

Management's Discussion and Analysis of Fiscal 2021 Results

Market Environment

In fiscal 2021 (January 1, 2021–December 31, 2021), as the effects of the novel coronavirus (COVID-19) pandemic stretched on, despite signs of recovery in corporate profits, conditions in the Japanese economy remained harsh overall, with continued stagnation in employment and personal consumption.

In domestic consumer products, the Lion Group's main business, while unit prices continued to rise, the overall market shrank, due partly to recoil from an expansion in sales of hygiene-related products and certain other products in the previous year.

Consolidated Results

Under Vision2030, its long-term strategic framework, the Lion Group advanced initiatives to address its Sustainability Material Issues as well as measures based on three growth strategies – “Accelerate growth in four fields of value creation,” “Transform our business foundations for growth” and “Generate dynamism to realize innovative change.” At the same time, with no end to the COVID-19 pandemic in sight, the Lion Group made every effort to prevent the spread of the virus and ensure the safety of its employees while focusing efforts on promoting the establishment of good hygienic habits.

In domestic operations, Lion introduced new products including toothpastes, dental rinses, hygiene-related products, fabric softeners, dishwashing detergents, household cleaners and antipyretic analgesics, with a focus on high-value-added products, and worked to cultivate markets for these products through efficient marketing.

In overseas operations, in addition to efforts to expand its business in the personal care field, which includes oral care and beauty care products, the Group sought to

bolster its competitiveness and profitability in the home care field, which includes such products as laundry detergents.

Reflecting these efforts, consolidated results for fiscal 2021 were as follows. Net sales amounted to ¥366,234 million, a year-on-year increase of 3.1% (or a 1.9% increase at constant currency excluding exchange rate fluctuations). Core operating income* came to ¥30,923 million, down 14.0%, and operating profit was ¥31,178 million, down 29.3%. Profit for the period attributable to owners of the parent totaled ¥23,759 million, down 20.5%.

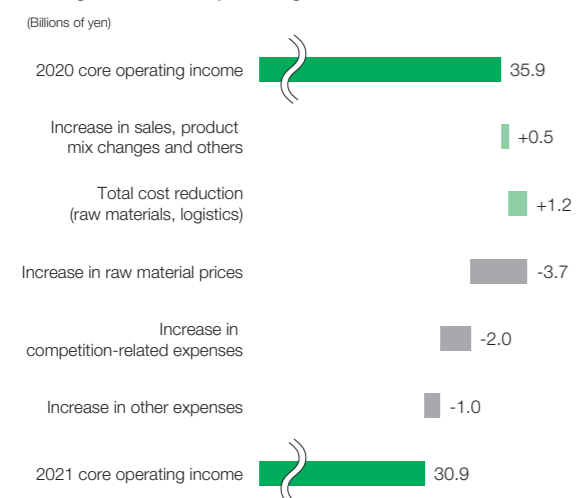
* Core operating income is an earnings indicator the Company uses to measure regular business performance. It is calculated by subtracting selling, general and administrative expenses from gross profit.

	2021	2020
Net sales	366,234	355,352
Core operating income	30,923	35,937
Ratio of core operating income to net sales	8.4%	10.1%
Operating profit	31,178	44,074
Ratio of operating profit to net sales	8.5%	12.4%
ROE	9.8%	13.6%

Selling, General and Administrative Expenses

	2021		2020	
	Amount (Millions of yen)	% of net sales	Amount (Millions of yen)	% of net sales
Selling, general and administrative expenses	148,181	40.5	143,934	40.5
Sales commissions	9,864	2.7	9,426	2.7
Promotion expenses	28,466	7.8	26,909	7.6
Advertising expenses	24,908	6.8	24,943	7.0
Transportation and warehousing expenses	20,169	5.5	18,851	5.3
Salaries and allowances	16,663	4.5	15,739	4.4
R&D expenses	11,180	3.1	10,906	3.1
Other expenses	36,928	10.1	37,156	10.5

Changes in Core Operating Income



Results by Reportable Segment

The Group comprises three reportable segments differentiated by product and service type and by region, which are in turn based on business divisions and companies. These reportable segments are Consumer Products Business, Industrial Products Business and Overseas Business.

Consumer Products Business

The Consumer Products Business segment comprises the Oral Care Products, Beauty Care Products, Fabric Care Products, Living Care Products, Pharmaceutical Products and Other Products businesses. Segment net sales increased 0.6% compared with the previous fiscal year. Segment profit decreased 22.8%, reflecting increases in raw material prices and competition-related expenses.

	2021	2020	Change	Change (%)
	% of net sales	% of net sales		
Net sales	247,068	245,493	1,574	0.6%
Segment profit	19,039	24,647	(5,607)	(22.8%)

Note: Net sales include internal sales within and among segments, which amounted to ¥17,473 million in fiscal 2021 and ¥15,746 million in fiscal 2020.

	2021	2020	Change	Change (%)
Oral Care Products	69,418	66,407	3,010	4.5%
Beauty Care Products	24,729	31,489	(6,760)	(21.5%)
Fabric Care Products	60,660	59,119	1,540	2.6%
Living Care Products	25,158	24,063	1,094	4.5%
Pharmaceutical Products	25,381	23,897	1,484	6.2%
Other Products	41,720	40,515	1,204	3.0%

In Oral Care Products, overall sales of toothpastes increased. Although sales of the SYSTEMA EX Toothpaste decreased, sales of the CLINICA Advantage Toothpaste were favorable, and the new Lightee Toothpaste, a whitening toothpaste that thoroughly removes grime from even micro-level imperfections in the dental surface, received favorable customer reviews.

In toothbrushes, overall sales increased as sales of CLINICA ADVANTAGE Toothbrush were strong, and sales of SYSTEMA Toothbrush were firm.

In dental rinses, overall sales increased. Sales of NONIO Plus Whitening Dental Rinse were strong, and the product lineup saw the addition of new SYSTEMA Haguki (the

Gums) Plus Premium Dental Rinse, featuring a unique premium formula with eight effects. It revitalizes gums and helps prevent gum disease (gum and periodontal inflammation).

In Beauty Care Products, overall sales of hand soaps decreased as sales of KireiKirei Medicated Foaming Hand Soap decreased, reflecting recoil from a demand boom in the previous year.

In body washes, overall sales increased as hadakara Body Soap were firm.

In antiperspirants and deodorants, overall sales fell as sales of the Ban Sweat-Blocking Roll-On series decreased.

In Fabric Care Products, overall sales of fabric softeners increased as sales of SOFLAN Aroma Rich and SOFLAN Premium Deodorizer were firm.

In laundry detergents, overall sales decreased slightly. Sales of highly concentrated liquid laundry detergent TOP SUPER NANOX For Odors were strong, but sales of liquid laundry detergent TOP Clear Liquid fell.

In Living Care Products, overall sales of dishwashing detergents increased as sales of CHARMY Magica were steady, and sales of CHARMY Crysta for dishwashers were strong.

In household cleaners, overall sales increased significantly. Sales of bath detergent LOOK Plus Bath Cleansing and bathroom fungicide LOOK Plus Bath Antimold Fogger were strong, and LOOK Plus Awa-Pita Toilet Cleaning Spray, a new type of product that easily cleans even the hard-to-clean space under the toilet bowl rim, received favorable consumer reviews.

In food preparation products, overall sales decreased as sales of REED Healthy-Cooking Paper decreased.

In Pharmaceutical Products, overall sales of antipyretic analgesics increased significantly as sales of the BUFFERIN series, which saw the launch of BUFFERIN PREMIUM DX, a new product for severe headaches that is formulated for maximum effect and speed, increased substantially.

In eye drops, overall sales increased due to strong sales of Smile 40 Mediclear DX, although sales of the Smile 40EX series decreased.

In Other Products, overall sales of direct-to-consumer products decreased as sales of Nice rim essence Lactoferrin decreased.

In pet supplies, overall sales increased as sales of Nioi wo Toru Suna (Deodorizing Cat Litter) were firm, and those of oral care products were favorable.

Industrial Products Business

The Industrial Products Business segment includes the Mobility, Electronics and Detergents for Institutional Use fields. These businesses handle products that include anti-sticking agents for tires, electro-conductive carbon for secondary batteries, and detergents for institutional and kitchen use, respectively. Segment net sales increased 11.3% compared with the previous fiscal year. Segment profit increased 22.0%.

Net Sales and Segment Profit (Millions of yen)

	2021		2020		Change	Change (%)
	% of net sales	% of net sales	% of net sales	% of net sales		
Net sales	61,271		55,069		6,201	11.3%
Segment profit	2,650	4.3%	2,171	3.9%	478	22.0%

Note: Net sales include internal sales within and among segments, which amounted to ¥26,491 million in fiscal 2021 and ¥23,505 million in fiscal 2020.

In the Mobility field, sales of anti-sticking agents for tires and mold releasing agents for rubber were strong, and overall sales increased significantly.

In the Electronics field, sales of conductive carbon for vehicle batteries were strong, and overall sales increased substantially.

In the Detergents for Institutional Use field, sales of hand soaps were favorable, and overall sales increased.

Overseas Business

The Overseas Business segment comprises business operations located in Southeast Asia, including Thailand and Malaysia, and Northeast Asia, including South Korea and China. Segment net sales increased 7.5% year on year (a 3.1% increase at constant currency excluding exchange rate fluctuations). Segment profit decreased 15.9%, reflecting increased raw material prices.

Financial Status

Consolidated Financial Status

	2021	2020	Change
Total assets (millions of yen)	428,025	435,501	(7,475)
Total equity (millions of yen)	265,014	244,856	20,158
Ratio of equity attributable to owners of the parent to total assets¹ (%)	58.8	53.2	5.6
Equity attributable to owners of the parent to total assets per share² (yen)	865.31	797.08	68.23

1. Ratio of equity attributable to owners of the parent to total assets = (Total equity – Non-controlling interests) / Total assets

2. Non-controlling interests are excluded from the calculation of equity attributable to owners of the parent to total assets per share.

Net Sales and Segment Profit (Millions of yen)

	2021		2020		Change	Change (%)
	% of net sales	% of net sales	% of net sales	% of net sales		
Net sales	109,253		101,651		7,602	7.5%
Segment profit	6,005	5.5%	7,144	7.0%	(1,138)	(15.9%)

Note: Net sales include internal sales within and among segments, which amounted to ¥10,525 million in fiscal 2021 and ¥10,440 million in fiscal 2020.

In Southeast Asia, overall sales were up 3.5%.

In Thailand, sales of dishwashing detergents decreased, but sales of laundry detergents were steady. Overall sales after yen conversions increased.

In Malaysia, sales of TOP laundry detergent were firm. Overall sales after yen conversions increased.

In Northeast Asia, overall sales were up 15.1%.

In South Korea, sales of hand soaps decreased, but due to exchange rate fluctuations, overall sales after yen conversions increased.

In China, sales of SYSTEMA toothbrushes and products imported from Japan increased significantly. Overall sales after yen conversions were up substantially.

Other

Net Sales and Segment Profit (Millions of yen)

	2021		2020		Change	Change (%)
	% of net sales	% of net sales	% of net sales	% of net sales		
Net sales	27,881		34,820		(6,938)	(19.9%)
Segment profit	2,145	7.7%	2,315	6.6%	(169)	(7.3%)

Note: Net sales include internal sales within and among segments, which amounted to ¥24,687 million in fiscal 2021 and ¥31,992 million in fiscal 2020.

Total assets fell ¥7,475 million compared with the previous consolidated fiscal year-end to ¥428,025 million. This was primarily attributable to a decrease in cash and cash equivalents. Total equity increased ¥20,158 million to ¥265,014 million. The ratio of equity attributable to owners of the parent to total assets stood at 58.8%.

Consolidated Cash Flows (Millions of yen)

	2021	2020	Change
Cash flows from operating activities	19,296	40,729	(21,433)
Cash flows from investing activities	(34,177)	(19,868)	(14,308)
Cash flows from financing activities	(10,225)	(9,140)	(1,085)
Effect of exchange rate change on cash and cash equivalents	822	(593)	1,415
Net increase (decrease) in cash and cash equivalents	(24,283)	11,127	(35,411)
Cash and cash equivalents at end of period	97,250	121,534	(24,283)

Outlook for 2022

Outlook for 2022 (Millions of yen)

	Fiscal 2022 forecast	2021	Change	Change (%)
Net sales	375,000	366,234	8,765	2.4%
Core operating income*	23,000	30,923	(7,923)	(25.6%)
Operating profit	27,500	31,178	(3,678)	(11.8%)
Profit for the period attributable to owners of the parent	20,000	23,759	(3,759)	(15.8%)
Basic earnings per share (yen)	68.79	81.73	(12.94)	(15.8%)

* Core operating income is an earnings indicator the Company uses to measure regular business performance. It is calculated by subtracting selling, general and administrative expenses from gross profit.

During fiscal 2022 (the year ending December 31, 2022), despite anticipated recovery from the harsh conditions created by the COVID-19 pandemic, the outlook remains unclear.

In domestic consumer products, the Lion Group's main business, although steady demand is expected, intense competition is forecast to continue.

Amid these circumstances, the Lion Group will launch its new medium-term management plan, Vision2030 1st STAGE, based on its Vision2030 long-term strategic framework, aiming to contribute to the realization of a sustainable society and to accelerate business growth.

In the Consumer Products Business segment, the Lion Group will introduce and cultivate new, high-added-value and environmentally friendly products in its mainstay businesses, working to accelerate new value creation initiatives in its four fields of value creation.

In the Industrial Products Business segment, the Lion Group will steadily promote its priority measures in such key areas as the Mobility and Electronics fields to reinforce its business foundation and strive to contribute to sustainability through the sale of its products. Furthermore, Lion will step up marketing efforts to reach out to key customer groups in the Detergents for Institutional Use field while striving to expand sales of hygiene-related products.

Net cash provided by operating activities totaled ¥19,296 million, due mainly to profit before tax.

Net cash used in investing activities totaled ¥34,177 million, due in part to the purchase of property, plant and equipment.

Net cash used in financing activities totaled ¥10,225 million. Major components of this outflow included cash dividends paid.

As a result of the above, cash and cash equivalents as of December 31, 2021 decreased ¥24,283 million compared with December 31, 2020, to ¥97,250 million.

With regard to the Overseas Business segment, the Lion Group will work to increase profitability in the home care field. The Group will also implement marketing activities focused mainly on expanding the scale of its business in the personal care field, which includes oral care and beauty care products, with particular emphasis on the Chinese market, which continues to grow. At the same time, the Group will proactively advance deliberations related to entry into new countries or areas.

As a result of the above, net sales in fiscal 2022 are expected to increase, but profit is expected to decrease, reflecting rising raw material costs and increased depreciation and amortization due to investments for growth.

Consolidated results forecasts for fiscal 2022 are as follows: net sales of ¥375,000 million (up 2.4% year on year), core operating income of ¥23,000 million (down 25.6%), operating profit of ¥27,500 million (down 11.8%) and profit for the period attributable to owners of the parent of ¥20,000 million (down 15.8%).

Assumptions Underlying the Forecast of Consolidated Financial Results for Fiscal 2022

Lion utilized the following foreign exchange rates in the calculation of the aforementioned forecasts.

¥110 = US\$1.00

¥3.4 = 1.00 baht

Forecast of Fiscal 2022 Consolidated Cash Flows

In cash flows from operating activities, Lion projects profit before tax of approximately ¥28,000 million. Depreciation and amortization is estimated to total about ¥18,000 million.

In cash flows from investment activities, Lion plans to undertake capital expenditures of around ¥29,000 million.

Cash flows from financing activities are expected to yield an outflow of about ¥10,000 million mainly due to cash dividends paid.

Based on these projections, Lion estimates that cash and cash equivalents as of December 31, 2022 will be up approximately ¥7,000 million year on year.

Ten-Year Financial Summary

V-1 Plan
2012–2014

V-2 Plan
2015–2017

LIVE Plan
2018–2020

Japanese GAAP

(Millions of yen)

	2012	2013	2014	2015	2016	2017
Consolidated Statements of Income						
Net sales	335,171	352,005	367,396	378,659	395,606	410,484
Cost of sales	145,385	153,336	160,677	162,435	161,992	171,209
Gross profit	189,785	198,668	206,718	216,223	233,613	239,275
Selling, general and administrative expenses	182,572	187,849	194,312	199,848	209,110	212,068
Operating income	7,213	10,819	12,406	16,374	24,502	27,206
Income before income taxes	8,594	10,925	13,085	19,387	24,035	30,560
Profit attributable to owners of parent	4,235	6,097	7,368	10,680	15,951	19,827
Consolidated Balance Sheets						
Total assets	257,595	282,098	283,352	282,434	298,510	331,751
Property, plant and equipment, net	61,955	68,989	79,275	75,060	74,402	80,981
Total noncurrent liabilities	47,288	26,208	40,380	18,455	17,190	17,511
Total liabilities	143,431	157,865	155,918	139,703	140,630	144,736
Total net assets	114,163	124,232	127,434	142,730	157,879	187,015
Other selected data						
Capital expenditures*	10,820	13,709	13,555	8,801	9,407	14,892
R&D expenses	8,989	9,618	9,439	9,808	10,084	10,474
Depreciation and amortization*	11,834	11,227	10,301	11,166	10,244	9,386
Number of employees	6,006	6,162	6,343	6,816	6,895	7,075
Per share data (yen)						
Earnings per share – basic	15.77	22.72	27.47	39.35	55.13	68.23
Earnings per share – diluted	15.75	22.68	26.16	36.84	55.04	68.15
Dividends per share	10.00	10.00	10.00	10.00	13.00	17.00
Net assets per share	407.08	441.59	449.94	469.05	513.76	607.61
Common stock (number of shares outstanding)	299,115,346	299,115,346	299,115,346	299,115,346	299,115,346	299,115,346
Ratios (%)						
Gross profit to net sales	56.6	56.4	56.3	57.1	59.1	58.3
Selling, general and administrative expenses to net sales	54.5	53.4	52.9	52.8	52.9	51.7
Operating income to net sales	2.2	3.1	3.4	4.3	6.2	6.6
Income before income taxes to net sales	2.6	3.1	3.6	5.1	6.1	7.4
Profit attributable to owners of parent to net sales	1.3	1.7	2.0	2.8	4.0	4.8
Return on equity (ROE)	4.0	5.4	6.2	8.5	11.2	12.2

* Includes intangible assets.

IFRS

(Millions of yen)

	2018	2019	2020	2021
Consolidated Statement of Income				
Net sales	349,403	347,519	355,352	366,234
Cost of sales	177,673	175,588	175,479	187,129
Gross profit	171,729	171,931	179,872	179,104
Selling, general and administrative expenses	143,353	141,882	143,934	148,181
Core operating income	28,375	30,048	35,937	30,923
Operating profit	34,196	29,832	44,074	31,178
Profit before tax	35,658	31,402	44,494	34,089
Profit for the period attributable to owners of the parent	25,606	20,559	29,870	23,759
Consolidated Statement of Financial Position				
Total assets	355,365	380,701	435,501	428,025
Property, plant and equipment	81,546	90,903	118,379	120,673
Total non-current liabilities	21,350	23,781	24,016	23,792
Total liabilities	151,093	159,499	190,644	163,011
Total equity	204,271	221,201	244,856	265,014
Other selected data				
Capital expenditures*	16,678	23,644	47,570	21,890
R&D expenses	10,969	10,944	10,906	11,180
Depreciation and amortization*	8,707	10,504	11,732	14,252
Number of employees	6,941	7,151	7,452	7,584
Per share data (yen)				
Basic earnings per share	88.11	70.72	102.75	81.73
Diluted earnings per share	87.99	70.63	102.61	81.59
Cash dividends paid per share	20.00	21.00	23.00	24.00
Equity attributable to owners of the parent to total assets per share	657.50	716.94	797.08	865.31
Number of outstanding shares (common stock)	299,115,346	299,115,346	299,115,346	299,115,346
Ratios (%)				
Gross profit to net sales	49.1	49.5	50.6	48.9
Selling, general and administrative expenses to net sales	41.0	40.8	40.5	40.5
Operating profit to net sales	9.8	8.6	12.4	8.5
Profit before tax to net sales	10.2	9.0	12.5	9.3
Profit for the period attributable to owners of the parent to net sales	7.3	5.9	8.4	6.5
Profit for the period to equity attributable to owners of the parent (ROE)	13.9	10.3	13.6	9.8

External Evaluations and Participation in External Organizations

(As of May 2022)

In addition to financial considerations, the Lion Group works to address environmental, social and governance issues. We have been selected for inclusion in leading socially responsible investing (SRI) indices.

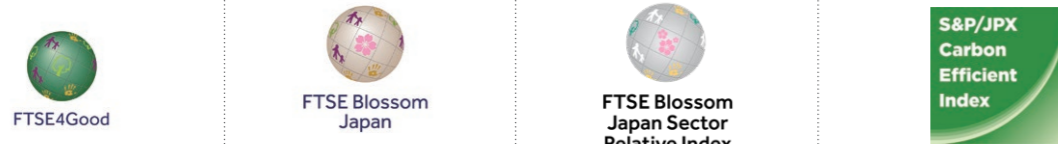
Our environmental, logistics and human resources initiatives have been highly evaluated by governmental and other external institutions.

Inclusion in SRI Indices

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA

2021 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)

THE INCLUSION OF LION CORPORATION IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF LION CORPORATION BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.



Participation in External Organizations



Evaluations, Certifications and Awards

Overall CSR



Human Resources

Supply Chain



Environment



Corporate Overview (As of December 31, 2021)

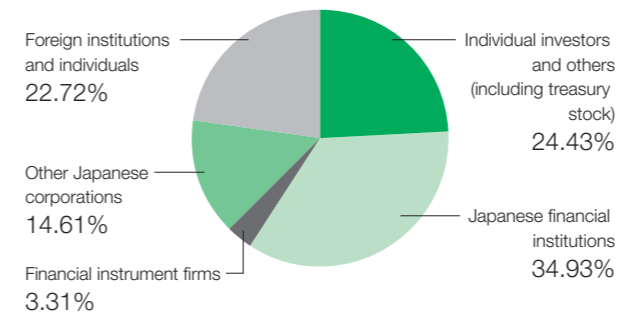
Corporate Overview

Corporate Name Lion Corporation
Foundation October 30, 1891
Establishment September 1918
Capital ¥34,433,720,000
Address 3-7, Honjo 1-chome, Sumida-ku, Tokyo 130-8644, Japan
Employees 3,165 (Consolidated: 7,584)

Stock Information

Stock Listing First Section of Tokyo Stock Exchange
Securities Code 4912
Transfer Agent Mitsubishi UFJ Trust and Banking Corporation
Number of Shares of Common Stock 299,115,346 (Issued and outstanding)
Number of Shareholders 164,059

Shareholders by Category

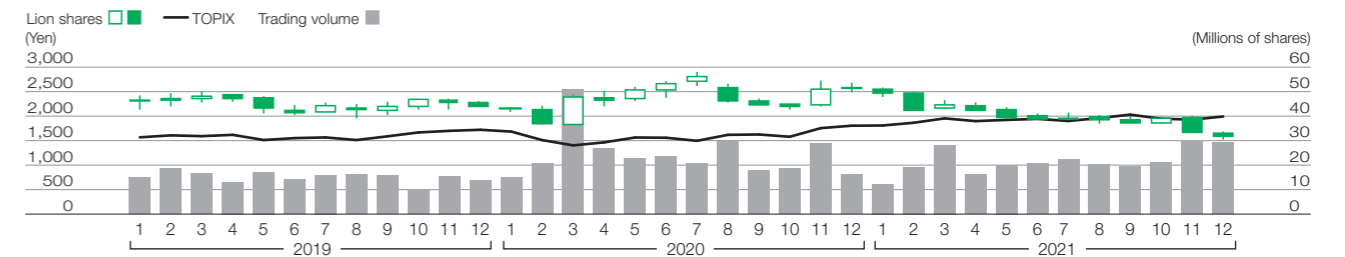


Principal Shareholders

Shareholder	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	11.61
Custody Bank of Japan, Ltd. (Trust Account)	9.12
Custody Bank of Japan, Ltd. As trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	3.52
STATE STREET BANK AND TRUST COMPANY 505223	2.75
MUFG Bank, Ltd.	2.42
STATE STREET BANK WEST CLIENT -TREATY 505234	1.60
SMBC Nikko Securities Inc.	1.58
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1.52
Meiji Yasuda Life Insurance Company	1.40
TOYOTA TSUSHO CORPORATION	1.20

Note: Shareholding ratios are calculated based on a total of 291,501,619 shares, which is the number of shares issued and outstanding less the number of shares of treasury stock, and are rounded down to the second decimal place.

Share Price and Trading Volume



Editorial Policy

Lion Integrated Report 2022 is intended to provide Lion's shareholders, investors and other stakeholders with key information about the Company's initiatives for increasing its corporate value over the medium to long term by fulfilling its purpose of "Make a difference in everyday lives by redesigning habits: ReDesign" and facilitating deeper understanding of the Lion Group.

Period Covered: From January 1, 2021 to December 31, 2021 (Some information covers activities in 2022.)

Scope of Coverage: Lion Corporation and all of its consolidated subsidiaries, in principle.

Note: Where the scope of coverage of reported activities or data differ from the above, a description is provided.

Accounting Standards Applied: International Financial Reporting Standards (IFRS)

Referenced Guidelines:

- International Integrated Reporting Framework issued by the Value Reporting Foundation (VRF)
- Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation issued by the Ministry of Economy, Trade and Industry
- GRI Sustainability Reporting Standards issued by the Global Reporting Initiative
- ISO 26000: 2010 Guidance on social responsibility issued by the Japanese Standards Association

Regarding Forward-Looking Statements

This integrated report contains forward-looking statements on subjects that include matters related to future business plans, corporate strategies and forecasts of performance. Such statements were formulated based on information that was available at the time of the preparation of this integrated report and contain uncertainties regarding such factors as economic conditions, market trends and foreign currency risks. Actual results may differ from the information presented in these forward-looking statements.