

Summary of Financial Statements
for the Third Quarter Ended September 30, 2007

October 31, 2007

Company name: Lion Corporation

Listed stock exchanges: Tokyo Stock Exchange and Osaka Securities Exchange

Code: 4912

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

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1. Results for the Third Quarter Ended September 30, 2007
(January 1, 2007 – September 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	%
Nine months ended September 2007	244,994	4.5	4,679	—	5,899	—	3,640	—
Nine months ended September 2006	234,548	(0.4)	(4,222)	—	(2,542)	—	(960)	—
Fiscal 2006	330,380	—	343	—	2,427	—	5,540	—

	EPS	Diluted EPS
	yen	yen
Nine months ended September 2007	13.46	13.44
Nine months ended September 2006	(3.38)	—
Fiscal 2006	19.60	19.52

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.

b) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2007	276,453	106,210	37.0	377.97
September 30, 2006	252,519	110,786	42.7	379.24
December 31, 2006	246,327	105,133	41.3	376.76

c) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Nine months ended September 2007	7,680	(37,534)	29,846	26,796
Nine months ended September 2006	67	(1,086)	5,215	20,038
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	4,500	(18.8)	16.65

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

4. Others

- a) Significant Change in Scope of Consolidation during Period: No
- b) Adoption of simplified accounting method: Yes.
- c) Changes in accounting method from the most recent fiscal year: Yes.

Please refer to <Qualitative Information> 4. Others on page 8.

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. Please refer to Qualitative Information Concerning Forecast of Consolidated Financial Results on pages 8.

<Qualitative Information>

1. Qualitative Information Concerning the Consolidated Results of Operations

Management Performance

During the third quarter of the current fiscal year, the Japanese economy benefited from an overall recovery trend. This was despite signs of weakness in private-sector capital expenditure as well as personal consumption throughout the latter half. In the domestic toiletries industry, the Group's core business domain, Lion confronted a harsh operating environment. Despite the bottoming out of retail prices that in the previous fiscal year had continued to fall, difficult conditions were attributed to ongoing fierce competition amid sharp increases in the prices of crude oil, vegetable oil and fats.

Under these circumstances, net sales totaled ¥244,994 million for the period under review, an increase of 4.5% year on year. This was attributed to a variety of factors including the launch and development of new products in Japan and the positive impact of overseas market expansion. On the earnings front, Lion reported a year-on-year turnaround in both operating income and ordinary income. Despite the impact of rising raw material costs most notably reflecting the sharp increase in prices of crude oil, vegetable oils and fats, operating income and ordinary income for the period under review were ¥4,679 million and ¥5,899 million, respectively. This was against an operating loss of ¥4,222 million and an ordinary loss of ¥2,542 million in the corresponding period of the previous fiscal year. This significant turnaround can be attributed to a number of factors including the increase in health care and household product sales as well as total cost reducing measures designed to cutback manufacturing and other costs. In the fiscal period under review, Lion recorded an extraordinary loss in connection with the voluntary recall of Varsan Hyosatsu Jet Spray for Flying Bugs and Varsan Hyosatsu Jet Spray for Creeping Bugs. As a result, net income was held to ¥3,640 million, against a net loss of ¥960 million in the corresponding period of the previous fiscal year.

Segment Information

<Health Care Products>

(Millions of yen)

	FY 2007 3rd quarter	Ratio to net sales	FY 2006 3rd quarter	Ratio to net sales	Increase/ decrease	Change
Net sales	98,332		96,551		1,781	1.8%
Operating income	3,511	3.6%	※—	—	—	—

* Operating income by segment for the third quarter of the previous fiscal year is not provided in this document.

* In the period under review, Lion reclassified its business segments. Please refer to page 16 for operating income information by business segment prior to reclassification.

In health care products, net sales increased 1.8% year on year to ¥98,332 million, and operating income was ¥3,511 million.

In Japan, sales of the Health Care Products segment were firm due to the release of new products in the Company's core brands and aggressive efforts to cultivate new product categories and other factors.

Overseas, sales of toothpastes and toothbrushes in Thailand, Singapore and Hong Kong were robust. As a result, overall results outside of Japan increased compared with the corresponding period of the previous fiscal year.

Oral Care Products Division

In the Oral Care Products Division, Lion strived to reinforce its mainstay Clinica series by launching new toothpastes, toothbrushes and mouthwashes.

In toothpastes, sales exceeded those of a year earlier due to brisk sales of Dentor Clear MAX following its launch in April 2007. This result was also propelled by Clinica Cavity Protection, which breaks down and removes plaque by means of an enzyme while strengthening teeth with fluoride ions, and other products.

Toothbrush sales remained strong, owing to the release of the Point Floss-type Clinica toothbrush that can remove interdental plaque thanks to its unique bristle alignment.

In dental products, sales edged up from the corresponding period of the previous fiscal year due to robust sales of the DENT. EX Interdental brush and DENT. Check-Up anti-cavity toothpaste series.

Beauty Care Products Division

In the Beauty Care Products division, Lion launched the new PRO TEC HEAD series for men's scalp care, aggressively cultivating a new business category.

Sales of Soft-in-One shampoo were strengthened by having a new texturizing type in the lineup, contributing to the significant sales increase from a year earlier.

In hand soaps, sales of Kireikirei Medicated Liquid Hand Soap and Kireikirei Medical Foaming Hand Soap surged year on year, leading to a significant increase in overall hand soap sales.

In antiperspirants and deodorants, sales of the Company's mainstay new Ban Deodorant Powder Spray were solid. However, competition was fierce and overall sales in this category fell below the

corresponding period of the previous fiscal year.

Pharmaceutical Products Division

In the Pharmaceutical Products Division, Lion proactively developed a new business category by releasing new intestinal medicines and other products while nurturing its core fields, such as in analgesics.

In analgesics, sales increased due to robust sales of the flagship product Bufferin A, the trademark rights to which Lion had acquired in July 2007.

During the period under review, Lion launched new Smile 40 Mediclear eyedrops that are effective in preventing itchy, bloodshot eyes and various other conditions. Despite these efforts, sales fell below the corresponding period of the previous fiscal year due to intensifying market competition.

In tonics and nutrients, overall sales were stagnant, reflecting the shrinking market despite strong sales of New Guromont health tonic drink.

In addition to these products, Lion released Stoppa Day Balance medicine for intestinal disorders and Halix Smoove Tablets to alleviate joint pain and nerve pain in a bid to develop new markets.

<Household Products>

(Millions of yen)

	FY 2007 3rd quarter	Ratio to net sales	FY 2006 3rd quarter	Ratio to net sales	Increase/ decrease	Change
Net sales	119,034		103,039		15,994	15.5%
Operating income	848	0.7%	※—	—	—	—

* Operating income by segment for the third quarter of the previous fiscal year is not provided in this document.

* In the period under review, Lion reclassified its business segments. Please refer to page 16 for operating income information by business segment prior to reclassification.

In household products, net sales increased 15.5% year on year to ¥119,034 million, and operating income was ¥848 million.

In the Japanese household products business, Lion strived to foster the new products released in spring this year, while making every effort to expand product lineups in its core brands. As a result, overall sales in this division remained strong.

Overseas, sales of laundry detergents and fabric softeners in Thailand increased significantly. Sales of laundry detergents in South Korea, Singapore and Hong Kong were also robust, contributing to the net

sales increase from a year earlier.

Fabric Care Products Division

In the Fabric Care Products Division, Lion endeavored to develop core laundry detergent and fabric softener brands.

Sales of laundry detergent significantly grew from a year earlier, reflecting the Company's ongoing efforts to nurture Top Fuai-Kan (Fresh Touch and Color), which was launched in March 2007 and the good performance of Heyaboshi (Hang-to-Dry Indoors) Top.

In addition, Lion improved Kaori to Deodorant no Soflan (Soflan with Fragrance and Deodorant) that provides superlative protection against odors on clothing and leaves a pleasant, long-lasting fragrance. As a result, overall sales in this division remained strong.

Living Care Products Division

In the Living Care Products Division, Lion strived to reinforce its dishwashing detergents while further nurturing household cleaners.

In dishwashing detergents, Lion enjoyed favorable sales of CHARMY Awa no Chikara (Power of Suds), which was released in March 2007. Spurred on by this success, the Company also released CHARMY Awa no Chikawa Power Foam and CHARMY Awa no Chikara with a fresh orange fragrance.

In household cleaners, Lion strengthened the Look Kirei no Mist series by releasing Look Kirei no Mist for Entranceways and Shoes. As a result, sales of household cleaners remained robust.

Sales of cooking-aid products showed a favorable increase from a year earlier due to strong sales of the Company's mainstay Reed Cooking Paper.

<Chemical Products>

(Millions of yen)

	FY 2007 3rd quarter	Ratio to net sales	FY 2006 3rd quarter	Ratio to net sales	Increase/ decrease	Change
Net sales	23,812		23,811		0	0.0%
Operating income	(155)	—	(276)	—	120	—

Sales in the Chemical Products Business rose 0.0% year on year to ¥23,812 million. Operating loss stood at ¥155 million compared with the corresponding period of the previous fiscal year's operating loss

of ¥276 million due to the spiraling prices for crude oil, vegetable oils and fats.

Aiming to improve its profitability in this business, Lion reviewed the sales structures of low-profit products, while focusing on the development of high-value-added products by means of its proprietary technologies.

Despite stagnant sales of raw materials in the Chinese detergent market, overall sales of nonionic surfactant topped those of the corresponding period of the previous fiscal year mainly due to the development of new customers in Japan.

Domestic sales of electro-conductive carbon were brisk, owing to strong demand for use in electronics materials and compounds. Overseas, however, sales were sluggish. As a result, overall sales of electro-conductive carbon fell below the result attained in the previous fiscal year.

<Others>

(Millions of yen)						
	FY 2007 3rd quarter	Ratio to net sales	FY 2006 3rd quarter	Ratio to net sales	Increase/ decrease	Change
Net sales	3,814		11,145		(7,331)	(65.8%)
Operating income	246	6.5%	(58)	—	305	—

In Other businesses, net sales decreased 65.8% year on year to ¥3,814 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 ¥246 million, compared with an operating loss of ¥58 million in the corresponding period of the previous fiscal year.

2. Qualitative Information Concerning Consolidated Financial Status

Total assets at the end of the fiscal period grew ¥30,125 million compared with the previous fiscal year-end to ¥276,453 million. This was attributable to an increase in intangible assets and investment securities. Total liabilities increased ¥29,048 million compared with the previous fiscal year-end due to an increase in long-term debt. Net assets totaled ¥106,210 million, an increase of ¥1,077 million compared with the previous fiscal year-end.

As a result, the ratio of shareholders' equity to total assets was 37.0%.

<Consolidated Cash Flows>

Cash flows from operating activities amounted to ¥7,680 million, owing primarily to net income before income taxes of ¥4,976 million and a decrease in trade notes and accounts receivable.

Cash flows from investing activities decreased by ¥37,534 million due to the acquisition of property, plant and equipment, and intangible assets.

Cash flows from financing activities resulted in an increase of ¥29,846 million, reflecting an increase in long-term loans payable.

As a result, cash and cash equivalents as of September 30, 2007 totaled ¥26,796 million, up ¥13 million compared with the previous fiscal year-end.

3. Qualitative Information Concerning the Forecast of Consolidated Financial Results

Full-year forecasts for the fiscal year ending December 31, 2007 remain net sales of ¥340,000 million, operating income of ¥8,000 million and ordinary income of ¥10,000 million.

Following the voluntary recall of Varsan Hyosatsu Jet Spray for Flying Bugs and Varsan Hyosatsu Jet Spray for Creeping Bugs that was announced on August 27, 2007, Lion recorded voluntary product recall expenses of ¥1,950 million under extraordinary losses during this third quarter (January to September 2007). These voluntary product recall expenses include the costs associated with recall and disposal as well as the related loss on inventory valuation.

As a result, the Company revised its forecasts for net income and net income per share from ¥5,500 million and ¥20.35 down to ¥4,500 million and ¥16.65, respectively.

4. Others

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

b) Adoption of simplified accounting method: Yes.

Simplified accounting is used partially with respect to the standards for the accounting of reserves.

c) Changes in accounting method from the most recent fiscal year: Yes.

Business segmentation in segment information was changed.

Please refer to page 15 for details.

Condensed Consolidated 3rd Quarter Balance Sheets

	Q3 Fiscal 2006 (Ended September 30, 2006)	Q3 Fiscal 2007 (Ended September 30, 2007)	Increase / decrease		Fiscal 2006 (Ended December 31, 2006)
	Millions of yen	Millions of yen	Millions of yen	%	Millions of yen
Assets					
Current assets	114,461	120,101	5,639	4.9	123,008
Cash and time deposits	20,051	25,341	5,290		26,995
Trade notes and accounts receivable	56,064	58,393	2,328		64,318
Short-term investments	—	1,673	1,673		—
Inventories	31,947	29,098	(2,848)		26,387
Other	6,398	5,594	(803)		5,487
Fixed assets	138,058	156,352	18,293	13.3	123,318
Property, plant and equipment	67,481	64,690	(2,791)		65,606
Intangible assets	9,628	38,067	28,439		9,428
Investments and other assets	60,948	53,594	(7,354)		48,282
Total assets	252,519	276,453	23,933	9.5	246,327

	Q3 Fiscal 2006 (Ended September 30, 2006)	Q3 Fiscal 2007 (Ended September 30, 2007)	Increase / Decrease		Fiscal 2006 (Ended December 31, 2006)
	Millions of yen	Millions of yen	Millions of yen	%	Millions of yen
Liabilities					
Current liabilities	106,489	95,367	(11,121)	(10.4)	98,375
Trade notes and accounts payable	50,171	46,557	(3,613)		50,185
Commercial paper	7,696	—	(7,696)		237
Short-term loans payable	8,502	5,243	(3,258)		7,612
Current portion of long-term debt	—	1,150	1,150		—
Other payables and accrued expenses	31,283	32,683	1,400		33,592
Other	8,834	9,732	897		6,747
Long-term liabilities	35,244	74,875	39,630	112.4	42,818
Long-term debt	6,098	47,398	41,299		13,599
Accrued employee retirement benefits	23,658	22,465	(1,192)		23,687
Other	5,488	5,011	(476)		5,531
Total liabilities	141,733	170,242	28,508	20.1	141,193
Net assets					
Shareholders' equity	97,802	97,741	(61)	(0.1)	96,620
Common stock	34,433	34,433	—	—	34,433
Capital surplus	31,595	31,506	(88)	(0.3)	31,499
Retained earnings	47,973	47,560	(412)	(0.9)	46,600
Treasury stock	(16,200)	(15,760)	440	—	(15,913)
Valuation and translation adjustments	9,913	4,499	(5,413)	(54.6)	5,157
Unrealized holding gain on other securities	9,810	4,023	(5,787)	(59.0)	4,727
Deferred gains on hedges	0	(38)	(38)	—	(3)
Foreign currency translation adjustments	101	513	412	406.5	433
Stock acquisition rights	—	48	48	—	—
Minority interest in consolidated subsidiaries	3,070	3,921	850	27.7	3,354
Total net assets	110,786	106,210	(4,575)	(4.1)	105,133
Total liabilities and net assets	252,519	276,453	23,933	9.5	246,327

Condensed Consolidated 3rd Quarter Statements of Income

	Q3 Fiscal 2006 (Ended September 30, 2006)	Q3 Fiscal 2007 (Ended September 30, 2007)	Increase / decrease		Fiscal 2006 (January to December 2006)
	Millions of yen	Millions of yen	Millions of yen	%	Millions of yen
Net sales	234,548	244,994	10,446	4.5	330,380
Cost of sales	117,825	115,599	(2,225)	(1.9)	165,570
Gross profit	116,723	129,394	12,671	10.9	164,810
Selling, general and administrative expenses	120,945	124,714	3,769	3.1	164,467
Operating income	(4,222)	4,679	8,902	—	343
Other income	2,262	2,079	(182)	(8.1)	2,983
Interest and dividend income	395	308	(86)		524
Equity in earnings of non-consolidated subsidiaries and affiliates	1,246	1,142	(104)		1,555
Other	619	628	8		903
Other expenses	581	859	277	47.7	899
Interest expenses	242	462	219		344
Other	339	397	57		555
Ordinary income	(2,542)	5,899	8,441	—	2,427
Extraordinary income	6,721	1,368	(5,352)	(79.6)	15,114
Gain on disposal of property, plant and equipment	5,881	1,081	(4,800)		5,887
Gain on sales of subsidiary shares	683	231	(451)		706
Gain on sales of investment securities	0	8	8		8,387
Other	156	47	(109)		132
Extraordinary loss	3,516	2,291	(1,224)	(34.8)	4,521
Loss on disposal of property, plant and equipment	532	242	(289)		1,027
Voluntary product recall expenses	—	1,950	1,950		—
Impairment loss	197	67	(129)		481
Loss on shutdown of a plant	1,530	—	(1,530)		1,644
Early retirement payments	947	—	(947)		958
Other	309	31	(278)		409
Net income before income taxes	663	4,976	4,313	650.3	13,020
Income taxes, etc.	1,410	1,214	(195)	(13.9)	7,193
Minority interest in earnings of consolidated subsidiaries	213	121	(92)	(43.1)	287
Net income	(960)	3,640	4,600	—	5,540

Condensed Consolidated 3rd Quarter Statements of Cash Flows

	Q3 Fiscal 2006 (January to September 2006)	Q3 Fiscal 2007 (January to September 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	663	4,976	13,020
Depreciation and amortization	7,260	7,618	9,634
Impairment loss	197	67	481
Decrease in accrued retirement benefits	(6,001)	(4,456)	(7,636)
Interest and dividend income	(395)	(308)	(524)
Interest expense	242	462	344
Loss on disposal of property, plant and equipment	(5,349)	(839)	(4,860)
Gain on sale of investment securities	(0)	(8)	(8,387)
Equity in earnings of non-consolidated subsidiaries and affiliates	(1,246)	(1,142)	(1,555)
Decrease (increase) in trade notes and accounts receivable	12,496	5,940	4,768
Decrease (increase) in inventories	(4,269)	(2,620)	1,520
Decrease in trade notes and accounts payable	(6,124)	(3,922)	(5,183)
Increase (decrease) in accrued expenses and other payables	352	(909)	1,387
Other, net	2,475	4,018	321
Subtotal	299	8,876	3,329
Interest and dividends received	1,670	1,761	1,962
Interest paid	(241)	(331)	(274)
Income taxes paid	(1,661)	(2,625)	(1,674)
Net cash provided by operating activities	67	7,680	3,343
II. Cash flows from investing activities			
(Increase) decrease in time deposits	142	(5)	(57)
Redemption of short-term investments	500	—	500
Purchases of property, plant and equipment	(7,493)	(5,613)	(10,034)
Proceeds from sale of property, plant and equipment	6,877	1,675	7,738
Purchases of intangible assets	(497)	(30,516)	(570)
Purchases of investment securities	(1,752)	(1,941)	(2,412)
Proceeds from sale of investment securities	3	11	14,242
Additions to loans receivable	(145)	(57)	(170)
Proceeds from loans receivable	122	127	143
Other, net	1,156	(1,214)	1,713
Net cash provided by (used in) investing activities	(1,086)	(37,534)	11,092
III. Cash flows from financing activities			
Increase in short-term loans payable	6,876	6,219	6,460
Repayment of short-term loans payable	(6,537)	(8,561)	(7,046)
Increase in long-term loans payable	—	35,000	7,500
Repayment of long-term loans payable	(195)	(52)	(200)
Increase in commercial paper payable	25,786	—	26,054
Repayment of commercial paper payable	(18,286)	(235)	(26,019)
Purchases of odd-lot shares, net	(66)	(73)	(86)
Net proceeds from sale/purchases of treasury stock	321	234	(7,330)

Cash dividends	(2,575)	(2,502)	(2,835)
Cash dividends to minority shareholders	(107)	(180)	(107)
Net cash used in financing activities	5,215	29,846	(3,610)
IV. Effect of exchange rate changes on cash and cash equivalents	53	21	168
V. Net change in cash and cash equivalents	4,249	13	10,994
VI. Cash and cash equivalents at beginning of period	15,788	26,782	15,788
VII. Cash and cash equivalents at end of period	20,038	26,796	26,782

Segment Information

1. Industry Segments

(Millions of yen)

	Q3 Fiscal 2006 (January 1 to September 30, 2006)						
	Home products	Pharmaceutical products	Chemical products	Other businesses	Total	Corporate and eliminations	Consolidated total
1. Net sales							
a) Sales to outside customers	164,292	35,298	23,811	11,145	234,548	—	234,548
b) Intersegment sales	8	—	5,929	4,610	10,548	[10,548]	—
Total	164,300	35,298	29,740	15,756	245,097	[10,548]	234,548
Operating expenses	168,810	34,731	30,017	15,815	249,375	[10,604]	238,770
Operating income	(4,509)	567	(276)	(58)	(4,277)	55	(4,222)

	Q3 Fiscal 2007 (January 1 to September 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	98,332	119,034	23,812	3,814	244,994	—	244,994
b) Intersegment sales	8	5	5,829	5,682	11,525	[11,525]	—
Total	98,341	119,040	29,641	9,496	256,520	[11,525]	244,994
Operating expenses	94,829	118,191	29,796	9,250	252,068	[11,753]	240,314
Operating income	3,511	848	(155)	246	4,451	227	4,679

	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)

	Q3 Fiscal 2007 (Historic method) (January 1 to September 30, 2007)						
	Home products	Pharmaceutical products	Chemical products	Other businesses	Total	Corporate and eliminations	Consolidated total
1. Net sales							
a) Sales to outside customers	183,305	34,062	23,812	3,814	244,994	—	244,994
b) Intersegment sales or transfers	5	—	5,829	5,682	11,517	[11,517]	—
Total	183,311	34,062	29,641	9,496	256,511	[11,517]	244,994
Operating expenses	178,937	33,861	29,796	9,250	251,845	[11,531]	240,314
Operating income	4,373	200	(155)	246	4,665	14	4,679

2. Geographical Segments

(Millions of yen)

	Q3 Fiscal 2006 (January 1 to September 30, 2006)				
	Japan	Asia	Total	Corporate and eliminations	Consolidated total
1. Net sales					
a) Sales to outside customers	200,283	34,264	234,548	—	234,548
b) Intersegment sales	1,280	1,556	2,836	[2,836]	—
Total	201,563	35,820	237,384	[2,836]	234,548
Operating expenses	206,739	35,084	241,823	[3,053]	238,770
Operating income	(5,175)	736	(4,438)	216	(4,222)

	Q3 Fiscal 2007 (January 1 to September 30, 2007)				
	Japan	Asia	Total	Corporate and eliminations	Consolidated total
1. Net sales					
a) Sales to outside customers	204,232	40,761	244,994	—	244,994
b) Intersegment sales	719	1,173	1,893	[1,893]	—
Total	204,952	41,935	246,887	[1,893]	244,994
Operating expenses	201,781	40,706	242,487	[2,173]	240,314
Operating income	3,171	1,228	4,399	280	4,679

	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

	Q3 Fiscal 2006 (January 1 to September 30, 2006)		
	Asia	Other regions	Total
Foreign sales (millions of yen)	36,742	2,843	39,585
Consolidated net sales (millions of yen)	—	—	234,548
Percent of foreign sales in consolidated net sales (%)	15.7	1.2	16.9

	Q3 Fiscal 2007 (January 1 to September 30, 2007)		
	Asia	Other regions	Total
Foreign sales (millions of yen)	42,602	2,170	44,772
Consolidated net sales (millions of yen)	—	—	244,994
Percent of foreign sales in consolidated net sales (%)	17.4	0.9	18.3

	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.