

I. Management Performance

1. Fiscal 2008 in Review

(1) Overview of Results of Operations

Impacted by deteriorating global economic conditions in the wake of the financial crisis that began in the United States, the seriousness of the recession that has affected the Japanese economy since the second half of the 2008 fiscal year has deepened. These severe operating conditions have led to a substantial falling in corporate profits, corresponding with lackluster personal consumption.

In the domestic toiletries industry, a primary business domain that the Lion Group plans to develop, the Group was faced with a harsh operating environment amid increasing raw material prices and ongoing fierce competition at the point-of-sale.

Against the backdrop of these operating conditions, 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. Based on the VIP II 09 plan, the Group has redoubled efforts to bolster its earnings base and become a leading company in environmental responsiveness. In order to bolster the Group's earnings base, new products among key brands were released to and cultivated in growth markets in conjunction with introducing new products that provide new value to customers. In preparation for distribution changes brought about after the Revised Pharmaceutical Law goes into effect in June 2009, Lion made changes to its operation structure that enables it to make its own proposals at sales venues, taking advantage of product lineups that encompass everything from prevention to treatment. Furthermore, cost-reduction measures have been implemented that include reductions in inventory based on decreased manufacturing costs and contractions in the production management cycle. With the construction of a factory for producing the plant-based surfactant, MES methyl ester sulfonate, in Malaysia, Lion has moved forward with preparations to begin operations in the next fiscal year. As part of expanded activities to become a leading company in environmental responsiveness, the Group moved forward with such ECO Lion activities as reducing greenhouse gas emissions and producing environmentally friendly products, based on the Three-Year-Medium-Term Environmental Plan, which concludes in 2009.

Despite Lion's focusing its management efforts in the aforementioned manner, consolidated results for the period under review were as follows. Impacted by rapid exchange rate fluctuations on overseas businesses, net sales totaled ¥338,236 million, a decrease of 1.0% year-on-year. Due to such factors as increases in raw material prices that exceeded the total amount of cost reductions, operating income fell 7.1% year-on-year to ¥8,277 million. Ordinary income dropped 24.8% compared with the corresponding period of the previous fiscal year to ¥7,603 million as a result of such factors as reductions in equity in earnings of non-consolidated subsidiaries and affiliates, while net income fell 43.9% to ¥3,040 million, due to recording a devaluation loss on investment securities.

<Consolidated>

(Millions of yen)

Net sales	FY 2008	FY 2007	Increase/ decrease	Change
Health Care Products	136,384	135,461	922	0.7%
Household Products	163,541	168,448	(4,907)	(2.9%)
Chemical Products	31,474	32,445	(971)	(3.0%)
Others	6,836	5,360	1,475	27.5%
Total	338,236	341,717	(3,480)	(1.0%)

	FY 2008	Ratio to net sales	FY 2007	Ratio to net sales	Increase/ decrease	Change
Operating income	8,277	2.4%	8,905	2.6%	(628)	(7.1%)
Ordinary income	7,603	2.2%	10,104	2.9%	(2,501)	(24.8%)
Net income	3,040	0.9%	5,423	1.6%	(2,383)	(43.9%)

<Non-consolidated>

(Millions of yen)

	FY 2008	Ratio to net sales	FY 2007	Ratio to net sales	Increase/ decrease	Change
Net sales	266,478		267,135		(657)	(0.2%)
Operating income	5,006	1.9%	5,058	1.9%	(51)	(1.0%)
Ordinary income	6,590	2.5%	10,171	3.8%	(3,581)	(35.2%)
Net income	2,908	1.1%	5,087	1.9%	(2,178)	(42.8%)

<Consolidated Geographical Segment>

(Millions of yen)

Net sales	FY 2008	FY 2007	Increase/ decrease	Change
Japan	290,241	286,759	3,482	1.2%
Asia	47,995	54,957	(6,962)	(12.7%)
Consolidated total	338,236	341,717	(3,480)	(1.0%)

Operating income	FY 2008	FY 2007	Increase/ decrease	Change
Japan	7,689	7,371	318	4.3%
Asia	602	1,153	(550)	(47.8%)
Corporate and eliminations	(14)	380	(395)	—
Consolidated total	8,277	8,905	(628)	(7.1%)

(2) Segment Information

<Health Care Products>

(Millions of yen)

	FY 2008	Ratio to net sales	FY 2007	Ratio to net sales	Increase/decrease	Change
Net sales	136,384		135,461		922	0.7%
Operating income	7,928	5.8%	5,414	4.0%	2,514	46.4%

Net sales in this business during the fiscal year under review totaled ¥136,384 million, an increase of 0.7% compared with the same period of the previous fiscal year. Lion recorded an operating income of ¥7,928 million in this segment, an increase of 46.4% year on year mainly due to manufacturing cost reduction.

<Net Sales of Principal divisions>

(Millions of yen)

	FY 2008	FY 2007	Increase/decrease	Change
Oral Care Products Division	54,942	54,087	855	1.6%
Beauty Care Products Division	35,484	35,000	483	1.4%
Pharmaceutical Products Division	45,956	46,373	(417)	(0.9%)

Oral Care Products Division

In the Oral Care Products Division, Lion introduced new and improved toothpaste, tooth brushes, mouthwash and other products to its mainstay Dentor Systema series, cultivating a brand worth of ¥10 billion. In the expanding high-value-added toothpaste segment, Lion also took steps to bolster and prioritize the cultivation of the Dent-health lineup of products, which was developed to fight periodontal disease.

In toothpastes, ongoing robust sales for Dentor Clear MAX and Dentor Systema EX, in conjunction with the market release of Dent Health Medicated Toothpaste Stinging Block, which prevents stinging pain at the tooth root and pyorrhea, have facilitated a steady rise in overall sales.

In toothbrushes, despite the fact that sales of Lion's core Between brand and newly released Dentor Systema—an improved product that features super-tapered bristles—remained steady, falling sales of the travel toothbrush set, L-PACK, caused overall sales to stay flat compared with the corresponding period of the previous fiscal year.

In mouthwash, following the market release of Dentor Systema EX Dental Rinse—featuring an antibacterial agent that penetrates the community of periodontal disease and bad-breath-causing bacteria hidden in the periodontal pocket to kill bacteria—year-on-year sales increased considerably.

In addition, with the release of MEDISH Chewing Gum, a brand that supports oral-care, Lion made efforts to expand the scope of this business category.

Overall sales in dental products steadily increased due to such factors as the new market release of the whitening toothpaste, Brilliant More.

Overseas, sales of Systema brand toothbrushes and mouthwash in Thailand remained strong. However,

although overall sales continued to be firm in the local currency, earnings declined year-on-year due to the impact of exchange rate fluctuations on yen conversions.

As a result, sales of Oral Care Products Division increased 1.6% to ¥54,942 million.

Beauty Care Products Division

In the Beauty Care Products Division, Lion has continued to reinforce core brands and create new markets to bolster profitability. In order to strengthen the mainstay Kireikirei product line as a brand that contributes to clean habits, the latest product additions are being introduced in new categories, and brand presence is being consolidated at the point-of-sale. In addition, progress has been made in developing new markets through the introduction and cultivation of the new skincare product brand, BATHTOLOGY, and the nurturing of Nicelim Essence Lactoferrin in the functional food product category.

In shampoo and conditioners, the enhancement of the PRO TEC brand series for men in conjunction with the release of the OCT serapie brand of medicated shampoos and conditioners, which prevent dandruff and itching, overall sales rose slightly compared with the previous fiscal year.

In hand soap, amid robust sales of Kireikirei Medicated Foaming Hand Soap, the new market release of Kireikirei Medicated Foaming Hand Sanitizer—a product that easily spreads on hands without water—contributed to a substantial increase in overall sales over the previous fiscal year.

Body washes enjoyed a year-on-year rise in sales owing to the release of Lion's new product, BATHTOLOGY Foam Body Care Wash, which prevents post-bath dryness through its creamy foam.

In antiperspirants and deodorants, despite the release of Lion's new portable-sized Ban Deodorant Mist to the market, overall sales in this category remained sluggish due to the impact of a contracting market for Ban Deodorant Powder Spray.

The functional food product category experienced an increase in sales due to the cultivation of mail-order-sales-based product, Nicelim Essence Lactoferrin, a supplement that effectively delivers milk-derived lactoferrin to the intestines.

Overseas, sales of Shokubutsu-Monogatari Shower Cream in Thailand and Kireikirei Hand Soap in South Korea were robust. However, although overall sales continued to be firm in the local currency, earnings declined year-on-year as a result of the impact of exchange rate fluctuations on yen conversions.

As a result, sales of Beauty Care Products Division increased 1.4% to ¥35,484 million.

Pharmaceutical Products Division

In the Pharmaceutical Products Division, Lion continued to cultivate such flagship brands as Bufferin and Smile. In tandem with the release to mail-order sales of Tomato Su Seikatsu—a tomato vinegar-based food for specified health uses for people suffering from high blood pressure—the new release of Pair A, an oral medicine which treats or alleviates adult acne and rough skin, contributed to Lion's efforts to tap into new markets.

In analgesics, despite vigorous efforts to promote sales of Lion's flagship brand, Bufferin A, overall sales

declined compared with the previous fiscal year due to intensifying competition.

In eye drops, amid firm sales of the Smile 40EX series, the new product, Smile Contact Drytect—which exerts superior effects in soothing dry eyes while wearing contact lenses—was released to the market. Consequently, overall sales rose significantly compared with the corresponding period of the previous fiscal year.

As for analgesic and anti-inflammatory poultices, the core Halix 55EX series of products enjoyed robust sales, leading to a substantial year-on-year boost in overall sales.

In tonics and nutrients, Lion's efforts to further showcase the health tonic drink brands Guronsan and New Guromont at the point-of-sale led to a significant jump overall sales over the previous fiscal year.

Sales of insecticides declined compared with the previous fiscal year stemming from the impact of the shrinking market for fumigation-type products.

As a result, sales of Pharmaceutical Products Division decreased 0.9% to ¥45,956 million.

Principal new products

Dentor Systema Extra Herb flavor / Toothpaste

Dentor Systema EX Dental Rinse / Mouthwash

Dent Health Medicated Toothpaste Stinging Block / Toothpaste

MEDISH / chewing gum

OCT serapie Medicated Scalp-Care Shampoo and Conditioner

Kireikirei Medicated Foaming Hand Sanitizer

Kireikirei Medicated Gargles

BATHTOLOGY Foam Body Care Wash and Body Care Bath Additive

Ban Deodorant Mist / Antiperspirants and deodorants

Smile Contact Drytect / Eyedrops

PAIR A Tablet / Medicinal skin-care products

Tomato Su Seikatsu Tomato Inryo / Health Drinks

Sucrate Ichoyaku S and Sucrate Ichoyaku S Tablets / Gastrointestinal medicine

<Household Products>

(Millions of yen)

	FY 2008	Ratio to net sales	FY 2007	Ratio to net sales	Increase/ decrease	Change
Net sales	163,541		168,448		(4,907)	(2.9%)
Operating income	725	0.4%	3,123	1.9%	(2,398)	(76.8%)

Sales of Household Products decreased 2.9% year on year to ¥163,541 million due to the exchange rate fluctuations. Lion posted an operating income of ¥725 million. The Company's activities to reduce manufacturing cost proved insufficient to absorb soaring raw material prices, a decrease of 76.8% year

on year.

<Net Sales of Principal divisions>

(Millions of yen)

	FY 2008	FY 2007	Increase/ decrease	Change
Fabric Care Products Division	116,572	118,750	(2,177)	(1.8%)
Living Care Products Division	46,969	49,698	(2,729)	(5.5%)

Fabric Care Products Division

In the Fabric Care Products Division, by developing and introducing high-value-added products within the Top and Soflan lineups into the growing categories in laundry detergent and fabric softener markets, Lion focused its efforts to nurture these core brands.

In laundry detergent, amid a contraction in the powder detergent market, sales of Top—which combines excellent detergency with environmental friendliness—have leveled out. Kaori Tsuzuku (Long-Lasting Fragrance) Top—featuring a long-lasting natural herb fragrance that lasts until clothing is worn again—has received favorable reviews following its release in the expanding liquid laundry detergent market. In addition, the newly released improved laundry detergent for fine clothing items, Acron, experienced steady sales, facilitating a year-on-year rise in overall sales.

In bleaches, despite favorable sales of Lion's mainstay Temanashi Bright brand, overall sales stay flat slightly compared with the corresponding period of the previous fiscal year due to the impact of market contractions.

In fabric softeners, due to the market release of the improved Kaori to Deodorant no Soflan (Soflan with Fragrance and Deodorant)—featuring a long-lasting, pleasant fragrance that is highly effective in preventing unpleasant odors—boost sales with customers' acceptance and overall sales increased over the previous fiscal year.

Overseas, firm sales were recorded for laundry detergent in Thailand. However, while overall sales substantially increased in the local currency compared with the corresponding period of the previous fiscal year, revenue declined year-on-year as result of the impact of exchange rate fluctuations on yen conversions.

As a result, sales of Fabric Care Products Division decreased 1.8% to ¥116,572 million.

Living Care Products Division

In the Living Care Products Division, along with introducing new products to such growth markets as dishwashing detergents that specialize in cleaning dishwashers, Lion is striving to cultivate the improved Reed series of cooking-aid products, a brand designed to support healthy and balanced eating habits.

In dishwashing detergents, the Charmy Awa no Chikara (Power of Suds) Extra Clean—which is able to sterilize cutting boards and sponges—and Charmy Crysta Gel Cleans Dishes and Dishwashers—a brand that specializes in cleaning dishwasher—were released to the market. However, overall sales were dampened as a result of intensifying competition.

In household cleaners, despite Lion's release of Toire no Look Deodorizing EX (toilet bowl cleaner), a product that completely dissolves uric scale stains—the cause of yellowing and odor—overall sales declined year-on-year due to such factors as contractions in the market.

In cooking-aid products, Lion released, and is striving to augment new demand for, improved versions of such products as Reed Healthy-Cooking Paper—featuring superior water and oil absorbency that promotes a wide variety of healthy cooking—and Reed Healthy Cooking Sheet. However, in the wake of intensifying competition, overall sales have stagnated.

Overseas, Lion dishwashing detergents enjoyed steady sales in Thailand and South Korea. However, despite a significant rise in overall sales year-on-year in the local currency, earnings declined compared with the corresponding period of the previous fiscal year due to exchange rate fluctuations on yen conversions.

As a result, sales of Living Care Products Division decreased 5.5% to ¥46,969 million.

Principal new products

Kaori Tsuzuku (Long-Lasting Fragrance) Top / Laundry detergent
Acron - Deodorant Green fragrance / Laundry detergent for delicate fabric
CHARMY Awa no Chikara (Power of Suds) Extra Clean / Dishwashing detergent
CHARMY Crysta Gel / Dishwashing detergent for dishwashers
Toire no Look Deodorizing EX (toilet bowl cleaner)/ Household cleaners

<Chemical Products>

(Millions of yen)

	FY 2008	Ratio to net sales	FY 2007	Ratio to net sales	Increase/decrease	Change
Net sales	31,474		32,445		(971)	(3.0%)
Operating income	(605)	—	(163)	—	(441)	—

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

recession and continuous sharp upswings in raw material prices. Under these conditions, Lion focused on a number of initiatives, including nurturing highly functional products, reviewing the composition of its product lineup and adjusting product sales prices in an effort to improve profitability.

Sales in the Chemical Products segment declines 3.0% year on year to ¥31,474 million. Operating loss stood at ¥605 million with the previous fiscal year's operating loss of 163 million.

<Principal divisions>

In surfactants and fatty-acid nitrogen derivatives, domestic sales of these materials for use in producing detergents were sluggish, leading to a drop in overall sales compared with the previous fiscal year.

In fatty acid methyl ester, despite sluggish sales of this material for the production of alcohol for sales overseas, domestic sales of this material for use in food products remained steady, with overall sales making gains compared with a year earlier.

In electro-conductive carbon, sales of this material for use in such products as batteries in Japan and as a raw material for electro-conductive compounds overseas remained flat. This resulted in a year-on-year decline in overall sales.

<Others>

(Millions of yen)

	FY 2008	Ratio to net sales	FY 2007	Ratio to net sales	Increase/decrease	Change
Net sales	6,836		5,360		1,475	27.5%
Operating income	241	3.5%	503	9.4%	(262)	(52.1%)

In Other segment, net sales amounted to ¥6,836 million, a 27.5% increase year on year, owing to the increase in the number of works completions in the construction contracting business, and operating income was ¥241 million, a 52.1% decrease year on year, mainly due to harsh competition.

(3) Outlook for Fiscal 2009

<Consolidated>

(Millions of yen)

	FY 2009 forecast	FY 2008 actual	Increase/decrease	Change
Net sales	340,000	338,236	1,763	0.5%
Operating income	9,000	8,277	722	8.7%
Ordinary income	9,000	7,603	1,396	18.4%
Net income	5,000	3,040	1,959	64.5%

EPS (yen)	18.50	11.23	7.27	64.7%
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It has been acknowledged that the Japanese economy will deteriorate further during fiscal 2009 due to the global economic slowdown accompanying the turmoil in global financial markets that began in the United States. In the toiletries industry—which Lion plans to develop into a primary business domain—such difficulties as stagnant consumer consumption and fierce sales competition at the point-of-sale are expected to lead to further deteriorations of the business environment.

Based on these conditions, the Lion Group will take steps to further strengthen main brands, with the aim of raising brand value, through the introduction and cultivation of new, high-value-added products in growth segments. In addition, by promoting high-value-added brands common to each country overseas, Lion is aspiring to establish sustainable growth. Furthermore, Lion will further implement such cost reduction measures as lowering manufacturing expenses to bolster its earnings foundation.

In the health care business, with the aim to bolster the core product areas of toothpastes, toothbrushes, hand soap and analgesics, the Group will implement initiatives to cultivate main brands by introducing new products and expanding investment in marketing. Furthermore, by promoting the development of new demand through the cultivation of new brands to be introduced in the current fiscal year, Lion is forecasting a year-on-year increase in sales.

In the household products business, Lion will take initiatives to emphasize brand cultivation, making the improvement of profitability the most important issue. In such growth areas as liquid laundry and dishwasher detergents, a year-on-year rise in sales is being forecasted owing to the introduction and cultivation of new, high-value-added products.

Lion is endeavoring to focus on nurturing highly functional, environmentally friendly products in the chemicals business. However, Lion forecasts a year-on-year drop in sales due to the anticipated impact of curbed sales for poorly performing products and the global economic recession.

In other businesses, net sales are forecasted to decline year-on-year due to a reduction in the amount of construction projects completed in the construction contracting business.

As a result of the aforementioned, Lion expects consolidated net sales in fiscal 2009 to total ¥340,000 million, a 0.5% increase from fiscal 2008.

On the earnings front, Lion forecasts that operating income will rise 8.7% to ¥9,000 million, ordinary income will grow 18.4% to ¥9,000 million and net income will rise 64.5% to ¥5,000 million.

(Preconditions for the Estimated Figures in Outlook for Fiscal 2009)

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

¥100 = US\$1.00

¥3.0 = 1.00 baht

2. Financial Status Analysis

(1) Status of Assets, Liabilities, Net Assets, and Cash Flows for Fiscal 2008

<Consolidated Financial Status >

	FY 2008	FY 2007	Increase / Decrease
Total assets (millions of yen)	267,438	279,147	(11,709)
Net assets (millions of yen)	100,574	107,540	(6,966)
Shareholders' equity to total assets (%)	36.6	37.1	(0.5p)
Net assets per share * (yen)	362.02	382.80	(20.78)

* Minority interest and subscription rights were excluded from calculation of net assets per share.

As of December 31, 2008, total assets were ¥267,438 million, a decrease of ¥11,709 million from December 31, 2007. Net assets were ¥100,574 million, mainly reflecting the decrease in valuation and translation adjustments. The shareholders' equity to total assets was 36.6%.

(2) Status of Cash Flows

<Consolidated Cash Flows>

(Millions of yen)

	FY 2008	FY 2007	Increase / Decrease
Cash flows from operating activities	15,183	16,030	(847)
Cash flows from investing activities	(11,798)	(39,500)	27,702
Cash flows from financing activities	(2,689)	29,844	(32,534)
Translation gain related to cash and cash equivalents	(815)	62	(878)
Increase (decrease) in cash and cash equivalents	(121)	6,437	(6,558)
Cash and cash equivalents at end of period	33,098	33,219	(121)

Net cash provided by operating activities totaled ¥15,183 million compared with ¥16,030 in the previous fiscal year. The major component was depreciation and amortization charges of trademark rights.

Net cash used in investing activities totaled ¥11,798 million, compared with ¥39,500 million used in investing activities in fiscal 2007. A major component was plant and equipment attributable to capital expenditure undertaken in connection with the Company's preparations for launching its methyl ester sulfonate (MES) business.

Net cash used in financing activities was ¥2,689 million, rebounding from net cash provided by financing activities of ¥29,844 million in fiscal 2007. The major cash outflow was derived from an increase in long-term debt.

Based on these projections, cash and cash equivalents at the end of fiscal 2008 totaled ¥33,098 million compared with ¥33,219 million in the previous fiscal year.

(3) Forecast of Fiscal 2009 Consolidated Cash Flows

In cash flows from operating activities, Lion projects income before income taxes of approximately ¥8.0 billion. Lion estimates depreciation and amortization changes of about ¥13.0 billion.

Cash flows from investing activities, Lion plans to undertake capital expenditure totaling ¥11.0 billion during 2009.

The cash flows used in financing activities are expected to be about ¥11.0 billion 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 2009 to be approximately equal to those at the end of fiscal 2008.

(4) Changes in cash flow indicators

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Shareholders' equity to total assets (%)	42.9	43.8	41.3	37.1	36.6
Shareholders' equity to total assets on a market value basis (%)	71.9	85.8	66.1	51.8	49.0
Debt redemption (years)	3.9	9.8	7.5	3.6	3.8
Interest coverage ratio	25.6	7.1	12.2	36.4	13.3

(Note)

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 2008

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, 2008) and year-end dividend of ¥5 per share (payment date: March 4, 2009) for fiscal 2008.

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 6, 2009. 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

As of December 31, 2008, Lion is not involved in any lawsuits that may have significant impact on its business. However, if the Lion Group were to be successfully sued for significant damages, these could adversely affect the Lion Group's management performance and financial status.

(5) Earthquakes and other natural disasters

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