

Management Performance and Financial Status

1. The First Half in Review

(1) Overview of Results of Operations

Operating conditions were mixed during the year ended December 31, 2006. During the first half, the Japanese economy experienced an overall recovery, buoyed by improved corporate earnings that drove private-sector capital expenditure and personal consumption growth. In the second half consumption stalled, placing downward pressure on recovery trends.

Turning to Japan's household consumer products industry, the core business domain for Lion and its Group companies, conditions were characterized by an austere business environment, impacted by high crude oil prices and intense retail store competition.

Under these circumstances, the Lion Group continued to implement its medium-term management plan, Value Innovation Plan Part II 09 (VIP II 09), a five-year initiative launched in 2005. Entering its second stage, the three-year period commencing 2007, the Plan identifies three important sets of measures with the aim of securing increased corporate value. First, we are solidifying our position in mainstay markets. Building on 110 years of toothpaste sales and 50 years of marketing Top laundry detergent, we have continued to nurture growth in oral care and Top brand products. Second, we have targeted full-fledged entry into the functional foods market and released a stream of innovative, high-value-added products. On this basis, Lion is strengthening activities both in new and growth markets. The third and final set of measures involved the consolidation of manufacturing facilities, coupled with the introduction of a trust-type rights plan to counter hostile takeover bids and the appointment of external directors to enhance management transparency, objectivity and oversight designed to reinforce corporate governance systems. Guided by this raft of measures, Lion strives to enhance the efficiency of its business platform.

Despite these efforts, however, consolidated net sales declined 0.4% compared with the previous fiscal year to ¥330,380 million. This is attributed to intense market competition and to the streamlining of distribution inventories designed to facilitate balanced sales. On the earnings front, operating income fell 94.3% year on year to ¥343 million, while ordinary income totaled ¥2,427 million, a drop of 71.5%. Buoyed by extraordinary income reflecting gains on sales of investment securities, net income rose 1.2% year on year to ¥5,540 million.

<Consolidated>

(Millions of yen)

Net sales	FY 2006	FY 2005	Increase/ decrease	Change
Home Products	235,020	237,241	(2,221)	(0.9%)
Pharmaceutical Products	47,981	50,315	(2,333)	(4.6%)
Chemicals	32,334	33,898	(1,563)	(4.6%)
Others	15,044	10,343	4,700	45.4%
Total	330,380	331,798	(1,417)	(0.4%)

* Sales to outside customers

(Millions of yen)

	FY 2006	Ratio to net sales	FY 2005	Ratio to net sales	Increase/ decrease	Change
Operating income	343	0.1%	6,066	1.8%	(5,723)	(94.3%)
Ordinary income	2,427	0.7%	8,514	2.6%	(6,087)	(71.5%)
Net income	5,540	1.7%	5,473	1.7%	67	1.2%

<Non-consolidated>

(Millions of yen)

Net sales	FY 2006	FY 2005	Increase/ decrease	Change
Home Products	181,210	191,863	(10,652)	(5.6%)
Pharmaceutical Products	47,773	50,291	(2,518)	(5.0%)
Chemicals	26,155	26,717	(562)	(2.1%)
International	2,332	2,021	310	15.3%
Total	257,471	270,894	(13,422)	(5.0%)

(Millions of yen)

	FY 2006	Ratio to net sales	FY 2005	Ratio to net sales	Increase/ decrease	Change
Operating income	(2,108)	-	2,907	1.1%	(5,015)	-
Ordinary income	1,630	0.6%	6,453	2.4%	(4,823)	(74.7%)
Net income	5,869	2.3%	4,657	1.7%	1,211	26.0%

<Consolidated Geographical Segment>

(Millions of yen)

Net sales	FY 2006	FY 2005	Increase/ decrease	Change
Japan	284,907	293,660	(8,753)	(3.0%)
Asia	45,473	38,137	7,335	19.2%
Consolidated total	330,380	331,798	(1,417)	(0.4%)

* Sales to outside customers

	FY 2006	FY 2005	Increase/ decrease	Change
Operating income				
Japan	(584)	5,720	(6,305)	-
Asia	632	272	360	132.0%
Corporate and eliminations	295	73	221	300.3%
Consolidated total	343	6,066	(5,723)	(94.3%)

(2) Segment Information

<Home Products>

(Millions of yen)

	FY 2006	Ratio to net sales	FY 2005	Ratio to net sales	Increase/decrease	Change
Net sales	235,020		237,241		(2,221)	(0.9%)
Operating income	(335)	-	8,434	3.6%	(8,770)	-

* From this period under review, expenses in administrative departments, which were previously recorded as unallocated operating expenses, are allocated to each segment. Operating income under the historic method was ¥5,409 million, declined 35.9% from the previous fiscal year.

Net sales of Home Products totaled ¥235,020 million, down by 0.9% from year ago.

As the basis for future dynamic growth, from the next fiscal period and beyond, Lion worked vigorously in Japan to implement two key initiatives. Leveraging proprietary technologies, we introduced unique new products and undertook strategic marketing investment to further develop our mainstay Clinica and Top brands. We also established medical health care categories, a combination of home and pharmaceutical products, in each of the oral care and beauty care segments. Buffeted by intense market competition and steps to improve the balance of distribution inventories, however, domestic sales in the Home Products segment declined year on year.

Overseas, Lion aggressively fostered new compact-type laundry detergents in Thailand. Working to strengthen its oral care business platform, we also developed and released new toothpastes and toothbrushes in South Korea. Supported by these efforts, Lion enjoyed robust overseas sales.

In this segment, Lion incurred an operating loss of ¥335 million. Despite all-out efforts to reduce production and logistics costs, our performance in home products was adversely affected by the drop in domestic sales and rising material costs caused by high crude oil prices.

<Net Sales of Principal divisions>

(Millions of yen)

	FY 2006	FY 2005	Increase/decrease	Change
Oral Care Products Division	52,167	50,431	1,735	3.4%
Beauty Care Products Division	33,558	35,909	(2,351)	(6.5%)
Household Products Division	149,294	150,900	(1,605)	(1.1%)

Oral Care Products

Complementing the conventional flavor, sales were brisk for PC Clinica, an anti-cavity toothpaste offered in a new fresh mint flavor. Lion also launched Dentor Systema EX, which incorporates new antibacterial agents for periodontal disease prevention. Impacted by intense market competition and a slump in mainstay Dentor sales, however, overall sales of toothpastes fell below those of the previous fiscal year.

In the fiscal year under review, Lion replaced its Between brand toothbrushes with newly designed products under the same brand name. These products generated a steady flow of sales, but overall results were on a par with the previous fiscal year owing to stagnant sales of ultra-fine bristle Dentor Systema.

Lion enjoyed strong sales of Dentor Systema Dental Rinse, which offers both alcohol and non-alcohol mouthwashes with disinfecting properties that penetrate deep inside biofilm. Coupled with the release of Clinica Dental Rinse – Quick Care, a new product that prevents caries and bad breath, overall sales of mouthwash products significantly exceeded those of the previous fiscal year.

Results were solid for dental materials on the back of improvements to the DENT.Check-Up product lineup of toothpastes and growing customer support for DENT.EX Systema toothbrushes.

In Lion's oral care overseas business, sales were strong for Systema brand toothpastes and toothbrushes in Thailand. At the same time, Lion enjoyed robust support in South Korea following the release of Dentralla brand toothpastes and toothbrushes. Accounting for these factors, oral care products saw a dramatic jump in overall overseas sales.

As a result, sales of Oral Care Products increased 3.4% to ¥52,167 million.

Beauty Care Products

Lion bolstered sales promotion activities in Shukubutsu-Monogatari (Plant Story) Herb Blend Shampoo and Conditioner. Despite these efforts, sales of shampoos and conditioners fell below the previous fiscal year due to intense competition.

Launched in 2004, Kireikirei Medicated Liquid Hand Soap, which incorporates antibacterial agents, was upgraded and released during the fiscal year under review. Following the launch of Kireikirei Medical Foaming Hand Soap, an easy-to-use product for children who experience difficulty making lather with conventional soaps, Lion enhanced consumer appeal with the introduction of a new re-useable container. Coupled with increased hand soap demand reflecting growing norovirus concerns, sales surpassed results of the previous fiscal year.

Sales of body washes were sluggish for the fiscal year ended December 31, 2006, reflecting the impact of intense industry competition. This was despite efforts to strengthen sales promotion activities of Shokubutsu-Monogatari (Plant Story) Herb Blend Body Washes.

In hair-nourishment treatments, Lion supplemented its product lineup with Mouhatsuryoku Innovate EX with deep-reaching active ingredients. Despite this initiative, sales fell below those of the previous fiscal year, reflecting a contraction in market scale.

While sales of mainstay Ban Powder Spray were firm, results of Ban Zero stalled. As a result, overall

sales of antiperspirants and deodorants declined compared with the previous fiscal year.

Looking at its overseas beauty care product activities, Lion also released new products in Thailand, including Free & Free Damage Aid shampoo and treatment, which contributed to steady sales growth.

As a result, sales of Beauty Care Products decreased 6.5% to ¥33,558 million.

Household Products

Mainly comprised of plant-based ingredients, Lion released an improved version of Top, its flagship brand laundry detergent that fulfills the growing demand for detergency and environmental awareness. Sales of Heyaboshi (Hang-to-Dry Indoors) Top, which controls the unpleasant smell generated by laundry hung inside to dry, were also firm during the fiscal year ended December 31, 2006. Despite these positive elements, overall sales of laundry detergents declined compared with the previous fiscal year reflecting efforts to achieve balance across distribution inventories.

Overall sales of bleaches underperformed the previous fiscal year's figures due to severe market competition. This was despite the release of Chokko Bright, a new product in the Temanashi Bright series.

Sales of fabric softener were steady following the release of a new fresh soap fragrance product in the Kaori no Deodorant no Soflan ("Soflan with Fragrance and Deodorant") lineup offering of superlative odor protection advantages. Adversely affected by a slump in Funwari Soflan, overall sales of fabric softeners decreased year on year.

Against the backdrop of intensifying market competition, sales declined in dishwashing detergents. This was despite firm sales of newly improved Charmy V Quick.

In household cleaners, customers welcomed Look Kirei no Mist's simple spray concept for preventing slimy surfaces and odors. Coupled with the release of upgraded Ofuro no Look, a bathtub cleaner, sales experienced a marked increase compared with the previous fiscal year.

Sales in the overseas Household Products business were substantially above those of the previous fiscal year. This is attributed to strong sales of the Pao series of laundry detergents in Thailand.

As a result, sales of Household Products decreased 1.1% to ¥149,294 million.

Principal new products

PC Clinica (Fresh mint flavor) / Toothpaste

Dentor Systema EX / Toothpaste

Dent Health SP Medicated Toothpaste

Clinica Dental Rinse - Quick Care / Mouthwash

Dentor Systema Dental Rinse (Non-alcohol type) / Mouthwash
 Breath Aid (Fresh mint flavor / Lemon mint flavor) / Food
 Temanashi Chokko Bright / Bleaches
 Kaori to Deodorant no Soflan ('Soflan with Fragrance and Deodorant') Fresh Soap fragrance
 / Fabric softener
 Look Kirei no Mist for Kitchen, for Bathrooms and for Toilets / Disinfectants
 Look Kirei no Mist for Fabrics / Disinfectants

<Pharmaceutical Products>

(Millions of yen)

	FY 2006	Ratio to net sales	FY 2005	Ratio to net sales	Increase/decrease	Change
Net sales	47,981		50,315		(2,333)	(4.6%)
Operating income	943	2.0%	3,619	7.2%	(2,676)	(73.9%)

* Operating income under the historic method was ¥2,337 million in this fiscal year, decreased 35.4% from the previous fiscal year.

Sales of Pharmaceutical Products decreased 4.6% to ¥47,981 million.

The OTC drug market, a principal field of activity for the Pharmaceutical Division, was confronted by harsh operating conditions. This was particularly true for eye drops, health tonic drinks and insecticides, the overall market scale of which diminished.

Under these circumstances, Lion worked diligently to introduce new products in its mainstay analgesic, eyedrop and insecticide operations. At the same time, Lion entered new business fields, including functional food products that fully utilize proprietary technologies. Despite these efforts, sales in the OTC drug market were weak throughout the fiscal year ended December 31, 2006.

On the earnings front, operating income totaled ¥943 million. While Lion implemented measures to curtail manufacturing and distribution costs, these endeavors were offset by increases in expenditure relating to the new products and existing product development.

<Principal divisions>

In analgesics, Lion released Bufferin Luna, which provides quick and effective relief from severe discomfort caused by menstrual, back and other pain. Adversely affected by intense market competition resulting in weak Bufferin A sales, overall analgesic results underperformed the previous fiscal year's figures.

Sales of eye care products exceeded those of the previous fiscal year. Positive results in eye drop products are attributed to firm sales of Smile 40EX and the release of Smile Contact Cool Fresh, which contains cornea protection ingredients for the relief of tired eyes.

In antidiarrheic drugs, sales of New Chugai Ichoyaku increased significantly year on year. Impacted by

severe market competition and a slump in Stoppa Anti-Diarrhea Medicine, however, overall sales fell below those of the fiscal year ended December 31, 2005.

Sales of semi-adhesive products declined year on year. Despite wide customer acclaim for Kyusoku Jikan, a semi-adhesive cooling pad for the feet and legs, results were affected by market contraction in the Hiepita series of semi-adhesive cooling pads for fevers.

In health tonic drinks, Lion stepped up point-of-sales promotion activities for New Guromont, a health tonic drink. Encountering downward pressure due to a shrinking market, Lion suffered an overall drop in sales compared with the previous fiscal year.

Lion launched Varsan Insect-Repellent Cube, an adjunct to the Varsan range of insecticides. Delivering a long-lasting effect without the need for a power source, Insect-Repellent Cube contributed to results. Consequently, sales of insecticides in the fiscal year under review were healthy.

In the year ended December 31, 2006, Lion entered the functional food products market. Efforts were made to cultivate new categories through the development of a new health and beauty-support brand, KENBISOUKEN, including Gussumin and Kyupurun.

Principal new products

Bufferin Luna / Analgesics

Gussumin / Health Drink

Kyupurun / Health Drink

Varsan Insect-Repellent Cube

Pairacne W / Acne medicine

<Chemicals>

(Millions of yen)

	FY 2006	Ratio to net sales	FY 2005	Ratio to net sales	Increase/decrease	Change
Net sales	32,334		33,898		(1,563)	(4.6%)
Operating income	(286)	-	1,020	3.0%	(1,307)	-

* Operating income under the historic method was ¥612 million in this fiscal year, decreased 40.0% from the previous fiscal year.

Sales of Chemicals decreased 4.6% to ¥32,334 million.

In the fiscal year under review, Lion strove to foster highly functional products, focusing primarily on electro-conductive compounds and industrial detergents. Overall sales of chemical products declined, however, owing to a slump in demand for fatty-acid methyl ester and other products.

Despite efforts to improve profitability based on a review of underperforming products, Lion reported an

operating loss of ¥286 million. This was mainly due to the impact of rising material costs reflecting the surge in crude oil prices that hovered at high levels.

<Principal divisions>

While exports of surfactants and fatty-acid nitrogen derivatives to Southeast Asia were firm, sales in Japan for fabric softener applications stalled under the impact of intense market competition. As a result, overall sales in this category declined year on year.

In specific terms, Lion worked to expand application of fatty-acid methyl ester in metalworking processes as a material to make alcohol and as bio-diesel fuel. Sales slumped year on year, however, owing to a drop in demand.

Sales of electro-conductive carbon significantly surpassed the previous fiscal year. This is attributed to strong market awareness both in Japan and overseas of its excellent conductivity for use in electronic devices and automobile parts.

In addition, Lion's specialty cosmetic materials for use in shampoos and conditioners attracted wide support both at home and overseas. This contributed to a substantial jump in year-on-year sales.

<Others>

(Millions of yen)

	FY 2006	Ratio to net sales	FY 2005	Ratio to net sales	Increase/decrease	Change
Net sales	15,044		10,343		4,700	45.4%
Operating income	28	0.2%	(97)	-	125	-

* Operating loss under the historic method was ¥94 million in this fiscal year.

In the Others segment, net sales amounted to ¥15,044 million, a 45.4% increase year on year, owing to the increase in the number of works completions in the construction contracting business, and operating income was 28 million.

(2) Financial Status

	FY 2006	FY 2005	Change
Total assets (millions of yen)	246,327	249,303	(2,976)
Net assets (millions of yen)	105,133	109,103	(3,969)
Shareholders' equity to total assets (%)	41.3	43.8	(2.5 ^{*2})
Net assets per share ^{*1} (yen)	376.76	384.60	(7.84)

*1 Minority interest was excluded from calculation of net assets per share

*2 In percentage points

	(Millions of yen)		
	FY 2006	FY 2005	Change
Cash flows from operating activities	3,343	1,865	1,478
Cash flows from investing activities	11,092	(9,262)	20,354
Cash flows from financing activities	(3,610)	(1,514)	(2,095)
Translation gain related to cash and cash equivalents	168	130	38
Increase (decrease) in cash and cash equivalents	10,994	(8,781)	19,776
Cash and cash equivalents at end of period	26,782	15,788	10,994

As of December 31, 2006, total assets stood at ¥246,327 million, a decrease of ¥2,976 million as of the end of the previous fiscal year. Net assets were ¥105,133 million, reflecting a drop in retained earnings due to the retirement of treasury stock and a decline in unrealized holding gain on other securities. As a result, the shareholders' equity to total assets ratio was 41.3%.

<Consolidated Cash Flows>

Net cash provided by operating activities totaled ¥3,343 million, an increase of ¥1,478 million compared with the previous fiscal year. The major cash outflow was decrease in trade notes and accounts payable. This was more than offset by income before income taxes of ¥13,020 million (¥8,737 million in the previous fiscal year), decreases in trade notes and accounts receivable and inventories and increase in accrued expenses and other payables.

Net cash provided by investing activities amounted to ¥11,092 million, a turnaround of ¥20,354 million year on year. Despite purchases of property, plant and equipment, this is attributed to proceeds from sale of investment securities as well as property, plant and equipment.

Net cash used in financing activities was ¥3,610 million, a drop of ¥2,095 million compared with the previous fiscal year. Major components were increase in long-term loans payable, purchases of treasury stock and repayment of short-term loans payable.

<Changes in major indicators for financial status>

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Shareholders' equity to total assets (%)	43.1	45.0	42.9	43.8	41.3
Shareholders' equity to total assets on a market value basis (%)	56.5	66.6	71.9	85.8	66.1
Debt redemption (years)	0.5	0.7	3.9	9.8	7.5
Interest coverage ratio	119.8	86.7	25.6	7.1	12.2

(Notes)

Shareholders' equity to total assets: (Net assets – Minority interest) / Total assets

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

Shareholders' equity to total assets on a market value basis: Total market 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.

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

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

"Interest bearing liabilities" mean all liabilities that are bearing interests among the liabilities in the consolidated balance sheet.

For the amount of interest paid, figures in the consolidated cash flow data are used.

(4) Appropriation of Earnings**<Dividends>**

Cash dividends for fiscal 2007 are forecast at ¥5 per share both for interim and year-end dividends.

<Retirement of Treasury Stock>

In December 2006, Lion acquired 13,900,000 shares of treasury stock through open market transactions.

In addition, Lion has retired 14,400,000 shares of treasury stock.

2. Outlook for Fiscal 2007

(1) Forecasts

<Consolidated>		(Millions of yen)		
	FY 2007 forecast	FY 2006	Increase/decrease	Change
Net sales	340,000	330,380	9,619	2.9%
Ordinary income	10,000	2,427	7,572	312.0%
Net income	5,500	5,540	(40)	(0.7%)

<Non-Consolidated>		(Millions of yen)		
	FY 2007 forecast	FY 2006	Increase/decrease	Change
Net sales	275,000	257,471	17,528	6.8%
Ordinary income	8,000	1,630	6,369	390.6%
Net income	5,000	5,869	(869)	(14.8%)

In the fiscal year ending December 31, 2007, the Japanese economy is expected to continue a moderate recovery. In the home products market, challenging conditions are expected to persist with intensifying competition among manufacturers.

In 2007, the Japanese economy is forecast to continue its moderate recovery. The home products market, however, is expected to be confronted by persistently harsh business conditions and intense competition among manufacturers.

Against this backdrop, the Lion Group will steadfastly implement the measures outlined in its VIP II 09 medium-term management plan in an effort to become the leading company in the new, comfortable lifestyle support industry.

In its Home Products business, Lion will continue to develop distinctive new products in mainstay toothpaste, laundry detergent, dishwashing detergent and other fields. At the same time, Lion will bolster its lineup of medical health care products. Overseas, we will fortify growth potential through the active release of new products throughout the ASEAN region and South Korea. Based on these efforts, Lion anticipates current fiscal year sales to surpass those of the fiscal year under review.

In the Pharmaceutical Products business, Lion is also anticipating year-on-year sales growth. This is attributed to the proactive launch of new products, the aggressive promotion of existing mainstay brands and efforts to expand the product lineup in the new functional food products field.

Despite Lion's endeavors to bolster profitability and expand sales in eco-friendly, highly functional products, results in the Chemicals business are expected to decline year on year. This is attributed to continuing severity in the business environment.

In the Other business segment, sales are forecast to fall owing to the transfer of two consolidated subsidiary businesses during the fiscal year ended December 31, 2006.

Accounting for the aforementioned factors, consolidated net sales for the fiscal year ending December 31, 2007 are expected to reach ¥340,000 million, an increase of 2.9%.

While ordinary income is projected at ¥10,000 million, a year-on-year increase of 312.0%, net income is expected to decline 0.7% for a total of ¥5,500 million.

Lion plans to declare annual dividends for fiscal 2007 of ¥ 10 per share (¥5 per share both for interim and year end dividends).

(2) Consolidated Cash Flows

In cash flows from operating activities, Lion projects income before income taxes of approximately ¥9.0 billion. Lion estimates depreciation and amortization charges of about ¥10.0 billion.

In cash flows from investing activities, Lion plans capital expenditure of ¥10.0 billion.

The cash flows from financing activities are expected to decline by about ¥4.5 billion from the fiscal 2006 level because of the payment of dividend and repayment of loans payable.

Based on these projections, Lion estimates cash and cash equivalents at the end of the year to total ¥29.0 billion.

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.

3. 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 the date of release of this business report. Business risks are not limited to the items listed below.

(1) Product quality and value

The Lion Group plans, develops, produces, and sells products under management based on

international quality standards while strictly following related laws and regulations, such as the Pharmaceutical Affairs Law, to provide worry-free, safe, convenient, and environmentally conscious products to customers. In addition, we use customer opinions received through our Consumer Service Office to improve our products, packaging text and displays.

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

(2) Changes in raw material prices

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

(3) Exchange rate fluctuations

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

(4) Major lawsuits

In a future lawsuit, if the Lion Group is successfully sued for significant damages, it may 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.