

Summary of Financial Statements for the Year Ended December 31, 2010

February 10, 2011

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: Yoshiaki Kamao, Director of Finance Department

Telephone: +81-3-3621-6211

Annual meeting of shareholders: March 30, 2011(plan)

Start date for payment of year end dividend: March 4, 2011(plan)

Filing of financial report: March 31, 2011(plan)

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

1. Consolidated Results for the Year Ended December 31, 2010

(January 1, 2010 – December 31, 2010)

(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 2010	331,100	2.8	10,500	4.6	11,795	5.8	6,041	10.5
Fiscal 2009	321,947	(4.8)	10,036	21.3	11,145	46.6	5,465	79.8

	EPS	Diluted EPS	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Fiscal 2010	22.41	22.37	6.0	4.6	3.2
Fiscal 2009	20.22	20.19	5.5	4.3	3.1

Note: Equity in earnings of non-consolidated subsidiaries and affiliates: ¥1,186 million in FY 2010 and ¥1,156 million in FY 2009.

(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 2010	260,939	105,760	39.3	382.18
Fiscal 2009	256,220	103,624	39.2	371.50

Note: Shareholders' equity: December 31, 2010: ¥102,601 million
December 31, 2009: ¥100,415 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 2010	25,518	(5,310)	(8,293)	44,582
Fiscal 2009	24,978	(13,669)	(11,658)	32,812

2. Dividend

Record Date	Cash dividends per share / Yen					Total dividend paid (annual)	Payout ratio (consolidated)	Dividend/ Net assets (consolidated)
	First Quarter	Second Quarter	Third Quarter	Year-End	Annual	Millions of yen	%	%
Fiscal 2009	—	5.00	—	5.00	10.00	2,703	49.5	2.7
Fiscal 2010	—	5.00	—	5.00	10.00	2,694	44.6	2.7
Fiscal 2011 (plan)	—	5.00	—	6.00	11.00		45.4	

Note: Forecasted year-end dividends for fiscal 2011 are broken down into regular dividends of ¥5.00 and the 120th Anniversary Commemorative Dividend of ¥1.00.

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2011 (January 1, 2011 – December 31, 2011)

	Net sales		Operating income		Ordinary income		Net income		EPS
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim 2011	160,000	2.7	3,000	8.9	3,500	4.2	2,000	26.4	7.45
Fiscal 2011	340,000	2.7	11,000	4.8	12,000	1.7	6,500	7.6	24.21

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 page 30.

(3)Number of outstanding shares (common stock)

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

As of December 31, 2010: 299,115,346 shares As of December 31, 2009: 299,115,346 shares

b. Number of treasury stocks on balance sheet date:

As of December 31, 2010: 30,647,350 shares As of December 31, 2009: 28,817,278 shares

Note: Please see “Per-Share Information” on page 35 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, 2010

(January 1, 2010 – December 31, 2010)

(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 2010	255,760	0.0	6,142	4.5	7,802	0.8	5,848	41.5
Fiscal 2009	255,691	(4.0)	5,877	17.4	7,740	17.5	4,132	42.1

	EPS	Diluted EPS
	Yen	Yen
Fiscal 2010	21.69	21.66
Fiscal 2009	15.29	15.27

(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 2010	224,991	92,098	40.9	342.40
Fiscal 2009	225,764	89,634	39.6	331.10

Note: Shareholders' equity: December 31, 2010: ¥91,924 million
December 31, 2009: ¥89,495 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 that include but are not limited to economic conditions, the competitive environment and currency exchange fluctuations. 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, 2010 – December 31, 2010)

1) Overall Performance

During the 2010 fiscal year, the recovery of the Japanese economy began to weaken despite improvements, primarily in corporate profits, and signs of a recovery in personal consumption. This was the result of such factors as a gradual decline in consumer prices and stagnant exports on the back of the strengthening of the yen during the second half.

At the same time, the domestic toiletries and the OTC drug industries—the Lion Group's main business domains—were faced with intensifying competition in stores, causing operating conditions to remain severe.

In the wake of these harsh operating conditions, the Lion Group took steps to bolster its growth base and maintain a stable earnings platform with the aim of improving corporate value. At the same time, the Group undertook activities to reach its goal of being the leading company in environmental friendliness.

The Group bolstered its growth base by cultivating mainstay brands both in Japan and overseas with the objective of improving the value of its brands. In Japan, the Group released new, high-value-added products in growth markets that include super-concentrated liquid laundry detergents. At the same time, Lion conducted aggressive marketing activities such as making a full-scale entry into the combination cold medicine market. Overseas, the Group promoted the strategic cultivation of products to increase sales. Such activities involved marketing high-value-added common global brands in combination with original local brands that meet particular regional needs. In terms of maintaining its earnings platform, the Group worked in unison to increase profitability by undertaking cost-reduction measures in areas that include manufacturing and distribution efficiency.

Regarding initiatives that help achieve its aim of being a leading company in environmental friendliness, the Group promoted Eco Lion activities, which are initiatives intended to protect the environment. These activities included the formulation of the Group's Three-Year Medium-Term Environmental Plan, which contains new greenhouse gas emission reduction targets, and participation in the Challenge 25 Campaign, a national movement for the prevention of global warming promoted by Japan's Ministry of the Environment.

Consequently, consolidated results for the period under review are as follows: There was a 2.8% increase in net sales year on year to ¥331,100 million. Turning to profits, Lion recorded an operating income of ¥10,500 million (a 4.6% rise year on year), an ordinary income of ¥11,795 million (a 5.8% improvement year on year) and a net income of ¥6,041 million (a 10.5% increase year on year).

<Consolidated Results>

(Millions of yen)

	FY 2010	Ratio to net sales	FY 2009	Ratio to net sales	Increase/decrease	Change
Net sales	331,100		321,947		9,153	2.8%
Operating income	10,500	3.2%	10,036	3.1%	463	4.6%
Ordinary income	11,795	3.6%	11,145	3.5%	649	5.8%
Net income	6,041	1.8%	5,465	1.7%	575	10.5%

2) Results by Business Segment

<Consolidated Business Segment>

(Millions of yen)

	Net sales				Operating income			
	FY 2010	FY 2009	Increase/decrease	Change	FY 2010	FY 2009	Increase/decrease	Change
Health Care Products	133,660	136,833	(3,173)	(2.3%)	6,462	8,806	(2,343)	(26.6%)
Household Products	165,699	160,217	5,481	3.4%	4,487	2,476	2,010	81.2%
Chemical Products	25,065	22,127	2,937	13.3%	(988)	(1,328)	340	—
Others	6,676	2,768	3,907	141.1%	574	95	479	503.3%
Eliminations and corporate	—	—	—	—	(36)	(13)	(22)	—
Total	331,100	321,947	9,153	2.8%	10,500	10,036	463	4.6%

<Consolidated Geographical Segment>

(Millions of yen)

	Net sales				Operating income			
	FY 2010	FY 2009	Increase/decrease	Change	FY 2010	FY 2009	Increase/decrease	Change
Japan	280,890	276,277	4,613	1.7%	9,511	8,138	1,372	16.9%
Asia	50,210	45,670	4,540	9.9%	633	1,560	(926)	(59.4%)
Eliminations and corporate	—	—	—	—	355	337	17	5.2%
Total	331,100	321,947	9,153	2.8%	10,500	10,036	463	4.6%

3) Segment Information

<Health Care Products>

(Millions of yen)

	FY 2010	Ratio to net sales	FY 2009	Ratio to net sales	Increase/decrease	Change
Net sales	133,660		136,833		(3,173)	(2.3%)
Operating income	6,462	4.8%	8,806	6.4%	(2,343)	(26.6%)

Net sales for the Health Care Products Business declined 2.3% year on year to ¥133,660 million while operating income fell 26.6% year on year to ¥6,462 million.

<Net Sales of divisions> (Millions of yen)

	FY 2010	FY 2009	Increase/ decrease	Change
Oral Care Products Division	58,925	55,449	3,475	6.3%
Beauty Care Products Division	34,331	39,243	(4,912)	(12.5%)
Pharmaceutical Products Division	40,403	42,140	(1,737)	(4.1%)

Oral Care Products Division

In the Oral Care Products Division, Lion released the new toothpaste brand, *platus*, while making efforts to cultivate the mainstay brand series, *Dentor Systema*, *Clinica* and *Dent-Health*.

In toothpastes, Lion's mainstay brand, *Dentor Systema* experienced a substantial year-on-year jump in sales, while *Dent Health*—a highly functional product that prevents periodontal disease—experienced favorable sales. In addition, the new, high-value-added medicated whitening toothpaste, *platus creamy up paste*, has garnered favorable customer reviews. As a result, overall sales increased compared with the previous fiscal year.

In toothbrushes, sales of Lion's mainstay product series, *Dentor Systema* and *Clinica*, rose considerably year on year. At the same time, the children's product, *KODOMO toothbrush*, featuring a new character, experienced favorable sales. Consequently, overall sales rose substantially compared with the previous fiscal year.

In mouthwashes, sales of the *Dentor Systema EX Dental Rinse* brand were steady, while *Dentor Systema Haguki (the gums) Plus Dental Rinse*, the new milky-type dental rinse with medicinal ingredients that remain on the gums longer, enjoyed high customer ratings. As a result, overall sales increased considerably year on year.

In dental products marketed to dental clinics, sales of the mainstay *DENT.EX Interdental Brush* remained strong. Consequently, overall sales improved substantially compared with the previous fiscal year.

Overseas, sales of *Systema*-brand toothbrushes in Thailand and China remained favorable, leading to a significant jump in overall sales year on year.

As a result of the above, net sales for this division stood at ¥58,925 million, a 6.3% rise compared with the previous fiscal year.

Beauty Care Products Division

In the Beauty Care Products Division, Lion has focused on cultivating the *KireiKirei* series and *Ban* brand antiperspirants and deodorants, with *Ban* featuring an augmented product lineup.

In shampoo and conditioners, despite the release of *Soft in 1 Shampoo Silkie*, a new product that is effective in repairing damaged hair, overall sales fell year on year due to the impact of intensifying competition.

In hand soaps, Lion released *portable size KireiKirei Medicated Foaming Hand Sanitizer*, a new product that is easy to use anytime, anywhere, even without water. However, overall sales decreased year on year because the spread of the new H1N1 strain of influenza subsided.

In antiperspirants and deodorants, although sales of *Ban Refresh Shower Sheets*, a product that

wipes away perspiration, were strong, the impact of intensifying competition on Lion's mainstay powder sprays caused overall sales to decline compared with the previous fiscal year.

Moreover, overall sales in the functional food product categories jumped substantially compared with the previous fiscal year owing to strong sales of the mail-order-sales-based product, *Nicelim Essence Lactoferrin*—a supplement that effectively delivers milk-derived lactoferrin to the intestines.

Overseas, sales of *Shokubutsu-Monogatari*-brand body soap in Thailand were robust. Consequently, overall sales rose considerably compared with the previous fiscal year.

As a result of the above, net sales for this division stood at ¥34,331 million, a 12.5% decrease compared with the previous fiscal year.

Pharmaceutical Products Division

In the Pharmaceutical Products Division, amid market shrinkage in the OTC drug market, Lion cultivated such mainstay brands as *Smile* and *Varsan*, as it released combination cold medicines under the *BUFFERIN* brand.

In analgesics, despite favorable sales of *BUFFERIN PLUS S* and *BUFFERIN Luna*, overall sales fell year on year due to the impact of intensifying competition on the sales of *BUFFERIN A*. In addition, Lion made a full-scale entry into the combination cold medicine market through the release of *BUFFERIN "Kaze (Cold)" EX*. Owing to its aggressive marketing activities, this new product has garnered favorable customer reviews.

In eyedrops, despite the release of *Smile 40EX GOLD*—a new product that effectively relieves the discomfort of eye fatigue and blurred vision—overall sales declined compared with the previous fiscal year because of the effect of market shrinkage on sales of the *Smile Contact* series.

In tonics and nutrients, sales of the *Guronsan* and *New Guromont* health tonic drink brands were affected by intensifying competition. As a result, overall year-on-year sales declined.

In insecticides, Lion released *Mizu De Hajimeru (Starts with Water) Varsan Pro EX*, the most effective fumigation-type product within the *Varsan* product series, to favorable customer ratings. Despite this, overall sales fell compared with the previous fiscal year due to the impact of shrinking markets.

As a result of the above, net sales for this division stood at ¥40,403 million, a decrease of 4.1% compared with the previous fiscal year.

Principal New Products

platius creamy up paste

Between Ultra Compact / Toothbrush

KODOMO toothbrush

Smile 40EX GOLD

BUFFERIN "Kaze (Cold)" EX

Mizu De Hajimeru (Starts with Water) Varsan Pro CPM

<Household Products>

(Millions of yen)

	FY 2010	Ratio to net sales	FY 2009	Ratio to net sales	Increase/decrease	Change
Net sales	165,699		160,217		5,481	3.4%
Operating income	4,487	2.7%	2,476	1.5%	2,010	81.2%

Net sales for the Household Products Business improved 3.4% year on year to ¥165,699 million while operating income surged 81.2% year on year to ¥4,487 million due to a decrease in manufacturing and distribution expenses.

<Net Sales of division>

(Millions of yen)

	FY 2010	FY 2009	Increase/decrease	Change
Fabric Care Products Division	120,488	113,926	6,562	5.8%
Living Care Products Division	45,210	46,290	(1,080)	(2.3%)

Fabric Care Products Division

In the Fabric Care Products Division, Lion made an effort to cultivate its mainstay brands primarily by releasing the new, super-concentrated liquid laundry detergents, *TOP NANOX* and *Super-Concentrated Kaori Tsuzuku (Long-Lasting Fragrance) TOP*, while augmenting its product lineup of fabric softeners with *Kaori to Deodorant no SOFLAN (SOFLAN with Fragrance and Deodorant)*.

In laundry detergents, the new super-concentrated liquid laundry detergent *TOP NANOX* (which uses a plant-based, high detergency ingredient to effectively breakdown and remove sebum, the source of stubborn odors, at the nano level) and *Super-Concentrated Kaori Tsuzuku (Long-Lasting Fragrance) TOP* (a new liquid laundry detergent that is blended with fabric softener) both received favorable customer reviews amid an expansion of the liquid laundry detergent market. At the same time, improved *ACRON*, which gently cleans clothing that is worn frequently, experienced steady sales. Consequently, overall sales increased substantially compared with the previous fiscal year.

In bleaches, *Sterilizing & Antibacterial Bright W*—a new laundry bleach that effectively cleans away worrisome germs and noticeable odors from laundry washed in recycled bath water—received good customer ratings, leading to a significant jump in overall sales compared with the previous fiscal year.

In fabric softeners, *Kaori to Deodorant no SOFLAN (SOFLAN with Fragrance and Deodorant) Aroma Rich*—a new product that delivers rich and long-lasting fragrances to help clothing retain a deep, luxurious scent—garnered favorable customer reviews. As a result, overall sales were steady compared with the last fiscal year despite intensifying competition.

Overseas, favorable sales were recorded for laundry detergents in Thailand, a market in which Lion has been actively marketing new products. Consequently, overall sales rose substantially year on year.

As a result of the above, net sales for this division stood at ¥120,488 million, an increase of 5.8% compared with the previous fiscal year.

Living Care Products Division

In the Living Care Products Division, Lion focused on expanding the product lineup of *CHARMY* dishwashing detergents while cultivating *LOOK* household cleaners and *REED* cooking-aid products.

In dishwashing detergents, Lion recorded strong sales of *CHARMY Awa no Chikara (Power of Suds) Hand Premium*—a new addition to the *CHARMY Awa no Chikara* product lineup, which features high detergency while being extremely soft on the skin—and *CHARMY Crysta* dishwasher detergent. This result occurred despite the impact of intensifying competition. Consequently, overall sales rose slightly compared with the previous fiscal year.

In household cleaners, despite steady sales of *Toire no LOOK Deodorizing EX* (toilet bowl cleaner), sales of *Ofuro no LOOK* (bath cleaner) were affected by growing competition. As a result, overall sales declined year on year.

In cooking-aid products, the effect of market shrinkage on the sales of *REED Healthy-Cooking Paper* caused overall sales to drop compared with the previous fiscal year.

Overseas, sales of dishwashing detergents in Thailand and South Korea were sluggish, leading to a decline in overall sales compared with the previous fiscal year.

As a result of the above, net sales for this division stood at ¥45,210 million, a decrease of 2.3% compared with the previous fiscal year.

Principal new products

TOP NANOX

Super-Concentrated Kaori Tsuzuku (Long-Lasting Fragrance) TOP

ACRON

Sterilizing & Antibacterial Bright W

Kaori to Deodorant no SOFLAN (SOFLAN with Fragrance and Deodorant) Aroma Rich

CHARMY Awa no Chikara (Power of Suds) Hand Premium

Ofuro no LOOK (bath cleaner)

<Chemical Products>

(Millions of yen)

	FY 2010	Ratio to net sales	FY 2009	Ratio to net sales	Increase/decrease	Change
Net sales	25,065		22,127		2,937	13.3%
Operating income	(988)	—	(1,328)	—	340	—

In the Chemical Products Business, net sales totaled ¥25,065 million, a rise of 13.3% year on year. Turning to operating income, Lion recorded an operating loss of ¥988 million, compared with an operating loss of ¥1,328 million for the previous fiscal year.

Amid a recovery of industrial demand, Lion focused on cultivating highly functional products and undertaking cost-reduction measures in order to improve the profitability of the Chemical Products Business.

Sales were strong of activators derived from oil and fats and used as raw materials for detergents and food additives domestically and to make cosmetics overseas. As a result, overall sales in this

category rose significantly compared with the previous fiscal year.

Sales of electro-conductive carbon for use in automobile components, secondary batteries and electronic components were strong. Consequently, overall sales in this category jumped considerably year on year.

<Others>

(Millions of yen)

	FY 2010	Ratio to net sales	FY 2009	Ratio to net sales	Increase/decrease	Change
Net sales	6,676		2,768		3,907	141.1%
Operating income	574	8.6%	95	3.4%	479	503.3%

In the Others Businesses, net sales surged 141.1% year on year to ¥6,676 million due to favorable operations in the construction contractor business. In addition, Lion recorded an operating income totaling ¥574 million, a 503.3% jump compared with the previous fiscal year.

(2) Qualitative Information Concerning the Forecast of Consolidated Financial Results

<Consolidated>

(Millions of yen)

	FY 2011 forecast	FY 2010	Increase/decrease	Change
Net sales	340,000	331,100	8,899	2.7%
Operating income	11,000	10,500	499	4.8%
Ordinary income	12,000	11,795	204	1.7%
Net income	6,500	6,041	458	7.6%

EPS (yen)	24.21	22.41	1.8	8.1%
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During the 2011 fiscal year, the Japanese economy is expected to remain uncertain, despite an ongoing recovery of corporate profits, due to severe employment conditions and price instability for raw materials. Lion expects that conditions in the domestic toiletries industry—the Lion Group's main business domain—will be harsh because of sluggish consumer spending and a further intensification of competition in stores.

Under these circumstances, the Group will introduce new products in key businesses in Japan and overseas while focusing on cultivating Lion brands by undertaking aggressive marketing activities. Such initiatives are intended to increase Lion's corporate value.

In the Health Care Products Business, Lion will release new products primarily in its mainstay toothpaste, toothbrush, and antiperspirant and deodorant brands while engaging in aggressive advertising activities. In addition, Lion will make efforts to strengthen its mainstay brands by cultivating combination cold medicines, a business it entered last year.

In the Household Products Business, Lion will cultivate its products by promoting such efforts in the growing market for liquid laundry detergents and by releasing new, high-value-added products in the household cleaner market.

In the Chemical Products Business, Lion aims to increase sales of its mainstay, highly functional products related primarily to activators derived from oil and fats and electro-conductive carbon.

As a result, consolidated results for fiscal 2011 are projected as follows: Net sales of ¥340,000 million (a 2.7% increase year on year), an operating income of ¥11,000 million (a 4.8% rise year on year), an ordinary income of ¥12,000 million (a 1.7% improvement year on year) and a net income of ¥6,500 million (a 7.6% increase year on year).

(Preconditions for the Estimated Figures in Outlook for Fiscal 2011)

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

¥85 = US\$1.00

¥2.8 = 1.00 baht

(Note)

Effective from first quarter of the consolidated fiscal year ending December 31, 2011, the Lion Group has applied the "Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, March 27, 2009) and "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, March 21, 2009). Consequently, reported segments will change from the current Health Care Products Business, Household Products Business, Chemical Products Business and Others Businesses to the Consumer Products, Industrial Products, Overseas and Others businesses.

2. Qualitative Information Concerning Consolidated Financial Status

(1) Status of Assets, Liabilities, Net Assets

<Consolidated Financial Status >

	FY 2010	FY 2009	Increase/ decrease
Total assets (millions of yen)	260,939	256,220	4,718
Net assets (millions of yen)	105,760	103,624	2,135
Shareholders' equity to total assets ^{*1} (%)	39.3	39.2	0.1
Net assets per share ^{*2} (yen)	382.18	371.50	10.68

*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 rose ¥4,718 million compared with the previous consolidated fiscal year-end to ¥260,939 million. This is primarily attributable to an increase in short-term investment securities and inventories. Net assets increased ¥2,135 million year on year to ¥105,760 million. Shareholders' equity to total assets stood at 39.3%.

(2) Status of Cash Flows

<Consolidated Cash Flows>

(Millions of yen)

	FY 2010	FY 2009	Increase/ decrease
Net cash provided by (used in) operating activities	25,518	24,978	539
Net cash provided by (used in) investment activities	(5,310)	(13,669)	8,359
Net cash provided by (used in) financing activities	(8,293)	(11,658)	3,364
Effect of exchange rate change on cash and cash equivalents	(146)	63	(209)
Net increase (decrease) in cash and cash equivalents	11,769	(285)	12,055
Cash and cash equivalents at end of period	44,582	32,812	11,769

Net cash provided by operating activities totaled ¥25,518 million. Major components of this increase in cash flow were a rise in income before income taxes, notes and accounts payable-trade and accounts payable-other.

Net cash used in investment activities totaled ¥5,310 million. Major components of this fall in cash flows were outflows for the purchases of property, plant and equipment and investment securities.

Net cash used in financing activities totaled ¥8,293 million. Major components of this decline in cash flow were the repayment of long-term loans payable.

As a result of the above, cash and cash equivalents as of December 31, 2010 increased ¥11,769 million to ¥44,582 million compared with the consolidated fiscal year ended December 31, 2009.

(3) Forecast of Fiscal 2010 Consolidated Cash Flows

In cash flows from operating activities, Lion projects income before income taxes of approximately ¥11,000 million. Lion estimates depreciation and amortization changes of about ¥13,000 million.

In cash flows from investment activities, Lion plans to undertake capital expenditures totaling ¥11,500 million during fiscal 2011.

The cash flows used in financing activities are expected to be about ¥9,500 million 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 2011 will increase approximately ¥3,000 million year on year.

(4) Changes in cash flow indicators

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Shareholders' equity to total assets* ¹ (%)	41.3	37.1	36.6	39.2	39.3
Shareholders' equity to total assets on a market value basis* ² (%)	66.1	51.8	49.0	47.8	45.6
Debt redemption (years) * ³	7.5	3.6	3.8	1.9	1.8
Interest coverage ratio* ⁴	12.2	36.4	13.3	23.2	30.0

(Notes)

*¹ Shareholders' equity to total assets: Net assets / Total assets

*² Shareholders' equity to total assets on a market value basis: Value of shares / Total assets

*³ Debt redemption (years): Interest-bearing liabilities / Cash flows from operating activities

*⁴ Interest coverage ratio: Cash flows from operating activities / Interest payment

* All the indicators are based on consolidated financial data.

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

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

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

3. Basic Policy on the Distribution of Earnings and Cash Dividends for Fiscal 2010 and Fiscal 2011

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 3, 2010) and a year-end dividend of ¥5 per share (payment date: March 4, 2011) for fiscal 2010.

With regard to dividends to be paid in fiscal 2011, Lion plans to maintain both the interim and year-end dividend at ¥5 per share each. Lion also plans to pay an additional year-end dividend of ¥1 per share year on year to commemorate the 120th anniversary of the Company's founding, which will occur in October 2011. Consequently the total annual dividend is expected to be ¥11 per share.

4. Business Risks

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

Forward-looking statements are based on decisions made by the Lion Group as of February 10, 2011.

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, 2010, 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

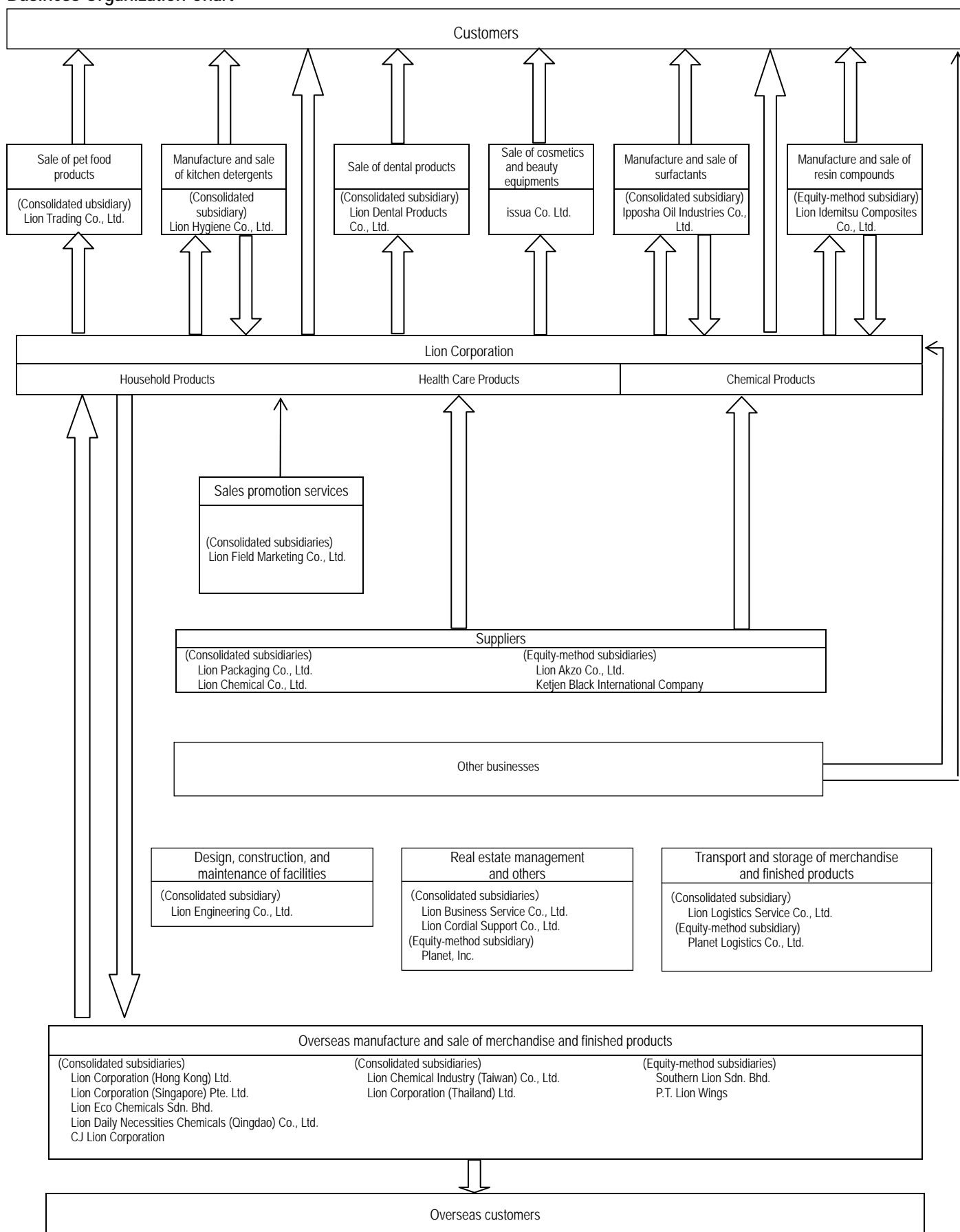
The Lion Group consists of Lion Corporation, 25 subsidiaries (including 21 consolidated subsidiaries and two non-consolidated equity-method subsidiaries), and 12 affiliates (including eight equity-method affiliates). Principal business activities consist of the manufacture and sale of health care products, 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. 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. Ipposha Oil Industries 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

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 Lion Idemitsu Composites Co., Ltd.
		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.
		Overseas affiliates	Lion Service Co., Ltd.

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	2	7	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	3	11	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	1	6	None	Sale of merchandises and finished products	Lease of office space
Lion Trading Co., Ltd.	Sumida-ku, Tokyo	240	Household products	100.0	1	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	1	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	1	7	None	Purchase of materials and merchandises	Rental of part of office space and lease of part of land
Lion Business Service Co., Ltd.	Sumida-ku, Tokyo	490	Other businesses	100.0	1	4	None	Rental, dealing, and brokerage of real estate, and insuring	Rental of part of office space and land
Lion Field Marketing Co., Ltd.	Sumida-ku, Tokyo	50	Health care products Household products	100.0	1	8	None	Sales promotion activities	Lease of part of office space
Lion Logistics Service Company, Ltd.	Sumida-ku, Tokyo	40	Other businesses	100.0	2	8	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	—	6	Loans	Sale of merchandises and finished products	Lease of part of office space

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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	100.0	2	6	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	—	4	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	—	4	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 Eco Chemicals Sdn. Bhd.	Malaysia	Thousands of M\$ 90,000	Chemical products	100.0	—	3	None	—	—
Lion Daily Necessities Chemicals (Qingdao) Co., Ltd.	China	Millions of yen 723	Health care products Household products	95.0	—	6	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	—	5	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	—	5	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	6	None	Sale of merchandises and finished products and purchase of merchandises	—
Lion Service Co., Ltd.	Thailand	Thousands of baht 7,000	Other businesses	*3 49.0 (49.0)	—	—	None	—	—

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	*4 — [66.6]	1	3	None	Purchase of antistatic agents and carbon	—
Lion Idemitsu Composites Co., Ltd.	Taito-ku, Tokyo	100	Chemical products	50.0	2	3	None	Purchase of special synthetic resin compounds	—
Planet Logistics Co., Ltd.	Sumida-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	—	3	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	—	4	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 Corporation (Hong Kong) Ltd.

*3. The voting shares of Lion Service Co., Ltd. are held by Lion Corporation (Thailand) 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 one small-scale equity-method affiliate.

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

3. Medium and Long-term Management Strategies

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 friendliness
- (3) To promote a dynamic corporate culture

Efforts to preserve the global environment are expanding worldwide. In light of this phenomenon, Lion believes that needs related to quality of life—as illustrated in healthy and comfortable lifestyles that promote long-term physical and mental well-being—will continue to increase 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 undertaking strategic brand development in Asia to expand its business operations. The Lion Group will also promote global environmental friendliness 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, the Group will further promote measures related to the following three themes in order to realize the aforementioned three visions.

- (1) To strengthen the Group's growth base
- (2) To enhance environmental conservation initiatives
- (3) To revitalize Lion's organizational culture

In its efforts “To strengthen the Group’s growth base,” Lion is fully aware of the challenges related to cultivating brands in the medium to long term as well as the ongoing growth of overseas businesses in Asia, a region forecasted to experience increasing demand. To this end, Lion will continue to focus its efforts on product development with the aim of improving brand value and its customer communication functions. Lion also plans to further expand its businesses in each country in Asia through such initiatives as strengthening its production capabilities, introducing Lion’s proprietary technologies and conducting marketing that is responsive to local lifestyles.

In tackling the second challenge, “To enhance environmental conservation initiatives,” the Group will actively promote ECO Lion environmental protection activities, which include maintaining environmentally friendly operations, from the procurement of raw materials to product disposal. Such initiatives will be undertaken to achieve the objectives of Lion’s Three-Year Medium-Term Environmental Plan. Moreover, Lion will further expand environmental management operations overseas in addition to its efforts in such areas as reducing greenhouse gas emissions and effectively utilizing water resources. Regarding the manufacture and sales of the plant-based surfactant methyl ester sulfonate (MES) in Malaysia, Lion is redoubling its efforts to expand its supply system and engage in related marketing activities. The Group will continue to conduct a variety of activities to preserve the environment, thereby contributing significantly to the realization of a sustainable, recycling-oriented society.

Concerning the third challenge, “To revitalize Lion’s organizational culture,” the Group will continue to promote the maintenance of a product planning development system able to provide new value to customers; the development of a sales system capable of cultivating products from a medium- to long-term perspective in response to changing distribution structures; and maintain various initiatives intended to fully utilize its diverse personnel.

In its efforts to steadily deal with the above challenges, the Lion Group aims to improve its corporate value by strengthening its growth potential and business foundation, as it ceaselessly engages in forward-thinking corporate social responsibility activities.

IV. Consolidated Financial Reporting Statements

1. Consolidated Balance Sheets

(Millions of yen)

	Fiscal 2009 (Ended December 31, 2009)	Fiscal 2010 (Ended December 31, 2010)
Assets		
Current assets		
Cash and deposits	31,387	21,286
Notes and accounts receivable-trade	52,440	52,324
Short-term investments securities	1,667	23,514
Merchandise and finished goods	17,076	18,085
Work in process	2,234	3,457
Raw materials and supplies	5,856	6,346
Deferred tax assets	4,355	5,043
Other	1,358	1,444
Allowance for doubtful accounts	(122)	(77)
Total current assets	116,254	131,425
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	63,266	64,335
Accumulated depreciation	(41,308)	(43,004)
Buildings and structures, net	21,957	21,331
Machinery, equipment and vehicles	115,585	118,188
Accumulated depreciation	(100,350)	(101,493)
Machinery, equipment and vehicles, net	15,235	16,695
Land	18,283	18,918
Lease assets	823	871
Accumulated depreciation	(245)	(437)
Lease assets, net	577	434
Construction in progress	3,817	475
Other	18,509	18,977
Accumulated depreciation	(15,533)	(16,164)
Other, net	2,975	2,812
Total property, plant and equipment	62,846	60,668
Intangible assets		
Goodwill	641	513
Right of trademark	26,803	22,886
Other	914	1,267
Total intangible assets	28,359	24,667
Investments and other assets		
Investment securities	24,053	24,737
Long-term loans receivable	134	27
Prepaid pension cost	16,507	14,357
Deferred tax assets	6,863	3,959
Other	1,252	1,136
Allowance for doubtful accounts	(52)	(39)
Total Investments and other assets	48,758	44,178
Total noncurrent assets	139,965	129,513
Total assets	256,220	260,939

(Millions of yen)

	Fiscal 2009 (Ended December 31, 2009)	Fiscal 2010 (Ended December 31, 2010)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	39,825	43,249
Short-term loans payable	6,151	7,773
Current portion of long-term loans payable	6,050	6,166
Accounts payable-other and accrued expenses	35,330	38,480
Income taxes payable	1,258	1,693
Provision for bonuses	1,829	2,109
Provision for sales returns	764	585
Provision for sales promotion expenses	285	488
Provision for directors' bonuses	209	164
Other	2,201	1,984
Total current liabilities	93,907	102,696
Noncurrent liabilities		
Long-term loans payable	33,000	27,504
Provision for retirement benefits	20,204	19,610
Provision for directors' retirement benefits	290	318
Other	5,193	5,049
Total noncurrent liabilities	58,688	52,483
Total liabilities	152,595	155,179
Net assets		
Shareholders' equity		
Capital stock	34,433	34,433
Capital surplus	31,499	31,499
Retained earnings	52,099	55,426
Treasury stock	(15,851)	(16,670)
Total shareholders' equity	102,181	104,689
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	747	913
Deferred gains or losses on hedges	1	(56)
Foreign currency translation adjustment	(2,514)	(2,944)
Total valuation and translation adjustments	(1,765)	(2,087)
Subscription rights to shares	138	173
Minority interests	3,070	2,984
Total net assets	103,624	105,760
Total liabilities and net assets	256,220	260,939

2. Consolidated statements of Income

(Millions of yen)

	Fiscal year Ended December 31, 2009	Fiscal year Ended December 31, 2010
Net sales	321,947	331,100
Cost of sales	136,619	140,400
Gross profit	185,327	190,700
Selling, general and administrative expenses	175,290	180,200
Operating income	10,036	10,500
Non-operating income		
Interest income	64	85
Dividends income	336	403
Equity in earnings of affiliates	1,156	1,186
Commission fee	37	-
Royalty income	204	235
Foreign exchange gains	54	-
Other	505	583
Total non-operating income	2,357	2,493
Non-operating expenses		
Interest expenses	1,038	920
Foreign exchange losses	-	36
Other	210	241
Total non-operating expenses	1,248	1,198
Ordinary income	11,145	11,795
Extraordinary income		
Gain on sales of investment securities	12	263
Reversal of allowance for doubtful accounts	46	54
Total extraordinary income	58	317
Extraordinary loss		
Loss on disposal of noncurrent assets	337	501
Loss on valuation of investment securities	152	494
Impairment loss	724	191
PCB disposal cost	195	-
Other	100	-
Total extraordinary losses	1,509	1,188
Income before income taxes	9,694	10,925
Income taxes-current	1,594	2,235
Income taxes-deferred	2,160	2,173
Total income taxes	3,755	4,408
Minority interests in income	473	474
Net income	5,465	6,041

3. Consolidated Statement of Changes in Shareholders' Equity

(Millions of yen)

	Fiscal year Ended December 31, 2009	Fiscal year Ended December 31, 2010
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	31,499	31,499
Changes during term in review		
Total changes during term in review	—	—
Balance at end of term in review	31,499	31,499
Retained earnings		
Balance at end of previous term	49,657	52,099
Change due to change in accounting treatment for overseas subsidiaries	(308)	—
Changes during term in review		
Distribution of retained earnings	(2,702)	(2,703)
Net income	5,465	6,041
Disposal of treasury stock	(12)	(11)
Total changes during term in review	2,750	3,326
Balance at end of term in review	52,099	55,426
Treasury stock		
Balance at end of previous term	(15,868)	(15,851)
Changes during term in review		
Acquisition of treasury stock	(36)	(875)
Disposal of treasury stock	52	56
Total changes during term in review	16	(818)
Balance at end of term in review	(15,851)	(16,670)
Total shareholders' equity		
Balance at end of previous term	99,723	102,181
Change due to change in accounting treatment for overseas subsidiaries	(308)	—
Changes during term in review		
Distribution of retained earnings	(2,702)	(2,703)
Net income	5,465	6,041
Acquisition of treasury stock	(36)	(875)
Disposal of treasury stock	40	44
Total changes during term in review	2,766	2,507
Balance at end of term in review	102,181	104,689

(Millions of yen)

	Fiscal year Ended December 31, 2009	Fiscal year Ended December 31, 2010
Valuation/translation gains or losses		
Net unrealized gains or losses on securities		
Balance at end of previous term	1,060	747
Changes during term in review		
Changes during term not related to shareholders' equity (net)	(312)	166
Total changes during term in review	(312)	166
Balance at end of term in review	747	913
Deferred Hedging gains or losses		
Balance at end of previous term	(24)	1
Changes during term in review		
Changes during term not related to shareholders' equity (net)	25	(57)
Total changes during term in review	25	(57)
Balance at end of term in review	1	(56)
Translation adjustments		
Balance at end of previous term	(2,912)	(2,514)
Changes during term in review		
Changes during term not related to shareholders' equity (net)	397	(430)
Total changes during term in review	397	(430)
Balance at end of term in review	(2,514)	(2,944)
Total valuation/translation gains or losses		
Balance at end of previous term	(1,875)	(1,765)
Changes during term in review		
Changes during term not related to shareholders' equity (net)	110	(321)
Total changes during term in review	110	(321)
Balance at end of term in review	(1,765)	(2,087)
Stock acquisition rights		
Balance at end of previous term	109	138
Changes during term in review		
Changes during term not related to shareholders' equity (net)	28	35
Total changes during term in review	28	35
Balance at end of term in review	138	173
Minority interests		
Balance at end of previous term	2,617	3,070
Changes during term in review		
Changes during term not related to shareholders' equity (net)	453	(86)
Total changes during term in review	453	(86)
Balance at end of term in review	3,070	2,984

(Millions of yen)

	Fiscal year Ended December 31, 2009	Fiscal year Ended December 31, 2010
Total net assets		
Balance at end of previous term	100,574	103,624
Change due to change in accounting treatment for overseas subsidiaries	(308)	—
Changes during term in review		
Distribution of retained earnings	(2,702)	(2,703)
Net income	5,465	6,041
Acquisition of treasury stock	(36)	(875)
Disposal of treasury stock	40	44
Changes during term not related to shareholders' equity (net)	592	(372)
Total changes during term in review	3,359	2,135
Balance at end of term in review	103,624	105,760

4. Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year Ended December 31, 2009	Fiscal year Ended December 31, 2010
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	9,694	10,925
Depreciation and amortization	12,425	12,349
Impairment loss	724	191
Increase (decrease) in provision for bonuses	1,491	289
Increase (decrease) in provision for retirement benefits	163	1,610
Interest and dividends income	(400)	(488)
Interest expenses	1,038	920
Loss (gain) on disposal of noncurrent assets	337	501
Loss (gain) on valuation of investment securities	152	494
Equity in (earnings) losses of affiliates	(1,156)	(1,186)
Decrease (increase) in notes and accounts receivable-trade	6,432	(164)
Decrease (increase) in inventories	1,396	(2,923)
Increase (decrease) in notes and accounts payable-trade	(7,337)	3,278
Increase (decrease) in accounts payable-other and accrued expenses	909	1,968
Increase (decrease) in other current liabilities	55	(570)
Decrease (increase) in other current assets	200	(17)
Other, net	368	(101)
Subtotal	26,497	27,078
Interest and dividends income received	1,143	1,013
Interest expenses paid	(1,076)	(849)
Income taxes paid	(1,584)	(1,723)
Net cash provided by (used in) operating activities	24,978	25,518
Net cash provided by (used in) investment activities		
Decrease (increase) in time deposits	14	23
Purchases of property, plant and equipment	(8,462)	(4,831)
Proceeds from sales of property, plant and equipment	70	18
Purchase of intangible assets	(52)	(344)
Purchase of investment securities	(5,286)	(748)
Proceeds from sales of investment securities	35	654
Purchase of investments in subsidiaries	(3)	(130)
Payments of loans receivable	(24)	(17)
Collection of loans receivable	59	109
Other, net	(19)	(44)
Net cash provided by (used in) investment activities	(13,669)	(5,310)

(Millions of yen)

	Fiscal year Ended December 31, 2009	Fiscal year Ended December 31, 2010
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	7,670	11,975
Decrease in short-term loans payable	(7,851)	(10,795)
Proceeds from long-term loans payable	—	700
Repayment of long-term loans payable	(8,300)	(6,079)
Purchase of treasury stock	(36)	(875)
Proceeds from disposal of treasury stock	37	15
Cash dividends paid	(2,710)	(2,721)
Cash dividend to minority shareholders	(207)	(247)
Other, net	(260)	(264)
Net cash provided by (used in) financing activities	(11,658)	(8,293)
Effect of exchange rate change on cash and cash equivalents	63	(146)
Net increase (decrease) in cash and cash equivalents	(285)	11,767
Cash and cash equivalents at beginning of period	33,098	32,812
Increase in cash and cash equivalents from newly consolidated subsidiary	—	2
Cash and cash equivalents at end of period	32,812	44,582

Accounting Changes

Application of Accounting Standard for Construction Contracts

Previously, earnings from construction contracts had been recognized under the completed-contract method. Effective from the first quarter of the consolidated fiscal year ending December 31, 2010, however, the Lion Group has applied the “Accounting Standard for Construction Contracts” (Accounting Standards Board of Japan (ASBJ) Statement No. 15, December 27, 2007) and the “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No. 18, December 27, 2007). Accordingly, with regard to construction contracts commenced on or after January 1, 2010, the percentage-of-completion method is applied if the outcome of the construction activities can be accurately estimated as of December 31, 2010. Otherwise, the completed-contract method shall be applied. Under the percentage-of-completion method, the percentage of completion as of December 31, 2010 is estimated based on the percentage of the cost incurred to the estimated total cost. Consequently, the impact on income and loss for the consolidated fiscal year under review has been minor.

Application of Accounting Standards for Retirement Benefits

Effective from the period under review, the Company has applied the “Partial Amendments to Accounting Standards for Retirement Benefits (Part 3)” (ASBJ Statement No. 19, July 31, 2008). As a result, there has been no impact on income and loss for the consolidated fiscal year under review.

Application of Accounting Standard for Business Combination

Effective from the period under review, the Company has applied “Accounting Standard for Business Combination” (ASBJ Statement No. 21, December 26, 2008), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, December 26, 2008), “Partial Revision of Accounting Standard for R&D Expenses” (ASBJ Statement No.23, December 26, 2008), “Accounting Standard for Business Separation” (ASBJ Statement No. 7, December 26, 2008), “Accounting Standard for Equity Method” (ASBJ Statement No.16, announced December 26, 2008), and “Accounting Standard for Business Separation and Application Guideline for Accounting Standard for Business Separation” (ASBJ Guideline No. 10, December 26, 2008).

5. Segment Information

(1) Business Segments

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.

Consolidated Results for the Year Ended December 31, 2010 (January 1, 2010 – December 31, 2010)
(Millions of yen)

	Fiscal 2010 (January 1 to December 31, 2010)						
	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	133,660	165,699	25,065	6,676	331,100	—	331,100
b) Intersegment sales	29	195	10,014	6,090	16,329	[16,329]	—
Total	133,689	165,894	35,079	12,766	347,430	[16,329]	331,100
Operating expenses	127,226	161,407	36,067	12,192	336,894	[16,293]	320,600
Operating income(loss)	6,462	4,487	(988)	574	10,536	[36]	10,500
2. Assets, depreciation and amortization, impairment loss, and capital participations							
Assets	103,389	87,755	39,733	5,982	236,860	24,078	260,939
Depreciation and amortization	6,992	3,973	942	97	12,005	344	12,349
Loss on impairment of fixed assets	25	29	2	12	70	121	191
Capital expenditures ²	2,089	3,490	616	46	6,243	837	7,081

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 ¥35,409 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, 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:

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

Consolidated Results for the Year Ended December 31, 2010 (January 1, 2010 – December 31, 2010)
(Millions of yen)

	Fiscal 2010 (January 1 to December 31, 2010)				
	Japan	Asia	Total	Eliminations and corporate	Consolidated total
1. Net sales and operating income/loss					
Net sales					
a) Sales to external customers	280,890	50,210	331,100	—	331,100
b) Intersegment sales	802	1,336	2,139	[2,139]	—
Total	281,693	51,547	333,240	[2,139]	331,100
Operating expenses	272,182	50,913	323,095	[2,494]	320,600
Operating income	9,511	633	10,144	355	10,500
2. Total assets	206,395	27,877	234,272	26,666	260,939

Notes:

- Countries and regions have been grouped in accordance with geographic proximity.
- The key countries and regions grouped as countries other than Japan are as listed below.
Asia: China, South Korea and Thailand
- Assets, which include eliminations and corporate, totaled ¥35,409 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, 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.
 - 1) Asia: China, South Korea and Thailand
 - 2) 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, 2010 (January 1, 2010 – December 31, 2010)

	Asia	Other regions	Total
Overseas sales (millions of yen)	51,491	1,027	52,519
Consolidated net sales (millions of yen)	—	—	331,100
Percent of overseas sales in consolidated net sales (%)	15.6	0.3	15.9

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.
 - 1) Asia: China, South Korea and Thailand
 - 2) 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 2009 (January 1 to December 31, 2009)	FY 2010 (January 1 to December 31, 2010)
Net assets per share	371.50 Yen	382.18 Yen
EPS	20.22 Yen	22.41 Yen
Diluted EPS	20.19 Yen	22.37 Yen

Basis for Calculations

1. Amount of Net Assets Per Share

Item	FY 2009 (January 1 to December 31, 2009)	FY 2010 (January 1 to December 31, 2010)
Total amount of net assets in Consolidated Financial Reporting Statements (Millions of yen)	103,624	105,760
Amount of net assets related to common stock (Millions of yen)	100,415	102,601
Principal breakdown of balances (Millions of yen)		
Subscription rights	138	173
Minority interest	3,070	2,984
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)	28,817	30,647
Number of shares of common stock that are calculated based on the amount of net assets per share (Thousands of shares)	270,298	268,467

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

	FY 2009 (January 1 to December 31, 2009)	FY 2010 (January 1 to December 31, 2010)
EPS		
Net income (millions of Yen)	5,465	6,041
Amount not belong to common stockholders (millions of Yen)	—	—
Net Income concerning common stock (millions of Yen)	5,465	6,041
Average number of outstanding shares during the period (thousands of shares)	270,299	269,622
Diluted EPS		
Net income adjustment (millions of Yen)	—	—
Increase in number of common stocks (thousands of shares)	360	440
Of which, stock options (thousands of shares)	(360)	(440)
Summary of residual shares not included in diluted EPS due to lack of dilution effect.	—	—

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, 2011)

Name	Current Title and Position
Takayasu Kasamatsu	Standing Corporate Auditor
Yuji Watari	Executive Officer, Senior Responsible for Production Headquarters, Purchasing Headquarters, Logistics Planning & Development and Business Coordination

- 2) Retiring Directors (March 30, 2011)

Name	Current Title	Current Position
Tetsuo Yamada	Representative Director and Senior Executive Director	Responsible for Corporate Ethics, Finance, Secretary, System, Legal and Pharmaceutical Affairs
Takao Terui	Director	Assistant for President, Responsible for Production Headquarters President of Lion Engineering Co., Ltd.

(2) Corporate Auditor

- 1) Newly Appointed Corporate Auditor (positions will be appointed at the Ordinary Annual General Meeting of Shareholders scheduled on March 30, 2011)

Name	Position
Shinjiro Iwahori	Assistant for President
Shozo Hanada	Assistant for President
Hideo Doi	Certified Public Accountant
Sumiaki Nomura	Certified Tax Accountant

2) Retiring Corporate Auditor (March 30, 2011)

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)

New management structure after March 30, 2011 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, Corporate Planning and System
Keikichi Sugiyama	Executive Director Responsible for Research & Development Headquarters and 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.
Kiyotaka Abe	Director Responsible for Chemicals Division
Takayasu Kasamatsu	Director Responsible for Corporate Ethics, Finance, Secretary, Legal and Pharmaceutical Affairs
Yuji Watari	Director Responsible for Production Headquarters, Purchasing Headquarters, Logistics Planning & Development and Business Coordination
Mitsuaki Shimaguchi	External Director Professor of Hosei University Graduate Schools
Hideo Yamada	External Director Attorney at Law

The notification of the nomination of Mr. Mitsuaki Shimaguchi and Mr. Hideo Yamada as external directors has been sent to the Tokyo Stock Exchange.

(2) Corporate Auditor

Name	Position
Shinjiro Iwahori	Standing Corporate Auditor
Shozo Hanada	Standing Corporate Auditor
Hideo Doi	External Corporate Auditor (Certified Public Accountant)
Sumiaki Nomura	External Corporate Auditor (Certified Tax Accountant)

The notification of the nomination of Mr. Hideo Doi and Mr. Sumiaki Nomura as external auditors has been sent to the Tokyo Stock Exchange.

(3) Substitute Corporate Auditor

Name	Position
Fumio Takahashi	Substitute Corporate Auditor (Certified Public Accountant)

(4) Executive Officer

Name	Position
Kenjiro Kobayashi	Executive Officer, Senior Executive General Manager of International 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
Hisaakira Karamatsu	Executive Officer Executive General Manager of Sales, Health Care Products Division
Yasuo Shimizu	Executive Officer Executive General Manager of Sales, Household Products Division
Sadao Hamada	Executive Officer Executive General Manager of Gift and Channel-Specific Products Division and Director of Gift and Channel-Specific Sales Department

Toshio Kakui	Executive Officer Executive General Manager of Research & Development Headquarters
Hideyuki Imai	Executive Officer Director of Behavioral Science Research Institute
Takashi Nakajima	Executive Officer Executive General Manager of Purchasing Headquarters