>(6,340)</td>
</tr>
</tbody>
</table>

Sales by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>2016 (¥ millions)</th>
<th>2015 (¥ millions)</th>
<th>Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southeast Asia</td>
<td>75,544</td>
<td>77,671</td>
<td>(2,127)</td>
</tr>
<tr>
<td>Northeast Asia</td>
<td>36,389</td>
<td>34,463</td>
<td>1,926</td>
</tr>
</tbody>
</table>

Note: Net sales include internal net sales within and among segments, which amounted to ¥11,648 million in 2016 and ¥8,174 million in 2015.
As a result of the above, consolidated results forecasts for fiscal 2017 are as follows: net sales of ¥405,000 million (up 2.4% year on year), operating income of ¥27,000 million (up 6.5% year on year), and profit attributable to owners of parent of ¥17,000 million (up 6.6% year on year).

### Financial Status

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>Increase/ decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets (millions of yen)</td>
<td>298,510</td>
<td>282,434</td>
<td>16,076</td>
</tr>
<tr>
<td>Net assets (millions of yen)</td>
<td>157,879</td>
<td>142,730</td>
<td>15,148</td>
</tr>
<tr>
<td>Shareholders’ equity to total assets* (%)</td>
<td>50.0</td>
<td>47.6</td>
<td>2.4</td>
</tr>
<tr>
<td>Net assets per share* (yen)</td>
<td>513.76</td>
<td>469.05</td>
<td>44.71</td>
</tr>
</tbody>
</table>

Total consolidated shareholders’ equity rose ¥15,565 million, to ¥148,642 million, due mainly to an increase in retained earnings. Net assets increased ¥15,148 million, to ¥157,879 million. Shareholders’ equity to total assets stood at 50.0%.

### Cash Flows

#### Consolidated Cash Flows

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>Increase/ decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided (used in) operating activities</td>
<td>32,269</td>
<td>35,539</td>
<td>(3,269)</td>
</tr>
<tr>
<td>Net cash provided (used in) investment activities</td>
<td>(7,845)</td>
<td>(6,974)</td>
<td>(871)</td>
</tr>
<tr>
<td>Net cash provided (used in) financing activities</td>
<td>(7,437)</td>
<td>(5,062)</td>
<td>(2,374)</td>
</tr>
<tr>
<td>Effect of exchange rate change on cash and cash equivalents</td>
<td>(526)</td>
<td>(374)</td>
<td>(151)</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>16,461</td>
<td>23,128</td>
<td>(6,667)</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of period</td>
<td>77,739</td>
<td>61,278</td>
<td>16,461</td>
</tr>
</tbody>
</table>

Net cash provided by operating activities totaled ¥32,269 million, due mainly to income before income taxes.

### Outlook for Fiscal 2017

#### Net Cash Flows

During fiscal 2017, although gradual continued recovery is forecast for the Japanese economy, the outlook going forward is expected to remain unclear, reflecting shifts in raw material prices and currency exchange rates, geopolitical risks, and other factors.

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 even more forcefully implement the V-2 Plan (Vision 2020 Part-2), its three-year medium-term management plan, now entering its final year, aiming to boost corporate value.

In the Consumer Products Business segment, the Lion Group will cultivate markets for high-value-added products in its mainstay businesses, working 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/electronic, to reinforce its business foundation. Furthermore, Lion will continue to cultivate new customers in its Detergents for Institutional Use Products.

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.
Basic Policy on the Distribution of Earnings and Cash Dividends

Lion considers returning profits to shareholders on a continuous and stable basis by increasing its consolidated earnings capacity to be one of its most important management issues. To this end, the Company strives to ensure the payment of continuous and stable cash dividends, aiming for a consolidated payout ratio of 30%, and bases the acquisition of treasury stock on comprehensive reviews to ensure that it maintains levels of internal reserves required to secure medium- and long-term growth. Lion allocates internal reserves to research and development, capital investment in production facilities, and the acquisition of external resources, aiming to reinforce the Company’s growth potential and to develop a sustainable business foundation.

Taking into consideration the Company’s cash dividend payment record, as well as its dividend payout ratio target, Lion’s Board of Directors resolved to pay an interim dividend of ¥5 per share and a year-end dividend of ¥8 per share for fiscal 2016.

With regard to dividends to be paid in fiscal 2017, in accordance with its basic policy on the distribution of earnings and cash dividends, Lion plans to pay an interim dividend of ¥7 per share and a year-end dividend of ¥8 per share, for a total annual dividend of ¥15 per share.

Business Risks

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.

Note that forward looking statements are based on judgments made at the time of the issuance of this report, and that business risks may not be limited to the items listed below.

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 and Medical Device Act, 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, 2016, Lion is not involved in any lawsuits that may have significant impact on its business. However, if the Lion Group were to be sued and found liable 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/ir/

Investor Information

In order to ensure that all shareholders and investors, 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 Relations website: www.lion.co.jp/en/ir/

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.

Sustainability 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 the website. Also, the website outlines the history of Lion’s CSR activities, which began at a very early stage after the Company’s founding.