

**Summary of Consolidated Financial Statements
for the First Quarter Ended March 31, 2006**

April 27, 2006

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, Executive Director, Director of Finance Department

Telephone: +81-3-3621-6211

1. Matters Concerning the Preparation of the Consolidated Financial Statements for the First Quarter Ended March 31, 2006

(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: Yes.

A change in the method for allocating operating expenses to business segments has been adopted.

(c) Changes in the scope of consolidation or of the application of the equity method: Yes.

Consolidated subsidiaries: One excluded

2. Consolidated Results for the First Quarter Ended March 31, 2006

a) Consolidated Results

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended March 2006	65,498	(0.1)	(5,015)	(75.1)	(4,562)	(102.9)
Three months ended March 2005	65,561	4.0	(2,864)	(19.2)	(2,248)	(6.5)
(Reference) FY 2005	331,798		6,066		8,514	

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

	Net income		EPS	Diluted EPS
	Millions of yen	%	yen	yen
Three months ended March 2006	(2,758)	(101.4)	(9.73)	–
Three months ended March 2005	(1,370)	1.1	(4.86)	–
(Reference) FY 2005	5,473	–	19.10	19.05

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

In the first quarter of fiscal 2006, the Japanese economy continued its upward trend, buoyed by an increase in private-sector capital expenditure accompanying improved corporate earnings, and signs of a broad-based recovery in employment conditions. Despite this favorable environment, the household products market, the Lion Group's main business field, confronted harsh operating conditions due to crude oil prices, which hovered at a high level, and continued decline in point-of-sale prices reflecting intense sales competition in laundry detergents, fabric softeners and other products.

In Home Products, Lion thoroughly promoted value-added sales methods in the domestic market. At the same time, the Company made full use of its proprietary technology to vigorously launch new products such as plant-based Top laundry detergent with high detergency, and Clinica Dental Rinse—Quick Care that proposes a new style of preventing cavities and bad breath. Despite these efforts to nurture core brands, net sales declined year on year due to severe ongoing competition in the shampoo, conditioner, body wash and dishwashing detergent markets, etc. Overseas, net sales in the Home Products Division rose significantly year on year, owing to double-digit growth in countries such as Thailand. As a result, overall sales in the Division improved compared with the corresponding period of the previous fiscal year.

In Pharmaceutical Products, Lion made every effort to respond to diversifying customer needs by increasing its product lineup and expanding marketing channels in its Varsan insecticide range, and introducing new inflammation and pain-relieving first-aid products. Regardless of these endeavors, the shrinking market impacted the Company's results in analgesics, semi-adhesive cooling pads and health tonic drinks. As a result, overall net sales were sluggish.

In Chemical products, Lion strove to nurture high-value-added products that meet customer demands. Overall net sales, however, fell year on year, reflecting fierce competition in the electro-conductive carbon and domestic surfactant markets.

As a result of the aforementioned factors, consolidated net sales declined 0.1% compared with the corresponding period of the previous fiscal year to ¥65,498 million. On the earnings front, Lion actively promoted reduction measures mainly in manufacturing costs. However, the Company experienced an operating loss of ¥5,015 million, compared with ¥2,864 million one year earlier, due to aggressive capital investment to nurture brands, and rising manufacturing costs associated with the persistent high level of crude oil prices. Lion also incurred an ordinary loss totaling ¥4,562 million, compared with an ordinary loss of ¥2,248 million in the corresponding period of the previous fiscal year, while the first quarter net loss amounted to ¥2,758 million, compared with the net loss of ¥1,370 million one year earlier.

b) Consolidated Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	yen
March 31, 2006	240,353	105,926	44.1	373.41
March 31, 2005	221,675	98,565	44.5	349.55
(Reference) December 31, 2005	249,303	109,103	43.8	384.60

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
Three months ended March 2006	(5,402)	(3,749)	7,023	13,647
Three months ended March 2005	(9,790)	1,138	(389)	15,578
(Reference) FY 2005	1,865	(9,262)	(1,514)	15,788

Financial Status

Total assets decreased ¥8,950 million from the end of the previous fiscal year to ¥240,353 million. Due to such factors as a net loss for the quarter, total shareholders' equity declined ¥3,177 million to ¥105,926 million. The total shareholders' equity ratio was 44.1%.

<Consolidated Cash Flows>

Cash flows from operating activities fell ¥5,402 million due to a net loss before income taxes of ¥4,479 million and a decrease in other payables and accrued expenses, among other factors.

Cash flows from investing activities resulted in an overall decrease of ¥3,749 million reflecting purchases of property, plant and equipment, and investment securities.

Cash flows from financing activities resulted in an overall increase of ¥7,023 million. Major inflow was increase in short-term loan payable and proceeds from the issuance of commercial paper.

As a result of the above, the balance of cash and cash equivalents at the end of the first quarter under review was ¥13,647 million, a decrease of ¥2,140 million from the end of the previous fiscal year.

2. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2006 (January 1, 2006 – December 31, 2006)

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Interim 2006	165,000	2,500	1,500
FY 2006	350,000	9,000	5,000

(Reference) Full year EPS forecast (full term): ¥17.63

Qualitative Information Concerning the Forecast of Consolidated Financial Results

There are no changes to the results forecasts announced on February 6, 2006.

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.

Condensed Consolidated 1st Quarter Balance Sheets

	Q1 Fiscal 2006 (Ended March 31, 2006)	Q1 Fiscal 2005 (Ended March 31, 2005)	Increase / decrease		Fiscal 2005 (Ended December 31, 2005)
	Millions of yen	Millions of yen	Millions of yen	%	Millions of yen
Assets					
Current assets	104,891	98,753	6,137	6.2	117,699
Cash and time deposits	13,802	15,861	(2,058)		15,943
Trade notes and accounts receivable	49,737	43,800	5,936		68,282
Short-term investments	-	-	-		500
Inventories	34,920	32,714	2,206		27,399
Other	6,431	6,377	53		5,575
Fixed assets	135,462	122,921	12,540	10.2	131,604
Property, plant and equipment	68,027	69,150	(1,122)		68,570
Intangible assets	10,188	10,366	(177)		10,481
Investments and other assets	57,246	43,404	13,841		52,552
Total assets	240,353	221,675	18,678	8.4	249,303

	Q1 Fiscal 2006 (Ended March 31, 2006)	Q1 Fiscal 2005 (Ended March 31, 2005)	Increase / decrease		Fiscal 2005 (Ended December 31, 2005)
	Millions of yen	Millions of yen	Millions of yen	%	Millions of yen
Liabilities					
Current liabilities	96,129	84,871	11,257	13.3	101,402
Trade notes and accounts payable	41,312	41,966	(654)		53,995
Commercial paper	6,199	-	6,199		198
Short-term loans payable due within one year	10,113	8,409	1,703		8,088
Other payables and accrued expenses	26,854	25,333	1,520		31,322
Other	11,650	9,161	2,488		7,798
Long-term liabilities	35,423	35,334	89	0.3	36,008
Long-term debt	6,275	6,273	2		6,284
Accrued employee retirement benefits	24,831	24,097	734		24,868
Other	4,316	4,963	(647)		4,855
Total liabilities	131,552	120,205	11,346	9.4	137,411
Minority interest					
Minority interest in consolidated subsidiaries	2,874	2,904	(29)	(1.0)	2,789
Shareholders' equity					
Common stock	34,433	34,433	-	-	34,433
Capital surplus	31,586	31,552	34	0.1	31,584
Retained earnings	47,595	46,686	908	2.0	51,834
Unrealized holding gain on other securities	8,767	4,608	4,159	90.3	7,654
Foreign currency translation adjustments	(99)	(1,595)	1,496	(93.7)	38
Treasury stock	(16,357)	(17,119)	762	(4.5)	(16,443)
Total shareholders' equity	105,926	98,565	7,360	7.5	109,103
Total liabilities, minority interest and shareholders' equity	240,353	221,675	18,678	8.4	249,303

Condensed Consolidated 1st Quarter Statements of Income

	Q1 Fiscal 2006 (January to March 2006)	Q1 Fiscal 2005 (January to March 2005)	Increase / decrease		Fiscal 2005 (January to December 2005)
	Millions of yen	Millions of yen	Millions of yen	%	Millions of yen
Net sales	65,498	65,561	(63)	(0.1)	331,798
Cost of sales	32,661	31,945	716	2.2	163,153
Gross profit	32,836	33,616	(779)	(2.3)	168,644
Selling, general and administrative expenses	37,852	36,480	1,371	3.8	162,577
Operating income	(5,015)	(2,864)	(2,151)	(75.1)	6,066
Other income	662	706	(44)	(6.3)	3,088
Interest and dividend income	14	98	(84)		445
Equity in earnings of non-consolidated subsidiaries and affiliates	407	353	53		1,768
Other	240	254	(14)		873
Other expenses	209	91	118	129.6	640
Interest expenses	83	62	20		255
Other	126	28	97		384
Ordinary income	(4,562)	(2,248)	(2,314)	(102.9)	8,514
Extraordinary income	174	161	13	8.4	1,009
Gain on disposal of property, plant and equipment	2	114	(112)		880
Reversal of allowance for director retirement benefits	126	-	126		-
Reversal of allowance for doubtful accounts	45	41	4		85
Other	-	5	(5)		42
Extraordinary loss	91	98	(6)	(7.0)	786
Loss on disposal of property, plant and equipment	91	72	19		697
Other	-	26	(26)		88
Net income before income taxes	(4,479)	(2,186)	(2,293)	(104.9)	8,737
Income taxes, etc.	(1,705)	(936)	(769)	(82.2)	3,316
Minority interest in earnings of consolidated subsidiaries	(14)	120	(135)	-	(51)
Net income	(2,758)	(1,370)	(1,388)	(101.4)	5,473

Condensed Consolidated 1st Quarter Statements of Cash Flows

	Q1 Fiscal 2006 (January to March 2006)	Q1 Fiscal 2005 (January to March 2005)	Fiscal 2005 (January to December 2005)
	Millions of yen	Millions of yen	Millions of yen
I. Cash flows from operating activities			
Income before income taxes	(4,479)	(2,186)	8,737
Depreciation and amortization	2,325	2,135	9,754
Decrease in accrued retirement benefits	(1,963)	(888)	(3,760)
Interest and dividend income	(14)	(98)	(445)
Interest expense	83	62	255
Loss on disposal of property, plant and equipment	89	(42)	(183)
Equity in earnings of non-consolidated subsidiaries and affiliates	(407)	(353)	(1,768)
(Increase) decrease in trade notes and accounts receivable	18,744	12,334	(11,717)
Increase in inventories	(7,379)	(7,156)	(1,483)
Increase (decrease) in trade notes and accounts payable	(12,914)	(5,787)	6,345
Decrease (increase) in accrued expenses and other payables	(3,741)	(10,165)	(4,198)
Other, net	3,748	1,770	190
Subtotal	(5,910)	(10,376)	1,725
Interest and dividends received	1,471	1,464	1,970
Interest paid	(78)	(68)	(262)
Income taxes paid	(885)	(810)	(1,568)
Net cash provided by operating activities	(5,402)	(9,790)	1,865
II. Cash flows from investing activities			
Decrease in time deposits	(0)	2,499	2,627
Purchases of short-term investments	500	-	-
Purchases of property, plant and equipment	(2,520)	(1,135)	(8,943)
Proceeds from sale of property, plant and equipment	11	208	1,899
Purchases of intangible assets	(109)	(105)	(805)
Purchases of investment securities	(1,693)	(377)	(4,562)
Proceeds from sale of investment securities	3	10	506
Additions to loans receivable	(16)	(285)	(153)
Proceeds from loans receivable	131	302	188
Other, net	(55)	20	(18)
Net cash used in investing activities	(3,749)	1,138	(9,262)
III. Cash flows from financing activities			
Increase in short-term loans payable	3,579	3,193	6,473
Repayment of short-term loans payable	(1,579)	(2,115)	(5,688)
Repayment of long-term loans payable	(16)	(13)	(78)
Increase in commercial paper payable	6,090	-	15,448
Repayment of commercial paper payable	(90)	-	(15,448)
Purchases of odd-lot shares	(26)	(33)	(177)
Net proceeds from sale/purchases of treasury stock	114	(536)	314
Cash dividends	(1,048)	(882)	(2,358)
Other, net	-	-	0
Net cash used in financing activities	7,023	(389)	(1,514)

IV.	Effect of exchange rate changes on cash and cash equivalents	(11)	49	130
V.	Net change in cash and cash equivalents	(2,140)	(8,991)	(8,781)
VI.	Cash and cash equivalents at beginning of period	15,788	24,480	24,480
VII.	Cash and cash equivalents of newly consolidated subsidiaries	-	89	89
VIII.	Cash and cash equivalents at end of period	13,647	15,578	15,788

Segment Information

1. Business Segments

(Millions of yen)

	Q1 Fiscal 2006 (January 1 to March 31, 2006)						
	Home products	Pharmaceutical products	Chemical products	Other businesses	Total	Corporate and eliminations	Consolidated total
1. Net sales							
a) Sales to outside customers	47,410	8,809	7,717	1,560	65,498	-	65,498
b) Intersegment sales or transfers	6	-	1,884	287	2,178	[2,178]	-
Total	47,417	8,809	9,601	1,847	67,676	[2,178]	65,498
Operating expenses	52,052	8,947	9,600	2,030	72,631	[2,117]	70,513
Operating income	(4,635)	(137)	1	(182)	(4,955)	[60]	(5,015)
Reference:							
Other income (net)	35	153	43	-	231		
Segment management income	(4,600)	15	44	(182)	(4,723)		

(Millions of yen)

	Q1 Fiscal 2005 (January 1 to March 31, 2005)						
	Home products	Pharmaceutical products	Chemical products	Other businesses	Total	Corporate and eliminations	Consolidated total
1. Net sales							
a) Sales to outside customers	46,035	9,176	8,488	1,860	65,561	-	65,561
b) Intersegment sales or transfers	-	-	-	-	-	[-]	-
Total	46,035	9,176	8,488	1,860	65,561	[-]	65,561
Operating expenses	47,184	9,078	8,126	1,796	66,185	2,240	68,426
Operating income	(1,148)	98	361	64	(623)	[2,240]	(2,864)
Reference:							
Other income (net)	37	211	44	-	293		
Segment management income	(1,111)	310	406	64	(329)		

(Millions of yen)

	FY 2005 (January 1 to December 31, 2005)						
	Home products	Pharmaceutical products	Chemical products	Other businesses	Total	Corporate and eliminations	Consolidated total
1. Net sales							
a) Sales to outside customers	237,241	50,315	33,898	10,343	331,798	-	331,798
b) Intersegment sales or transfers	-	-	-	-	-	[-]	-
Total	237,241	50,315	33,898	10,343	331,798	[-]	331,798
Operating expenses	228,806	46,695	32,877	10,441	318,821	6,910	325,731
Operating income	8,434	3,619	1,020	(97)	12,977	[6,910]	6,066
Reference:							
Other income (net)	147	1,150	169	-	1,467		
Segment management income	8,581	4,770	1,190	(97)	14,444		

Notes:

1. Categorization of business segments and principal products

Business 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, eyedrops, inflammation and pain-relieving first-aid products, semi-adhesive products, hearth tonic drinks, and insecticides
- Chemical products: Surfactants and fatty acid nitrogen compounds
- Others: Spices, seasonings, salad dressings, sauces, plant construction, building maintenance, and transportation and storage

2. Unallocated operating expenses in Q1 fiscal 2005 and FY 2005 are expenses of the general affairs, accounting, and other management units of Lion Corporation.

< Change of operating expenses allocation method >

In order to more accurately disclose segment operating income and loss, from the first quarter of fiscal 2006, the Company has changed its classification of net sales to "Sales to outside customers" and "Intersegment sales or transfers." At the same time, the Company has changed its historic method of disclosing expenses relating to general affairs, accounting and other management units as unallocated operating expenses to an allocation against each business segment.

Segment information disclosed under the historic method is as follows.

(Millions of yen)

	Q1 Fiscal 2006 (Historic method) (January 1 to March 31, 2006)						
	Home products	Pharmaceutical products	Chemical products	Other businesses	Total	Corporate and eliminations	Consolidated total
1. Net sales							
a) Sales to outside customers	47,410	8,809	7,717	1,560	65,498	-	65,498
b) Intersegment sales or transfers	-	-	-	-	-	[-]	-
Total	47,410	8,809	7,717	1,560	65,498	[-]	65,498
Operating expenses	50,582	8,656	7,528	1,711	68,478	2,035	70,513
Operating income	(3,171)	153	188	(151)	(2,980)	[2,035]	(5,015)

2. Geographical Segments

(Millions of yen)

	Q1 Fiscal 2006 (January 1 to March 31, 2006)				
	Japan	Asia	Total	Corporate and eliminations	Consolidated total
1. Net sales					
a) Sales to outside customers	54,954	10,543	65,498	-	65,498
b) Intersegment sales or transfers	405	502	908	[908]	-
Total	55,360	11,046	66,406	[908]	65,498
Operating expenses	60,250	11,037	71,287	[773]	70,513
Operating income	(4,890)	9	(4,881)	[134]	(5,015)

	Q1 Fiscal 2005 (January 1 to March 31, 2005)				
	Japan	Asia	Total	Corporate and eliminations	Consolidated total
1. Net sales					
a) Sales to outside customers	56,994	8,567	65,561	-	65,561
b) Intersegment sales or transfers	345	389	734	[734]	-
Total	57,340	8,956	66,296	[734]	65,561
Operating expenses	60,517	8,680	69,197	[771]	68,426
Operating income	(3,177)	276	(2,901)	36	(2,864)

	FY 2005 (January 1 to December 31, 2005)				
	Japan	Asia	Total	Corporate and eliminations	Consolidated total
1. Net sales					
a) Sales to outside customers	293,660	38,137	331,798	-	331,798
b) Intersegment sales or transfers	1,559	1,498	3,058	[3,058]	-
Total	295,220	39,636	334,856	[3,058]	331,798
Operating expenses	289,500	39,363	328,863	[3,132]	325,731
Operating income	5,720	272	5,992	73	6,066

Notes:

- Countries and regions have been grouped according to geographic proximity.
- The key countries and regions grouped as countries other than Japan are as listed below.
Asia: China, South Korea, Thailand

3. Foreign Sales

Q1 Fiscal 2006 (January 1 to March 31, 2006)

	Asia	Other regions	Total
Foreign sales (Millions of yen)	11,358	982	12,340
Consolidated net sales (Millions of yen)	-	-	65,498
Percent of foreign sales in consolidated net sales (%)	17.3	1.5	18.8

Q1 Fiscal 2005 (January 1 to March 31, 2005)

	Asia	Other regions	Total
Foreign sales (Millions of yen)	9,411	1,145	10,557
Consolidated net sales (Millions of yen)	-	-	65,561
Percent of foreign sales in consolidated net sales (%)	14.4	1.7	16.1

FY 2005 (January 1 to December 31, 2005)

	Asia	Other regions	Total
Foreign sales (Millions of yen)	41,194	3,849	45,044
Consolidated net sales (Millions of yen)	-	-	331,798
Percent of foreign sales in consolidated net sales (%)	12.4	1.2	13.6

Notes:

- Countries and regions have been grouped according to geographic proximity.
- The key countries and regions grouped as each segments are as listed below.
 Asia: China, South Korea, Thailand
 Other regions: Europe, America and others
- 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.