

# Summary of Consolidated Financial Statements for the Year Ended December 31, 2015 [Japanese Standard]

February 10, 2016

Company name: Lion Corporation  
Listed stock exchanges: Tokyo Stock Exchange  
Code: 4912  
URL: <http://www.lion.co.jp/>

Representative: Itsuo Hama, Representative Director and President  
Contact: Yoshiaki Kamao, Director of Finance Department  
Telephone: +81-3-3621-6211

Annual meeting of shareholders: March 30, 2016 (plan)  
Start date for payment of year-end dividend: March 4, 2016 (plan)  
Scheduled date of filing of financial report: March 31, 2016 (plan)  
Supplementary materials prepared for quarterly results: Yes  
Quarterly results information meeting held: Yes (for investors and analysts, etc.)

Figures in this and subsequent tables are rounded down to the nearest million.

## 1. Consolidated Results for the Year Ended December 31, 2015 (January 1, 2015 – December 31, 2015)

### (1) Consolidated Results (cumulative total)

(Percentage figures denote year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2015	378,659	3.1	16,374	32.0	18,099	28.7	10,680	44.9
Fiscal 2014	367,396	4.4	12,406	14.7	14,059	14.3	7,368	20.8

Note: Comprehensive income: December 31, 2015: ¥9,479 million (-21.0%)  
December 31, 2014: ¥12,001 million (-9.5%)

	EPS	Diluted EPS	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Fiscal 2015	39.35	36.84	8.5	6.4	4.3
Fiscal 2014	27.47	26.16	6.2	5.0	3.4

Note: Equity in earnings of non-consolidated subsidiaries and affiliates: ¥752 million in FY2015 and ¥843 million in FY2014.

### (2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2015	282,434	142,730	47.6	469.05
Fiscal 2014	283,352	127,434	42.6	449.94

Note: Shareholders' equity: December 31, 2015: ¥134,453 million  
December 31, 2014: ¥120,635 million

### (3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal 2015	35,539	(6,974)	(5,062)	61,278
Fiscal 2014	11,738	(16,838)	(6,520)	38,150

### 2. Dividend

Record Date	Cash dividends per share / Yen					Total dividend paid (annual)	Payout ratio (consolidated)	Dividend/ Net assets (consolidated)
	First Quarter	Second Quarter	Third Quarter	Year-End	Annual	Millions of yen	%	%
Fiscal 2014	—	5.00	—	5.00	10.00	2,681	36.4	2.2
Fiscal 2015	—	5.00	—	5.00	10.00	2,773	25.4	2.2
Fiscal 2016(plan)	—	5.00	—	6.00	11.00		28.7	

### 3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2016 (January 1, 2016 – December 31, 2016)

	Net sales		Operating income		Ordinary income		Profit (loss) attributable to owners of parent		EPS
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim 2016	185,000	2.6	6,500	14.1	7,000	5.3	4,000	2.6	13.95
Fiscal 2016	390,000	3.0	18,000	9.9	19,000	5.0	11,000	3.0	38.37

Notes: Percent figures for net sales, operating income, ordinary income, and net income express percentage change over the year-ago period.

### 4. Notes

- (1) Significant Change in Scope of Consolidation during Period: No
- (2) Changes in accounting principles, procedures and presentation methods in connection with the preparation of quarterly consolidated financial statements:
  - a. Changes associated with revision in accounting standards: Yes
  - b. Other changes: No
  - c. Changes in accounting estimates: No
  - d. Restatement: No
- (3) Number of outstanding shares (common stock)
  - a. Number of outstanding shares on balance sheet dates (including treasury stocks):
    - As of December 31, 2015: 299,115,346 shares
    - As of December 31, 2014: 299,115,346 shares
  - b. Number of treasury stocks on balance sheet date:
    - As of December 31, 2015: 12,469,748 shares
    - As of December 31, 2014: 31,001,366 shares
  - c. Average shares outstanding over period (cumulative; consolidated)
    - As of December 31, 2015: 271,398,172 shares
    - As of December 31, 2014: 268,191,225 shares

**Reference: Summary of Non-consolidated Financial Statements**  
**1. Non-consolidated Results for the Year Ended December 31, 2015**  
**(January 1, 2015 – December 31, 2015)**

(1) Non-consolidated Results

(Percentage figures denote year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2015	253,887	(2.8)	8,188	22.3	11,921	16.2	6,809	86.5
Fiscal 2014	261,253	2.9	6,695	31.6	10,260	23.6	3,651	(28.4)

	EPS	Diluted EPS
	Yen	Yen
Fiscal 2015	25.09	23.58
Fiscal 2014	13.61	13.06

(2) Non-consolidated Financial Position

	Total assets	Net assets	Shareholders' equity to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2015	212,093	113,365	53.3	394.08
Fiscal 2014	222,724	103,924	46.3	384.21

Note: Shareholders' equity: December 31, 2015: ¥112,961 million  
December 31, 2014: ¥103,014 million

**\*Note on Audit Process**

This earnings report is out of the scope of the external auditor's review procedure, which is required by the "Financial Instruments and Exchange Act." The auditing of the Company's consolidated financial statements has not been completed as of the disclosure of this earnings report.

Appropriate use of business forecast; other special items

The forecasts and projected operating results contained in this report are based on information available at the time of preparation, and thus involve inherent risks and uncertainties. Accordingly, readers are cautioned that actual results may differ materially from those projected as a result of a variety of factors.

For more details, refer to "I. Analysis of Business Performance and Financial Status" on page 2-10.

Contents

I. Analysis of Business Performance and Financial Status-----	2
1. Analysis of Business Performance -----	2
2. Analysis of Financial Status -----	8
3. Basic Policy on the Distribution of Earnings and Cash Dividends -----	9
4. Business Risks -----	10
II. Corporate Group -----	11
III. Management Policies -----	16
1. Basic Management Policies -----	16
2. Performance Targets -----	16
3. Medium and Long-term Management Strategies -----	16
4. Management Issues -----	16
IV. Basic Approach Regarding the Selection of Accounting Standards-----	17
V. Consolidated Financial Reporting Statements -----	18
1. Consolidated Balance Sheets -----	18
2. Consolidated Statements of Income and Consolidated Statements of Comprehensive Income -----	20
3. Consolidated Statement of Changes in Shareholders' Equity -----	22
4. Consolidated Statements of Cash Flows -----	26
5. Notes Concerning Consolidated Quarterly Financial Statements-----	28
(Changes in Important Subsidiaries during the Period)-----	28
(Changes in Accounting Policies)-----	28
(Segment Information) -----	29
(Per Share Information) -----	32
(Important Subsequent Events) -----	33
VI. Other Information -----	34

< Qualitative Information and Financial Statements >

I. Analysis of Business Performance and Financial Status

1. Analysis of Business Performance

(1) Performance Overview of the Consolidated Fiscal Year Under Review (January 1, 2015 – December 31, 2015)

1) Overall Performance

During fiscal 2015 (January 1, 2015–December 31, 2015), the Japanese economy as whole gradually recovered, with corporate profits and hiring continuing to improve despite some weakness in production and exports in the latter half of the year.

The market in the Lion Group's main business domain, the domestic toiletries industry, was steady, as unit prices rose and some product categories benefitted from demand generated by tourists visiting Japan from overseas.

In this environment, the Lion Group launched its new medium-term management plan, Vision 2020 Part-2 (V-2 Plan).” The V-2 Plan positions strengthening profitability as the Company's highest priority goal and centers on four strategies: (1) Qualitative Growth of Domestic Businesses; (2) Quantitative Expansion of Overseas Businesses; (3) Development of New Business Value; and (4) Enhancement of Organizational Learning Capabilities.

Domestically, Lion launched such new, high-value-added products as toothpastes, toothbrushes, fabric softeners and dishwashing detergents and worked to cultivate markets for these products using aggressive marketing.

Furthermore, the Lion Group reorganized its chemicals business to enhance functionality and make more efficient use of management resources by unifying operations.

Overseas, focusing mainly on the personal care field, including oral care and beauty care products, the Group sought to cultivate markets for its key brands as part of efforts to expand its business. As of the end of the third quarter of 2015, Southern Lion Sdn. Bhd. was made a consolidated Lion subsidiary.

Consequently, consolidated results for the period under review are as follows:

Net sales amounted to ¥378,659 million, a year-on-year increase of 3.1% (or an increase of 1.4% in terms of real net sales, which exclude the influence of exchange rate conversions). The Company recorded operating income of ¥16,374 million, up 32.0% compared with the same period of the previous fiscal year, and ordinary income of ¥18,099 million, up 28.7% year on year. Net income stood at ¥10,680 million, up 44.9% million compared with the previous fiscal year.

<Consolidated Results>

(Millions of yen)

	FY2015	Ratio to net sales	FY2014	Ratio to net sales	Increase/decrease	Change
Net sales	378,659		367,396		11,263	3.1%
Operating income	16,374	4.3%	12,406	3.4%	3,968	32.0%
Ordinary income	18,099	4.8%	14,059	3.8%	4,040	28.7%
Net income	10,680	2.8%	7,368	2.0%	3,311	44.9%

## 2) Results by Business Segment

### <Consolidated Business Segment>

(Millions of yen)

	Net sales				Segment income (Operating income)			
	FY2015	FY2014	Increase/ decrease	Change	FY2015	FY2014	Increase/ decrease	Change
Consumer Products	273,486	274,427	(940)	(0.3%)	10,108	8,516	1,591	18.7%
Industrial Products	56,104	59,793	(3,688)	(6.2%)	1,612	1,759	(147)	(8.4%)
Overseas	102,077	86,202	15,875	18.4%	2,983	1,147	1,835	159.9%
Other	29,166	28,682	483	1.7%	956	597	358	60.0%
Subtotal	460,835	449,106	11,729	2.6%	15,660	12,021	3,638	30.3%
Adjustment	(82,176)	(81,709)	(466)	—	714	384	330	85.9%
Total	378,659	367,396	11,263	3.1%	16,374	12,406	3,968	32.0%

## 3) Overview by Business Segment

### <Consumer Products Business>

The Consumer Products Business segment is divided into the Oral Care Products, Beauty Care Products, Fabric Care Products, Living Care Products, Pharmaceutical Products and Other Products businesses. Segment net sales decreased 0.3% compared with the previous fiscal year. Segment income increased 18.7% due to focused efforts to cultivate markets for high-value-added products and decreases in raw materials costs.

(Millions of yen)

	FY2015	Ratio to net sales	FY2014	Ratio to net sales	Increase/ decrease	Change
Net sales	273,486		274,427		(940)	(0.3%)
Segment income	10,108	3.7%	8,516	3.1%	1,591	18.7%

Note: Net sales include internal net sales within and among segments, which amounted to ¥25,508 million in FY2015 and ¥25,114 million in FY2014.

### [Net Sales by Products Segment]

(Millions of yen)

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

### Oral Care Products

In toothpastes, sales of Lion's mainstay *CLINICA* series were firm. Lion added new hypersensitivity prevention and tooth whitening products to the *SYSTEMA Haguki (the Gums) Plus* series, which saw sales grow to three times their level in the previous fiscal year. As a result, overall sales were up year

on year.

In toothbrushes, sales of *CLINICA ADVANTAGE Toothbrush* were favorable, and Lion's newly launched products, including the *SYSTEMA Arch Fit Toothbrush* and *Between Zeitaku Care*, received favorable consumer reviews, leading to a substantial year-on-year increase in overall sales.

### **Beauty Care Products**

In hand soaps, sales of *KireiKirei Medicated Foaming Hand Soap* were steady, and Lion released new *KireiKirei Medicated Foaming Hand Soap for the Kitchen*, a product that effectively removes even meat grease as well as fish odors that linger on hands after food preparation. Consequently, overall sales increased year on year.

In antiperspirants and deodorants, sales of *Ban Sweat-Blocking Roll-On* were favorable, and Lion worked to develop the market for new *Ban Odor-Blocking Roll-On*, which features a nano ion antibacterial agent that helps prevent odors all day long. Sales of *Ban Deodorant Powder Spray*, however, were sluggish. Overall sales decreased year on year.

### **Fabric Care Products**

In laundry detergents, Lion focused on cultivating demand for super-concentrated liquid laundry detergents *TOP NANOX* and *TOP HYGIA*, but overall sales were down year on year due to such factors as the shrinkage of powder detergent markets.

In fabric softeners, sales of the *Kaori to Deodorant no SOFLAN (SOFLAN with Fragrance and Deodorant) Aroma Natural* series were firm, and those of the new-and-improved *SOFLAN Aroma Rich* series were strong. Overall sales grew year on year.

### **Living Care Products**

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

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

### **Pharmaceutical Products**

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

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

### **Other Products**

In direct-to-consumer sales products, at the end of June, Lion re-launched *Nice rim essence Lactoferrin* as a labeled functional food product that helps reduce visceral fat and bring down high BMI, and sales following the re-launch were favorable. Overall sales, however, fell year on year.

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

### **<Industrial Products Business>**

The Industrial Products Business segment comprises businesses in such product categories as electro-

conductive carbon, surfactants and detergents for institutional use. Segment net sales decreased 6.2% compared with same period of the previous fiscal year, and segment income decreased 8.4%.

(Millions of yen)

	FY2015	Ratio to net sales	FY2014	Ratio to net sales	Increase/decrease	Change
Net sales	56,104		59,793		(3,688)	(6.2%)
Segment income	1,612	2.9%	1,759	2.9%	(147)	(8.4%)

Note: Net sales include internal net sales within and among segments, which amounted to ¥25,298 million in FY2015 and ¥28,338 million in FY2014

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

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

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

#### <Overseas Business>

The Overseas Business segment comprises mainly Consumer Products business operations located in Southeast Asia, including Thailand and Malaysia, and Northeast Asia, including South Korea and China. Overall segment net sales increased 18.4% year on year (or in terms of real net sales, which exclude the influence of exchange rate conversions, increased 10.9%).

Segment income increased 159.9% year on year due in part to growth in sales of personal care products.

(Millions of yen)

	FY2015	Ratio to net sales	FY2014	Ratio to net sales	Increase/decrease	Change
Net sales	102,077		86,202		15,875	18.4%
Segment income	2,983	2.9%	1,147	1.3%	1,835	159.9%

Note: Net sales include internal net sales within and among segments, which amounted to ¥8,174 million in FY2015 and ¥4,427 million in FY2014.

#### [Sales by Region]

	FY2015	FY2014	Increase/decrease	Change
Southeast Asia	67,614	56,950	10,663	18.7%
Northeast Asia	34,463	29,251	5,211	17.8%

#### (Sales by Region)

In Southeast Asia, overall sales were up 18.7% year on year. In Thailand, sales of the *KODOMO* brand oral care series and *Shokubutsu-Monogatari* body wash were favorable, and overall sales after yen conversions increased substantially year on year.

In Northeast Asia, sales rose 17.8% year on year.

In South Korea, sales of *Systema toothpaste* were firm, and those of *KireiKirei hand soap* were favorable. Consequently, overall sales after yen conversions increased significantly year on year.

In China, sales of *Systema toothbrushes* were firm and sales of imported Japanese products increased. Overall sales after yen conversions increased substantially year on year.

In Hong Kong, Lion released *Magica dishwashing detergent*.



<Other>

(Millions of yen)

	FY2015	Ratio to net sales	FY2014	Ratio to net sales	Increase/decrease	Change
Net sales	29,166		28,682		483	1.7%
Segment income	956	3.3%	597	2.1%	358	60.0%

Note: Net sales include internal net sales within and among segments, which amounted to ¥23,194 million FY2015 and ¥23,829 million FY2014.

**(2) Forecast of Consolidated Financial Results for the Fiscal Year Ending December 2016**

<Consolidated>

(Millions of yen)

	FY2016 forecast	FY2015	Increase/decrease	Change
Net sales	390,000	378,659	11,340	3.0%
Operating income	18,000	16,374	1,625	9.9%
Ordinary income	19,000	18,099	900	5.0%
Net income	11,000	10,380	319	3.0%
EPS (yen)	38.37	39.35	(0.98)	(2.5%)

During fiscal 2016, 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, financial conditions in Japan and abroad, 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 steadily implement the V-2 Plan (Vision2020 Part-2), its three-year medium-term management plan launched in 2015, and work to improve its corporate structure, aiming to boost corporate value.

In the Consumer Products Business segment, the Lion Group will release new, high-value-added products in its mainstay businesses, including toothpastes and laundry detergents, 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 products, to reinforce its business foundation. Furthermore, Lion will continue to cultivate new customers in its detergents for institutional use business.

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

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

(Preconditions for the Estimated Figures in Outlook for Fiscal 2016)

Lion adopted the following foreign exchange rates in the calculation of the aforementioned estimated figures:

¥120 = US\$1.00

¥3.3 = 1.00 baht

## 2. Analysis of Financial Status

### (1) Status of Assets, Liabilities, Net Assets

#### <Consolidated Financial Status >

	FY2015	FY2014	Increase/ decrease
Total assets (millions of yen)	282,434	283,352	(918)
Net assets (millions of yen)	142,730	127,434	15,296
Shareholders' equity to total assets <sup>*1</sup> (%)	47.6	42.6	5.0
Net assets per share <sup>*2</sup> (yen)	469.05	449.94	19.11

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

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

Total assets fell ¥918 million compared with the previous consolidated fiscal year-end to ¥282,434 million. This is primarily attributable to a decrease in property, plant and equipment. Net assets increased ¥15,296 million to ¥142,730 million. Shareholders' equity to total assets stood at 47.6%

### (2) Status of Cash Flows

#### <Consolidated Cash Flows>

(Millions of yen)

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

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

Net cash used in investing activities totaled ¥6,974 million, due in part to the purchase of property, plant and equipment.

Net cash used in financing activities totaled ¥5,062 million. Major components of this outflow included cash dividends paid.

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

### (3) Forecast of Fiscal 2016 Consolidated Cash Flows

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

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

The cash flows from financing activities are expected to yield an outflow of about ¥4,000 million mainly

due to cash dividends paid and the repayment of loans payable.

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

#### (4) Changes in cash flow indicators

	FY2011	FY2012	FY2013	FY2014	FY2015
Shareholders' equity to total assets (%)	40.9	42.4	42.0	42.6	47.6
Shareholders' equity to total assets on a market value basis (%)	49.0	45.7	55.8	59.6	116.1
Debt redemption (years)	3.2	1.8	1.6	1.5	0.4
Interest coverage ratio	12.5	27.6	32.2	15.1	81.3

(Notes)

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

Shareholders' equity to total assets on a market value basis: Value of shares / Total assets

Debt redemption (years): Interest-bearing liabilities / Cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities / Interest payment

\* All the indicators are based on consolidated financial data.

\* "Value of shares" is calculated on the basis of the "closing stock price as of the end of the term" multiplied by "the number of outstanding stocks as of the end of the term" (after the deduction of treasury stocks).

\* "Cash flows from operating activities" are those in the consolidated cash flow data.

"Interest-bearing liabilities" means all liabilities that are bearing interest among the liabilities in the consolidated balance sheet. For the amount of interest paid, figures in the consolidated cash flow data are used.

### 3. Basic Policy on the Distribution of Earnings and Cash Dividends

Lion considers returning profits to shareholders on a permanent and stable basis by increasing its consolidated earnings capacity as one of its most important management issues. To this end, the Company strives to ensure the payment of continuous and stable cash dividends and bases the acquisition of treasury stock on comprehensive reviews of the appropriate levels of internal reserves required to secure medium- and long-term growth. Lion allocates internal reserves to 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 (payment date: September 4, 2015) and a year-end dividend of ¥5 per share (payment date: March 4, 2016) for fiscal 2015.

With regard to dividends to be paid in fiscal 2016, in accordance with its basic policy on the distribution of earnings and cash dividends, Lion plans to pay an interim dividend of ¥5 per share and a year-end dividend of ¥6 per share, for a total annual dividend of ¥11 per share.

#### 4. 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.

Forward-looking statements are based on decisions made by the Lion Group as of February 10, 2016.

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

##### (5) Earthquakes and other natural disasters

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

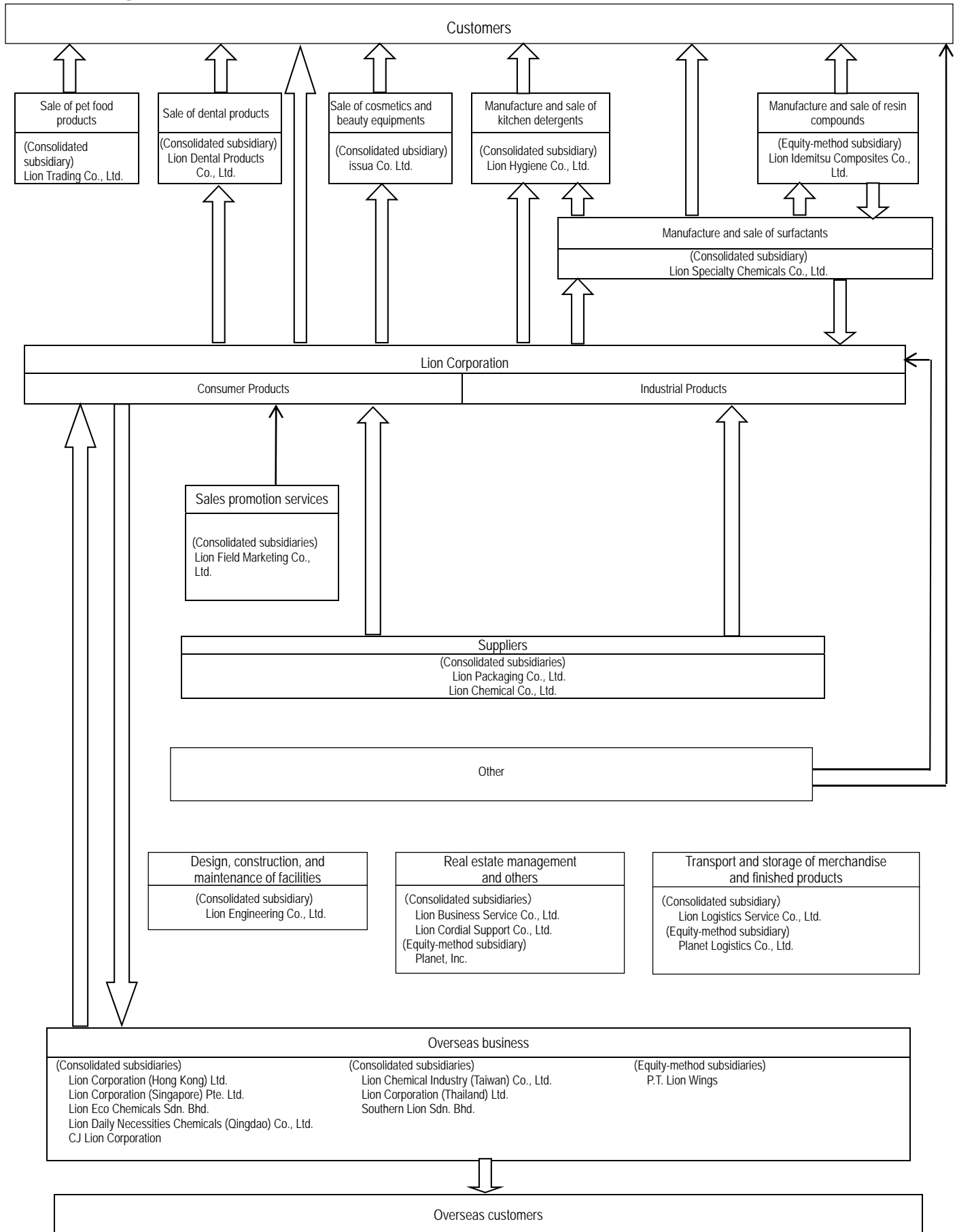
## II. Corporate Group

The Lion Group consists of Lion Corporation, 27 subsidiaries (including 26 consolidated subsidiaries and 1 non-consolidated equity-method subsidiaries), and 9 affiliates (including 4 equity-method affiliates). Principal business activities consist of the manufacture and sale of consumer products, industrial products and overseas. Other business activities involve distribution related to the above business activities and other services.

The relationship between group business activities and business segments is shown below, which is based on the categorization used for business segments.

Business segment	Main activities	Main companies	
Consumer Products Business	Manufacture and sale of domestic commodities, OTC drugs and functional food products in Japan	Domestic affiliates	Lion Corporation Lion Dental Products Co., Ltd. Lion Trading Co., Ltd. Lion Packaging Co., Ltd. Lion Field Marketing Co., Ltd. issua Co. Ltd.
Industrial Products Business	Manufacture and sale of chemical raw materials, industrial products and other items in Japan and overseas	Domestic affiliates	Lion Corporation Lion Chemical Co., Ltd. Lion Hygiene Co., Ltd. Lion Specialty Chemicals Co., Ltd. Lion Idemitsu Composites Co., Ltd.
Overseas Business	Manufacture and sale of commodities and chemical raw materials overseas	Overseas affiliates	Lion Corporation (Hong Kong) Ltd. Lion Corporation (Singapore) Pte. Ltd. Lion Advertising Ltd. Lion Eco Chemicals Sdn. Bhd. Lion Daily Necessities Chemicals (Qingdao) Co., Ltd. PT. IPPOSHA INDONESIA CJ Lion Corporation Lion Chemical Industry (Taiwan) Co., Ltd. Lion Corporation (Taiwan) Co., Ltd. Lion Corporation (Thailand) Ltd. Peerless Lion Corporation Lion Service Co., Ltd. Eastern Silicate Company Limited Southern Lion Sdn. Bhd. P.T. Lion Wings
Other	Transport and storage of merchandise and finished products; design, construction, and maintenance of storage facilities; real estate management; Human resources services, etc.	Domestic affiliates	Lion Engineering Co., Ltd. Lion Cordial Support Co., Ltd. Lion Business Service Co., Ltd. Lion Logistics Service Company, Ltd. Planet Logistics Co., Ltd. Planet, Inc.

**Business Organization Chart**



Note: The thick arrows represent transactions of merchandise, finished products, and raw materials. The line arrows represent provision of services, etc.

### Subsidiaries and Affiliates

#### Consolidated Subsidiaries

Name	Location	Capitalization	Business	Voting shares held by Lion	Nature of business relationship				
					Shared positions		Financial support	Business dealings	Lease of facilities, etc.
					Lion officers	Lion employees			
Lion Engineering Co., Ltd.	Sumida-ku, Tokyo	Millions of yen 100	Other	% 100.0	1	9	None	Design, construction, and maintenance of facilities	Lease of part of office space
*1 Lion Chemical Co., Ltd.	Sumida-ku, Tokyo	7,800	Industrial products	100.0	3	9	Loans	Purchase of raw materials and merchandises	Rental of part of office space and land
Lion Cordial Support Co., Ltd.	Sumida-ku, Tokyo	20	Other	100.0	—	4	None	Human resources services	Lease of office space
Lion Dental Products Co., Ltd.	Sumida-ku, Tokyo	10	Consumer products	100.0	1	8	None	Sale of merchandises and finished products	Lease of office space
Lion Trading Co., Ltd.	Sumida-ku, Tokyo	240	Consumer products	100.0	1	8	None	—	Lease of part of office space
Lion Specialty Chemicals Co., Ltd.	Sumida-ku, Tokyo	400	Industrial products	100.0	3	9	Loans	Sale of merchandises and finished products and purchase of raw materials and merchandises	Lease of part of office space
Lion Hygiene Co., Ltd.	Sumida-ku, Tokyo	300	Industrial products	100.0	1	8	None	Sales and purchase of merchandises	Lease of part of office and warehouse space
Lion Packaging Co., Ltd.	Ichihara - shi, Chiba	180	Consumer products	100.0	—	7	None	Purchase of materials and merchandises	Rental of part of office space and lease of part of land
Lion Business Service Co., Ltd.	Sumida-ku, Tokyo	490	Other	100.0	—	4	None	Rental, dealing, and brokerage of real estate, and insuring	Rental of part of office space and land
Lion Field Marketing Co., Ltd.	Sumida-ku, Tokyo	50	Consumer products	100.0	2	6	None	Sales promotion activities	Lease of part of office space
Lion Logistics Service Company, Ltd.	Sumida-ku, Tokyo	40	Other	100.0	2	7	None	Transport and storage of merchandises and finished products	Lease of part of office space
issua Company, Ltd.	Minato-ku, Tokyo	20	Consumer products	100.0	1	5	Loans	Sale of merchandises and finished products	Lease of part of office space



Lion Corporation (Code 4912): Consolidated Financial Statements  
for the Year Ended December 31, 2015

Name	Location	Capitalization	Business	Voting shares held by Lion	Nature of business relationship				
					Shared positions		Financial support	Business dealings	Lease of facilities, etc.
					Lion officers	Lion employees			
Lion Corporation (Hong Kong) Ltd.	China (Hong Kong)	Thousands of HK\$ 12,000	Overseas business	100.0	1	2	None	Sale of merchandises and finished products	—
Lion Corporation (Singapore) Pte. Ltd.	Singapore	Thousands of S\$ 9,000	Overseas business	100.0	1	1	None	Sale of merchandises and finished products	—
Lion Advertising Ltd.	China (Hong Kong)	Thousands of HK\$ 100	Overseas business	*2 100.0 (100.0)	1	1	None	—	—
*1 Lion Eco Chemicals Sdn. Bhd.	Malaysia	Thousands of M\$ 201,000	Overseas business	100.0	3	5	None	Purchase of raw materials	—
Lion Daily Necessities Chemicals (Qingdao) Co., Ltd.	China	Thousands of US\$ 39,065	Overseas business	100.0	2	5	None	Sale of merchandises and finished products and purchase of merchandises	—
PT. IPPOSHA INDONESIA	Indonesia	Thousands of US\$ 750	Overseas business	*3 100.0 (90.0)	—	3	None	—	—
CJ Lion Corporation	South Korea	Thousands of won 9,976,250	Overseas business	99.0	1	4	None	Sale of merchandises and finished products and purchase of merchandises	—
Lion Chemical Industry (Taiwan) Co., Ltd.	Taiwan	Thousands of NT\$ 218,150	Overseas business	53.8	1	5	None	Sale of merchandises and finished products	—
Lion Corporation (Taiwan) Co., Ltd.	Taiwan	Thousands of NT\$ 530,000	Overseas business	100.0	1	5	None	—	—
Lion Corporation (Thailand) Ltd.	Thailand	Thousands of baht 300,000	Overseas business	51.0	3	7	None	Sale of merchandises and finished products and purchase of merchandises	—
Peerless Lion Corporation	Philippines	Thousands of peso 600,000	Overseas business	51.0	1	2	None	—	—
Lion Service Co., Ltd.	Thailand	Thousands of baht 7,000	Other businesses	*4 49.0 (49.0)	—	—	None	—	—
Eastern Silicate Company Limited	Thailand	Thousands of baht 500	Other businesses	*4 99.9 (99.9)	—	2	None	—	—

Lion Corporation (Code 4912): Consolidated Financial Statements  
for the Year Ended December 31, 2015

Name	Location	Capitalization	Business	Voting shares held by Lion	Nature of business relationship				
					Shared positions		Financial support	Business dealings	Lease of facilities, etc.
					Lion officers	Lion employees			
Southern Lion Sdn. Bhd.	Malaysia	Thousands of M\$ 22,000	Overseas business	50.0	1	2	None	Sale of merchandises and finished products and purchase of merchandises	—

#### Equity-method affiliates

Name	Location	Capitalization	Business	Voting shares held by Lion	Nature of business relationship				
					Shared positions		Financial support	Business dealings	Lease of facilities, etc.
					Lion officers	Lion employees			
Lion Idemitsu Composites Co., Ltd.	Taito-ku, Tokyo	100	Industrial products	50.0	2	3	None	Purchase of special synthetic resin compounds	—
Planet Logistics Co., Ltd.	Sumida-ku, Tokyo	240	Other	20.8	1	1	None	Transport and storage of merchandises and finished products	—
Planet, Inc.	Minato-ku, Tokyo	436	Other	16.1	1	—	None	Utilization of VANs	—
P.T. Lion Wings	Indonesia	Millions of rupiah 64,062	Overseas business	48.0	1	3	None	Sale of merchandises and finished products and purchase of merchandises	—

\*1. Lion Chemical Co., Ltd., Lion Eco Chemicals Sdn. Bhd., and Lion Daily Necessities Chemicals (Qingdao) Co., are specified subsidiary.

\*2. The voting shares of Lion Advertising Ltd. are held by Lion Corporation (Hong Kong) Ltd.

\*3. 90% of PT. IPPOSHA INDONESIA's voting shares are held by Lion Specialty Chemicals Co., Ltd.

\*4. The voting shares of Lion Service Co., Ltd. and Eastern Silicate Company Limited are held by Lion Corporation (Thailand) Ltd.

5. The figure in parentheses in the "Voting shares held by Lion" column is the percentage of total voting shares held indirectly by Lion Corporation.

6. In addition to the companies listed above, there are one small-scale, non-consolidated equity-method companies.

### III. Management Policies

#### 1. Basic Management Policies

The Lion Group positions “Fulfilling a Spirit of Love” as fundamental to its management, and thus contributes to the enrichment of the happiness and lives of people. Based on this motto, the Lion Group provides customers with superior products and services that are useful in securing the healthy, clean and comfortable lifestyles of people. The Group fully recognizes its mission to make an active contribution to society through such efforts.

The Lion Group takes continual steps to further improve its corporate value. To this end, the Group provides products and services that place the utmost priority on customer satisfaction based on an accurate understanding of the changes taking place in peoples’ values and the social role companies are required to play. At the same time, Lion promotes environmental preservation activities and enhances its corporate governance systems in order to remain a highly trustworthy company that meets the expectations of stakeholders, including shareholders, customers, business partners, local communities/society and employees.

#### 2. Performance Targets

Through the thorough selection and concentration of investment in management initiatives, efforts to reform its business structure and reinforce its earnings structure, and aggressive acquisitions and the development of new businesses, Lion is striving to increase its corporate value with the goal of reaching a consolidated ROE of 10%.

#### 3. Medium and Long-term Management Strategies

In recognition of ongoing social change, the Lion Group has formulated the Vision2020 management vision as an ideal the Lion Group can work to realize by 2020, and is advancing the V-2 Plan as a medium-term management plan (for 2015 through 2017) that comprises basic strategies to achieve this management vision.

“Vision 2020”

Management Vision: The Ideal Lion Corporation in Fiscal 2020 (Three Defining Characteristics)

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

【Four Strategies: Framework to Achieve “Vision 2020”】

1. Qualitative Growth of Domestic Businesses
2. Quantitative Expansion of Overseas Businesses
3. Development of New Business Value
4. Enhancement of Organizational Learning Capabilities

#### 4. Management Issues

To achieve the goals of Vision2020, under the V-2 Plan, the Lion Group recognizes that it must more forcefully advance its four basic strategies and steadily turn their success into increased profitability by quickly implementing measures related to structural reforms and streamlining.

##### (1) Qualitative Growth of Domestic Businesses

In the Consumer Products business, Lion will work to cultivate and reinforce key brands in its mainstay health and home care businesses, focus development efforts on high-value-added business areas and

work to streamline management resources by reviewing production and supply frameworks. Through these measures, Lion will seek to bolster profitability.

In the Industrial Products Business, aiming to concentrate Group technologies and realize synergies, in fiscal 2015 Lion reorganized and unified the chemicals business of the Company and its subsidiaries under Lion Specialty Chemicals Co., Ltd. Lion Specialty Chemicals will now focus management resources on key areas, such as automotive and electrical/electronic products, to reinforce the foundations of the chemicals business. In the detergent for institutional use business, Lion will seek to enhance its hygiene management services and cultivate new customers in order to achieve further expansion.

(2) Quantitative Expansion of Overseas Businesses

Mainly in growing Asian markets, Lion will nurture and reinforce its global brands and expand operations in the personal care field while pursuing more efficient production facility utilization within the Group and considering new business areas to enter as it seeks to ensure profitable business growth.

(3) Development of New Business Value

In the direct-to-consumer sales business, Lion aims to achieve further business growth, and will accelerate the development of products that will join the flagship product *Nice rim essence Lactoferrin* as second and third earnings pillars. Furthermore, the Company will actively explore the development of new businesses and other business opportunities in which it can utilize existing management resources.

(4) Enhancement of Organizational Learning Capabilities

In line with the corporate slogan, "life.love. LION," the Company will create workplaces where a diverse workforce can thrive and carry out human resource development initiatives, seeking to create a bolder, more enterprising corporate culture. Lion will also concentrate on its ECO LION environmental activities and activities related to the interactive communication of lifestyle-related information.

By vigorously promoting the aforementioned four strategies, the Lion Group aims to increase profitability and strengthen its business foundation. Simultaneously, the Group will make broad-ranging contributions to the realization of a sustainable, recycling-oriented society and thereby enhance its corporate value.

#### **IV. Basic Approach Regarding the Selection of Accounting Standards**

The Lion Group uses Japanese accounting standards in consideration of such factors as the accounting period of its consolidated financial statements and their comparability with those of other companies.

The Group has no specific plans to adopt international accounting standards at this time; however, it is giving due consideration to such factors as the ease of understanding and broader impact of such standards and their adoption.

**V. Consolidated Financial Reporting Statements**  
**1. Consolidated Balance Sheets**

(Millions of yen)

	Fiscal Year Ended December 31, 2014	Fiscal Year Ended December 31, 2015
<b>Assets</b>		
Current assets		
Cash and deposits	18,008	18,584
Notes and accounts receivable-trade	59,007	58,655
Short-term investments securities	24,448	45,919
Merchandise and finished goods	25,270	24,233
Work in process	4,605	3,169
Raw materials and supplies	9,489	10,151
Deferred tax assets	3,150	3,555
Other	2,245	2,659
Allowance for doubtful accounts	(51)	(98)
Total current assets	146,175	166,830
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	76,172	76,604
Accumulated depreciation	(50,216)	(50,601)
Buildings and structures, net	25,955	26,002
Machinery, equipment and vehicles	138,167	134,266
Accumulated depreciation	(115,919)	(114,308)
Machinery, equipment and vehicles, net	22,248	19,957
Land	24,344	24,317
Lease assets	340	508
Accumulated depreciation	(164)	(189)
Lease assets, net	175	318
Construction in progress	3,075	1,244
Other	22,340	22,918
Accumulated depreciation	(18,863)	(19,698)
Other, net	3,476	3,219
Total property, plant and equipment	79,275	75,060
Intangible assets		
Goodwill	345	263
Right of trademark	7,197	4,428
Other	1,564	1,228
Total intangible assets	9,106	5,921
Investments and other assets		
Investment securities	34,438	21,116
Long-term loans receivable	23	30
Net defined benefit asset	11,042	9,235
Deferred tax assets	2,016	2,947
Other	1,305	1,507
Allowance for doubtful accounts	(31)	(215)
Total Investments and other assets	48,794	34,622
Total noncurrent assets	137,176	115,603
Total assets	283,352	282,434

(Millions of yen)

	Fiscal Year Ended December 31, 2014	Fiscal Year Ended December 31, 2015
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	46,590	49,620
Short-term loans payable	12,602	9,772
Current portion of long-term loans payable	116	226
Accounts payable-other and accrued expenses	45,123	47,521
Income taxes payable	3,336	4,614
Provision for bonuses	2,631	2,992
Provision for sales returns	525	447
Provision for sales promotion expenses	894	2,491
Provision for directors' bonuses	256	336
Asset retirement obligation	14	-
Other	3,445	3,224
Total current liabilities	115,537	121,247
Noncurrent liabilities		
Bonds with subscription rights to shares	14,430	2,426
Long-term loans payable	2,448	2,082
Provision for directors' retirement benefits	448	414
Net defined benefit liability	18,526	8,751
Asset retirement obligation	344	346
Other	4,182	4,434
Total noncurrent liabilities	40,380	18,455
Total liabilities	155,918	139,703
<b>Net assets</b>		
Shareholders' equity		
Capital stock	34,433	34,433
Capital surplus	31,499	34,029
Retained earnings	66,095	69,414
Treasury stock	(16,827)	(6,800)
Total shareholders' equity	115,201	131,077
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,912	5,983
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	3,339	1,748
Remeasurements of defined benefit plans	(5,816)	(4,356)
Total accumulated other comprehensive income	5,434	3,375
Subscription rights to shares	910	403
Minority interests	5,888	7,873
Total net assets	127,434	142,730
Total liabilities and net assets	283,352	282,434

## 2. Consolidated Statements of Income and Consolidated Statement of Comprehensive Income

### Consolidated Statements of Income

(Millions of yen)

	Fiscal Year Ended December 31, 2014 (Jan. 1 to Dec. 31)	Fiscal Year Ended December 31, 2015 (Jan. 1 to Dec. 31)
Net sales	367,396	378,659
Cost of sales	160,677	162,435
Gross profit	206,718	216,223
Selling, general and administrative expenses	194,312	199,848
Operating income	12,406	16,374
Non-operating income		
Interest income	170	146
Dividends income	600	678
Equity in earnings of affiliates	843	752
Royalty income	281	276
Foreign exchange gains	175	90
Other	629	510
Total non-operating income	2,700	2,454
Non-operating expenses		
Interest expenses	621	429
Interest on bonds	85	119
Loss on disposal of inventories	103	85
Other	237	95
Total non-operating expenses	1,047	729
Ordinary income	14,059	18,099
Extraordinary income		
Gain on disposal of noncurrent assets	123	629
Gain on contribution of securities to retirement benefit trust	-	6,736
Gain on sales of investment securities	-	210
Gain on step acquisitions	477	-
Gain on bargain purchase	97	-
Other	34	346
Total extraordinary income	733	7,923
Extraordinary loss		
Loss on disposal of noncurrent assets	799	1,897
Impairment loss	833	4,479
Loss on step acquisitions	-	178
Loss on valuation of investment securities	72	15
Other	-	64
Total extraordinary losses	1,706	6,635
Income before income taxes	13,085	19,387
Income taxes-current	4,495	5,896
Income taxes-deferred	653	1,485
Total income taxes	5,149	7,382
Income before minority interests	7,936	12,005
Minority interests in income	567	1,324
Net Income	7,368	10,680

**Consolidated Statement of Comprehensive Income**

(Millions of yen)

	Fiscal Year Ended December 31, 2014 (Jan. 1 to Dec. 31)	Fiscal Year Ended December 31, 2015 (Jan. 1 to Dec. 31)
Income before minority interests	7,936	12,005
Other comprehensive income		
Valuation difference on available-for-sale securities	959	(1,953)
Deferred gains or losses on hedges	(24)	(0)
Foreign currency translation adjustment	2,841	(1,500)
Remeasurements of defined benefit plans, net of tax	-	1,460
Share of other comprehensive income of associates accounted for using equity method	287	(532)
Total other comprehensive income	4,064	(2,525)
Comprehensive income	12,001	9,479
Comprehensive income attributable to:		
Comprehensive income attributable to owner of the parent	10,759	8,622
Comprehensive income attributable to minority interests	1,241	857



### 3. Consolidated Statement of Changes in Shareholders' Equity

Consolidated Results for the Year Ended December 31, 2014 (January 1 to December 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the start of current period	34,433	31,499	61,410	(16,755)	110,588
Cumulative effect of changes in accounting policies					-
Restated balance	34,433	31,499	61,410	(16,755)	110,588
Changes of items during the period					
Dividends from surplus			(2,682)		(2,682)
Net income			7,368		7,368
Purchase of treasury stock				(82)	(82)
Disposal of treasury stock		(0)	(1)	10	8
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	(0)	4,685	(72)	4,612
Balance at the end of current period	34,433	31,499	66,095	(16,827)	115,201

Consolidated Results for the Year Ended December 31, 2014 (January 1 to December 31, 2014)

(Millions of yen)

	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Accumulated other comprehensive income			
Balance at the start of current period	6,921	24	914	-	7,860	193	5,590	124,232
Cumulative effect of changes in accounting policies								-
Restated balance	6,921	24	914	-	7,860	193	5,590	124,232
Changes of items during the period								
Dividends from surplus								(2,682)
Net income								7,368
Purchase of treasury stock								(82)
Disposal of treasury stock								8
Net changes of items other than shareholders' equity	990	(24)	2,424	(5,816)	(2,425)	716	298	(1,411)
Total changes of items during the period	990	(24)	2,424	(5,816)	(2,425)	716	298	3,201
Balance at the end of current period	7,912	(0)	3,339	(5,816)	5,434	910	5,888	127,434

Consolidated Results for the Year Ended December 31, 2015 (January 1 to December 31, 2015)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the start of current period	34,433	31,499	66,095	(16,827)	115,201
Cumulative effect of changes in accounting policies			(4,680)		(4,680)
Restated balance	34,433	31,499	61,415	(16,827)	110,520
Changes of items during the period					
Dividends from surplus			(2,681)		(2,681)
Net income			10,680		10,680
Purchase of treasury stock				(141)	(141)
Disposal of treasury stock		2,529		10,169	12,699
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	2,529	7,999	10,027	20,556
Balance at the end of current period	34,433	34,029	69,414	(6,800)	131,077

Consolidated Results for the Year Ended December 31, 2015 (January 1 to December 31, 2015)  
(Millions of yen)

	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Accumulated other comprehensive income			
Balance at the start of current period	7,921	(0)	3,339	(5,816)	5,434	910	5,888	127,434
Cumulative effects of changes in accounting policies								(4,680)
Restated balance	7,921	(0)	3,339	(5,816)	5,434	910	5,888	127,754
Changes of items during the period								
Dividends from surplus								(2,682)
Net income								10,680
Purchase of treasury stock								(141)
Disposal of treasury stock								12,699
Net changes of items other than shareholders' equity	(1,928)	(0)	(1,590)	1,460	(2,058)	(506)	1,985	(579)
Total changes of items during the period	(1,928)	(0)	(1,590)	1,460	(2,058)	(506)	1,985	19,976
Balance at the end of current period	5,983	(0)	1,748	(4,356)	3,375	403	7,873	142,730

#### 4. Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year Ended December 31, 2014 (Jan. 1 to Dec. 31)	Fiscal year Ended December 31, 2015 (Jan. 1 to Dec. 31)
<b>Net cash provided by (used in) operating activities</b>		
Income before income taxes and minority interests	13,085	19,387
Depreciation and amortization	10,301	11,166
Impairment loss	833	4,479
Increase (decrease) in provision for bonuses	349	339
Increase (decrease) in net defined benefit liability	(4,789)	(4,826)
Loss (gain) on contribution of securities to retirement benefit trust	-	(6,736)
Interest and dividends income	(770)	(824)
Interest expenses	621	429
Interest on bonds	85	119
Loss (gain) on disposal of noncurrent assets	676	1,267
Loss (gain) on sales of investment securities	(0)	(210)
Loss (gain) on valuation of investment securities	72	15
Equity in (earnings) losses of affiliates	(843)	(752)
Gain on bargain purchase	(97)	-
Loss (gain) on step acquisitions	(477)	178
Decrease (increase) in notes and accounts receivable-trade	37	2,302
Decrease (increase) in inventories	(2,494)	2,078
Increase (decrease) in notes and accounts payable-trade	(5,239)	2,131
Increase (decrease) in accounts payable-other and accrued expenses	3,525	2,111
Increase (decrease) in other current liabilities	(21)	201
Decrease (increase) in other current assets	29	(538)
Other, net	542	7,204
Subtotal	15,425	39,523
Interest and dividends income received	1,386	1,073
Interest expenses paid	(775)	(436)
Income taxes paid	(4,297)	(4,620)
Net cash provided by (used in) operating activities	11,738	35,539
<b>Net cash provided by (used in) investment activities</b>		
Decrease (increase) in time deposits	(2,133)	1,052
Purchases of property, plant and equipment	(13,124)	(9,334)
Proceeds from sales of property, plant and equipment	141	787
Purchase of intangible assets	(118)	(160)
Purchase of investment securities	(505)	(144)
Proceeds from sales of investment securities	34	553
Proceeds from redemption of investment securities	500	-
Payments of loans receivable	(5)	(9)
Collection of loans receivable	0	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,418)	-
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	-	351
Purchase of shares of subsidiaries	(386)	-
Other, net	177	(69)
Net cash provided by (used in) investment activities	(16,838)	(6,974)

(Millions of yen)

	Fiscal year Ended December 31, 2014 (Jan. 1 to Dec. 31)	Fiscal year Ended December 31, 2015 (Jan. 1 to Dec. 31)
<b>Net cash provided by (used in) financing activities</b>		
Increase in short-term loans payable	21,232	6,273
Decrease in short-term loans payable	(19,160)	(7,702)
Proceeds from long-term loans payable	2,177	-
Repayment of long-term loans payable	(22,466)	(116)
Proceeds from issuance of bonds	14,983	-
Purchase of treasury stock	(82)	(141)
Proceeds from disposal of treasury stock	3	0
Cash dividends paid	(2,688)	(2,660)
Cash dividend to minority shareholders	(459)	(634)
Other, net	(59)	(81)
Net cash provided by (used in) financing activities	(6,520)	(5,062)
<b>Effect of exchange rate change on cash and cash equivalents</b>	829	(374)
<b>Net increase (decrease) in cash and cash equivalents</b>	(10,791)	23,128
<b>Cash and cash equivalents at beginning of period</b>	48,941	38,150
<b>Cash and cash equivalents at end of period</b>	38,150	61,278

## 5. Notes Concerning Consolidated Financial Statements

### (1) Changes in Important Subsidiaries during the Period

None

### (2) Changes in Accounting Policies

(Application of Accounting Standard for Retirement Benefits)

The Group has adopted the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ), Statement No. 26, issued on May 17, 2012; hereinafter, "Retirement Benefit Accounting Standard") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, issued on March 26, 2015; hereinafter the "Guidance") including, from the consolidated fiscal year under review, the provisions stipulated in the main clause of Article 35 of the Retirement Benefit Accounting Standard and in the main clause of Article 67 of the Guidance. Accordingly, the Group has revised its methods of calculating retirement benefit obligation and service cost and changed the method of attributing estimated retirement benefits to each period from a straight-line method to the benefit formula method. It has also changed its method of determining the discount rate from the previous method, which employed a discount rate based on employees' approximated average remaining years of service, to a single weighted average discount rate that reflects the expected periods and per-period amounts of benefit payments.

The effect of the adoption of the Retirement Benefit Accounting Standard and the Guidance due to the changes in the methods of calculating retirement benefit obligation and service cost was included in retained earnings as of January 1, 2015, in accordance with the transitional accounting treatment stipulated in Article 37 of the Retirement Benefit Accounting Standard.

As a result, net defined benefit asset decreased ¥4,106 million, net defined benefit liability increased by ¥3,161 million, and retained earnings decreased by ¥4,680 million as of January 1, 2015. The impact of this change on profit and loss for the consolidated quarterly fiscal accounting period under review is minor.

### **(3) Segment Information**

#### **(1) Overview of Reportable Segments**

The reportable segments of Lion Corporation comprise those entities for which obtaining separate financial reports is possible and that are subject to regular review by the Board of Directors, which decides upon the distribution of management resources to said segments.

Lion Corporation positions segments distinguished by their products within each business division. Each segment proposes comprehensive product strategies while pursuing business expansion. Affiliated companies in Japan undertake business activities that are in line with the characteristics of their respective products and services.

Affiliated companies located overseas are independent management units that conduct business activities that conform to the characteristics of the regions in which they operate.

The three reportable segments (distinguished by products, services and regions) that therefore comprise Lion Corporation's operations are: Consumer Products Business, Industrial Products Business and Overseas Business.

The Company's Reportable Segments are as follows.

##### **1) Consumer Products Business**

The Consumer Products Business engages in the manufacture and sale of commodities, OTC drugs and functional food products primarily in Japan.

Main products: toothpaste, toothbrushes, hand soaps, analgesics, eyedrop solutions, health tonic drinks, insecticides, laundry detergents, dishwashing detergents, fabric softeners, household cleaners, bleaches and pet supplies

##### **2) Industrial Products Business**

The Industrial Products Business engages primarily in the manufacture and sale of chemical raw materials, industrial products and other items in Japan and overseas.

Main products: activators, electro-conductive carbon and industrial cleaners

##### **3) Overseas Business**

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

##### **4) Other Business**

Lion subsidiaries located in Japan primarily undertake operations of each Lion Group business.

Main products and services: construction contractor business, real estate management, distribution/storage and temporary staffing services.

#### **(2) Methods for Calculating Net Sales, Profits, Losses, Assets, Liabilities and Other Monetary Items for Each Reportable Segment**

Profit figures for each reportable segment are based on operating income.

Intersegment transaction and transfer prices are, in principle, established based on negotiations reflecting market prices, total supplier costs and the Company's asking price.



(3) Information Regarding Net Sales, Profits, Losses, Assets, Liabilities and Other Monetary Items for  
Each Reportable Segment

Consolidated Results for the Year Ended December 31, 2014 (January 1 to December 31, 2014)

(Millions of yen)

	Reportable segments			Other	Total	Adjustment <sup>2</sup>	Consolidated total <sup>3</sup>
	Consumer Products Business	Industrial Products Business	Overseas Business				
Net sales							
Sales to external customers	249,313	31,455	81,774	4,853	367,396	-	367,396
Intersegment sales <sup>1</sup>	25,114	28,338	4,427	23,829	81,709	(81,709)	-
Total	274,427	59,793	86,202	28,682	449,106	(81,709)	367,396
Segment income	8,516	1,759	1,147	597	12,021	384	12,406
Segment assets	110,061	47,282	65,812	21,326	244,482	38,869	283,352
Other monetary items							
Depreciation and amortization	7,222	986	1,578	144	9,932	368	10,301
Investment in equity method affiliates	3,215	-	139	2,188	5,544	(77)	5,466
Increases in property, plant and equipment and intangible assets	4,765	1,203	6,786	153	12,908	646	13,555

Notes: 1. Internal transactions are included within reportable segments.

2. (1) Segment income adjustments totaling ¥384 million are composed mainly of internal transaction eliminations.

(2) Segment asset adjustments include internal transaction eliminations resulting in a ¥79,790 million deduction and a ¥118,660 million addition that reflects Company assets not allocated to reportable segments.

Company assets are composed mainly of financial assets (including cash and deposits, short-term investment securities and investment securities) and administration assets, both of which are not attributable to reportable segments.

(3) Depreciation and amortization adjustments are composed of those involving Company assets and internal transaction eliminations.

3. Segment income is adjusted based on operating income in consolidated income statements.

Consolidated Results for the Year Ended December 31, 2015 (January 1 to December 31, 2015)  
(Millions of yen)

	Reportable segments			Other	Total	Adjustment <sup>2</sup>	Consolidated total <sup>3</sup>
	Consumer Products Business	Industrial Products Business	Overseas Business				
Net sales							
Sales to external customers	247,978	30,805	93,903	5,972	378,659	-	378,659
Intersegment sales <sup>1</sup>	25,508	25,298	8,174	23,194	82,176	(82,176)	-
Total	273,486	56,104	102,077	29,166	460,835	(82,176)	378,659
Segment income	10,108	1,612	2,983	956	15,660	714	16,374
Segment assets	105,018	42,913	68,005	21,218	237,156	45,277	282,434
Other monetary items							
Depreciation and amortization	7,334	1,178	2,097	151	10,762	404	11,166
Investment in equity method affiliates	1,319	-	88	2,388	3,796	51	3,847
Increases in property, plant and equipment and intangible assets	5,037	1,337	1,194	128	8,497	303	8,801

Notes: 1. Internal transactions are included within reportable segments.

2. (1) Segment income adjustments totaling ¥714 million are composed mainly of internal transaction eliminations.  
(2) Segment asset adjustments include internal transaction eliminations resulting in a ¥75,249 million deduction and a ¥120,527 million addition that reflects Company assets not allocated to reportable segments.  
Company assets are composed mainly of financial assets (including cash and deposits, short-term investment securities and investment securities) and administration assets, both of which are not attributable to reportable segments.  
(3) Depreciation and amortization adjustments are composed of those involving Company assets and internal transaction eliminations.
3. Segment income is adjusted based on operating income in consolidated income statements.

#### (4) Per Share Information

	FY2014 (January 1 to December 31, 2014)	FY2015 (January 1 to December 31, 2015)
Net assets per share	449.94 Yen	469.05 Yen
EPS	27.47 Yen	39.35 Yen
Diluted EPS	26.16 Yen	36.84 Yen

As described under Changes in Accounting Policies, the Company has applied the Accounting Standard for Retirement Benefits, subject to the transitional treatment stipulated by Article 37 of said standard.

As a result, net assets per share as of December 31, 2015 decreased ¥16.32

##### 1) Basis for Calculations

Item	Fiscal Year Ended December 31, 2014	Fiscal Year Ended December 31, 2015
Total amount of net assets in Consolidated Financial Reporting Statements (Millions of yen)	127,434	142,730
Amount of net assets related to common stock (Millions of yen)	120,635	134,453
Principal breakdown of balances (Millions of yen)		
Subscription rights	910	403
Minority interest	5,888	7,873
Number of outstanding shares of common stock (Thousands of shares)	299,115	299,115
Numbers of shares of treasury stock as common stock (Thousands of shares)	31,001	12,469
Number of shares of common stock that are calculated based on the amount of net assets per share (Thousands of shares)	268,113	286,645

##### 2) Net income per share (EPS) and diluted net income per share (diluted EPS)

	FY2014 (January 1 to December 31, 2014)	FY2015 (January 1 to December 31, 2014)
EPS		
Net income (millions of Yen)	7,368	10,680
Amount not belong to common stockholders (millions of Yen)	—	—
Net Income concerning common stock (millions of Yen)	7,368	10,680
Average number of outstanding shares during the period (thousands of shares)	268,191	271,398
Diluted EPS		
Net income adjustment (millions of Yen)	(53)	(76)
Of which, Interest on bonds (thousands of shares)	(53)	(76)
Increase in number of common stocks (thousands of shares)	15,498	20,597
Of which, stock options (thousands of shares)	(576)	(619)
Of which, Bonds with subscription rights to shares (thousands of shares)	(14,921)	(19,977)
Summary of residual shares not included in diluted EPS due to lack of dilution effect.	—	—

**(5) Important Subsequent Events**

Consolidated Results for the Year Ended December 31, 2015 (January 1 to December 31, 2015)

None

## VI. Other information

### Personnel Changes

#### 1. Change of Representative

There is no change.

#### 2. Change of Other Personnel

##### (1) Appointment: Candidate for Director

Name	Position
Takeo Sakakibara	Executive Officer , Assistant to the President
Kazunari Uchida	University professor

(To be appointed at the Annual General Meeting of Shareholders on March 30, 2016)

##### (2) Retirement: Director

Name	Position at Lion
Sadayoshi Fujishige	Representative Director and Chairman of the Board
Takayasu Kasamatsu	Executive Director, Executive Officer
Yasuo Shimizu	Director, Executive Officer
Mitsuaki Shimaguchi	External Director

(To retire as of the Company's Annual General Meeting of Shareholders on March 30, 2016)

The following management team is scheduled to assume office upon approval at the Company's March 30, 2016 Annual General Meeting of Shareholders and will attend the immediately following Board of Directors meeting.

##### (1) Director

Name	Position
Itsuo Hama	Representative Director and President Executive Officer, Chairman of the Board and Chief Executive Officer
Yuji Watari	Representative Director Senior Executive Director, Executive Officer
Masazumi Kikukawa	Executive Director, Executive Officer
Kenjiro Kobayashi	Director, Executive Officer
Toshio Kakui	Director, Executive Officer
Takeo Sakakibara	Director, Executive Officer
Hideo Yamada	External Director Attorney at Law
Kazunari Uchida	External Director University professor

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

(2) Corporate Auditor

Name	Position
Yasutaro Nakagawa	Standing Corporate Auditor
Junko Nishiyama	Standing Corporate Auditor
Noboru Kojima	External Corporate Auditor Certified Public Accountant, Certified Tax Accountant
Hideo Higashi	External Corporate Auditor 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.

(3) Substitute Corporate Auditor

Name	Position
Takao Yamaguchi	Substitute Corporate Auditor (Certified Public Accountant, Certified Tax Accountant)

(4) Executive Officer (Excluding interlocking directors)

Name
Shu Kawazoe
Kohei Miyauchi
Tomomichi Okano
Hiroyuki Chiba
Ryuji Nakazawa
Yutaka Shinohara
Yugo Kume
Fumitomo Noritake
Masaharu Mikuni
Hitoshi Suzuki