

**Summary of Consolidated Financial Statements
for the Third Quarter Ended September 30, 2005**

October 31, 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

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1. Matters Concerning the Preparation of the Consolidated Financial Statements for the Third Quarter Ended September 30, 2005

- (a) Adoption of simplified accounting method: Yes.
Simplified accounting is used partially with respect to the standards for the accounting of reserves.
- (b) Changes in accounting method from the most recent fiscal year: No.
- (c) Changes in the scope of consolidation or of the application of the equity method: Yes.
Consolidated subsidiaries: 2 newly included, none excluded
Equity method companies: 2 newly included, none excluded
- (d) The statements have not been audited by external auditors.

**2. Consolidated Results for the Third Quarter Ended September 30, 2005
(January 1, 2005 – September 30, 2005)**

a) Consolidated Results

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended September 2005	235,451	7.1	740	(79.3)	2,407	(53.0)
Nine months ended September 2004	219,748	2.4	3,566	–	5,120	–
(Reference) FY 2004	309,514		6,021		8,271	

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

	Net income		EPS	Diluted EPS
	Millions of yen	%	yen	yen
Nine months ended September 2005	1,314	(40.4)	4.66	4.65
Nine months ended September 2004	2,206	–	7.66	7.63
(Reference) FY 2004	(4,723)		(16.66)	–

Notes:

1. The percent figures under net sales, operating income, ordinary income and net income represent the percentage change from the same quarter of the previous year.

Overview of Consolidated Results of Operations

(1) Management Performance

During the third quarter of the current fiscal year, the Japanese economy showed signs of a mild recovery, with an improvement in corporate earnings accompanied by an increase in private capital investment and an improvement in the employment market. Nevertheless the high level of crude oil prices give rise to future uncertainties.

The Group's core business of household products in Japan continues to experience a particularly harsh environment characterized most severely by continuing intense price competition. There were, however, signs of a turnaround in terms of market scale.

In the period under review, consolidated net sales increased 7.1% compared with the same period of the previous fiscal year to ¥235,451 million. This was attributed to contributions from the new OTC pharmaceutical business and the Korean household business acquired at the end of the previous fiscal year, accelerated efforts to nurture operations in those two new businesses and the proactive introduction of new products in the Company's mainstay brands. On the earnings front, operating income declined 79.3% to ¥740 million year on year. Ordinary income also fell 53.0% to ¥2,407 million, while net income for the third quarter dropped 40.4% to ¥1,314 million. Despite efforts to promote a total cost down initiative focusing on production cost reduction and an improvement in the effectiveness of our marketing promotion budget, our profitability was affected by increasing materials costs due to high oil prices, fierce price competition at the domestic retail level for household products resulting in a decline in sales, and vigorous advertising investment on continuous brand strengthening.

(2) Segment Information

<Home Products>

In the Oral Care division, intense competition in the market for toothpastes and toothbrushes has caused a slight decline. However, the division made a contribution to sales in this period with the successful market launch of new interdental products and mouthwash in the Dentor Systema line (designed to completely eliminate periodontal disease) and the dental materials now re-organized into this division.

In the Beauty Care division, the launch of newly improved shampoos, conditioners, and body-washes, grouped together under the 'Shokubutsu-Monogatari (Plant Story) Herb Blend' range, which contains blends of natural herbs, together with extensive advertising and marketing promotion, served to boost sales. Hair-styling products, hair-nourishment treatments, antiperspirants and deodorants, however, declined slightly due to intensifying competition.

In the Household Products division, newly improved products in the style-preserving fabric wash Acron , and the fabric-softener Kaori to Deodorant no Soflan (Soflan with fragrance and deodorant) , which offer superlative protection against odors on clothing and leaves a pleasant, long-lasting fragrance, were launched to high acclaim. A new version of Top, the laundry detergent with a Stainzyme enzyme that removes stains that have set in over time, was launched with a vigorous advertising and marketing promotion which served to effectively build brand value, although sales were slow due to continued fierce competition.

Overseas, good progress was made in Thailand with toothpastes and laundry detergents. In Korea, we invested heavily in marketing in order to build our brands, and we restructured our marketing channels. With progress on these two initiatives, we have constructed a firm foundation for an early success.

Accounting for the aforementioned factors, net sales increased 1.8% compared with the same period of the previous fiscal year to ¥166,699 million, while operating income declined 61.5% year on year to ¥2,866 million.

<Pharmaceutical Products>

In this segment, sales of Bufferin A analgesics achieved modest growth, while Smile 40EX eye drops with three vitamin varieties, and Stoppa Anti-Diarrhea Medicine, an innovative new product that can be taken anywhere without water, were steady. In the new OTC business field, Lion introduced new products in the Guronsan line of health tonic drinks, while also investing in aggressive marketing of the insecticide Varsan. As a result of these efforts, net sales in the pharmaceuticals segment totaled ¥36,005 million, an increase of 66.2% year on year, and operating income rose 100.2% to ¥1,938 million.

<Chemicals>

In chemicals, Lion recorded strong sales of carotene for health food applications, high-purity fatty-acid methyl ester, and Ketjenblack, a carbon with excellent electro-conductive qualities. As a result, net sales in the chemicals segment rose 3.8% to ¥25,207 million. Operating income decreased 41.6% to ¥876 million, affected by the sharp rise in oil prices.

<Others>

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 24.6%, to ¥7,539 million, and operating income to decline by 14.0%, to ¥197 million.

b) Consolidated Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	yen
3rd quarter ended September 2005	229,888	102,018	44.4	360.71
3rd quarter ended September 2004	220,217	109,159	49.6	381.94
(Reference) FY 2004	235,405	101,021	42.9	356.90

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
Nine months ended September 2005	(6,950)	(4,617)	6,382	19,455
Nine months ended September 2004	(12,423)	9,750	(4,260)	24,799
(Reference) FY 2004	4,270	(10,059)	(1,553)	24,480

Financial Status

Total assets as of the end of the period stood at ¥229,888 million, a decrease of ¥5,517 million from the previous fiscal year-end. Shareholders' equity was ¥102,018 million, an increase of ¥996 million. The shareholders' equity ratio was 44.4%.

<Consolidated Cash Flows>

Cash flows from operating activities resulted in an overall decrease of ¥6,950 million. The principal components were income before income taxes of ¥2,385 million, and decreases in trade notes and accounts payables, accrued expenses and other payables.

Cash flows from investing activities resulted in an overall decrease of ¥4,617 million reflecting purchases of property, plant and equipment, and investment securities.

Cash flows from financing activities resulted in an overall increase of ¥6,382 million. Principal outflow was the payment of dividends. Major inflow was proceeds from the issuance of commercial paper.

As a result, cash and cash equivalents as of the end of the third quarter of fiscal 2005 totaled ¥19,455 million, a drop of ¥5,024 million compared with the previous fiscal year-end.

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2005 (January 1, 2005 – December 31, 2005)

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Full term	335,000	9,500	5,500

(Reference) Full year EPS forecast (full term): ¥19.45

Qualitative Information Concerning the Forecast of Consolidated Financial Results

There are no changes to the results forecasts presented at the time of the announcement of the financial results for interim 2005 (August 1, 2005).

Note: The forecasts and projected operating results contained in this report are based on information available at the time of preparation, and thus involve inherent risks and uncertainties. Accordingly, readers are cautioned that actual results may differ materially from those projected as a result of a variety of factors.