

Summary of Financial Statements for Interim 2007

September 14, 2007

Company name: Lion Corporation

Code: 4912

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

Listed stock exchanges: Tokyo Stock Exchange and Osaka Securities Exchange

Representative: Sadayoshi Fujishige, Representative Director and President

Contact: Shinjiro Iwahori, Executive Officer, Director of Finance Department

Telephone: +81-3-3621-6211

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1. Consolidated Results for the Interim Period Ended June 30, 2007 (January 1, 2007 – June 30, 2007)

a) Consolidated Results

	Net sales		Operating income		Ordinary income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim 2007	159,617	(2.3)	2,431	81.0	3,744	49.2	<u>1,862</u>	<u>5.2</u>
Interim 2006	163,295	2.1	1,343	(57.8)	2,508	(43.4)	1,770	(33.4)
Fiscal 2006	330,380	—	343	—	2,427	—	5,540	—

Notes:

1. Figures in this and subsequent tables are rounded down to the nearest million.
2. Percent figures for net sales, operating income, ordinary income, and net income express percentage change over the year-ago period.

	EPS	Diluted EPS
	Yen	Yen
Interim 2007	<u>6.89</u>	<u>6.88</u>
Interim 2006	6.24	6.22
Fiscal 2006	19.60	19.52

Note: Equity in earnings of non-consolidated subsidiaries and affiliates: ¥936 million in interim 2007, ¥814 million in interim 2006, and ¥1,555 million in FY 2006.

b) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
June 30, 2007	<u>246,851</u>	<u>106,914</u>	<u>41.7</u>	<u>380.46</u>
June 30, 2006	249,418	112,955	44.2	388.05
December 31, 2006	246,327	105,133	41.3	376.76

Note: Shareholders' equity: ¥102,882 million in interim 2007, ¥110,206 million in interim 2006, and ¥101,778 million in FY 2006.

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 2007	8,353	(6,237)	(3,479)	25,633
Interim 2006	(4,976)	(1,135)	6,843	16,520
Fiscal 2006	3,343	11,092	(3,610)	26,782

2. Dividend

Record Date	Cash dividend per share / Yen		
	Interim	Year-end	Annual
Fiscal 2006	5.00	5.00	10.00
Fiscal 2007 actual	5.00		10.00
Fiscal 2007 plan		5.00	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2007
(January 1, 2007 – December 31, 2007)

Fiscal 2007	Net sales		Operating income		Ordinary income		Net income		EPS
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	340,000	2.9	8,000	—	10,000	312.0	5,500	(0.7)	20.35

4. Others

a) Significant Change in Scope of Consolidation during Period: No

b) Change in Accounting Principals, Procedures, Presentation methods, etc., concerning Preparation of Consolidated Interim Financial Statements (To be stated as Changes in Significant Matters in the Presentation of Consolidated Interim Financial Statements):

1. Changes accompany with reversion in accounting standards: No

2. Other changes: No

c) Number of Outstanding Shares (Common Stocks)

1. Number of outstanding shares on balance sheet date (including treasury stocks): 299,115,346 for interim 2007; 313,515,346 for interim 2006; and 299,115,346 for FY 2006.

2. Number of treasury stocks on balance sheet date: 28,700,894 for interim 2007; 29,516,309 for interim 2006; and 28,974,638 for FY 2006.

Note: Please see "Per-Share Information" on page 50 regarding the number of shares used in calculating interim and full-term consolidated net income per share.

Reference: Summary of Non-consolidated Financial Statements

1. Non-consolidated Results for the Interim Period Ended June 30, 2007 (January 1, 2007 – June 30, 2007)

a) Non-consolidated Results

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim 2007	124,812	(1.6)	578	272.1	4,646	39.1	<u>2,909</u>	<u>16.6</u>
Interim 2006	126,839	(2.6)	155	(88.6)	3,339	(24.4)	2,494	(29.9)
FY 2006	257,471	—	(2,108)	—	1,630	—	5,869	—

	EPS
	Yen
Interim 2007	<u>10.76</u>
Interim 2006	8.79
Fiscal 2006	20.76

Notes: Percent figures for net sales, operating income, ordinary income, and net income express percentage change over the year-ago period.

b) Non-consolidated Financial Position

	Total assets	Net Assets	Shareholders' equity to total assets	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
June 30, 2007	<u>211,825</u>	<u>90,934</u>	<u>42.9</u>	<u>336.19</u>
June 30, 2006	220,036	98,842	44.9	348.04
December 31, 2006	212,806	89,421	42.0	331.02

Note: Shareholders' equity: ¥90,909 million in interim 2007, ¥98,842 million in interim 2006, and ¥89,421 million in FY 2006.

2. Forecast of Non-consolidated Results for the Year Ending December 31, 2007 (January 1, 2007 – December 31, 2007)

Fiscal	Net sales		Operating income		Ordinary income		Net income		EPS
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
2007	272,000	5.6	5,000	—	9,200	464.2	6,200	5.6	22.94

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.

Refer to pages 5 through 15 regarding the above forecast.

I. Management Performance

1. The First Half in Review

(1) Overview of Results of Operations

During the first half of fiscal 2007, the Japanese economy showed a recovery trend, with increased private capital expenditure and a pickup in personal consumption supported by improved corporate earnings. However, the domestic toiletries industry, in which the Lion Group mainly conducts its business operations, continued to face a severe business environment owing to ongoing fierce sales competition and crude oil prices hovering at high levels.

In this context, Lion's consolidated net sales for the interim period under review totaled ¥159,617 million, a 2.3% decline from the same period of the previous fiscal year.

On the earnings front, cost-reducing measures for cutting manufacturing and other costs coupled with robust overseas sales more than offset the negative impact of soaring costs for materials caused by high crude oil prices and higher prices of vegetable oils and fats. As a result, operating income amounted to ¥2,431 million, up 81.0% year on year. Similarly, ordinary income increased 49.2% to ¥3,744 million.

Reflecting the voluntary recall of Varsan Hyosatsu Jet Spray for Flying Bugs and Varsan Hyosatsu Jet Spray for Creeping Bugs, Lion recorded an extraordinary loss of ¥1,023 million that includes the total estimated costs associated with the recall and the related loss on inventory valuation as of June 30, 2007. Consequently, net income for the interim period ended June 30, 2007 amounted to ¥1,862 million, up 5.2% year on year.

<Consolidated>

(Millions of yen)

Net sales	FY 2007 1st half	FY 2006 1st half	Increase/ decrease	Change
Health Care Products	65,014	66,228	(1,213)	(1.8%)
Household Products	76,525	71,690	4,834	6.7%
Chemical Products	15,728	16,074	(346)	(2.2%)
Others	2,349	9,301	(6,952)	(74.7%)
Total	159,617	163,295	(3,677)	(2.3%)

	FY 2007 1st half	Ratio to net sales	FY 2006 1st half	Ratio to net sales	Increase/ decrease	Change
Operating income	2,431	1.5%	1,343	0.8%	1,087	81.0%
Ordinary income	3,744	2.3%	2,508	1.5%	1,235	49.2%
Net income	<u>1,862</u>	<u>1.2%</u>	1,770	1.1%	<u>92</u>	<u>5.2%</u>

<Non-consolidated>

(Millions of yen)

Net sales	FY 2007 1st half	FY 2006 1st half	Increase/ decrease	Change
Health Care Products	58,019	60,256	(2,236)	(3.7%)
Household Products	53,742	52,429	1,312	2.5%
Chemical Products	12,324	12,900	(576)	(4.5%)
International	726	1,253	(526)	(42.0%)
Total	124,812	126,839	(2,026)	(1.6%)

	FY 2007 1st half	Ratio to net sales	FY 2006 1st half	Ratio to net sales	Increase/ decrease	Change
Operating income	578	0.4%	155	0.1%	423	272.1%
Ordinary income	4,646	3.7%	3,339	2.6%	1,306	39.1%
Net income	<u>2,909</u>	<u>2.3%</u>	2,494	2.0%	<u>414</u>	<u>16.6%</u>

<Consolidated Geographical Segment>

(Millions of yen)

Net sales	H1 2007	H1 2006	Increase/ decrease	Change
Japan	133,831	141,905	(8,074)	(5.7%)
Asia	25,786	21,390	4,396	20.6%
Consolidated total	159,617	163,295	(3,677)	(2.3%)

Operating income	H1 2007	H1 2006	Increase/ decrease	Change
Japan	1,517	1,104	413	37.5%
Asia	723	95	627	654.8%
Corporate and eliminations	189	143	46	32.4%
Consolidated total	2,431	1,343	1,087	81.0%

(2) Segment Information

In the first half of fiscal 2007, Lion restructured its former Home Products and Pharmaceutical Products segments as an initiative to boost synergistic effects of relevant technologies, brand power and logistics, as well as to better ensure consistent implementation of business strategies.

Health Care Products:

Oral Care Products, Beauty Care Products, Pharmaceutical Products

Household Products:

Fabric Care Products, Living Care Products

The Chemical Products and Other Businesses segment were unchanged.

<Health Care Products>

(Millions of yen)

	FY 2007 1st half	Ratio to net sales	FY 2006 1st half	Ratio to net sales	Increase/ decrease	Change
Net sales	65,014		66,228		(1,213)	(1.8%)
Operating income	2,722	4.2%	※—	—	—	—

* Operating income by segment for the fiscal 2006 interim period is not provided in this document.

* Please refer to page 11 for operating income by former segment.

The Health Care Products segment is divided into the Oral Care Products, Beauty Care Products and Pharmaceutical Products Divisions. Net sales in this business during the interim period under review totaled ¥65,014 million, a decrease of 1.8% compared with the same period of the previous fiscal year.

On the domestic front, sales were stagnant. Lion accelerated the launch of new differentiated products that have a competitive edge, strategically invested in advertising for such products and cultivated new business categories. However, results from these activities were offset by the negative impact of a highly competitive business environment.

Sales in Thailand saw healthy growth, which resulted in a substantial increase in overseas sales for this business compared with the interim period of the previous fiscal year.

Lion recorded an operating income of ¥2,722 million in this segment.

<Net Sales of Principal divisions>

(Millions of yen)

	FY 2007 1st half	FY 2006 1st half	Increase/ decrease	Change
Oral Care Products Division	25,067	25,301	(234)	(0.9%)
Beauty Care Products Division	17,503	17,290	213	1.2%
Pharmaceutical Products Division	22,443	23,636	(1,193)	(5.0%)

Oral Care Products Division

In toothpastes, Lion launched the new Dentor Clear MAX with cleaning granules that effectively remove dental plaque. In toothbrushes, Lion reinforced its Dentor Systema brand with a new Dentor Systema toothbrush that features three rows of bristles and a slim and compact brush head for better ease of use. Although these new products were well received by customers, sales of toothpastes and toothbrushes decreased from the same period of the previous fiscal year due to intensifying market competition in these product categories.

In dental products, sales were strong for the DENT EX Systema toothbrush and Check-Up anti-cavity toothpaste, contributing to the improvement of overall sales in this category.

Overseas, sales of Dentor Systema brand toothpastes and toothbrushes substantially expanded in Thailand, while Zact toothpastes and Dentor Systema toothbrushes sold well in China, resulting in a substantial increase in sales in the Oral Care Products business compared with the same period of the previous fiscal year.

As a result, sales of Oral Care Products decreased 0.9% to ¥25,067 million.

Beauty Care Products Division

In shampoo, conditioner and body washes, Lion continued to bolster sales promotion activities for Shokubutsu-Monogatari (Plant-Story) series. These efforts enabled Lion to maintain sales in these categories on par with the same period of the previous fiscal year, in spite of intensifying market competition.

In hand soaps, sales of Kireikirei Medicated Foaming Hand Soap were solid, resulting in a slight year-on-year sales increase in this category.

In antiperspirants and deodorants, Lion introduced a new product with enhanced deodorizing power in the Ban brand lineup. However, market competition continued to intensify, and accordingly, sales in this category were stagnant.

Overseas, weak performance of Lion's shampoos and conditioners in South Korea was sufficiently offset by solid sales of Shokubutsu-Monogatari (Plant-Story) Body Washes in Thailand. As a result of the above factors, overseas sales in the Beauty Care Products business increased year on year.

As a result, sales of Beauty Care Products increased 1.2% to ¥17,503 million.

Pharmaceutical Products Division

In analgesics, sales of Lion's mainstay Bufferin A were strong. In addition, Lion worked to bolster sales of Bufferin Luna, which provides quick and effective relief from severe discomfort caused by menstrual, back and other pain. As a result, sales in this category exceeded those during the same period of the previous fiscal year.

Despite strong results for Smile Contact Cool Fresh eyedrops, sales of eye care products declined year on year due to intensifying market competition.

In health tonic drinks, sales of New Guromont steadily expanded, but were offset by the shrinking market. Due to this difficult condition, sales in this category stagnated.

Overall sales of insecticides were strong. In addition to a substantial year-on-year increase in sales of Varsan Insect-Repellent Cube, Lion also launched sales of Varsan Hyosatsu Jet Spray for Flying Bugs and Varsan Hyosatsu Jet Spray for Creeping Bugs (hereafter “Varsan Hyosatsu Jet”), which get rid of chironomids, centipedes and other unpleasant bugs through a powerful minus 40-degree spray containing no chemical pesticide ingredients.

Lion also released new products including Halix Smoove Tablets, which regenerate cartilage to ease joint and nerve pain, and Stoppa Day Balance, a medicine for intestinal disorders that regulates intestinal activity while improving the intestinal environment. The release of these products marks Lion’s penetration into new product categories.

As a result, sales of Pharmaceutical Products decreased 5.0% to ¥22,443 million.

Principal new products

Dentor Clear MAX / Toothpaste

Dentor Systema Toothbrush – compact head type with three rows of bristles

new Ban Deodorant Powder Spray / Antiperspirants and deodorants

Varsan Hyosatsu Jet Spray for Flying and Creeping Bugs / Insecticides

Halix Smoove Tablets / Internal medicine for joint pain and neuralgia

Stoppa Day Balance / Medicine for intestinal disorders

Despite Lion’s inclusion of warning labels on Varsan Hyosatsu Jet sprays launched in March 2007 advising against use in proximity to open flames or sparks, several combustion-type incidents occurred during the use of the products. Placing top priority on customer safety, Lion decided to implement a voluntary recall of the products to prevent further incidents.

Consequently, Lion recorded an extraordinary loss of ¥1,023 million for total estimated costs associated with the recall and the related loss on inventory valuation as of June 30, 2007.

<Household Products>

(Millions of yen)

	FY 2007 1st half	Ratio to net sales	FY 2006 1st half	Ratio to net sales	Increase/ decrease	Change
Net sales	76,525		71,690		4,834	6.7%
Operating income	(443)	—	※—	—	—	—

* Operating income by segment for the fiscal 2006 interim period is not provided in this document.

* Please refer to page 11 for operating income by former segment.

Lion's Household Products segment is divided into two divisions: Fabric Care and Living Care. Sales of Household Products increased 6.7% to ¥76,525 million.

On the domestic front, Lion aggressively launched new highly competitive and differentiated products in each division while accelerating investments in advertising to foster new mainstay brands. These efforts bore fruit in the form of steady domestic sales growth.

Overseas, substantial sales expansion in Thailand and stable results in South Korea fueled a significant year-on-year overseas sales increase of Household Products.

However, Lion posted an operating loss of ¥443 million during the interim period under review, due to surging materials costs stemming from higher prices for crude oil, as well as to vigorous investment in new product development.

<Net Sales of Principal divisions>

(Millions of yen)

	FY 2007 1st half	FY 2006 1st half	Increase/ decrease	Change
Fabric Care Products Division	53,273	50,160	3,112	6.2%
Living Care Products Division	23,251	21,529	1,721	8.0%

Fabric Care Products Division

In laundry detergents, Lion released Top Fuai-Kan (Fresh Touch and Color) laundry detergent, which protects clothing from friction between garments while washing, preserves original color and provides a soft and fluffy touch. This new product enabled Lion to sustain sales in this category on the same level as the corresponding period of the previous fiscal year.

In fabric softeners, sales of Kaori to Deodorant no Soflan ("Soflan with Fragrance and Deodorant") were strong, resulting in a considerable year-on-year increase of fabric softener sales.

Sales of bleaches also expanded compared with the same period of the previous fiscal year, buoyed by solid results for the Temanashi Bright series of bleach products.

Overseas, sales in Thailand of laundry detergents and fabric softeners showed significant growth while laundry detergent sales in South Korea also steadily expanded. As a result, total overseas sales in this category showed a substantial year-on-year increase.

As a result, sales of Fabric Care Products increased 6.2% to ¥53,273 million.

Living Care Products Division

In dishwashing detergents, the CHARMY Awa no Chikara (Power of Suds) dishwashing detergent, which breaks down greasy grime with rich, fine suds, sell briskly. Lion also released the CHARMY Awa no Chikara Power Foam dishwashing detergent, which is pumped from its container as a thick foam containing concentrated cleaning agents. These initiatives boosted dishwashing detergent sales above the level in the corresponding period of the previous fiscal year.

In household cleaners, Lion added two new products to the Look Kirei no Mist for Fabrics series. In addition, Lion launched Look Concentrated Powerful Pipe-man, a thick gel-type drain cleaner that breaks down grime in drain pipes in only half the time and with half the amount required by Lion's conventional cleaners, as well as Look Slime and Mildew Quick Buster Spray for quickly removing slime and mildew in kitchens and bathrooms. These new products contributed to a year-on-year improvement in household cleaner sales.

Overseas, favorable sales of dishwashing detergents in Thailand and South Korea lifted overall sales in this category significantly above the results in the corresponding period of the previous fiscal year.

As a result, sales of Living Care Products increased 8.0% to ¥23,251 million.

Principal new products

Top Fuai-Kan (Fresh Touch and Color) / Laundry detergent

CHARMY Awa no Chikara (Power of Suds) / Dishwashing detergent

CHARMY Awa no Chikara (Power of Suds) Power Foam / Dishwashing detergent

Look Kirei no Mist for Fabrics – “Soap” fragrance and “Unscented” / Disinfectant

Look concentrated Powerful Pipe-man / Drain cleaner

Look Slime & Mildew Quick Buster Spray / Mildew cleaner

Net sales and operating income for the former business segment of Home Products and Pharmaceutical Products are provided below for reference.

<Home Products>

(Millions of yen)

	FY 2007 1st half	Ratio to net sales	FY 2006 1st half	Ratio to net sales	Increase/ decrease	Change
Net sales	119,096		114,282		4,814	4.2%
Operating income	1,886	1.6%	(58)	—	1,945	—

* Home products segment involves Oral Care Products, Beauty Care Products, Fabric Care Products, and Living Care Products.

<Pharmaceutical Products>

(Millions of yen)

	FY 2007 1st half	Ratio to net sales	FY 2006 1st half	Ratio to net sales	Increase/ decrease	Change
Net sales	22,443		23,636		(1,193)	(5.0%)
Operating income	552	2.5%	1,553	6.6%	(1,000)	(64.4%)

<Chemical Products>

(Millions of yen)

	FY 2007 1st half	Ratio to net sales	FY 2006 1st half	Ratio to net sales	Increase/ decrease	Change
Net sales	15,728		16,074		(346)	(2.2%)
Operating income	(155)	—	(123)	—	(31)	—

Sales of Chemicals decreased 2.2% to ¥15,728 million.

Domestic sales of fatty-acid methyl ester, surfactants and electro-conductive carbon grew steadily. On the other hand, overseas sales stalled due to Lion's strategic initiative to limit the sale of low-profit products. As a result, overall chemical product sales declined year on year.

Lion was unable to absorb the negative impact of rising material costs attributed to higher prices for crude oil and vegetable oils and fats, resulting in an operating loss of ¥155 million, compared with an operating loss of ¥123 million in the corresponding period of the previous fiscal year.

<Principal divisions>

Although the export of fatty-acid methyl ester for application in raw materials such as alcohol decreased, domestic sales remained strong. Consequently, overall sales of fatty-acid methyl ester were flat, in line

with the corresponding period of the previous fiscal year.

In surfactants, Lion's performance was negatively affected by intensifying competition in the Chinese market. However, this was countered by robust sales of surfactant in Japan for use in fabric softeners and other applications. As a result, overall sales exceeded the level in the same period of the previous fiscal year.

Lion's electro-conductive carbon is highly recognized in the electronic devices and auto parts industries for its superior electro-conductive properties, indicated by a substantial increase in domestic sales compared to the interim period of the previous fiscal year. However, this positive result was more than offset by weak results overseas, attributed to intensifying market competition in the electronic device application field. As a result, overall sales of electro-conductive carbon declined year on year.

<Others>

(Millions of yen)

	FY 2007 1st half	Ratio to net sales	FY 2006 1st half	Ratio to net sales	Increase/ decrease	Change
Net sales	2,349		9,301		(6,952)	(74.7%)
Operating income	133	5.7%	(83)	—	216	—

In Other businesses, net sales decreased 74.7% year on year to ¥2,349 million, due to the sale of businesses in the latter half of the previous fiscal year, namely, the building maintenance and management business, as well as the food products business that handled spices, seasoning and salad dressings. Fewer completed works projects in the construction contracting business also negatively impacted net sales in Other businesses. On the earnings front, however, Lion's initiatives to improve business profitability paid off, allowing Lion to post operating income of ¥133 million, compared with an operating loss of ¥83 million in the corresponding period of the previous fiscal year.

(3) Outlook for Fiscal 2007

<Consolidated>

(Millions of yen)

	FY 2007 forecast	FY 2006	Increase/decrease	Change
Net sales	340,000	330,380	9,619	2.9%
Operating income	8,000	343	7,656	2232.4%
Ordinary income	10,000	2,427	7,572	312.0%
Net income	5,500	5,540	(40)	(0.7%)

EPS (yen)	20.35	19.60	0.75	3.8%
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<Non-Consolidated>

(Millions of yen)

	FY 2007 forecast	FY 2006	Increase/decrease	Change
Net sales	272,000	257,471	14,528	5.6%
Operating income	5,000	(2,108)	7,108	—
Ordinary income	9,200	1,630	7,569	464.2%
Net income	6,200	5,869	330	5.6%

EPS (yen)	22.94	20.76	2.18	10.5%
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In the second half of fiscal 2007, the year ending December 31, 2007, the Japanese economy is expected to continue on a recovery course. In the toiletries market, however, the business environment is anticipated to remain severe because of such factors as high crude oil prices and intensifying point-of-sale competition.

In Health Care Products, Lion forecasts sales exceeding those in fiscal 2006. This forecast factors in Lion's full-fledged efforts to bolster mainstay brand products and to develop and launch a variety of new high-value-added products.

Similarly, sales of Household Products are slated to expand over those in fiscal 2006. Lion aims to achieve this through fostering new products launched during the interim period under review, investing strategically in advertising and further strengthening sales promotion activities.

Overseas sales of Health Care Products and Household Products are also expected to climb higher than those in fiscal 2006. To achieve this, Lion will step up efforts to reinforce business development in Thailand, South Korea and other Asian countries.

In Chemicals Products, Lion will continue to implement effective pricing initiatives that reflect surging material prices caused by high crude oil prices and soaring prices of vegetable oils and fats. Sales in this business are expected to decrease compared to fiscal 2006, as Lion plans to limit the sale of unprofitable products in the second half of fiscal 2007.

Lion forecasts a sales decrease in Other businesses, compared with fiscal 2006, owing to the lingering negative impact of selling the building maintenance and management business and the food products business that handled spices, seasoning and salad dressings, as well as to declining numbers of completed works projects in the construction contracting business.

As a result of the aforementioned, Lion expects consolidated net sales in fiscal 2007 to total ¥340,000 million, a 2.9% increase from fiscal 2006.

On the earnings front, Lion forecasts that operating income will rise 2232.4% to ¥8,000 million, ordinary income will grow 312.0% to ¥10,000 million and net income will decrease 0.7% to ¥5,500 million.

(Preconditions for the Estimated Figures in Outlook for Fiscal 2007)

1. Lion adopted the following foreign exchange rates in the calculation of the aforementioned estimated figures:

¥117.0 = US\$1.00

¥3.6 = 1.00 baht

2. Company forecasts of results for the fiscal year ending December 31, 2007 do not include estimated losses associated with the voluntary recall of Varsan Hyosatsu Jet subsequent to June 30, 2007. The effect of the product recall on the Company's full-year results will be announced when confirmed.

2. Financial Status Analysis

(1) Status of Assets, Liabilities, Net Assets, and Cash Flows for interim 2007

	FY 2007 1st half	FY 2006	Change
Total assets (millions of yen)	<u>246,851</u>	246,327	<u>524</u>
Net assets (millions of yen)	<u>106,914</u>	105,133	<u>1,781</u>
Shareholders' equity to total assets (%)	<u>41.7</u>	41.3	<u>0.4p</u>
Net assets per share ^{*1} (yen)	<u>380.46</u>	376.76	<u>3.70</u>

*1 Minority interest was excluded from calculation of net assets per share

As of June 30, 2007, total assets were ¥246,851 million, an increase of ¥524 million from December 31, 2006. Net assets were ¥106,914 million, mainly reflecting the increase in retained earnings. The shareholders' equity to total assets was 41.7%.

(2) Status of Cash Flows

<Consolidated Cash Flows>

	(Millions of yen)		
	FY 2007 1st half	FY 2006 1st half	Change
Cash flows from operating activities	8,353	(4,976)	13,329
Cash flows from investing activities	(6,237)	(1,135)	(5,101)
Cash flows from financing activities	(3,479)	6,843	(10,323)
Translation gain related to cash and cash equivalents	214	0	214
Increase (decrease) in cash and cash equivalents	(1,149)	731	(1,880)
Cash and cash equivalents at end of period	25,633	16,520	9,113

Net cash provided by operating activities totaled ¥8,353 million, compared with net cash used in operating activities of ¥4,976 million in the interim period of fiscal 2006. The fact that the last day of the interim period under review fell on a non-business day for Japanese financial institutions was a major contributory factor for this improvement.

Net cash used in investing activities amounted to ¥6,237 million, compared with net cash used in investing activities of ¥1,135 million in the interim period of fiscal 2006. A major component was the payment for purchase of property, plant and equipment.

Net cash used in financing activities was ¥3,479 million, compared with net cash provided by financing activities of ¥6,843 million in fiscal 2006, owing primarily to the repayment of short-term loans payable and payment of dividends.

(3) Forecast of Fiscal 2007 Consolidated Cash Flows

In cash flows from operating activities, Lion projects income before income taxes of approximately ¥9.0 billion. Lion estimates depreciation and amortization changes of about ¥11.5 billion.

As a factor that may have material effects on cash flows from investing activities, Lion expects to make capital expenditure of ¥43.5 billion, including the purchase of trademark rights to the Bufferin brand and investments in relevant subsidiaries to establish the methyl ester sulfonate (MES) business.

In cash flows from financing activities, Lion expects to record payment of cash dividends from retained earnings. This cash outflow will be offset by Lion's planned fund procurement of approximately ¥35.0 billion. Due to these activities, Lion expects to post net cash provided by financing activities of approximately ¥30.5 billion for fiscal 2007.

Based on these projections, Lion estimates cash and cash equivalents at the end of the year to total ¥32.0 billion.

The impact of expenses related to the voluntary recall of Varsan Hyosatsu Jet has not been included in the forecast of fiscal 2007 consolidated cash flows.

(4) Changes in cash flow indicators

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 1st half
Shareholders' equity to total assets (%)	45.0	42.9	43.8	41.3	<u>41.7</u>
Shareholders' equity to total assets on a market value basis (%)	66.6	71.9	85.8	66.1	<u>73.3</u>
Debt redemption (years)	0.7	3.9	9.8	7.5	2.8
Interest coverage ratio	86.7	25.6	7.1	12.2	32.4

(Notes)

Shareholders' equity to total assets: Net assets / Total assets

(Total shareholders' equity / Total assets until FY 2005)

Shareholders' equity to total assets 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.

3. Basic Policy on the Distribution of Earnings and Cash Dividend for Fiscal 2007

Lion considers its most important management issue as increasing its capacity to generate consolidated earnings so as to distribute earnings to shareholders on a permanent and stable basis.

Lion aims to continue stable distributions of earnings through such means as dividend payments, while balancing these with the need to retain earnings within the Lion Group for use in developing a sustainable business foundation.

The interim dividend for the first half of fiscal 2007 will be ¥5 per share, the same as the first half of fiscal 2006. Lion plans to pay out a year-end dividend of ¥5 per share for an annual dividend of ¥10 per share.

4. 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 July 31, 2007.

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

In a future lawsuit, 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.

II. Corporate Group

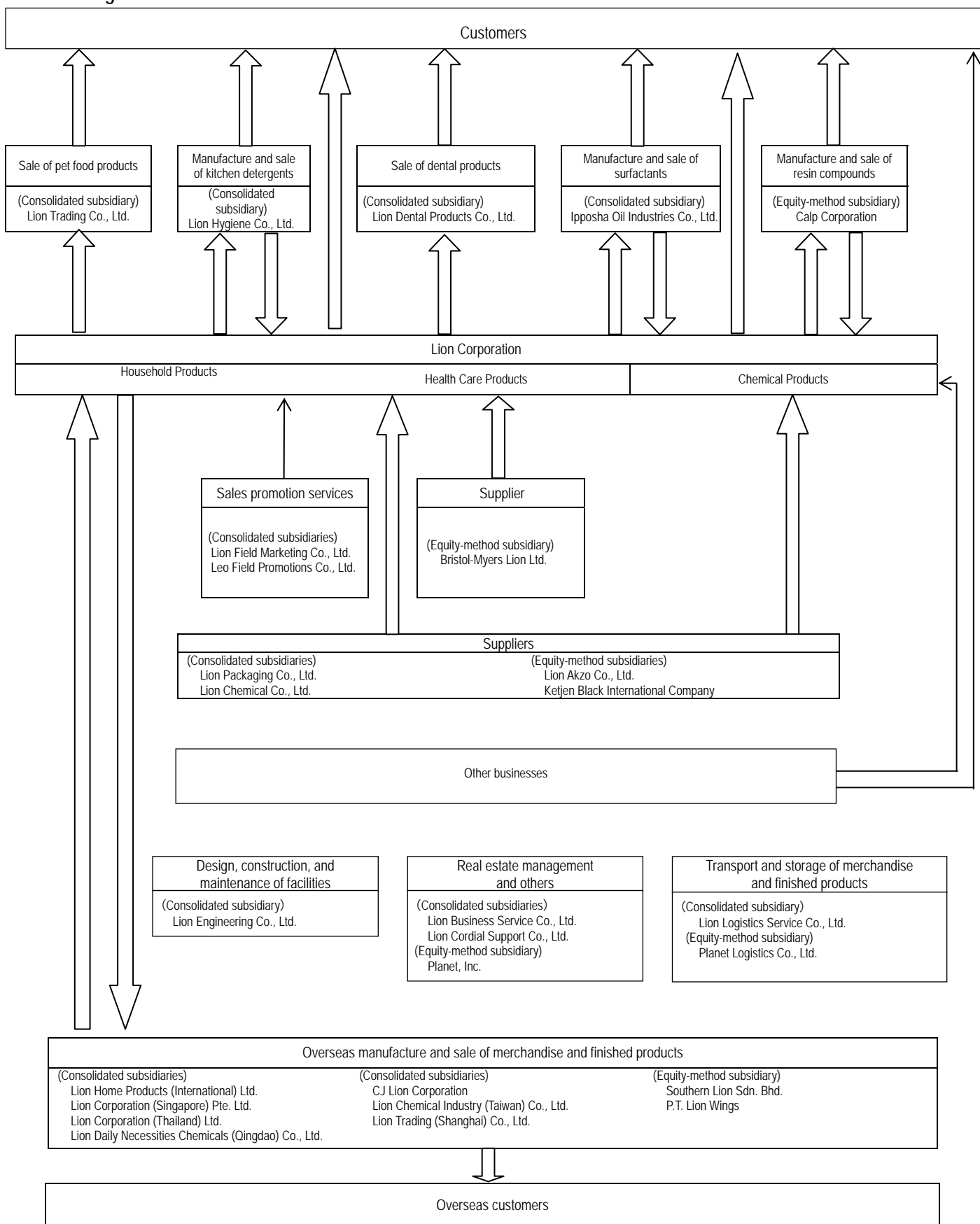
The Lion Group consists of Lion Corporation, 25 subsidiaries (including 20 consolidated subsidiaries and two non-consolidated equity-method subsidiaries), and 17 affiliates (including ten equity-method affiliates). Principal business activities consist of the manufacture and sale of health care products, household products, and chemical products. 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	
Health Care Products	Manufacture and sale of toothpastes, toothbrushes, hand soaps, and pharmaceutical products	Domestic affiliates	Lion Corporation Lion Dental Products Co., Ltd. Lion Packaging Co., Ltd. Lion Field Marketing Co., Ltd. Leo Field Promotions Co., Ltd. Bristol-Myers Lion Ltd.
		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

Household Products	Manufacture and sale of laundry detergents, dishwashing detergents, and household cleaners	Domestic affiliates	Lion Corporation Lion Chemical 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 Advertising Ltd. CJ Lion Corporation Lion Chemical Industry (Taiwan) Co., Ltd. Southern Lion Sdn. Bhd. P.T. Lion Wings
Chemical Products	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; management of value-added networks, etc.	Domestic affiliates	Lion Engineering Co., Ltd. Lion Business Service Co., Ltd. Lion Logistics Service Company, Ltd. Lion Cordial Support Co., Ltd. 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.

In this report, "Subsidiaries and Affiliates" is not disclosed, because there is no significant change from those reported in the recent financial statement report announced on March 29, 2007.

III. Management Policies

1. Basic Management Policies

Committed to its mission of active contribution to society and based on its philosophy that the market is where everything starts, Lion Corporation is striving toward providing customers with products and services that offer increased satisfaction in relation to the pursuit of cleanliness, health and beauty. Lion will do everything it can to maintain a good, healthy relationship with its stakeholders, including shareholders, customers, business clients, community members, and employees, and strengthen its corporate governance system. It will also do its utmost to fulfill corporate social responsibilities, which include environmental preservation, making every effort to further increase its corporate value as a highly trustworthy company capable of meeting the expectations of society.

2. Performance Targets

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

3. Medium and Long-term Management Strategies

Through implementation of the Value Innovation Plan Part II 09, a medium-term management plan launched in fiscal 2005 with the aim of bolstering management capabilities to enhance corporate value, the Lion Group is working to establish a business structure capable of withstanding global competition. Lion is also strengthening growth potential by creating new businesses, while streamlining its management for enhanced operational efficiency.

Lion will continue to implement the three reforms described below, striving to increase its corporate value through the creation of customer value through its pursuit of cleanliness, health, and beauty. Lion aims to achieve a No. 1 position in the new, comfortable lifestyle support industry that integrated toiletries, OTC drugs, and functional foods industries as a company helping people to lead pleasant, comfortable lives.

Reform 1: Restructuring the Foundation for Growth

Aiming to grow into a highly efficient and profitable corporate group that responds flexibly and swiftly to operating environment changes, Lion is shifting toward a business structure focusing on its core businesses. Lion is also endeavoring to enter new business fields by developing pioneering and innovative products with future profit potential.

During the interim period under review, Lion established a subsidiary in Malaysia in June 2007 for

the purpose of commercializing MES (methyl ester sulfonate) surfactant derived from palm oil, and started preparing for production scheduled for December 2008. Lion will aggressively use capital expenditure to conduct sales of this environmentally friendly MES to detergent makers around the world.

Lion has entered technical service and trademark rights contracts with U.S.-based Bristol-Myers Squibb Company. During the interim period under review, the Company decided to acquire the trademark for Bufferin analgesics and other products in Japan and Asia-Oceania (excluding several countries and regions including China) from Bristol-Myers Squibb. Against this backdrop, Lion will develop its businesses by further utilizing the brand value of Bufferin and other products to accelerate the growth of its Health Care business.

With these investments, Lion will further strengthen its business foundation to make itself No. 1 in the “new comfortable lifestyle support industry,” while strengthening its position as a leading company in environmental responsiveness.

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 continuously. 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 interim period under review, Lion continued its efforts to proactively address policies including those concerning the reduction of production and logistics costs. However, increased material costs from crude oil prices that hovered at high levels and spiraling prices for vegetable oil and fat significantly impacted performance results. Given this, Lion will work on structural reforms including revamping of production process with the aim enhancing the flexibility of production and reducing production costs.

Reform 3: Rapid Improvement of Management Capabilities

Lion will seek to increase the organizational strength of the entire Lion Group with a thoroughgoing implementation of performance- and competency-based human resource evaluation, and by developing and strengthening organizations with a downsized but highly capable workforce.

During the interim period under review, Lion reorganized its core domestic consumer goods business (Home Products and Pharmaceutical Products Divisions). Specifically, Lion transferred operations of the former Pharmaceutical Products segment into the new Health Care Products segment (Oral Care and Beauty Care) in order to enhance synergistic effects in technology, branding and logistics. After the reorganization, Lion restructured its consumer goods business into the three segments of Health Care Products, Household Products and the Gift and Channel-Specific Products Division.

Furthermore, Lion divided former Home Products Sales Headquarters into two business domains, namely the Health Care and the Household Sales Department, to promote more consistent business strategies and to clarify each segments' responsibility and domain. Under the new business segment structure, each division (Health Care and Household Products Division) independently handles planning and sales functions.

4. Management Issues

Continued harsh operating conditions are forecast for the Lion Group. Against this backdrop, Lion recognizes the following as particularly immediate and important issues:

1. Reconstructing our growth foundation for greater responsiveness to changes in the business environment
2. Strengthening measures to deal with raising raw material costs caused by high crude oil prices and increased costs for vegetable oils and fats
3. Expanding and deepening activities that will position Lion as a leading environmentally friendly company

To tackle the first management issue, "Reconstructing our growth foundation for greater responsiveness to changes in the business environment," Lion will continue to expand and upgrade its lineup of high-value-added products and functional food products that help customers lead pleasant and comfortable lives. To generate greater synergy through our management resources including proprietary technologies, we will examine opportunities for externally obtaining resources through mergers and acquisitions and other schemes. In addition, we will include functional food products within the scope of direct marketing channels with the aim of expanding business. Furthermore, Lion reorganized its business structure in March 2007 to deliver more promptly a continuous stream of items designed to better satisfy its customers, and more flexibly and accurately respond to changes in the retail and logistics markets.

To Strengthen measures to deal with raising raw material costs caused by high crude oil prices and increased costs for vegetable oils and fats, which is our second management issue, the Committee for Improving the Profit Profile will play a central role, adding new cost reduction initiatives while frontloading existing initiatives. Lion aims to raise cost efficiency in its operations by effectively rationalizing sales promotion costs and fixed costs. Targeting higher management efficiency, we will strive to bring innovation to our manufacturing processes, thereby reducing manufacturing costs in our mainstay product categories, while reconstructing core systems and streamlining indirect operations. At the same time, we will shift toward an optimal production structure involving overseas operational bases and the outsourcing of unprofitable businesses. In this manner, we will implement comprehensive and structural earnings reform.

Our third management issue, "Expanding and deepening activities that will position Lion as a leading environmentally friendly corporation," calls for reduction of greenhouse gas emissions, recycling and efficient use of natural resources, creation of environmentally friendly products, safe

management of chemical substances and fostering in-house awareness of the environment. These environmental protection activities constitute Lion's ECO LION activities that Lion is proactively enhancing. In specific terms, Lion is promoting switches to palm and coconut oils and other plant-based raw materials mainly used in laundry detergents and fabric softeners. This contributes to the prevention of global warming through the reduction of CO₂ emissions. Adding to this initiative, Lion is proactively developing environmentally friendly products and eliminating excessive use of containers and packaging.

Lion also established its Three-Year Medium-Term Environmental Plan (the Environmental Plan), setting out Group-wide specific goal of environmental management activities until 2009. On top of a reduction target for CO₂ emission in business activities, the Environmental Plan is unique in setting a goal to reduce CO₂ emissions of Lion products used in the home. Lion continues to strive to achieve these goals for 2009 through various measures, including the proactive use of plant-based ingredient that do not increase CO₂ in the atmosphere.

We will continuously conduct various activities to preserve the environment, thereby contributing significantly to the realization of a sustainable, recycling-oriented society.

IV. Consolidated Interim Financial Statements

1. Consolidated Interim Balance Sheets

	Interim 2006 (Ended June 30, 2006)		Interim 2007 (Ended June 30, 2007)		Fiscal 2006 (Ended December 31, 2006)	
	Millions of yen	Share of total (%)	Millions of yen	Share of total (%)	Millions of yen	Share of Total (%)
Assets						
Current assets	115,538	46.3	<u>120,846</u>	49.0	123,008	49.9
Cash and time deposits	16,589		24,813		26,995	
Trade notes and accounts receivable	64,857		59,872		64,138	
Short-term investments	—		1,019		—	
Inventories	27,783		<u>29,587</u>		26,387	
Deferred tax assets	3,745		3,445		3,491	
Other	4,290		3,974		3,867	
Allowance for doubtful accounts	(1,727)		(1,866)		(1,870)	
Fixed assets	133,879	53.7	126,005	51.0	123,318	50.1
Property, plant and equipment	67,854	27.2	64,398	26.1	65,606	26.7
Buildings and structures	21,643		21,515		21,410	
Machinery and equipment	21,343		20,061		18,936	
Land	19,538		18,870		18,824	
Construction in progress	2,347		868		3,401	
Other	2,981		3,081		3,033	
Intangible assets	9,912	4.0	8,815	3.5	9,428	3.8
Goodwill	1,090		962		1,026	
Trademarks, etc.	8,822		7,853		8,402	
Investments and other assets	56,112	22.5	52,791	21.4	48,282	19.6
Investment securities	37,315		28,044		26,853	
Long-term loans receivable	340		283		370	
Prepaid pension cost	6,748		12,888		9,766	
Deferred tax assets	10,384		10,647		10,272	
Other	1,549		1,090		1,181	
Allowance for doubtful accounts	(226)		(162)		(160)	
Total assets	249,418	100.0	<u>246,851</u>	100.0	246,327	100.0

	Interim 2006 (Ended June 30, 2006)		Interim 2007 (Ended June 30, 2007)		Fiscal 2006 (Ended December 31, 2006)	
	Millions of yen	Share of total (%)	Millions of yen	Share of total (%)	Millions of yen	Share of total (%)
Liabilities						
Current liabilities	99,756	40.0	<u>97,805</u>	<u>39.6</u>	98,375	39.9
Trade notes and accounts payable	42,450		50,193		50,185	
Commercial papers	7,694		—		237	
Short-term loans payable	8,784		5,922		7,612	
Other payables and accrued expenses	32,821		<u>32,732</u>		33,592	
Accrued income taxes	1,838		1,125		2,121	
Allowance for returns	785		909		940	
Allowance for sales promotion expenses	666		763		215	
Allowance for bonuses to directors and statutory auditors	—		71		50	
Other	4,715		6,087		3,420	
Long-term liabilities	36,706	14.7	42,131	17.1	42,818	17.4
Long-term debt	6,225		13,551		13,599	
Accrued employee retirement benefits	25,047		22,979		23,687	
Accrued director retirement allowances	341		543		526	
Other	5,091		5,057		5,004	
Total liabilities	136,462	54.7	<u>139,937</u>	<u>56.7</u>	141,193	57.3
Net assets						
Shareholders' equity	101,939	40.9	<u>97,276</u>	<u>39.4</u>	96,620	39.2
Common stock	34,433	13.8	34,433	13.9	34,433	14.0
Capital surplus	31,591	12.7	31,503	12.8	31,499	12.8
Retained earnings	52,124	20.9	<u>47,135</u>	<u>19.1</u>	46,600	18.9
Treasury stock	(16,210)	(6.5)	(15,796)	(6.4)	(15,913)	(6.5)
Valuation and translation adjustments	8,267	3.3	5,606	2.3	5,157	2.1
Unrealized holding gain on other securities	8,427	3.4	4,560	1.9	4,727	1.9
Deferred losses on hedges	—	—	(1)	(0.0)	(3)	(0.0)
Foreign currency translation adjustments	(159)	(0.1)	1,047	0.4	433	0.2
Stock Acquisition Rights	—	—	24	0.0	—	—
Minority interest in consolidated subsidiaries	2,748	1.1	4,008	1.6	3,354	1.4
Total net assets	112,955	45.3	<u>106,914</u>	<u>43.3</u>	105,133	42.7
Total liabilities and net assets	249,418	100.0	<u>246,851</u>	100.0	246,327	100.0

2. Consolidated Interim Statements of Income

	Interim 2006 (January to June 2006)		Interim 2007 (January to June 2007)		Fiscal 2006 (January to December 2006)	
	Millions of yen	% of net sales	Millions of yen	% of net sales	Millions of yen	% of net sales
Net sales	163,295	100.0	159,617	100.0	330,380	100.0
Cost of sales	81,979	50.2	76,173	47.7	165,570	50.1
Gross profit	81,315	49.8	83,443	52.3	164,810	49.9
Selling, general and administrative expenses	79,972	49.0	81,012	50.8	164,467	49.8
Operating income	1,343	0.8	2,431	1.5	343	0.1
Nonoperating income	1,596	1.0	1,732	1.1	2,983	0.9
Interest and dividend income	375		269		524	
Equity in earnings of non-consolidated subsidiaries and affiliates	814		936		1,555	
Other	405		525		903	
Nonoperating expenses	430	0.3	418	0.3	899	0.3
Interest expenses	153		227		344	
Other	277		191		555	
Ordinary income	2,508	1.5	3,744	2.3	2,427	0.7
Extraordinary income	5,941	3.7	265	0.2	15,114	4.6
Gain on disposal of property, plant and equipment	5,811		12		5,887	
Gain on sales of subsidiary shares	—		229		706	
Reversal of allowance for doubtful accounts	—		23		—	
Gain on sales of investment securities	0		—		8,387	
Other	128		—		132	
Extraordinary loss	3,313	2.0	<u>1,319</u>	<u>0.8</u>	4,521	1.4
Loss on disposal of property, plant and equipment	329		196		1,027	
<u>Voluntary product recall expenses</u>	—		<u>1,023</u>		—	
Impairment loss	197		67		481	
Loss on shutdown of a plant	1,530		—		1,644	
Early retirement payments	947		—		958	
Other	309		31		409	
Net income before income taxes	5,136	3.2	<u>2,690</u>	<u>1.7</u>	13,020	3.9
Income taxes	1,622	1.0	913	0.5	2,532	0.8
Adjustment of income taxes	1,763	1.1	(68)	(0.0)	4,660	1.4
Minority interest in earnings of consolidated subsidiaries	—	—	—	—	287	0.0
Minority interest in loss of consolidated subsidiaries	19	0.0	17	0.0	—	
Net income	1,770	1.1	<u>1,862</u>	<u>1.2</u>	5,540	1.7

3. Consolidated Interim Statement of Changes in Shareholders' Equity

Interim 2006 (January 1 to June 30, 2006)

(Millions of yen)

	Shareholders' equity				
	Common Stock	Capital surplus	Retained Earnings	Treasury stock	Total shareholders' equity
Balance at December 31, 2005	34,433	31,584	51,834	(16,443)	101,409
Increase / decrease during the term under review					
Cash dividends			(1,417)		(1,417)
Bonuses to directors and corporate auditors			(73)		(73)
Interim net income			1,770		1,770
Treasury stock acquired, net				(99)	(99)
Gain on sales of treasury stock		6		333	339
Net increase due to subsidiaries excluded from consolidation			10		10
Increase / decrease during the term under review except shareholders' equity					
Total increase / decrease during the term under review	—	6	289	233	529
Balance at June 30, 2006	34,433	31,591	52,124	(16,210)	101,939

	Valuation and translation adjustments			Minority interest in consolidated subsidiaries	Total net assets
	Unrealized holding gain on other securities	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance at December 31, 2005	7,654	38	7,693	2,789	111,892
Increase / decrease during the term under review					
Cash dividends					(1,417)
Bonuses to directors and corporate auditors					(73)
Interim net income					1,770
Treasury stock acquired, net					(99)
Gain on sales of treasury stock					339
Net increase due to subsidiaries excluded from consolidation					10
Increase / decrease during the term under review except shareholders' equity	772	(198)	573	(40)	532
Total increase / decrease during the term under review	772	(198)	573	(40)	1,062
Balance at June 30, 2006	8,427	(159)	8,267	2,748	112,955

Interim 2007 (January 1 to June 30, 2007)

(Millions of yen)

	Shareholders' equity				
	Common Stock	Capital surplus	Retained Earnings	Treasury stock	Total shareholders' equity
Balance at December 31, 2006	34,433	31,499	46,600	(15,913)	96,620
Increase / decrease during the term under review					
Cash dividends			(1,350)		(1,350)
Interim net income			<u>1,862</u>		<u>1,862</u>
Treasury stock acquired, net				(83)	(83)
Gain on sales of treasury stock		3		200	204
Net increase due to inclusion of affiliates in consolidation			22		22
Increase / decrease during the term under review except shareholders' equity					
Total increase / decrease during the term under review	—	3	<u>534</u>	116	<u>655</u>
Balance at June 30, 2007	34,433	31,503	<u>47,135</u>	(15,796)	<u>97,276</u>

	Valuation and translation adjustments				Stock Acquisition Rights	Minority interest in consolidated subsidiaries	Total net assets
	Unrealized holding gain on other securities	Deferred gains / losses on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments			
Balance at December 31, 2006	4,727	(3)	433	5,157	—	3,354	105,133
Increase / decrease during the term under review							
Cash dividends							(1,350)
Interim net income							<u>1,862</u>
Treasury stock acquired, net							(83)
Gain on sales of treasury stock							204
Net increase due to inclusion of affiliates in consolidation							22
Increase / decrease during the term under review except shareholders' equity	(166)	1	613	448	24	653	1,126
Total increase / decrease during the term under review	(166)	1	613	448	24	653	<u>1,781</u>
Balance at June 30, 2007	4,560	(1)	1,047	5,606	24	4,008	<u>106,914</u>

Fiscal 2006 (January 1 to December 31, 2006)

(Millions of yen)

	Shareholders' equity				
	Common Stock	Capital surplus	Retained Earnings	Treasury stock	Total shareholders' equity
Balance at December 31, 2005	34,433	31,584	51,834	(16,443)	101,409
Increase / decrease during the term under review					
Retirement of treasury stock		(97)	(7,861)	7,959	—
Cash dividends			(2,837)		(2,837)
Bonuses to directors and corporate auditors			(73)		(73)
Net income			5,540		5,540
Treasury stock acquired, net				(7,860)	(7,860)
Gain (loss) on sales of treasury stock		12	(0)	431	443
Net decrease due to subsidiaries and affiliates excluded from consolidation			(0)		(0)
Other, net			(0)		(0)
Increase / decrease during the term under review except shareholders' equity					
Total increase / decrease during the term under review	—	(85)	(5,234)	530	(4,788)
Balance at December 31, 2006	34,433	31,499	46,600	(15,913)	96,620

	Valuation and translation adjustments				Minority interest in consolidated subsidiaries	Total net assets
	Unrealized holding gain on other securities	Deferred gains / losses on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance at December 31, 2005	7,654	—	38	7,693	2,789	111,892
Increase / decrease during the term under review						
Retirement of treasury stock						—
Cash dividends						(2,837)
Bonuses to directors and corporate auditors						(73)
Net income						5,540
Treasury stock acquired, net						(7,860)
Gain (loss) on sales of treasury stock						443
Net decrease due to subsidiaries and affiliates excluded from consolidation						(0)
Other, net						(0)
Increase / decrease during the term under review except shareholders' equity	(2,927)	(3)	394	(2,535)	565	(1,970)
Total increase / decrease during the term under review	(2,927)	(3)	394	(2,535)	565	(6,758)
Balance at December 31, 2006	4,727	(3)	433	5,157	3,354	105,133

4. Consolidated Interim Statements of Cash Flows

	Interim 2006 (January to June 2006)	Interim 2007 (January to June 2007)	Fiscal 2006 (January to December 2006)
	Millions of yen	Millions of yen	Millions of yen
I. Cash flows from operating activities			
Income before income taxes	5,136	<u>2,690</u>	13,020
Depreciation and amortization	4,715	4,502	9,634
Impairment loss	197	67	481
(Decrease) increase in accrued retirement benefits	(3,421)	(3,858)	(7,636)
Interest and dividend income	(375)	(269)	(524)
Interest expense	153	227	344
Gain (loss) on disposal of property, plant and equipment	(5,482)	184	(4,860)
Gain on sale of investment securities	(0)	—	(8,387)
Equity in earnings of affiliates	(814)	(936)	(1,555)
Decrease (increase) in trade notes and accounts receivable	3,599	4,956	4,768
Increase in inventories	(249)	<u>(2,857)</u>	1,520
Increase (decrease) in trade notes and accounts payable	(12,162)	(218)	(5,183)
Increase (decrease) in accrued expenses and other payables	2,742	<u>(88)</u>	1,387
Other, net	314	4,454	321
Subtotal	(5,648)	8,854	3,329
Interest and dividends received	1,857	1,694	1,962
Interest paid	(159)	(257)	(274)
Income taxes paid	(1,026)	(1,938)	(1,674)
Net cash provided by operating activities	(4,976)	8,353	3,343
II. Cash flows from investing activities			
Decrease in time deposits	85	12	(57)
Redemption of short-term investments	500	—	500
Purchases of property, plant and equipment	(5,305)	(4,696)	(10,034)
Proceeds from sale of property, plant and equipment	6,039	63	7,738
Purchases of intangible assets	(408)	(139)	(570)
Purchases of investment securities	(1,749)	(1,236)	(2,412)
Proceeds from sale of investment securities	3	0	14,242
Purchase of subsidiary shares	(2)	(724)	(3)
Proceeds from sale of subsidiary shares	—	307	734
Additions to loans receivable	(105)	(35)	(170)
Proceeds from loans receivable	64	93	143
Other, net	(257)	115	982
Net cash used in investing activities	(1,135)	(6,237)	11,092
III. Cash flows from financing activities			
Increase in short-term loans payable	5,579	3,632	6,460
Repayment of short-term loans payable	(4,887)	(5,420)	(7,046)
Increase in long-term loans payable	—	—	7,500
Repayment of long-term loans payable	(64)	(52)	(200)
Increase in commercial paper payable	13,697	—	26,054
Repayment of commercial paper payable	(6,197)	(237)	(26,019)

Purchases of odd-lot shares, net	(62)	(75)	(86)
Proceeds from sale of treasury stock	302	195	342
Purchases of treasury stock	—	—	(7,672)
Cash dividends	(1,415)	(1,342)	(2,835)
Cash dividends to minority shareholders	(107)	(180)	(107)
Net cash used in financing activities	6,843	(3,479)	(3,610)
IV. Effect of exchange rate changes on cash and cash equivalents	0	214	168
V. Net change in cash and cash equivalents	731	(1,149)	10,994
VI. Cash and cash equivalents at beginning of period	15,788	26,782	15,788
VIII. Cash and cash equivalents at end of period	16,520	25,633	26,782

Notes to Consolidated Financial Statements

1. Scope of Consolidation

Lion Corporation has 25 subsidiaries, of which 20 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.

Exclusion: McCormick-Lion Limited was excluded from consolidation because its liquidation was completed.

2. Application of Equity-Method Accounting

Equity-method accounting is applied to two out of 5 non-consolidated subsidiaries and to ten out of 17 affiliated companies.

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

Exclusion: Kanagata (Thailand) Co., Ltd. which was a subsidiary company of Lion Corporation (Thailand) Ltd. was excluded from equity-method companies because whole subsidiary shares were transferred.

Inclusion: Pacific Soap Mfg. Sdn. Bhd. and Lion Service Company Limited which is a subsidiary company of Lion Corporation (Thailand) Ltd. were included as equity-method companies due to increased importance of these companies.

3. Balance Sheet Date of Consolidated Subsidiaries

June 30 is the interim balance sheet date of 20 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 net assets, 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.

c) Recognition of Allowances

1) Allowance for doubtful accounts

To provide for potential losses on loans, an allowance is made by Lion 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 interim 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 bonuses to directors and statutory auditors

To provide for the payment of bonuses to directors and statutory auditors, an allowance is made based on projected amount.

5) Allowance for retirement benefits

To provide for the payment of retirement benefits to employees, an allowance is made 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.

6) 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 interim balance sheet date in accordance with Lion's director retirement allowance regulations.

In accordance with the adoption of stock options under a stock-based compensation plan at the parent

company, no additional allowances have been made after March 30, 2006.

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 minority interest in consolidated subsidiaries and valuation and translation adjustments under net assets.

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 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

3) Hedging policy

Currency risk and interest-rate risk are hedged by the accounting unit of Lion 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 goodwill

Goodwill 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

	Interim 2006	Interim 2007	(Millions of yen) Fiscal 2006
1. Cumulative depreciation of property, plant and equipment	152,514	147,430	144,961
2. Assets pledged as collateral			
Land	318	336	327
Buildings and structures	1,531	1,691	1,626
Machinery and equipment	506	570	549
Total	2,356	2,598	2,503
Secured debt			
Short-term loans payable	318	450	328
Account payable	146	128	272
Total	465	578	600
3. Endorsed notes receivable	32	43	43
4. Balance Outstanding of Export Bills	—	5	121
Negotiated			
5. Guarantees of debt	3,670	2,893	3,591
6. Notes with their maturity date as of the interim balance sheet date are settled for accounting purposes as of their clearing date.			

Notes to Consolidated Statements of Income

Breakdown of significant selling, general and administrative expenses:

(Millions of yen)

	Interim 2006	Interim 2007	FY 2006
Sales incentive expenses	6,807	6,644	14,660
Sales promotion expenses	30,652	31,364	63,753
Freight and storage expenses	7,973	7,817	16,549
Advertising expenses	11,438	11,044	22,393
Salaries	7,523	7,371	14,729
R&D expenses	3,874	4,231	7,922

*No R&D expenses have been included in production expenses for interim 2007.

Notes to Consolidated Interim Statement of Changes in Shareholders' Equity

1. Outstanding Shares

Class of shares	Number of shares held at December 31, 2006	Increase	Decrease	Number of shares held at June 30, 2007
Common shares (shares)	299,115,346	—	—	299,115,346

2. Treasury stock

Class of shares	Number of shares held at December 31, 2006	Increase	Decrease	Number of shares held at June 30, 2007
Common shares (shares)	28,974,638	124,936	398,680	28,700,894

Reasons for the Changes

- Increase: Purchase of odd lot shares of common stock—124,936 shares
- Decrease: Release of treasury stock to allow shareholders with less than a full lot to complete their holdings—12,436 shares; Release in response to execution of stock compensation rights—386,244 shares

3. Dividends

a) Amount of dividend payments

Resolution	Class of shares	Annual dividend paid (million Yen)	Dividend par share (Yen)	Record date	Effective date
Board of Directors meeting held on February 9, 2007	Common shares	1,350	5.00	December 31, 2006	March 5, 2007

b) Dividends with a record date that falls within the interim period under review and an effective date in the following fiscal period

Resolution	Class of shares	Dividend Resource	Annual dividend paid (million Yen)	Dividend par share (Yen)	Record date	Effective date
Board of Directors meeting held on July 31, 2007	Common shares	Retained earnings	1,352	5.00	June 30, 2007	September 5, 2007

Notes to Consolidated Statements of Cash Flows

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

	Interim 2006 (June 30, 2006)	Interim 2007 (June 30, 2007)	(Millions of yen) FY 2006 (December 31, 2006)
Cash and deposits	16,589	24,813	26,995
Marketable securities	–	1,019	–
Time deposits with maturities greater than three months	(69)	(200)	(212)
Total	16,520	25,633	26,782

Segment Information

1. Industry Segments

(Millions of yen)

	Interim 2006 (January 1 to June 30, 2006)						
	Home products	Pharmaceutical products	Chemical products	Other businesses	Total	Corporate and eliminations	Consolidated total
1. Net sales							
a) Sales to outside customers	114,282	23,636	16,074	9,301	163,295	—	163,295
b) Intersegment sales	4	—	3,960	2,660	6,625	[6,625]	—
Total	114,287	23,636	20,034	11,961	169,920	[6,625]	163,295
Operating expenses	114,346	22,083	20,158	12,045	168,633	[6,681]	161,952
Operating income	(58)	1,553	(123)	(83)	1,286	56	1,343

	Interim 2007 (January 1 to June 30, 2007)						
	Health care products	Household products	Chemical products	Other businesses	Total	Corporate and eliminations	Consolidated total
1. Net sales							
a) Sales to outside customers	65,014	76,525	15,728	2,349	159,617	—	159,617
b) Intersegment sales	5	4	3,831	4,736	8,576	[8,576]	—
Total	65,020	76,529	19,559	7,085	168,194	[8,576]	159,617
Operating expenses	62,297	76,973	19,714	6,952	165,938	[8,751]	157,186
Operating income	2,722	(443)	(155)	133	2,256	174	2,431

	FY 2006 (January 1 to December 31, 2006)						
	Home products	Pharmaceutical products	Chemical products	Other businesses	Total	Corporate and eliminations	Consolidated total
1. Net sales							
a) Sales to outside customers	235,020	47,981	32,334	15,044	330,380	—	330,380
b) Intersegment sales	10	—	8,019	6,590	14,620	[14,620]	—
Total	235,030	47,981	40,353	21,635	345,001	[14,620]	330,380
Operating expenses	235,366	47,038	40,640	21,606	344,652	[14,614]	330,037
Operating income	(335)	943	(286)	28	349	[5]	343

Note:

Categorization of industry segments and principal products

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

- Health care products: Toothpastes, toothbrushes, hand soaps, analgesics, eyedrop solutions, health tonic drinks, and insecticides
- Household products: Laundry detergents, dishwashing detergents, fabric softeners, household cleaners, and bleaches
- Chemicals: Surfactants and fatty acid nitrogen compounds
- Other businesses: Plant construction, real estate management, and transportation and storage

< Changes in Business Segments >

During the interim period under review, Lion reorganized its business segments. Lion's previous business segments were Home Products, Pharmaceutical Products, Chemicals Products, and Other businesses; its new business segments are Health Care Products, Household Products, Chemical Products and Other businesses. The organization of Chemical Products and Other businesses has not been changed.

The rationale behind the reorganization is as follows. In the former Pharmaceutical Products segment, Lion primarily handled analgesics, eyedrop solutions, inflammation and pain-relieving first-aid products, ointments for the treatment of gingivitis and pyorrhea, denture semi-adhesive agents, Hiepita semi-adhesive cooling pads and Kyusoku Jikan semi-adhesive cooling pads for legs and feet. Lion also added new product categories including insecticides to its business portfolio at the end of 2004. All these Pharmaceutical Products excluding analgesics, eyedrop solutions and inflammation and pain-relieving first-aid products, which are functionally similar to Lion's Home Products, eventually grew into a significant component of Lion's entire business and profit structure. Lion also established the medical health care products category at the end of 2006 by integrating the Home Products and Pharmaceutical Products into the Home Products segment.

Recognizing the diminishing boundary between the former Home Products and Pharmaceutical Products segments, Lion positioned the three businesses of toiletries, over-the-counter (OTC) drugs and functional food products as its "new comfortable lifestyle support industry." Based on this concept, Lion created the new segments of Health Care Products and Household Products. The Health Care Products segment handles toiletry ingredients, personal hygiene kits and oral medicine that contribute to the improvement of consumers' physical health—more specifically, their oral, hair and skin conditions. The Household Products segment handles items that are used in the everyday living environment, including clothing, living space, fixtures and furniture. This new segmentation allows Lion to present its segmental management performance more accurately, reflecting actual conditions in each segment that comprise closely linked product categories. This structural reorganization also accompanies managerial and administrative reorganization.

Segment information disclosed under the historic method is as follows.

(Millions of yen)

	Interim 2007 (Historic method) (January 1 to June 30, 2007)						
	Home products	Pharmaceutical products	Chemical products	Other businesses	Total	Corporate and eliminations	Consolidated total
1. Net sales							
a) Sales to outside customers	119,096	22,443	15,728	2,349	159,617	—	159,617
b) Intersegment sales or transfers	4	—	3,831	4,736	8,571	[8,571]	—
Total	119,101	22,443	19,559	7,085	168,189	[8,571]	159,617
Operating expenses	117,214	21,890	19,714	6,952	165,772	[8,585]	157,186
Operating income	1,886	552	(155)	133	2,416	14	2,431

2. Geographical Segments

	Interim 2006 (January 1 to June 30, 2006)				
	Japan	Asia	Total	Corporate and eliminations	Consolidated total
1. Net sales					
a) Sales to outside customers	141,905	21,390	163,295	—	163,295
b) Intersegment sales	900	1,082	1,982	[1,982]	—
Total	142,805	22,472	165,277	[1,982]	163,295
Operating expenses	141,701	22,376	164,077	[2,125]	161,952
Operating income	1,104	95	1,200	143	1,343

	Interim 2007 (January 1 to June 30, 2007)				
	Japan	Asia	Total	Corporate and eliminations	Consolidated total
1. Net sales					
a) Sales to outside customers	133,831	25,786	159,617	—	159,617
b) Intersegment sales	475	789	1,265	[1,265]	—
Total	134,306	26,575	160,882	[1,265]	159,617
Operating expenses	132,789	25,852	158,641	[1,454]	157,186
Operating income	1,517	723	2,241	189	2,431

	FY 2006 (January 1 to December 31, 2006)				
	Japan	Asia	Total	Corporate and elimina- tions	Consoli- dated total
1. Net sales					
a) Sales to outside customers	284,907	45,473	330,380	—	330,380
b) Intersegment sales	1,615	1,990	3,605	[3,605]	—
Total	286,522	47,463	333,986	[3,605]	330,380
Operating expenses	287,107	46,831	333,938	[3,900]	330,037
Operating income	(584)	632	47	295	343

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, and Thailand

3. Foreign Sales

	Interim 2006 (January 1 to June 30, 2006)		
	Asia	Other regions	Total
Foreign sales (millions of yen)	22,971	1,973	24,944
Consolidated net sales (millions of yen)	—	—	163,295
Percent of foreign sales in consolidated net sales (%)	14.1	1.2	15.3

	Interim 2007 (January 1 to June 30, 2007)		
	Asia	Other regions	Total
Foreign sales (millions of yen)	27,093	1,314	28,407
Consolidated net sales (millions of yen)	—	—	159,617
Percent of foreign sales in consolidated net sales (%)	17.0	0.8	17.8

	FY 2006 (January 1 to December 31, 2006)		
	Asia	Other regions	Total
Foreign sales (millions of yen)	48,580	4,036	52,616
Consolidated net sales (millions of yen)	—	—	330,380
Percent of foreign sales in consolidated net sales (%)	14.7	1.2	15.9

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, and 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.

Notes to Lease Transactions

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

(Millions of yen)

	Interim 2006 (January to June 2006)	Interim 2007 (January to June 2007)	FY 2006 (January to December 2006)
1. Equivalent acquisition cost, equivalent accumulated depreciation, and equivalent balance at end of period			
Equivalent acquisition cost			
Machinery and equipment	73	95	90
Other property, plant and equipment	1,671	1,493	1,595
<u>Intangible assets</u>	<u>247</u>	<u>159</u>	<u>228</u>
Total	1,991	1,748	1,914
Equivalent accumulated depreciation			
Machinery and equipment	20	36	30
Other property, plant and equipment	875	874	921
<u>Intangible assets</u>	<u>155</u>	<u>112</u>	<u>161</u>
Total	1,051	1,023	1,113
Equivalent balance at end of period			
Machinery and equipment	52	59	59
Other property, plant and equipment	795	618	673
<u>Intangible assets</u>	<u>91</u>	<u>47</u>	<u>67</u>
Total	939	725	800
2. Equivalent lease commitments at end of period			
Due within one year	383	294	336
<u>Due after one year</u>	<u>556</u>	<u>430</u>	<u>464</u>
Total	939	725	800
3. Lease payments (Equivalent depreciation)	205	193	408
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 2006 (at June 30, 2006)

a) Other marketable securities with market prices

(Millions of yen)

	Acquisition cost	Book value for interim period	Difference
Stocks	15,847	30,120	14,272
Total	15,847	30,120	14,272

b) Securities without market prices

(Millions of yen)

	Book value for interim period
Other marketable securities Unlisted stocks	1,375

2. Consolidated Interim 2007 (at June 30, 2007)

a) Other marketable securities with market prices

(Millions of yen)

	Acquisition cost	Book value for interim period	Difference
Stocks	12,097	19,814	7,716
Total	12,097	19,814	7,716

b) Securities without market prices

(Millions of yen)

	Book value for interim period
Other marketable securities Unlisted stocks	1,417

3. Consolidated Fiscal 2006 (at December 31, 2006)

a) Other marketable securities with market prices

(Millions of yen)

	Acquisition cost	Book value for fiscal year	Difference
1. Stocks	10,840	18,889	8,048
Total	10,840	18,889	8,048

b) Securities without market prices

(Millions of yen)

	Book value for fiscal year
Other marketable securities	
Unlisted stocks	1,391

Derivatives Position, Market Value, and Valuation Gain or Loss

There is no derivatives position to disclose.

Stock Options

Consolidated Interim 2007 (January 1, 2007 to June 30, 2007)

1. Amount Equivalent to Stock Options and Relevant Line Items

Selling, general and administrative expenses: ¥24 million

2. Details of Stock Options Offered during the Interim Period under Review

	Stock options (subscription rights) as part of a stock-linked compensation plan decided on March 29, 2007
Number of persons to which subscription rights shall be allotted	Directors (except external directors): 9 Executive officers: 10
Type and number of shares to be issued (Note 1)	149,619 shares of common stock
Date of subscription right offer allotment	April 16, 2007
Vesting conditions	Note 2
Conditions related to employment period	None
Exercise period for subscription rights	Lion's Board of Directors shall determine an exercise period that falls between April 16, 2007 and April 15, 2037.
Exercise Price (Yen)	1
Fair unit price as of the date granted (Yen) (Note 3)	654

Note:

1. Stock options are converted into shares of common stock.
2. Lion's directors (excluding external directors) shall exercise their subscription rights within a 10-day period from the day following their leave from office after at least one year of service in the said position. This condition does not apply to directors in the event of death. Lion's executive officers shall exercise their subscription rights within a 10-day period from the next day following (1) their leave from office, or (2) their retirement date, whichever date comes later after at least one year of service in the said position. This condition does not apply to executive officers in the event of death.
3. The aforementioned amounts were calculated using the Black-Scholes model on April 16, 2007.

Matters Related to Business Combinations

None

Per Share Information

	Interim 2006 (January 1 to June 30, 2006)	Interim 2007 (January 1 to June 30, 2007)	FY 2006 (January 1 to December 31, 2006)
Net assets per share	388.05 Yen	<u>380.46</u> Yen	376.76 Yen
EPS	6.24 Yen	<u>6.89</u> Yen	19.60 Yen
Diluted EPS	6.22 Yen	<u>6.88</u> Yen	19.52 Yen

Note: Net income per share (EPS) and diluted net income per share (diluted EPS)

	Interim 2006 (January 1 to June 30, 2006)	Interim 2007 (January 1 to June 30, 2007)	FY 2006 (January 1 to December 31, 2006)
EPS			
Net income (millions of Yen)	1,770	<u>1,862</u>	5,540
Amount not belong to common stockholders (millions of Yen)	—	—	—
Net Income concerning common stock (millions of Yen)	1,770	<u>1,862</u>	5,540
Average number of outstanding shares during the period (thousands of shares)	283,727	270,282	282,721
Diluted EPS			
Net income adjustment (millions of Yen)	—	—	—
Increase in number of common stocks (thousands of shares)	929	436	1,101
Of which, stock options (thousands of shares)	[929]	[436]	[1,101]
Summary of residual shares not included in diluted EPS due to lack of dilution effect.	Stock options resolved by the Ordinary Annual General Meeting of Shareholders held on March 30, 2006 (Subscription Rights) 950,000 shares of common stocks	Stock options resolved by the Ordinary Annual General Meeting of Shareholders held on March 30, 2006 (Subscription Rights) 950,000 shares of common stocks	Stock options resolved by the Ordinary Annual General Meeting of Shareholders held on March 30, 2006 (Subscription Rights) 950,000 shares of common stocks

Significant Post Balance Sheet Date Events

Purchase of a Trademark and Cancellation of a Joint-Venture Contract

Lion launched BUFFERIN® analgesics which Bristol-Myers Company (currently Bristol-Myers Squibb Company, "BMS") had in 1962 in Japan under a trademark and technical license agreement with BMS.

Lion is strengthening its OTC drugs business and is seeking to expand in Asia under its mid-term management plan, called Value Innovation Plan Part II 09 (VIP II 09). In accordance with this plan, Lion plans to become the leading player in the "New Comfortable Lifestyle Support Industry," which is comprised of toiletries, OTC drugs and functional food products.

On the other hand, BMS has been enhancing its strategy to focus on ethical drugs covering such disease areas as thrombosis and oncology.

Under respective strategies of both companies, Lion resolved at a Board of Directors' meeting held on June 29, 2007, to acquire trademark rights for the analgesics brand "BUFFERIN®" in Japan and other countries in the Asia and Oceania regions from BMS.

1. Purchase of a Trademark

Lion purchased a trademark from BMS on July 31, 2007 for a total of ¥30,400 million. Accordingly, Lion has cancelled the joint-venture contract signed with Bristol Myers K.K., the Japanese arm of BMS.

2. Impact on Lion's Performance

The trademark purchase will be amortized in fiscal 2007, the fiscal year ending December 31, 2007. The amount of such amortization will most likely be offset by increased income attributed to Lion's independent operations of relevant businesses that were previously conducted by the joint-venture company. Considering these factors, Lion expects no material impact of the trademark purchase on its performance.

3. Loans

Lion executed long-term debt financing, the proceeds from which were used for the purchase of the trademark and will be used as capital to enable Lion to independently operate relevant businesses.

(a) Borrowing Method

Syndicated term loan arranged by Mizuho Bank, Ltd. and The Bank of Tokyo-Mitsubishi UFJ, Ltd.

(b) Loan Amount and Conditions

Amount: ¥35,000 million

Interest rate: Variable rate based on Yen 6-month Tokyo Inter-Bank Offered Rate (Japanese Yen TIBOR). With the aim of hedging risks associated with variable rates, Lion has additionally signed an interest rate swap contract.

Repayment method: Combination of lump-sum repayment on maturity and repayment in installments

(c) Drawdown Date and Repayment Deadline

Drawdown date: July 30, 2007 (received in full amount)

Repayment deadline: July 2014

(d) Collateral Pledged and Guarantee

None

(e) Financial Covenant Requirements

Lion is required to meet certain financial covenant requirements included in the syndicated loan contract. In the event of failure to meet those requirements, Lion may lose the benefit of term relating to all of the debt based on the contract.

Extraordinary Loss associated with the Voluntary Product Recall

1. Reason for revision

Lion Corporation launched sales of its Varsan Hyosatsu Jet Spray for Flying Bugs and Varsan Hyosatsu Jet Spray for Creeping Bugs in March 2007, both of which are aerosol products employing a flammable gas. Despite Lion's inclusion of warning labels on the sprays advising against use in proximity to open flames or sparks, several cases of combustion have occurred during use of the products. Placing top priority on customer safety, Lion decided to implement a voluntary recall of the products to prevent further incidents. Lion announced the recall on August 27, 2007.

Accordingly, Lion has revised its consolidated interim financial statements for the six months ended June 30, 2007 to reflect estimated costs associated with the recall and the related loss on inventory valuation as of June 30, 2007.

2. Details of revision

In accordance with the reasons detailed above, Lion recorded a total of ¥1,023 million in estimated costs associated with the recall and the related loss on inventory valuation as of June 30, 2007. The estimated total was recorded under extraordinary losses as "Voluntary product recall expenses."

As a result, consolidated extraordinary losses for the interim period ended June 30, 2007 increased ¥1,023 million year on year to ¥1,319 million, while net income before income taxes as well as net

income declined by an equivalent amount, finishing at ¥2,690 million and ¥1,862 million respectively.

3. Impact on results for the fiscal year ending December 31, 2007

The expected effect of the product recall on the Company's full-year results will be announced when confirmed.

Non-consolidated financial statements are omitted from this English version report, because the importance of such information is deemed to be low.