

I. Management Performance

1. The First Half in Review

(1) Overview of Results of Operations

During the first half of fiscal 2007, the Japanese economy showed a recovery trend, with increased private capital expenditure and a pickup in personal consumption supported by improved corporate earnings. 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 prices hovering at high levels.

In this context, Lion's consolidated net sales for the interim period under review totaled ¥159,617 million, a 2.3% decline from the same period of the previous fiscal year.

On the earnings front, cost-reducing measures for cutting manufacturing and other costs coupled with robust overseas sales more than offset the negative impact of soaring costs for materials caused by high crude oil prices and higher prices of vegetable oils and fats. As a result, operating income amounted to ¥2,431 million, up 81.0% year on year. Similarly, ordinary income increased 49.2% to ¥3,744 million.

Reflecting the voluntary recall of Varsan Hyosatsu Jet Spray for Flying Bugs and Varsan Hyosatsu Jet Spray for Creeping Bugs, Lion recorded an extraordinary loss of ¥1,023 million that includes the total estimated costs associated with the recall and the related loss on inventory valuation as of June 30, 2007. Consequently, net income for the interim period ended June 30, 2007 amounted to ¥1,862 million, up 5.2% year on year.

<Consolidated>

(Millions of yen)

Net sales	FY 2007 1st half	FY 2006 1st half	Increase/ decrease	Change
Health Care Products	65,014	66,228	(1,213)	(1.8%)
Household Products	76,525	71,690	4,834	6.7%
Chemical Products	15,728	16,074	(346)	(2.2%)
Others	2,349	9,301	(6,952)	(74.7%)
Total	159,617	163,295	(3,677)	(2.3%)

	FY 2007 1st half	Ratio to net sales	FY 2006 1st half	Ratio to net sales	Increase/ decrease	Change
Operating income	2,431	1.5%	1,343	0.8%	1,087	81.0%
Ordinary income	3,744	2.3%	2,508	1.5%	1,235	49.2%
Net income	<u>1,862</u>	<u>1.2%</u>	1,770	1.1%	<u>92</u>	<u>5.2%</u>

<Non-consolidated>

(Millions of yen)

Net sales	FY 2007 1st half	FY 2006 1st half	Increase/ decrease	Change
Health Care Products	58,019	60,256	(2,236)	(3.7%)
Household Products	53,742	52,429	1,312	2.5%
Chemical Products	12,324	12,900	(576)	(4.5%)
International	726	1,253	(526)	(42.0%)
Total	124,812	126,839	(2,026)	(1.6%)

	FY 2007 1st half	Ratio to net sales	FY 2006 1st half	Ratio to net sales	Increase/ decrease	Change
Operating income	578	0.4%	155	0.1%	423	272.1%
Ordinary income	4,646	3.7%	3,339	2.6%	1,306	39.1%
Net income	<u>2,909</u>	<u>2.3%</u>	2,494	2.0%	<u>414</u>	<u>16.6%</u>

<Consolidated Geographical Segment>

(Millions of yen)

Net sales	H1 2007	H1 2006	Increase/ decrease	Change
Japan	133,831	141,905	(8,074)	(5.7%)
Asia	25,786	21,390	4,396	20.6%
Consolidated total	159,617	163,295	(3,677)	(2.3%)

Operating income	H1 2007	H1 2006	Increase/ decrease	Change
Japan	1,517	1,104	413	37.5%
Asia	723	95	627	654.8%
Corporate and eliminations	189	143	46	32.4%
Consolidated total	2,431	1,343	1,087	81.0%

(2) Segment Information

In the first half of fiscal 2007, 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

Household Products:

Fabric Care Products, Living Care Products

The Chemical Products and Other Businesses segment were unchanged.

<Health Care Products>

(Millions of yen)

	FY 2007 1st half	Ratio to net sales	FY 2006 1st half	Ratio to net sales	Increase/ decrease	Change
Net sales	65,014		66,228		(1,213)	(1.8%)
Operating income	2,722	4.2%	※—	—	—	—

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

* Please refer to page 11 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 interim period under review totaled ¥65,014 million, a decrease of 1.8% compared with the same period of the previous fiscal year.

On the domestic front, sales were stagnant. Lion accelerated the launch of new differentiated products that have a competitive edge, strategically invested in advertising for such products and cultivated new business categories. However, results from these activities were offset by the negative impact of a highly competitive business environment.

Sales in Thailand saw healthy growth, which resulted in a substantial increase in overseas sales for this business compared with the interim period of the previous fiscal year.

Lion recorded an operating income of ¥2,722 million in this segment.

<Net Sales of Principal divisions>

(Millions of yen)

	FY 2007 1st half	FY 2006 1st half	Increase/ decrease	Change
Oral Care Products Division	25,067	25,301	(234)	(0.9%)
Beauty Care Products Division	17,503	17,290	213	1.2%
Pharmaceutical Products Division	22,443	23,636	(1,193)	(5.0%)

Oral Care Products Division

In toothpastes, Lion launched the new Dentor Clear MAX with cleaning granules that effectively remove dental plaque. In toothbrushes, Lion reinforced its Dentor Systema brand with a new Dentor Systema toothbrush that features three rows of bristles and a slim and compact brush head for better ease of use. Although these new products were well received by customers, sales of toothpastes and toothbrushes decreased from the same period of the previous fiscal year due to intensifying market competition in these product categories.

In dental products, sales were strong for the DENT EX Systema toothbrush and Check-Up anti-cavity toothpaste, contributing to the improvement of overall sales in this category.

Overseas, sales of Dentor Systema brand toothpastes and toothbrushes substantially expanded in Thailand, while Zact toothpastes and Dentor Systema toothbrushes sold well in China, resulting in a substantial increase in sales in the Oral Care Products business compared with the same period of the previous fiscal year.

As a result, sales of Oral Care Products decreased 0.9% to ¥25,067 million.

Beauty Care Products Division

In shampoo, conditioner and body washes, Lion continued to bolster sales promotion activities for Shokubutsu-Monogatari (Plant-Story) series. These efforts enabled Lion to maintain sales in these categories on par with the same period of the previous fiscal year, in spite of intensifying market competition.

In hand soaps, sales of Kireikirei Medicated Foaming Hand Soap were solid, resulting in a slight year-on-year sales increase in this category.

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, weak performance of Lion's shampoos and conditioners in South Korea was sufficiently offset by solid sales of Shokubutsu-Monogatari (Plant-Story) Body Washes in Thailand. As a result of the above factors, overseas sales in the Beauty Care Products business increased year on year.

As a result, sales of Beauty Care Products increased 1.2% to ¥17,503 million.

Pharmaceutical Products Division

In analgesics, sales of Lion's mainstay Bufferin A were strong. In addition, Lion worked to bolster sales of Bufferin Luna, which provides quick and effective relief from severe discomfort caused by menstrual, back and other pain. As a result, sales in this category exceeded those during the same period of the previous fiscal year.

Despite strong results for Smile Contact Cool Fresh eyedrops, sales of eye care products declined year on year due to intensifying market competition.

In health tonic drinks, sales of New Guromont steadily expanded, but were offset by the shrinking market. Due to this difficult condition, sales in this category stagnated.

Overall sales of insecticides were strong. In addition to a substantial year-on-year increase in sales of Varsan Insect-Repellant Cube, Lion also launched sales of Varsan Hyosatsu Jet Spray for Flying Bugs and Varsan Hyosatsu Jet Spray for Creeping Bugs (hereafter “Varsan Hyosatsu Jet”), which get rid of chironomids, centipedes and other unpleasant bugs through a powerful minus 40-degree spray containing no chemical pesticide ingredients.

Lion also released new products including Halix Smoove Tablets, which regenerate cartilage to ease joint and nerve pain, and Stoppa Day Balance, a medicine for intestinal disorders that regulates intestinal activity while improving the intestinal environment. The release of these products marks Lion’s penetration into new product categories.

As a result, sales of Pharmaceutical Products decreased 5.0% to ¥22,443 million.

Principal new products

Dentor Clear MAX / Toothpaste

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

new Ban Deodorant Powder Spray / Antiperspirants and deodorants

Varsan Hyosatsu Jet Spray for Flying and Creeping Bugs / Insecticides

Halix Smoove Tablets / Internal medicine for joint pain and neuralgia

Stoppa Day Balance / Medicine for intestinal disorders

Despite Lion’s inclusion of warning labels on Varsan Hyosatsu Jet sprays launched in March 2007 advising against use in proximity to open flames or sparks, several combustion-type incidents occurred during the use of the products. Placing top priority on customer safety, Lion decided to implement a voluntary recall of the products to prevent further incidents.

Consequently, Lion recorded an extraordinary loss of ¥1,023 million for total estimated costs associated with the recall and the related loss on inventory valuation as of June 30, 2007.

<Household Products>

(Millions of yen)

	FY 2007 1st half	Ratio to net sales	FY 2006 1st half	Ratio to net sales	Increase/ decrease	Change
Net sales	76,525		71,690		4,834	6.7%
Operating income	(443)	—	※—	—	—	—

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

* Please refer to page 11 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 6.7% to ¥76,525 million.

On the domestic front, Lion aggressively launched new highly competitive and differentiated products in each division while accelerating investments in advertising to foster new mainstay brands. These efforts bore fruit in the form of steady domestic sales growth.

Overseas, substantial sales expansion in Thailand and stable results in South Korea fueled a significant year-on-year overseas sales increase of Household Products.

However, Lion posted an operating loss of ¥443 million during the interim period under review, due to surging materials costs stemming from higher prices for crude oil, as well as to vigorous investment in new product development.

<Net Sales of Principal divisions>

(Millions of yen)

	FY 2007 1st half	FY 2006 1st half	Increase/ decrease	Change
Fabric Care Products Division	53,273	50,160	3,112	6.2%
Living Care Products Division	23,251	21,529	1,721	8.0%

Fabric Care Products Division

In laundry detergents, Lion released Top Fuai-Kan (Fresh Touch and Color) laundry detergent, which protects clothing from friction between garments while washing, preserves original color and provides a soft and fluffy touch. This new product enabled Lion to sustain sales in this category on the same level as the corresponding period of the previous fiscal year.

In fabric softeners, sales of Kaori to Deodorant no Soflan ("Soflan with Fragrance and Deodorant") were strong, resulting in a considerable year-on-year increase of fabric softener sales.

Sales of bleaches also expanded compared with the same period of the previous fiscal year, buoyed by solid results for the Temanashi Bright series of bleach products.

Overseas, sales in Thailand of laundry detergents and fabric softeners showed significant growth while laundry detergent sales in South Korea also steadily expanded. As a result, total overseas sales in this category showed a substantial year-on-year increase.

As a result, sales of Fabric Care Products increased 6.2% to ¥53,273 million.

Living Care Products Division

In dishwashing detergents, the CHARMY Awa no Chikara (Power of Suds) dishwashing detergent, which breaks down greasy grime with rich, fine suds, sell briskly. Lion also released the CHARMY Awa no Chikara Power Foam dishwashing detergent, which is pumped from its container as a thick foam containing concentrated cleaning agents. These initiatives boosted dishwashing detergent sales above the level in the corresponding period of the previous fiscal year.

In household cleaners, Lion added two new products to the Look Kirei no Mist for Fabrics series. In addition, Lion launched Look Concentrated Powerful Pipe-man, a thick gel-type drain cleaner that breaks down grime in drain pipes in only half the time and with half the amount required by Lion's conventional cleaners, as well as Look Slime and Mildew Quick Buster Spray for quickly removing slime and mildew in kitchens and bathrooms. These new products contributed to a year-on-year improvement in household cleaner sales.

Overseas, favorable sales of dishwashing detergents in Thailand and South Korea lifted overall sales in this category significantly above the results in the corresponding period of the previous fiscal year.

As a result, sales of Living Care Products increased 8.0% to ¥23,251 million.

Principal new products

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

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

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

Look Kirei no Mist for Fabrics – “Soap” fragrance and “Unscented” / Disinfectant

Look concentrated Powerful Pipe-man / Drain cleaner

Look Slime & Mildew Quick Buster Spray / Mildew cleaner

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 1st half	Ratio to net sales	FY 2006 1st half	Ratio to net sales	Increase/ decrease	Change
Net sales	119,096		114,282		4,814	4.2%
Operating income	1,886	1.6%	(58)	—	1,945	—

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

<Pharmaceutical Products>

(Millions of yen)

	FY 2007 1st half	Ratio to net sales	FY 2006 1st half	Ratio to net sales	Increase/ decrease	Change
Net sales	22,443		23,636		(1,193)	(5.0%)
Operating income	552	2.5%	1,553	6.6%	(1,000)	(64.4%)

<Chemical Products>

(Millions of yen)

	FY 2007 1st half	Ratio to net sales	FY 2006 1st half	Ratio to net sales	Increase/ decrease	Change
Net sales	15,728		16,074		(346)	(2.2%)
Operating income	(155)	—	(123)	—	(31)	—

Sales of Chemicals decreased 2.2% to ¥15,728 million.

Domestic sales of fatty-acid methyl ester, surfactants and electro-conductive carbon grew steadily. On the other hand, overseas sales stalled due to Lion's strategic initiative to limit the sale of low-profit products. As a result, overall chemical product sales declined year on year.

Lion was unable to absorb the negative impact of rising material costs attributed to higher prices for crude oil and vegetable oils and fats, resulting in an operating loss of ¥155 million, compared with an operating loss of ¥123 million in the corresponding period of the previous fiscal year.

<Principal divisions>

Although the export of fatty-acid methyl ester for application in raw materials such as alcohol decreased, domestic sales remained strong. Consequently, overall sales of fatty-acid methyl ester were flat, in line

with the corresponding period of the previous fiscal year.

In surfactants, Lion's performance was negatively affected by intensifying competition in the Chinese market. However, this was countered by robust sales of surfactant in Japan for use in fabric softeners and other applications. As a result, overall sales exceeded the level in the same period of the previous fiscal year.

Lion's electro-conductive carbon is highly recognized in the electronic devices and auto parts industries for its superior electro-conductive properties, indicated by a substantial increase in domestic sales compared to the interim period of the previous fiscal year. However, this positive result was more than offset by weak results overseas, attributed to intensifying market competition in the electronic device application field. As a result, overall sales of electro-conductive carbon declined year on year.

<Others>

(Millions of yen)

	FY 2007 1st half	Ratio to net sales	FY 2006 1st half	Ratio to net sales	Increase/ decrease	Change
Net sales	2,349		9,301		(6,952)	(74.7%)
Operating income	133	5.7%	(83)	—	216	—

In Other businesses, net sales decreased 74.7% year on year to ¥2,349 million, due to the sale of businesses in the latter half of the previous fiscal year, namely, the building maintenance and management business, as well as the food products business that handled spices, seasoning and salad dressings. Fewer completed works projects in the construction contracting business also negatively impacted net sales in Other businesses. On the earnings front, however, Lion's initiatives to improve business profitability paid off, allowing Lion to post operating income of ¥133 million, compared with an operating loss of ¥83 million in the corresponding period of the previous fiscal year.

(3) Outlook for Fiscal 2007

<Consolidated>

(Millions of yen)

	FY 2007 forecast	FY 2006	Increase/decrease	Change
Net sales	340,000	330,380	9,619	2.9%
Operating income	8,000	343	7,656	2232.4%
Ordinary income	10,000	2,427	7,572	312.0%
Net income	5,500	5,540	(40)	(0.7%)

EPS (yen)	20.35	19.60	0.75	3.8%
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<Non-Consolidated>

(Millions of yen)

	FY 2007 forecast	FY 2006	Increase/decrease	Change
Net sales	272,000	257,471	14,528	5.6%
Operating income	5,000	(2,108)	7,108	—
Ordinary income	9,200	1,630	7,569	464.2%
Net income	6,200	5,869	330	5.6%

EPS (yen)	22.94	20.76	2.18	10.5%
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In the second half of fiscal 2007, the year ending December 31, 2007, the Japanese economy is expected to continue on a recovery course. In the toiletries market, however, the business environment is anticipated to remain severe because of such factors as high crude oil prices and intensifying point-of-sale competition.

In Health Care Products, Lion forecasts sales exceeding those in fiscal 2006. This forecast factors in Lion's full-fledged efforts to bolster mainstay brand products and to develop and launch a variety of new high-value-added products.

Similarly, sales of Household Products are slated to expand over those in fiscal 2006. Lion aims to achieve this through fostering new products launched during the interim period under review, investing strategically in advertising and further strengthening sales promotion activities.

Overseas sales of Health Care Products and Household Products are also expected to climb higher than those in fiscal 2006. To achieve this, Lion will step up efforts to reinforce business development in Thailand, South Korea and other Asian countries.

In Chemicals Products, Lion will continue to implement effective pricing initiatives that reflect surging material prices caused by high crude oil prices and soaring prices of vegetable oils and fats. Sales in this business are expected to decrease compared to fiscal 2006, as Lion plans to limit the sale of unprofitable products in the second half of fiscal 2007.

Lion forecasts a sales decrease in Other businesses, compared with fiscal 2006, owing to the lingering negative impact of selling the building maintenance and management business and the food products business that handled spices, seasoning and salad dressings, as well as to declining numbers of completed works projects in the construction contracting business.

As a result of the aforementioned, Lion expects consolidated net sales in fiscal 2007 to total ¥340,000 million, a 2.9% increase from fiscal 2006.

On the earnings front, Lion forecasts that operating income will rise 2232.4% to ¥8,000 million, ordinary income will grow 312.0% to ¥10,000 million and net income will decrease 0.7% to ¥5,500 million.

(Preconditions for the Estimated Figures in Outlook for Fiscal 2007)

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

¥117.0 = US\$1.00

¥3.6 = 1.00 baht

2. Company forecasts of results for the fiscal year ending December 31, 2007 do not include estimated losses associated with the voluntary recall of Varsan Hyosatsu Jet subsequent to June 30, 2007. The effect of the product recall on the Company's full-year results will be announced when confirmed.

2. Financial Status Analysis

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

	FY 2007 1st half	FY 2006	Change
Total assets (millions of yen)	<u>246,851</u>	246,327	<u>524</u>
Net assets (millions of yen)	<u>106,914</u>	105,133	<u>1,781</u>
Shareholders' equity to total assets (%)	<u>41.7</u>	41.3	<u>0.4p</u>
Net assets per share ^{*1} (yen)	<u>380.46</u>	376.76	<u>3.70</u>

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

As of June 30, 2007, total assets were ¥246,851 million, an increase of ¥524 million from December 31, 2006. Net assets were ¥106,914 million, mainly reflecting the increase in retained earnings. The shareholders' equity to total assets was 41.7%.

(2) Status of Cash Flows

<Consolidated Cash Flows>

	(Millions of yen)		
	FY 2007 1st half	FY 2006 1st half	Change
Cash flows from operating activities	8,353	(4,976)	13,329
Cash flows from investing activities	(6,237)	(1,135)	(5,101)
Cash flows from financing activities	(3,479)	6,843	(10,323)
Translation gain related to cash and cash equivalents	214	0	214
Increase (decrease) in cash and cash equivalents	(1,149)	731	(1,880)
Cash and cash equivalents at end of period	25,633	16,520	9,113

Net cash provided by operating activities totaled ¥8,353 million, compared with net cash used in operating activities of ¥4,976 million in the interim period of fiscal 2006. The fact that the last day of the interim period under review fell on a non-business day for Japanese financial institutions was a major contributory factor for this improvement.

Net cash used in investing activities amounted to ¥6,237 million, compared with net cash used in investing activities of ¥1,135 million in the interim period of fiscal 2006. A major component was the payment for purchase of property, plant and equipment.

Net cash used in financing activities was ¥3,479 million, compared with net cash provided by financing activities of ¥6,843 million in fiscal 2006, owing primarily to the repayment of short-term loans payable and payment of dividends.

(3) Forecast of Fiscal 2007 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 ¥11.5 billion.

As a factor that may have material effects on cash flows from investing activities, Lion expects to make capital expenditure of ¥43.5 billion, including the purchase of trademark rights to the Bufferin brand and investments in relevant subsidiaries to establish the methyl ester sulfonate (MES) business.

In cash flows from financing activities, Lion expects to record payment of cash dividends from retained earnings. This cash outflow will be offset by Lion's planned fund procurement of approximately ¥35.0 billion. Due to these activities, Lion expects to post net cash provided by financing activities of approximately ¥30.5 billion for fiscal 2007.

Based on these projections, Lion estimates cash and cash equivalents at the end of the year to total ¥32.0 billion.

The impact of expenses related to the voluntary recall of Varsan Hyosatsu Jet has not been included in the forecast of fiscal 2007 consolidated cash flows.

(4) Changes in cash flow indicators

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 1st half
Shareholders' equity to total assets (%)	45.0	42.9	43.8	41.3	<u>41.7</u>
Shareholders' equity to total assets on a market value basis (%)	66.6	71.9	85.8	66.1	<u>73.3</u>
Debt redemption (years)	0.7	3.9	9.8	7.5	2.8
Interest coverage ratio	86.7	25.6	7.1	12.2	32.4

(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 as increasing its capacity to generate consolidated earnings so as to distribute earnings to shareholders on a permanent and stable basis.

Lion aims to continue stable distributions of earnings through such means as dividend payments, while balancing these with the need to retain earnings within the Lion Group for use in developing a sustainable business foundation.

The interim dividend for the first half of fiscal 2007 will be ¥5 per share, the same as the first half of fiscal 2006. Lion plans to pay out a year-end dividend of ¥5 per share for an annual dividend of ¥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 July 31, 2007.

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.