

Summary of Financial Statements for the Year Ended December 31, 2008

February 6, 2009

Company name: Lion Corporation

Listed stock exchanges: Tokyo Stock Exchange

Code: 4912

URL: <http://www.lion.co.jp>

Representative: Sadayoshi Fujishige, Representative Director and President

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Annual meeting of shareholders: March 27, 2009

Start date for payment of year end dividend: March 4, 2009

Filing of financial report: March 31, 2009

1. Consolidated Results for the Year Ended December 31, 2008 (January 1, 2008 – December 31, 2008)

a) Consolidated Results

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2008	338,236	(1.0)	8,277	(7.1)	7,603	(24.8)	3,040	(43.9)
Fiscal 2007	341,717	3.4	8,905	—	10,104	316.3	5,423	(2.1)

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

	EPS	Diluted EPS	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Fiscal 2008	11.23	11.22	3.0	2.8	2.4
Fiscal 2007	20.06	20.02	5.3	3.8	2.6

Note: Equity in earnings of non-consolidated subsidiaries and affiliates: ¥193 million in FY 2008 and ¥1,045 million in FY 2007.

b) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2008	267,438	100,574	36.6	362.02
December 31, 2007	279,147	107,540	37.1	382.80

Note: Shareholders' equity: ¥97,847 million in FY2008 and ¥103,570 million in FY 2007.

c) 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 2008	15,183	(11,798)	(2,689)	33,098
Fiscal 2007	16,030	(39,500)	29,844	33,219

2. Dividend

Record Date	Cash dividend per share / Yen			Total dividend paid (annual)	Payout ratio (consolidated)	Dividend/ Net assets (consolidated)
	Interim	Year-end	Annual			
	Yen	Yen	Yen	Millions of yen	%	%
Fiscal 2007	5.00	5.00	10.00	2,704	49.9	2.6
Fiscal 2008	5.00	5.00	10.00	2,705	89.0	2.7
Fiscal 2009 plan	5.00	5.00	10.00		54.1	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2009
(January 1, 2009 – December 31, 2009)

	Net sales		Operating income		Ordinary income		Net income		EPS
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim 2009	160,000	(1.0)	1,400	(44.6)	1,500	(49.3)	1,300	(15.4)	4.81
Fiscal 2009	340,000	0.5	9,000	8.7	9,000	18.4	5,000	64.5	18.50

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

4. Others

a) Significant Change in Scope of Consolidation during Period: No

b) Change in Accounting Principals, Procedures, Presentation Methods, etc., concerning Preparation of Consolidated Financial Statements (To be stated as Changes in Significant Matters in the Presentation of Consolidated Financial Statements):

1. Changes accompany with reversion in accounting standards: No

2. Other changes: No

c) Number of Outstanding Shares (Common Stocks)

1. Number of outstanding shares on balance sheet date (including treasury stocks): 299,115,346 for FY 2008; and 299,115,346 for FY 2007.

2. Number of treasury stocks on balance sheet date: 28,835,005 for FY 2008; and 28,556,290 for FY 2007.

Note: Please see "Per-Share Information" on page 57 regarding the number of shares used in calculating interim and full-term consolidated net income per share.

Reference: Summary of Non-consolidated Financial Statements

**1. Non-consolidated Results for the Year Ended December 31, 2008
(January 1, 2008 – December 31, 2008)**

a) Non-consolidated Results

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY 2008	266,478	(0.2)	5,006	(1.0)	6,590	(35.2)	2,908	(42.8)
FY 2007	267,135	3.8	5,058	—	10,171	523.8	5,087	(13.3)

	EPS	Diluted EPS
	Yen	Yen
Fiscal 2008	10.75	10.73
Fiscal 2007	18.81	18.77

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

b) Non-consolidated Financial Position

	Total assets	Net Assets	Shareholders' equity to total assets	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2008	241,061	88,536	36.7	327.17
December 31, 2007	244,366	90,874	37.2	335.60

Note: Shareholders' equity: ¥88,427 million in FY 2008, and ¥90,799 million in FY 2007.
change over the year-ago period.

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.
Refer to pages 5 through 14 regarding the above forecast.

I. Management Performance

1. Fiscal 2008 in Review

(1) Overview of Results of Operations

Impacted by deteriorating global economic conditions in the wake of the financial crisis that began in the United States, the seriousness of the recession that has affected the Japanese economy since the second half of the 2008 fiscal year has deepened. These severe operating conditions have led to a substantial falling in corporate profits, corresponding with lackluster personal consumption.

In the domestic toiletries industry, a primary business domain that the Lion Group plans to develop, the Group was faced with a harsh operating environment amid increasing raw material prices and ongoing fierce competition at the point-of-sale.

Against the backdrop of these operating conditions, the Lion Group continued to implement its medium-term management plan, Value Innovation Plan Part II 09 (VIP II 09), with the aim of securing increased corporate value. Based on the VIP II 09 plan, the Group has redoubled efforts to bolster its earnings base and become a leading company in environmental responsiveness. In order to bolster the Group's earnings base, new products among key brands were released to and cultivated in growth markets in conjunction with introducing new products that provide new value to customers. In preparation for distribution changes brought about after the Revised Pharmaceutical Law goes into effect in June 2009, Lion made changes to its operation structure that enables it to make its own proposals at sales venues, taking advantage of product lineups that encompass everything from prevention to treatment. Furthermore, cost-reduction measures have been implemented that include reductions in inventory based on decreased manufacturing costs and contractions in the production management cycle. With the construction of a factory for producing the plant-based surfactant, MES methyl ester sulfonate, in Malaysia, Lion has moved forward with preparations to begin operations in the next fiscal year. As part of expanded activities to become a leading company in environmental responsiveness, the Group moved forward with such ECO Lion activities as reducing greenhouse gas emissions and producing environmentally friendly products, based on the Three-Year-Medium-Term Environmental Plan, which concludes in 2009.

Despite Lion's focusing its management efforts in the aforementioned manner, consolidated results for the period under review were as follows. Impacted by rapid exchange rate fluctuations on overseas businesses, net sales totaled ¥338,236 million, a decrease of 1.0% year-on-year. Due to such factors as increases in raw material prices that exceeded the total amount of cost reductions, operating income fell 7.1% year-on-year to ¥8,277 million. Ordinary income dropped 24.8% compared with the corresponding period of the previous fiscal year to ¥7,603 million as a result of such factors as reductions in equity in earnings of non-consolidated subsidiaries and affiliates, while net income fell 43.9% to ¥3,040 million, due to recording a devaluation loss on investment securities.

<Consolidated>

(Millions of yen)

Net sales	FY 2008	FY 2007	Increase/ decrease	Change
Health Care Products	136,384	135,461	922	0.7%
Household Products	163,541	168,448	(4,907)	(2.9%)
Chemical Products	31,474	32,445	(971)	(3.0%)
Others	6,836	5,360	1,475	27.5%
Total	338,236	341,717	(3,480)	(1.0%)

	FY 2008	Ratio to net sales	FY 2007	Ratio to net sales	Increase/ decrease	Change
Operating income	8,277	2.4%	8,905	2.6%	(628)	(7.1%)
Ordinary income	7,603	2.2%	10,104	2.9%	(2,501)	(24.8%)
Net income	3,040	0.9%	5,423	1.6%	(2,383)	(43.9%)

<Non-consolidated>

(Millions of yen)

	FY 2008	Ratio to net sales	FY 2007	Ratio to net sales	Increase/ decrease	Change
Net sales	266,478		267,135		(657)	(0.2%)
Operating income	5,006	1.9%	5,058	1.9%	(51)	(1.0%)
Ordinary income	6,590	2.5%	10,171	3.8%	(3,581)	(35.2%)
Net income	2,908	1.1%	5,087	1.9%	(2,178)	(42.8%)

<Consolidated Geographical Segment>

(Millions of yen)

Net sales	FY 2008	FY 2007	Increase/ decrease	Change
Japan	290,241	286,759	3,482	1.2%
Asia	47,995	54,957	(6,962)	(12.7%)
Consolidated total	338,236	341,717	(3,480)	(1.0%)

Operating income	FY 2008	FY 2007	Increase/ decrease	Change
Japan	7,689	7,371	318	4.3%
Asia	602	1,153	(550)	(47.8%)
Corporate and eliminations	(14)	380	(395)	—
Consolidated total	8,277	8,905	(628)	(7.1%)

(2) Segment Information

<Health Care Products>

(Millions of yen)

	FY 2008	Ratio to net sales	FY 2007	Ratio to net sales	Increase/decrease	Change
Net sales	136,384		135,461		922	0.7%
Operating income	7,928	5.8%	5,414	4.0%	2,514	46.4%

Net sales in this business during the fiscal year under review totaled ¥136,384 million, an increase of 0.7% compared with the same period of the previous fiscal year. Lion recorded an operating income of ¥7,928 million in this segment, an increase of 46.4% year on year mainly due to manufacturing cost reduction.

<Net Sales of Principal divisions>

(Millions of yen)

	FY 2008	FY 2007	Increase/decrease	Change
Oral Care Products Division	54,942	54,087	855	1.6%
Beauty Care Products Division	35,484	35,000	483	1.4%
Pharmaceutical Products Division	45,956	46,373	(417)	(0.9%)

Oral Care Products Division

In the Oral Care Products Division, Lion introduced new and improved toothpaste, tooth brushes, mouthwash and other products to its mainstay Dentor Systema series, cultivating a brand worth of ¥10 billion. In the expanding high-value-added toothpaste segment, Lion also took steps to bolster and prioritize the cultivation of the Dent-health lineup of products, which was developed to fight periodontal disease.

In toothpastes, ongoing robust sales for Dentor Clear MAX and Dentor Systema EX, in conjunction with the market release of Dent Health Medicated Toothpaste Stinging Block, which prevents stinging pain at the tooth root and pyorrhea, have facilitated a steady rise in overall sales.

In toothbrushes, despite the fact that sales of Lion's core Between brand and newly released Dentor Systema—an improved product that features super-tapered bristles—remained steady, falling sales of the travel toothbrush set, L-PACK, caused overall sales to stay flat compared with the corresponding period of the previous fiscal year.

In mouthwash, following the market release of Dentor Systema EX Dental Rinse—featuring an antibacterial agent that penetrates the community of periodontal disease and bad-breath-causing bacteria hidden in the periodontal pocket to kill bacteria—year-on-year sales increased considerably.

In addition, with the release of MEDISH Chewing Gum, a brand that supports oral-care, Lion made efforts to expand the scope of this business category.

Overall sales in dental products steadily increased due to such factors as the new market release of the whitening toothpaste, Brilliant More.

Overseas, sales of Systema brand toothbrushes and mouthwash in Thailand remained strong. However,

although overall sales continued to be firm in the local currency, earnings declined year-on-year due to the impact of exchange rate fluctuations on yen conversions.

As a result, sales of Oral Care Products Division increased 1.6% to ¥54,942 million.

Beauty Care Products Division

In the Beauty Care Products Division, Lion has continued to reinforce core brands and create new markets to bolster profitability. In order to strengthen the mainstay Kireikirei product line as a brand that contributes to clean habits, the latest product additions are being introduced in new categories, and brand presence is being consolidated at the point-of-sale. In addition, progress has been made in developing new markets through the introduction and cultivation of the new skincare product brand, BATHTOLOGY, and the nurturing of Nicelim Essence Lactoferrin in the functional food product category.

In shampoo and conditioners, the enhancement of the PRO TEC brand series for men in conjunction with the release of the OCT serapie brand of medicated shampoos and conditioners, which prevent dandruff and itching, overall sales rose slightly compared with the previous fiscal year.

In hand soap, amid robust sales of Kireikirei Medicated Foaming Hand Soap, the new market release of Kireikirei Medicated Foaming Hand Sanitizer—a product that easily spreads on hands without water—contributed to a substantial increase in overall sales over the previous fiscal year.

Body washes enjoyed a year-on-year rise in sales owing to the release of Lion's new product, BATHTOLOGY Foam Body Care Wash, which prevents post-bath dryness through its creamy foam.

In antiperspirants and deodorants, despite the release of Lion's new portable-sized Ban Deodorant Mist to the market, overall sales in this category remained sluggish due to the impact of a contracting market for Ban Deodorant Powder Spray.

The functional food product category experienced an increase in sales due to the cultivation of mail-order-sales-based product, Nicelim Essence Lactoferrin, a supplement that effectively delivers milk-derived lactoferrin to the intestines.

Overseas, sales of Shokubutsu-Monogatari Shower Cream in Thailand and Kireikirei Hand Soap in South Korea were robust. However, although overall sales continued to be firm in the local currency, earnings declined year-on-year as a result of the impact of exchange rate fluctuations on yen conversions.

As a result, sales of Beauty Care Products Division increased 1.4% to ¥35,484 million.

Pharmaceutical Products Division

In the Pharmaceutical Products Division, Lion continued to cultivate such flagship brands as Bufferin and Smile. In tandem with the release to mail-order sales of Tomato Su Seikatsu—a tomato vinegar-based food for specified health uses for people suffering from high blood pressure—the new release of Pair A, an oral medicine which treats or alleviates adult acne and rough skin, contributed to Lion's efforts to tap into new markets.

In analgesics, despite vigorous efforts to promote sales of Lion's flagship brand, Bufferin A, overall sales

declined compared with the previous fiscal year due to intensifying competition.

In eye drops, amid firm sales of the Smile 40EX series, the new product, Smile Contact Drytect—which exerts superior effects in soothing dry eyes while wearing contact lenses—was released to the market. Consequently, overall sales rose significantly compared with the corresponding period of the previous fiscal year.

As for analgesic and anti-inflammatory poultices, the core Halix 55EX series of products enjoyed robust sales, leading to a substantial year-on-year boost in overall sales.

In tonics and nutrients, Lion's efforts to further showcase the health tonic drink brands Guronsan and New Guromont at the point-of-sale led to a significant jump overall sales over the previous fiscal year.

Sales of insecticides declined compared with the previous fiscal year stemming from the impact of the shrinking market for fumigation-type products.

As a result, sales of Pharmaceutical Products Division decreased 0.9% to ¥45,956 million.

Principal new products

Dentor Systema Extra Herb flavor / Toothpaste

Dentor Systema EX Dental Rinse / Mouthwash

Dent Health Medicated Toothpaste Stinging Block / Toothpaste

MEDISH / chewing gum

OCT serapie Medicated Scalp-Care Shampoo and Conditioner

Kireikirei Medicated Foaming Hand Sanitizer

Kireikirei Medicated Gargles

BATHTOLOGY Foam Body Care Wash and Body Care Bath Additive

Ban Deodorant Mist / Antiperspirants and deodorants

Smile Contact Drytect / Eyedrops

PAIR A Tablet / Medicinal skin-care products

Tomato Su Seikatsu Tomato Inryo / Health Drinks

Sucrate Ichoyaku S and Sucrate Ichoyaku S Tablets / Gastrointestinal medicine

<Household Products>

(Millions of yen)

	FY 2008	Ratio to net sales	FY 2007	Ratio to net sales	Increase/ decrease	Change
Net sales	163,541		168,448		(4,907)	(2.9%)
Operating income	725	0.4%	3,123	1.9%	(2,398)	(76.8%)

Sales of Household Products decreased 2.9% year on year to ¥163,541 million due to the exchange rate fluctuations. Lion posted an operating income of ¥725 million. The Company's activities to reduce manufacturing cost proved insufficient to absorb soaring raw material prices, a decrease of 76.8% year

on year.

<Net Sales of Principal divisions>

(Millions of yen)

	FY 2008	FY 2007	Increase/ decrease	Change
Fabric Care Products Division	116,572	118,750	(2,177)	(1.8%)
Living Care Products Division	46,969	49,698	(2,729)	(5.5%)

Fabric Care Products Division

In the Fabric Care Products Division, by developing and introducing high-value-added products within the Top and Soflan lineups into the growing categories in laundry detergent and fabric softener markets, Lion focused its efforts to nurture these core brands.

In laundry detergent, amid a contraction in the powder detergent market, sales of Top—which combines excellent detergency with environmental friendliness—have leveled out. Kaori Tsuzuku (Long-Lasting Fragrance) Top—featuring a long-lasting natural herb fragrance that lasts until clothing is worn again—has received favorable reviews following its release in the expanding liquid laundry detergent market. In addition, the newly released improved laundry detergent for fine clothing items, Acron, experienced steady sales, facilitating a year-on-year rise in overall sales.

In bleaches, despite favorable sales of Lion's mainstay Temanashi Bright brand, overall sales stay flat slightly compared with the corresponding period of the previous fiscal year due to the impact of market contractions.

In fabric softeners, due to the market release of the improved Kaori to Deodorant no Soflan (Soflan with Fragrance and Deodorant)—featuring a long-lasting, pleasant fragrance that is highly effective in preventing unpleasant odors—boost sales with customers' acceptance and overall sales increased over the previous fiscal year.

Overseas, firm sales were recorded for laundry detergent in Thailand. However, while overall sales substantially increased in the local currency compared with the corresponding period of the previous fiscal year, revenue declined year-on-year as result of the impact of exchange rate fluctuations on yen conversions.

As a result, sales of Fabric Care Products Division decreased 1.8% to ¥116,572 million.

Living Care Products Division

In the Living Care Products Division, along with introducing new products to such growth markets as dishwashing detergents that specialize in cleaning dishwashers, Lion is striving to cultivate the improved Reed series of cooking-aid products, a brand designed to support healthy and balanced eating habits.

In dishwashing detergents, the Charmy Awa no Chikara (Power of Suds) Extra Clean—which is able to sterilize cutting boards and sponges—and Charmy Crysta Gel Cleans Dishes and Dishwashers—a brand that specializes in cleaning dishwasher—were released to the market. However, overall sales were dampened as a result of intensifying competition.

In household cleaners, despite Lion's release of Toire no Look Deodorizing EX (toilet bowl cleaner), a product that completely dissolves uric scale stains—the cause of yellowing and odor—overall sales declined year-on-year due to such factors as contractions in the market.

In cooking-aid products, Lion released, and is striving to augment new demand for, improved versions of such products as Reed Healthy-Cooking Paper—featuring superior water and oil absorbency that promotes a wide variety of healthy cooking—and Reed Healthy Cooking Sheet. However, in the wake of intensifying competition, overall sales have stagnated.

Overseas, Lion dishwashing detergents enjoyed steady sales in Thailand and South Korea. However, despite a significant rise in overall sales year-on-year in the local currency, earnings declined compared with the corresponding period of the previous fiscal year due to exchange rate fluctuations on yen conversions.

As a result, sales of Living Care Products Division decreased 5.5% to ¥46,969 million.

Principal new products

Kaori Tsuzuku (Long-Lasting Fragrance) Top / Laundry detergent
Acron - Deodorant Green fragrance / Laundry detergent for delicate fabric
CHARMY Awa no Chikara (Power of Suds) Extra Clean / Dishwashing detergent
CHARMY Crysta Gel / Dishwashing detergent for dishwashers
Toire no Look Deodorizing EX (toilet bowl cleaner)/ Household cleaners

<Chemical Products>

(Millions of yen)

	FY 2008	Ratio to net sales	FY 2007	Ratio to net sales	Increase/decrease	Change
Net sales	31,474		32,445		(971)	(3.0%)
Operating income	(605)	—	(163)	—	(441)	—

In the Chemical Products business, Lion confronted a harsh operating environment due to the global

recession and continuous sharp upswings in raw material prices. Under these conditions, Lion focused on a number of initiatives, including nurturing highly functional products, reviewing the composition of its product lineup and adjusting product sales prices in an effort to improve profitability.

Sales in the Chemical Products segment declines 3.0% year on year to ¥31,474 million. Operating loss stood at ¥605 million with the previous fiscal year's operating loss of 163 million.

<Principal divisions>

In surfactants and fatty-acid nitrogen derivatives, domestic sales of these materials for use in producing detergents were sluggish, leading to a drop in overall sales compared with the previous fiscal year.

In fatty acid methyl ester, despite sluggish sales of this material for the production of alcohol for sales overseas, domestic sales of this material for use in food products remained steady, with overall sales making gains compared with a year earlier.

In electro-conductive carbon, sales of this material for use in such products as batteries in Japan and as a raw material for electro-conductive compounds overseas remained flat. This resulted in a year-on-year decline in overall sales.

<Others>

(Millions of yen)

	FY 2008	Ratio to net sales	FY 2007	Ratio to net sales	Increase/decrease	Change
Net sales	6,836		5,360		1,475	27.5%
Operating income	241	3.5%	503	9.4%	(262)	(52.1%)

In Other segment, net sales amounted to ¥6,836 million, a 27.5% increase year on year, owing to the increase in the number of works completions in the construction contracting business, and operating income was ¥241 million, a 52.1% decrease year on year, mainly due to harsh competition.

(3) Outlook for Fiscal 2009

<Consolidated>

(Millions of yen)

	FY 2009 forecast	FY 2008 actual	Increase/decrease	Change
Net sales	340,000	338,236	1,763	0.5%
Operating income	9,000	8,277	722	8.7%
Ordinary income	9,000	7,603	1,396	18.4%
Net income	5,000	3,040	1,959	64.5%

EPS (yen)	18.50	11.23	7.27	64.7%
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It has been acknowledged that the Japanese economy will deteriorate further during fiscal 2009 due to the global economic slowdown accompanying the turmoil in global financial markets that began in the United States. In the toiletries industry—which Lion plans to develop into a primary business domain—such difficulties as stagnant consumer consumption and fierce sales competition at the point-of-sale are expected to lead to further deteriorations of the business environment.

Based on these conditions, the Lion Group will take steps to further strengthen main brands, with the aim of raising brand value, through the introduction and cultivation of new, high-value-added products in growth segments. In addition, by promoting high-value-added brands common to each country overseas, Lion is aspiring to establish sustainable growth. Furthermore, Lion will further implement such cost reduction measures as lowering manufacturing expenses to bolster its earnings foundation.

In the health care business, with the aim to bolster the core product areas of toothpastes, toothbrushes, hand soap and analgesics, the Group will implement initiatives to cultivate main brands by introducing new products and expanding investment in marketing. Furthermore, by promoting the development of new demand through the cultivation of new brands to be introduced in the current fiscal year, Lion is forecasting a year-on-year increase in sales.

In the household products business, Lion will take initiatives to emphasize brand cultivation, making the improvement of profitability the most important issue. In such growth areas as liquid laundry and dishwasher detergents, a year-on-year rise in sales is being forecasted owing to the introduction and cultivation of new, high-value-added products.

Lion is endeavoring to focus on nurturing highly functional, environmentally friendly products in the chemicals business. However, Lion forecasts a year-on-year drop in sales due to the anticipated impact of curbed sales for poorly performing products and the global economic recession.

In other businesses, net sales are forecasted to decline year-on-year due to a reduction in the amount of construction projects completed in the construction contracting business.

As a result of the aforementioned, Lion expects consolidated net sales in fiscal 2009 to total ¥340,000 million, a 0.5% increase from fiscal 2008.

On the earnings front, Lion forecasts that operating income will rise 8.7% to ¥9,000 million, ordinary income will grow 18.4% to ¥9,000 million and net income will rise 64.5% to ¥5,000 million.

(Preconditions for the Estimated Figures in Outlook for Fiscal 2009)

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

¥100 = US\$1.00

¥3.0 = 1.00 baht

2. Financial Status Analysis

(1) Status of Assets, Liabilities, Net Assets, and Cash Flows for Fiscal 2008

<Consolidated Financial Status >

	FY 2008	FY 2007	Increase / Decrease
Total assets (millions of yen)	267,438	279,147	(11,709)
Net assets (millions of yen)	100,574	107,540	(6,966)
Shareholders' equity to total assets (%)	36.6	37.1	(0.5p)
Net assets per share * (yen)	362.02	382.80	(20.78)

* Minority interest and subscription rights were excluded from calculation of net assets per share.

As of December 31, 2008, total assets were ¥267,438 million, a decrease of ¥11,709 million from December 31, 2007. Net assets were ¥100,574 million, mainly reflecting the decrease in valuation and translation adjustments. The shareholders' equity to total assets was 36.6%.

(2) Status of Cash Flows

<Consolidated Cash Flows>

(Millions of yen)

	FY 2008	FY 2007	Increase / Decrease
Cash flows from operating activities	15,183	16,030	(847)
Cash flows from investing activities	(11,798)	(39,500)	27,702
Cash flows from financing activities	(2,689)	29,844	(32,534)
Translation gain related to cash and cash equivalents	(815)	62	(878)
Increase (decrease) in cash and cash equivalents	(121)	6,437	(6,558)
Cash and cash equivalents at end of period	33,098	33,219	(121)

Net cash provided by operating activities totaled ¥15,183 million compared with ¥16,030 in the previous fiscal year. The major component was depreciation and amortization charges of trademark rights.

Net cash used in investing activities totaled ¥11,798 million, compared with ¥39,500 million used in investing activities in fiscal 2007. A major component was plant and equipment attributable to capital expenditure undertaken in connection with the Company's preparations for launching its methyl ester sulfonate (MES) business.

Net cash used in financing activities was ¥2,689 million, rebounding from net cash provided by financing activities of ¥29,844 million in fiscal 2007. The major cash outflow was derived from an increase in long-term debt.

Based on these projections, cash and cash equivalents at the end of fiscal 2008 totaled ¥33,098 million compared with ¥33,219 million in the previous fiscal year.

(3) Forecast of Fiscal 2009 Consolidated Cash Flows

In cash flows from operating activities, Lion projects income before income taxes of approximately ¥8.0 billion. Lion estimates depreciation and amortization changes of about ¥13.0 billion.

Cash flows from investing activities, Lion plans to undertake capital expenditure totaling ¥11.0 billion during 2009.

The cash flows used in financing activities are expected to be about ¥11.0 billion because of the payment of dividend and repayment of loans payable.

Based on these projections, Lion estimates cash and cash equivalents at the end of fiscal 2009 to be approximately equal to those at the end of fiscal 2008.

(4) Changes in cash flow indicators

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Shareholders' equity to total assets (%)	42.9	43.8	41.3	37.1	36.6
Shareholders' equity to total assets on a market value basis (%)	71.9	85.8	66.1	51.8	49.0
Debt redemption (years)	3.9	9.8	7.5	3.6	3.8
Interest coverage ratio	25.6	7.1	12.2	36.4	13.3

(Note)

Shareholders' equity to total assets: Net assets / Total assets

(Total shareholders' equity / Total assets until FY 2005)

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 "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" mean all liabilities that are bearing interests 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 Dividend for Fiscal 2008

Lion considers its most important management issue to be the return of profits to shareholders on a permanent and stable basis. To this end, the Company strives to consistently lift consolidated earnings capacity in an effort to ensure the payment of continuous and stable cash dividends. Taking into consideration the appropriate level of internal reserves required to secure medium- and long-term growth, Lion also undertakes the acquisition of treasury stock. Working to reinforce the Company's growth potential and to develop a sustainable business foundation, Lion allocates internal reserves to research and development, capital investment in production facilities and the acquisition of external resources.

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 5, 2008) and year-end dividend of ¥5 per share (payment date: March 4, 2009) for fiscal 2008.

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 6, 2009. 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 Affairs Law, to provide worry-free, safe, convenient, and environmentally conscious products to customers. In addition, we use customer opinions received through our Consumer Service Office to improve our products, packaging text and displays.

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 minerals 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, 2008, 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 business activities may cease, adversely affecting the Lion Group's management performance and financial status.

II. Corporate Group

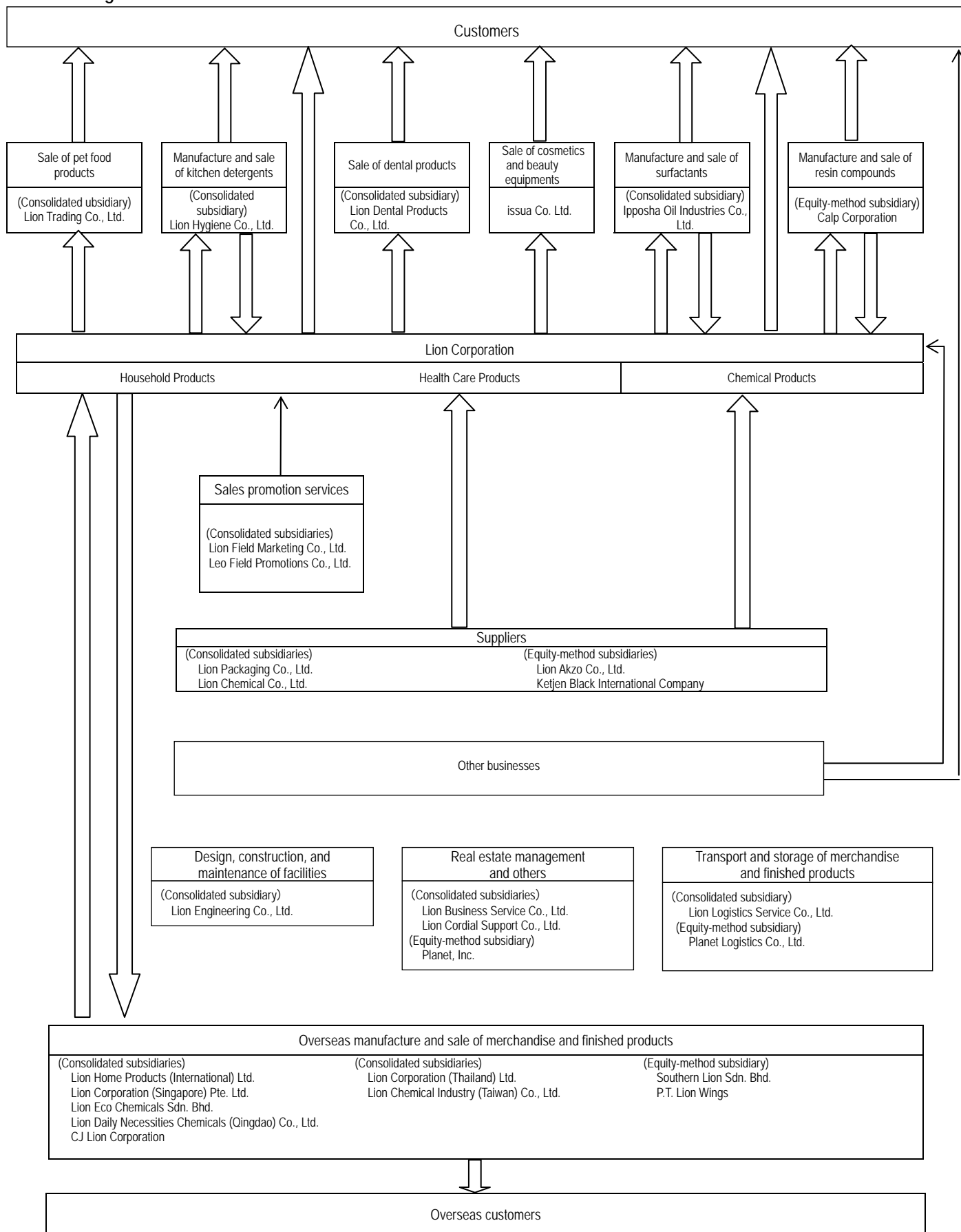
The Lion Group consists of Lion Corporation, 26 subsidiaries (including 22 consolidated subsidiaries and two non-consolidated equity-method subsidiaries), and 15 affiliates (including nine equity-method affiliates). Principal business activities consist of the manufacture and sale of health care products, household products, and chemical products. 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 same categorization used for business segments.

Business segment	Main activities	Main companies	
Health Care Products	Manufacture and sale of toothpastes, toothbrushes, hand soaps, analgesics and others	Domestic affiliates	Lion Corporation Lion Chemical Co., Ltd. Lion Dental Products Co., Ltd. Lion Packaging Co., Ltd. Lion Field Marketing Co., Ltd. issua Co. Ltd. Leo Field Promotions Co., Ltd. Lion Akzo Co., Ltd.
		Overseas affiliates	Lion Home Products (International) Ltd. Lion Corporation (Singapore) Pte. Ltd. Lion Advertising Ltd. Lion Daily Necessities Chemicals (Qingdao) Co., Ltd. CJ Lion Corporation Lion Chemical Industry (Taiwan) Co., Ltd. Lion Corporation (Thailand) Ltd. Southern Lion Sdn. Bhd. P.T. Lion Wings

Household Products	Manufacture and sale of laundry detergents, dishwashing detergents, fabric softeners household cleaners and others	Domestic affiliates	Lion Corporation Lion Chemical Co., Ltd. Lion Trading Co., Ltd. Lion Hygiene Co., Ltd. Lion Packaging Co., Ltd. Lion Field Marketing Co., Ltd. Leo Field Promotions Co., Ltd. Ipposha Oil Industries Co., Ltd. Lion Akzo Co., Ltd.
		Overseas affiliates	Lion Home Products (International) Ltd. Lion Corporation (Singapore) Pte. Ltd. Lion Advertising Ltd. CJ Lion Corporation Lion Chemical Industry (Taiwan) Co., Ltd. Lion Corporation (Thailand) Ltd. Southern Lion Sdn. Bhd. P.T. Lion Wings
Chemical Products	Manufacture and sale of chemical products	Domestic affiliates	Lion Corporation Lion Chemical Co., Ltd. Lion Packaging Co., Ltd. Ipposha Oil Industries Co., Ltd. Lion Akzo Co., Ltd. Ketjen Black International Company Calp Corporation
		Overseas affiliates	Lion Eco Chemicals Sdn. Bhd. CJ Lion Corporation Lion Chemical Industry (Taiwan) Co., Ltd.
Other businesses	Transport and storage of merchandise and finished products; design, construction, and maintenance of storage facilities; real estate management; management of value-added networks, 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 businesses	% 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	Health care products Household products Chemical products	100.0	4	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 businesses	100.0	—	5	None	Human resources services	Lease of office space
Lion Dental Products Co., Ltd.	Sumida-ku, Tokyo	10	Health care products	100.0	—	5	None	Sale of merchandises and finished products	Lease of office space
Lion Trading Co., Ltd.	Sumida-ku, Tokyo	240	Household products	100.0	3	5	Loans	Sale of merchandises and finished products	Lease of part of office space
Lion Hygiene Co., Ltd.	Sumida-ku, Tokyo	300	Household products	100.0	4	7	None	Sales and purchase of merchandises	Lease of part of office and warehouse space
Lion Packaging Co., Ltd.	Ichihara-shi, Chiba	180	Health care products Household products Chemical products	100.0	—	8	Loans	Purchase of materials and merchandises	Lease of part of land
Lion Business Service Co., Ltd.	Sumida-ku, Tokyo	490	Other businesses	100.0	1	4	None	Rental, dealing, and brokerage of real estate, and insuring	Rental of part of office space
Lion Field Marketing Co., Ltd.	Sumida-ku, Tokyo	50	Health care products Household products	100.0	1	7	None	Sales promotion activities	Lease of part of office space
Lion Logistics Service Company, Ltd.	Sumida-ku, Tokyo	40	Other businesses	100.0	3	6	None	Transport and storage of merchandises and finished products	Lease of part of office space
issua Company, Ltd.	Minato-ku, Tokyo	20	Health care products	100.0	—	5	None	—	Lease of part of office space
Leo Field Promotions Co., Ltd.	Sumida-ku, Tokyo	50	Health care products Household products	100.0	1	8	None	Sales promotion activities	Lease of part of office space

Lion Corporation (Code 4912): Summary of Financial Statements
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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			
Ipposha Oil Industries Co., Ltd.	Ono-shi, Hyogo	Millions of yen 200	Household products Chemical products	76.7	2	6	Loans	Sale of merchandises and finished products and purchase of raw materials and merchandises	—
Lion Home Products (International) Ltd.	China (Hong Kong)	Thousands of HK\$ 12,000	Health care products Household products	100.0	1	3	None	Sale of merchandises and finished products	—
Lion Corporation (Singapore) Pte. Ltd.	Singapore	Thousands of S\$ 9,000	Health care products Household products	100.0	1	3	None	Sale of merchandises and finished products	—
Lion Advertising Ltd.	China (Hong Kong)	Thousands of HK\$ 100	Health care products Household products	*2 100.0 (100.0)	—	3	None	—	—
Lion Trading (Shanghai) Co., Ltd.	China	Millions of yen 100	Health care products	100.0	1	2	None	Sale of merchandises and finished products and purchase of merchandises	—
Lion Eco Chemicals Sdn. Bhd.	Malaysia	Thousands of M\$ 90,000	Chemical products	100.0	1	3	None	—	—
Lion Daily Necessities Chemicals (Qingdao) Co., Ltd.	China	Millions of yen 723	Health care products	85.7	1	5	None	Sale of merchandises and finished products and purchase of merchandises	—
CJ Lion Corporation	South Korea	Thousands of won 5,000,000	Health care products Household products Chemical products	81.0	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	Health care products Household products Chemical products	53.8	3	4	None	Sale of merchandises and finished products and purchase of merchandises	—
Lion Corporation (Thailand) Ltd.	Thailand	Thousands of baht 300,000	Health care products Household products	51.0	3	5	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 Akzo Co., Ltd.	Yokkaichi-shi, Mie	Millions of yen 1,000	Health care products Household products Chemical products	% 50.0	2	3	None	Purchase of fatty acid nitrogen derivatives	Lease of part of office space
Ketjen Black International Company	Sumida-ku, Tokyo	50	Chemical products	*3 — [66.6]	2	2	None	Purchase of antistatic agents and carbon	—
Calp Corporation	Chiyoda-ku, Tokyo	100	Chemical products	50.0	2	3	None	Purchase of special synthetic resin compounds	—
Planet Logistics Co., Ltd.	Minato-ku, Tokyo	240	Other businesses	20.8	1	1	None	Transport and storage of merchandises and finished products	—
Planet, Inc.	Minato-ku, Tokyo	436	Other businesses	16.1	1	—	None	Utilization of VANs	—
Southern Lion Sdn. Bhd.	Malaysia	Thousands of M\$ 22,000	Health care products Household products	50.0	1	2	None	Sale of merchandises and finished products and purchase of merchandises	—
P.T. Lion Wings	Indonesia	Millions of rupiah 64,062	Health care products Household products	48.0	1	3	None	Sale of merchandises and finished products and purchase of merchandises	—

*1. Lion Chemical Co., Ltd. is a specified subsidiary.

*2. The voting shares of Lion Advertising Ltd. are held by Lion Home Products (International) Ltd.

*3. The voting shares of Ketjen Black International Company are held by Lion Akzo Co., Ltd.

4. The figure in parentheses in the "Voting shares held by Lion" column is the percentage of total voting shares held indirectly by Lion Corporation. The figure in brackets in the same column is the percentage of voting shares held by closely related entities (affiliates).

5. In addition to the companies listed above, there are two small-scale, non-consolidated equity-method companies and two small-scale equity-method affiliates.

III. Management Policies

1. Basic Management Policies

Committed to its mission of active contribution to society and based on its philosophy that the market is where everything starts, Lion Corporation is striving toward providing customers with products and services that offer increased satisfaction in relation to the pursuit of cleanliness, health and beauty. Lion will do everything it can to maintain a good, healthy relationship with its stakeholders, including shareholders, customers, business clients, community members, and employees, and strengthen its corporate governance system. It will also do its utmost to fulfill corporate social responsibilities, which include environmental preservation, making every effort to further increase its corporate value as a highly trustworthy company capable of meeting the expectations of society.

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 development of new businesses, Lion is striving to increase corporate value with the goal of reaching a consolidated ROE of 10%.

3. Medium and Long-term Management Strategies

Guided by the medium-term management plan, Value Innovation Plan Part II 09 (VIP II 09), the Lion Group is endeavoring to increase its corporate value. To this end, Lion is establishing a business that is capable of surviving global competition, strengthening growth potential by creating new businesses and implementing initiatives designed to enhance management and operational efficiency.

Lion will continue to implement the three reforms described below, striving to increase its corporate value through the creation of customer value through its pursuit of cleanliness, health, and beauty. Lion aims to achieve a No. 1 position in the new comfortable lifestyle support industry that integrated toiletries, over-the-counter (OTC) drugs, and functional foods industries as a company helping people to lead pleasant, comfortable lives.

Reform 1: Restructuring the Foundation for Growth

Aiming to grow into a highly efficient and profitable corporate group that responds flexibly and swiftly to operating environment changes, Lion is shifting toward a business structure focusing on its core businesses. Lion is also endeavoring to enter new business fields by developing pioneering and innovative products.

During the period under review, Lion launched a number of new high-value-added products in such priority fields as toothpastes and laundry detergents. At the same time, the Company accelerated

activities in new fields by releasing the MEDISH chewing gum that supports oral health, BATHTOLOGY in-bath skincare series that prevent the skin from becoming dry after taking a bath, and Tomato Su Seikatsu —a tomato vinegar-based health food drink specified for people suffering from high blood pressure.

Lion established the subsidiary, Lion Eco Chemicals Sdn. Bhd., in Malaysia in 2007 and constructed a factory for the purpose of commercializing MES (methyl ester sulfonate), a surfactant derived from palm oil. In addition, preparations to commence production in 2009 have been undertaken.

Reform 2: Improvement of the Profit Structure

To achieve an improvement in its profit structure, Lion is constantly implementing total cost-reducing measures. During this fiscal year, amid higher-than-expected increases in the prices of raw materials, the Company continued to promote active implementation of measures to reduce manufacturing and logistics costs. With the aim of realizing more flexible production activities and reducing manufacturing costs, the Company will further accelerate its profit structure reforms.

Reform 3: Rapid Improvement of Management Capabilities

Lion will seek to increase the organizational strength of the entire Lion Group with a thoroughgoing implementation of performance- and competency-based human resource evaluations as well as by developing and strengthening organizations with a downsized but highly capable workforce.

During the period under review, Lion worked to improve operational efficiency through the enhancement of synergies between toiletry products and over-the-counter (OTC) drugs in the Health Care Products business. At the same time, looking ahead to the 2009 enforcement of the Revised Pharmaceutical Affairs Law in Japan, the Company has reorganized and integrated its sales units relating to its oral care, beauty care and pharmaceutical products businesses.

4. Management Issues

Due to the impact of the global recession, the business environment in which the Lion Group operates is forecasted to deteriorate further.

Based on these circumstances, critical challenges concerning the Group's aim to increase corporate value include:

1. To strengthen the Group's growth foundation in order to become a leading company in the new comfortable lifestyle support industry
2. To establish a platform for realizing stable profits
3. To expand and deepen activities that will position and raise awareness of Lion as a leading company in environmental responsiveness

In its efforts to strengthen its growth foundation, Lion will enhance the brand prowess of its core products. To this end, Lion will reinforce its product development and planning capabilities, establish a logistics structure and sales platform that are capable of responding appropriately to changes in the competitive environment and ensure that marketing investments are allocated effectively to priority areas.

Furthermore, Lion will bolster the Bufferin brand, acquired during the previous fiscal year, and pursue external sales of MES (methyl ester sulfonate).

To tackle the second challenge—"To establish a platform for realizing stable earnings"—the future uncertainties surrounding such areas as trends in material prices and stock market conditions make it necessary for Lion to establish an earnings structure that can withstand these variable profit and loss factors. Lion is reforming its profits structure by introducing and nurturing high-value-added products and streamlining competition costs in combination with reinforcing such cost-reducing measures as decreasing manufacturing expenses and lowering inventory levels.

With regard to the third challenge of improving Lion's environmental responsiveness, the Group is taking steps to further bolster its ECO LION environmental protection activities in such areas as the reduction of greenhouse gas emissions and the production of environmentally friendly products. In addition, the Group will develop measures to attain the goals set by its Three-Year Medium-Term Environmental Plan ("the Environmental Plan") and based on the declaration system that establishes objectives for activities related to corporate-based environmental protection efforts promoted by Japan's Ministry of the Environment "Eco First Program." The Lion Group will continuously conduct various activities to preserve the environment, thereby contributing significantly to the realization of a sustainable, recycling-oriented society.

IV. Consolidated Financial Statements

1. Consolidated Balance Sheets

	Fiscal 2007 (Ended December 31, 2007)		Fiscal 2008 (Ended December 31, 2008)		Increase/ decrease
	Millions of yen	Share of total (%)	Millions of yen	Share of total (%)	Millions of yen
Assets					
Current assets	127,019	45.5	122,003	45.6	(5,016)
Cash and time deposits	32,647		33,318		671
Trade notes and accounts receivable	61,786		58,455		(3,330)
Short-term investments	923		-		(923)
Inventories	27,837		26,323		(1,513)
Deferred tax assets	2,762		2,531		(231)
Other	2,057		1,525		(532)
Allowance for doubtful accounts	(995)		(150)		844
Fixed assets	152,127	54.5	145,434	54.4	(6,692)
Property, plant and equipment	64,345	23.1	63,473	23.8	(872)
Buildings and structures	20,812		21,034		222
Machinery and equipment	19,883		17,070		(2,813)
Land	18,823		18,496		(327)
Construction in progress	1,825		4,154		2,329
Other	3,000		2,717		(283)
Intangible assets	37,193	13.3	32,697	12.2	(4,496)
Goodwill	898		769		(128)
Trademarks	34,636		30,720		(3,915)
Other	1,659		1,207		(451)
Investments and other assets	50,589	18.1	49,264	18.4	(1,324)
Investment securities	25,057		19,256		(5,801)
Long-term loans receivable	257		179		(78)
Prepaid pension cost	13,954		18,163		4,208
Deferred tax assets	10,093		10,396		303
Other	1,360		1,341		(19)
Allowance for doubtful accounts	(135)		(72)		62
Total assets	279,147	100.0	267,438	100.0	(11,709)

Lion Corporation (Code 4912): Summary of Financial Statements
for the Year Ended December 31, 2008

	Fiscal 2007 (Ended December 31, 2007)		Fiscal 2008 (Ended December 31, 2008)		Increase/ decrease
	Millions of yen	Share of total (%)	Millions of yen	Share of total (%)	Millions of yen
Liabilities					
Current liabilities	96,084	34.4	101,105	37.8	5,021
Trade notes and accounts payable	44,499		46,918		2,418
Short-term loans payable	5,463		6,213		749
Current portion of long-term debt	1,150		8,300		7,150
Other payables and accrued expenses	35,127		34,971		(156)
Accrued income taxes	1,509		1,216		(292)
Allowance for returns	1,191		1,039		(152)
Allowance for sales promotion expenses	278		216		(61)
Allowance for bonuses to directors	132		118		(14)
Other	6,731		2,112		(4,619)
Long-term liabilities					
Long-term debt	75,522	27.1	65,758	24.6	(9,764)
Accrued employee retirement benefits	47,397		39,050		(8,347)
Accrued director retirement allowances	22,893		21,657		(1,236)
Other	464		290		(174)
Other	4,766		4,760		(5)
Total liabilities	171,607	61.5	166,864	62.4	(4,742)
Net assets					
Shareholders' equity					
Common stock	99,556	35.7	99,723	37.3	166
Capital surplus	34,433	12.3	34,433	12.9	—
Retained earnings	31,505	11.3	31,499	11.8	(6)
Treasury stock	49,344	17.7	49,657	18.5	313
Valuation and translation adjustments	(15,727)	(5.6)	(15,868)	(5.9)	(141)
Unrealized holding gain on other securities	4,014	1.4	(1,875)	(0.7)	(5,890)
Deferred losses on hedges	3,524	1.3	1,060	0.4	(2,463)
Foreign currency translation adjustments	(10)	(0.0)	(24)	(0.0)	(13)
Other	500	0.1	(2,912)	(1.1)	(3,412)
Stock Acquisition Rights	74	0.0	109	0.0	35
Minority interest in consolidated subsidiaries	3,894	1.4	2,617	1.0	(1,277)
Total net assets	107,540	38.5	100,574	37.6	(6,966)
Total liabilities and net assets	279,147	100.0	267,438	100.0	(11,709)

2. Consolidated Statements of Income

	FY 2007 (January to December 2007)		FY 2008 (January to December 2008)		Increase/ decrease
	Millions of yen	% of net sales	Millions of yen	% of net sales	Millions of yen
Net sales	341,717	100.0	338,236	100.0	(3,480)
Cost of sales	159,200	46.6	157,523	46.6	(1,676)
Gross profit	182,517	53.4	180,712	53.4	(1,804)
Selling, general and administrative expenses	173,611	50.8	172,435	51.0	(1,175)
Operating income	8,905	2.6	8,277	2.4	(628)
Nonoperating income	2,492	0.7	1,379	0.4	(1,112)
Interest and dividend income	431		496		65
Equity in earnings of non-consolidated subsidiaries and affiliates	1,045		193		(851)
Other	1,016		689		(326)
Nonoperating expenses	1,293	0.4	2,053	0.6	760
Interest expenses	744		1,134		389
Other	548		919		370
Ordinary income	10,104	2.9	7,603	2.2	(2,501)
Extraordinary income	2,228	0.7	859	0.3	(1,368)
Gain on disposal of property, plant and equipment	1,082		—		(1,082)
Reversal of allowance for doubtful accounts	904		859		(45)
Gain on sales of subsidiary shares	231		—		(231)
Gain on sales of investment securities	8		—		(8)
Extraordinary loss	2,768	0.8	2,373	0.7	(394)
Loss on disposal of property, plant and equipment	273		263		(10)
Loss on devaluation of investment securities	372		2,032		1,659
Impairment loss	74		78		4
Voluntary product recall expenses	1,950		—		(1,950)
Loss on sales of investment securities	65		—		(65)
Other	32		—		(32)
Net income before income taxes	9,564	2.8	6,088	1.8	(3,476)
Income taxes	2,074	0.6	1,475	0.4	(599)
Adjustment of income taxes	1,960	0.6	1,349	0.4	(610)
Minority interest in earnings of consolidated subsidiaries	105	0.0	222	0.1	117
Net income	5,423	1.6	3,040	0.9	(2,383)

3. Consolidated Statements of Changes in Shareholders' Equity

Fiscal 2007 (January to December, 2007)

(Millions of yen)

	Shareholders' equity				
	Common Stock	Capital surplus	Retained Earnings	Treasury stock	Total shareholders' equity
Balance at December 31, 2006	34,433	31,499	46,600	(15,913)	96,620
Increase / decrease during the term under review					
Cash dividends			(2,702)		(2,702)
Net income			5,423		5,423
Repurchase of treasury stock				(147)	(147)
Disposal of treasury stock		6		334	340
Change in scope of consolidation			22		22
Increase / decrease during the term under review except shareholders' equity					
Total increase / decrease during the term under review	—	6	2,743	186	2,935
Balance at December 31, 2007	34,433	31,505	49,344	(15,727)	96,556

	Valuation and translation adjustments				Stock Acquisition Rights	Minority interest in consolidated subsidiaries	Total net assets
	Unrealized holding gain on other securities	Deferred gains / losses on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments			
Balance at December 31, 2006	4,727	(3)	433	5,157	—	3,354	105,133
Increase / decrease during the term under review							
Cash dividends							(2,702)
Net income							5,423
Repurchase of treasury stock							(147)
Disposal of treasury stock							340
Change in scope of consolidation							22
Increase / decrease during the term under review except shareholders' equity	(1,202)	(7)	66	(1,143)	74	540	(529)
Total increase / decrease during the term under review	(1,202)	(7)	66	(1,143)	74	540	2,406
Balance at December 31, 2007	3,524	(10)	500	4,014	74	3,894	107,540

Fiscal 2008 (January to December, 2008)

(Millions of yen)

	Shareholders' equity				
	Common Stock	Capital surplus	Retained Earnings	Treasury stock	Total shareholders' equity
Balance at December 31, 2007	34,433	31,505	49,344	(15,727)	99,556
Increase / decrease during the term under review					
Cash dividends			(2,706)		(2,706)
Net income			3,040		3,040
Repurchase of treasury stock				(366)	(366)
Disposal of treasury stock		(6)	(19)	225	199
Increase / decrease during the term under review except shareholders' equity					
Total increase / decrease during the term under review	—	(6)	313	(141)	166
Balance at December 31, 2008	34,433	31,499	49,657	(15,868)	99,723

	Valuation and translation adjustments				Stock Acquisition Rights	Minority interest in consolidated subsidiaries	Total net assets
	Unrealized holding gain on other securities	Deferred gains / losses on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments			
Balance at December 31, 2007	3,524	(10)	500	4,014	74	3,894	107,540
Increase / decrease during the term under review							
Cash dividends							(2,706)
Net income							3,040
Repurchase of treasury stock							(366)
Disposal of treasury stock							199
Increase / decrease during the term under review except shareholders' equity	(2,463)	(13)	(3,412)	(5,890)	35	(1,277)	(7,132)
Total increase / decrease during the term under review	(2,463)	(13)	(3,412)	(5,890)	35	(1,277)	(6,966)
Balance at December 31, 2007	1,060	(24)	(2,912)	(1,875)	109	2,617	100,574

4. Consolidated Statements of Cash Flows

	FY 2007	FY 2008
	(January to December 2007)	(January to December 2008)
	Millions of yen	Millions of yen
I. Cash flows from operating activities		
Income before income taxes	9,564	6,088
Depreciation and amortization	10,590	12,444
Loss on impairment of fixed assets	74	78
Decrease in accrued retirement benefits	(5,067)	(5,347)
Interest and dividend income	(431)	(496)
Interest expense	744	1,134
Loss (gain) on disposal of noncurrent assets	(809)	263
Loss (gain) on sale of investment securities	56	—
Loss on devaluation of investment securities	372	2,032
Equity in earnings of non-consolidated subsidiaries and affiliates	(1,045)	(193)
Decrease in trade notes and accounts receivable	2,731	414
Increase in inventories	(1,322)	(272)
Decrease (increase) in notes and accounts payable-trade	(5,428)	3,977
Increase in accrued expenses and other payable	1,890	(620)
Increase (decrease) in other current liabilities	3,384	(2,974)
Decrease (increase) in other current assets	1,904	420
Other, net	(702)	(150)
Subtotal	16,506	16,797
Interest and dividends received	2,634	1,265
Interest paid	(439)	(1,144)
Income taxes paid	(2,670)	(1,735)
Net cash provided by (used in) operating activities	16,030	15,183
II. Cash flows from investing activities		
Decrease (increase) in time deposits	(144)	95
Purchases of property, plant and equipment	(8,966)	(10,459)
Proceeds from sale of property, plant and equipment	1,695	29
Purchases of intangible assets	(30,638)	(104)
Purchases of investment securities	(2,127)	(1,335)
Proceeds from sale of investment securities	79	3
Additions to loans receivable	(74)	(59)
Proceeds from loans receivable	144	71
Other, net	530	(39)
Net cash provided by (used in) investing activities	(39,500)	(11,798)
III. Cash flows from financing activities		
Increase in short-term loans payable	9,127	8,890
Repayment of short-term loans payable	(11,233)	(7,233)
Increase in long-term loans payable	35,000	—
Repayment of long-term loans payable	(53)	(1,195)
Repayment of commercial paper payable	(233)	—
Purchases of odd-lot shares, net	(73)	(285)
Proceeds from sale of treasury stock	266	74
Cash dividends	(2,694)	(2,698)
Cash dividends to minority shareholders	(259)	(242)

Net cash provided by (used in) financing activities	29,844	(2,,689)
IV. Effect of exchange rate changes on cash and cash equivalents	62	(815)
V. Net change in cash and cash equivalents	6,437	(121)
VI. Cash and cash equivalents at beginning of period	26,782	33,219
VII. Cash and cash equivalents at end of period	33,219	33,098

Note on premise of going concern: no applicable items related to doubtful events or circumstances exist.

Notes to Consolidated Financial Statements

1. Scope of Consolidation

Lion Corporation has 26 subsidiaries, of which 22 are consolidated subsidiaries.

Principal companies: Lion Engineering Co., Ltd., Lion Chemical Co., Ltd., Lion Trading Co., Ltd.,
Lion Packaging Co., Ltd., Lion Logistics Service Company, Ltd.,
Lion Eco Chemicals Sdn. Bhd., CJ Lion Corporation, and Lion Corporation
(Thailand) Ltd.

Inclusion: issua Co.Ltd. which was established in FY 2008 was included as
consolidated subsidiary.

2. Application of Equity-Method Accounting

Equity-method accounting is applied to two out of 4 non-consolidated subsidiaries and to 9 out of 15
affiliated companies.

Principal companies: Lion Akzo Co., Ltd., Calp Corporation and Southern Lion Sdn. Bhd.

3. Balance Sheet Date of Consolidated Subsidiaries

December 31 is the balance sheet date of 22 consolidated subsidiaries (consolidated balance sheet
date).

4. Accounting Policies

a) *Valuation of Assets*

1) Marketable securities

(a) Held-to-maturity debt securities

Valuation is by the amortized cost method (straight-line method).

(b) Other marketable securities

Securities with market value

Carried at market value prevailing on the consolidated balance sheet date (changes in valuation are recorded in full as a separate component of net assets, and sales cost is determined by the moving-average method).

Securities without market value

Stated primarily at cost based on the moving-average method.

2) Derivatives

Stated at market value.

3) Valuation of inventories

Merchandise and finished products are stated at cost determined primarily by the first-in, first-out method.

Raw materials, work-in-progress, and supplies are stated at cost determined primarily by the moving-average method.

b) Depreciation

1) Property, plant and equipment

Depreciation is primarily by the declining balance method, with some consolidated subsidiaries using the straight-line method.

(Additional Information)

Pursuant to the revised Corporate Tax Law of Japan, Lion and its domestic consolidated subsidiaries have adopted the new depreciation method, as defined under the Corporate Tax Law, for property, plant and equipment acquired before April 1, 2007. Under this method, the difference between the amount equivalent to 5% of the acquisition costs for such an asset and the memorandum value is depreciated using the straight-line method over the five years following the consolidated fiscal year in which the asset has been depreciated to reach 5% of the acquisition costs using the method defined under the Corporate Tax Law prior to the reversion. The amount associated with such depreciation is included in depreciation and amortization. After the adoption of this depreciation method, for the fiscal period under review, cost of sales and selling, general and administrative expenses increased ¥667 million and ¥131 million, respectively, compared with those under the previous depreciation method. Accordingly,

operating income, ordinary income and net income before income taxes each declined ¥799 million for the fiscal year under review.

2) Intangible assets

Amortization is by the straight-line method. Software for in-house use is amortized primarily by the straight-line method, assuming a useful life of five years.

c) Recognition of Allowances

1) Allowance for doubtful accounts

To provide for potential losses on loans, an allowance is made by the parent company and by domestic consolidated companies for general claims using the default rate for such claims, and an allowance is also made for doubtful claims in accordance with individually estimated uncollectible amounts. In the case of foreign consolidated companies, an allowance is made for the estimated uncollectible amounts of certain claims.

2) Allowance for returns

To provide for the return of merchandise and finished products after the balance sheet date, the estimated loss on returns is recorded.

3) Allowance for sales promotion expenses

The estimated payment of rebates and other sales promotion expenses related to consolidated sales are recorded.

4) Allowance for bonuses to internal directors

To provide for the payment of bonuses to internal directors, an allowance is made based on projected amount.

5) Allowance for retirement benefits

To provide for the payment of retirement benefits to employees, an allowance is made based on projected benefit obligations and fair value of pension plan assets at the end of the consolidated fiscal year.

Past benefit liabilities are amortized from the time they accrue by the straight-line method for a given number of years (five years) within employees' average remaining years of service.

Actuarial gain or loss is amortized from the consolidated fiscal year following the year in which the gain or loss is recognized by the straight-line method for employees' average remaining years of service.

6) Allowance for director retirement benefits

To provide for the payment of director retirement benefits, an allowance is made for the estimated amount accruing as of the balance sheet date in accordance with Lion's director retirement allowance regulations.

In accordance with the adoption of stock options under a stock-based compensation plan at the parent company, no additional allowances have been made after March 30, 2006.

d) Foreign Currency Translation

All current and long-term monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at current rates prevailing on the consolidated balance sheet date, and the resulting translation gains or losses are taken into income. All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at current rates prevailing on the consolidated balance sheet date, and all income and expense accounts are translated at average rates for the fiscal year. The resulting translation adjustments are accumulated as minority interest in consolidated subsidiaries and valuation and translation adjustments under net assets.

e) Leases

Finance leases are accounted as operating leases excluding leases where ownership is transferred to the lessee.

f) Significant Matters in Hedge Accounting

1) Hedge accounting

Deferred hedge accounting is used. Translation at the contract rate is applied in accounting for forward currency contracts when appropriate conditions are met. Hedges meeting conditions for the special treatment of interest-rate swaps are accounted for separately.

2) Hedging instruments and hedged items

Hedging instruments	Hedged items
Forward currency contracts	Transactions to be denominated in a foreign currency
Interest rate swap	Interest rate

3) Hedging policy

Currency risk and interest-rate risk are hedged by the Finance Department of the parent company and by the management units of subsidiaries primarily in accordance with internal regulations.

g) Other Significant Matters in the Presentation of Consolidated Financial Statements

The tax-excluded method is used in consumption tax accounting.

5. Valuation of assets and liabilities of consolidated subsidiaries

Valuation of assets and liabilities of consolidated subsidiaries is made by market value method.

6. Amortization of goodwill

Goodwill is amortized equally over the estimated number of years (10) with respect to items for which rational estimates can be made, and is amortized at the time at which they arise with respect to immaterial items.

7. Scope of Cash and Cash Equivalents in Consolidated Statements of Cash Flows

For the purpose of consolidated statements of cash flows, cash and cash equivalents consist of cash on hand, demand deposits, and short-term liquid investments that mature within three months from the purchase date and can be converted easily into cash with little risk of change in value.

Notes to Consolidated Financial Statements

[Notes to Consolidated Balance Sheets]

	(Millions of yen)	
	<u>Fiscal 2007</u>	<u>Fiscal 2008</u>
1. Cumulative depreciation of property, plant and equipment	148,214	152,149
2. Assets pledged as collateral		
Cash and time deposits	688	143
Land	315	247
Buildings and structures	1,592	954
Machinery and equipment	632	374
<u>Total</u>	<u>3,228</u>	<u>1,720</u>
Secured debt		
Short-term loans payable	140	110
Account payable	335	125
<u>Total</u>	<u>476</u>	<u>235</u>
3. Balance Outstanding of Export Bills	18	18
Negotiated		
4. Guarantees of debt	2,757	2,339
5. Treasury stock held at the fiscal year end	28,556 (Thousands of shares)	28,835 (Thousands of shares)
6. Notes with their maturity date as of the fiscal year-end are settled for accounting purposes as of their clearing date.		

[Notes to Consolidated Statements of Income]

Breakdown of significant selling, general and administrative expenses:
(Millions of yen)

	FY 2007	FY 2008
Sales incentive expenses	15,719	16,850
Sales promotion expenses	67,488	68,090
Freight and storage expenses	16,818	16,347
Advertising expenses	21,934	19,831
Salaries	14,603	14,077
R&D expenses	8,745	8,522

*No R&D expenses have been included in production expenses for FY 2008

[Notes to Consolidated Statement of Changes in Shareholders' Equity]

1. Outstanding Shares

Class of shares	Number of shares held at December 31, 2007	Increase	Decrease	Number of shares held at December 31, 2008
Common shares (shares)	299,115,346	—	—	299,115,346

2. Treasury stock

Class of shares	Number of shares held at December 31, 2007	Increase	Decrease	Number of shares held at December 31, 2008
Common shares (shares)	28,556,290	702,886	424,171	28,835,005

Reasons for the Changes

* Increase: Purchase of odd lot shares of common stock – 702,886 shares

* Decrease: Release of treasury stock to allow shareholders with less than a full lot to complete their holdings – 157,787 shares; Release in response to execution of stock compensation rights – 266,384 shares

3. Dividends

a) Amount of dividend payments

Resolution	Class of shares	Annual dividend paid (million Yen)	Dividend par share (Yen)	Record date	Effective date
Board of Directors meeting held on February 7, 2008	Common shares	1,352	5.00	December 31, 2007	March 5, 2008
Board of Directors meeting held on August 4, 2008	Common shares	1,354	5.00	June 30, 2008	September 5, 2008

b) Dividends with a record date that falls within FY 2008 and an effective date in the following fiscal period

Resolution	Class of shares	Dividend Resource	Annual dividend paid (million Yen)	Dividend par share (Yen)	Record date	Effective date
Board of Directors meeting held on February 6, 2009	Common shares	Retained earnings	1,351	5.00	December 31, 2008	March 4, 2009

[Notes to Consolidated Statements of Cash Flows]

Balance of cash and cash equivalents at the end of the fiscal year and relationship with consolidated balance sheet:

	FY 2007 (December 31, 2007)	(Millions of yen) FY 2008 (December 31, 2008)
Cash and deposits	32,647	33,318
Marketable securities	923	—
Time deposits with maturities greater than three months	(350)	(219)
Total	<u>33,219</u>	<u>33,098</u>

Segment Information

1. Business Segments

(Millions of yen)

	Fiscal 2007 (January 1 to December 31, 2007)						
	Health Care Products	Household Products	Chemical Products	Other Businesses	Total	Corporate and eliminations	Consolidated total
1. Net sales							
a) Sales to outside customers	135,461	168,448	32,445	5,360	341,717	—	341,717
b) Intersegment sales	15	6	8,388	8,734	17,144	[17,144]	—
Total	135,476	168,455	40,834	14,094	358,861	[17,144]	341,717
Operating expenses	130,062	165,331	40,998	13,591	349,983	[17,171]	332,811
Operating income	5,414	3,123	(163)	503	8,878	26	8,905
2. Assets, depreciation, impairment loss and capital expenditures							
Assets	111,223	83,651	44,775	5,007	244,657	34,489	279,147
Depreciation and amortization	4,907	4,461	893	146	10,408	182	10,590
Impairment loss	7	66	—	—	74	—	74
Capital expenditures	32,994	4,523	1,404	76	38,998	284	39,282

	Fiscal 2008 (January 1 to December 31, 2008)						
	Health Care Products	Household Products	Chemical Products	Other Businesses	Total	Corporate and eliminations	Consolidated total
1. Net sales							
a) Sales to outside customers	136,384	163,541	31,474	6,836	338,236	—	338,236
b) Intersegment sales	15	10	10,703	5,224	15,953	[15,953]	—
Total	136,399	163,552	42,178	12,060	354,190	[15,953]	338,236
Operating expenses	128,471	162,827	42,783	11,819	345,900	[15,941]	329,959
Operating income	7,928	725	(605)	241	8,289	[12]	8,277
2. Assets, depreciation, impairment loss and capital expenditures							
Assets	106,465	84,704	41,943	4,609	237,722	29,715	267,438
Depreciation and amortization	6,788	4,411	939	121	12,260	183	12,444
Impairment loss	14	64	—	—	78	—	78
Capital expenditures	3,713	3,711	3,555	360	11,341	375	11,717

Note:

Categorization of industry segments and principal products

Industry segments are categorized in accordance with the similarity of products and markets.

- Health Care Products: Toothpastes, toothbrushes, hand soaps, analgesics, eyedrop solutions, health tonic drinks and insecticides
- Household Products: Laundry detergents, dishwashing detergents, fabric softeners, household cleaners and bleaches
- Chemical Products: Surfactants and fatty acid nitrogen compounds
- Other Businesses: Plant construction, real estate management, and transportation and storage

2. Geographical Segments

(Millions of yen)

	FY 2007 (January 1 to December 31, 2007)				
	Japan	Asia	Total	Corporate and elimina- tions	Consoli- dated total
1. Net sales					
a) Sales to external customers	286,759	54,957	341,717	—	341,717
b) Intersegment sales	921	1,523	2,444	[2,444]	—
Total	287,680	56,480	334,161	[2,444]	341,717
Operating expenses	280,309	55,327	335,636	[2,825]	332,811
Operating income/loss	7,371	1,153	8,524	380	8,905
Assets	219,890	28,242	248,132	31,015	279,147

	FY 2008 (January 1 to December 31, 2008)				
	Japan	Asia	Total	Corporate and elimina- tions	Consoli- dated total
1. Net sales					
a) Sales to external customers	290,241	47,995	338,236	—	338,236
b) Intersegment sales	974	1,427	2,401	[2,401]	—
Total	291,215	49,422	340,638	[2,401]	338,236
Operating expenses	283,525	48,820	332,346	[2,386]	329,959
Operating income	7,689	602	8,292	[14]	8,277
Assets	215,643	21,539	237,183	30,254	267,438

Note:

- Countries and regions have been grouped according to geographic proximity.
- The key countries and regions grouped as countries other than Japan are as listed below.
Asia: China, South Korea and Thailand

3. Sales to Overseas Customers

	Fiscal 2007 (January 1 to December 31, 2007)		
	Asia	Other regions	Total
Sales to overseas customers (millions of yen)	56,317	2,984	59,302
Consolidated net sales (millions of yen)	—	—	341,717
Percent of sales to overseas customers in consolidated net sales (%)	16.5	0.9	17.4

	Fiscal 2008 (January 1 to December 31, 2008)		
	Asia	Other regions	Total
Sales to overseas customers (millions of yen)	50,117	2,926	53,043
Consolidated net sales (millions of yen)	—	—	338,236
Percent of sales to overseas customers in consolidated net sales (%)	14.8	0.9	15.7

Note:

1. Countries and regions have been grouped according to geographic proximity.
2. The key countries and regions grouped as each segments are as listed below.
 Asia: China, South Korea and Thailand
 Other regions: Europe, America and others
3. Sales to overseas customers include sales of Lion and its consolidated subsidiaries in countries and regions other than Japan.

Notes to Lease Transactions

Finance leases excluding leases where ownership is transferred to the lessee:

(Millions of yen)

	FY 2007 (January to December 2007)	FY 2008 (January to December 2008)
1. Equivalent acquisition cost, equivalent accumulated depreciation, and equivalent balance at end of period		
Equivalent acquisition cost		
Machinery and equipment	113	112
Other property, plant and equipment	1,415	1,477
<u>Intangible assets</u>	<u>159</u>	<u>91</u>
Total	1,687	1,681
Equivalent accumulated depreciation		
Machinery and equipment	47	61
Other property, plant and equipment	756	755
<u>Intangible assets</u>	<u>111</u>	<u>67</u>
Total	916	884
Equivalent balance at end of period		
Machinery and equipment	65	51
Other property, plant and equipment	658	722
<u>Intangible assets</u>	<u>47</u>	<u>23</u>
Total	771	797
2. Equivalent lease commitments at end of period		
Due within one year	295	297
<u>Due after one year</u>	<u>476</u>	<u>499</u>
Total	771	797
3. Lease payments (Equivalent depreciation)	364	356
4. Equivalent depreciation is calculated according to the straight-line method.		
5. The interest inclusive method is used above since equivalent lease commitments at end of period account for only a small proportion of the balance of property, plant and equipment at end of period.		

Related Party Transactions

Affiliated companies

Name	Location	Capitalization	Business	Voting shares held by Lion	Nature of business relationship		Nature of transaction	Transaction amount	Account	Year-end balance
					Shared positions, etc.	Operational relationship				
Lion Akzo Co., Ltd.	Yokkaichi-shi, Mie	Millions of yen 1,000	Production and sales of fatty acid nitrogen derivatives	50.0% direct	2 shared	Purchase of fatty acid nitrogen derivatives	Purchase of fatty acid nitrogen derivatives	Millions of yen 5,987	Accounts payable	Millions of yen 2,787

Note: 1. Transaction terms and determination method for transaction terms

The terms of transactions amount is in principle determined through consultation between Lion Corporation and the affiliates based on market price, the affiliate's overall cost, and Lion's suggested price.

2. The transaction amount is net of consumption tax, but year-end balances are gross of consumption tax.

Tax Effect Accounting

1. Main reasons for the accrual of deferred tax assets and deferred tax liabilities

	(Millions of yen)
	FY 2008
	<u>(Dec. 31, 2008)</u>
Deferred tax assets	
Allowance for doubtful accounts in excess of the amount allowable	13
Taxable portion of sales return reserve	421
Taxable portion of sales promotion reserve	88
Retirement benefits reserve in excess of the amount allowable	8,861
Excess of amortization of goodwill	519
Taxable portion of impairment loss	47
Accrued enterprise tax	152
Tax loss carryforwards	6,873
Unrealized profits of inventory assets and fixed assets	321
<u>Other</u>	<u>2,855</u>
Deferred tax assets total	20,155
Deferred tax liabilities	
Special tax-purpose reserve	(1,894)
Taxable portion of gain of employee pension trust	(5,582)
Temporary difference from distribution of retained earnings of foreign affiliates	(331)
<u>Unrecognized holding gain on other securities</u>	<u>(726)</u>
Deferred tax liabilities total	(8,534)
Net deferred tax assets	<u>11,621</u>

Note: "Others" under the current liabilities includes ¥10 million in deferred tax liabilities, and "others" under fixed liabilities includes ¥1,296 million in deferred tax liabilities.

2. Breakdown of the difference between statutory tax rates and the tax burden rates of corporate tax after applying tax effect accounting, etc.

	(%)
Statutory tax rate	40.7
(Adjustments)	
Equity in earnings of non-consolidated subsidiaries and affiliates	(1.3)
Expenses not deductible for tax purposes	2.9
Dividends earned and other items permanently excluded from gross revenue	(1.3)
Deductible net income before income taxes due to tax loss carryforward	(0.6)
Corporate inhabitant tax on a per capita basis	1.0
Unrealized gain not recorded in deferred tax assets	(0.7)
Impairment loss on land and other impossible schedule items	8.9
Others	(3.2)
<hr/>	
Effective tax rates	46.4

Securities

1. Consolidated fiscal 2007 (at December 31, 2007)

a) Other marketable securities with market prices

(Millions of yen)

	Acquisition cost	Book value for fiscal 2007	Difference
Securities whose book value exceeds their acquisition cost			
Stocks	8,354	14,993	6,638
Securities whose book value does not exceed their acquisition cost			
Stocks	4,115	3,409	(706)
Total	12,470	18,402	5,932

b) Other marketable securities sold during fiscal 2007

(Millions of yen)

Sale price	Total gain on sale	Total loss on sale
79	8	65

c) Securities without market prices

(Millions of yen)

	Book value for fiscal 2007
Other marketable securities	
Unlisted stocks	1,404

d) Redemption schedule for other marketable securities with maturities and for held-to-maturity bonds

(Millions of yen)

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Held-to-maturity securities				
Local government bonds	—	—	2	—
Commercial papers	923	—	—	—
Total	923	—	2	—

2. Consolidated fiscal 2008 (at December 31, 2008)

a) Other marketable securities with market prices

(Millions of yen)

	Acquisition cost	Book value for fiscal 2008	Difference
Securities whose book value exceeds their acquisition cost			
Stocks	6,459	9,499	3,039
Securities whose book value does not exceed their acquisition cost			
Stocks	5,347	4,153	(1,193)
Total	11,806	13,652	1,846

b) Other marketable securities sold during fiscal 2008

(Millions of yen)

Sale price	Total gain on sale	Total loss on sale
3	2	—

c) Securities without market prices

(Millions of yen)

	Book value for fiscal 2008
Other marketable securities	
Unlisted stocks	1,236

d) Redemption schedule for other marketable securities with maturities and for held-to-maturity bonds

(Millions of yen)

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Held-to-maturity securities				
Local government bonds	—	1	—	—
Total	—	1	—	—

Derivatives

Derivatives to which hedge accounting is applied are excluded from the scope of disclosure.

Retirement Benefits

1. Outline of the retirement benefit plans adopted by the company

The Company and certain domestic consolidated subsidiaries have defined benefit pension plans: for example, corporate pension plans and lump-sum severance benefit plans. In certain cases, additional severance indemnities are paid when an employee retires.

Certain foreign consolidated subsidiaries have defined contribution plans.

The primary plans are the Lion Corporate Pension Fund and the tax-qualified retirement pension plan joined by four of the Company's domestic consolidated subsidiaries. 10 of the Group companies also have lump-sum severance indemnity plans.

In addition, the Company has a pension trust.

2. Items concerning retirement benefit obligation

(Millions of yen)

	FY 2007 (December 31, 2007)	FY 2008 (December 31, 2008)
A. Projected benefit obligation	(68,568)	(67,425)
B. Fair value of pension plan assets	61,583	42,966
C. Funded status (A + B)	(6,985)	(24,459)
D. Unrecognized actuarial difference	83	21,475
E. Unrecognized prior service cost	(2,037)	(509)
F. Net amount on consolidated balance sheet (C + D + E)	(8,939)	(3,493)
G. Prepaid pension expense	13,954	18,163
H. Accrued employees' retirement benefits (F - G)	(22,893)	(21,657)

FY 2007	FY 2008
Note: Consolidated subsidiaries have adopted the simplified method for calculating their retirement benefit obligation.	Note: Same as at left.

3. Items concerning retirement benefits costs

(Millions of yen)

	FY 2007 (January 1 to December 31, 2007)	FY 2008 (January 1 to December 31, 2008)
A. Service cost (See Note 1)	2,210	1,974
B. Interest cost	1,663	1,624
C. Expected return on pension plan assets	(1,006)	(1,084)
D. Amortization of actuarial loss	(402)	181
E. Amortization of prior service cost	(1,528)	(1,528)
F. Premium contribution for defined-contribution pension plan	76	69
G. Retirement benefits costs (A + B + C + D + E + F)	1,013	1,238

FY 2007	FY 2008
Note: 1. Where the simplified method is adopted, the retirement benefit costs are recorded to "A. Service Costs."	Note: 1. Same as at left.

4. Items concerning the basis for calculating retirement benefit obligation, etc.

	FY 2007 (January 1 to December 31, 2007)	FY 2008 (January 1 to December 31, 2008)
A. Method adopted to allocate expected retirement benefits	Method of allocating fixed amount throughout the period	Method of allocating fixed amount throughout the period
B. Discount rate	2.5%	2.5%
C. Expected rate of return on pension plan assets (See Note 1)	2.0%	2.0%
D. Recognition period of actuarial gain or loss (See Note 2)	15 years	15 years
E. Amortization period of prior service cost (See Note 3)	5 years	5 years

FY 2007	FY 2008
Note: 1. Expected dividend yield is used for the pension trust.	Note: 1. Same as at left.
2. Actuarial differences are expensed from the subsequent consolidated fiscal year using the straight-line method based on the employees'	2. Same as at left.

average remaining service period as at the time such differences arise.	
3. Prior service liabilities are expensed from the current consolidated fiscal year using the straight-line method based on a certain number of years not exceeding the employees' average remaining service period as at the time such liabilities arise.	3. Same as at left.

Stock Options

Consolidated fiscal 2008 (January 1, 2008 to December 31, 2008)

1. Amount Equivalent to Stock Options and Relevant Line Items

Selling, general and administrative expenses: ¥78 million

2. Details of Stock Options Offered during the Fiscal Year under Review

(1) Stock options (subscription rights) as part of a stock-linked compensation plan resolved on December 28, 2007

Number of persons to which subscription rights shall be allotted	Executive officers: 6
Type and number of shares to be issued (Note 1)	6,133 shares of common stock
Date of subscription right offer allotment	January 17, 2008
Vesting conditions	(Note 2)
Conditions related to employment period	None
Exercise period for subscription rights	Lion's Board of Directors shall determine an exercise period that falls between January 17, 2008 and January 16, 2038.
Exercise Price (Yen)	1
Fair unit price as of the date granted (Yen) (Note 3)	450

Note:

1. Stock options are converted into shares of common stock.
2. a. Based on the condition that they have served a minimum of one year, Lion's executive officers shall exercise their subscription rights within a 10-day period from the day following either (1) their departure from office or (2) their retirement date, whichever is the later. Other conditions apply in the event of an executive officer's death while in office. The executive officers shall exercise their allotted subscription rights in full at one time. However, in the event that: (1) an executive officer's term of office has been less than a year; or (2) an executive officer's term of office has been more than a year and is terminated in the middle of his or her term of office due to resignation, the Company's Board of Directors may determine that their allotted subscription rights, the issue date of which fell in the previous 12-month period can be exercised on a prorated basis according to their actual term of office. In this case, a portion of their term of office less than a month shall be calculated as a month. Also, fractional figures below one subscription right resulting from the calculation shall be omitted.
b. Other terms and conditions relating to the exercise of subscription rights shall be defined in a subscription right allotment agreement, subject to the approval by the Board of Directors, signed between the Company and the recipient of the allotted subscription rights.
3. The aforementioned amounts were calculated using the Black-Scholes model on January 17, 2008.

(2) Stock options (subscription rights) as part of a stock-linked compensation plan resolved at the Board of Directors' meeting held on March 28, 2008

Number of persons to which subscription rights shall be allotted	Directors (except external directors): 9 Executive officers: 9
Type and number of shares to be issued (Note 1)	143,771 shares of common stock
Date of subscription right offer allotment	April 15, 2008
Vesting conditions	Note 2
Conditions related to employment period	None
Exercise period for subscription rights	From April 15, 2008 to April 14, 2038.
Exercise Price (Yen)	1
Fair unit price as of the date granted (Yen) (Note 3)	441

Note:

1. Stock options are converted into shares of common stock.
2. a. Director
Based on the condition that they have served a minimum of one year, Lion's directors (excluding external directors) shall exercise their subscription rights within a 10-day period from the day following their departure from office. Other conditions apply in the event of a director's death while in office. The directors shall exercise their allotted subscription rights in full at one time.
- b. Executive Officer
Based on the condition that they have served a minimum of one year, Lion's executive officers shall exercise their subscription rights within a 10-day period from the day following either (1) their departure from office or (2) their retirement date, whichever is the later. Other conditions apply in the event of an executive officer's death while in office. The executive officers shall exercise their allotted subscription rights in full at one time. However, in the event that: (1) an executive officer's term of office has been less than a year; or (2) an executive officer's term of office has been more than a year and is terminated in the middle of his or her term of office due to resignation, the Company's Board of Directors may determine that their allotted subscription rights, the issue date of which fell in the previous 12-month period can be exercised on a prorated basis according to their actual term of office. In this case, a portion of their term of office less than a month shall be calculated as a month. Also, fractional figures below one subscription right resulting from the calculation shall be omitted.
- c. The Board of Directors shall determine an exercise period for subscription rights so that: (1) the period falls within the period presented in the table above; or (2) the period falls within the period specified under a. and b. above.
3. The aforementioned amounts were calculated using the Black-Scholes model on April 15, 2008.

Matters Related to Business Combinations

None

Per Share Information

	FY 2007 (January 1 to December 31, 2007)	FY 2008 (January 1 to December 31, 2008)
Net assets per share	382.80 Yen	362.02 Yen
EPS	20.06 Yen	11.23 Yen
Diluted EPS	20.02 Yen	11.22 Yen

Note: Net income per share (EPS) and diluted net income per share (diluted EPS)

	FY 2007 (January 1 to December 31, 2007)	FY 2008 (January 1 to December 31, 2008)
EPS		
Net income (millions of Yen)	5,423	3,040
Amount not belong to common stockholders (millions of Yen)	—	—
Net Income concerning common stock (millions of Yen)	5,423	3,040
Average number of outstanding shares during the period (thousands of shares)	270,386	270,644
Diluted EPS		
Net income adjustment (millions of Yen)	—	—
Increase in number of common stocks (thousands of shares)	584	290
Of which, stock options (thousands of shares)	(584)	(290)
Summary of residual shares not included in diluted EPS due to lack of dilution effect.	<p>Stock options resolved by the Ordinary Annual General Meeting of Shareholders held on March 30, 2004 (Subscription Rights) 8,019,000 shares of common stocks</p> <p>Stock options resolved by the Ordinary Annual General Meeting of Shareholders held on March 30, 2005 (Subscription Rights)</p>	Same as at left

	628,000 shares of common stocks	
	Stock options resolved by the Ordinary Annual General Meeting of Shareholders held on March 30, 2006 (Subscription Rights) 950,000 shares of common stocks	

Significant Post Balance Sheet Date Events

There were no significant post balance sheet date events.

5. Others

Personnel Changes

1. Change of Representative

There is no change.

2. Change of Other Personnel

(1) Directors

- 1) Newly Appointed Directors (positions will be appointed at the Ordinary Annual General Meeting of Shareholders scheduled on March 27, 2009)

Name	Current Title and Position
Takao Terui	Executive Officer, Senior Executive General Manager of Production Headquarters
Kiyotaka Abe	Executive Officer Executive General Manager of Chemicals Division

2) Promoted Directors (March 27, 2009)

Name	New Title	Current Title
Keikichi Sugiyama	Executive Director	Director

3) Retiring Directors (March 27, 2009)

Name	Current Title	Current Position
Haruo Iwasaki	Executive Director	Assistant to President, Responsible for Marketing matters, and Representative Director and President of Lion Dental Products Co., Ltd.
Teruhisa Satsuki	Executive Director	Assistant to President, Responsible for Technical matters, and Representative Director and President of Lion Akzo Co., Ltd. and Ketjen Black International Company

New management structure after March 27, 2009 is as follows:

(1) Director

Name	Position
Sadayoshi Fujishige	Representative Director and President Chairman of the Board, CEO
Kazuo Obayashi	Representative Director and Senior Executive Director Responsible for Risk Management, General Overseas Matters, Purchasing Headquarters, Corporate Planning, Public Relations and Investor Relations
Tetsuo Yamada	Representative Director and Senior Executive Director Responsible for Corporate Ethics, Finance, Secretary, Personnel, General Affairs, System, CSR Promotion, Legal, Pharmaceutical Affairs and Logistics Planning & Development
Mitsuharu Kachi	Executive Director Executive General Manager of International Division and Director of Oleochemicals Business Development Office
Keikichi Sugiyama	Executive Director Executive General Manager of Research & Development Headquarters and Responsible for Intellectual Property
Shuichi Ohta	Director Executive General Manager of Health Care Products Division and Responsible for Business Coordination
Itsuo Hama	Director Executive General Manager of Household Products Division, Responsible for Advertising, Behavioral Science Research, Distribution policy, Distribution Policy and Customer Development.
Takao Terui	Director Executive General Manager of Production Headquarters
Kiyotaka Abe	Director Executive General Manager of Chemicals Division
Mitsuaki Shimaguchi	External Director Professor of Hosei University Graduate Schools
Hideo Yamada	External Director Attorney at Law

(2) Corporate Auditor

Name	Position
Takayasu Kasamatsu	Standing Corporate Auditor
Yoshihiro Shimoura	Standing Corporate Auditor
Kazumi Idogawa	External Corporate Auditor (Certified Public Accountant)
Masahiro Mikami	External Corporate Auditor (Certified Tax Accountant)

(3) Substitute Corporate Auditor

Name	Position
Junzou Doi	Substitute Corporate Auditor (Certified Public Accountant)

(4) Executive Officer

Name	Position
Eiji Natsukawa	Managing Executive Officer Executive General Manager of Gift and Channel-Specific Products Division
Yuji Watari	Executive Officer Executive General Manager of Purchasing Headquarters
Kenjiro Kobayashi	Executive Officer Director of Planning & Coordination Department , Health Care Products Division
Shinjiro Iwahori	Executive Officer Director of Finance Department
Hiromichi Okuda	Executive Officer Assistant Executive General Manager of Household Products Division (Responsible for Sales Department)
Mamoru Komori	Executive Officer Assistant Executive General Manager of Health Care Products Division (Responsible for Sales Department) and Director of Sales Administration Department of Health Care Products Division