

I. Management Performance

1. Fiscal 2007 in Review

(1) Overview of Results of Operations

During the year ended December 31, 2007, the domestic economy was characterized by mixed operating conditions. In overall terms, Japan's business environment experienced ongoing recovery on the back of a moderate increase in private-sector capital expenditure and other factors. In the second half of the year, however, signs of uncertainty surrounding this economic turnaround began to emerge, impacted by stagnant personal consumption and weakness in corporate earnings growth.

However, the domestic toiletries industry, in which the Lion Group mainly conducts its business operations, continued to face a severe business environment owing to ongoing fierce sales competition and crude oil and vegetable oil prices hovering at high levels.

Within the aforementioned business environment, the Lion Group continued to implement its medium-term management plan, Value Innovation Plan Part II 09 (VIP II 09), with the aim of securing increased corporate value. In specific terms, we endeavored to lift our position in mainstay markets, realize fundamental improvements in our profit structure and reinforce our operating platform for future growth. On the domestic front, the Lion Group worked vigorously to nurture principal brands while augmenting its product lineup. At the same time, we launched distinctive new products in such major fields as laundry and dishwashing detergents. The Group experienced strong overseas sales of such products as laundry detergents, fabric softeners and toothpastes especially in Thailand. As a result, our performance outside Japan rose substantially year on year. In addition to a variety of profit-structure reforms implemented during the previous year, including the streamlining of wholesale inventories and the consolidation of cosmetic manufacturing facilities, we redoubled our efforts to reduce manufacturing and logistics costs in an effort to increase profit. Furthermore, we acquired trademark rights for such brands as the analgesic "Bufferin[®]," laying the groundwork for future expansion in the Health Care business, and established a subsidiary in Malaysia to serve as a new engine for ongoing growth through the manufacture and sale of MES (methyl ester sulfonate), a vegetable-derived surfactant made from palm oil.

Owing to these efforts, consolidated net sales increased 3.4% to ¥341,717 million compared with the previous fiscal year. On the earnings front, operating income increased 2,495.3% year on year to ¥8,905 million, and ordinary income rose 316.3% to ¥10,104 million. Lion recorded an extraordinary loss in connection with the voluntary recall of insecticides, and net income declined 2.1% year on year to ¥5,423 million.

<Consolidated>

(Millions of yen)

Net sales	FY 2007	FY 2006	Increase/ decrease	Change
Health Care Products	135,461	133,707	1,754	1.3%
Household Products	168,448	149,294	19,154	12.8%
Chemical Products	32,445	32,334	111	0.3%
Others	5,360	15,044	(9,683)	(64.4%)
Total	341,717	330,380	11,336	3.4%

	FY 2007	Ratio to net sales	FY 2006	Ratio to net sales	Increase/ decrease	Change
Operating income	8,905	2.6%	343	0.1%	8,562	2,495.3%
Ordinary income	10,104	2.9%	2,427	0.7%	7,677	316.3%
Net income	5,423	1.6%	5,540	1.7%	(116)	(2.1%)

<Non-consolidated>

(Millions of yen)

Net sales	FY 2007	FY 2006	Increase/ decrease	Change
Health Care Products	120,357	120,265	92	0.1%
Household Products	119,903	108,718	11,184	10.3%
Chemical Products	25,499	26,155	(655)	(2.5%)
International	1,374	2,332	(957)	(41.0%)
Total	267,135	257,471	9,663	3.8%

	FY 2007	Ratio to net sales	FY 2006	Ratio to net sales	Increase/ decrease	Change
Operating income	5,058	1.9%	(2,108)	—	7,166	—
Ordinary income	10,171	3.8%	1,630	0.6%	8,540	523.8%
Net income	5,087	1.9%	5,869	2.3%	(782)	(13.3%)

<Consolidated Geographical Segment>

(Millions of yen)

Net sales	FY 2007	FY 2006	Increase/ decrease	Change
Japan	286,759	284,907	1,852	0.7%
Asia	54,957	45,473	9,484	20.9%
Consolidated total	341,717	330,380	11,336	3.4%

Operating income	FY 2007	FY 2006	Increase/ decrease	Change
Japan	7,371	(584)	7,956	—
Asia	1,153	632	520	82.2%
Corporate and eliminations	380	295	85	29.0%
Consolidated total	8,905	343	8,562	2,495.3%

(2) Segment Information

In this fiscal year under review, Lion restructured its former Home Products and Pharmaceutical Products segments as an initiative to boost synergistic effects of relevant technologies, brand power and logistics, as well as to better ensure consistent implementation of business strategies.

Health Care Products:

Oral Care Products, Beauty Care Products, Pharmaceutical Products Divisions

Household Products:

Fabric Care Products, Living Care Products Divisions

The Chemical Products and Other Businesses segment were unchanged.

<Health Care Products>

(Millions of yen)

	FY 2007	Ratio to net sales	FY 2006	Ratio to net sales	Increase/decrease	Change
Net sales	135,461		133,707		1,754	1.3%
Operating income	5,414	4.0%	*—	—	—	—

* Operating income by segment for the fiscal 2006 is not provided in this document.

Please refer to page 12 for operating income by former segment.

The Health Care Products segment is divided into the Oral Care Products, Beauty Care Products and Pharmaceutical Products Divisions. Net sales in this business during the fiscal year under review totaled ¥135,461 million, an increase of 1.3% compared with the previous fiscal year, and operating income was ¥5,414 million.

<Net Sales of Principal divisions>

(Millions of yen)

	FY 2007	FY 2006	Increase/decrease	Change
Oral Care Products Division	54,087	52,167	1,920	3.7%
Beauty Care Products Division	35,000	33,558	1,442	4.3%
Pharmaceutical Products Division	46,373	47,981	(1,608)	(3.4%)

Oral Care Products Division

In toothpastes, Lion enjoyed steady overall sales growth. In addition to the launch of Dentor Clear MAX, containing cleaning granules that thoroughly cleanse right to the back of the teeth, as well as Clinica and Clinica Cavity Protection medicated toothpastes that break down and remove hidden plaque, sales of

the Dent Health Medicated Toothpaste series to prevent pyorrhea and gingivitis, were strong.

In toothbrushes, Lion reinforced its Dentor Systema brand range with a new toothbrush that features three rows of bristles. Sales were also steady for the Between brand of toothbrushes with serrated-cut bristles. Accounting for these factors, toothbrush sales exceeded the level recorded in the previous year.

Despite the launch of Clinica Dental Rinse—Long Time Pure Coat, a dental rinse that helps to prevent bad breath, mouthwash sales declined year on year. This was mainly attributed to market contraction.

Buoyed by the release of new products, including Systema Dental Paste α toothpaste and DENT. EX ImplantCare toothbrush, overall sales of dental products were steady during the year under review.

Overall overseas results in this division increased substantially compared with the previous year, owing to robust sales of Systema brand toothpastes and toothbrushes in Thailand, which rose substantially year on year and strong sales of Dentralla brand toothpastes and toothbrushes in South Korea.

As a result, sales of Oral Care Products Division increased 3.7% to ¥54,087 million.

Beauty Care Products Division

Lion experienced considerable year-on-year growth in the sales of shampoos and conditioners. In addition to the launch of the improved Soft-in-One Shampoo and Conditioner, with enhanced conditioning properties, Lion added a new texturizing-type product in this line.

In hair-nourishment treatments, Lion launched Mouhatsuryoku ZZ, which contains six ingredients including Okinawan Mozuku seaweed extract. This new product offers an improved effect to promote hair growth and prevent hair loss. Despite this initiative, year-on-year sales declined in this category, reflecting steady market contraction.

Celebrating its 10th anniversary since initial release, sales of Kireikirei Medicated Liquid Hand Soap, which incorporates a sterilizing agent, and Kireikirei Medicated Foaming Hand Soap, for use by children who have difficulty making lather with conventional soaps, were strong. As a result, sales of hand soaps substantially exceeded our performance in 2006.

In body soaps, Lion bolstered sales promotion activities, particularly for Shokubutsu-Monogatari (Plant Story) Herb Blend Body Wash, which contains natural herbs. Buffeted by intense competition, however, sales in this category declined year on year.

In antiperspirants and deodorants, Lion introduced a new product with enhanced deodorizing power in the Ban brand lineup. However, market competition continued to intensify, and accordingly, sales in this category were stagnant.

Overseas, sales of the Shokubutsu-Monogatari series of products were robust in Thailand. Coupled with the release of Kireikirei Medicated Foaming Hand Soap in Thailand, Lion recorded considerable sales growth overseas.

As a result, sales of Beauty Care Products Division increased 4.3% to ¥35,000 million.

Pharmaceutical Products Division

Amid firm sales of Lion's mainstay Bufferin A, Lion launched Bufferin Karyu (Granule), an easy-to-swallow, antipyretic analgesic granule that provides quick relief for headaches and fever without leaving a bitter aftertaste. As a result, overall sales in this category considerably exceeded results in the previous year.

In eyedrops, Lion released Smile 40 Mediclear, which contains an ingredient that helps tears perform their function in protecting the eyes. Recognizing that this function progressively declines with age, Smile 40 Mediclear provides added assistance and comfort. Despite this initiative, sales declined year on year impacted by intensifying competition.

During fiscal 2007, Lion launched Stoppa Day Balance, a medicine for intestinal disorders that improves the intestinal environment and activity to support regularity. As a result, overall sales of anti-diarrheic drugs increased considerably compared with the previous year.

Results in semi-adhesive cooling pads during fiscal 2007 were mixed. While sales growth of Hiepita—an emergency semi-adhesive pad for rapid cooling at the sudden onset of fever—stalled, results in Kyusoku Jikan—an intense cooling elastic pad designed specifically for the feet and calves—rose substantially year on year. Accounting for these factors, overall sales in this category were steady.

In health tonic drinks, overall sales declined compared with the previous year. Despite steady sales growth in New Guromont, this was insufficient to offset stagnant Guronsan sales.

As a result, sales of Pharmaceutical Products Division decreased 3.4% to ¥46,373 million.

Principal new products

Dentor Clear MAX / Toothpaste

Clinica Cavity Protection / Toothpaste

Dentor Systema Toothbrush – compact head type with three rows of bristles

Clinica Dental Rinse - Long Time Pure Coat / Mouthwash

Mouhatsuryoku ZZ / Hair-nourishment treatments

Soft-in-One Shampoo and Conditioner - texturizing-type

new Ban Deodorant Powder Spray / Antiperspirants and deodorants

Bufferin Karyu (Granule) / Analgesics

Smile 40 Mediclear / Eyedrops

Stoppa Day Balance / Medicine for intestinal disorders

<Household Products>

(Millions of yen)

	FY 2007	Ratio to net sales	FY 2006	Ratio to net sales	Increase/decrease	Change
Net sales	168,448		149,294		19,154	12.8%
Operating income	3,123	1.9%	*—	—	—	—

* Operating income by segment for the fiscal 2006 is not provided in this document.
Please refer to page 12 for operating income by former segment.

Lion's Household Products segment is divided into two divisions: Fabric Care and Living Care. Sales of Household Products increased 12.8% to ¥168,448 million. Operating income totaled ¥ 3,123 million.

<Net Sales of Principal divisions>

(Millions of yen)

	FY 2007	FY 2006	Increase/decrease	Change
Fabric Care Products Division	118,750	103,030	15,719	15.3%
Living Care Products Division	49,698	46,264	3,434	7.4%

Fabric Care Products Division

Recognized for their contributions to prevent global warming through the use of plant-based ingredients, Top laundry detergents were awarded the 16th Global Environmental Grand Prize. In the year under review, Top sales increased firmly year on year. Lion also launched Top Fuai-Kan (Fresh Touch and Color), a laundry detergent that reduces friction between garments and prevents fabric scuffing while

preserving original colors, along with Acron Fresh Herb Fragrance for use with stylish garments. At the same time, Lion strengthened promotional activities for its Blue Dia laundry detergent. As a result, sales in laundry detergents rose substantially higher than results recorded in the previous year.

In bleaches, results in the mainstay Temanashi Bright remained firm, with overall sales increasing on a year-on-year basis.

In fabric softeners, Lion released the improved Kaori to Deodorant no Soflan (Soflan with Fragrance and Deodorant), a product that provides superlative protection against odors on clothing and leaves a pleasant, long-lasting fragrance. Buoyed by its success, sales of fabric softeners jumped substantially above those recorded in 2006.

Overseas sales grew substantially year on year. This was attributable to the substantial improvement in Pao laundry detergent sales in Thailand and robust results in Beat laundry detergent in South Korea.

As a result, sales of Fabric Care Products Division increased 15.3% to ¥118,750 million.

Living Care Products Division

In dishwashing detergents, Lion released CHARMY Awa no Chikara (Power of Suds), which creates rich, long-lasting suds that enable dishwashing without the need to add more detergent to the sponge. Building on the wide market acclaim for this product, Lion launched CHARMY Awa no Chikara (Power of Suds) Power Foam and CHARMY Awa no Chikara (Power of Suds) with a fresh orange fragrance. Spurred by these initiatives, sales of dishwashing detergents grew substantially above the level of the previous year.

In household cleaners, Lion launched Look Concentrated Powerful Pipe-man, a thick, gel-type drain cleanser that breaks down grime in drain pipes in only half the time and with half the amount of conventional cleaners. The Company also released Look O₂ Cleaner— jointly developed with Henkel KgaA of Germany—that uses “Oxygen Power” to remove grime from cloth-covered sofas, carpets etc. that are difficult to clean. As a result, overall sales of household cleaners increased considerably year on year.

Overseas, robust sales of dishwashing detergents in Thailand and steady dishwashing detergent sales in South Korea substantially lifted overall results in this category year on year.

As a result, sales of Living Care Products Division increased 7.4% to ¥49,698 million.

Principal new products

Top Fuai-Kan (Fresh Touch and Color) / Laundry detergent

Acron - fresh herb fragrance / Laundry detergent for delicate fabric

CHARMY Awa no Chikara (Power of Suds) / Dishwashing detergent

CHARMY Awa no Chikara (Power of Suds) - fresh orange fragrance / Dishwashing detergent

CHARMY Awa no Chikara (Power of Suds) Power Foam / Dishwashing detergent

Look concentrated Powerful Pipe-man / Drain cleaner

Look O₂ Cleaner / Household cleaners

Net sales and operating income for the former business segment of Home Products and Pharmaceutical Products are provided below for reference.

<Home Products>

(Millions of yen)

	FY 2007	Ratio to net sales	FY 2006	Ratio to net sales	Increase/decrease	Change
Net sales	257,537		235,020		22,517	9.6%
Operating income	7,779	3.0%	(335)	—	8,115	—

* Home products segment involves Oral Care Products, Beauty Care Products, Fabric Care Products, and Living Care Products Divisions.

<Pharmaceutical Products>

(Millions of yen)

	FY 2007	Ratio to net sales	FY 2006	Ratio to net sales	Increase/decrease	Change
Net sales	46,373		47,981		(1,608)	(3.4%)
Operating income	1,048	2.3%	943	2.0%	105	11.1%

<Chemical Products>

(Millions of yen)

	FY 2007	Ratio to net sales	FY 2006	Ratio to net sales	Increase/decrease	Change
Net sales	32,445		32,334		111	0.3%
Operating income	(163)	—	(286)	—	123	—

Sales in the Chemical Products segment rose 0.3% year on year to ¥32,445 million. Operating loss stood at ¥163 million compared with the previous fiscal year's operating loss of ¥286 million.

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

continuous upswing in raw material prices. This was attributed to the sharp rise in crude oil, vegetable oil and fat prices, which rose sharply. Under these conditions, Lion focused on nurturing products for the domestic market, and worked to lift profitability, primarily in products for overseas markets, which continue to face intense competition.

<Principal divisions>

In surfactants and fatty-acid nitrogen derivatives, sales stalled due to a cutback in export activity to China, which continued to face intense competition. This was more than offset by robust results in products for fabric softeners and other applications for the domestic market. As a result, overall sales rose considerably year on year.

Sales of fatty-acid methyl ester were firm. This reflects the high esteem in which this product is held by customers as a raw material to make alcohol, and for use as an oil in metalworking processes.

Lion's electro-conductive carbon is highly evaluated by the electronic devices and auto parts industries in Japan for its superior electro-conductive properties. This contributed to strong domestic sales in the year under review. Overseas, however, results were extremely poor compared with 2006, due partly to the cutback in low-profit products. As a result, overall sales of electro-conductive carbon were stagnant year on year.

<Others>

(Millions of yen)

	FY 2007	Ratio to net sales	FY 2006	Ratio to net sales	Increase/decrease	Change
Net sales	5,360		15,044		(9,683)	(64.4%)
Operating income	503	9.4%	28	0.2%	475	1,690.6%

In Other businesses, sales decreased 64.4% compared with the previous year to ¥5,360 million due to the transfer of the building maintenance and management business and the food products business. This downturn in results was also attributable to a decline in completed works projects in the construction contracting business. On the earnings front, operating income increased 1,690.6% year on year to ¥503 million on the back of Lion's efforts to improve profitability.

(3) Outlook for Fiscal 2008

<Consolidated> (Millions of yen)

	FY 2008 forecast	FY 2007 actual	Increase/decrease	Change
Net sales	345,000	341,717	3,282	1.0%
Operating income	10,000	8,905	1,094	12.3%
Ordinary income	10,500	10,104	395	3.9%
Net income	5,700	5,423	276	5.1%

EPS (yen)	21.07	20.06	1.01	5.0%
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<Non-Consolidated> (Millions of yen)

	FY 2008 forecast	FY 2007 actual	Increase/decrease	Change
Net sales	270,000	267,135	2,864	1.1%
Operating income	6,500	5,058	1,441	28.5%
Ordinary income	8,000	10,171	(2,171)	(21.3%)
Net income	5,000	5,087	(87)	(1.7%)

EPS (yen)	18.48	18.81	(0.33)	(1.8%)
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In the year ending December 31, 2008, the pace of Japan's economic recovery is expected to slow. This is attributable to a number of factors, including a forecast of stagnant results in corporate earnings. In the toiletries market, Lion's principal field of operations, conditions are anticipated to remain difficult owing to intense point-of-sale competition and the burden of persistently high material costs.

Under these circumstances, the Lion Group will focus on strengthening its core businesses by developing and introducing innovative new products. In this manner, Lion will strive toward increasing its corporate value.

On the domestic front, the Group will leverage its proprietary technologies to develop distinctive new products. At the same time, Lion will continue to foster mainstay brands, cultivate new markets and aggressively promote across-the-board cost-reduction measures in an effort to overcome an anticipated harsh business environment.

Overseas, the Group will focus on expanding common global brands as high-value-added products. In this manner, Lion will raise its position in each of the countries and regions in which it operates.

In its efforts to promote further business growth, Lion will steadfastly pursue external sales to customers outside the Lion Group of plant-based MES surfactants, while developing new businesses underpinned by the value of such brands as Bufferin[®], a trademark right acquired during 2007.

In Health Care Products, Lion estimates Group sales to exceed the level achieved in 2007. This forecast takes into account the release of high-performance products including a body wash and bath additive and efforts to further foster mainstay fields while cultivating new categories.

Similarly, sales of Household Products are forecast to increase year on year. In 2008, the Lion Group plans to launch new high-value-added products in our main categories including laundry detergents and fabric softeners that accurately reflect the needs of consumers.

Despite the additional importance placed on nurturing highly functional, environmentally friendly products in the Chemical Products Business, sales are expected to decline year on year as the Company reduces its sales of low-profit products.

Lion forecasts a sales decrease in Other businesses, compared with fiscal 2007.

As a result of the aforementioned, Lion expects consolidated net sales in fiscal 2008 to total ¥345,000 million, a 1.0% increase from fiscal 2007.

On the earnings front, Lion forecasts that operating income will rise 12.3% to ¥10,000 million, ordinary income will grow 3.9% to ¥10,500 million and net income will rise 5.1% to ¥5,700 million.

(Preconditions for the Estimated Figures in Outlook for Fiscal 2008)

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

¥114 = US\$1.00

¥3.5 = 1.00 baht

2. Financial Status Analysis

(1) Status of Assets, Liabilities, Net Assets, and Cash Flows for Fiscal 2007

<Consolidated Financial Status >

	FY 2007	FY 2006	Change
Total assets (millions of yen)	279,147	246,327	32,819
Net assets (millions of yen)	107,540	105,133	2,406
Shareholders' equity to total assets (%)	37.1	41.3	(4.2p)
Net assets per share * (yen)	382.80	376.76	6.04

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

As of December 31, 2007, total assets were ¥279,147 million, an increase of ¥32,819 million from December 31, 2006. Net assets were ¥107,540 million, mainly reflecting the increase in retained earnings. The shareholders' equity to total assets was 37.1%.

(2) Status of Cash Flows

<Consolidated Cash Flows>

(Millions of yen)

	FY 2007	FY 2006	Change
Cash flows from operating activities	16,030	3,343	12,686
Cash flows from investing activities	(39,500)	11,092	(50,592)
Cash flows from financing activities	29,844	(3,610)	33,454
Translation gain related to cash and cash equivalents	62	168	(106)
Increase (decrease) in cash and cash equivalents	6,437	10,994	(4,557)
Cash and cash equivalents at end of period	33,219	26,782	6,437

Net cash provided by operating activities totaled ¥16,030 million compared with ¥3,343 in the previous fiscal year. The major component was income before income taxes, which amounted to ¥9,564 million.

Net cash used in investing activities was ¥39,500 million, a turnaround from net cash provided by investing activities of ¥11,092 million in fiscal 2006. This was mainly attributable to payments for the acquisition of trademark rights in connection with Bufferin[®] and other brands.

Net cash provided by financing activities was ¥29,844 million, rebounding from net cash used in financing activities of ¥3,610 million in fiscal 2006. The major cash inflow was derived from an increase in long-term debt.

(3) Forecast of Fiscal 2008 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 changes of about ¥13.0 billion.

As a factor that may have material effects on cash flows from investing activities, Lion plans to undertake capital expenditure totaling ¥16.0 billion during 2008, including investments for the construction of a factory to support external sales to customers outside the Lion Group of MES.

The cash flows from financing activities are expected to decrease by about ¥6.0 billion from the fiscal 2007 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 fiscal 2008 to be approximately equal to those at the end of fiscal 2007.

(4) Changes in cash flow indicators

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Shareholders' equity to total assets (%)	45.0	42.9	43.8	41.3	37.1
Shareholders' equity to total assets on a market value basis (%)	66.6	71.9	85.8	66.1	51.8
Debt redemption (years)	0.7	3.9	9.8	7.5	3.6
Interest coverage ratio	86.7	25.6	7.1	12.2	36.4

(Notes)

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

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

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

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

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

* All the indicators are based on consolidated financial data.

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

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

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

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

3. Basic Policy on the Distribution of Earnings and Cash Dividend for Fiscal 2007

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

Taking into consideration the Company's cash dividend payment record, as well as its dividend payout ratio target, Lion's Board of Directors resolved to pay an interim dividend of ¥5 per share (payment date: September 5, 2007) and year-end dividend of ¥5 per share (payment date: March 5, 2008) for fiscal 2007.

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 7, 2008. 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.