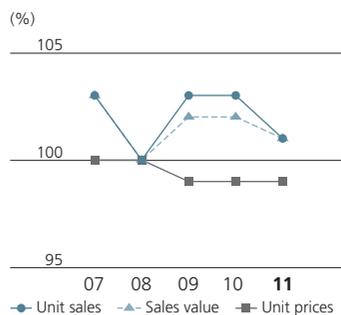


Management's Discussion and Analysis

Lion Corporation and Consolidated Subsidiaries

MARKET ENVIRONMENT

Trends in Home Products Market (YOY)*



* INTAGE Inc., SRI Survey
42 markets in which Lion operates

2012 GDP Growth Forecasts for Countries in which Lion Has Operations

	Growth rate (vs. 2011) (%)
Thailand	3.0%
Singapore	4.4
Malaysia	3.8
Indonesia	5.5
Philippines*	3.7
South Korea	3.3
China	8.4
Hong Kong	3.3
Taiwan	3.4

Source: Mitsubishi Research Institute forecast
(As of December 2011)

* Lion will enter the Philippine market in 2012.

During fiscal 2011, as consumer prices continued to decline gradually, trends toward recovery emerged in personal consumption and production activities. However, uncertainties remained because of the effects of the Great East Japan Earthquake and declines in corporate profitability resulting from the appreciation of the yen and slowdowns in overseas economies.

The Lion Group, which focuses on businesses related to the toiletries industry in Japan, faced a severe operating environment because of intense in-store competition and the effects of increases in raw materials prices.

In the markets for daily necessities in Japan (the 42 markets in which Lion is a participant), unit prices have been level or shown slight declines in recent years. Nevertheless, sales volume in unit terms has risen because of the increase in the number of households and rising sales of products in refill containers accompanying the increase in the ratio of liquid detergents sold in the market for laundry detergents. As a result, in value terms, the market has expanded between 1% and 2% annually.

Although the unit prices in the market for daily necessities as a whole have been level or declined slightly, there are certain markets where unit prices have increased because of the launching of higher-value-added products. In the toothpaste market, the percentage of medium- to high-priced items selling for ¥500 or more is rising. These items accounted for 25% of the toothpaste market in 2007 but had risen to 34% in 2011, and the unit price in fiscal 2011 increased 3% over the prior year.* In addition, the unit price in the hand soap market, where the trend is toward foaming types, rose 4%* over the previous year. Similarly, the unit price of toilet cleaner products, where Lion launched a new product that offers greater effectiveness and ease of use, increased 5%.* In addition, in the laundry detergent market, the percentage of super-concentrated liquid detergents, fabric softeners with long-lasting fragrances, and other high-value-added products is increasing.

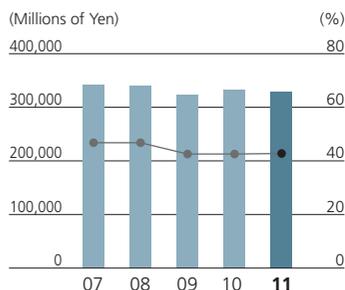
Prices in Japan's daily necessities market in 2011 rose temporarily following the Great East Japan Earthquake in March, but there was a decrease in the volume of sales. However, for the full year, unit prices showed a slight decline and unit volume rose, leading to a continuation of the trend that had prevailed through 2010 of slight increases in the amount of sales.

Overseas, in Thailand, which accounts for a high percentage of Lion's sales in its overseas business, economic growth slackened because of the effects of the flooding in that country, but relatively favorable market conditions prevailed in the market for daily necessities, especially for personal hygiene items. On the other hand, in South Korea, market conditions were about the same as in the previous year.

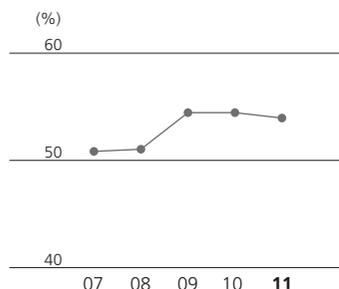
* INTAGE Inc., SRI Survey

NET SALES AND OPERATING INCOME

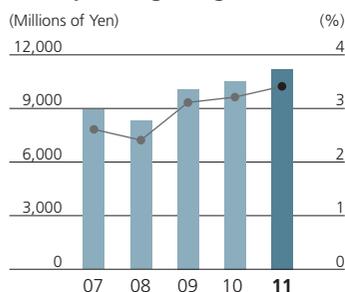
Net Sales and Cost of Sales Ratio



SG&A Expenses to Net Sales



Operating Income and Operating Margin



Amid these business conditions, the Lion Group implemented activities aimed at increasing its corporate value and strengthening its foundations for growth.

In Japan and overseas, Lion focused on increasing the value of its mainstay brands. In the domestic market, Lion launched new products in its mainstay fields of toothbrushes, antiperspirants and deodorants, fabric softeners, and other product areas. In addition, new products were launched in the household cleaner business that are aimed at proposing new lifestyles. Overseas, Lion worked to expand sales, principally in the oral care and laundry detergent fields, by implementing a product cultivation strategy combining the promotion of brands common to various countries and original brands designed to meet the needs of individual local markets. Moreover, in China, where economic growth is continuing, Lion established a new company to expand its production capacity there and made the decision to newly enter the Philippine market. In addition, Lion implemented measures to increase its profitability by continuing Groupwide activities aimed at total cost control, including reductions in manufacturing costs.

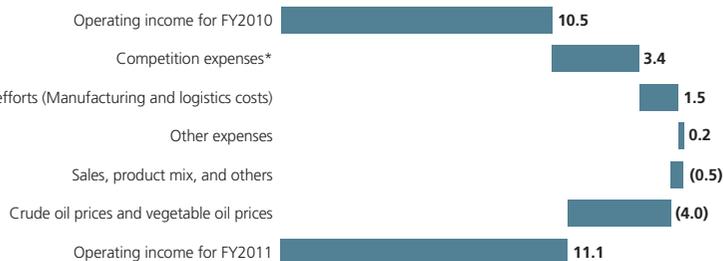
As a result, Lion reported consolidated net sales of ¥327,500 million (a decrease of 1.1% year on year) and operating income of ¥11,169 million (an increase of 6.4% over the previous fiscal year). The rise in operating income resulted from expansion in sales of high-value-added products, more-efficient use of expenditures to streamline the cost of competing, and other measures, which more than offset the rise in raw materials prices.

SG&A Expenses Breakdown

	2011		2010		2009	
	Amount (Millions of yen)	% of net sales	Amount (Millions of yen)	% of net sales	Amount (Millions of yen)	% of net sales
Selling, general and administrative expenses	¥176,684	53.9%	¥180,200	54.4%	¥175,290	54.4%
Sales incentive expenses	16,706	5.1	16,821	5.1	16,658	5.2
Sales promotion expenses	69,160	21.1	72,885	22.0	71,148	22.1
Freight and storage expenses	15,058	4.6	14,981	4.5	15,168	4.7
Advertising expenses	22,128	6.8	21,702	6.6	18,838	5.9
Salaries and allowances	12,915	3.9	13,062	3.9	13,236	4.1
R&D expenses	8,913	2.7	8,910	2.7	9,057	2.8
Other	31,804	9.7	31,839	9.6	31,185	9.7

Factors Impacting Operating Income in Fiscal 2011

(Billions of Yen)



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

OPERATING REVIEW BY SEGMENT

Lion's business segments are classified by product and service, based on operating divisions and subsidiaries, and by geographical area. Reporting segments are Consumer Products, Industrial Products, Overseas, and Other.

Reporting segments are as follows:

Consumer Products Business

Lion manufactures and sells daily necessities, over-the-counter (OTC) pharmaceuticals, functional food products, and other products mainly in Japan. Principal products include toothpaste, toothbrushes, hand soaps, antipyretic analgesics (for fever and pain relief), eyedrops, tonics and nutrients, insecticides, laundry detergents, bleaches, fabric softeners, dishwashing detergents, household cleaners, gift items, functional food products, etc., and pet supplies.

Industrial Products Business

Lion manufactures and sells chemical intermediate materials in Japan and overseas, products for institutional use, such as industrial cleaners, and other items. Principal products include activators derived from oil and fats, electro-conductive carbon, industrial cleaners, detergents for institutional use, and other items.

Overseas Business

Lion's overseas subsidiaries and affiliates are primarily engaged in manufacturing and selling daily necessities.

Other Businesses

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

Consumer Products Business

	Millions of Yen					
	FY2011	% of segment sales	FY2010	% of segment sales	Change Amount	Change %
Net sales	¥262,381		¥264,172		¥(1,791)	(0.7)%
Operating income	8,760	3.3%	8,019	3.0%	740	9.2

This segment includes Oral Care Products, Beauty Care Products, Pharmaceutical Products, Fabric Care Products, Living Care Products, and Other Products. Overall sales of this segment in 2011 decreased 0.7% from the previous year. Segment income was adversely affected by increases in raw materials prices, but these were offset by the cultivation of high-value-added products and the increased efficiency of expenditures for sales promotion activities, and, thus, operating income rose 9.2% year on year.

Net Sales by Business

	Millions of Yen			
	FY2011	FY2010	Change Amount	Change %
Oral Care business	¥50,836	¥49,081	¥1,755	3.6%
Beauty Care business	22,804	22,467	337	1.5
Pharmaceutical business	38,444	40,004	(1,560)	(3.9)
Fabric Care business	79,579	83,479	(3,899)	(4.7)
Living Care business	23,198	23,287	(89)	(0.4)
Other business	47,518	45,852	1,665	3.6

Lion's Major Toiletry Products Fields and 2011 Market Positions in Japan

	Billions of Yen Market Size in Japan	Lion's Market Position
Toothpastes	¥ 75	1
Toothbrushes	44	1
Liquid hand soaps	18	1
Laundry detergents	128	3
Fabric softeners	69	3
Dishwashing detergents	45	3

Source: 2010 INTAGE Inc., SRI Survey

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

Oral Care Products

Toothpaste products were adversely affected by the earthquake, but sales of new-and-improved *Dentor Systema EX* were steady, and sales of mild-flavored *Hitect* toothpaste were favorable. As a result, toothpaste sales performance was approximately the same as in the previous year.

Sales of toothbrushes exceeded those of the previous year as Lion launched a new product, *Shikkari Kegoshi Type*, in the *Dentor Systema* line and newly added *INAZUMA ELEVEN GO*, featuring characters popular with primary school students, to the *Lion Kodomo Toothbrush* lineup.

Beauty Care Products

Sales of shampoos and conditioners were below the level of the previous year as performance of *Soft in 1 Shampoo*, containing a conditioner, was weak.

Sales of hand soap showed a marked increase over the previous year as performance of *KireiKirei Medicated Foaming Hand Soap* was favorable.

Antiperspirants and deodorants showed a major increase in sales over the prior year, and consumers responded favorably to the launching of new nano-ion based products in the *Ban* series, which are highly effective in controlling perspiration odor.

Pharmaceutical Products

Sales of *BUFFERIN A*, Lion's mainstay antipyretic analgesic preparation, held firm, and overall sales rose over the previous year.

In combination cold medicines, because of the shrinkage in the market and increased competition, overall sales of *BUFFERIN "Kaze (Cold)" EX* declined from the prior year.

Sales of eyedrops overall rose markedly above the previous year because of the strong performance of the mainstay *Smile 40EX* series along with the addition of “cool type” eyedrop products to the *Smile* series.

Lion launched an improved version of *Varsan* insecticides, *Varsan Machibuse Spray*, but because of increased competition in this product field, overall sales were below the prior year.

Fabric Care Products

Among laundry detergents, the market for liquid detergents is continuing to expand. Lion launched a new-and-improved *TOP NANOX*, which dissolves sebum, which are the cause of yellowing and odors on clothing, down to the nano-level. This improved product and *TOP Clear Liquid* reported favorable performances, but, because of the effects of the earthquake, overall sales decreased from the previous year.

Sales of bleaches were below the level of the previous year. Although performance of *Sterilizing & Antibacterial Bright W* was favorable, sales of *Temanashi Bright* were relatively weak, thus reducing overall sales.

Among fabric softeners, Lion newly added *Julliette*, with a sweet floral aroma, to the *Kaori to Deodorant no SOFLAN* (SOFLAN with Fragrance and Deodorant) *Aroma Rich* series, and this series has been well received by consumers. As a result, overall sales exceeded those of the previous year.

Living Care Products

The improved versions of the *CHARMY Crysta* series of automatic dishwasher detergents were favorably received by consumers, but sales of the *CHARMY Awa no Chikara* (Power of Suds) series weakened, resulting in an overall sales performance at about the same level as in the previous year.

Among household cleaners, sales of *Ofuro no LOOK* (bath cleaner) held firm, and the new product *LOOK Mame-Pika Toilet Cleaner*, which makes it easy to use for a “quick wipe” with toilet paper, was well received by consumers. As a result, overall sales in the household cleaner category showed significant expansion over the previous year.

Other Products

Sales of functional food product *Nice rim essence Lactoferrin* continued to be favorable, and Lion products for middle-aged and older consumers who are concerned about their sugar intake have been well received. As a result, overall sales of functional food products rose significantly over the previous year. Also, among pet supplies, sales of *Nioi wo Toru Suna* cat litter were favorable, and overall sales in this category expanded substantially over the previous year.

Industrial Products Operations

	Millions of Yen					
	FY2011	% of segment sales	FY2010	% of segment sales	Change	
					Amount	%
Net sales	¥52,410		¥50,392		¥2,017	4.0%
Operating income	429	0.8%	700	1.4%	(270)	(38.7)

Lion's Major Household Product Fields and 2011 Market Positions in Japan

Products of this segment include surfactant agents for detergents, electro-conductive carbon, and industrial cleaners and other products. Overall sales in this segment rose 4.0% year on year. As a consequence of increases in raw materials prices and other factors, operating income decreased 38.7% from the previous year.

In the activators derived from oil and fats business, sales of these products for use in raw materials for detergents and food additive purposes in Japan were favorable, but sales of detergents to overseas customers were adversely affected by the appreciation of the yen. As a result, overall sales were level with the previous year.

Sales in the electro-conductive carbon business were below the previous year because of the impact of the earthquake and the flooding in Thailand, which had an adverse effect on the automobile and electronic components industries, which are the main customers for products of this business.

In the detergents for institutional-use business, sales of hand soap held firm, and sales of new-and-improved alcohol hand sanitizers were also strong. As a result, sales in the business rose year on year.

Overseas Business

	Millions of Yen					
	FY2011	% of segment sales	FY2010	% of segment sales	Change	
					Amount	%
Net sales	¥53,757		¥52,975		¥781	1.5%
Operating income	790	1.5%	616	1.2%	173	28.2

Lion conducts its overseas business primarily in Thailand, South Korea, and China. Sales in this segment rose 1.5% year on year; however, excluding the effects of changes in foreign currency exchange rates, sales in real terms rose 6.8%. Operating income climbed 28.2% despite the adverse impact of increases in raw materials prices, because of cost reductions and the more-efficient use of expenditures for sales promotion activities.

Other Businesses

	Millions of Yen					
	FY2011	% of segment sales	FY2010	% of segment sales	Change	
					Amount	%
Net sales	¥26,384		¥28,388		¥(2,004)	(7.1)%
Operating income	771	2.9%	955	3.4%	(184)	(19.3)

Among other business activities, orders received in the construction contractor business decreased, and total sales of Other Businesses amounted to ¥26,384 million (a decrease of 7.1% year on year). Operating income of this segment was ¥771 million (a decline of 19.3% year on year).

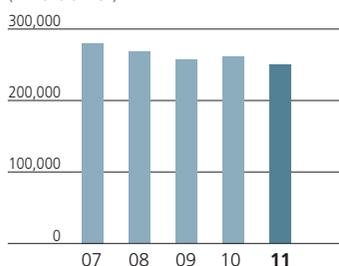
NET INCOME

During the fiscal year under review, despite the effects of increases in the prices of crude oil and vegetable oils, consolidated operating income expanded 6.4% due to a number of factors. These included the more-efficient use of expenditures for sales promotion activities, overall cost reductions, as well as strengthening activities for new products and high-value-added products. Consolidated net income decreased to ¥4,077 million (a decrease of 32.5%), as the Company reported extraordinary losses of ¥2,971 million in connection with the earthquake disaster. Return on equity (ROE) declined two percentage points, to 4.0%, because of the decrease in net income. Net income per share decreased to ¥15.18, compared with ¥22.41 in the prior year.

FINANCIAL POSITION

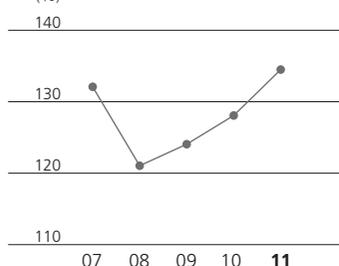
Total Assets

(Millions of Yen)



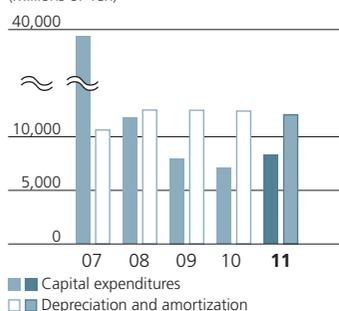
Current Ratio

(%)



Capital Expenditures and Depreciation and Amortization

(Millions of Yen)



Consolidated Financial Status

	FY2011	FY2010	Change
Total assets (millions of yen)	¥249,272	¥260,939	¥(11,666)
Total net assets (millions of yen)	105,252	105,760	(507)
Shareholders' equity to total assets*1 (%)	40.9%	39.3%	1.6 points
Net assets per share*2 (yen)	380.11	382.18	(2.06)

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

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

Total consolidated assets at the end of the fiscal year amounted to ¥249,272 million, ¥11,666 million lower than at the end of the previous fiscal year.

Total consolidated liabilities at the end of the fiscal year were ¥144,020 million, ¥11,159 million lower than at the end of the previous fiscal year. This was due to declines in long-term loans payable, short-term loans payable, notes and accounts payable—trade, and other factors. Current liabilities amounted to ¥94,603 million, ¥8,093 million lower than at the end of the previous fiscal year, and the current ratio at year-end was 134.5%.

Total consolidated shareholders' equity rose ¥1,346 million, to ¥106,035 million, because of an increase in retained earnings. Net assets decreased ¥507 million, to ¥105,252 million, and the ratio of shareholders' equity to total assets at fiscal year-end was 40.9%.

CASH FLOWS

Consolidated Cash Flows

	Millions of Yen		
	FY2011	FY2010	Change
Net cash provided by (used in) operating activities	¥11,134	¥25,518	¥(14,384)
Net cash provided by (used in) investing activities	(8,051)	(5,310)	(2,741)
Net cash provided by (used in) financing activities	(11,897)	(8,293)	(3,603)
Effect of exchange rate changes on cash and cash equivalents	(127)	(146)	19
Net increase (decrease) in cash and cash equivalents	(8,942)	11,769	(20,711)
Cash and cash equivalents at end of the period	35,640	44,582	(8,942)

Net cash provided by operating activities totaled ¥11,134 million. Although notes and accounts receivable—trade and inventories increased, they were offset by income before income taxes, depreciation and amortization, and other factors.

Net cash used in investing activities totaled ¥8,051 million, as a result of purchase of property, plant and equipment, purchase of intangible assets, and other factors.

Net cash used in financing activities totaled ¥11,897 million, as a result of cash dividends paid, repayment of long-term loans payable, and other factors.

As a result, cash and cash equivalents at the end of fiscal 2011 totaled ¥35,640 million, ¥8,942 million lower than at the end of the previous fiscal year.

OUTLOOK FOR FISCAL 2012

	Millions of Yen			
	FY2012	FY2011	Change	
			Amount	%
Net sales	¥335,000	¥327,500	¥7,499	2.3%
Operating income	12,000	11,169	830	7.4
Net income	7,000	4,077	2,922	71.7

The outlook for the Japanese economy in 2012 is for improvement in conditions along with the full-scale emergence of demand related to recovery following the 2011 earthquake. On the other hand, our understanding is that uncertainty about future conditions will continue as the yen remains at historically high levels and concerns about a global recession continue.

In the domestic toiletries and OTC pharmaceutical industries where Lion conducts its main business activities, severe operating conditions are forecast to continue as consumption will be stagnant and in-store competition will become more intense.

Amid this operating environment, the Lion Group will steadily implement its “Vision 2020 Part 1 (V-1 Plan)” to increase its corporate value.

In the Consumer Products Business, Lion has realigned and integrated its health care and household businesses under a new organization and will launch new products in its mainstay brand lines in the toothpaste, antiperspirant and deodorants, and laundry detergent fields. In parallel with this, by focusing its sales and advertising activities, Lion will work to substantially strengthen the nurturing of its brands. In addition, in the direct-to-consumer sales channel, where growth will continue, Lion will strengthen its product development capabilities and aim to further expand its business activities. Through these initiatives, the outlook is for overall sales of this segment to increase over the previous year.

In the Industrial Products Business, Lion will work to prioritize and strengthen its activities related to high-function products in the electro-conductive carbon and activators derived from oil and fats fields. It will also strive to expand these activities by developing highly differentiated products in the industrial cleaner and detergents for institutional-use fields and strengthening its distribution network for these products. Through these initiatives, the outlook is for overall sales of this segment to increase over the previous year.

In its Overseas Business, Lion will strengthen its marketing activities, focusing especially on oral care and laundry detergent products and work to expand its business activities. In parallel with these activities, Lion will aim to begin operations in the Philippines as quickly as possible. Through these initiatives, the outlook is for overall sales of this segment to increase over the previous year.

The outlook for cash flows in 2012 is as follows. Among operating cash flows, income before income taxes is forecast to be about ¥11.0 billion, and depreciation and amortization will amount to approximately ¥12.0 billion. Cash used in investing activities will amount to about ¥12.0 billion, with a major portion being used for purchases of property, plant and equipment. Net cash used in financing activities is forecast to amount to approximately ¥6.0 billion, with a major portion being used for the payment of cash dividends and the repayment of loans payable.

As a result, cash and cash equivalents at the end of fiscal 2012 are forecast to be approximately ¥5.0 billion higher than at the end of fiscal 2011.

As a result of the previously mentioned factors, in fiscal 2012, Lion is forecasting consolidated net sales of ¥335,000 million (an increase of 2.3%), and operating income will be ¥12,000 million (an increase of 7.4%). Ordinary income is forecast to be ¥13,000 million (an increase of 6.7%), and the outlook is for net income of ¥7,000 million (an increase of 71.7%).

Note: These forecasts assume the following foreign currency exchange rates: ¥78 = US\$1, ¥2.5 = 1 Thai baht.
* Forecasts for 2012 are as of February 10, 2012.

BASIC POLICY ON THE DISTRIBUTION OF EARNINGS AND CASH DIVIDENDS

Lion considers the return of profits to shareholders, on a continuing and stable basis, as its consolidated earnings capacity rises, to be its most-important management issue. As it continues to pay stable dividends, Lion will give comprehensive consideration to purchases of its own shares from the market and to the accumulation of retained earnings to finance medium- to long-term growth. Retained earnings will also be allocated to research and development as well as to investment in production facilities and the acquisition of external resources to strengthen corporate earnings capacity and prepare the business base for sustained growth.

After 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 (paid on September 6, 2011) and a year-end dividend of ¥6 per share, including a dividend of ¥1 per share to commemorate the 120th anniversary of the Company's founding (paid on March 5, 2012).

For dividends in fiscal 2012, under its basic dividend policy, Lion plans to pay interim and year-end dividends of ¥5 per share each, thus bringing the total dividends for the full year to ¥10 per share.

BUSINESS RISK INFORMATION

The Lion Group's management performance and financial position may be adversely affected by various risks as 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 judgments made by the Lion Group as of February 10, 2012. Business risks are not limited to the items listed below.

1. Perceptions of product quality and value

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

2. Changes in raw materials prices

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

3. Exchange rate fluctuations

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

4. Major lawsuits

In fiscal 2011, Lion was not involved in any lawsuits that might have a significant impact on its business. However, if the Lion Group is found to be liable to pay significant damages in a future lawsuit, this may adversely affect the Lion Group's management performance and financial status.

5. Earthquakes and other natural disasters

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

Detailed financial information on Lion Corporation can be accessed at

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

<http://www.lion.co.jp/en/invest/html/inv0301f.htm>