

III. Management Policies

1. Basic Management Policies

Committed to its mission of active contribution to society and based on its philosophy that the market is where everything starts, Lion Corporation is striving toward providing customers with products and services that offer increased satisfaction in relation to the pursuit of cleanliness, health and beauty. Lion will do everything it can to maintain a good, healthy relationship with its stakeholders, including shareholders, customers, business clients, community members, and employees, and strengthen its corporate governance system. It will also do its utmost to fulfill corporate social responsibilities, which include environmental preservation, making every effort to further increase its corporate value as a highly trustworthy company capable of meeting the expectations of society.

2. Performance Targets

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

3. Medium and Long-term Management Strategies

Guided by the medium-term management plan, Value Innovation Plan Part II 09 (VIP II 09), the Lion Group is endeavoring to increase its corporate value. To this end, Lion is establishing a business that is capable of surviving global competition, strengthening growth potential by creating new businesses and implementing initiatives designed to enhance management and operational efficiency.

Lion will continue to implement the three reforms described below, striving to increase its corporate value through the creation of customer value through its pursuit of cleanliness, health, and beauty. Lion aims to achieve a No. 1 position in the new comfortable lifestyle support industry that integrated toiletries, over-the-counter (OTC) drugs, and functional foods industries as a company helping people to lead pleasant, comfortable lives.

Reform 1: Restructuring the Foundation for Growth

Aiming to grow into a highly efficient and profitable corporate group that responds flexibly and swiftly to operating environment changes, Lion is shifting toward a business structure focusing on its core businesses. Lion is also endeavoring to enter new business fields by developing pioneering and innovative products.

During the period under review, Lion launched a number of new high-value-added products in such priority fields as toothpastes and laundry detergents. At the same time, the Company accelerated

activities in new fields by releasing the MEDISH chewing gum that supports oral health, BATHTOLOGY in-bath skincare series that prevent the skin from becoming dry after taking a bath, and Tomato Su Seikatsu —a tomato vinegar-based health food drink specified for people suffering from high blood pressure.

Lion established the subsidiary, Lion Eco Chemicals Sdn. Bhd., in Malaysia in 2007 and constructed a factory for the purpose of commercializing MES (methyl ester sulfonate), a surfactant derived from palm oil. In addition, preparations to commence production in 2009 have been undertaken.

Reform 2: Improvement of the Profit Structure

To achieve an improvement in its profit structure, Lion is constantly implementing total cost-reducing measures. During this fiscal year, amid higher-than-expected increases in the prices of raw materials, the Company continued to promote active implementation of measures to reduce manufacturing and logistics costs. With the aim of realizing more flexible production activities and reducing manufacturing costs, the Company will further accelerate its profit structure reforms.

Reform 3: Rapid Improvement of Management Capabilities

Lion will seek to increase the organizational strength of the entire Lion Group with a thoroughgoing implementation of performance- and competency-based human resource evaluations as well as by developing and strengthening organizations with a downsized but highly capable workforce.

During the period under review, Lion worked to improve operational efficiency through the enhancement of synergies between toiletry products and over-the-counter (OTC) drugs in the Health Care Products business. At the same time, looking ahead to the 2009 enforcement of the Revised Pharmaceutical Affairs Law in Japan, the Company has reorganized and integrated its sales units relating to its oral care, beauty care and pharmaceutical products businesses.

4. Management Issues

Due to the impact of the global recession, the business environment in which the Lion Group operates is forecasted to deteriorate further.

Based on these circumstances, critical challenges concerning the Group's aim to increase corporate value include:

1. To strengthen the Group's growth foundation in order to become a leading company in the new comfortable lifestyle support industry
2. To establish a platform for realizing stable profits
3. To expand and deepen activities that will position and raise awareness of Lion as a leading company in environmental responsiveness

In its efforts to strengthen its growth foundation, Lion will enhance the brand prowess of its core products. To this end, Lion will reinforce its product development and planning capabilities, establish a logistics structure and sales platform that are capable of responding appropriately to changes in the competitive environment and ensure that marketing investments are allocated effectively to priority areas.

Furthermore, Lion will bolster the Bufferin brand, acquired during the previous fiscal year, and pursue external sales of MES (methyl ester sulfonate).

To tackle the second challenge—“To establish a platform for realizing stable earnings”—the future uncertainties surrounding such areas as trends in material prices and stock market conditions make it necessary for Lion to establish an earnings structure that can withstand these variable profit and loss factors. Lion is reforming its profits structure by introducing and nurturing high-value-added products and streamlining competition costs in combination with reinforcing such cost-reducing measures as decreasing manufacturing expenses and lowering inventory levels.

With regard to the third challenge of improving Lion’s environmental responsiveness, the Group is taking steps to further bolster its ECO LION environmental protection activities in such areas as the reduction of greenhouse gas emissions and the production of environmentally friendly products. In addition, the Group will develop measures to attain the goals set by its Three-Year Medium-Term Environmental Plan (“the Environmental Plan”) and based on the declaration system that establishes objectives for activities related to corporate-based environmental protection efforts promoted by Japan’s Ministry of the Environment “Eco First Program.” The Lion Group will continuously conduct various activities to preserve the environment, thereby contributing significantly to the realization of a sustainable, recycling-oriented society.