

# Summary of Consolidated Financial Statements for the Year Ended December 31, 2014 [Japanese Standard]

February 10, 2015

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

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Annual meeting of shareholders: March 27, 2015 (plan)  
Start date for payment of year-end dividend: March 4, 2015 (plan)  
Scheduled date of filing of financial report: March 30, 2015 (plan)  
Supplementary materials prepared for quarterly results: Yes  
Quarterly results information meeting held: Yes (for investors and analysts, etc.)

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

## 1. Consolidated Results for the Year Ended December 31, 2014 (January 1, 2014 – December 31, 2014)

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

(Percentage figures denote year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2014	367,396	4.4	12,406	14.7	14,059	14.3	7,368	20.8
Fiscal 2013	352,005	5.0	10,819	50.0	12,300	43.6	6,097	43.9

Note: Comprehensive income: December 31, 2014: ¥12,001 million (-9.5%)  
December 31, 2013: ¥13,261 million (15.5%)

	EPS	Diluted EPS	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Fiscal 2014	27.47	26.16	6.2	5.0	3.4
Fiscal 2013	22.72	22.68	5.4	4.6	3.1

Note: Equity in earnings of non-consolidated subsidiaries and affiliates: ¥843 million in FY 2014 and ¥696 million in FY 2013.

### (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 2014	283,352	127,434	42.6	449.94
Fiscal 2013	282,098	124,232	42.0	441.59

Note: Shareholders' equity: December 31, 2014: ¥120,635 million  
December 31, 2013: ¥118,448 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 2014	11,738	(16,838)	(6,520)	38,150
Fiscal 2013	22,910	(12,819)	(2,772)	48,941

### 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 2013	—	5.00	—	5.00	10.00	2,683	44.0	2.4
Fiscal 2014	—	5.00	—	5.00	10.00	2,681	36.4	2.2
Fiscal 2015(plan)	—	5.00	—	5.00	10.00		35.8	

### 3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2015 (January 1, 2015 – December 31, 2015)

	Net sales		Operating income		Ordinary income		Net income		EPS
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim 2015	178,000	0.8	4,200	6.1	4,800	6.5	2,500	1.4	9.32
Fiscal 2015	375,000	2.1	13,500	8.8	15,000	6.7	7,500	1.8	27.97

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

### 4. Notes

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

(2) Changes in accounting principles, procedures and presentation methods in connection with the preparation of quarterly consolidated financial statements:

- Changes associated with revision in accounting standards: Yes
- Other changes: Yes
- Changes in accounting estimates: No
- Restatement: No

(3) Number of outstanding shares (common stock)

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

As of December 31, 2014: 299,115,346 shares

As of December 31, 2013: 299,115,346 shares

b. Number of treasury stocks on balance sheet date:

As of December 31, 2014: 31,001,366 shares

As of December 31, 2013: 30,882,704 shares

c. Average shares outstanding over period (cumulative; consolidated)

As of December 31, 2014: 268,191,225 shares

As of December 31, 2013: 268,341,003 shares

**\*Note on Audit Process**

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

Appropriate use of business forecast; other special items

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

For more details, refer to "I. Overview of Results of Operations" on page 2-10.

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< 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, 2014 – December 31, 2014)**

**1) Overall Performance**

During fiscal 2014 (January 1, 2014–December 31, 2014), the Japanese economy gradually recovered, although improvement in personal consumption and corporate profits appeared to stall in the latter half of the year amid the effects of the consumption tax rate hike in April 2014.

In the Lion Group's main business domain, the domestic toiletries industry, while unit sales prices showed signs of bottoming out, there was a surge in last-minute demand ahead of the consumption tax hike as well recoil afterward, and competition at the retail level remained intense.

In this harsh environment, the Lion Group is implementing its medium-term management plan, "Vision 2020 Part-1 (V-1 Plan)," centering on four strategies: (1) Qualitative Growth of Domestic Businesses; (2) Quantitative Expansion of Overseas Businesses; (3) Development of New Business Value; and (4) Enhancement of Organizational Learning Capabilities.

Domestically, Lion worked actively to take full advantage of the surge in demand preceding the tax rate increase and launched and worked to nurture new, high-value-added products, including toothpastes, antiperspirants and deodorants, analgesics and fabric softeners.

Overseas, in the mainstay oral care and laundry detergent fields, the Group engaged in aggressive marketing aimed at cultivating key brands and expanding the scale of its business. Furthermore, the construction of a new factory for oral care products was completed in China.

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

Net sales amounted to ¥367,396 million, a year-on-year increase of 4.4% (or an increase of 3.1% in terms of real net sales, which exclude the influence of exchange rate conversions). The Company recorded operating income of ¥12,406 million, up 14.7% compared with the same period of the previous fiscal year, and ordinary income of ¥14,059 million, up 14.3% year on year. Net income stood at ¥7,368 million, up 20.8% million compared with the previous fiscal year.

**<Consolidated Results>**

(Millions of yen)

	FY 2014	Ratio to net sales	FY 2013	Ratio to net sales	Increase/decrease	Change
Net sales	367,396		352,005		15,390	4.4%
Operating income	12,406	3.4%	10,819	3.1%	1,586	14.7%
Ordinary income	14,059	3.8%	12,300	3.5%	1,759	14.3%
Net income	7,368	2.0%	6,097	1.7%	1,271	20.8%

## 2) Results by Business Segment

### <Consolidated Business Segment>

(Millions of yen)

	Net sales				Segment income (Operating income)			
	FY2014	FY2013	Increase/ decrease	Change	FY2014	FY2013	Increase/ decrease	Change
Consumer Products	274,427	265,207	9,219	3.5%	8,516	7,289	1,227	16.8%
Industrial Products	59,793	51,630	8,162	15.8%	1,759	778	980	126.0%
Overseas	86,202	76,865	9,336	12.1%	1,147	1,435	(287)	(20.0%)
Other	28,682	28,723	(40)	(0.1%)	597	1,016	(418)	(41.2%)
Subtotal	449,106	422,427	26,678	6.3%	12,021	10,519	1,502	14.3%
Adjustment	(81,709)	(70,421)	(11,287)	—	384	300	84	28.1%
Total	367,396	352,005	15,390	4.4%	12,406	10,819	1,586	14.7%

## 3) Overview by Business Segment

### <Consumer Products Business>

The Consumer Products Business segment is divided into the Oral Care Products, Beauty Care Products, Fabric Care Products, Living Care Products, Pharmaceutical Products and Other Products businesses. Segment net sales increased 3.5% compared with the previous fiscal year. Segment income increased 16.8%, reflecting growth in high-value-added products.

(Millions of yen)

	FY2014	Ratio to net sales	FY2013	Ratio to net sales	Increase/ decrease	Change
Net sales	274,427		265,207		9,219	3.5%
Segment income	8,516	3.1%	7,289	2.7%	1,227	16.8%

Note: Net sales include internal net sales within and among segments, which amounted to ¥25,114 million in FY 2014 and ¥22,499 million in FY 2013.

### [Net Sales by Products Segment]

(Millions of yen)

	FY2014	FY2013	Increase/ decrease	Change
Oral Care Products	55,344	51,628	3,715	7.2%
Beauty Care Products	20,468	19,044	1,424	7.5%
Fabric Care Products	83,540	80,951	2,588	3.2%
Living Care Products	20,179	21,620	(1,441)	(6.7%)
Pharmaceutical Products	38,156	36,776	1,379	3.8%
Other Products	56,738	55,185	1,552	2.8%

### Oral Care Products

Lion completely revamped the mainstay *CLINICA* series, seeking to cultivate it as a brand of products for self-care, as recommended by dental care specialists, under the theme of preventive dentistry. In addition, Lion reinforced the *SYSTEMA* series, a brand of products that facilitate care of the gingival sulcus in accordance with user's gum health.

In toothpaste, sales of *CLINICA ADVANTAGE* featuring an improved proprietary high-adhesion fluoride formula were favorable, and Lion launched the new *SYSTEMA Haguki (the gums) Plus*, a toothpaste that revitalizes weakened gum cells to help prevent gum disease. As a result, overall sales were considerably higher than those of the same period of the previous fiscal year.

In toothbrushes, sales of the mainstay *SYSTEMA* series were firm, and those of *CLINICA ADVANTAGE toothbrushes* were favorable, leading to a considerable year-on-year increase in overall sales.

In mouthwashes, sales of *CLINICA ADVANTAGE Dental Rinse*, a new product featuring a long-acting anti-bacterial formula that helps prevent cavities, received favorable consumer reviews. Overall sales increased substantially compared with the corresponding period of the previous fiscal year.

Furthermore, new *CLINICA ADVANTAGE Y-type Dental Floss*, designed with durable fibers to easily reach the spaces between molars, received favorable consumer reviews.

### **Beauty Care Products**

In hand soaps, sales of *KireiKirei Medicated Foaming Hand Soap* were strong, and overall sales were up substantially year on year.

In antiperspirants and deodorants, while the market was impacted by inclement summer weather, Lion's new *Ban Sweat-Blocking Roll-On* featuring nano ion sweat blocking to effectively control the underarm sweat that leads to sweat marks and odors, received favorable consumer reviews. Overall sales increased significantly year on year.

### **Fabric Care Products**

In laundry detergents, among the Company's super-concentrated liquid laundry detergents, sales of *TOP NANOX*, featuring improved detergency against odor-causing sebum grime, as well as of *TOP HYGIA*, newly formulated with enzymes that break up and remove the bacteria- and mold-containing biofilm that can build up on washing machine drums, were firm. Sales of powder detergents, however, were affected by market shrinkage, and overall sales remained level with those of the previous fiscal year.

In fabric softeners, the *Kaori to Deodorant no SOFLAN (SOFLAN with Fragrance and Deodorant) Aroma Natural* series, featuring long-lasting deodorizing and natural scents, enjoyed strong sales, and overall sales grew significantly year on year.

### **Living Care Products**

In dishwashing detergents, sales of the *CHARMY Crysta* series for dishwashers were favorable, but sales of *CHARMY Awa no Chikara (Power of Suds)* were sluggish. Overall sales were down year on year.

In household cleaners, sales of bathroom fungicide *LOOK Bath Antimold Fogger* were steady, but sales of *LOOK Mame-Pika Toilet Cleaner* were sluggish. Overall sales were lower than those of the previous fiscal year.

In cooking-aid products, Lion launched new *REED Healthy-Cooking Paper: Smart Type*, which dispenses easily for the convenient low-waste cooking of small amounts, and overall sales edged up compared with those in the previous fiscal year.

### **Pharmaceutical Products**

In analgesics, *BUFFERIN PREMIUM*, a new product employing proprietary Lion technology for fast headache relief while being easy on the stomach, received favorable consumer reviews and overall sales grew considerably year on year.

In eye drops, sales of *Smile 40 Premium* and *Smile 40EX GOLD Mild* were favorable. As a result, overall sales increased considerably compared with the same period of the previous fiscal year.

Topical analgesic and anti-inflammatory products, Lion launched the new *HALIX HOGRELA* series, which promotes blood flow to help relieve painful stiff shoulders, and overall sales were substantially higher than those of the previous fiscal year.

### Other Products

In direct-to-consumer sales products, within functional food products, Lion released new *Gussumin Koubo No Chikara*, formulated with sake yeast to promote high-quality rest and relaxation, which received favorable consumer reviews, but sales of mainstay *Nice rim essence Lactoferrin* were weak, and overall sales dropped year on year.

In pet supplies, sales of oral care products were steady, and those of *Nioi wo Toru Suna (Deodorizing Cat Litter)* were firm, leading to a year-on-year rise in overall sales.

### <Industrial Products Business>

The Industrial Products Business segment engages in the manufacture and sale of activators, electro-conductive carbon, detergents for industrial use and other products. Segment net sales increased 15.8% compared with the corresponding period of the previous fiscal year. Segment income increased 126.0% year on year due to sales growth of highly profitable products.

(Millions of yen)

	FY2014	Ratio to net sales	FY2013	Ratio to net sales	Increase/decrease	Change
Net sales	59,793		51,630		8,162	15.8%
Segment income	1,759	2.9%	778	1.5%	980	126.0%

Note: Net sales include internal net sales within and among segments, which amounted to ¥28,338 million in FY2014 and ¥20,394 million in FY2013

In electro-conductive carbon, sales of *Ketjenblack* for lithium-ion and other secondary batteries were firm, and overall sales increased year on year.

In construction and civil engineering products, sales of ground stabilization products were strong, and overall sales increased significantly year on year.

In detergents for institutional use, sales of hand soaps were firm, while those of alcohol sanitizers for kitchen use were strong, leading to overall sales that were substantially higher than those in the same period of the previous fiscal year.

### <Overseas Business>

The Overseas Business segment comprises businesses operations located primarily in Thailand, South Korea and China. Segment net sales increased 12.1% year on year (or in terms of real net sales, which exclude the influence of exchange rate conversions, increased 6.0%). Segment income decreased 20.0% year on year due in part to forward-looking investments aimed at business expansion.

(Millions of yen)

	FY2014	Ratio to net sales	FY2013	Ratio to net sales	Increase/decrease	Change
Net sales	86,202		76,865		9,336	12.1%
Segment income	1,147	1.3%	1,435	1.9%	(287)	(20.0%)

Note: Net sales include internal net sales within and among segments, which amounted to ¥4,427 million in FY2014 and ¥4,208 million in FY2013.



In Thailand, sales of *Systema* toothbrushes and *Shokubutsu-Monogatari (Plant Story)* body wash were favorable. Overall sales increased compared with the same period of the previous fiscal year. Overall sales after yen conversions also increased considerably year on year.

In South Korea, sales of *KireiKirei* hand soap were favorable, but sales of *Chamgreen* dishwashing detergent were weak, resulting in sales that were down year on year. However, due to exchange rate fluctuations, overall sales after yen conversions increased considerably year on year.

In China, sales of *Systema* toothbrushes were favorable and new *Systema* toothpastes received favorable consumer reviews. Sales of imported Japanese products increased, and overall sales rose substantially year on year. Overall sales after yen conversions also increased substantially.

<Other>

(Millions of yen)

	FY2014	Ratio to net sales	FY2013	Ratio to net sales	Increase/decrease	Change
Net sales	28,682		28,723		(40)	(0.1%)
Segment income	597	2.1%	1,016	3.5%	(418)	(41.2%)

Note: Net sales include internal net sales within and among segments, which amounted to ¥23,829 million FY2014 and ¥23,318 million FY2013.

In Other, due to a drop in orders received in the construction contracting business, overall sales came to ¥28,682 million, a year-on-year decrease of 0.1%. Segment income came to ¥597 million, down 41.2% from the previous fiscal year.

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

(Millions of yen)

	FY 2015 forecast	FY 2014	Increase/decrease	Change
Net sales	375,000	367,396	7,603	2.1%
Operating income	13,500	12,406	1,093	8.8%
Ordinary income	15,000	14,059	940	6.7%
Net income	7,500	7,368	131	1.8%
EPS (yen)	27.97	27.47	0.50	1.8%

During fiscal 2015, although continued recovery is forecast for the Japanese economy, the outlook going forward is expected to remain unclear, reflecting trends in personal consumption, international economic conditions and geopolitical risks.

In the domestic toiletries industry, the Lion Group's main business domain, conditions are anticipated to grow more challenging due to delayed recovery in personal consumption and fierce competition at the retail level.

Amid these circumstances, the Lion Group will steadily implement the V-2 Plan (Vision2020 Part-2), its three-year medium-term management plan launched in 2015, and work to improve its corporate structure, aiming to boost corporate value.

In the Consumer Products Business segment, the Lion Group will release new, high-value-added products in its mainstay toothpaste, antiperspirant and deodorant and dishwashing detergent businesses, working to improve its market position. The Group will also reinforce the business foundation of its direct-to-consumer sales business through aggressive marketing, especially of functional food products, as well as by streamlining its production system.

In the Industrial Products Business segment, Lion will make Groupwide structural adjustments to

promote growth and increase profitability in the chemicals business.

With regard to the Overseas Business segment, the Lion Group will bolster its marketing activities, primarily in the areas of oral care products and laundry detergents. In addition, the Group is aiming to achieve profitability in the Philippines, where it began operations in fiscal 2013, and in the MES (methyl ester sulfonate) business in Malaysia, where it recently increased its production capacity.

As a result of the above, consolidated results forecasts for fiscal 2015 are as follows: net sales of ¥375,000 million (up 2.1% year on year), operating income of ¥13,500 million (up 8.8% year on year), ordinary income of ¥15,000 million (up 6.7% year on year) and net income of ¥7,500 million (up 1.8% year on year).

(Preconditions for the Estimated Figures in Outlook for Fiscal 2015)

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

¥118 = US\$1.00

¥3.5 = 1.00 baht

## 2. Qualitative Information Concerning Consolidated Financial Status

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

#### <Consolidated Financial Status >

	FY 2014	FY 2013	Increase/ decrease
Total assets (millions of yen)	283,352	282,098	1,254
Net assets (millions of yen)	127,434	124,232	3,201
Shareholders' equity to total assets <sup>*1</sup> (%)	42.6	42.0	0.6
Net assets per share <sup>*2</sup> (yen)	449.94	441.59	8.35

\*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 ¥1,254 million compared with the previous consolidated fiscal year-end to ¥283,352 million. This is primarily attributable to an increase in property, plant and equipment. Net assets increased ¥3,201 million to ¥127,434 million. Shareholders' equity to total assets stood at 42.6%

### (2) Status of Cash Flows

#### <Consolidated Cash Flows>

(Millions of yen)

	FY 2014	FY 2013	Increase/ decrease
Net cash provided by (used in) operating activities	11,738	22,910	(11,171)
Net cash provided by (used in) investment activities	(16,838)	(12,819)	(4,018)
Net cash provided by (used in) financing activities	(6,520)	(2,772)	(3,748)
Effect of exchange rate change on cash and cash equivalents	829	709	120
Net increase (decrease) in cash and cash equivalents	(10,791)	8,027	(18,818)
Cash and cash equivalents at end of period	(38,150)	48,941	(10,791)

Net cash provided by operating activities totaled ¥11,738 million, due mainly to income before income taxes.

Net cash used in investing activities totaled ¥16,838 million, due in part to the purchase of property, plant and equipment.

Net cash used in financing activities totaled ¥6,520 million. Major components of this outflow included cash dividends paid and repayments of long-term loans payable.

As a result of the above, cash and cash equivalents as of December 31, 2014 decreased ¥10,791 million compared with the consolidated fiscal year ended December 31, 2013, to ¥38,150 million.

### (3) Forecast of Fiscal 2015 Consolidated Cash Flows

In cash flows from operating activities, Lion projects income before income taxes of approximately ¥13,000 million. Depreciation and amortization is estimated to total about ¥11,000 million.

In cash flows from investment activities, Lion plans to undertake capital expenditures of around ¥11,000 million during fiscal 2015.

The cash flows from financing activities are expected to yield an outflow of about ¥3,000 million mainly

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

Based on these projections, Lion estimates that cash and cash equivalents at the end of fiscal 2015 will be up approximately ¥10,000 million year on year.

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

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Shareholders' equity to total assets (%)	39.3	40.9	42.4	42.0	42.6
Shareholders' equity to total assets on a market value basis (%)	45.6	49.0	45.7	55.8	59.6
Debt redemption (years)	1.8	3.2	1.8	1.6	1.5
Interest coverage ratio	30.0	12.5	27.6	32.2	15.1

(Notes)

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

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

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

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

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

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

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

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

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

Lion considers returning profits to shareholders on a permanent and stable basis by increasing its consolidated earnings capacity as one of its most important management issues. To this end, the Company strives to ensure the payment of continuous and stable cash dividends and bases the acquisition of treasury stock on comprehensive reviews of the appropriate levels of internal reserves required to secure medium- and long-term growth. Lion allocates internal reserves to research and development, capital investment in production facilities and the acquisition of external resources, aiming to reinforce the Company's growth potential and to develop a sustainable business foundation.

Taking into consideration the Company's cash dividend payment record, as well as its dividend payout ratio target, Lion's Board of Directors resolved to pay an interim dividend of ¥5 per share (payment date: September 5, 2014) and a year-end dividend of ¥5 per share (payment date: March 4, 2015) for fiscal 2014.

With regard to dividends to be paid in fiscal 2015, Lion plans to maintain both the interim and year-end dividend at ¥5 per share each, reflecting its basic policy on the distribution of earnings and cash dividends. As a result, the total annual dividend is forecast to be ¥10 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, 2015.

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 consumers. In addition, we use consumers' opinions received through our Consumer Service Office to improve our products and packaging as well as respective displays and text.

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

##### (2) Changes in raw material prices

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

##### (3) Exchange rate fluctuations

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

##### (4) Major lawsuits

As of December 31, 2014, Lion is not involved in any lawsuits that may have significant impact on its business. However, if the Lion Group were to be successfully sued for significant damages, these could adversely affect the Lion Group's management performance and financial status.

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

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

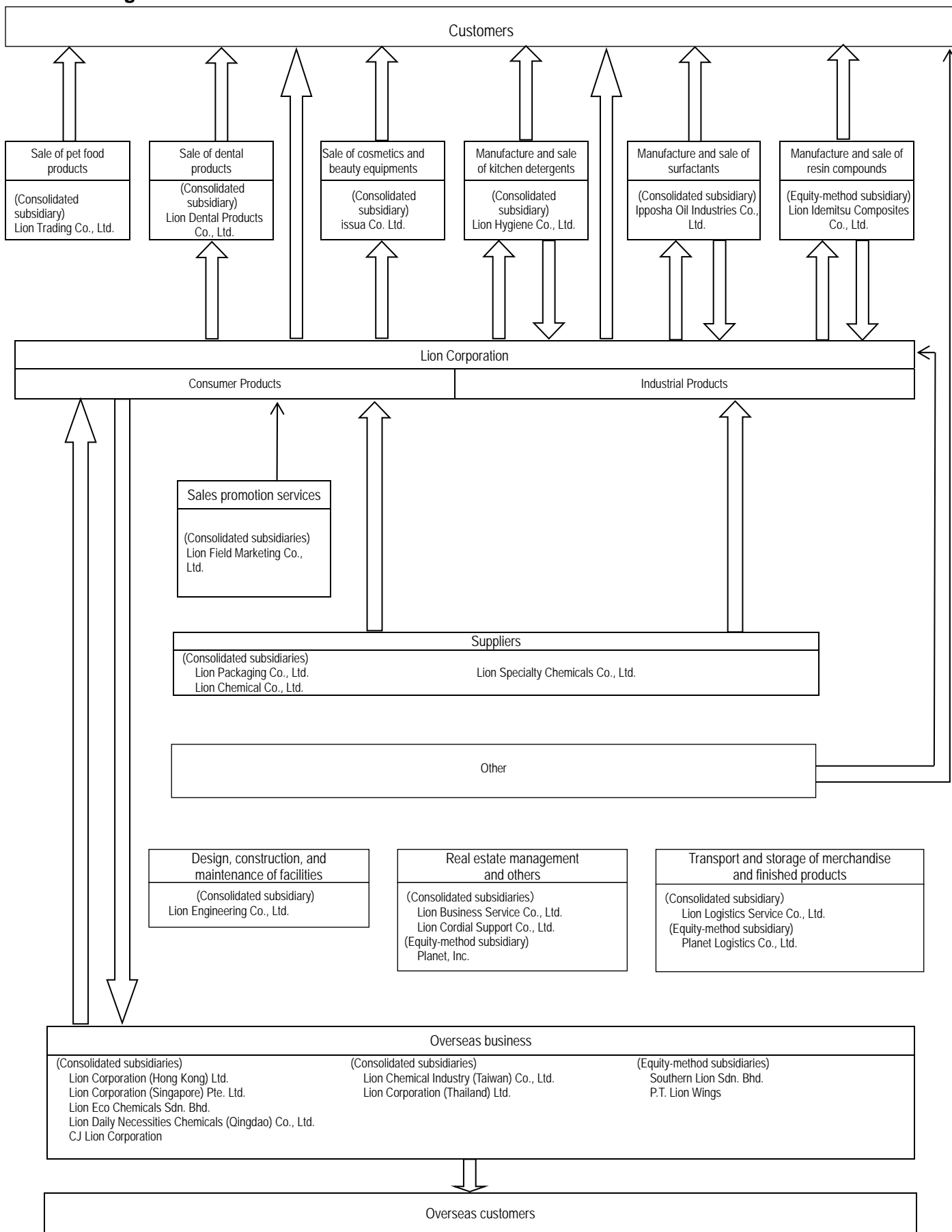
## II. Corporate Group

The Lion Group consists of Lion Corporation, 27 subsidiaries (including 26 consolidated subsidiaries and 1 non-consolidated equity-method subsidiaries), and 11 affiliates (including 5 equity-method affiliates). Principal business activities consist of the manufacture and sale of consumer products, industrial products and overseas. Other business activities involve distribution related to the above business activities and other services.

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

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

### Business Organization Chart



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

### Subsidiaries and Affiliates

#### Consolidated Subsidiaries

Name	Location	Capitalization	Business	Voting shares held by Lion	Nature of business relationship				
					Shared positions		Financial support	Business dealings	Lease of facilities, etc.
					Lion officers	Lion employees			
Lion Engineering Co., Ltd.	Sumida-ku, Tokyo	Millions of yen 100	Other	% 100.0	2	10	None	Design, construction, and maintenance of facilities	Lease of part of office space
*1 Lion Chemical Co., Ltd.	Sumida-ku, Tokyo	7,800	Industrial products	100.0	3	10	Loans	Purchase of raw materials and merchandises	Rental of part of office space and land
Lion Cordial Support Co., Ltd.	Sumida-ku, Tokyo	20	Other	100.0	—	5	None	Human resources services	Lease of office space
Lion Dental Products Co., Ltd.	Sumida-ku, Tokyo	10	Consumer products	100.0	1	7	None	Sale of merchandises and finished products	Lease of office space
Lion Trading Co., Ltd.	Sumida-ku, Tokyo	240	Consumer products	100.0	2	7	None	—	Lease of part of office space
Lion Specialty Chemicals Co., Ltd.	Yokkaichi-shi, Mie	1,000	Industrial products	100.0	2	7	Loans	Purchase of fatty acid nitrogen derivatives	Lease of part of office space
Lion Hygiene Co., Ltd.	Sumida-ku, Tokyo	300	Industrial products	100.0	2	7	None	Sales and purchase of merchandises	Lease of part of office and warehouse space
Lion Packaging Co., Ltd.	Ichihara -shi, Chiba	180	Consumer products	100.0	1	6	None	Purchase of materials and merchandises	Rental of part of office space and lease of part of land
Lion Business Service Co., Ltd.	Sumida-ku, Tokyo	490	Other	100.0	—	4	None	Rental, dealing, and brokerage of real estate, and insuring	Rental of part of office space and land
Lion Field Marketing Co., Ltd.	Sumida-ku, Tokyo	50	Consumer products	100.0	2	6	None	Sales promotion activities	Lease of part of office space
Lion Logistics Service Company, Ltd.	Sumida-ku, Tokyo	40	Other	100.0	2	7	None	Transport and storage of merchandises and finished products	Lease of part of office space
issua Company, Ltd.	Minato-ku, Tokyo	20	Consumer products	100.0	1	5	Loans	Sale of merchandises and finished products	Lease of part of office space



Lion Corporation (Code 4912): Consolidated Financial Statements  
for the Year Ended December 31, 2014

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	Industrial products	100.0	2	3	Loans	Sale of merchandises and finished products and purchase of raw materials and merchandises	Lease of part of office space
Lion Corporation (Hong Kong) Ltd.	China (Hong Kong)	Thousands of HK\$ 12,000	Overseas business	100.0	1	2	None	Sale of merchandises and finished products	—
Lion Corporation (Singapore) Pte. Ltd.	Singapore	Thousands of S\$ 9,000	Overseas business	100.0	1	1	None	Sale of merchandises and finished products	—
Lion Advertising Ltd.	China (Hong Kong)	Thousands of HK\$ 100	Overseas business	*2 100.0 (100.0)	1	1	None	—	—
*1 Lion Eco Chemicals Sdn. Bhd.	Malaysia	Thousands of M\$ 201,000	Overseas business	100.0	1	5	None	—	—
Lion Daily Necessities Chemicals (Qingdao) Co., Ltd.	China	Millions of yen 723	Overseas business	100.0	2	5	None	Sale of merchandises and finished products and purchase of merchandises	—
Lion (China) Home Products & Technology Co., Ltd.	China	Thousands of US\$ 33,500	Overseas business	100.0	2	5	None	—	—
PT. IPPOSHA INDONESIA	Indonesia	Thousands of US\$ 750	Overseas business	*3 100.0 (90.0)	—	1	None	—	—
CJ Lion Corporation	South Korea	Thousands of won 9,976,250	Overseas business	99.0	1	4	None	Sale of merchandises and finished products and purchase of merchandises	—
Lion Chemical Industry (Taiwan) Co., Ltd.	Taiwan	Thousands of NT\$ 218,150	Overseas business	53.8	1	5	None	Sale of merchandises and finished products	—
Lion Corporation (Thailand) Ltd.	Thailand	Thousands of baht 300,000	Overseas business	51.0	4	6	None	Sale of merchandises and finished products and purchase of merchandises	—
Peerless Lion Corporation	Philippines	Thousands of peso 600,000	Overseas business	51.0	1	2	None	—	—

Lion Corporation (Code 4912): Consolidated Financial Statements  
for the Year Ended December 31, 2014

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 Service Co., Ltd.	Thailand	Thousands of baht 7,000	Other businesses	*4 49.0 (49.0)	—	—	None	—	—
Eastern Silicate Company Limited	Thailand	Thousands of baht 500	Other businesses	*4 99.9 (99.9)	—	2	None	—	—

Equity-method affiliates

Name	Location	Capitalization	Business	Voting shares held by Lion	Nature of business relationship				
					Shared positions		Financial support	Business dealings	Lease of facilities, etc.
					Lion officers	Lion employees			
Lion Idemitsu Composites Co., Ltd.	Taito-ku, Tokyo	100	Industrial products	50.0	2	3	None	Purchase of special synthetic resin compounds	—
Planet Logistics Co., Ltd.	Sumida-ku, Tokyo	240	Other	20.8	1	1	None	Transport and storage of merchandises and finished products	—
Planet, Inc.	Minato-ku, Tokyo	436	Other	16.1	1	—	None	Utilization of VANs	—
Southern Lion Sdn. Bhd.	Malaysia	Thousands of M\$ 22,000	Overseas business	50.0	1	2	None	Sale of merchandises and finished products and purchase of merchandises	—
P.T. Lion Wings	Indonesia	Millions of rupiah 64,062	Overseas business	48.0	1	3	None	Sale of merchandises and finished products and purchase of merchandises	—

\*1. Lion Chemical Co., Ltd., Lion Eco Chemicals Sdn. Bhd., and Lion (China) Home Products & Technology Co., Ltd. are specified subsidiary.

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

\*3. 90% of PT. IPPOSHA INDONESIA's voting shares are held by Ipposha Oil Industries Co., Ltd.

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

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

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

### III. Management Policies

#### 1. Basic Management Policies

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

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

#### 2. Performance Targets

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

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

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

“Vision 2020”

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

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

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

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

#### 4. Management Issues

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

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

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

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

In the Industrial Products Business, Lion is reorganizing and unifying the chemicals business of the Company and subsidiaries to concentrate Group technologies, achieve synergies and strengthen business foundations. In the detergent for institutional use business, Lion will seek to enhance its hygiene management functions and cultivate new customers in order to achieve further expansion.

(2) Quantitative Expansion of Overseas Businesses

Mainly in growing Asian markets, Lion will nurture and reinforce its global brands and expand operations in the personal care field, seeking to ensure profitable business growth.

Furthermore, Lion will steadily work to secure profits from the aggressive, up-front investments made during the three-year period of the V-1 Plan. To this end, Lion will step up operations in new business locations overseas and new business fields while improving facility utilization.

(3) Development of New Business Value

In the direct-to-consumer sales business, Lion aims to achieve further growth by developing a more efficient product supply structure for mainstay *Nice rim essence Lactoferrin* and accelerate the development of products that will become second and third earnings pillars. Furthermore, the Company will actively explore business opportunities related to new business domains in which it can utilize existing management resources.

(4) Enhancement of Organizational Learning Capabilities

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

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

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

(Millions of yen)

	Fiscal Year Ended December 31, 2013	Fiscal Year Ended December 31, 2014
<b>Assets</b>		
Current assets		
Cash and deposits	25,559	18,008
Notes and accounts receivable-trade	57,246	59,007
Short-term investments securities	25,429	24,448
Merchandise and finished goods	23,005	25,270
Work in process	3,278	4,605
Raw materials and supplies	8,802	9,489
Deferred tax assets	2,569	3,150
Other	2,311	2,245
Allowance for doubtful accounts	(52)	(51)
Total current assets	148,150	146,175
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	71,030	76,172
Accumulated depreciation	(47,556)	(50,216)
Buildings and structures, net	23,474	25,955
Machinery, equipment and vehicles	127,500	138,167
Accumulated depreciation	(107,888)	(115,919)
Machinery, equipment and vehicles, net	19,611	22,248
Land	18,891	24,344
Lease assets	422	340
Accumulated depreciation	(217)	(164)
Lease assets, net	205	175
Construction in progress	3,630	3,075
Other	21,142	22,340
Accumulated depreciation	(17,966)	(18,863)
Other, net	3,175	3,476
Total property, plant and equipment	68,989	79,275
Intangible assets		
Goodwill	128	345
Right of trademark	10,577	7,197
Other	1,901	1,564
Total intangible assets	12,606	9,106
Investments and other assets		
Investment securities	33,362	34,438
Long-term loans receivable	14	23
Prepaid pension cost	16,249	-
Net defined benefit asset	-	11,042
Deferred tax assets	1,455	2,016
Other	1,306	1,305
Allowance for doubtful accounts	(37)	(31)
Total Investments and other assets	52,351	48,794
Total noncurrent assets	133,948	137,176
Total assets	282,098	283,352

(Millions of yen)

	Fiscal Year Ended December 31, 2013	Fiscal Year Ended December 31, 2014
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	49,918	46,590
Short-term loans payable	9,611	12,602
Current portion of long-term loans payable	22,466	116
Accounts payable-other and accrued expenses	39,087	45,123
Income taxes payable	3,057	3,336
Provision for bonuses	2,176	2,631
Provision for sales returns	603	525
Provision for sales promotion expenses	744	894
Provision for directors' bonuses	231	256
Asset retirement obligation	0	14
Other	3,759	3,445
Total current liabilities	131,656	115,537
Noncurrent liabilities		
Bonds with subscription rights to shares	-	14,430
Long-term loans payable	204	2,448
Provision for retirement benefits	19,353	-
Provision for directors' retirement benefits	373	448
Net defined benefit liability	-	18,526
Asset retirement obligation	340	344
Other	5,936	4,182
Total noncurrent liabilities	26,208	40,380
Total liabilities	157,865	155,918
<b>Net assets</b>		
Shareholders' equity		
Capital stock	34,433	34,433
Capital surplus	31,499	31,499
Retained earnings	61,410	66,095
Treasury stock	(16,755)	(16,827)
Total shareholders' equity	110,588	115,201
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,921	7,912
Deferred gains or losses on hedges	24	(0)
Foreign currency translation adjustment	914	3,339
Remeasurements of defined benefit plans	-	(5,816)
Total accumulated other comprehensive income	7,860	5,434
Subscription rights to shares	193	910
Minority interests	5,590	5,888
Total net assets	124,232	127,434
Total liabilities and net assets	282,098	283,352

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

### Consolidated Statements of Income

(Millions of yen)

	Fiscal Year Ended December 31, 2013	Fiscal Year Ended December 31, 2014
Net sales	352,005	367,396
Cost of sales	153,336	160,677
Gross profit	198,668	206,718
Selling, general and administrative expenses	187,849	194,312
Operating income	10,819	12,406
Non-operating income		
Interest income	206	170
Dividends income	565	600
Equity in earnings of affiliates	696	843
Royalty income	256	281
Foreign exchange gains	216	175
Other	414	629
Total non-operating income	2,357	2,700
Non-operating expenses		
Interest expenses	726	621
Interest on bonds	-	85
Loss on disposal of inventories	56	103
Other	94	237
Total non-operating expenses	876	1,047
Ordinary income	12,300	14,059
Extraordinary income		
Gain on step acquisitions	-	477
Gain on bargain purchase	-	97
Gain on disposal of noncurrent assets	41	123
Gain on sales of investment securities	1,428	-
Other	83	34
Total extraordinary income	1,552	733
Extraordinary loss		
Loss on disposal of noncurrent assets	899	799
Impairment loss	1,962	833
Loss on valuation of investment securities	40	72
Other	24	-
Total extraordinary losses	2,926	1,706
Income before income taxes	10,925	13,085
Income taxes-current	4,053	4,495
Income taxes-deferred	159	653
Total income taxes	4,213	5,149
Income before minority interests	6,712	7,936
Minority interests in income	615	567
Net Income	6,097	7,368

**Consolidated Statement of Comprehensive Income**

(Millions of yen)

	Fiscal Year Ended December 31, 2013	Fiscal Year Ended December 31, 2014
Income before minority interests	6,712	7,936
Other comprehensive income		
Valuation difference on available-for-sale securities	3,214	959
Deferred gains or losses on hedges	17	(24)
Foreign currency translation adjustment	3,147	2,841
Share of other comprehensive income of associates accounted for using equity method	169	287
Total other comprehensive income	6,548	4,064
Comprehensive income	13,261	12,001
Comprehensive income attributable to:		
Comprehensive income attributable to owner of the parent	11,970	10,759
Comprehensive income attributable to minority interests	1,290	1,241



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

Consolidated Results for the Year Ended December 31, 2013 (January 1 to December 31, 2013)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the start of current period	34,433	31,499	57,996	(16,656)	107,273
Changes of items during the period					
Dividends from surplus			(2,683)		(2,683)
Net income			6,097		6,097
Purchase of treasury stock				(101)	(101)
Disposal of treasury stock		0		2	2
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	0	3,413	(99)	3,314
Balance at the end of current period	34,433	31,499	61,410	(16,755)	110,588

(Millions of yen)

	Accumulated other comprehensive income					Subscripti on rights to shares	Minority interests	Net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Accumulated other comprehensive income			
Balance at the start of current period	3,688	6	(1,708)	-	1,987	129	4,772	114,163
Changes of items during the period								
Dividends from surplus								(2,683)
Net income								6,097
Purchase of treasury stock								(101)
Disposal of treasury stock								2
Net changes of items other than shareholders' equity	3,232	17	2,622	-	5,873	63	817	6,754
Total changes of items during the period	3,232	17	2,622	-	5,873	63	817	10,069
Balance at the end of current period	6,921	24	914	-	7,860	193	5,590	124,232

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

(Millions of yen)

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

(Millions of yen)

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

#### 4. Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year Ended December 31, 2013	Fiscal year Ended December 31, 2014
<b>Net cash provided by (used in) operating activities</b>		
Income before income taxes and minority interests	10,925	13,085
Depreciation and amortization	11,227	10,301
Impairment loss	1,962	833
Increase (decrease) in provision for bonuses	156	349
Increase (decrease) in provision for retirement benefits	(378)	-
Increase (decrease) in net defined benefit liability	-	(4,789)
Interest and dividends income	(772)	(770)
Interest expenses	726	621
Interest on bonds	-	85
Loss (gain) on disposal of noncurrent assets	858	676
Loss (gain) on sales of investment securities	(1,428)	(0)
Loss (gain) on valuation of investment securities	40	72
Equity in (earnings) losses of affiliates	(696)	(843)
Gain on bargain purchase	-	(97)
Loss (gain) on step acquisitions	-	(477)
Decrease (increase) in notes and accounts receivable-trade	(4,167)	37
Decrease (increase) in inventories	(2,207)	(2,494)
Increase (decrease) in notes and accounts payable-trade	8,440	(5,239)
Increase (decrease) in accounts payable-other and accrued expenses	304	3,525
Increase (decrease) in other current liabilities	293	(21)
Decrease (increase) in other current assets	(281)	29
Other, net	(209)	542
Subtotal	24,793	15,425
Interest and dividends income received	1,068	1,386
Interest expenses paid	(711)	(775)
Income taxes paid	(2,240)	(4,297)
Net cash provided by (used in) operating activities	22,910	11,738
<b>Net cash provided by (used in) investment activities</b>		
Decrease (increase) in time deposits	(69)	(2,133)
Purchases of property, plant and equipment	(14,649)	(13,124)
Proceeds from sales of property, plant and equipment	183	141
Purchase of intangible assets	(112)	(118)
Purchase of investment securities	(1,018)	(505)
Proceeds from sales of investment securities	2,802	34
Proceeds from redemption of investment securities	-	500
Payments of loans receivable	(162)	(5)
Collection of loans receivable	157	0
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(1,418)
Purchase of shares of subsidiaries	-	(386)
Other, net	49	177
Net cash provided by (used in) investment activities	(12,819)	(16,838)

(Millions of yen)

	Fiscal year Ended December 31, 2013	Fiscal year Ended December 31, 2014
<b>Net cash provided by (used in) financing activities</b>		
Increase in short-term loans payable	18,881	21,232
Decrease in short-term loans payable	(15,967)	(19,160)
Proceeds from long-term loans payable	-	2,177
Repayment of long-term loans payable	(2,416)	(22,466)
Proceeds from issuance of bonds	-	14,983
Purchase of treasury stock	(101)	(82)
Proceeds from disposal of treasury stock	2	3
Cash dividends paid	(2,676)	(2,688)
Cash dividend to minority shareholders	(440)	(459)
Other, net	(52)	(59)
Net cash provided by (used in) financing activities	(2,772)	(6,520)
<b>Effect of exchange rate change on cash and cash equivalents</b>	709	829
<b>Net increase (decrease) in cash and cash equivalents</b>	8,027	(10,791)
<b>Cash and cash equivalents at beginning of period</b>	40,913	48,941
<b>Cash and cash equivalents at end of period</b>	48,941	38,150

## 5. Notes Concerning Consolidated Financial Statements

### (Changes in Accounting Policies)

#### (1) Change in Property, Plant and Equipment Depreciation Method

Changes in accounting policies which are difficult to distinguish from changes in accounting estimates

Until the fiscal year under review, Lion and its domestic subsidiaries used mainly the declining-balance method to calculate the depreciation of property, plant and equipment. From the fiscal year ending December 31, 2014, however, this has been changed to the straight-line method. The Lion Group is implementing four strategies in line with its management vision, Vision2020, announced in 2011: (1) Qualitative Growth of Domestic Businesses; (2) Quantitative Expansion of Overseas Businesses; (3) Development of New Business Value; and (4) Enhancement of Organizational Learning Capabilities. Accordingly, under the previous medium-term management plan, V-1 Plan (Vision2020 Part-1), the Group pursued qualitative growth of domestic businesses through three approaches: (1) Develop mainstay brands to secure higher market positions in principal business fields; (2) Foster high-value-added product categories and improve efficiency to bolster the earnings base; and (3) Strengthen R&D and production technologies while stepping up consumer research.

As part of these efforts, phase II construction of a new R&D center was completed in 2013, and the center began full operations in 2014. Lion has taken this occasion to reconsider the depreciation method it employs in order to best reflect actual usage of property, plant and equipment. Accordingly, and with comprehensive consideration given to the changes in its domestic businesses as explained below, the Company has determined that it can more appropriately distribute costs throughout the period of use by changing the depreciation method employed to the straight-line method. This change has the added benefit of aligning the Company's domestic accounting methods with those used by overseas affiliates and is expected to contribute to the Group's overall performance and results management.

- 1) In the fabric care market, demand for high-value-added liquid products, such as fabric softeners with long-lasting fragrance and liquid laundry detergents, is rising, and Lion is adjusting and streamlining its manufacturing facilities accordingly. The wear and tear on manufacturing facilities for these liquid products is more evenly distributed than that seen in facilities manufacturing conventional products, and these facilities are expected to be in steady use each period, reflecting stable consumer demand.
- 2) As a consequence of reinforcing R&D and production technologies and stepping up consumer research, the portion of property, plant and equipment accounted for by R&D-related facilities is increasing. These R&D facilities are expected to operate steadily and evenly each period. As a result of this change in depreciation method, compared with the previous method, operating income, ordinary income and income before income taxes for the fiscal year under review each increased by ¥1,138 million. Rational estimates of the impact on assets and profit for fiscal 2015 and subsequent years cannot be made at this time.

#### (2) Application of Accounting Standard for Retirement Benefits

As of December 31, 2014, the Group has adopted the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ), Statement No. 26, issued on May 17, 2012; hereinafter "Retirement Benefit Accounting Standard") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, issued on May 17, 2012; hereinafter the "Guidance"), excluding the provisions stipulated in the main clause of Article 35 of the Retirement Benefit Accounting Standard and in the main clause of Article 67 of the Guidance. Accordingly, the difference between retirement benefit obligation and plan assets for each benefit plan is recognized as either liability or asset for retirement benefit, which account for unrecognized actuarial difference and unrecognized prior service cost.

The adoption of the Retirement Benefit Accounting Standard and the Guidance is subject to the transitional treatment stipulated by Article 37 of the Retirement Benefit Accounting Standard. Accordingly, the impact of the abovementioned revision in calculation methods was included in remeasurements of defined benefit plans under accumulated other comprehensive income at the end of the fiscal year under review.

As a result, the Group recorded asset for retirement benefit of ¥11,042 million and liability for retirement benefit of ¥18,526 million as of December 31, 2014. In addition, accumulated other comprehensive income decreased by ¥5,816 million.

## **(Segment Information)**

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

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

Lion Corporation positions segments distinguished by their products within each business division.

Each segment proposes comprehensive product strategies while pursuing business expansion.

Affiliated companies in Japan undertake business activities that are in line with the characteristics of their respective products and services.

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

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

The Company's Reportable Segments are as follows.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Consolidated Results for the Year Ended December 31, 2013 (January 1 to December 31, 2013)

(Millions of yen)

	Reportable segments			Other	Total	Adjustment <sup>2</sup>	Consolidated total <sup>3</sup>
	Consumer Products Business	Industrial Products Business	Overseas Business				
Net sales							
Sales to external customers	242,707	31,236	72,656	5,404	352,005	-	352,005
Intersegment sales <sup>1</sup>	22,499	20,394	4,208	23,318	70,421	(70,421)	-
Total	265,207	51,630	76,865	28,723	422,427	(70,421)	352,005
Segment income	7,289	778	1,435	1,016	10,519	300	10,819
Segment assets	110,188	40,605	51,391	20,740	222,926	59,172	282,098
Other monetary items							
Depreciation and amortization	8,361	1,167	1,187	217	10,934	292	11,227
Investment in equity method affiliates	3,351	629	117	1,992	6,090	(145)	5,944
Increases in property, plant and equipment and intangible assets	6,084	1,069	6,513	104	13,772	(63)	13,709

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

2. (1) Segment income adjustments totaling ¥300 million are composed mainly of internal transaction eliminations.

(2) Segment asset adjustments include internal transaction eliminations resulting in a ¥66,399 million deduction and a ¥125,572 million addition that reflects Company assets not allocated to reportable segments.

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

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

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



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

(Millions of yen)

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

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

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

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

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

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

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

**(Per Share Information)**

	FY 2013 (January 1 to December 31, 2013)	FY 2014 (January 1 to December 31, 2014)
Net assets per share	441.59 Yen	449.94 Yen
EPS	22.72 Yen	27.47 Yen
Diluted EPS	22.68 Yen	26.16 Yen

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

As a result, net assets per share as of December 31, 2014 decreased ¥21.69

**Basis for Calculations**

**1) Amount of Net Assets Per Share**

Item	FY 2013 (January 1 to December 31, 2013)	FY 2014 (January 1 to December 31, 2014)
Total amount of net assets in Consolidated Financial Reporting Statements (Millions of yen)	124,232	127,434
Amount of net assets related to common stock (Millions of yen)	118,448	120,635
Principal breakdown of balances (Millions of yen)		
Subscription rights	193	910
Minority interest	5,590	5,888
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)	30,882	31,001
Number of shares of common stock that are calculated based on the amount of net assets per share (Thousands of shares)	268,232	268,113

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

	FY 2013 (January 1 to December 31, 2013)	FY 2014 (January 1 to December 31, 2014)
EPS		
Net income (millions of Yen)	6,097	7,368
Amount not belong to common stockholders (millions of Yen)	—	—
Net Income concerning common stock (millions of Yen)	6,097	7,368
Average number of outstanding shares during the period (thousands of shares)	268,341	268,191
Diluted EPS		
Increase in number of common stocks (thousands of shares)	460	15,498
Of which, stock options (thousands of shares)	(460)	(576)
Of which, Bonds with subscription rights to shares (thousands of shares)		(14,921)
Summary of residual shares not included in diluted EPS due to lack of dilution effect.	—	—

**(Important Subsequent Events)**

None

## V. Other information

### Personnel Changes

#### 1. Change of Representative

There is no change.

#### 2. Change of Other Personnel

##### (1) Directors

There is no change.

##### (2) Corporate Auditor

- 1) Newly Appointed Corporate Auditor (positions will be appointed at the Ordinary Annual General Meeting of Shareholders scheduled on March 27, 2015)

Name	Position
Yasutaro Nakagawa	Assistant for President
Junko Nishiyama	Assistant for President
Noboru Kojima	Certified Public Accountant, Certified Tax Accountant
Hideo Higashi	Certified Tax Accountant

##### 1) Retiring Directors (March 27, 2015)

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)

Immediately following the Company's Regular Shareholders' Meeting scheduled for March 27, 2015, the following management team is scheduled to assume office and begin exercising their duties, attending a Board of Directors meeting following said Regular Shareholders' Meeting.

##### (1) Director

Name	Position
Sadayoshi Fujishige	Representative Director and Chairman of the Board
Itsuo Hama	Representative Director and President Executive Officer, Chief Executive Officer
Takayasu Kasamatsu	Executive Director, Executive Officer
Yuji Watari	Executive Director, Executive Officer
Masazumi Kikukawa	Director, Executive Officer

Kenjiro Kobayashi	Director, Executive Officer
Yasuo Shimizu	Director, Executive Officer
Toshio Kakui	Director, Executive Officer
Mitsuaki Shimaguchi	External Director Professor Emeritus of Keio University
Hideo Yamada	External Director Attorney at Law

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

(2) Corporate Auditor

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

The notification of the nomination of Mr. Noboru Kojima and Mr. Hideo Higashi as independent directors has been sent to the Tokyo Stock Exchange.

(3) Substitute Corporate Auditor

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

(4) Executive Officer (Excluding interlocking directors)

Name
Takeo Sakakibara
Shu Kawazoe
Kohei Miyauchi
Tomomichi Okano
Hiroyuki Chiba
Ryuji Nakazawa
Yutaka Shinohara