1. Qualitative Information Concerning the Consolidated Results of Operations

(1) Performance Overview for the Consolidated First Half of the Current Fiscal Year (January 1, 2010 – June 30, 2010)

Regarding the Japanese economy during the first half (January 1, 2010 to June 30, 2010) of the 2010 fiscal year, there remained a lingering sense that conditions would remain uncertain despite improvements in corporate profits and signs of recovery in areas including personal consumption. This was the result of such factors as a gradual drop in consumer prices.

At the same time, the domestic toiletries industry—the Lion Group's main business domain—was faced with intensifying competition in stores, causing operating conditions to remain severe.

In the wake of these harsh operating conditions, the Lion Group is taking steps to bolster its base for growth through such measures as cultivating mainstay brands and developing new markets with the aim of improving corporate value. In addition, the Group is working to increase profitability by promoting cost-reduction measures in the areas of manufacturing and distribution. In Japan during the first half of the 2010 fiscal year, the Group released new, high-value-added products in the Fabric Care Products Division, Oral Care Products Division and Pharmaceutical Products Division, while expanding the product lineups of mainstay brands in the Beauty Care Products Division and Living Care Products Division. Overseas, the Group promoted common global brands and original local brands primarily for laundry detergents and in the oral care segment. Amid a recovery of industrial demand, Lion focused primarily on cultivating highly functional products in the Chemical Products Business.

As a result, consolidated results for the period under review are as follows: There was a 2.2% increase in net sales year on year to ¥155,758 million. Turning to profits, Lion recorded an operating income of ¥2,755 million (a 26.8% rise year on year), an ordinary income of ¥3,357 million (a 18.4% improvement year on year), and a net income of ¥1,582 million (a 50.1% increase year on year). These increases were primarily attributable to a rise in net sales and cost-reduction measures focusing on manufacturing.

<Consolidated Results> (Millions of yen)

	FY2010 1st half	Ratio to net sales	FY2009 1st half	Ratio to net sales	Increase/ decrease	Change
Net sales	155,758		152,404		3,353	2.2%
Operating income	2,755	1.8%	2,173	1.4%	581	26.8%
Ordinary income	3,357	2.2%	2,835	1.9%	522	18.4%
Net income	1,582	1.0%	1,053	0.7%	528	50.1%

<Consolidated Business Segment> (Millions of yen)

	Net sales				Operating income			
	FY2010 1st half	FY2009 1st half	Increase/ decrease	Change	FY2010 1st half	FY2009 1st half	Increase/ decrease	Change
Health Care Products	63,685	65,163	(1,477)	(2.3%)	2,267	2,697	(429)	(15.9%)
Household Products	77,660	75,419	2,240	3.0%	652	191	461	240.4%
Chemical Products	12,436	10,263	2,172	21.2%	(237)	(734)	497	—
Others	1,976	1,558	417	26.8%	54	(33)	88	—
Eliminations and corporate	—	—	—	—	18	52	(34)	(65.7%)
Total	155,758	152,404	3,353	2.2%	2,755	2,173	581	26.8%

<Consolidated Geographical Segment> (Millions of yen)

	Net sales				Operating income			
	FY2010 1st half	FY2009 1st half	Increase/ decrease	Change	FY2010 1st half	FY2009 1st half	Increase/ decrease	Change
Japan	131,538	131,231	306	0.2%	2,350	1,098	1,252	114.0%
Asia	24,219	21,172	3,047	14.4%	239	933	(694)	(74.4%)
Eliminations and corporate	—	—	—	—	165	142	23	16.7%
Total	155,758	152,404	3,353	2.2%	2,755	2,173	581	26.8%

<Health Care Products>

(Millions of yen)

	FY2010 1st half	Ratio to net sales	FY2009 1st half	Ratio to net sales	Increase/ decrease	Change
Net sales	63,685		65,163		(1,477)	(2.3%)
Operating income	2,267	3.6%	2,697	4.1%	(429)	(15.9%)

<Net Sales of divisions> (Millions of yen)

	FY2010 1st half	FY2009 1st half	Increase/ decrease	Change
Oral Care Products Division	27,629	25,916	1,713	6.6%
Beauty Care Products Division	17,077	19,134	(2,057)	(10.8%)
Pharmaceutical Products Division	18,978	20,112	(1,133)	(5.6%)

Oral Care Products Division

In the Oral Care Products Division, Lion released the new toothpaste brand, *platius*, while making efforts to cultivate the mainstay brand series, *Dentor Systema*, *Clinica* and *Dent-Health*.

In toothpastes, Lion released the high-value-added medicated whitening toothpaste, *platius creamy up paste*, a product that helps restore the original white appearance of teeth and has garnered favorable customer reviews. At the same time, *Dent Health* series—a highly functional product that prevents periodontal disease—and *Hitect Shoyaku no Megumi (Bountiful Herbal Medicine)*—a product that prevents pyorrhea owing to the use of a herbal medicinal ingredient—experienced robust sales. As a result, overall sales increased compared with the corresponding period of the previous fiscal year.

In toothbrushes, sales of Lion's mainstay product, *Dentor Systema Toothbrush*, and the *Between* series (which also features the new ultra compact type), significantly improved year on year. In addition, the children's product, *KODOMO toothbrush*, featuring a new character, experienced favorable sales. Consequently, overall sales rose compared with the same period of the previous fiscal year.

In mouthwashes, sales of the mainstay *Clinica Dental Rinse* brand were strong, while the new milky-type dental rinse, *Dentor Systema Haguki (the gums) Plus Dental Rinse*, enjoyed high customer ratings. As a result, overall sales rose substantially compared to the same period of the previous fiscal year.

In dental products marketed to dental clinics, sales of the mainstay *DENT.EX Systema brush* remained favorable, while *DENT.EX Systema genki j*—a new children's toothbrush appropriate for treating gingivitis—received favorable ratings from customers. Consequently, overall sales increased significantly compared with the corresponding period of the previous fiscal year.

Overseas, sales of toothpaste and toothbrushes in Thailand, China and South Korea remained robust, leading to a considerable jump in overall sales year on year.

As a result of the above, net sales for this division stood at ¥27,629 million, a 6.6% rise compared with the corresponding period of the previous fiscal year.

Beauty Care Products Division

In the Beauty Care Products Division, Lion has focused on cultivating the *KireiKirei* series as well as augmenting the product lineup for *Ban* brand antiperspirants and deodorants by releasing new products in this series.

In hand soaps, Lion released *portable size KireiKirei Medicated Foaming Hand Sanitizer*, a product that is easy to use anytime, anywhere, even without water. However, overall sales decreased year on year because the outbreak of the new H1N1 strain of influenza subsided.

In antiperspirants and deodorants, the release of Lion's *High-Density Ban Medicated Deodorant Powder Spray* coincided with the recording of strong sales for *Ban Deodorant Body Sheets.* However, due to the impact of intensifying competition on Lion's mainstay powder spray, overall sales declined compared with the same period of the previous fiscal year.

Moreover, overall sales in the functional food product categories jumped substantially compared with the corresponding period of the previous fiscal year owing to strong sales of the mail-order-sales-based product, *Nicelim Essence Lactoferrin*—a supplement that effectively delivers milk-derived lactoferrin to the intestines.

Overseas, sales of body soap in Thailand were robust. Consequently, overall sales increased significantly compared with the same period of the previous fiscal year.

As a result of the above, net sales for this division stood at ¥17,077 million, a 10.8% decrease compared with the corresponding period of the previous fiscal year.

Pharmaceutical Products Division

In the Pharmaceutical Products Division, in addition to its mainstay *BUFFERIN* and *Smile* brands, Lion made efforts to cultivate the *Varsan* brand, which had its product lineup expanded during the previous fiscal year.

In analgesics, despite experiencing strong sales following the release of improved versions of *BUFFERIN PLUS S* and *BUFFERIN Luna* during the previous fiscal year, overall sales fell year on year due to the impact of market shrinkage on the sales of *BUFFERIN A*.

In eyedrops, sales for the *Smile Contact* series fell year on year due to intensifying competition. However, owing to favorable customer evaluations for *Smile 40EX GOLD*—a product that effectively relieves the discomfort of eye fatigue and blurred vision—overall sales were strong compared with the same period of the previous fiscal year.

In tonics and nutrients, due to the impact of a shrinking market for the *Guronsan* and *New Guromont* health tonic drink brands, overall year-on-year sales declined.

In insecticides, Lion released *Mizu De Hajimeru (Starts with Water) Varsan Pro CPM*, the most effective fumigation-type product within the *Varsan* product series, to favorable customer ratings. Despite this, overall sales fell compared with the same period of the previous fiscal year due to the impact of shrinking markets.

As a result of the above, net sales for this division stood at ¥18,978 million, a decrease of 5.6% compared with the previous fiscal year.

Principal New Products

platius creamy up paste
Between Ultra Compact
KODOMO toothbrush
Smile 40EX GOLD
Mizu De Hajimeru (Starts with Water) Varsan Pro CPM

<Household Products>

(Millions of yen)

	FY2010 1st half	Ratio to net sales	FY2009 1st half	Ratio to net sales	Increase/ decrease	Change
Net sales	77,660		75,419		2,240	3.0%
Operating income	652	0.8%	191	0.3%	461	240.4%

<Net Sales of division>

(Millions of yen)

	FY2010 1st half	FY2009 1st half	Increase/ decrease	Change
Fabric Care Products Division	56,535	54,118	2,416	4.5%
Living Care Products Division	21,124	21,300	(176)	(0.8%)

Fabric Care Products Division

In the Fabric Care Products Division, Lion cultivated its mainstay brands by releasing such brands as the super-concentrated liquid laundry detergent, *TOP NANOX*—a product that uses plant-based, high-detergency components to solubilize and remove sebum (a substance that causes odors) at the nano level—and *Sterilizing & Antibacterial Bright W*—a liquid oxygen-based laundry bleach that completely cleans away worrisome germs and noticeable odors from laundry washed in recycled bath water.

In laundry detergents, sales of *Kaori Tsuzuku (Long-Lasting Fragrance) TOP* in the expanding liquid laundry detergent market remained robust. At the same time, the new liquid laundry detergent, *TOP NANOX*, received favorable customer reviews. Consequently, overall sales increased compared with the same period of the previous fiscal year.

In fabric softeners, although sales of the improved *Kaori to Deodorant no SOFLAN (SOFLAN with Fragrance and Deodorant)* were strong, sales of *Funwari SOFLAN* were sluggish due to intensifying competition. As a result, overall sales fell year on year.

In bleaches, the new product, *Sterilizing & Antibacterial Bright W*, received good customer ratings, leading to a significant jump in overall sales compared with the corresponding period of the previous fiscal year.

Overseas, strong sales were recorded for laundry detergents in Thailand. Consequently, overall sales rose substantially year on year.

As a result of the above, net sales for this division stood at ¥56,535 million, an increase of 4.5% compared with the same period of the previous fiscal year.

Living Care Products Division

In the Living Care Products Division, Lion focused on cultivating mainstay brands by stepping up sales promotion activities for *CHARMY* dishwashing detergents and *LOOK* household cleaners.

In dishwashing detergents, sales of the *CHARMY Awa no Chikara (Power of Suds)* series—to which the “Fresh Lemon” fragrance was added during the previous fiscal year—increased significantly year on year, while sales of the detergent for dishwashers, *CHARMY Crysta Gel*, were steady. As a result, overall sales rose considerably compared with the same period of the previous fiscal year.

In household cleaners, amid favorable sales of *Toire no LOOK Deodorizing EX* (toilet bowl cleaner), Lion released an improved version of *Ofuro no LOOK* (bath cleaner), featuring foam that dissolves even more rapidly during rinsing to improve water savings. However, sales of *LOOK Noko (Strong & Effective) Pipeman* were impacted by intensifying competition. Consequently, overall sales declined year on year.

In cooking-aid products, although Lion aggressively expanded sales-promotion activities for *REED Healthy-Cooking Paper*, overall sales dropped compared with the corresponding period of the previous fiscal year due to intensifying competition.

Overseas, sales of dishwashing detergents in South Korea were sluggish, leading to overall sales remaining flat compared with same period of the previous fiscal year.

As a result of the above, net sales for this division stood at ¥21,124 million, a decrease of 0.8% compared with the corresponding period of the previous fiscal year.

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Principal new products

TOP NANOX
Sterilizing & Antibacterial Bright W
Ofuro no LOOK (bath cleaner)

<Chemical Products>

(Millions of yen)

	FY2010 1st half	Ratio to net sales	FY2009 1st half	Ratio to net sales	Increase/ decrease	Change
Net sales	12,436		10,263		2,172	21.2%
Operating income	(237)	—	(734)	—	497	—

In the Chemical Products Business, net sales totaled ¥12,436 million, an increase of 21.2% year on year. Turning to operating income, Lion recorded an operating loss of ¥237 million, compared with an operating loss of ¥734 million for the corresponding period of the previous fiscal year.

Amid a recovery of industrial demand, Lion focused on cultivating highly functional products and undertaking cost-reduction measures in order to bolster the profitability of the Chemical Products Business.

In activators derived from oil and fats, overseas sales of fatty acid methyl esters were stagnant due to the impact of the strong yen. However, domestic sales of surfactants for detergents, cosmetics and synthetic resins as well as fatty acid methyl esters used in food additives were favorable, causing overall sales in this category to rise significantly compared with the corresponding period of the previous fiscal year.

Domestic and overseas sales of electro-conductive carbon for use in secondary batteries and electronic components were strong. Consequently, overall sales in this category doubled compared with the same period of the previous fiscal year.

<Others>

(Millions of yen)

	FY2010 1st half	Ratio to net sales	FY2009 1st half	Ratio to net sales	Increase/ decrease	Change
Net sales	1,976		1,558		417	26.8%
Operating income	54	2.8%	(33)	—	88	—

In the Others Businesses, net sales rose 26.8% year on year to ¥1,976 million due to an expansion of the construction contractor business. In addition, Lion recorded an operating income totaling ¥54 million, compared with an operating loss of ¥33 million for the same period of the previous fiscal year.

(2) Qualitative Information Concerning Consolidated Financial Status

1) Status of Assets, Liabilities and Net Assets
<Consolidated Financial Status >

	Six Months Ended June 30, 2010	Fiscal 2009 (Ended Dec. 31, 2009)	Increase/ decrease
Total assets (millions of yen)	242,245	256,220	(13,974)
Net assets (millions of yen)	103,393	103,624	(231)
Shareholders' equity to total assets *1 (%)	41.4	39.2	2.2p
Net assets per share *2 (yen)	370.94	371.50	(0.56)

*1 Shareholders' equity to total assets = (Net assets – Subscription rights to shares and Minority interests) / Total assets
*2 Subscription rights and minority interests were excluded from calculation of net assets per share.

Total assets fell ¥13,974 million compared with the previous consolidated fiscal year-end to ¥242,245 million. This is primarily attributable to a reduction in cash and time deposits and trade notes and accounts receivable. Net assets decreased ¥231 million year on year to ¥103,393 million. Shareholders' equity to total assets stood at 41.4%.

2) Status of Cash Flows
<Consolidated Cash Flows>

(Millions of yen)

	FY2010 1st half	FY2009 1st half	Increase/ decrease
Net cash provided by (used in) operating activities	(175)	(2,067)	1,892
Net cash provided by (used in) investment activities	(3,461)	(6,757)	3,295
Net cash provided by (used in) financing activities	(3,772)	(2,899)	(872)
Effect of exchange rate change on cash and cash equivalents	(111)	83	(194)
Net increase (decrease) in cash and cash equivalents	(7,518)	(11,641)	4,122
Cash and cash equivalents at end of period	25,293	21,457	3,836

Net cash provided by operating activities totaled ¥175 million due to a decrease in trade notes and accounts payable. This decrease in cash flow occurred despite a reduction in such areas as trade notes and accounts receivable.

Net cash used in investment activities totaled ¥3,461 million. Major components of this fall in cash flow were outflows for the purchases of property, plant and equipment.

Net cash used in financing activities totaled ¥3,772 million. Major components of this decline in cash flow were cash dividends paid and the repayment of long-term loans payable.

As a result of the above, cash and cash equivalents as of June 30, 2010 decreased ¥7,518 million to ¥25,293 million compared with the consolidated fiscal year ended December 31, 2009. However, cash and cash equivalents as of June 30, 2010 increased ¥3,836 million compared with the corresponding period of the previous fiscal year.

(3) Qualitative Information Concerning the Forecast of Consolidated Financial Results

In line with the announcement made on July 30, 2010, there are no changes to consolidated financial results forecasts for the full fiscal year since the release of initial forecasts on February 10, 2010.

The Japanese economy is expected to remain in a recovery trend owing to improvements in corporate profits. However, future conditions remain uncertain primarily due to trends in consumer prices and in overseas economies. Consequently, competition is forecasted to continue to intensify in the domestic toiletries industry, the Lion Group's main business domain.

Under these circumstances, the Group will continue promoting initiatives to strengthen its base for growth, including cultivating mainstay brands and releasing new products in growth markets.

In the Health Care Products Business, although Lion will continue to release new high-value-added products and cultivate mainstay brands, sales are expected to fall year on year due mainly to the subsiding of the new H1N1 strain of influenza.

In the Household Products Business, sales are forecasted to rise year on year owing to such factors as favorable sales of laundry detergents both in Japan and overseas, and the scheduled release of new high-value-added products in growing markets in the future.

The Chemical Products Business is anticipated to experience higher year-on-year sales accompanying a recovery in industrial demand.

The Others Business is forecasted to enjoy sales higher than the previous fiscal year due to an increase in Lion's construction contractor business.

During the first half of fiscal 2010, profits exceeded initial forecasts primarily due to promoting cost-reduction measures focused on manufacturing, as well as lower raw material prices accompanying the strong yen. Despite this, consolidated forecasts of results for the full fiscal year remain unchanged. This is mainly attributable to proactive marketing investments, including the release of new products, that Lion is expected to undertake, as well as future uncertainty related to trends in raw material prices and foreign currency exchange rates.

(Preconditions for the Estimated Figures in Outlook for Fiscal 2010)
Lion adopted the following foreign exchange rates in the calculation of the aforementioned estimated figures:
¥93 = US$1.00
¥2.70 = 1.00 baht

2. Other information

(1) Changes in Important Subsidiaries during the Period: None

(2) Simplified Accounting Method and Special Accounting Practices:

1) Simplified Accounting Method

Methods for calculating corporate income tax, deferred income tax assets and deferred tax liabilities

Corporate tax payment calculation methods are limited to include significant additions/subtractions and tax deductions.

Methods that make use of performance forecasts and tax planning utilized during the previous fiscal year are used to determine the collectability of deferred income tax assets, recognizing that no significant changes in the operating environment or temporary variances have occurred from the end of the previous fiscal year onward.

2) Special Accounting Practices in the Preparation of Quarterly Consolidated Financial Statements: None

(3) Changes in accounting principles, procedures and presentation methods in connection with the preparation of quarterly consolidated financial statements:

Application of Accounting Standard for Construction Contracts

Previously, earnings from construction contracts had been recognized under the completed-contract method. Effective from the first quarter of the consolidated fiscal year ending December 31, 2010, however, the Lion Group has applied the "Accounting Standard for Construction Contracts"（Accounting Standards Board of Japan (ASBJ) Statement No. 15, December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, December 27, 2007). Accordingly, with regard to construction contracts commenced on or after January 1, 2010, the percentage-of-completion method is applied if the outcome of the construction activities can be accurately estimated as of June 30, 2010. Otherwise, the completed-contract method shall be applied. Under the percentage-of-completion method, the percentage of completion as of June 30, 2010 is estimated based on the percentage of the cost incurred to the estimated total cost. Consequently, the impact on income and loss for the first half of the current fiscal year has been minor.