

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 of and concentration of investment in management initiatives, and efforts to reform its business structure and reinforce its earnings structure, Lion is striving to increase corporate value with the goal of reaching consolidated ROE of 10% in fiscal 2009. Furthermore, Lion will acquire and develop new businesses and allocate resources to expand existing business domains for the purpose of ensuring future business opportunities.

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 withstanding 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

In its efforts to remain a highly efficient and profitable corporate group that responds flexibly and swiftly to changes in its operating environment, Lion is shifting toward a business structure with a focus on its core businesses. Lion is also endeavoring to enter new business fields by developing pioneering and innovative products.

During the interim 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 and the BATHTOLOGY in-bath skincare series that prevent the skin from becoming dry after taking a bath.

In addition, with its sights on the commencement of business relating to MES, a plant-based surfactant using palm oil as a raw material, Lion has advanced the construction of manufacturing facilities and other preparations at Lion Eco Chemicals Sdn. Bhd., a Lion subsidiary located in Malaysia. Lion aims to commence production at the facilities from December 2008.

Reform 2: Improvement of the Profit Structure

To achieve an improvement in its profit structure, Lion is constantly implementing total cost-reducing measures. During the interim period under review, amid higher-than-expected increases in the prices of crude oil, vegetable oil and fats, 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 interim 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

Continued harsh operating conditions are forecast for the Lion Group. Against this backdrop, Lion aims to be a leading company in new comfortable lifestyle support industry and recognizes the following as pressing objectives of particular importance:

1. To strengthen our growth foundation
2. To lift our ability to combat rising costs brought on by the sharp upswings in raw material prices
3. To expand and deepen activities that will position us 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, ensuring that marketing investments are allocated effectively to priority areas. In Asian countries, where demand is expected to increase, Lion will aim to expand operations in all of its businesses. In addition, the Company will further bolster the Bufferin brand business, which it acquired in the previous fiscal year, and accelerate toward the full-fledged commencement and expansion of the MES business.

To tackle the second of the abovementioned objectives, Lion will further advance its profit structure reforms. More specifically, the Company will develop, release and nurture high-value-added products and work to raise cost efficiency by rationalizing competition costs. Meanwhile, the Company will strengthen the implementation of cost-reducing measures in the production of its core products.

With regard to the third objective, Lion is promoting ECO LION activities based on its Three-Year Medium-Term Environmental Plan (the "Environmental Plan"), which extends to the end of 2009. These activities involve such environmental protection activities including: reducing greenhouse gas emissions; effectively using and recycling resources; considering the environment from a product-oriented perspective; and appropriately handling chemical substances. In addition to these activities, Lion declared long-term targets for greenhouse gas reduction and other environmental efforts. Recognized for such declaration, Lion has been certified as an "Eco First" company by Japan's Minister of the Environment. The Lion Group is committed to contributing to the realization of a sustainable, recycling-oriented society by continuing to promote wide-ranging environmental protection activities.