

I. Management Performance

1. The First Half in Review

(1) Overview of Results of Operations

During the first half of fiscal 2008, a slowdown in Japan's economic recovery became increasingly apparent. While personal consumption remained generally unchanged, earnings in the corporate sector started a downward slide.

In the domestic toiletries industry, the Group's core business domain, Lion confronted a harsh operating environment. In addition to sharp increases in the prices of crude oil, vegetable oil and fats, Lion was buffeted incessantly by fierce point-of-sale competition.

Under these circumstances, the Group continued with efforts to increase its corporate value, guided by Value Innovation Plan Part II 09 (VIP II 09), Lion's medium-term management plan. Accordingly, the Group is placing particular emphasis on strengthening mainstay businesses and cultivating new businesses by developing and introducing advanced and innovative products while at the same time further boosting management efficiency. During the period under review, Lion released new, high-value-added products in its core health care and household product brands. In the health care product business in particular, Lion introduced highly distinctive products in its efforts to establish new brands, working aggressively to cultivate new markets. Overseas, Lion strove to foster common brands across Asia's growth markets, including Thailand.

As a result of the aforementioned factors, consolidated net sales in the first half of fiscal 2008 increased 1.2% year on year to ¥161,548 million, despite the impact of foreign currency exchange rate fluctuations. On the earnings front, comprehensive cost-reduction measures in manufacturing and other areas more than offset the substantial effects of sharp hikes in the prices of raw materials. In the period under review, operating income accordingly rose 3.9% to ¥2,526 million. Taking into account the drop in equity in earnings of non-consolidated subsidiaries and affiliates, ordinary income declined 20.9% to ¥2,960 million, while net income totaled ¥1,536 million, a 17.5% decrease compared with the same period one year earlier.

<Consolidated>

(Millions of yen)

Net sales	FY 2008 1st half	FY 2007 1st half	Increase/ decrease	Change
Health Care Products	64,569	65,014	(445)	(0.7%)
Household Products	77,336	76,525	811	1.1%
Chemical Products	15,900	15,728	172	1.1%
Other	3,742	2,349	1,392	59.3%
Total	161,548	159,617	1,930	1.2%

	FY 2008 1st half	Ratio to net sales	FY 2007 1st half	Ratio to net sales	Increase/ decrease	Change
Operating income	2,526	1.6%	2,431	1.5%	95	3.9%
Ordinary income	2,960	1.8%	3,744	2.3%	(783)	(20.9%)
Net income	1,536	1.0%	1,862	1.2%	(326)	(17.5%)

<Non-consolidated>

(Millions of yen)

	FY 2008 1st half	Ratio to net sales	FY 2007 1st half	Ratio to net sales	Increase/ decrease	Change
Net sales	124,411		124,812		(401)	(0.3%)
Operating income	612	0.5%	578	0.4%	34	5.9%
Ordinary income	2,063	1.7%	4,646	3.7%	(2,582)	(55.6%)
Net income	1,582	1.3%	2,909	2.3%	(1,326)	(45.6%)

<Consolidated Geographical Segment>

(Millions of yen)

Net sales	FY 2008 1st half	FY 2007 1st half	Increase/ decrease	Change
Japan	136,646	133,831	2,815	2.1%
Asia	24,901	25,786	(885)	(3.4%)
Consolidated total	161,548	159,617	1,930	1.2%

Operating income	FY 2008 1st half	FY 2007 1st half	Increase/ decrease	Change
Japan	1,857	1,517	339	22.4%
Asia	537	723	(186)	(25.7%)
Corporate and eliminations	131	189	(58)	(30.8%)
Consolidated total	2,526	2,431	95	3.9%

(2) Segment Information

<Health Care Products>

(Millions of yen)

	FY 2008 1st half	Ratio to net sales	FY 2007 1st half	Ratio to net sales	Increase/ decrease	Change
Net sales	64,569		65,014		(445)	(0.7%)
Operating income	3,071	4.8%	2,722	4.2%	348	12.8%

Net sales in this business during the interim period under review totaled ¥64,569 million, a decrease of 0.7% compared with the same period of the previous fiscal year. Lion recorded an operating income of ¥3,071 million in this segment, an increase of 12.8% year on year mainly due to manufacturing cost reduction.

<Net Sales by division>

(Millions of yen)

	FY 2008 1st half	FY 2007 1st half	Increase/ decrease	Change
Oral Care Products Division	25,623	25,067	556	2.2%
Beauty Care Products Division	17,457	17,503	(46)	(0.3%)
Pharmaceutical Products Division	21,488	22,443	(954)	(4.3%)

Oral Care Products Division

In the Oral Care Products Division, Lion prioritized the release of new as well as improved toothpastes, toothbrushes, mouthwashes and other products in the mainstay Dentor Systema series to further develop its product lineup. Lion also commenced steps to energetically expand its business domain by launching the MEDISH chewing gum series with the aim of giving further support to oral health.

In toothpastes, overall sales were steady, buoyed by strong performance of Dentor Clear MAX toothpaste and high-value-added Dent Health SP Medicated Toothpaste, as well as by the release of improved products in the Dentor Systema series for periodontal disease prevention and the Dentor Systema EX series, which boast a high preventive effect not only for periodontal diseases but also bad breath and cavities.

Adversely affected by intensifying competition, toothbrush sales were stagnant overall despite the release of an improved, ultra-fine bristle Dentor Systema toothbrush.

Sales of mouthwash considerably exceeded those of the corresponding period of the previous fiscal year. This was attributable to the release of new Dentor Systema EX Dental Rinse, which features an antibacterial ingredient that penetrates deep inside the biofilm to kill the bacteria that cause periodontal disease and bad breath.

In dental products, sales of the mainstay DENT.EX Systema toothbrush rose slightly. In addition, Lion released new DENT.EX Interdental Brush Micro Motion, a soft and easy-to-use oscillating electric interdental brush. As a result, overall sales showed steady growth.

Overall overseas sales surpassed those of the corresponding period of the previous fiscal year due to robust Systema toothpaste and toothbrush results in Thailand.

As a result, sales of Oral Care Products increased 2.2% year on year to ¥25,623 million.

Beauty Care Products Division

In the Beauty Care Products Division, Lion worked aggressively to cultivate the PRO TEC HEAD series for men's scalp care, which the Company had released in the previous fiscal year, and launched a new series of products under the BATHTOLOGY brand that prevent sudden skin dryness after taking a bath. In addition, the product lineup in the functional food product category was enhanced by the inclusion of Nicelim Essence Lactoferrin, a supplement containing lactoferrin, and other products that Lion had released in the previous fiscal year through its Internet shopping site (Japanese only) and which effectively delivers milk-derived lactoferrin to the intestine. Through these products, Lion actively pursued entries into new markets.

In shampoos and conditioners, overall sales exceeded those of the corresponding period of the previous fiscal year, thanks to the robust performance of Soft-in-One shampoos, the conditioning effectiveness of which had been upgraded during the previous fiscal year.

Overall sales of hand soaps were strong. This was attributable to steady performance of the Company's mainstay Kireikirei Medicated Liquid Hand Soap, as well as Kireikirei Medicated Foaming Hand Soap, an easy-to-use product for young children who have trouble making lather with conventional liquid hand soaps, sales of which substantially exceeded those in the corresponding period of the previous fiscal year.

Sales of body soaps substantially improved year on year, attributable to the release of BATHTOLOGY Foam Body Care Wash, a creamy foam liquid soap that prevents the skin from becoming dry after taking a bath.

In antiperspirants and deodorants, Lion introduced Ban Deodorant Mist, a compact, mist-type deodorant with a fresh and enjoyable fragrance that prevents troublesome perspiration and odors. Meanwhile, performance of the mainstay Ban Deodorant Powder Spray brand products was negatively impacted by the shrinking market, resulting in stagnation in overall sales.

The Beauty Care Products Division's overseas sales declined compared with those of the corresponding period of the previous fiscal year. Firm performance of the Free & Free Hair Treatment series in Thailand was offset by weak performance in body soaps.

As a result, sales of Beauty Care Products decreased 0.3% year on year to ¥17,457 million.

Pharmaceutical Products Division

In the Pharmaceutical Products Division, Lion placed top priority on the development of core brands,

including Bufferin and Smile.

In analgesics, overall sales rose slightly year on year. This was attributable to the Company's aggressive promotion of Bufferin A, which drove up sales of the product over those of the corresponding period of the previous fiscal year.

In eyedrops, overall sales substantially exceeded those of the corresponding period of the previous fiscal year. In addition to strong results of the mainstay Smile 40EX, the release of Smile Contact Drytect eyedrops, which cure dry eyes that occur when wearing contact lenses, contributed to the sales increase.

In health tonic drinks, sales substantially exceeded those of the corresponding period of the previous fiscal year. This was attributable to robust sales of Guronsan and New Guromont health tonic drinks.

Sales of insecticides decreased compared with the corresponding period of the previous fiscal year, adversely affected by discontinuation of Varsan Hyosatsu Jet Spray sales and the shrinking market of fumigation type insecticides.

As a result, sales of Pharmaceutical Products decreased 4.3% year on year to ¥21,488 million.

Principal new products

Dentor Systema EX - Extra Herb flavor / Toothpaste

Dentor Systema EX Dental Rinse / Mouthwash

MEDISH / Chewing gum

BATHTOLOGY Foam Body Care Wash

BATHTOLOGY Body Care Bath Additive

Ban Deodorant Mist / Antiperspirants and deodorants

Smile Contact Drytect / Eyedrops

<Household Products>

(Millions of yen)

	FY 2008 1st half	Ratio to net sales	FY 2007 1st half	Ratio to net sales	Increase/ decrease	Change
Net sales	77,336		76,525		811	1.1%
Operating income	(526)	—	(443)	—	(82)	—

Sales of Household Products increased 1.1% year on year to ¥77,336 million. Lion posted an operating loss of ¥526 million, compared with an operating loss of ¥443 million in the corresponding period of the

previous fiscal year. The Company's aggressive activities to reduce manufacturing and logistics costs proved insufficient to absorb soaring raw material prices attributable to the surging prices of crude oil, vegetable oil and fats.

<Net Sales by division>

(Millions of yen)

	FY 2008 1st half	FY 2007 1st half	Increase/ decrease	Change
Fabric Care Products Division	56,038	53,273	2,765	5.2%
Living Care Products Division	21,297	23,251	(1,954)	(8.4%)

Fabric Care Products Division

In the Fabric Care Products Division, Lion endeavored to develop and prioritized the development of the Top laundry detergent and Soflan fabric softener brands, which are the Company's core brands in their respective categories, through the introduction of high-value-added products that accurately address consumer needs.

Top laundry detergents, which boast both excellent detergency and environment-friendliness, showed robust performance. In addition, Lion released Shoushu (Deodorizing) Blue Dia, a laundry detergent with a more powerful deodorant effect. Also, in the growing liquid laundry detergent market, Lion's Kaori Tsuzuku (Long-Lasting Fragrance) Top, a fresh natural herb-scented liquid laundry detergent that imparts a long-lasting and pleasantly fresh scent to clothes when worn, was well received by customers. As a result, overall sales considerably increased compared with the corresponding period of the previous fiscal year.

Amid a contracting market, overall sales of bleaches slightly increased year on year, buoyed by steady performance of the mainstay Temanashi Bright.

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 this product's success, sales showed firm growth.

Overseas, laundry detergent sales were strong in South Korea and particularly Thailand, where the Company has expanded its production capacity. Despite a substantial increase in overseas sales in terms of local overseas currencies, sales after conversion into yen remained flat year on year, due to the effect of exchange rate fluctuations.

As a result, sales of Fabric Care Products increased 5.2% year on year to ¥56,038 million.

Living Care Products Division

In the Living Care Products Division, Lion renewed and nurtured its Reed series of revolutionary cooking-aid products, which are designed to support healthy and balanced dietary habits. Also developed were dishwashing detergents and household cleaners, the lineup of which Lion had reinforced during the previous fiscal year.

In dishwashing detergents, Lion worked to develop the CHARMY Awa no Chikara (Power of Suds) series, dishwashing detergents released in the previous fiscal year that realize unique rich, long-lasting suds to wash dishes without the need to add more detergent to the sponge. The Company also released CHARMY Crysta Gel Cleans Dishes and Dishwashers detergent for dishwashers and improved Charmy V Quick dishwashing detergent. However, overall sales declined compared with the corresponding period of the previous fiscal year due to intensifying competition.

In household cleaners, Lion worked diligently to nurture Look O₂ Cleaner that uses “Oxygen Power” to remove grime from cloth-covered sofas, carpets etc. that are difficult to clean. Despite these endeavors, overall sales in this category were stagnant due to market contraction and other factors.

To cultivate new demand in cooking-aid products, Lion released the new Reed series of products, including Reed Healthy-Cooking Paper, a thicker, upgraded cooking paper with improved water and oil retention to promote healthy cooking. However, overall sales in this category decreased year on year due to intensifying competition.

Overseas, sales performance of dishwashing detergents in Thailand was weak, resulting in a year-on-year decline.

As a result, sales of Living Care Products decreased 8.4% year on year to ¥21,297 million.

Principal new products

Kaori Tsuzuku (Long-Lasting Fragrance) Top / Laundry detergent

CHARMY Crysta Gel Cleans Dishes and Dishwashers / Dishwashing detergent for dishwashers

<Chemical Products>

(Millions of yen)

	FY 2008 1st half	Ratio to net sales	FY 2007 1st half	Ratio to net sales	Increase/ decrease	Change
Net sales	15,900		15,728		172	1.1%
Operating income	(61)	—	(155)	—	93	—

In the Chemical Products business, Lion confronted a harsh operating environment due to the 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 rose 1.1% year on year to ¥15,900 million. Operating loss stood at ¥61 million compared with an operating loss of ¥155 million in the corresponding period of the previous fiscal year.

<Principal divisions>

Sales of fatty-acid methyl ester and glycerin were strong for domestic applications in food products and pharmaceutical raw materials. However, sales of these products only slightly increased year on year, impacted by such negative factors as the cutback in low-profit products.

In surfactants and fatty-acid nitrogen derivatives, domestic sales increased for detergent applications, resulting in steady overall results.

Sales of electro-conductive carbon were steady for battery cell applications in particular. However, the cutback in low-profit products and other negative factors led to declined overall sales for this product.

<Other>

(Millions of yen)

	FY 2008 1st half	Ratio to net sales	FY 2007 1st half	Ratio to net sales	Increase/ decrease	Change
Net sales	3,742		2,349		1,392	59.3%
Operating income	68	1.8%	133	5.7%	(64)	(48.2%)

In Other segment, net sales amounted to ¥3,742 million, a 59.3% increase year on year, owing to the increase in the number of works completions in the construction contracting business, and operating income was ¥68 million, a 48.2% decrease year on year, mainly due to harsh competition.

(3) Outlook for Fiscal 2008

<Consolidated>

(Millions of yen)

	FY 2008 forecast	FY 2007	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)	21.05	20.06	0.99	4.9%
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<Non-Consolidated>

(Millions of yen)

	FY 2008 forecast	FY 2007	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)	18.47	18.81	(0.34)	(1.8%)
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In the second half of fiscal 2008, ending December 31, 2008, the Japanese economy is expected to show a further slowdown due to negative effects of the troubled U.S. economy, unfavorable trends in exchange rates and crude oil prices and other factors. The toiletries industry, in which Lion mainly operates, is most likely to experience surging prices of crude oil, vegetable oil and fats and other raw materials as well as intensifying competition at points of sale. In addition, a persistent increase in consumer prices and the ongoing national pension issues are forecast to heighten future uncertainties among Japanese consumers, which, in turn, will negatively impact personal spending. Based on these expectations, Lion expects to face an operating environment of heightened severity.

Under these circumstances, the Lion Group is committed to increasing its corporate value. To this end, Lion will work to selectively strengthen its mainstay businesses by developing and launching new, high-value-added products and to cultivate new markets while advancing its cost reduction efforts.

In Health Care Products, Lion will nurture new products in new categories that were introduced during the interim period under review. At the same time, the Company plans to release new, high-value-added products in the toothpaste, shampoo and other categories, targeting a higher price range for these products. These activities are expected to result in higher sales in this business compared with the

previous fiscal year.

In Household Products, Lion will also nurture new mainstay products that were released during the interim period under review while planning to introduce new high-value-added products for its core brands in such categories as dishwashing detergents, household cleaners and cooking-aid products. These activities are anticipated to lead to improved sales in this business compared with the previous fiscal year.

In Chemical Products, the Company will aim to improve profitability and selectively nurture highly functional, environment-friendly products. However, Lion plans to cut back on the sale of low-profit products, which is expected to result in sales deterioration compared with the previous fiscal year.

Lion forecasts a sales increase in Other segment, compared with fiscal 2007.

As a result of the aforementioned, there is no change to the results forecast for fiscal 2008 announced on February 7, 2008, and 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:

¥105 = US\$1.00

¥3.2 = 1.00 baht

2. Financial Status Analysis

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

	FY 2008 1st half	FY 2007	Change
Total assets (millions of yen)	257,522	279,147	(21,624)
Net assets (millions of yen)	104,891	107,540	(2,648)
Shareholders' equity to total assets (%)	39.4	37.1	2.3p
Net assets per share ^{*1} (yen)	374.94	382.80	(7.86)

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

As of June 30, 2008, total assets were ¥257,522 million, a decrease of ¥21,624 million from December 31, 2007. Current assets decreased ¥19,880 million, due to the fact that the last day of the previous fiscal year fell on a non-business day for Japanese financial institutions. Net assets were ¥104,891 million, mainly reflecting the decrease in valuation and translation adjustments. The shareholders' equity to total assets was 39.4%.

(2) Status of Cash Flows

<Consolidated Cash Flows>

	(Millions of yen)		
	FY 2008 1st half	FY 2007 1st half	Change
Cash flows from operating activities	(3,054)	8,353	(11,408)
Cash flows from investing activities	(6,323)	(6,237)	(86)
Cash flows from financing activities	(1,432)	(3,479)	2,047
Translation gain related to cash and cash equivalents	(346)	214	(561)
Increase (decrease) in cash and cash equivalents	(11,156)	(1,149)	(10,007)
Cash and cash equivalents at end of period	22,062	25,633	(3,570)

Net cash used in operating activities totaled ¥3,054 million, compared with net cash provided by operating activities of ¥8,353 million in the interim period of fiscal 2007. The major component was decrease in trade notes and accounts payable.

Net cash used in investing activities totaled ¥6,323 million, compared with ¥6,237 million used in investing activities in the interim period of the previous fiscal year. A major component was the increase in purchases of property, 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 ¥1,432 million, compared with net cash used in financing activities of ¥3,479 million in the same period of fiscal 2007, owing primarily to the repayment of short-term loans payable.

(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.

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 2004	FY 2005	FY 2006	FY 2007	FY 2008 1st half
Shareholders' equity to total assets (%)	42.9	43.8	41.3	37.1	39.4
Shareholders' equity to total assets on a market value basis (%)	71.9	85.8	66.1	51.8	47.0
Debt redemption (years)	3.9	9.8	7.5	3.6	—
Interest coverage ratio	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.

* For the interim period ended June 30, 2008, the presentation of debt redemption (years) and interest coverage ratio has been omitted because cash flows from operating activities fell to a negative figure.

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 for the first half of fiscal 2008 (payment date: September 5, 2008), the same as the first half of fiscal 2007. 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 August 4, 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

As of June 30, 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.