

## Summary of Consolidated Financial Statements for Interim 2005

August 1, 2005

Company name: Lion Corporation

Code: 4912

URL: <http://www.lion.co.jp>

Listed stock exchanges: Tokyo Stock Exchange and Osaka Securities Exchange

Location of head office: Tokyo Prefecture, Japan

Representative: Sadayoshi Fujishige, Representative Director and President

Contact: Shinjiro Iwahori, Director of Finance Department

Telephone: +81-3-3621-6211

Board of Directors meeting on interim period 2005: August 1, 2005

Use of U.S. accounting standards: Not used

### 1. Consolidated Results for the Interim Period Ended June 30, 2005

#### a) Consolidated Results

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim 2005	159,882	5.9	3,179	(17.9)	4,432	(6.9)
Interim 2004	151,001	4.1	3,873	4.6	4,762	5.5
Fiscal 2004	309,514		6,021		8,271	

Note: Figures in this and subsequent tables are rounded down to the nearest million.

	Net sales		EPS	Diluted EPS
	Millions of yen	%	Yen	Yen
Interim 2005	2,659	32.3	9.43	9.42
Interim 2004	2,010	182.7	6.96	6.94
Fiscal 2004	(4,723)		(16.66)	—

#### Notes:

1. Equity in earnings of non-consolidated subsidiaries and affiliates: ¥798 million in interim 2005, ¥604 million in interim 2004, and ¥1,579 million in FY 2004.
2. Average number of outstanding shares during the period (consolidated): 281,988,135 in interim 2005; 288,795,429 in interim 2004; and 287,030,232 in fiscal 2004.
3. Changes in accounting practices: None
4. Percent figures for net sales, operating income, ordinary income, and net income express percentage change over the previous year.

b) Consolidated Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
Interim 2005	234,692	103,077	43.9	365.40
Interim 2004	231,659	111,963	48.3	389.52
Fiscal 2004	235,405	101,021	42.9	356.90

Note: Number of outstanding shares on balance sheet date (consolidated): 282,093,105 for interim 2005; 287,438,915 for interim 2004; and 282,892,789 for FY 2004.

c) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Interim 2005	(9,584)	(1,908)	6,064	19,173
Interim 2004	(2,710)	5,911	(2,708)	32,160
Fiscal 2004	4,270	(10,059)	(1,553)	24,480

d) Scope of Consolidation and Equity-Method Companies

Consolidated subsidiaries: 23

Non-consolidated equity-method subsidiaries: 4

Equity-method companies: 8

e) Change in Scope of Consolidation and Equity-Method Companies

Consolidated subsidiaries: 2 newly included, none excluded

Equity-method companies: 2 newly included, none excluded

**2. Forecast of Consolidated Results for the Year Ending December 31, 2005**

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Fiscal 2005	335,000	9,500	5,500

Reference: Projected earnings per share of 19.50 for fiscal 2005.

Refer to pages 26 through 27 in the reference materials regarding the premises for the above forecast and other related matters.

## Corporate Group

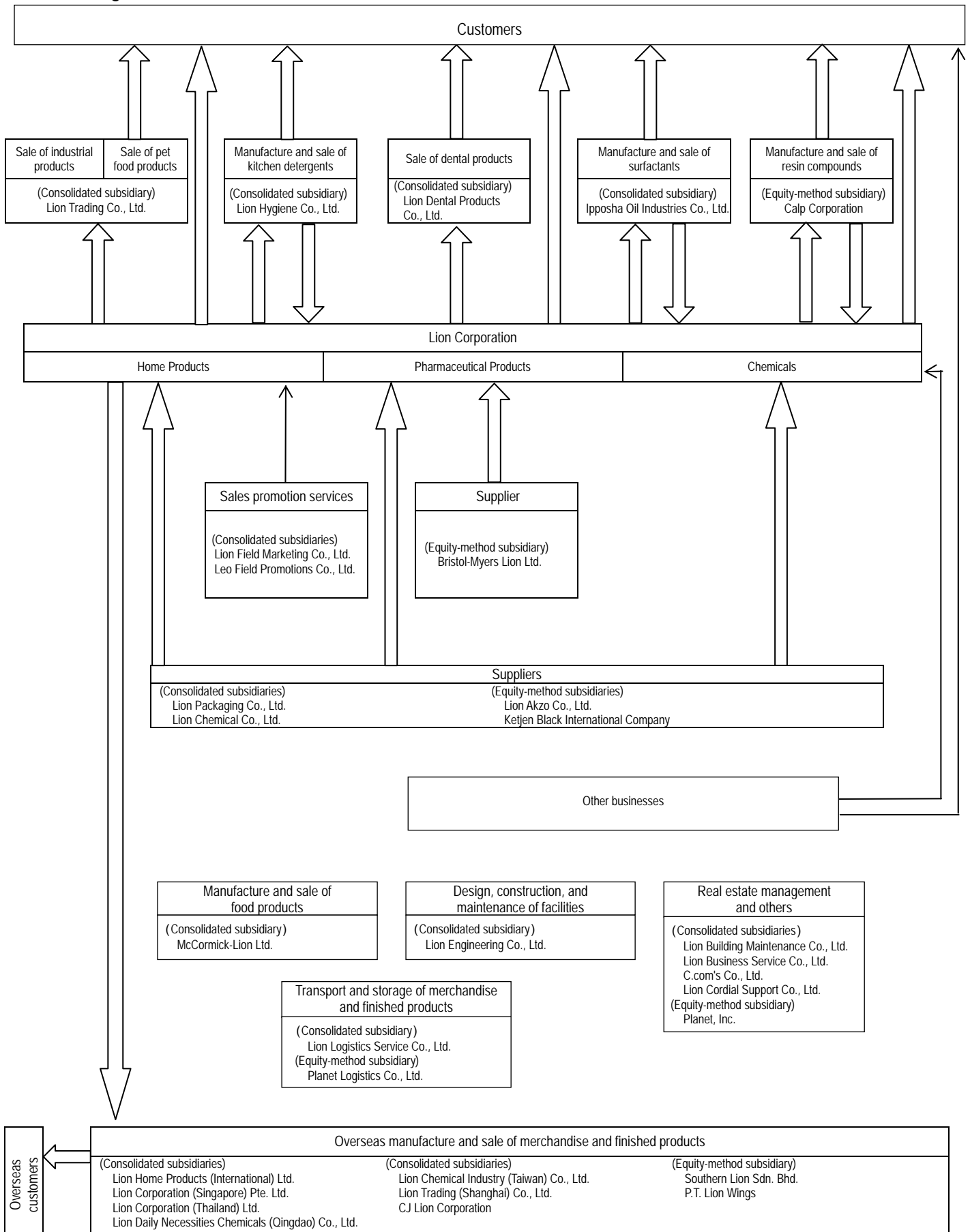
The Lion Group consists of Lion Corporation, 31 subsidiaries (including 23 consolidated subsidiaries and four non-consolidated equity-method subsidiaries), and 17 affiliates (including eight equity-method affiliates). Principal business activities consist of the manufacture and sale of home products, pharmaceutical products, and chemicals. Other business activities involve distribution related to the above business activities and other services.

The relationship between group business activities and business segments is shown below, which is based on the same categorization used for business segments.

Business segment	Main activities	Main companies	
Home Products	Manufacture and sale of home products	Domestic affiliates	Lion Corporation Lion Chemical Co., Ltd. Lion Dental Products Co., Ltd. Lion Trading Co., Ltd. Lion Hygiene Co., Ltd. Lion Packaging Co., Ltd. Lion Field Marketing Co., Ltd. Leo Field Promotions Co., Ltd. Ipposha Oil Industries Co., Ltd. Lion Akzo Co., Ltd. Calp Corporation Ketjen Black International Company
		Overseas affiliates	Lion Home Products (International) Ltd. Lion Corporation (Singapore) Pte. Ltd. Lion Corporation (Thailand) Ltd. Lion Daily Necessities Chemicals (Qingdao) Co., Ltd. Lion Advertising Ltd. CJ Lion Corporation Lion Chemical Industry (Taiwan) Co., Ltd. Lion Trading (Shanghai) Co., Ltd. Southern Lion Sdn. Bhd. P.T. Lion Wings
Pharmaceutical Products	Manufacture and sale of pharmaceutical products	Domestic affiliates	Lion Corporation Lion Packaging Co., Ltd. Bristol-Myers Lion Ltd.

Chemicals	Manufacture and sale of chemical products	Domestic affiliates	Lion Corporation Lion Chemical Co., Ltd. Lion Packaging Co., Ltd. Ipposha Oil Industries Co., Ltd. Lion Akzo Co., Ltd. Calp Corporation Ketjen Black International Company
Other businesses	Transport and storage of merchandise and finished products; design, construction, and maintenance of storage facilities; real estate management; manufacture and sale of food products; management of value-added networks, etc.	Domestic affiliates	Lion Engineering Co., Ltd. Lion Business Service Co., Ltd. Lion Building Maintenance Co., Ltd. Lion Logistics Service Company, Ltd. C.com's Company, Ltd. Lion Cordial Support Co., Ltd. McCormick-Lion Limited Planet, Inc. Planet Logistics Co., Ltd.

# Business Organization Chart



Note: The thick arrows represent transactions of merchandise, finished products, and raw materials. The line arrows represent provision of services, etc.

## Subsidiaries and Affiliates

### Consolidated Subsidiaries

Name	Location	Capitalization	Business	Voting shares held by Lion	Nature of business relationship				
					Shared positions		Financial support	Business dealings	Rental of facilities, etc.
					Lion officers	Lion employees			
Lion Engineering Co., Ltd.	Sumida-ku, Tokyo	Millions of yen 100	Other businesses	% 100.0	2	8	None	Design, construction, and maintenance of facilities	Rental of part of office space
*1 Lion Chemical Co., Ltd.	Sumida-ku, Tokyo	5,400	Home products Chemicals	100.0	5	5	Loans	Purchase of raw materials and merchandise	Rental of part of office space
Lion Dental Products Co., Ltd.	Sumida-ku, Tokyo	10	Home products	100.0	-	7	None	Sale of merchandise and finished products	Rental of office space
Lion Trading Co., Ltd.	Sumida-ku, Tokyo	240	Home products	100.0	2	7	None	Sale of merchandise and finished products	Rental of office space
Lion Hygiene Co., Ltd.	Sumida-ku, Tokyo	300	Home products	100.0	1	7	None	Purchase of merchandise	Rental of part of office and warehouse space
Lion Packaging Co., Ltd.	Ichihara-shi, Chiba	180	Home products Pharmaceutical products Chemicals	100.0	1	6	Loans	Purchase of materials and merchandise	Lease of land
Lion Business Service Co., Ltd.	Sumida-ku, Tokyo	490	Other businesses	100.0	3	4	Loans	Rental, dealing, and brokerage of real estate, and insuring	Rental of part of office space
Lion Building Maintenance Co., Ltd.	Sumida-ku, Tokyo	40	Other businesses	100.0	1	4	None	Maintenance and management of buildings	Rental of part of office space
Lion Field Marketing Co., Ltd.	Sumida-ku, Tokyo	50	Home products	100.0	1	8	None	Sales promotion activities	Rental of office space
Lion Logistics Service Company, Ltd.	Sumida-ku, Tokyo	40	Other businesses	100.0	3	3	None	Transport and storage of merchandise and finished products	Rental of part of office space
Leo Field Promotions Co., Ltd.	Sumida-ku, Tokyo	50	Home products Pharmaceutical products	100.0	1	8	None	Sales promotion activities	Rental of part of office space
C.com's Company, Ltd.	Sumida-ku, Tokyo	10	Other businesses	100.0	-	4	Loans	-	Rental of office space
Lion Cordial Support Co., Ltd.	Sumida-ku, Tokyo	10	Other businesses	100.0	-	5	Loans	Human resources services	-

Name	Location	Capitalization	Business	Voting shares held by Lion	Nature of business relationship				
					Shared positions		Financial support	Business dealings	Rental of facilities, etc.
					Lion officers	Lion employees			
Ipposha Oil Industries Co., Ltd.	Ono-shi, Hyogo	200	Home products Chemicals	74.0	1	4	Loans	Sale of merchandise and finished products and purchase of raw materials and merchandise	Rental of part of office space
McCormick-Lion Ltd.	Iwata-shi, Shizuoka	770	Other businesses	51.0	2	3	None	-	Rental of part of office space
Lion Home Products (International) Ltd.	China ( Hong Kong )	Thousands of HK\$ 12,000	Home products	100.0	1	4	None	Sale of merchandise and finished products	-
Lion Corporation (Singapore) Pte. Ltd.	Singapore	Thousands of S\$ 9,000	Home products	100.0	1	3	None	Sale of merchandise and finished products	-
CJ Lion Corporation	South Korea	Thousands of won 5,000,000	Home products	81.0	-	3	None	Sale of merchandise and finished products and purchase of merchandise	-
Lion Daily Necessities Chemicals (Qingdao) Co., Ltd.	China	Millions of yen 723	Home products	75.0	-	6	None	Sale of merchandise and finished products and purchase of merchandise	-
Lion Corporation (Thailand) Ltd.	Thailand	Thousands of baht 300,000	Home products	51.0	3	7	None	Sale of merchandise and finished products and purchase of merchandise	-
Lion Advertising Ltd.	China (Hong Kong )	Thousands of HK\$ 100	Home products	*2 100.0 (100.0)	-	3	None	-	-
Lion Chemical Industry (Taiwan) Co., Ltd.	Taiwan	Thousands of NT\$ 218,150	Home products Chemicals	53.8	3	4	None	Sale of merchandise and finished products and purchase of merchandise	-
Lion Trading (Shanghai) Co., Ltd.	China (Shanghai )	Millions of yen 100	Home products	100.0	-	3	None	Sale of merchandise and finished products and purchase of merchandise	-

## Equity-method affiliates

Name	Location	Capitalization	Business	Voting shares held by Lion	Nature of business relationship				
					Shared positions		Financial support	Business dealings	Rental of facilities, etc.
					Lion officers	Lion employees			
Lion Akzo Co., Ltd.	Sumida-ku, Tokyo	Millions of yen 1,000	Home products Chemicals	% 50.0	2	3	None	Purchase of fatty acid nitrogen derivatives	-
Bristol-Myers Lion Ltd.	Shinjuku-ku, Tokyo	200	Pharmaceutical products	49.0	3	3	None	Purchase of pharmaceutical agents	Rental of part of office space
Ketjen Black International Company	Sumida-ku, Tokyo	50	Home products Chemicals	*3 - [66.6]	-	3	None	Purchase of antistatic agents and carbon	-
Calp Corporation	Chiyoda-ku, Tokyo	100	Home products Chemicals	50.0	2	3	None	Purchase of special synthetic resin compounds	-
Southern Lion Sdn. Bhd.	Malaysia	Thousands of M\$ 22,000	Home products	50.0	-	3	None	Sale of merchandise and finished products	-
Planet, Inc.	Minato-ku, Tokyo	Millions of yen 436	Other businesses	16.0	1	-	None	Utilization of VANs	-
Planet Logistics Co., Ltd.	Minato-ku, Tokyo	240	Other businesses	20.8	1	-	None	Transport and storage of merchandise and finished products	-
P.T. Lion Wings	Indonesia	Millions of rupiah 18,062	Home products	48.0	-	4	None	Sale of merchandise and finished products	-

\*1. Lion Chemical Co., Ltd. is a specified subsidiary.

\*2. The voting shares of Lion Advertising Ltd. are held by Lion Home Products (International) Ltd.

\*3. The voting shares of Ketjen Black International Company are held by Lion Akzo Co., Ltd.

4. The figure in parentheses in the "Voting shares held by Lion" column is the percentage of total voting shares held indirectly by Lion Corporation. The figure in brackets in the same column is the percentage of voting shares held by closely related entities (affiliates).

5. In addition to the companies listed above, there are four small-scale, non-consolidated equity-method companies.

## **Management Policies**

### **1. Basic Management Policies**

Lion Corporation believes its mission is to make an active contribution to society by providing customers with products and services that offer increased satisfaction in relation to the pursuit of cleanliness, health, and beauty, based on its philosophy that the market is where everything starts. 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 enhance the effectiveness of 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. Basic Policy on the Distribution of Earnings**

Lion considers its most important management issue as increasing its capacity to generate consolidated earnings so as to return profits to shareholders on a permanent and stable basis. Its basic policy is to continue the stable payment of dividends. In addition, Lion retains a portion of profits to invest in R&D and production facilities and to purchase external resources in order to strengthen its capacity for growth and to develop a sustainable business foundation.

### **3. Reason and Policy for Lowering Investment Unit**

Lion is aware of the importance of having sufficient stock liquidity and many investors participate in the stock market in order to invigorate the market and form appropriate share prices. Lion discloses information in a proper manner through financial reports, business reports, and its Web site. Lion is examining the feasibility of lowering its investment unit from a cost-benefit perspective and in broad consideration of share price levels and market trends.

### **4. Medium and Long-term Management Strategies**

Emphasizing management that improves corporate value, the Lion Group changed its business structure in the current fiscal year with the acquisition of two new businesses, comprising the over-the-counter (OTC) pharmaceutical business and South Korean household business, at the end of the previous fiscal year. Accordingly, the Lion Group launched the Value Innovation Plan Part II 09, a new medium-term management plan running until fiscal 2009. The objectives of the plan are to establish a business structure with more efficient management that is able to withstand global competition, and to strengthen growth potential by creating new businesses.

Lion will continue to implement the three reforms described below, striving to increase its corporate value through the creation of customer value, as a company helping people to lead pleasant, comfortable lives through its pursuit of cleanliness, health, and beauty. Lion aims to achieve consolidated ROE of 10% in fiscal 2009, and achieve a No. 1 position in the field of products that help people lead comfortable lives (household products, OTC drugs, and functional foods).

### **Reform 1: Restructuring the Foundation for Growth**

Lion is shifting to a management structure that prioritizes core businesses, with the aim of becoming a highly efficient and highly profitable corporate group that is agile and has earning power.

1. We will revise business and product strategies in order to prioritize competitive and growth areas and to cultivate new business areas.
2. We will promote the integration of marketing and R&D to develop products more precisely and promptly.
3. We will increase our sales power at retail stores in order to strengthen sales capabilities dramatically.

During the first half, Lion introduced distinctly new products and embarked on an aggressive marketing campaign to realize stability and steady growth in the two new businesses it acquired at the end of the previous fiscal year. In addition, Lion sought growth in sales of shampoos and conditioners by aggressively investing in marketing for key brands, and introduced anti-pollen allergy products in a timely fashion to meet customer needs.

### **Reform 2: Improvement of the Profit Structure**

In fiscal 2001 Lion established a Committee for Improving the Profit Profile and since then it has engaged in efforts to reduce the total costs of the entire Lion Group in a top-down fashion. In 2005 Lion established a new target of reducing total costs by ¥10.0 billion in five years, and it is working forcefully to accomplish fundamental structural reform.

During the first half of the current fiscal year, Lion implemented measures to reduce distribution costs and improve the efficiency of sales promotion costs while aggressively promoting reductions in production costs. We also worked to manage risks in core systems and reduce operational costs. Resources saved through these measures were redirected to investment in key brands and nurturing new products.

### **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-based and capacity-based evaluations, and by developing and strengthening human resources with a downsized but highly capable workforce.

In the first half, Lion continued to promote profit-oriented management and to strengthen the development of employee capabilities through a performance-based compensation system and adoption of job-category and grade-based evaluation standards introduced in fiscal 2003. In addition, we created the CSR Promotion Department to thoroughly instill corporate social responsibility, and concentrated on enhancing corporate governance throughout the Lion Group.

### **5. Management Issues**

While the difficult business environment is expected to persist, Lion believes its most important issue is achieving a successful shift to management focused on increasing corporate value through the vigorous implementation of the Value Innovation Plan Part II 09 begun this fiscal year. In order to survive amidst severe global competition, Lion is working to 1) increase product development ability and brand strength, 2) augment sales capabilities in response to changes in the distribution structure, and 3) establish a competitive cost structure in order to promote business growth and become a highly efficient and highly profitable corporate group.

In the first stage of the plan lasting until fiscal 2006, we will concentrate Companywide efforts on making the newly acquired OTC business and South Korean household business successful. At the same time, Lion will further promote the selective and prioritized allocation of management resources, the core strategy of the Value Innovation Plan Part II 09, and redirect the resources that are freed toward marketing and R&D investments to strengthen the creation of consumer value. In the second stage of the plan from fiscal 2007, we will solidify our profit foundation and return value to stakeholders, while aiming for further growth and significant improvements in earnings capabilities by earmarking management resources for acquiring and nurturing new businesses and business sphere expansion.

In Home Products, we will strengthen our capacity to identify needs for pioneering new products through improved consumer research, and further strengthen retail development capabilities through our shelf-placement management company Lion Field Marketing Co., Ltd. At the same time, we will effect a further restructuring of growth foundations by strengthening business operations in the ASEAN region and expanding our operations in China and South Korea. In the pharmaceutical segment, we will place priority on strengthening the OTC business, including new areas, and augment sales and market-response capabilities. We will position chemicals as a potential core

business, and will work to switch to a business structure centered on high-performance, environmentally friendly products along the theme of ecology, performance, and oleo-chemicals (EPOC), seeking to develop chemicals as a business that will support Lion's future growth.

Lion will work to promote further management efficiency reform by making major reductions to the manufacturing costs of mainline products with process innovations, by using information technology to increase the efficiency of supply chain management, and by rationalizing indirect operations, and will also work to reform the profit structure by examining an optimum production system for the corporate group including foreign operations.

We will strive to further improve management capability through the implementation of consolidation-oriented management and the establishment of profit-oriented management. We intend to develop a consolidated management system based on the centralized administration of management resources at the Group level and to thoroughly implement performance- and results-oriented evaluations and further strengthen the system of profit-centered responsibility.

In addition, as a part of our efforts to prevent global warming, we are participating in the Team Minus 6% project (A national project to accomplish the goal of reducing greenhouse gas emissions by 6%, the target that Japan committed in the Kyoto Protocol). To fulfill our corporate responsibility for helping create a sustainable society, we are steadily continuing efforts to preserve the environment.

## **6. Basic Thinking on Corporate Governance and Its Implementation**

### **(1) Basic Thinking on Corporate Governance**

Enhancing management transparency, strengthening auditing functions, promoting swift decision-making, and ensuring compliance are positioned as priority issues in corporate governance at Lion. We aim to enhance corporate value by strengthening our corporate governance structure.

### **(2) Implementation of Corporate Governance**

#### **1) Status of corporate governance and management organization related to business decision-making, execution and auditing, and efforts to improve**

We have been supervising the management of our business under an auditor system. Since March 2004, we have had an executive officer system to separate business supervision and execution, which was previously handled by the Board of Directors. Management decision-making and supervision are handled by the Board of Directors, headed by the Chairman, while executive

officers handle business execution, with the President acting as the Chief Executive Officer.

Moreover, we reduced the number of directors in an aim to invigorate the Board of Directors and enhance maneuverability. In October 2003, we established the Management Evaluation Committee composed of prominent citizens from outside the Company so as to have their evaluations and views reflected in future business management.

#### *Directors, Board of Directors, and Board of Executive Officers*

The Board of Directors comprises 11 directors, although currently the number is 10 because Executive Director Horiguchi passed away on January 22, 2005. The Board of Directors meets regularly once a month, and as necessary to make decisions on important management matters and observe the business execution activities of directors and executive officers.

Moreover, critical corporate strategies such as the fundamental policies of medium- and long-term management plans are debated beforehand in management committees whose members are mainly senior managing directors and higher ranked officials, completing a structure enabling the Board of Directors to quickly reach appropriate decisions.

In addition, measures directly related to business execution are deliberated and examined from various viewpoints at the Board of Executive Officers, which comprises the Chief Executive Officer (President), Vice President, directors, 12 executive officers including heads of business divisions and statutory auditors.

#### *Management Evaluation Committee*

Comprising eight prominent citizens from outside the Company, the Management Evaluation Committee meets twice a year to reflect in management the committee members' opinions about every aspect of the business, including the status of corporate governance, future direction of business and product development, and approach to corporate social responsibility.

#### *Auditors and the Board of Auditors*

Lion has four auditors comprising two outside auditors and two statutory auditors. The Board of Auditors meets regularly once every two months and on a provisional basis as necessary. One employee is assigned to assist the auditors and Board of Auditors.

Auditors participate in meetings of the Board of Directors and other important meetings in accordance with the auditing policies and plans determined by the Board of Auditors, review reports

on business execution from directors and the internal auditing division, conduct visiting audits at headquarters and primary offices, and audit subsidiaries. In addition, auditors receive auditing reports from independent auditors, examine financial documents and supplementary itemizations, and periodically exchange views with directors once every three months with the chairman of the Board of Directors and once every six months with other directors.

#### *Accounting Audits*

Lion has an auditing agreement with Ernst & Young ShinNihon to perform accounting audits based on the Commercial Code and the Securities and Exchange Act of Japan.

A description follows for the certified public accountants, their years of service and assistants that performed their duties during the six-month period under review.

\* Names and years of service for certified public accountants that performed their duties:

Designated employee, engaged employee: Toshio Matsumura 21 years

Designated employee, engaged employee: Shoji Sakakura 15 years

Designated employee, engaged employee: Osamu Tada 8 years

\* Assistants in accounting work:

6 certified public accountants, 7 junior accountants

#### *Internal Audits*

The Auditing Office, comprising six auditors, conducts audits related to compliance and internal controls in the context of legality, fairness, and efficiency for the business execution at operational divisions and affiliated companies based on annual internal audit plans. The results of internal audits are reported to the President, director in charge, Board of Executive Officers, and Board of Auditors to enhance collaboration on auditing among auditors.

#### *Maintenance of Internal Control System*

Lion has formulated a corporate code of conduct and created behavioral guidelines as a basis for strictly following laws and regulations and strengthening ethics in an aim to thoroughly instill compliance among directors and employees.

To ensure business efficiency and effectiveness, Lion has various rules that define standards for decision-making authority by the President or director in charge, and a product development

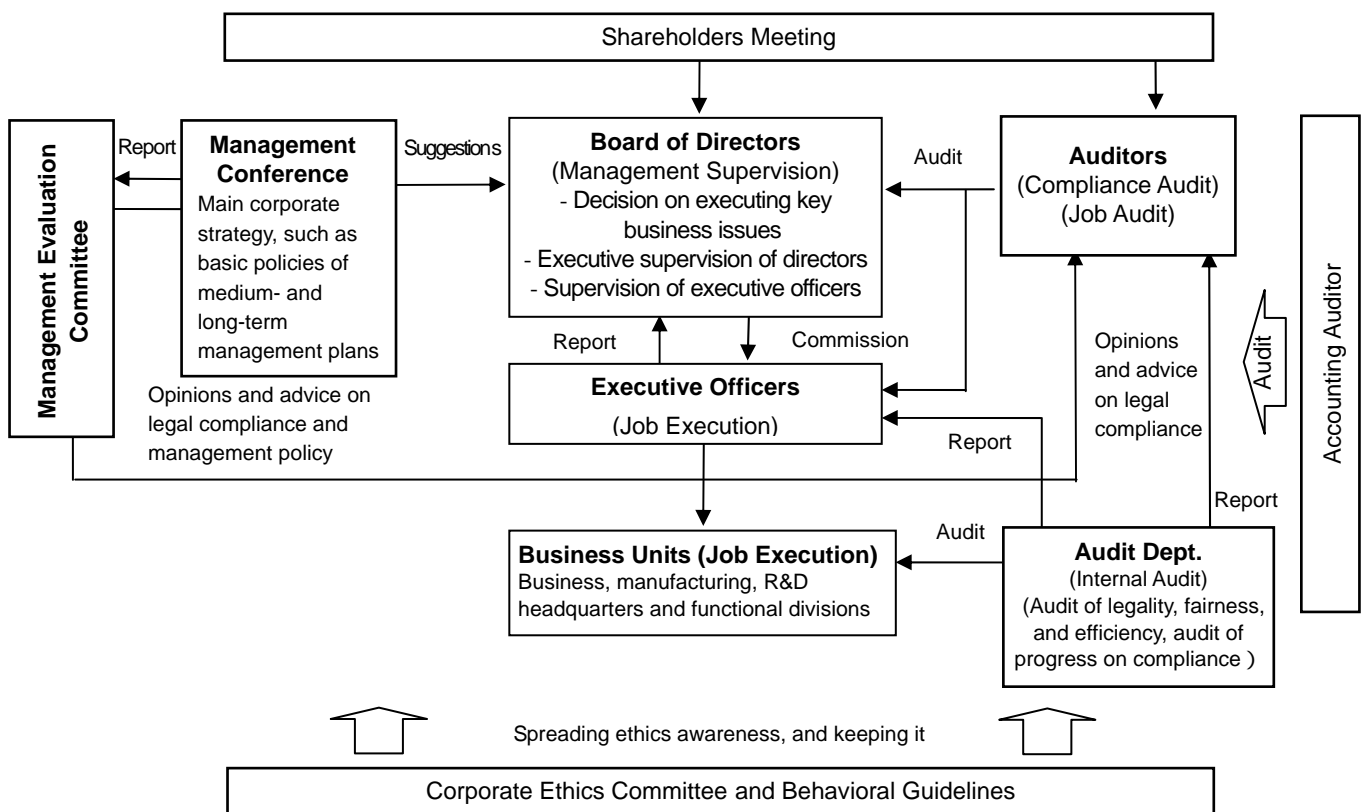
management system to set operational processes and quality guarantees for each stage of product development, etc.

Auditors and the Auditing Office periodically perform audits to monitor whether these measures are being appropriately deployed.

Lion ensures appropriate information disclosure by seeking the opinions of statutory auditors regarding whether certain information should be disclosed.

Lion's framework for monitoring business execution and management as well as internal control systems are as follows.

**<Lion's Corporate Governance System>**



*Risk Management Structure*

There are various types of business risks including those related to management, laws, the environment, accidents, and natural disasters. Of these risks, Lion manages daily business risks with the cooperation

of business divisions and specialized organizations. The Lion Group manages risks likely to have a considerable impact on business activities by analyzing risks in affiliated divisions beforehand, examining countermeasures and deliberating these risks in management meetings and at the Board of Executive Officers. For risks related to the environment, accidents and natural disasters, countermeasures are examined beforehand in the Environmental Action Promotion Committee, Product Liability Committee and Safety and Disaster Prevention Committee, and deliberated as necessary at the Board of Executive Officers. In addition, Lion receives advice about risk management from attorneys and other specialists as necessary.

## **2) Summary of human-related interests between external directors and external auditors, transaction-related capital relationships, and other third-party interests**

Lion does not have any external directors.

Lion has two external auditors, appointed on March 28, 2003.

Based on a resolution passed at the 143rd Ordinary General Meeting of Shareholders held on March 30, 2004, Lion has issued for free 40 units (40,000 shares) of new stock subscription rights as stock options. The stock subscription rights have an exercise price of ¥651 per share, and can be exercised between April 1, 2007 and March 31, 2009.

Besides these stock options, there are no human-related interests between external auditors, transaction-related capital relationships, or third-party interests.

## **7. Matters Related to the Parent Company**

None.

## Management Performance and Financial Status

### 1. The First Half in Review

#### (1) Overview of Results of Operations

During the first six months of the current fiscal year, the Japanese economy showed signs of a mild recovery as capital investment increased on the back of improved corporate earnings and a rebound in consumer spending. Nevertheless, uncertainties for the future stayed put due to rising crude oil prices and other factors. In the core area of business for Lion and its Group companies, the household products market within Japan, the operating environment remained difficult in some product categories due to ongoing price declines spurred by intensifying competition, even despite signs of a recovery in market scale.

For the first half, consolidated net sales increased 5.9% to ¥159,882 million compared with the same period of the previous fiscal year. Operating income declined 17.9% to ¥3,179 million, and ordinary income decreased 6.9% to ¥4,432 million. Profits declined compared with a year earlier on account of higher crude oil prices and a change in the product mix, despite measures to reduce overall costs centered on lowering production costs.

Net income rose 32.3% to ¥2,659 million.

#### <Consolidated>

(Millions of yen)

Net sales	FY 2005 1st half	FY 2004 1st half	Increase/ decrease	Change
Home Products	112,191	111,307	884	0.8%
Pharmaceutical Products	25,103	14,446	10,657	73.8%
Chemicals	17,110	16,272	837	5.1%
Others	5,476	8,975	(3,498)	(39.0%)
Total	159,882	151,001	8,880	5.9%

Note: Previously included in the Pharmaceutical Products segment until the previous fiscal year, dental materials handled by Lion Dental Products Co., Ltd. is classified under the Home Products segment (oral care business field) from the six-month period under review. The impact of this change on sales was ¥1,472 million in the first half of the current fiscal year (¥1,411 million in the first half of the previous fiscal year).

(Millions of yen)

	FY 2005 1st half	Ratio to net sales	FY 2004 1st half	Ratio to net sales	Increase/ decrease	Change
Operating income	3,179	2.0%	3,873	2.6%	(694)	(17.9%)
Ordinary income	4,432	2.8%	4,762	3.2%	(330)	(6.9%)
Net income	2,659	1.7%	2,010	1.3%	648	32.3%

**<Non-consolidated>**

(Millions of yen)

Net sales	FY 2005 1st half	FY 2004 1st half	Increase/ decrease	Change
Home Products	90,318	99,705	(9,386)	(9.4%)
Pharmaceutical Products	25,092	14,431	10,661	73.9%
Food Products	-	702	(702)	-
Chemicals	13,762	13,548	213	1.6%
International	1,053	1,001	52	5.3%
Total	130,228	129,389	838	0.6%

Note: Previously included in the Pharmaceutical Products segment until the previous fiscal year, dental materials is classified under the Home Products segment from the six-month period under review. The impact of this change on non-consolidated sales was ¥1,473 million in the first half of the current fiscal year (¥1,411 million in the first half of the previous fiscal year).

(Millions of yen)

	FY 2005 1st half	Ratio to net sales	FY 2004 1st half	Ratio to net sales	Increase/ decrease	Change
Operating income	1,365	1.1%	1,264	1.0%	100	8.0%
Ordinary income	4,418	3.4%	4,387	3.4%	30	0.7%
Net income	3,556	2.7%	2,618	2.0%	938	35.8%

**< Geographical Segments >**

(Millions of yen)

	FY 2005 1st half	
	Net sales	Operating income
Japan	185,435	2,883
Asia	19,147	175
Corporate and eliminations	(44,700)	120
Consolidated total	159,882	3,179

**(2) Segment Information****<Home Products>**

(Millions of yen)

	FY 2005 1st half	Ratio to net sales	FY 2004 1st half	Ratio to net sales	Increase/ decrease	Change
Net sales	112,191		111,307		884	0.8%
Operating income	4,216	3.8%	5,515	5.0%	(1,298)	(23.5%)

Net sales of Home Products totaled ¥112,191 million, up by 0.8% over the same period of the previous year.

In Lion's mainstay domestic household products market, severe conditions continued amid ongoing price declines at retail stores for laundry detergent and fabric softeners and other products.

Amid these operating conditions, Lion nurtured its core brands by launching novel new products and aggressively investing in marketing.

Overseas in South Korea, Lion launched full-scale operations in household products, a business it acquired toward the end of the previous fiscal year. Lion focused efforts on reducing costs by lowering production costs while aggressively marketing products in line with its growth strategy.

Operating income in Home Products decreased 23.5% to ¥4,216 million, adversely affected by tough sales competition and higher crude oil prices despite efforts to reduce overall costs (by lowering production costs) and increase sales promotion cost efficiency in Japan.

**<Principal divisions>**

(Millions of yen)

	FY 2005 1st half	FY 2004 1st half	Increase/ decrease	Change
Oral Care Products Division	23,134	21,519	1,615	7.5%
Beauty Care Products Division	19,793	19,046	747	3.9%
Household Products Division	69,263	70,742	(1,478)	(2.1%)

**Oral Care Products**

In Oral Care Products, Lion positioned Dentor Systema as a comprehensive brand for products that prevent gum disease, and aimed to expand the product lineup by releasing new mouthwash and dental care products while actively promoting toothpastes and toothbrushes.

We added a new flavor of Prime Stain Off toothpaste, which helps restore bright white teeth, and proactively fostered Dentor Systema toothpaste that prevents gum disease, which were introduced in autumn 2004. However, sales declined year on year due to tough market competition.

Sales of toothbrushes stagnated on account of intense market competition, despite the popularity of Dentor Systema toothbrushes with ultra-fine bristles and a strong message for preventing gum disease.

In mouthwash, we launched Dentor Systema Dental Rinse, which thoroughly penetrates “biofilm,” a community of periodontal-disease producing bacteria, to kill bacteria. As a result, sales increased considerably from the previous fiscal year.

In dental materials, sales were steady for DENT EX Systema, an ultra-fine bristle toothbrush. We also released Systema Dental Paste, a toothpaste that prevents gum disease, and Systema Medicated Gel,

which is used with interdental brushes. Accordingly, sales of dental materials increased from the same period a year ago.

Overseas in Thailand, sales of Systema toothpaste and toothbrushes for preventing gum disease increased steadily.

As a result, sales of Oral Care Products increased 7.5% to ¥23,134 million.

## **Beauty Care Products**

In shampoos and conditioners, sales grew considerably year on year with the new release of Shokubutsu-Monogatari (Plant Story) Herb Blend Shampoo and Conditioner, which has “natural mother herbs” that leave the hair moist and manageable.

In hand soap, sales decreased year on year, as new products were released during the previous fiscal year, despite the popularity of Kireikirei Medical Foaming Hand Soap.

In body washes, sales increased substantially with the launch of Shokubutsu-Monogatari Herb Blend Body Wash and Kireikirei Medicated Body Wash.

In hair-styling products, hair-nourishment treatments, antiperspirants, and deodorants, sales declined compared with the same period of the previous fiscal year amid fierce market competition, despite aggressively promoting sales.

Overseas, in Taiwan and Singapore, we launched the hair damage repair Free & Free Damage Aid series of products, which are popular in Thailand and Hong Kong, to expand the area coverage of the brand.

As a result, sales of Beauty Care Products increased 3.9% to ¥19,793 million.

## **Household Products**

Laundry detergents showed a decline in sales due to lower product sales prices and efforts to streamline sales promotion costs amid a severely competitive operating environment. This decline was in spite of the release of an improved version of Top, which is able to remove stains that have set in over time with the new additive Stainzyme (amylase), and Liquid Heyaboshi (Hang-to-Dry Indoors) Top, which avoids the smell of air-dried clothes.

In fabric softeners, sales struggled due to harsh market competition, despite the release of Kaori to Deodorant no Soflan ("Soflan with Fragrance and Deodorant"), which provides superlative protection against odors on clothing and leaves a pleasant, long-lasting fragrance.

In after-care products, sales expanded significantly year on year, supported by firm sales of Kafunguard, a spray for clothes and fabric that enhances the indoor environment for pollen allergy sufferers by inhibiting the effects of pollen that was launched at the end of the previous fiscal year.

In dishwashing detergents, sales declined year on year on account of tough competition, despite the launch of Powerful Charmy (for dishwashers), a detergent specifically for use with dishwashers that lifts off hard-to-remove, dried-on food and dirt.

In household cleaners, sales were favorable for Ofuro no Look, a high-powered bathroom cleaner, and Toire no Look, a toilet bowl cleaner that completely removes even the most stubborn dirt from under the lip of the toilet bowl. As a result, sales of household cleaners increased compared with a year ago.

Overseas, we launched a laundry detergent in Thailand, emphasizing indoor air-drying qualities, and a laundry detergent brand in Malaysia, promoting its ability to remove odors. Sales of laundry detergent in both countries increased considerably as a result. Moreover, in South Korea, sales were favorable for Beat laundry detergent for drum-style washer/dryers as a result of an aggressive advertising campaign.

As a result, sales of Household Products decreased 2.1% to ¥69,263 million.

### **Principal new products**

Dentor Systema Dental Rinse

Prime Stain-Off (Natural herbal mint fragrance) / Toothpaste

Shokubutsu-Monotari (Plant Story) Herb Blend Shampoo & Conditioner

Kireikirei Medicated Body Wash

Ban Powder Spray (Sweet Muscat fragrance)

Ban Zero Medicated Deodorant Spray

Liquid Heyaboshi (Hang-to-Dry Indoors) Top / Laundry detergent

Soflan with Fragrance and Deodorant / Fabric softener

Powerful Charmy /Dishwashing detergents for dishwashers

**<Pharmaceutical Products>**

(Millions of yen)

	FY 2005 1st half	Ratio to net sales	FY 2004 1st half	Ratio to net sales	Increase/ decrease	Change
Net sales	25,103		14,446		10,657	73.8%
Operating income	1,263	5.0%	947	6.6%	316	33.4%

Sales of Pharmaceutical Products increased 73.8% to ¥25,103 million.

Amid firm demand for products that treat sickness from influenza and pollen, Lion quickly moved to introduce new products in its new OTC business, which was newly acquired at the end of the previous fiscal year. At the same time, we made concerted efforts to nurture these products through an aggressive advertising campaign.

Operating income grew 33.4% to ¥1,263 million due to contributions from the new OTC business, despite higher expenditures to nurture new products and key brands.

**Principal divisions**

Sales increased year on year due to strong demand for Bufferin A analgesics and Kids Bufferin cold medicine owing to the spread of influenza during the period under review.

Sales of eye drops increased significantly, reflecting the popularity of Smile 40EX, an eye drop containing three vitamins.

In anti-diarrheic drugs, sales increased noticeably year on year due to firm demand for Stoppa Anti-Diarrhea Medicine, which can be taken anywhere without water.

In tonics and nutrients, Lion launched three new Guronsan health tonic drinks with glucuronolactone, which strongly fortifies nutrition, and concentrated efforts on an advertising campaign to promote these products.

In insecticides, the new concept of protecting families from allergens increased support for sales of Varsan.

**Principal new products**

Guronsan Red, Guronsan Gold, and Guronsan Real / Health tonic drinks

**<Chemicals>**

(Millions of yen)

	FY 2005 1st half	Ratio to net sales	FY 2004 1st half	Ratio to net sales	Increase/ decrease	Change
Net sales	17,110		16,272		837	5.1%
Operating income	786	4.6%	1,060	6.5%	(273)	(25.8%)

In Chemicals, business, business conditions were challenging due to rising material prices in reflection of higher crude oil prices, and weaker sales of products related to IT on account of inventory adjustments. Amid this operating environment, sales increased 5.1% to ¥17,110 million, owing to the aggressive development of markets in Japan and abroad for products that use our innovative technologies.

Operating income decreased 25.8% to ¥786 million, adversely affected by higher crude oil prices and other factors.

**<Principal divisions>**

In fatty-acid methyl ester, which is used as a raw material for long-chain alcohol, sales increased significantly year on year with strong user support in Japan and abroad for its plant origins and high quality.

In surfactants, demand expanded in Japan for cationic surfactants for various applications including softeners. Due to the streamlining of our product lineup, overall sales decreased compared with the same period of the previous fiscal year.

In electro-conductive carbon, exports of Ketjenblack were robust based on a high appraisal of its excellent electrical conductivity, but inventory adjustments from the IT downturn slowed sales of electrically conductive compounds, leading to a decline in sales overall.

**<Others>**

(Millions of yen)

	FY 2005 1st half	Ratio to net sales	FY 2004 1st half	Ratio to net sales	Increase/ decrease	Change
Net sales	5,476		8,975		(3,498)	(39.0%)
Operating income	143	2.6%	784	8.7%	(641)	(81.7%)

The decrease in the number of works completions in the construction contracting business was a factor that caused net sales in this segment to down by 39.0%, to ¥5,476 million, and operating income to decline by 81.7%, to ¥143 million.

### (3) Financial Status

	FY 2005 1st half	FY 2004	Change
Total assets (millions of yen)	234,692	235,405	(712)
Total shareholders' equity (millions of yen)	103,077	101,021	2,055
Shareholders' equity ratio (%)	43.9	42.9	1.0*
Shareholders' equity per share (yen)	365.40	356.90	8.50

\*In percentage points

(Millions of yen)

	FY 2005 1st half	FY 2004 1st half	Change
Cash flows from operating activities	(9,584)	(2,710)	(6,873)
Cash flows from investing activities	(1,908)	5,911	(7,820)
Cash flows from financing activities	6,064	(2,708)	8,772
Translation gain related to cash and cash equivalents	31	(50)	81
Increase (decrease) in cash and cash equivalents	(5,397)	442	(5,839)
Cash and cash equivalents at end of period	19,173	32,160	(12,986)

As of June 30, 2005, total assets were ¥234,692 million, a decrease of ¥712 million from December 31, 2004. Shareholders' equity was ¥103,077 million, reflecting the acquisition of treasury stock, growth in net income, and gains on valuation differences of other securities. The shareholders' equity ratio was 43.9%.

#### <Consolidated Cash Flows>

Cash flows from operating activities decreased ¥6,873 million compared with the same period of the previous fiscal year, owing to increases in accounts receivable and inventories, and a decrease in other payables and accrued expenses, despite growth in income before income taxes.

Cash flows from investing activities decreased ¥7,820 million compared with the same period of the previous fiscal year, reflecting purchases of property, plant and equipment and the absence of proceeds from sale of investment securities, which was recorded in the previous fiscal year.

Cash flows from financing activities increased ¥8,772 million compared with the same period of the previous fiscal year, owing to proceeds from the issuance of commercial paper and a decline in purchases of treasury stock.

**<Changes in major indicators for financial status>**

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 1st half
Shareholders' equity ratio (%)	44.6	43.1	45.0	42.9	43.9
Shareholders' equity ratio on a market value basis (%)	58.3	56.5	66.6	71.9	70.7
Debt redemption (years)	1.2	0.5	0.7	3.9	—
Interest coverage ratio	40.8	119.8	86.7	25.6	—

(Notes)

Shareholders' equity ratio: Total shareholders' equity / Total assets

Shareholders' equity ratio 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.

\* Debt redemption (years) and interest coverage ratio are not described for FY 2005 1st half, because cash flows from operating activities was a minus figure.

**(4) Appropriation of Earnings****<Dividends>**

The interim dividend for the first half of fiscal 2005 will be ¥4 per share, the same as that for the first half of fiscal 2004.

**<Repurchase of Treasury Stock>**

In January 2005, Lion repurchased one million shares of treasury stock with an aggregate value of ¥605 million.

## 2. Outlook for Fiscal 2005

### (1) Forecasts

#### <Consolidated>

(Millions of yen)

	FY 2005 forecast	FY 2004	Increase/decrease	Change
Net sales	335,000	309,514	25,485	8.2%
Ordinary income	9,500	8,271	1,228	14.8%
Net income	5,500	(4,723)	10,223	-

#### <Non-Consolidated>

(Millions of yen)

	FY 2005 forecast	FY 2004	Increase/decrease	Change
Net sales	280,000	267,382	12,617	4.7%
Ordinary income	6,000	5,295	704	13.3%
Net income	4,000	(5,428)	9,248	-

In the second half of the fiscal year ending December 31, 2005, the Japanese economy is expected to continue a moderate recovery. In the household products market, challenging conditions are expected to continue with intensifying competition among manufacturers and rising material prices.

Under these business conditions, Lion aims to nurture key brands by increasing cost efficiency and developing and introducing advanced high-value-added products in the Home Products business. Overseas, we expect sales to expand year on year in all businesses as we aggressively develop operations in South Korea and ASEAN countries.

In Pharmaceutical Products business, we estimate a significant increase in sales compared with the previous fiscal year, and plan to aggressively nurture key brands in new and existing fields through marketing and store-boosting activities.

In the Chemicals division, we aim to expand sales of high-value-added, environmentally friendly and proprietary products and natural oils and fats, and expect sales to grow.

In the Other business segment, we expect sales to decline on account of a decrease in project completions in the construction contracting business.

As a net result of the above, Lion projects full-term consolidated net sales of ¥335 billion, an increase of 8.2% compared with the previous fiscal year.

Lion also projects ordinary income to expand 14.8% to ¥9.5 billion and net income of ¥5.5 billion.

Lion plans to maintain dividends of ¥8 per share, including interim and year-end dividends of ¥4 per share each.

## **(2) Consolidated Cash Flows**

In cash flows from operating activities, Lion projects income before income taxes of approximately ¥7.0 billion. Lion estimates depreciation and amortization charges of about ¥9.0 billion.

In cash flows from investing activities, Lion plans capital expenditure of ¥12.0 billion.

Lion estimates net cash used in financing activities to amount to ¥3.0 billion, owing in part to dividend payments.

Based on these projections, Lion estimates cash and cash equivalents at the end of the year to total ¥25.0 billion, roughly the same level as the balance at the end of fiscal 2004.

## **2. 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 the date of release of this interim business report. 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

During the six-month period under review, the Lion Group was not subject to any lawsuits that would materially affect its operations. In a future lawsuit, however, if the Lion Group is successfully sued for significant damages, it may 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.

### Consolidated Interim Balance Sheets

	Interim 2005 (Ended June 30, 2005)		Interim 2004 (Ended June 30, 2004)		Fiscal 2004 (Ended December 31, 2004)	
	Millions of yen	Share of total (%)	Millions of yen	Share of total (%)	Millions of yen	Share of Total (%)
<b>Assets</b>						
Current assets	111,595	47.5	123,256	53.2	113,019	48.0
Cash and time deposits	19,455		36,959		27,263	
Trade notes and accounts receivable	60,155		51,972		55,528	
Short-term investments	-		5,002		-	
Inventories	27,269		23,008		24,966	
Deferred tax assets	2,654		4,204		2,790	
Other	3,823		3,352		4,407	
Allowance for doubtful accounts	(1,763)		(1,243)		(1,936)	
Fixed assets	123,097	52.5	108,403	46.8	122,385	52.0
Property, plant and equipment	68,874	29.4	67,962	29.3	68,641	29.2
Buildings and structures	22,079		21,160		22,309	
Machinery and equipment	21,916		19,224		20,006	
Land	20,023		24,329		20,190	
Construction in progress	2,176		1,001		3,515	
Other	2,678		2,245		2,619	
Intangible assets	10,100	4.3	1,941	0.8	10,547	4.5
Consolidation adjustment account	1,218		-		1,282	
Trademarks, etc.	8,882		1,941		9,264	
Investments and other assets	44,122	18.8	38,500	16.6	43,197	18.3
Investment securities	26,131		24,630		25,029	
Long-term loans receivable	299		348		329	
Deferred tax assets	15,353		12,548		16,836	
Other	2,610		1,292		1,295	
Allowance for doubtful accounts	(272)		( 319)		(292)	
<b>Total assets</b>	<b>234,692</b>	<b>100.0</b>	<b>231,659</b>	<b>100.0</b>	<b>235,405</b>	<b>100.0</b>

	Interim 2005 (Ended June 30, 2005)		Interim 2004 (Ended June 30, 2004)		Fiscal 2004 (Ended December 31, 2004)	
	Millions of yen	Share of total (%)	Millions of yen	Share of total (%)	Millions of yen	Share of total (%)
<b>Liabilities</b>						
Current liabilities	93,255	39.7	86,478	37.4	96,211	40.9
Trade notes and accounts payable	43,012		40,888		49,440	
Commercial papers	7,692		-		-	
Short-term loans payable	7,532		7,568		6,742	
Due within one year						
Current portion of long-term debt	-		48		48	
Other payables and accrued expenses	28,531		33,224		34,532	
Accrued income taxes	1,106		762		918	
Allowance for returns	510		428		473	
Allowance for sales promotion expenses	491		509		556	
Other	4,379		3,048		3,500	
Long-term liabilities	35,596	15.2	31,773	13.7	35,955	15.3
Long-term debt	6,280		301		6,277	
Accrued employee retirement benefits	24,208		26,900		24,963	
Accrued director retirement allowances	835		731		800	
Other	4,272		3,840		3,913	
Total liabilities	128,851	54.9	118,251	51.1	132,167	56.2
<b>Minority interest</b>						
Minority interest in consolidated subsidiaries	2,763	1.2	1,445	0.6	2,216	0.9
<b>Shareholders' equity</b>						
Common stock	34,433	14.7	34,433	14.9	34,433	14.6
Capital surplus	31,557	13.4	31,534	13.6	31,549	13.4
Retained earnings	50,150	21.4	56,876	24.5	48,992	20.8
Unrealized holding gain on other securities	4,947	2.1	3,919	1.7	3,606	1.5
Foreign currency translation adjustments	(947)	(0.4)	(1,139)	(0.5)	(1,014)	(0.4)
Treasury stock	(17,065)	(7.3)	(13,661)	(5.9)	(16,546)	(7.0)
Total shareholders' equity	103,077	43.9	111,963	48.3	101,021	42.9
Total liabilities, minority interest and shareholders' equity	234,692	100.0	231,659	100.0	235,405	100.0

### Consolidated Interim Statements of Income

	Interim 2005		Interim 2004		Fiscal 2004	
	(January to June 2005)		(January to June 2004)		(January to December 2004)	
	Millions of yen	% of net sales	Millions of yen	% of net sales	Millions of yen	% of net sales
Net sales	159,882	100.0	151,001	100.0	309,514	100.0
Cost of sales	77,874	48.7	73,295	48.5	149,150	48.2
Gross profit	82,007	51.3	77,706	51.5	160,363	51.8
Selling, general and administrative expenses	78,828	49.3	73,832	48.9	154,341	49.8
Operating income	3,179	2.0	3,873	2.6	6,021	2.0
Other income	1,565	1.0	1,225	0.8	2,820	0.9
Interest and dividend income	371		239		509	
Equity in earnings of non-consolidated subsidiaries and affiliates	798		604		1,579	
Other	395		381		732	
Other expenses	312	0.2	337	0.2	570	0.2
Interest expenses	129		85		178	
Other	183		251		392	
Ordinary income	4,432	2.8	4,762	3.2	8,271	2.7
Extraordinary income	405	0.3	123	0.1	270	0.1
Gain on disposal of property, plant and equipment	346		-		1	
Reversal of allowance for doubtful accounts	38		122		-	
Gain on sales of investment securities	5		1		4	
Gain on sales of trademarks and patents	-		-		105	
Gain on sales of subsidiary shares	14		-		159	
Extraordinary loss	260	0.2	1,435	1.0	13,560	4.4
Loss on disposal of property, plant and equipment	230		453		847	
Loss on devaluation of investment securities	3		173		174	
Amortization of goodwill	-		-		6,385	
Impairment loss	-		-		4,592	
Loss on restructuring of subsidiaries and affiliates	-		435		435	
Early retirement payments	-		330		414	
Other	26		43		710	
Net income before income taxes	4,577	2.9	3,449	2.3	-	
Net loss before income taxes	-		-		5,017	(1.6)
Income taxes	886	0.6	945	0.6	1,689	0.5
Adjustment of income taxes	962	0.6	379	0.3	(2,277)	(0.7)
Minority interest in earnings of consolidated subsidiaries	68	0.0	114	0.1	293	0.1
Net income	2,659	1.7	2,010	1.3	-	
Net loss	-		-		4,723	(1.5)

### Consolidated Interim Statements of Capital Surplus and Retained Earnings

	Interim 2005 (January to June 2005)	Interim 2004 (January to June 2004)	Fiscal 2004 (January to December 2004)
	Millions of yen	Millions of yen	Millions of yen
<b>Capital surplus</b>			
1. Capital surplus at beginning of period	31,549	31,505	31,505
2. Increase in capital surplus	7	29	44
Gain on disposal of treasury stock	7	29	44
3. Capital surplus at end of interim period	31,557	31,534	31,549
<b>Retained earnings</b>			
1. Retained earnings at beginning of period	48,992	56,076	56,076
2. Increase in retained earnings	2,790	2,088	77
Increase due to subsidiaries newly included in consolidation	33	-	-
Increase due to affiliates newly accounted for by the equity method	97	77	77
Net income	2,659	2,010	-
3. Decrease in retained earnings	1,632	1,287	7,161
Cash dividends	1,131	1,161	2,311
Bonuses to directors and auditors	55	95	95
[Of which, bonuses to auditors]	[10]	[10]	[10]
Decrease due to subsidiaries included as consolidated companies	28	-	-
Decrease due to subsidiaries excluded from consolidation	-	30	30
Decrease due to companies included as equity-method companies	417	-	-
Net loss	-	-	4,723
Other decreases	-	0	0
4. Retained earnings at end of interim period	50,150	56,876	48,992

## Consolidated Interim Statements of Cash Flows

	Interim 2005 (January to June 2005)	Interim 2004 (January to June 2004)	Fiscal 2004 (January to December 2004)
	Millions of yen	Millions of yen	Millions of yen
<b>I. Cash flows from operating activities</b>			
Income before income taxes	4,577	3,449	-
Loss before income taxes	-	-	(5,017)
Depreciation and amortization	4,568	3,666	14,352
(Decrease) increase in accrued retirement benefits	(2,118)	(272)	(2,195)
Interest and dividend income	(371)	(239)	(509)
Interest expense	129	85	178
Gain (loss) on disposal of property, plant and equipment	(116)	453	846
Impairment loss	-	-	4,592
Gain on sale of investment securities	(5)	(1)	(4)
Loss on devaluation of investment securities	3	173	174
Equity in earnings of affiliates	(798)	(604)	(1,579)
Decrease in trade notes and accounts receivable	(4,041)	6,096	3,256
Increase in inventories	(1,694)	(635)	(1,213)
Decrease in trade notes and accounts payable	(4,892)	(12,772)	(5,055)
Increase (decrease) in accrued expenses and other payables	(5,601)	2,464	1,692
Other, net	(11)	(3,781)	(4,317)
Subtotal	(10,372)	(1,918)	5,200
Interest and dividends received	1,773	1,706	2,252
Interest paid	(134)	(85)	(167)
Income taxes paid	(850)	(2,413)	(3,015)
Net cash provided by operating activities	(9,584)	(2,710)	4,270
<b>II. Cash flows from investing activities</b>			
Decrease in time deposits	2,499	-	3,144
Purchases of short-term investments	-	(4,999)	(4,999)
Redemption of short-term investments	-	12,998	17,998
Purchases of property, plant and equipment	(4,908)	(4,444)	(11,030)
Proceeds from sale of property, plant and equipment	959	12	31
Purchases of intangible assets	(126)	(12)	(13,986)
Purchases of investment securities	(379)	(105)	(109)
Proceeds from sale of investment securities	6	707	711
Purchases of subsidiary shares	(0)	-	(3,618)
Additions to loans receivable	(32)	(308)	(411)
Proceeds from loans receivable	68	2,017	2,617
Other, net	3	45	(406)
Net cash used in investing activities	(1,908)	5,911	(10,059)

<b>III. Cash flows from financing activities</b>			
Increase in short-term loans payable	3,672	4,328	8,163
Repayment of short-term loans payable	(3,310)	(3,816)	(8,455)
Increase in long-term loans payable	-	-	6,000
Repayment of long-term loans payable	(58)	(58)	(72)
Proceeds from commercial paper	7,755	-	-
Redemption of commercial paper	(254)	-	-
Purchases of odd-lot shares	(32)	(54)	(155)
Proceeds from sale of treasury stock	127	607	912
Purchases of treasury stock	(605)	(2,475)	(5,548)
Cash dividends	(1,131)	(1,158)	(2,315)
Cash dividends to minority shareholders	(98)	(81)	(81)
Net cash used in financing activities	6,064	(2,708)	(1,553)
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>	31	(50)	104
<b>V. Net change in cash and cash equivalents</b>	(5,397)	442	(7,237)
<b>VI. Cash and cash equivalents at beginning of period</b>	24,480	32,001	32,001
<b>VII. Cash and cash equivalents of newly consolidated subsidiaries</b>	89	-	-
<b>VIII. Decrease in cash and cash equivalents due to excluded subsidiaries</b>	-	(283)	(283)
<b>IX. Cash and cash equivalents at end of period</b>	19,173	32,160	24,480

## Notes to Consolidated Financial Statements

### 1. Scope of Consolidation

Lion Corporation has 31 subsidiaries, of which 23 are consolidated subsidiaries.

Principal companies: Lion Engineering Co., Ltd., Lion Logistics Service Company, Ltd., Lion Trading Co., Ltd., Lion Packaging Co., Ltd., Lion Chemical Co., Ltd., CJ Lion Corporation, and Lion Corporation (Thailand) Ltd.

Inclusion: Lion Chemical Industry (Taiwan) Co., Ltd. and Lion Trading (Shanghai) Co., Ltd. were included as consolidated subsidiaries.

### 2. Application of Equity-Method Accounting

Equity-method accounting is applied to four out of 8 non-consolidated subsidiaries and to eight out of 17 affiliated companies.

Principal companies: Lion Akzo Co., Ltd., and Bristol-Myers Lion Ltd.

Inclusion: Planet Logistics Co., Ltd. and P.T. Lion Wings were included as equity-method companies.

### 3. Balance Sheet Date of Consolidated Subsidiaries

June 30 is the interim balance sheet date of 23 consolidated subsidiaries (consolidated balance sheet date).

### 4. Accounting Policies

#### a) *Valuation of Assets*

##### 1) Marketable securities

###### (a) Held-to-maturity debt securities

Valuation is by the amortized cost method (straight-line method).

###### (b) Other marketable securities

###### Securities with market value

Carried at market value prevailing on the interim balance sheet date (changes in valuation are recorded in full as a separate component of shareholders' equity, and sales cost is determined by the moving-average method).

Securities without market value

Stated primarily at cost based on the moving-average method.

2) Derivatives

Stated at market value.

3) Valuation of inventories

Merchandise and finished products are stated at cost determined primarily by the first-in, first-out method.

Raw materials, work-in-progress, and supplies are stated at cost determined primarily by the moving-average method.

*b) Depreciation*

1) Property, plant and equipment

Depreciation is primarily by the declining balance method, with some consolidated subsidiaries using the straight-line method.

2) Intangible assets

Amortization is by the straight-line method. Software for in-house use is amortized primarily by the straight-line method, assuming a useful life of five years. Goodwill is amortized at one time as acquisition costs.

*c) Recognition of Allowances*

1) Allowance for doubtful accounts

To provide for potential losses on loans, an allowance is made by the parent company and by domestic consolidated companies for general claims using the default rate for such claims, and an allowance is also made for doubtful claims in accordance with individually estimated uncollectible amounts. In the case of foreign consolidated companies, an allowance is made for the estimated uncollectible amounts of certain claims.

## 2) Allowance for returns

To provide for the return of merchandise and finished products after the balance sheet date, the estimated loss on returns is recorded.

## 3) Allowance for sales promotion expenses

The estimated payment of rebates and other sales promotion expenses related to consolidated sales are recorded.

## 4) Allowance for retirement benefits

To provide for the payment of retirement benefits to employees, an allowance is made by the parent company and by domestic consolidated companies for retirement benefit obligations that have accrued as of the consolidated interim balance sheet date based on projected benefit obligations and fair value of pension plan assets at the end of the consolidated fiscal year.

Past benefit liabilities are amortized from the time they accrue by the straight-line method for a given number of years (five years) within employees' average remaining years of service.

Actuarial gain or loss is amortized from the consolidated fiscal year following the year in which the gain or loss is recognized by the straight-line method for employees' average remaining years of service.

## 5) Allowance for director retirement benefits

To provide for the payment of director retirement benefits, an allowance is made for the estimated amount accruing as of the balance sheet date in accordance with Lion's director retirement allowance regulations.

## 6) Allowance for loss on loan guarantees

To provide for potential losses on loan guarantees, an allowance is made in accordance with the financial situations of entities receiving such guarantees.

## *d) Foreign Currency Translation*

All current and long-term monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at current rates prevailing on the consolidated interim balance sheet date, and the resulting translation gains or losses are taken into income. All asset and liability accounts of

foreign subsidiaries and affiliates are translated into Japanese yen at current rates prevailing on the consolidated interim balance sheet date, and all income and expense accounts are translated at average rates for the interim period. The resulting translation adjustments are accumulated as foreign currency translation adjustments under shareholders' equity.

*e) Leases*

Finance leases are accounted as operating leases excluding leases where ownership is transferred to the lessee.

*f) Hedge Accounting*

1) Hedge accounting

Deferred hedge accounting is used. Translation at the contract rate is applied in accounting for forward currency contracts and currency swaps when appropriate conditions are met. Hedges meeting conditions for the special treatment of interest-rate swaps are accounted for separately.

2) Hedging instruments and hedged items

Hedging instruments	Hedged items
Forward currency contracts	Transactions to be denominated in a foreign currency
Interest-rate swaps	Interest of loans payable

3) Hedging policy

Currency risk and interest-rate risk are hedged by the accounting unit of the parent company and by the management units of subsidiaries primarily in accordance with internal regulations.

*g) Other Significant Matters in the Presentation of Consolidated Financial Statements*

The tax-excluded method is used in consumption tax accounting.

5. Amortization of Consolidation Adjustment Account

The consolidation adjustment account is amortized equally over the estimated number of years (10) with respect to items for which rational estimates can be made, and is amortized at the time at which they arise with respect to immaterial items.

## 6. Scope of Cash and Cash Equivalents in Consolidated Statements of Cash Flows

For the purpose of consolidated interim statements of cash flows, cash and cash equivalents consist of cash on hand, demand deposits, and short-term liquid investments that mature within three months from the purchase date and can be converted easily into cash with little risk of change in value.

### Notes to Consolidated Balance Sheets

	(Millions of yen)		
	Interim 2005	Interim 2004	Fiscal 2004
1. Cumulative depreciation of property, plant and equipment	154,727	151,990	151,513
2. Assets pledged as collateral			
Land	314	-	-
Buildings and structures	1,185	-	-
Machinery and equipment	276	-	-
Total	1,776	-	-
Secured debt			
Short-term loans payable	192	-	-
Account payable	162	-	-
Total	355	-	-
3. Endorsed notes receivable	31	73	38
4. Guarantees of debt	3,336	3,607	3,408

### Notes to Consolidated Statements of Income

Breakdown of significant selling, general and administrative expenses:

	(Millions of yen)		
	Interim 2005	Interim 2004	FY 2004
Sales incentive expenses	7,164	5,866	12,575
Sales promotion expenses	27,843	27,544	58,719
Freight and storage expenses	8,044	7,572	15,336
Advertising expenses	12,242	10,700	21,536
Salaries	7,520	6,903	14,119
R&D expenses	4,077	3,796	7,844

## Notes to Consolidated Statements of Cash Flows

Balance of cash and cash equivalents at the end of the fiscal year and relationship with consolidated balance sheet:

	Interim 2005 (June 30, 2005)	Interim 2004 (June 30, 2004)	(Millions of yen) FY 2004 (December 31, 2004)
Cash and deposits	19,455	36,959	27,263
Marketable securities	-	5,002	-
Time deposits with maturities greater than three months	(282)	(4,802)	(2,782)
Debt securities with maturities greater than three months	-	(4,999)	-
Total	19,173	32,160	24,480

## Segment Information

### 1. Industry Segments

(Millions of yen)

	Interim 2005 (January 1 to June 30, 2005)						
	Home products	Pharmaceutical products	Chemicals	Other businesses	Total	Corporate and eliminations	Consolidated total
1. Net sales							
a) Sales to outside customers	112,191	25,103	17,110	5,476	159,882	-	159,882
b) Intersegment sales	-	-	-	-	-	[ - ]	-
Total	112,191	25,103	17,110	5,476	159,882	[ - ]	159,882
Operating expenses	107,975	23,840	16,323	5,333	153,471	3,231	156,703
Operating income	4,216	1,263	786	143	6,410	[3,231]	3,179
Reference:							
Other income (net)	73	544	91	-	710		
Segment management income	4,290	1,808	878	143	7,121		

	Interim 2004 (January 1 to June 30, 2004)						
	Home products	Pharmaceutical products	Chemicals	Other businesses	Total	Corporate and eliminations	Consolidated total
1. Net sales							
a) Sales to outside customers	111,307	14,446	16,272	8,975	151,001	-	151,001
b) Intersegment sales	-	-	-	-	-	[ - ]	-
Total	111,307	14,446	16,272	8,975	151,001	[ - ]	151,001
Operating expenses	105,791	13,499	15,211	8,190	142,693	4,434	147,128
Operating income	5,515	947	1,060	784	8,308	[4,434]	3,873
Reference:							
Other income (net)	52	462	45	-	560		
Segment management income	5,568	1,409	1,105	784	8,868		

	FY 2004 (January 1 to December 31, 2004)						
	Home products	Pharmaceutical products	Chemicals	Other businesses	Total	Corporate and eliminations	Consolidated total
1. Net sales							
a) Sales to outside customers	230,398	32,162	33,108	13,844	309,514	-	309,514
b) Intersegment sales	-	-	-	-	-	[ - ]	-
Total	230,398	32,162	33,108	13,844	309,514	[ - ]	309,514
Operating expenses	219,149	29,930	31,485	13,585	294,151	9,341	303,492
Operating income	11,249	2,231	1,623	258	15,363	[9,341]	6,021
Reference:							
Other income (net)	148	1,055	139	-	1,343		
Segment management income	11,397	3,286	1,763	258	16,706		

Notes:

1. Categorization of industry segments and principal products

Industry segments are categorized in accordance with the similarity of products and markets.

- Home products: Toothpastes, toothbrushes, laundry detergents, dishwashing detergents, and fabric softeners
- Pharmaceutical products: Analgesics, eyedrop solutions, inflammation and pain-relieving first-aid products, semi-adhesive products, health tonic drinks, and insecticide
- Chemicals: Surfactants and fatty acid nitrogen compounds
- Other businesses: Spices, seasonings, salad dressings, sauces, plant construction, building maintenance, and transportation and storage

2. Unallocated operating expenses are expenses of the general affairs, accounting, and other management units of Lion Corporation.

2. Geographical Segments

	Interim 2005 (January 1 to June 30, 2005)				
	Japan	Asia	Total	Corporate and eliminations	Consolidated total
1. Net sales					
a) Sales to outside customers	141,811	18,070	159,882	-	159,882
b) Intersegment sales	43,623	1,076	44,700	[44,700]	-
Total	185,435	19,147	204,583	[44,700]	159,882
Operating expenses	182,552	18,972	201,524	[44,821]	156,703
Operating income	2,883	175	3,058	120	3,179

Notes:

1. Countries and regions have been grouped according to geographic proximity.

2. The key countries and regions grouped as countries other than Japan are as listed below.

Asia: China, South Korea, and Thailand

\* Geographical segment information is provided from this interim due to the fact that the share of Asia's sales has exceeded 10% of aggregate segment sales.

### 3. Foreign Sales

	Interim 2005 (January 1 to June 30, 2005)		
	Asia	Other regions	Total
Foreign sales (millions of yen)	18,862	1,722	20,584
Consolidated net sales (millions of yen)	-	-	159,882
Percent of foreign sales in consolidated net sales (%)	11.8	1.1	12.9

Notes:

1. Countries and regions have been grouped according to geographic proximity.
2. The key countries and regions grouped as each segments are as listed below.  
 Asia: China, South Korea, and Thailand  
 Other regions: Europe, America and others
3. Foreign sales include exports by Lion and its domestic consolidated subsidiaries as well as sales (other than exports to Japan) by overseas consolidated subsidiaries but exclude intercompany sales.

\* Foreign sales are provided from this interim due to the fact that the share of foreign sales has exceeded 10% of consolidated net sales.

## Notes to Lease Transactions

Finance leases excluding leases where ownership is transferred to the lessee:

(Millions of yen)

	Interim 2005 (January to June 2005)	Interim 2004 (January to June 2004)	FY 2004 (January to December 2004)
1. Equivalent acquisition cost, equivalent accumulated depreciation, and equivalent balance at end of period			
Equivalent acquisition cost			
Machinery and equipment	65	38	48
Other property, plant and equipment	1,687	2,337	2,131
<u>Intangible assets</u>	<u>183</u>	<u>779</u>	<u>779</u>
Total	1,937	3,175	2,959
Equivalent accumulated depreciation			
Machinery and equipment	24	23	19
Other property, plant and equipment	856	1,365	1,264
<u>Intangible assets</u>	<u>95</u>	<u>596</u>	<u>642</u>
Total	976	1,985	1,926
Equivalent balance at end of period			
Machinery and equipment	41	14	28
Other property, plant and equipment	830	972	867
<u>Intangible assets</u>	<u>88</u>	<u>203</u>	<u>137</u>
Total	961	1,190	1,032
2. Equivalent lease commitments at end of period			
Due within one year	362	532	415
<u>Due after one year</u>	<u>598</u>	<u>657</u>	<u>617</u>
Total	961	1,190	1,032
3. Lease payments (Equivalent depreciation)	262	351	662
4. Equivalent depreciation is calculated according to the straight-line method.			
5. The interest inclusive method is used above since equivalent lease commitments at end of period account for only a small proportion of the balance of property, plant and equipment at end of period.			

## Securities

### 1. Consolidated Interim 2005 (at June 30, 2005)

#### a) Other marketable securities with market prices

(Millions of yen)

	Acquisition cost	Book value for interim period	Difference
Stocks	9,907	18,300	8,392
Total	9,907	18,300	8,392

#### b) Securities without market prices

(Millions of yen)

	Book value for interim period
1. Held-to-maturity bonds	
Unlisted yen-denominated foreign bonds	500
2. Other marketable securities	
Unlisted stocks	1,377

### 2. Consolidated Interim 2004 (at June 30, 2004)

#### a) Other marketable securities with market prices

(Millions of yen)

	Acquisition cost	Book value for interim period	Difference
1. Stocks	9,387	16,007	6,619
2. Bonds	4,999	4,999	(0)
Total	14,387	21,006	6,619

b) Securities without market prices

(Millions of yen)

	Book value for interim period
1. Held-to-maturity bonds	
Unlisted yen-denominated foreign bonds	500
2. Other marketable securities	
Unlisted stocks	1,377

3. Consolidated Fiscal 2004 (at December 31, 2004)

a) Other marketable securities with market prices

(Millions of yen)

	Acquisition cost	Book value for fiscal year	Difference
1. Stocks	9,393	15,484	6,090
Total	9,393	15,484	6,090

b) Securities without market prices

(Millions of yen)

	Book value for fiscal year
1. Held-to-maturity bonds	
Unlisted yen-denominated foreign bonds	500
2. Other marketable securities	
Unlisted stocks	1,381

**Derivatives Position, Market Value, and Valuation Gain or Loss**

There is no derivatives position to disclose as of the end of interim 2005, interim 2004, and fiscal 2004.

## Production, Orders, and Sales

### 1. Production

	Interim 2005 (January to June 2005)	Interim 2004 (January to June 2004)	Change	FY 2004 (January to December 2004)
	Millions of yen	Millions of yen	%	Millions of yen
Home products	98,201	95,539	2.8	197,355
Pharmaceutical products	2,916	804	252.5	1,661
Chemicals	7,821	7,460	4.8	13,729
Other businesses	2,550	2,910	(12.4)	5,414
Total	111,489	106,714	4.5	218,159

Note: Yen amounts are calculated from producer prices and do not include the consumption tax.

### 2. Orders

Lion Corporation does not engage in production to order.

### 3. Sales

	Interim 2005 (January to June 2005)	Interim 2004 (January to June 2004)	Change	FY 2004 (January to December 2004)
	Millions of yen	Millions of yen	%	Millions of yen
Home products	112,191	111,307	0.8	230,398
Pharmaceutical products	25,103	14,446	73.8	32,162
Chemicals	17,110	16,272	5.1	33,108
Other businesses	5,476	8,975	(39.0)	13,844
Total	159,882	151,001	5.9	309,514

Note: Figures above do not include the consumption tax.

## Summary of Non-consolidated Financial Statements for the Interim 2005

August 1, 2005

Company name: Lion Corporation

Code: 4912

URL: <http://www.lion.co.jp>

Listed stock exchanges: Tokyo Stock Exchange and Osaka Securities Exchange

Location of head office: Tokyo Prefecture, Japan

Representative: Sadayoshi Fujishige, Representative Director and President

Contact: Shinjiro Iwahori, Director of Finance Department

Telephone: +81-3-3621-6211

Board of Directors meeting on interim period: August 1, 2005

Existence of interim dividend: Yes

Start date for payment of interim dividend: September 6, 2005

Existence of odd-lot system: Yes (1,000 shares)

### 1. Non-consolidated Results for the Interim Period Ended June 30, 2005

#### a) Non-consolidated Results

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim 2005	130,228	0.6	1,365	8.0	4,418	0.7
Interim 2004	129,389	0.2	1,264	3.0	4,387	5.8
FY 2004	267,382		1,600		5,295	

Note: Figures in this and subsequent tables are rounded down to the nearest million.

	Net sales		EPS
	Millions of yen	%	Yen
Interim 2005	3,556	35.8	12.61
Interim 2004	2,618	84.7	9.07
Fiscal 2004	(5,428)		(19.04)

#### Notes:

1. Average number of outstanding shares during the period: 281,988,135 in interim 2005; 288,795,429 in interim 2004; and 287,030,232 in fiscal 2004.
2. Changes in accounting practices: None
3. Percent figures for net sales, operating income, ordinary income, and net income express percentage change over the previous fiscal year.

b) Dividend

	Interim dividend per share	Annual dividend per share
	Yen	Yen
Interim 2005	4.00	-
Interim 2004	4.00	-
Fiscal 2004	-	8.00

c) Non-consolidated Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
Interim 2005	209,698	93,483	44.6	331.39
Interim 2004	210,103	102,698	48.9	357.29
Fiscal 2004	212,420	90,320	42.5	319.15

Notes:

1. Number of outstanding shares on balance sheet date: 282,093,105 for interim 2005; 287,438,915 for interim 2004; and 282,892,789 for FY 2004.
2. Shares of treasury stock on balance sheet date: 31,422,241 for interim 2005; 26,076,431 for interim 2004; and 30,622,557 for FY 2004.

**2. Forecast of Non-consolidated Results for the Year Ending December 31, 2005**

	Net sales	Ordinary income	Net income	Annual dividend per share	
				Interim	Annual
	Millions of yen	Millions of yen	Millions of yen	Yen	Yen
Fiscal 2005	280,000	6,000	4,000	4.00	8.00

Reference: Projected earnings per share of ¥14.18 for fiscal 2005.

Refer to pages 26 through 27 in the reference materials regarding the premises for the above forecasts and other related matters.