

## Summary of Financial Statements for the Year Ended December 31, 2009

February 10, 2010

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

Contact: Shinjiro Iwahori, Executive Officer, Director of Finance Department

Telephone: +81-3-3621-6211

Annual meeting of shareholders: March 30, 2010(plan)

Start date for payment of year end dividend: March 5, 2010(plan)

Filing of financial report: March 31, 2010(plan)

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

### 1. Consolidated Results for the Year Ended December 31, 2009

(January 1, 2009 – December 31, 2009)

#### (1) Consolidated Results

(Percentage figures denote year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2009	321,947	(4.8)	10,036	21.3	11,145	46.6	5,465	79.8
Fiscal 2008	338,236	(1.0)	8,277	(7.1)	7,603	(24.8)	3,040	(43.9)

	EPS	Diluted EPS	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Fiscal 2009	20.22	20.19	5.5	4.3	3.1
Fiscal 2008	11.23	11.22	3.0	2.8	2.4

Note: Equity in earnings of non-consolidated subsidiaries and affiliates: ¥1,156 million in FY 2009 and ¥193 million in FY 2008.

## (2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2009	256,220	103,624	39.2	371.50
Fiscal 2008	267,438	100,574	36.6	362.02

Note: Shareholders' equity: December 31, 2009: ¥100,415 million  
December 31, 2008: ¥97,847 million

## (3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal 2009	24,978	(13,669)	(11,658)	32,812
Fiscal 2008	15,183	(11,798)	(2,689)	33,098

## 2. Dividend

Record Date	Cash dividend per share / Yen					Total dividend paid (annual)	Payout ratio (consolidated)	Dividend/ Net assets (consolidated)
	First Quarter	Second Quarter	Third Quarter	Year-End	Annual	Millions of yen	%	%
Fiscal 2008	—	5.00	—	5.00	10.00	2,705	89.0	2.7
Fiscal 2009	—	5.00	—	5.00	10.00	2,703	49.5	2.7
Fiscal 2010 (plan)	—	5.00	—	5.00	10.00		49.1	

## 3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2010 (January 1, 2010 – December 31, 2010)

	Net sales		Operating income		Ordinary income		Net income		EPS
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim 2010	156,000	2.4	2,000	(8.0)	2,200	(22.4)	700	(33.6)	2.59
Fiscal 2010	330,000	2.5	10,000	(0.4)	10,500	(5.8)	5,500	0.6	20.35

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

## 4. Others

(1) Significant Change in Scope of Consolidation during Period: No

(2) Changes in accounting principles, procedures, disclosure methods, etc., pertaining to preparation of consolidated financial statements (those to be described in the section of Significant Accounting Policies for the Preparation of Consolidated Financial Statements):

a. Changes associated with revision in accounting standards: Yes

b. Other changes: No

Note: For more details, refer to “Qualitative Information and Financial Statements, Accounting Changes” on pages 30-31.

(3)Number of outstanding shares (common stock)

a. Number of outstanding shares on balance sheet dates (including treasury stocks):

As of December 31, 2009: 299,115,346 shares As of December 31, 2008: 299,115,346 shares

b. Number of treasury stocks on balance sheet date:

As of December 31, 2009: 28,817,278 shares As of December 31, 2008: 28,835,005 shares

Note: Please see “Per-Share Information” on page 35-36 regarding the number of shares used in calculating full-term consolidated net income per share.

**Reference: Summary of Non-consolidated Financial Statements**

**1. Non-consolidated Results for the Year Ended December 31, 2009**

**(January 1, 2009 – December 31, 2009)**

(1)Non-consolidated Results

(Percentage figures denote year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2009	255,691	(4.0)	5,877	17.4	7,740	17.5	4,132	42.1
Fiscal 2008	266,478	(0.2)	5,006	(1.0)	6,590	(35.2)	2,908	(42.8)

	EPS	Diluted EPS
	Yen	Yen
Fiscal 2009	15.29	15.27
Fiscal 2008	10.75	10.73

(2)Non-consolidated Financial Position

	Total assets	Net assets	Shareholders' equity to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2009	225,764	89,634	39.6	331.10
Fiscal 2008	241,061	88,536	36.7	327.17

Note: Shareholders' equity: December 31, 2009: ¥89,495 million  
December 31, 2008: ¥88,427 million

Appropriate use of business forecast; other special items

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

For more details, refer to “I. Overview of Results of Operations” on page 4-14.

## < Qualitative Information and Financial Statements >

### I. Overview of Results of Operations

#### 1. Qualitative Information Concerning the Consolidated Results of Operations

##### (1) Performance Overview for the Consolidated Fiscal Year (January 1, 2009 – December 31, 2009)

###### 1) Overall Performance

Despite signs of a recovery in personal consumption owing to fiscal expenditures made by the national government, the Japanese economy during the 2009 fiscal year remained in a severe situation due to such factors as an ongoing drop in corporate profits and consumer prices entering a period of moderate decline. All of these factors occurred against the backdrop of the global economic recession. At the same time, the domestic toiletries and the OTC drug industries—the Lion Group's main business domain—were faced with intensifying competition at the point-of-sale, causing operating conditions to remain severe.

In the wake of these operating conditions, the 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 this plan, Lion is taking steps to bolster its base for growth, consolidate its earnings platform and fulfill its role as a leading company in environmental responsiveness. In terms of bolstering its base for growth, Lion attained sales of slight increase in the domestic toiletries business by launching new, high-value-added products, expanding its product range, particularly in growing markets, as well as cultivating mainstay brands. Overseas, Lion took steps to expand sales through such initiatives as further cultivating common brands in each country and introducing products that exemplify Lion's proprietary technologies among brands unique to each country. Lion also implemented comprehensive cost-reduction measures that encompass product development, production and distribution, while striving to consolidate its earnings platform by continuing to reduce expenses in such areas as manufacturing and distribution.

Aiming to become a leading company in environmental responsiveness, Lion promoted ECO LION activities through such measures as reducing greenhouse gas emissions and developing environment-friendly products. In addition, the Company endeavored to expand its CSR activities primarily by supporting efforts to preserve aquatic environments and participating in the United Nations Global Compact.

As a result, the abovementioned initiatives, consolidated results for the period under review are as follows: a 4.8% decrease in net sales year on year to ¥321,947 million and a 2.4% fall year on year in real net sales, excluding the influence of exchange rate conversions. This was attributable to the negative impact sluggish industrial demand is having on the Chemical Products business, intensifying competition occurring in the Pharmaceutical Products division and the decreasing value of yen conversions on net sales at overseas subsidiaries due to exchange rate fluctuations. However, operating income increased 21.3% year on year to ¥10,036 million, ordinary income rose 46.6% to ¥11,145 million and net income climbed 79.8% to ¥5,465 million.

**<Consolidated Results>**

(Millions of yen)

	FY 2009	Ratio to net sales	FY 2008	Ratio to net sales	Increase/decrease	Change
Net sales	321,947		338,236		(16,288)	(4.8%)
Operating income	10,036	3.1%	8,277	2.4%	1,759	21.3%
Ordinary income	11,145	3.5%	7,603	2.2%	3,542	46.6%
Net income	5,465	1.7%	3,040	0.9%	2,425	79.8%

**2) Results by Business Segment**

**<Consolidated Business Segment>**

(Millions of yen)

	Net sales				Operating income			
	FY 2009	FY 2008	Increase/decrease	Change	FY 2009	FY 2008	Increase/decrease	Change
Health Care Products	136,833	136,384	449	0.3%	8,806	7,928	877	11.1%
Household Products	160,217	163,541	(3,324)	(2.0%)	2,476	725	1,751	241.6%
Chemical Products	22,127	31,474	(9,346)	(29.7%)	(1,328)	(605)	(722)	—
Others	2,768	6,836	(4,067)	(59.5%)	95	241	(146)	(60.6%)
Eliminations and corporate	—	—	—	—	(13)	(12)	(0)	—
Total	321,947	338,236	(16,288)	(4.8%)	10,036	8,277	1,759	21.3%

**<Consolidated Geographical Segment>**

(Millions of yen)

	Net sales				Operating income			
	FY 2009	FY 2008	Increase/decrease	Change	FY 2009	FY 2008	Increase/decrease	Change
Japan	276,277	290,241	(13,964)	(4.8%)	8,138	7,689	448	5.8%
Asia	45,670	47,995	(2,324)	(4.8%)	1,560	602	958	159.1%
Eliminations and corporate	—	—	—	—	337	(14)	352	—
Total	321,947	338,236	(16,288)	(4.8%)	10,036	8,277	1,759	21.3%

**3) Segment Information**

**<Health Care Products>**

(Millions of yen)

	FY 2009	Ratio to net sales	FY 2008	Ratio to net sales	Increase/decrease	Change
Net sales	136,833		136,384		449	0.3%
Operating income	8,806	6.4%	7,928	5.8%	877	11.1%

In the Health Care Business, net sales were ¥136,833 million, a rise of 0.3% year on year, while real net sales—excluding the influence of exchange rate conversions—increased 1.9% year on year. Operating income stood at ¥8,806 million (an increase of 11.1% year on year).

**<Net Sales of divisions>**

(Millions of yen)

	FY 2009	FY 2008	Increase/ decrease	Change
Oral Care Products Division	55,449	54,942	506	0.9%
Beauty Care Products Division	39,243	35,484	3,758	10.6%
Pharmaceutical Products Division	42,140	45,956	(3,815)	(8.3%)

**Oral Care Products Division**

In the Oral Care Products Division, Lion cultivated brands in the ¥10-billion brand Dentor Systema series as well as the Clinica series by releasing new, high-value-added products. At the same time, the Company focused on fostering the Dent-Health series.

In toothpastes, amidst robust sales for the Dent Health series—a highly functional product that prevents periodontal disease—Lion released Clinica Advantage, a product that improves tooth structure to prevent cavities and uses Vitamin E to maintain healthy gums. However, due to the impact of intensifying competition, overall sales remained flat compared with the previous fiscal year.

In toothbrushes, in addition to strong sales of the newly improved Dentor Systema toothbrush featuring super-tapered bristles and favorable customer reviews for the Dentor Systema “Sonic Assist” Brush (a lightweight product that features a low-noise design and uses sonic vibrations to completely remove grime deep within the periodontal pocket), overall sales increased substantially compared with the previous fiscal year.

In mouthwashes, owing to excellent sales of Dentor Systema EX Dental Rinse and Clinica Dental Rinse, overall sales jumped considerably year on year.

In dental products, sales of Brilliant more whitening toothpaste remained strong resulting in a slight increase in overall sales compared with the previous fiscal year.

Overseas, sales of toothbrushes in Thailand jumped significantly year on year, while sales of toothpastes and toothbrushes in China were strong growth. Despite a substantial increase in overall sales compared with the previous fiscal year, the effect of exchange rate fluctuations on yen conversions brought about a decrease in net sales.

As a result of the above, net sales for this division stood at ¥55,449 million, a 0.9% rise compared with the corresponding period of the previous fiscal year, while real net sales—excluding the influence of exchange rate conversions—increased 3.0% year on year.

**Beauty Care Products Division**

In the Beauty Care Products Division, Lion has focused on cultivating the KireiKirei brand series and has promoted the development of new markets through the release of such new products as PRO TEC HEAD.

In shampoo and conditioners, sales of the mainstay brand, Soft-in-One Shampoo and Conditioner, remained sluggish, causing overall sales to decrease year on year.

In hand soaps, amid a heightened awareness of the importance of hand washing due to the spread of the new H1N1 strain of influenza, sales of KireiKirei Medicated Foaming Hand Soap remained growth, while sales of KireiKirei Medicated Foaming Hand Sanitizer—which is easy to use, even without water—rose fourfold year on year. As a result, overall sales increased substantially compared with the previous fiscal year.

In antiperspirants and deodorants, Lion released PRO TEC STYLE Deodorant Mist—a product that controls odors specific to men in their 30s—while sales for Ban brand deodorant body sheets that wipe away perspiration remained strong growth. However, due to the impact of market shrinkage on mainstay powder spray, overall sales remained flat year on year.

Moreover, overall sales in the functional food product categories increased twofold owing strong sales year on year of the mail-order-sales-based product, Nicelim Essence Lactoferrin—a supplement that effectively delivers milk-derived lactoferrin to the intestines.

Overseas, sales of KireiKirei Hand Soap in Thailand and South Korea were robust. However, while overall sales increased considerably in the local currency compared with the previous fiscal year, real sales were weak year on year as a result of the impact of exchange rate fluctuations on yen conversions.

As a result of the above, net sales for this division stood at ¥39,243 million, a 10.6% increase compared with the corresponding period of the previous fiscal year, while real net sales—excluding the influence of exchange rate conversions—increased 13.2% year on year.

### **Pharmaceutical Products Division**

In the Pharmaceutical Products Division, Lion made efforts to improve the product lineup of the mainstay BUFFERIN brand, while cultivating the Smile and PAIR brands.

In analgesics, in addition to the release of BUFFERIN PLUS S, the new rapidly dissolving analgesic that displays superior, fast-acting effectiveness for intense headaches and fevers and has received favorable reviews from customers, BUFFERIN Luna experienced healthy sales. This product provides quick relief of menstrual cramps and headaches. However, due to the impact of intensifying competition on the sales of Lion's mainstay brand, BUFFERIN A, overall sales decreased compared with the previous fiscal year.

In eyedrops, although sales of the Smile Contact series were flat, sales of Lion's mainstay Smile 40EX were robust. Consequently, overall sales rose slightly compared with the previous fiscal year.

In tonics and nutrients, due to the impact of intensifying competition concerning the Guronsan and New Guromont health tonic drink brands, overall year-on-year sales declined.

In insecticides, despite the release of the new fumigation-type product, Varsan CPM Jet, the impact of intensifying competition resulted in a decrease in sales compared with the previous fiscal year.

Moreover, year-on-year sales increased significantly owing to favorable customer reviews of PAIR A Tablets, an oral medicine for improving adult acne and rough skin.

As a result of the above, net sales for this division stood at ¥42,140 million, a 8.3% decrease

compared with the previous fiscal year.

### Principal New Products

Clinica Advantage

Dentor Systema “Sonic Assist” Brush

KireiKirei Medicated Foaming Hand Soap featuring a muscat grape scent

BUFFERIN PLUS S

### <Household Products>

(Millions of yen)

	FY 2009	Ratio to net sales	FY 2008	Ratio to net sales	Increase/ decrease	Change
Net sales	160,217		163,541		(3,324)	(2.0%)
Operating income	2,476	1.5%	725	0.4%	1,751	241.6%

In the Household Products Business, net sales totaled ¥160,217 million, a decrease of 2.0% year on year, while real net sales—excluding the influence of exchange rate conversions—increased 1.5% year on year. Operating income increased 241.6% year on year to ¥2,476 million due to a reduction in manufacturing and distribution costs and a drop in raw material prices.

### <Net Sales of division>

(Millions of yen)

	FY 2009	FY 2008	Increase/ decrease	Change
Fabric Care Products Division	113,926	116,572	(2,646)	(2.3%)
Living Care Products Division	46,290	46,969	(678)	(1.4%)

### Fabric Care Products Division

In the Fabric Care Products Division, Lion released new products under the mainstay TOP brand for the expanding liquid laundry detergent market, while cultivating the fabric softener brand, SOFLAN, which features an augmented lineup of products.

In laundry detergents, year-on-year sales for liquid laundry detergents rose significantly compared with the previous fiscal year owing to favorable customer reviews for TOP Clear Liquid, a new product that completely removes the invisible grime that causes odors and dullness, and Kaori Tsuzuku (Long-Lasting Fragrance) TOP Sweet Harmony. However, in powdered laundry detergents, while BLUE DIA experienced excellent sales, Lion’s mainstay brand, TOP, recorded sluggish sales. Consequently, overall laundry detergent sales decreased year on year.

In bleaches, due to the impact of intensifying competition on Lion’s mainstay Temanashi Bright brand as well as the Chokko Bright brand, overall year-on-year sales decreased.

In fabric softeners, owing to favorable sales for Kaori to Deodorant no SOFLAN (SOFLAN with Fragrance and Deodorant)—featuring the new fragrance, “Blue Rose Aroma”—overall sales climbed compared with the previous fiscal year.

Overseas, strong growth of sales was recorded for laundry detergents in Thailand and South Korea. However, while overall sales increased substantially in the local currency compared with the previous fiscal year, sales decreased year on year as a result of the impact of exchange rate fluctuations on yen conversions.

As a result of the above, net sales for this division stood at ¥113,926 million, a 2.3% decrease compared with the previous fiscal year, while real net sales—excluding the influence of exchange rate conversions—increased 1.8% year on year.

### **Living Care Products Division**

In the Living Care Products Division, Lion strengthened the product lineup of its mainstay brand, CHARMY, while making an effort to cultivate the REED series of cooking-aid products to promote healthy and balanced eating habits.

In dishwashing detergents, year-on-year sales of the CHARMY Awa no Chikara (Power of Suds) series—which features the new fragrance, “Fresh Lemon”—and the dishwasher detergent, CHARMY Crysta Powder, remained strong growth. Consequently, overall sales largely increased compared with the previous fiscal year.

In household cleaners, amid steady sales for Ofuro no LOOK (bath cleaner), Lion released improved LOOK Noko (Strong & Effective) Pipeman and LOOK Kirei no Mist. However, overall sales decreased year on year due to the impact of intensifying competition.

In cooking-aid products, due to the effect of intensifying competition for REED Healthy-Cooking Paper and REED Healthy-Cooking Sheet, overall sales decreased year on year.

Overseas, Lion’s dishwashing detergents enjoyed strong growth of sales in Thailand and South Korea. However, while overall sales increased considerably in the local currency compared with the previous fiscal year, sales decreased year on year as a result of the impact of exchange rate fluctuations on yen conversions.

As a result of the above, net sales for this division stood at ¥46,290 million, a fall of 1.4% compared with the corresponding period of the previous fiscal year, while real net sales—excluding the influence of exchange rate conversions—increased 0.8% year on year.

### **Principal new products**

TOP Clear Liquid

Kaori Tsuzuku (Long-Lasting Fragrance) TOP Sweet Harmony

Kaori to Deodorant no SOFLAN (Soflan with Fragrance and Deodorant) – “Blue Rose Aroma”  
fragrance

CHARMY Crysta Powder

CHARMY Awa no Chikara (Power of Suds) – “Fresh Lemon” fragrance

<Chemical Products>

(Millions of yen)

	FY 2009	Ratio to net sales	FY 2008	Ratio to net sales	Increase/decrease	Change
Net sales	22,127		31,474		(9,346)	(29.7%)
Operating income	(1,328)	—	(605)	—	(722)	—

In the Chemical Products Business, net sales totaled ¥22,127 million, a decrease of 29.7% year on year, and operating loss came to ¥1,328 million, compared with an operating loss of ¥605 million recorded during previous fiscal year.

The Chemical Products Business continued to face a severe operating environment due to sluggish industry demand. Under these conditions, the Chemical Products Division focused on nurturing highly functional products, while making efforts to readjust the product portfolio. Through these and other initiatives, Lion strived to enhance profitability.

In activators derived from fats and oils, sales of surfactants for detergents and cosmetics and fatty acid methyl esters used in food additives in Japan, as well as fatty acid methyl esters used in the production of alcohol overseas, remained stagnant. As a result, overall sales in this category decreased compared with the previous fiscal year.

In electro-conductive carbon, sales of compound raw materials for semiconductor casings and used in secondary batteries in Japan remained sluggish, resulting in a decrease in overall sales in this category compared to the previous fiscal year.

<Others>

(Millions of yen)

	FY 2009	Ratio to net sales	FY 2008	Ratio to net sales	Increase/decrease	Change
Net sales	2,768		6,836		(4,067)	(59.5%)
Operating income	95	3.4%	241	3.5%	(146)	(60.6%)

In the Others Businesses, net sales decreased 59.5% year on year to ¥2,768 million due to a fall in the number of completions of works in its construction contractor business. In addition, operating income totaled ¥95 million, a fall of 60.6% compared with the previous fiscal year.

(2) Outlook for Fiscal 2010

<Consolidated>

(Millions of yen)

	FY 2010 forecast	FY 2009	Increase/decrease	Change
Net sales	330,000	321,947	8,052	2.5%
Operating income	10,000	10,036	(36)	(0.4%)
Ordinary income	10,500	11,145	(645)	(5.8%)
Net income	5,500	5,465	34	0.6%

EPS (yen)	20.35	20.22	0.13	0.6%
-----------	-------	-------	------	------

Despite signs of a recovery of corporate profits in certain sectors, Lion recognizes that ongoing uncertainty in the Japanese economy will continue. This is primarily attributable to the continuing severity of employment conditions. Operating conditions for the domestic toiletries industry—the Lion Group's main business domain—are forecasted to remain severe primarily due to such factors as slumping consumer spending and intensifying competition at the point-of-sale.

Based on these conditions, the Lion Group will introduce new products mainly in growth markets, both in Japan and overseas, while taking steps to invest in proactive marketing activities and bolster sales activities at the point-of-sale. These actions will be undertaken with the aim of increasing the Group's corporate value.

In the Health Care Product Business, Lion will invest heavily in such products as toothpastes, toothbrushes and analgesics in mainstay brands, while offering customers new value by releasing new products. Through these measures, Lion is forecasting a year-on-year increase in sales.

In the Household Products Business, Lion will release new, high-value-added liquid laundry detergents in growth markets and take steps to cultivate these products through proactive advertising campaigns. As a result of these initiatives, Lion forecasts a year-on-year rise in sales.

In both the Chemical Products Business and Others Businesses, net sales for fiscal 2009 decreased due to the impact of slumping industrial demand. However, Lion expects net sales to increase year on year as a result of an expected recovery in demand during fiscal 2010.

As a result of the aforementioned initiatives, Lion expects consolidated net sales in fiscal 2010 to total ¥330,000 million, a 2.5% increase from fiscal 2009. On the earnings front, Lion forecasts that operating income will fall 0.4% to ¥10,000 million, ordinary income will decline 5.8% to ¥10,500 million and net income will rise 0.6% to ¥5,500 million.

(Preconditions for the Estimated Figures in Outlook for Fiscal 2010)

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

¥93 = US\$1.00

¥2.7 = 1.00 baht

## 2. Qualitative Information Concerning Consolidated Financial Status

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

#### <Consolidated Financial Status >

	FY 2009	FY 2008	Increase/ decrease
Total assets (millions of yen)	256,220	267,438	(11,217)
Net assets (millions of yen)	103,624	100,574	3,050
Shareholders' equity to total assets <sup>*1</sup> (%)	39.2	36.6	2.6p
Net assets per share <sup>*2</sup> (yen)	371.50	362.02	9.48

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

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

Total assets fell ¥11,217 million compared to the previous fiscal year, to ¥256,220 million. This is primarily attributable to a reduction in notes and accounts receivable-trade and intangible assets. Net assets increased ¥3,050 million year on year to ¥103,624 million. Net assets to total assets stood at 39.2%.

## (2) Status of Cash Flows

### <Consolidated Cash Flows>

(Millions of yen)

	FY 2009	FY 2008	Increase/ decrease
Net cash provided by (used in) operating activities	24,978	15,183	9,795
Net cash provided by (used in) investment activities	(13,669)	(11,798)	(1,871)
Net cash provided by (used in) financing activities	(11,658)	(2,689)	(8,968)
Effect of exchange rate change on cash and cash equivalents	63	(815)	879
Net increase (decrease) in cash and cash equivalents	(285)	(121)	(164)
Cash and cash equivalents at end of period	32,812	33,098	(285)

Net cash provided by operating activities, where there was an increase in income before income taxes and minority interests, increased ¥24,978 million owing to reductions in notes and accounts receivable-trade and inventories.

Net cash used in investment activities decreased to ¥13,669 million. Major components of this were outflows for purchases of property, plant and equipment and investment securities.

Net cash used in financing activities decreased to 11,658 million, due to repayment of long-term loans payable.

As a result of the above, cash and cash equivalents as of December 31, 2009, decreased ¥285 million to ¥32,812 million compared with the end of the previous fiscal year.

## (3) Forecast of Fiscal 2010 Consolidated Cash Flows

In cash flows from operating activities, Lion projects income before income taxes of approximately ¥9.5 billion. Lion estimates depreciation and amortization changes of about ¥13.0 billion.

In cash flows from investment activities, Lion plans to undertake capital expenditures totaling ¥8.0 billion during 2010.

The cash flows used in financing activities are expected to be about ¥9.5 billion because of the payment of dividend and repayment of loans payable.

Based on these projections, Lion estimates that cash and cash equivalents at the end of fiscal 2010 will increase approximately ¥5.0 billion year on year.

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

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Shareholders' equity to total assets (%)	43.8	41.3	37.1	36.6	39.2
Shareholders' equity to total assets on a market value basis (%)	85.8	66.1	51.8	49.0	47.8
Debt redemption (years)	9.8	7.5	3.6	3.8	1.9
Interest coverage ratio	7.1	12.2	36.4	13.3	23.2

(Notes)

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 the "closing stock price as of the end of the term" multiplied by "the number of outstanding stocks as of the end of the term" (after the deduction of treasury stocks).

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

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

### 3. Basic Policy on the Distribution of Earnings and Cash Dividend for Fiscal 2009-2010

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 4, 2009) and year-end dividend of ¥5 per share (payment date: March 5, 2010) for fiscal 2010.

With regard to dividends to be paid in fiscal 2010, Lion plans to maintain both the interim and year-end dividend at ¥5 per share for an annual dividend of ¥10, in accordance with its basic policy.

### 4. Business Risks

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

Forward-looking statements are based on decisions made by the Lion Group as of February 10, 2010.

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 and packaging as well as respective displays and text.

In the event of an unforeseen and serious problem with product quality, however, the affected product and all products made by the Lion Group may lose their perceived value. This may adversely affect the Lion Group's management performance and financial status.

(2) Changes in raw material prices

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

(3) Exchange rate fluctuations

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

(4) Major lawsuits

As of December 31, 2009, 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, 25 subsidiaries (including 21 consolidated subsidiaries and two non-consolidated equity-method subsidiaries), and 13 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 Corporation (Hong Kong) 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 Corporation (Hong Kong) 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.



## 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	2	5	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	6	7	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	—	4	None	Human resources services	Lease of office space
Lion Dental Products Co., Ltd.	Sumida-ku, Tokyo	10	Health care products	100.0	—	6	None	Sale of merchandises and finished products	Lease of office space
Lion Trading Co., Ltd.	Sumida-ku, Tokyo	240	Household products	100.0	3	4	None	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	6	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	1	7	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	3	None	Rental, dealing, and brokerage of real estate, and insuring	Rental of part of office space
*2 Lion Field Marketing Co., Ltd.	Sumida-ku, Tokyo	50	Health care products Household products	100.0	2	8	None	Sales promotion activities	Lease of part of office space
Lion Logistics Service Company, Ltd.	Sumida-ku, Tokyo	40	Other businesses	100.0	3	7	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	—	4	Loans	Sale of merchandises and finished products	Lease of part of office space
*2 Leo Field Promotions Co., Ltd.	Sumida-ku, Tokyo	50	Health care products Household products	100.0	2	8	None	Sales promotion activities	Lease of part of office space

Lion Corporation (Code 4912): Summary of Financial Statements  
for the Year Ended December 31, 2009

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	78.3	3	5	Loans	Sale of merchandises and finished products and purchase of raw materials and merchandises	—
Lion Corporation (Hong Kong) 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	*3 100.0 (100.0)	—	3	None	—	—
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	95.0	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	1	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	4	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	2	None	Purchase of fatty acid nitrogen derivatives	Lease of part of office space
Ketjen Black International Company	Sumida-ku, Tokyo	50	Chemical products	*4 — [66.6]	1	2	None	Purchase of antistatic agents and carbon	—
Calp Corporation	Chiyoda-ku, Tokyo	100	Chemical products	50.0	3	2	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. Leo Field Promotions Co., Ltd. (hereafter "LEO") and Lion Field Marketing Co., Ltd. (hereafter "LFM") merged on January, 2010, with LEO, the surviving company following the merger, changing its name to LFM.

\*3. The voting shares of Lion Advertising Ltd. are held by Lion Corporation (Hong Kong) Ltd.

\*4. The voting shares of Ketjen Black International Company are held by Lion Akzo Co., Ltd.

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

6. 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 holds that it is the market where everything starts, the Lion Group is striving to provide customers with products and services that offer increased satisfaction in 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, while 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 its corporate value with the goal of reaching a consolidated ROE of 10%.

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

Aiming to increase corporate value, the Lion Group has unveiled the following three visions upon which its business will be developed.

- (1) To strengthen the Group's growth foundation in order to become a leading company in the new comfortable lifestyle support industry
- (2) To become a leading company in environmental responsiveness
- (3) To promote a dynamic corporate culture

Efforts to preserve the global environment are becoming a worldwide trend. In light of this phenomenon, Lion believes that values that emphasize quality of life—as illustrated in healthy and comfortable lifestyles that promote long-term physical and mental well being—will continue to spread in Japan, a country experiencing a declining birthrate and an aging population. In response to these increasing needs, the Lion Group will take steps to demonstrate its strengths by combining the toiletries and over-the-counter (OTC) drugs business domains; strengthen its product development capabilities to continue to provide new value to customers in terms of health, comfort and the environment; and bolster brand cultivation initiatives.

Furthermore, Lion will work to strengthen the Group's overall growth capability by promoting the development of common brands in each country in Asia. The Lion Group will also promote global environmental responsiveness in every facet of its business activities with the purpose of contributing to the realization of a sustainable, recycling-oriented society.

By furthering the above initiatives, Lion aims to be a company that plays a role in facilitating comfortable lifestyles of people in the three business domains that form the new comfortable lifestyle support industry: household products, OTC drugs and functional foods.

#### **4. Management Issues**

The business environment in which the Lion Group operates is expected to remain severe. Under these circumstances, Lion will address various challenges in its aim to become the leading company in the new comfortable lifestyle support industry. These challenges include cultivating brands over the medium to long term in Japan and expanding businesses in each Asian country, while prioritizing investment to

foster growth, with the awareness that such actions support the establishment of the Group's earnings platforms. Lion also recognizes the importance of making constant efforts to achieve its objective of implementing progressive responses in promoting corporate social responsibility in areas that include environmental consciousness.

The Lion Group will further promote measures related to the following three themes.

- (1) To strengthen the Group's growth foundation
- (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 the Group's growth foundation," Lion considers it indispensable to enhance brand value. To this end, Lion will focus its efforts on brand cultivation through the following measures: Upgrade product planning and development systems that place a priority on increasing customer satisfaction; maintain sales systems that promote brand cultivation over the medium to long term in response to changing distribution structures; and undertake proactive investment in marketing activities in growth markets. Lion also plans to further expand its businesses in each country in Asia, where demand is expected to increase, through such initiatives as actively introducing Lion's proprietary technologies and conducting marketing that utilizes local expertise.

In tackling the second challenge, "To establish a platform for realizing stable profits," the Group deems it necessary to develop a strong earnings structure in recognition of future instability in raw material prices and further intensification of competition at the point-of-sale. Consequently, Lion will promote increased cost-reduction measures that focus on manufacturing expenses, while working to streamline such areas as sales expenses.

Concerning the third challenge "To expand and deepen activities that will position and raise awareness of Lion as a leading company in environmental responsiveness," the Group will actively promote ECO Lion environmental protection activities in such areas as reducing greenhouse gas emissions to help realize a low-carbon society and maintaining environmentally friendly operations, from raw materials procurement to product disposal. The Group will implement its Three-Year Medium-Term Environmental Plan ("the Environmental Plan") from 2010 onward to achieve targets set in accordance with 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 a variety of activities to preserve the environment, thereby contributing significantly to the realization of a sustainable, recycling-oriented society.

## IV. Consolidated Financial Reporting Statements

### 1. Consolidated Balance Sheets

(Millions of yen)

	Fiscal 2008 (Ended December 31, 2008)	Fiscal 2009 (Ended December 31, 2009)
<b>Assets</b>		
Current assets		
Cash and deposits	33,318	31,387
Notes and accounts receivable-trade	58,455	52,440
Short-term investments	—	1,667
Merchandise and finished goods	18,135	17,076
Work in process	2,377	2,234
Raw materials and supplies	5,810	5,856
Deferred income tax	2,531	4,355
Other	1,525	1,358
Allowance for doubtful accounts	(150)	(122)
Total current assets	122,003	116,254
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	61,134	63,266
Accumulated depreciation	(40,099)	(41,308)
Buildings and structures, net	21,034	21,957
Machinery, equipment	113,811	115,585
Accumulated depreciation	(96,740)	(100,350)
Machinery equipment and vehicles, net	17,070	15,235
Land	18,496	18,283
Lease assets	—	823
Accumulated depreciation	—	(245)
Lease assets, net	—	577
Construction in progress	4,154	3,817
Other	18,026	18,509
Accumulated depreciation	(15,309)	(15,533)
Other, net	2,717	2,975
Total property, plant and equipment	63,473	62,846
Intangible assets		
Patent rights and other	769	641
Right of trademark	30,720	26,803
Other	1,207	914
Total intangible assets	32,697	28,359
Investments and other assets		
Investment securities	19,256	24,053
Long-term loans receivable	179	134
Prepaid pension cost	18,163	16,507
Deferred income tax	10,396	6,863
Other	1,341	1,252
Allowance for doubtful accounts	(72)	(52)
Investments and other assets	49,264	48,758
Total noncurrent assets	145,434	139,965
Total assets	267,438	256,220

	Fiscal 2008 (Ended December 31, 2008)	Fiscal 2009 (Ended December 31, 2009)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	46,918	39,825
Short-term loans payable	6,213	6,151
Current portion of long-term loans payable	8,300	6,050
Accounts payable-other and accrued expenses	34,971	35,330
Income taxes payable	1,216	1,258
Provision for bonuses	—	1,829
Provision for sales returns	1,039	764
Provision for sales promotion expenses	216	285
Provision for directors' bonuses	118	209
Other	2,112	2,201
Total current liabilities	101,105	93,907
Noncurrent liabilities		
Long-term loans payable	39,050	33,000
Provision for retirement benefits	21,657	20,204
Provision for directors' retirement benefits	290	290
Other	4,760	5,193
Total noncurrent liabilities	65,758	58,688
Total liabilities	166,864	152,595
<b>Net assets</b>		
Shareholders' equity		
Capital stock	34,433	34,433
Capital surplus	31,499	31,499
Retained earnings	49,657	52,099
Treasury stock	(15,868)	(15,851)
Total shareholders' equity	99,723	102,181
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,060	747
Deferred gains or losses on hedges	(24)	1
Foreign currency translation adjustment	(2,912)	(2,514)
Total valuation and translation adjustments	(1,875)	(1,765)
Subscription rights to shares	109	138
Minority interests	2,617	3,070
Total net assets	100,574	103,624
Total liabilities and net assets	267,438	256,220

## 2. Consolidated statements of Income

(Millions of yen)

	Fiscal year Ended December 31, 2008	Fiscal year Ended December 31, 2009
Net sales	338,236	321,947
Cost of sales	157,523	136,619
Gross profit	180,712	185,327
Selling, general and administrative expenses	172,435	175,290
Operating income	8,277	10,036
Non-operating income		
Interest income	111	64
Dividends income	385	336
Equity in earnings of affiliates	193	1,156
Commission fee	234	37
Royalty income	—	204
Foreign exchange gains	—	54
Other	455	505
Total non-operating income	1,379	2,357
Non-operating expenses		
Interest expenses	1,134	1,038
Foreign exchange losses	196	—
Other	722	210
Total non-operating expenses	2,053	1,248
Ordinary income	7,603	11,145
Extraordinary income		
Reversal of allowance for doubtful accounts	859	46
Gain on sales of investment securities	—	12
Total extraordinary income	859	58
Extraordinary loss		
Loss on disposal of noncurrent assets	263	337
Impairment loss	78	724
PCB disposal cost	—	195
Loss on valuation of investment securities	2,032	152
Other	—	100
Total extraordinary losses	2,373	1,509
Income before income taxes and minority interests	6,088	9,694
Income taxes-current	1,475	1,594
Income taxes-deferred	1,349	2,160
Total income taxes	2,825	3,755
Minority interests in income	222	473
Net income	3,040	5,465

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

(Millions of yen)

	Fiscal year Ended December 31, 2008	Fiscal year Ended December 31, 2009
Shareholders' equity		
Common stock		
Balance at end of previous term	34,433	34,433
Changes during term in review		
Total changes during term in review	—	—
Balance at end of term in review	34,433	34,433
Capital surplus		
Balance at end of previous term	31,505	31,499
Changes during term in review		
Disposal of treasury stock	(6)	—
Total changes during term in review	(6)	—
Balance at end of term in review	31,499	31,499
Retained earnings		
Balance at end of previous term	49,344	49,657
Change due to change in accounting treatment for overseas subsidiaries	—	(308)
Changes during term in review		
Distribution of retained earnings	(2,706)	(2,702)
Net income	3,040	5,465
Disposal of treasury stock	(19)	(12)
Total changes during term in review	313	2,750
Balance at end of term in review	49,657	52,099
Treasury stock		
Balance at end of previous term	(15,727)	(15,868)
Changes during term in review		
Acquisition of treasury stock	(366)	(36)
Disposal of treasury stock	225	52
Total changes during term in review	(141)	16
Balance at end of term in review	(15,868)	(15,851)
Total shareholders' equity		
Balance at end of previous term	99,556	99,723
Change due to change in accounting treatment for overseas subsidiaries	—	(308)
Changes during term in review		
Distribution of retained earnings	(2,706)	(2,702)
Net income	3,040	5,465
Acquisition of treasury stock	(366)	(36)
Disposal of treasury stock	199	40
Total changes during term in review	166	2,766
Balance at end of term in review	99,723	102,181

(Millions of yen)

	Fiscal year Ended December 31, 2008	Fiscal year Ended December 31, 2009
Valuation/translation gains or losses		
Net unrealized gains or losses on securities		
Balance at end of previous term	3,524	1,060
Changes during term in review		
Changes during term not related to shareholders' equity (net)	(2,463)	(312)
Total changes during term in review	(2,463)	(312)
Balance at end of term in review	1,060	747
Deferred hedging gains or losses		
Balance at end of previous term	(10)	(24)
Changes during term in review		
Changes during term not related to shareholders' equity (net)	(13)	25
Total changes during term in review	(13)	25
Balance at end of term in review	(24)	1
Translation adjustments		
Balance at end of previous term	500	(2,912)
Changes during term in review		
Changes during term not related to shareholders' equity (net)	(3,412)	397
Total changes during term in review	(3,412)	397
Balance at end of term in review	(2,912)	(2,514)
Total valuation/translation gains or losses		
Balance at end of previous term	4,014	(1,875)
Changes during term in review		
Changes during term not related to shareholders' equity (net)	(5,890)	110
Total changes during term in review	(5,890)	110
Balance at end of term in review	(1,875)	(1,765)
Stock acquisition rights		
Balance at end of previous term	74	109
Changes during term in review		
Changes during term not related to shareholders' equity (net)	35	28
Total changes during term in review	35	28
Balance at end of term in review	109	138
Minority interests		
Balance at end of previous term	3,894	2,617
Changes during term in review		
Changes during term not related to shareholders' equity (net)	(1,277)	453
Total changes during term in review	(1,277)	453
Balance at end of term in review	2,617	3,070

Lion Corporation (Code 4912): Summary of Financial Statements  
for the Year Ended December 31, 2009

(Millions of yen)

	Fiscal year Ended December 31, 2008	Fiscal year Ended December 31, 2009
Total net assets		
Balance at end of previous term	107,540	100,574
Change due to change in accounting treatment for overseas subsidiaries	—	(308)
Changes during term in review		
Distribution of retained earnings	(2,706)	(2,702)
Net income	3,040	5,465
Acquisition of treasury stock	(366)	(36)
Disposal of treasury stock	199	40
Changes during term not related to shareholders' equity (net)	(7,132)	592
Total changes during term in review	(6,966)	3,359
Balance at end of term in review	100,574	103,624

#### 4. Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	Fiscal year Ended December 31, 2008	Fiscal year Ended December 31, 2009
<b>Net cash provided by (used in) operating activities</b>		
Income before income taxes and minority interests	6,088	9,694
Depreciation and amortization	12,444	12,425
Impairment loss	78	724
Increase (decrease) in provision for bonuses	—	1,491
Increase (decrease) in provision for retirement benefits	(5,347)	163
Interest and dividends income	(496)	(400)
Interest expenses	1,134	1,038
Loss (gain) on disposal of noncurrent assets	263	337
Loss (gain) on valuation of investment securities	2,032	152
Equity in (earnings) losses of affiliates	(193)	(1,156)
Decrease (increase) in notes and accounts receivable-trade	414	6,432
Decrease (increase) in inventories	(272)	1,396
Increase (decrease) in notes and accounts payable-trade	3,977	(7,337)
Increase (decrease) in accounts payable-other and accrued expenses	(620)	909
Increase (decrease) in other current liabilities	(2,974)	55
Decrease (increase) in other current assets	420	200
Other, net	(150)	368
Subtotal	16,797	26,497
Interest and dividends income received	1,265	1,143
Interest expenses paid	(1,144)	(1,076)
Income taxes paid	(1,735)	(1,584)
Net cash provided by (used in) operating activities	15,183	24,978
<b>Net cash provided by (used in) investment activities</b>		
Decrease (increase) in time deposits	95	14
Purchases of property, plant and equipment	(10,459)	(8,462)
Proceeds from sales of property, plant and equipment	29	70
Purchase of intangible assets	(104)	(52)
Purchase of investment securities	(1,335)	(5,286)
Proceeds from sales of investment securities	3	35
Purchase of investments in subsidiaries	(1)	(3)
Payments of loans receivable	(59)	(24)
Collection of loans receivable	71	59
Other, net	(37)	(19)
Net cash provided by (used in) investment activities	(11,798)	(13,669)

	Fiscal year Ended December 31, 2008	Fiscal year Ended December 31, 2009
<b>Net cash provided by (used in) financing activities</b>		
Increase in short-term loans payable	8,890	7,670
Decrease in short-term loans payable	(7,233)	(7,851)
Repayment of long-term loans payable	(1,195)	(8,300)
Purchase of odd-lot shares, net	(285)	—
Purchase of treasury stock	—	(36)
Proceeds from disposal of treasury stock	74	37
Cash dividends paid	(2,698)	(2,710)
Cash dividend to minority shareholders	(242)	(207)
Other, net	—	(260)
Net cash provided by (used in) financing activities	(2,689)	(11,658)
<b>Effect of exchange rate change on cash and cash equivalents</b>	(815)	63
<b>Net increase (decrease) in cash and cash equivalents</b>	(121)	(285)
<b>Cash and cash equivalents at beginning of period</b>	33,219	33,098
<b>Cash and cash equivalents at end of period</b>	33,098	32,812

## Accounting Changes

### (1)Applying Accounting Standard for Measurement of Inventories

Effective the year ended December 31, 2009, the Company and its consolidated subsidiaries have adopted "Accounting Standard for Measurement of Inventories"(Accounting Standards Board of Japan ("ASBJ") Statement No.9, issued July 5, 2006). Measurement method of inventories held for sale in the ordinary course of business has changed from stating at cost to stating mainly at cost. In case that the net selling value falls below the cost at the end of the fiscal period, inventories shall be carried at the net selling value on the balance sheet, regarded as decreased profitability of assets. The impact of adopting the new standard on income and loss was immaterial for the year ended December 31, 2009.

### (2) Applying "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements"

Effective January 1, 2009, the Company has adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements"(ASBJ Practical Issues Task Force No.18, issued May 17,2006) and the necessary modifications have been made in the consolidated process. Retained earnings declined by ¥308 million at beginning of the fiscal period by the adoption of this practical issues task force. The impact of adopting the new standard on income and loss was immaterial for the year ended December 31, 2009.

### (3)Applying accounting standard for lease transaction

Previously, the Company and its domestic consolidated subsidiaries treated lease transactions that do not transfer ownership as operating leases. Effective the year ended December 31 ,2009, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Lease Transactions"(ASBJ Statement No.13, issued March 30, 2007; revised from standard originally issued by the Corporate Accounting Council on June 17, 1993) and "Guidance on Accounting Standard for Lease Transactions"(ASBJ Guidance No.16, issued March 30, 2007; revised from the standard originally issued by the Japanese Institute of Certified Public Accountants on January 18, 1994).

Accordingly, finance leases that are deemed to transfer ownership of the leased property to the lessee continue to be capitalized as under the former accounting standards, and all finance lease transactions shall be capitalized with recognizing lease assets and lease obligations. Lease assets are

depreciated by the straight-line method over the lease period without residual value. There was no impact of adopting the revised standards on income and loss for the year ended December 31, 2009.

## 5. Segment Information

### (1) Business Segments

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

(Millions of yen)

	Fiscal 2008 (January 1 to December 31, 2008)						
	Health Care Products	Household Products	Chemical Products	Others	Total	Eliminations and corporate	Consolidated total
1. Net sales and operating income/loss							
Net sales							
a) Sales to external customers	136,384	163,541	31,474	6,386	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(loss)	7,928	725	(605)	241	8,289	[12]	8,277
2. Assets, depreciation and amortization, impairment loss, and capital participations							
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
Loss on impairment of fixed assets	14	64	—	—	78	—	78
Capital expenditures	3,713	3,711	3,555	360	11,341	375	11,717

#### Notes:

##### 1. Categorization of business segments and principal products

Business 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: Plant construction, real estate management, and transportation and storage

##### 2. Assets, which include eliminations and corporate, totaled ¥40,269 million. This is principally made up of assets and deferred tax assets related to administrative operations.

##### 3. Additional information

Property, plant and equipment is calculated using the straight-line method

Effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries changed their method of depreciation based on an amendment to the Corporation Tax Law of Japan for tangible fixed assets acquired on or prior to March 31, 2007. Such tangible fixed assets are to be depreciated based on the difference between the equivalent of 5% of acquisition cost and memorandum value over a period of five years once they have been fully depreciated to the limits of their respective depreciable amounts, effective April 1, 2007.

As a result of applying this method in comparison with conventional methods, in Health Care Products Business, operating expenses increased by ¥297 million, operating income decreasing by the same amount. In Household Products Business, operating expenses rose by ¥317 million, operating income falling by the same amount. For Chemical Products Business, operating expenses and operating loss both increased by ¥182 million. In addition, the impact of applying this method to the Others Businesses have been minor in terms of operating expenses and operating income.

Consolidated Results for the Year Ended December 31, 2009 (January 1, 2009 – December 31, 2009)  
(Millions of yen)

	Fiscal 2009 (January 1 to December 31, 2009)						
	Health Care Products	Household Products	Chemical Products	Others	Total	Eliminations and corporate	Consolidated total
1. Net sales and operating income/loss							
Net sales							
a) Sales to external customers	136,833	160,217	22,127	2,768	321,947	—	321,947
b) Intersegment sales	18	115	7,930	7,946	16,011	[16,011]	—
Total	136,852	160,332	30,058	10,715	337,959	[16,011]	321,947
Operating expenses	128,046	157,855	31,386	10,620	327,908	[15,998]	311,910
Operating income(loss)	8,806	2,476	(1,328)	95	10,050	[13]	10,036
2. Assets, depreciation and amortization, impairment loss, and capital participations							
Assets	105,056	79,360	37,465	2,952	224,834	31,386	256,220
Depreciation and amortization	7,032	4,183	777	94	12,088	336	12,425
Loss on impairment of fixed assets	261	355	104	—	721	2	724
Capital expenditures	3,174	3,067	1,410	36	7,688	280	7,969

Notes:

1. Categorization of business segments and principal products

Business 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: Activators and electro-conductive carbon
- Other: Plant construction, real estate management, and transportation and storage

2. Assets, which include eliminations and corporate, totaled ¥40,213 million. This is principally made up of assets and deferred tax assets related to administrative operations.

(2)Geographical Segments

Consolidated Results for the Year Ended December 31, 2008 (January 1, 2008 – December 31, 2008)  
(Millions of yen)

	Fiscal 2008 (January 1 to December 31, 2008)				
	Japan	Asia	Total	Eliminations and corporate	Consolidated total
1. Net sales and operating income/loss					
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
2. Total assets	215,643	21,539	237,183	30,254	267,438

Notes:

1. Countries and regions have been grouped in accordance with geographic proximity.
2. The key countries and regions grouped as countries other than Japan are as listed below.  
Asia: China, South Korea and Thailand
3. Assets, which include eliminations and corporate, totaled ¥40,269 million. This is principally made up of assets and deferred tax assets related to administrative operations.
4. Additional information

Property, plant and equipment is calculated using the straight-line method

Effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries changed their method of depreciation based on an amendment to the Corporation Tax Law of Japan for tangible fixed assets acquired on or prior to March 31, 2007. Such tangible fixed assets are to be depreciated based on the difference between the equivalent of 5% of acquisition cost and memorandum value over a period of five years once they have been fully depreciated to the limits of their respective depreciable amounts, effective April 1, 2007.

As a result of applying this method in comparison with conventional methods, in Japan, operating expenses increased by ¥799 million, operating income decreasing by the same amount. In addition, segments outside of Japan are not affected by the application of this method.

Consolidated Results for the Year Ended December 31, 2009 (January 1, 2009 – December 31, 2009)  
(Millions of yen)

	Fiscal 2009 (January 1 to December 31, 2009)				
	Japan	Asia	Total	Eliminations and corporate	Consolidated total
1. Net sales and operating income/loss					
Net sales					
a) Sales to external customers	276,277	45,670	321,947	—	321,947
b) Intersegment sales	856	1,142	1,999	[1,999]	—
Total	277,134	46,813	323,947	[1,999]	321,947
Operating expenses	268,995	45,252	314,248	[2,337]	311,910
Operating income	8,138	1,560	9,699	337	10,036
2. Total assets	200,087	24,994	225,081	31,139	256,220

Notes:

1. Countries and regions have been grouped in accordance with geographic proximity.
2. The key countries and regions grouped as countries other than Japan are as listed below.  
Asia: China, South Korea and Thailand
3. Assets, which include eliminations and corporate, totaled ¥40,213 million. This is principally made up of assets and deferred tax assets related to administrative operations.

(3) Overseas sales

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

	Asia	Other regions	Total
Overseas sales (millions of yen)	50,117	2,926	53,043
Consolidated net sales (millions of yen)	—	—	338,236
Percent of overseas sales in consolidated net sales (%)	14.8	0.9	15.7

Notes:

1. Countries and regions have been grouped in accordance with 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, North America and others
3. Overseas sales include sales of Lion and its consolidated subsidiaries in countries and regions other than Japan.

Consolidated Results for the Year Ended December 31, 2009 (January 1, 2009 – December 31, 2009)

	Asia	Other regions	Total
Overseas sales (millions of yen)	46,988	1,204	48,192
Consolidated net sales (millions of yen)	—	—	321,947
Percent of overseas sales in consolidated net sales (%)	14.6	0.4	15.0

Notes:

1. Countries and regions have been grouped in accordance with 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, North America and others
3. Overseas sales include sales of Lion and its consolidated subsidiaries in countries and regions other than Japan.

## V. Per Share Information

	FY 2008 (January 1 to December 31, 2008)	FY 2009 (January 1 to December 31, 2009)
Net assets per share	362.02 Yen	371.50 Yen
EPS	11.23 Yen	20.22 Yen
Diluted EPS	11.22 Yen	20.19 Yen

### Basis for Calculations

#### 1. Amount of Net Assets Per Share

Item	Fiscal year Ended December 31, 2008	Fiscal year Ended December 31, 2009
Total amount of net assets in Consolidated Financial Reporting Statements (Millions of yen)	100,574	103,624
Amount of net assets related to common stock (Millions of yen)	97,847	100,415
Principal breakdown of balances (Millions of yen)		
Subscription rights	109	138
Minority interest	2,617	3,070
Number of outstanding shares of common stock (Thousands of shares)	299,115	299,115
Numbers of shares of treasury stock as common stock (Thousands of shares)	28,835	28,817
Number of shares of common stock that are calculated based on the amount of net assets per share (Thousands of shares)	270,280	270,298

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

	FY 2008 (January 1 to December 31, 2008)	FY 2009 (January 1 to December 31, 2009)
EPS		
Net income (millions of Yen)	3,040	5,465
Amount not belong to common stockholders (millions of Yen)	—	—
Net Income concerning common stock (millions of Yen)	3,040	5,465
Average number of outstanding shares during the period (thousands of shares)	270,644	270,299
Diluted EPS		
Net income adjustment (millions of Yen)	—	—
Increase in number of common stocks (thousands of shares)	290	360
Of which, stock options (thousands of shares)	290	360
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) 628,000 shares of common stocks</p> <p>Stock options resolved by the Ordinary Annual General Meeting of Shareholders held on March 30, 2006 (Subscription Rights) 950,000 shares of common stocks</p>	—

## VI. 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 30, 2010)

There is no change.

##### 2) Promoted Directors (March 30, 2010)

Name	New Title	Current Title
Itsuo Hama	Executive Director	Director

##### 3) Retiring Directors (March 30, 2010)

Name	Current Title	Current Position
Mitsuharu Kachi	Executive Director	Assistant to President, President of Lion Eco Chemicals Sdn. Bhd.

The president of Lion Eco Chemicals Sdn. Bhd. will continue to serve in this position following his resignation.

New management structure after March 30, 2010 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, International Division, Purchasing Headquarters and Corporate Planning
Tetsuo Yamada	Representative Director and Senior Executive Director Responsible for Corporate Ethics, Finance, Secretary, System, Legal, Pharmaceutical Affairs and Logistics Planning & Development
Keikichi Sugiyama	Executive Director Executive General Manager of Research & Development Headquarters and Responsible for Intellectual Property
Itsuo Hama	Executive Director Responsible for Health Care Products Division, Household Products Division, Gift and Channel-Specific Products Division, Advertising, Behavioral Science Research, Distribution Policy and Customer Development.

Shuichi Ohta	Director Responsible for Corporate Communication (Public Relations, Consumer Service , CSR Promotion), Personnel, General Affairs and Investor Relations and President of Lion Business Service Co., Ltd.
Takao Terui	Director Responsible for Production Headquarters and Business Coordination
Kiyotaka Abe	Director Responsible for 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
Yuji Watari	Executive Officer, Senior Executive General Manager of Purchasing Headquarters
Kenjiro Kobayashi	Executive Officer, Senior Executive General Manager of International Division
Shinjiro Iwahori	Executive Officer Director of Finance Department
Shozo Hanada	Executive Officer Executive General Manager of Gift and Channel-Specific Products Division

Kazuhiro Yokoyama	Executive Officer Executive General Manager of Chemicals Division
Eiji Kudou	Executive Officer Executive General Manager of Production Headquarters
Masazumi Kikukawa	Executive Officer Executive General Manager of Household Products Division
Takeo Sakakibara	Executive Officer Executive General Manager of Health Care Products Division