

Financial Results for the First Half of 2018

**Lion Corporation
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Representative Director and President Executive Officer

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Consolidated Financial (IFRS)



Achieved Forecasts for the First Half of the Year (April–June consolidated sales up 5% year on year)

(Billions of yen)	Jan.–Jun. 2018	Jan.– Jun. 2017	Y-o-Y change		Forecast
			Amount	%	
Net sales	168.4	162.8	5.5	3.4	167.0
Core operating income	12.5	12.5	0.0	0.1	11.0
Operating profit [% of net sales]	17.8 [10.6]	12.4 [7.6]	5.4	43.7	15.0
Profit for the period attributable to owners of parent	13.9	8.7	5.1	58.9	12.5
EPS (Yen)	47.95	30.18	17.77	58.9	43.02

* Lion has adopted IFRS from fiscal 2018. The above fiscal 2017 first half results are calculated according to IFRS.

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

Year-on-Year Changes in Operating Profit (IFRS)



* Lion has adopted IFRS from fiscal 2018. The above fiscal 2017 first half results are calculated according to IFRS.

Results by Business Segment (IFRS)



Profit increased in all segments

(Billions of yen)	Net sales				Segment profit (Core operating income)	
	Jan.–Jun. 2018	Jan.–Jun. 2017	Y-o-Y change		Jan.–Jun. 2018	Y-o-Y change %
			Amount	%		
Consumer Products	110.8	115.6	(4.8)	(4.2)	8.0	7.2
Industrial Products	28.3	25.9	2.3	9.2	1.3	37.0
Overseas	52.2	49.9	2.2	4.5	2.8	13.3
Other	15.4	14.2	1.1	8.4	0.6	7.0
Subtotal	206.7	205.7	0.9	0.5	12.9	11.0
Adjustment	(38.2)	(42.8)	4.5	-	(0.3)	-
Consolidated Total	168.4	162.8	5.5	3.4	12.5	0.1

* Lion has adopted IFRS from fiscal 2018. The above fiscal 2017 first half results are calculated according to IFRS.

Achievements

Oral care: Driving market growth

- Sales growth outpaced overall oral care market growth

SYSTEMA: Brand revamp well received by consumers



- Sales growth in mid-range and high-end toothpastes

SYSTEMA Haguki (the Gums) Plus: +14%

CLINICA ADVANTAGE: +13%

- Significant sales growth in mouthwashes, especially **NONIO**



Achievements

**Double-digit growth in high-value-added products
in each field**

● Beauty Care

hadakara

+36%



● Fabric Care

SOFLAN Aroma Rich

+33%



● Pharmaceuticals

BUFFERIN PREMIUM

+26%



Challenges

Reinforcing and expanding super-concentrated liquid laundry detergents

- Intensifying competition due to price pressure from regular liquid detergents and growth in tablet detergents



- Share of sales of super-concentrated laundry detergents has plateaued

Achievements

Strong Sales of Functional Materials in the Chemicals Field

- Electro-conductive carbon for automobiles
- Electro-conductive compounds for semiconductor carrier materials
- Electro-conductive materials for secondary batteries for overseas markets



Challenges

Speeding up Growth in Detergents for Institutional Use

- Reinforcing business in vegetable wash systems, etc.

Achievements

- Expansion in the personal care field, including the *SYSTEMA* and *KODOMO* brands
- Reinforcing business foundations in Taiwan and South Korea

Challenges

- Further reforming the revenue structure in China
- Improving profitability in the home care field

Financial Forecast for 2018

2018 Consolidated Financial Forecast (IFRS)



(Billions of yen)	2018	2017	Y-o-Y change	
			Amount	%
Net sales	355.0	342.7	12.2	3.6
Core operating income	29.0	28.8	0.1	0.7
Operating profit [% of net sales]	33.0 [9.3]	30.4 [8.9]	2.5	8.3
Profit for the period attributable to owners of parent	25.0	20.8	4.1	19.7
EPS (Yen)	86.03	71.87	14.16	19.7

No change to financial forecast

* Lion has adopted IFRS from fiscal 2018. The above fiscal 2017 results are calculated according to IFRS.

Annual dividend forecast at ¥20 per share, up ¥3 YoY



Basic dividend policy:

Return profits to shareholders on a continuous and stable basis
(Target consolidated payout ratio: 30%)

Key Points for Achieving Annual Targets

Japan

Reinforcing and expanding super-concentrated liquid laundry detergents

Overseas

Reform the revenue structure in China
Improve profitability in the home care field

Raw materials

Advance comprehensive cost reductions

Progress on LIVE Plan Initiatives

LIVE Plan Basic Strategies

Becoming an advanced daily healthcare company

1 Expand and Evolve Our Business Domains through New Value Creation

2 Accelerate Growth in Overseas Businesses through Glocalization

4 Create Dynamism to Foster Innovative Change

3 Reinforce Our Management Base through Business Structure Reform



Create new experience-based value to generate customer sympathy

**“Let’s
enjoy laundry”**



TOP Hareta

Stimulate the laundry detergent
market by creating new value

**Cleans without
the strain**

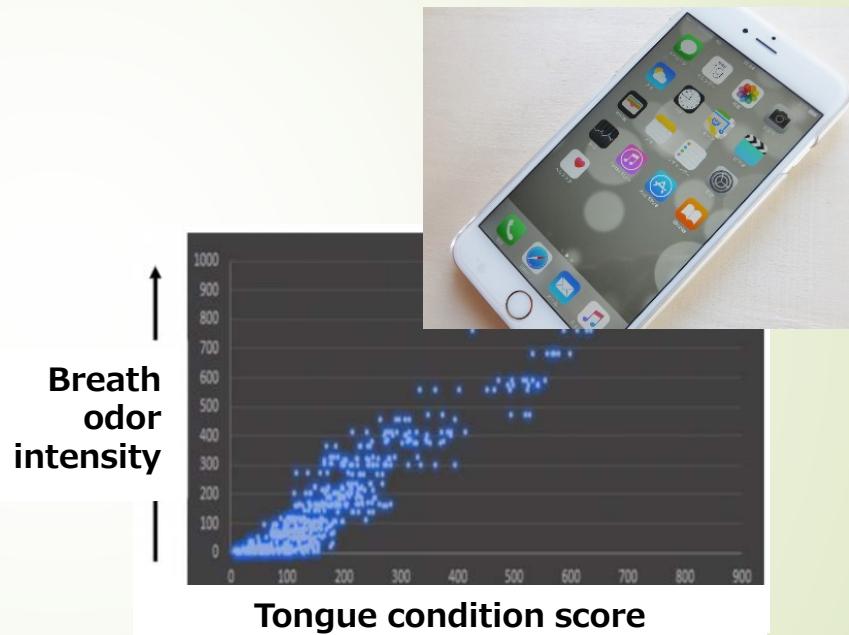


LOOK Plus Bathtub Cleansing

Offers a new way
to clean the bath

Creating new business value leveraging data

**Developing an app
that allows users to
visualize the level of
their breath odor**



**Aiming for further business growth in
fields peripheral to oral care,
such as bad breath prevention**

Preventive Dentistry Activities

Integrated oral care marketing



Expanding products that leverage the strength of our Japanese brands

<Localized Japanese brands>

China



South Korea



Singapore



Hong Kong



- Increasing production capacity in the oral care field

<Concept art of completed facilities>



Toothbrush building (Sakaide)



Mouthwash building (Akashi)

- Home Care

Investing in labor-saving at facilities in Chiba to
improve production efficiency

- Transfer of the Varsan insecticide brand

LIVE Plan (4) Create Dynamism to Foster Innovative Change



Speed up new business development through open innovation



Promote internal reforms driven mainly by younger employees



life. love.
LION

Reference Materials

Consolidated Statement of Income (IFRS)

(Billions of yen)	Jan.–Jun. 2018	Jan.–Jun. 2017	Y-o-Y change	
			Amount	%
Net sales	168.4	162.8	5.5	3.4
Cost of sales	85.8	81.0	4.7	5.9
Gross profit	82.6	81.8	0.8	1.0
Selling, general and administrative expenses	70.1	69.3	0.8	1.2
Other income	6.0	0.4	5.5	1,204.4
Other expenses	0.7	0.5	0.1	30.5
Operating profit	17.8	12.4	5.4	43.7
Finance income	0.4	0.4	(0.0)	(2.7)
Finance costs	0.0	0.0	(0.0)	(5.2)
Share of profit of investments accounted for using the equity method	0.3	0.4	(0.1)	(27.5)
Profit before tax	18.5	13.2	5.2	40.0
Income taxes	1.5	3.6	(2.0)	(56.7)
Profit for the period	16.9	9.5	7.3	76.9
Profit for the period attributable to non-controlling interest	3.0	0.8	2.1	269.3
Profit for the period attributable to owners of the parent	13.9	8.7	5.1	58.9

* Lion has adopted IFRS from fiscal 2018. The above fiscal 2017 first half results are calculated according to IFRS.

Selling, general and administrative expenses (IFRS)

(Billions of yen)	Jan.–Jun. 2018		Jan.–Jun. 2017		Y-o-Y change	
	Amount	% of sales (%)	Amount	% of sales (%)	Amount	%
Selling, general and administrative expenses	70.1	41.6	69.3	42.5	0.8	1.2
Sales commissions	4.4	2.6	4.2	2.6	0.1	4.5
Promotional expenses	12.8	7.6	12.7	7.8	0.0	0.7
Advertising expenses	13.8	8.2	14.6	9.0	(0.8)	(5.5)
Transportation and warehousing expenses	9.2	5.5	9.0	5.6	0.1	1.4
R&D expenses	5.2	3.1	5.0	3.1	0.1	3.4
Other expenses	24.5	14.6	23.5	14.4	1.0	4.4

* Lion has adopted IFRS from fiscal 2018. The above fiscal 2017 first half results are calculated according to IFRS.

Consolidated Statement of Financial Position (IFRS)

(Billions of yen)	Jun. 30, 2018	Dec. 31, 2017	Change
Current assets	205.6	199.5	6.0
Cash and cash equivalents	92.0	91.4	0.6
Trade and other receivables	64.6	64.8	(0.2)
Inventories	44.4	39.6	4.8
Non-current assets	138.5	139.3	(0.8)
Property, plant and equipment	76.9	79.5	(2.5)
Intangible assets	8.6	8.3	0.3
Retirement benefit assets	10.3	10.3	0.0
Other financial assets	28.8	29.3	(0.5)
Total assets	344.1	338.8	5.2

* Lion has adopted IFRS from fiscal 2018. The above fiscal 2017 results are calculated according to IFRS.

Consolidated Statement of Financial Position (IFRS)

(Billions of yen)	Jun. 30, 2018	Dec. 31, 2017	Change
Current liabilities	123.0	129.4	(6.3)
Trade and other payables	82.0	75.7	6.2
Borrowings	1.5	4.0	(2.5)
Accrued expenses	30.4	35.9	(5.4)
Non-current liabilities	21.3	20.6	0.7
Borrowings	1.3	1.5	(0.2)
Retirement benefit liabilities	8.5	7.5	0.9
Equity	199.6	188.7	10.8
Additional paid-in capital	34.6	34.6	(0.0)
Treasury stock	(4.7)	(4.8)	0.0
Other components of equity	13.6	15.4	(1.8)
Retained earnings	109.6	98.6	11.0
Total liabilities and equity	344.1	338.8	5.2

* Lion has adopted IFRS from fiscal 2018. Fiscal 2017 results are calculated according to IFRS.

Consolidated Statement of Cash Flows (IFRS)

(Billions of yen)	Jan.–Jun. 2018	Jan.–Jun. 2017	Change
Cash flows from operating activities	7.5	(3.6)	11.1
Cash flows from investing activities	(0.9)	(5.2)	4.3
Cash flows from financing activities	(5.4)	(3.0)	(2.4)
Effect of exchange rate changes on cash and cash equivalents	(0.5)	0.0	(0.6)
Net increase (decrease) in cash and cash equivalents	0.6	(11.8)	12.4
Cash and cash equivalents at the beginning of the period	91.4	77.7	13.6
Cash and cash equivalents at the end of the period	92.0	65.8	26.1

* Lion has adopted IFRS from fiscal 2018. The above fiscal 2017 first half results are calculated according to IFRS.

Results by Business Segment (IFRS)

(Billions of yen)	Net sales			Segment profit (Core operating income)			
	Jan.–Jun. 2018	Y-o-Y change		Jan.–Jun. 2018		Y-o-Y change	
		Amount	%	Amount	%	Amount	%
Consumer Products	110.8	(4.8)	(4.2)	8.0	7.3	0.5	7.2
	102.6	0.7	0.7				
Industrial Products	28.3	2.3	9.2	1.3	4.8	0.3	37.0
	16.1	0.7	5.0				
Overseas	52.2	2.2	4.5	2.8	5.5	0.3	13.3
	46.9	2.9	6.6				
Others	15.4	1.1	8.4	0.6	4.1	0.0	7.0
	2.6	1.2	90.3				
Subtotal	206.7	0.9	0.5	12.9	6.3	1.2	11.0
Consolidated Total	168.4	5.5	3.4	12.5	7.5	0.0	0.1

* Lion has adopted IFRS from fiscal 2018. Year-on-year changes are based on fiscal 2017 first half results calculated according to IFRS.

* Upper line: Net sales; Lower line: Sales to external customers

Segment profit: Subtotal represents segment profit before offsetting inter-company transactions;
consolidated total represents consolidated segment profit.

Consumer Products Business Net Sales by Product Category (IFRS)

(Billions of yen)	Jan.-Jun. 2018	Jan.-Jun. 2017	Change	Change (%)
Oral Care	27.6	25.5	2.0	8.0
Beauty Care	10.1	10.5	(0.4)	(3.9)
Fabric Care	28.9	29.6	(0.7)	(2.5)
Living Care	7.8	7.7	0.0	0.8
Pharmaceutical	14.1	13.8	0.2	1.8
Other	22.1	28.1	(6.0)	(21.4)
Total	110.8	115.6	(4.8)	(4.2)

* Lion has adopted IFRS from fiscal 2018. The above fiscal 2017 first half results are calculated according to IFRS.

Consumer Products Business Net Sales by Product Category (JGAAP)

(Billions of yen)	Jan.-Jun. 2018	Jan.-Jun. 2017	Change	Change (%)
Oral Care	33.0	30.8	2.2	7.1
Beauty Care	12.3	12.7	(0.3)	(3.1)
Fabric Care	37.8	38.3	(0.5)	(1.4)
Living Care	9.6	9.5	0.1	1.0
Pharmaceutical	19.2	18.1	1.0	5.8
Other	23.1	29.1	(5.9)	(20.6)
Total	135.2	138.7	(3.5)	(2.6)

*The above JGAAP figures for the first half of fiscal 2018 are approximate and unaudited.

Overseas Business Net Sales by Region (IFRS)

(Billions of yen)	Jan.–Jun. 2018	Jan.–Jun. 2017	Y-o-Y change	
			Amount	%
Southeast Asia	35.4	32.6	2.8	8.6
Northeast Asia	16.7	17.3	(0.5)	(3.3)
Total	52.2	49.9	2.2	4.5

Southeast Asia:

Thailand, Malaysia, Singapore, Indonesia (IPPOSHA)

Northeast Asia:

South Korea, China, Taiwan, Hong Kong

* Lion has adopted IFRS from fiscal 2018. The above fiscal 2017 first half results are calculated according to IFRS.

Fiscal 2018 First Half Consolidated Profit/Loss Results (differences in accounting standards)

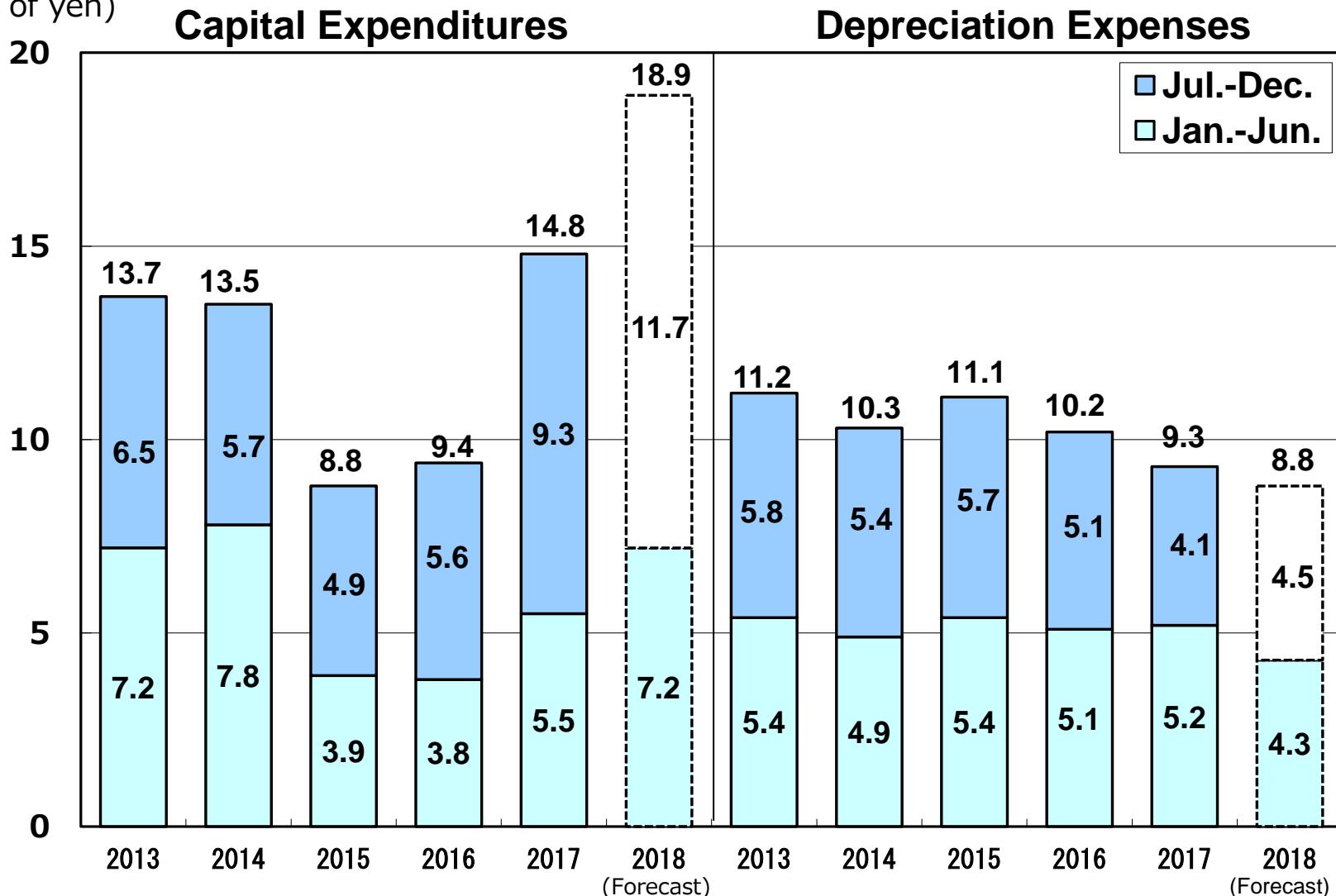
JGAAP	(bn. yen)	IFRS adjustments
Net sales	202.1	→Promotional expense deductions (33.7)
Cost of sales	85.2	→Levies (property tax), retirement benefits +0.5
Gross profit	116.8	
Selling, general and administrative expenses	103.3	→Exemptions for Promotional expenses (33.7) Goodwill and intangible asset depreciation (0.04) Other +0.6
Operating income	13.5	
Non-operating income	1.1	→Other income +0.4, Financial income +0.4 Equity in earnings of non-consolidated subsidiaries and affiliates +0.3
Non-operating expenses	0.4	→Other expenses +0.3, Financial expenses +0.09
Ordinary income	14.3	
Extraordinary income	5.4	→Other income +5.4, To BS +0.05
Extraordinary loss	0.4	→Other expenses +0.4, To BS +0.02
Income before income tax	19.4	
Total income taxes	2.0	
Profit	17.3	
Profit attributable to non-controlling interests	3.0	
Profit attributable to owners of parent	14.3	

IFRS	(bn.yen)	Difference
Net Sales	168.4	(33.7)
Cost of sales	85.8	
Gross profit	82.6	(34.2)
Selling, general and administrative expenses	70.1	
Core operating income	12.5	
Other income	6.0	
Other expenses	0.7	
Operating profit	17.8	4.2
Finance income	0.4	
Finance costs	0.0	
Share of profit of investments accounted for using the equity method	0.3	
Profit before tax	18.5	(0.8)
Income taxes	1.5	
Profit for the period	16.9	
Profit for the period attributable to non-controlling interests	3.0	
Profit for the period attributable to owners of the parent	13.9	(0.4)

*The above JGAAP figures for the first half of fiscal 2018 are approximate and unaudited.

Capital Expenditures and Depreciation Expenses

(Billions of yen)



* Lion has adopted IFRS from fiscal 2018. Capital expenditures and depreciation expenses both include intangible assets.

Fiscal 2018 Forecast of Change Factors Affecting Core Operating Income

◇Impact on income

(Billions of yen)	Assumptions at start of year (2/9/2018)	Current assumptions (8/3/2018)
Sales, product mix and others	+ 6.5	+ 4.2
Total cost reduction (manufacturing and logistics costs)	+ 1.5	+ 2.1
Crude oil and vegetable oil prices	(2.0)	(2.5)
Competition-related expenses	(3.0)	(1.0)
Other expenses	(2.8)	(2.6)
Extraordinary income/loss	+ 2.3	+ 2.3
Total	+ 2.5	+ 2.5

Domestic Home Product Market

Market Environment for Home Products (37 markets, SRI*)

Overall market trend for the 37 home product markets in which Lion participates

(Values are percentages of the results of the corresponding periods of the previous years)

	2013	2014	2015	2016	2017	Jan.-Jun. 2018
Sales value	102	102	103	104	99	102
Unit sales	102	100	100	102	98	100
Average unit price	100	102	102	102	102	102

Source: INTAGE Inc. SRI Survey (Year-on-year data for 2013 and 2014 are for 40 such markets in which Lion operates; data for 2015 is for 39; data for 2016 and 2017 are for 38, data for 2018 is for 37.)

Market Environment for Home Products (15 markets, SCI**)

Overall market trend for the 15 home product markets in which Lion participates

(Values are percentages of the results of the corresponding periods of the previous years)

	2016	2017	Jan.-Jun. 2018
Sales value	105	103	101
Unit sales	101	101	100
Average unit price	104	102	102

Source: INTAGE Inc. SCI survey

* The SRI survey uses point-of-sales data from around 3,000 stores nationwide for its estimates.

** The SCI survey monitors around 50,000 shoppers nationwide for its sales data.

Domestic OTC Drug Market

Market Environment for OTC Drug Market (8 markets, SDI)

Overall market trends in the eight drug markets in which Lion participates
(Values are percentages of the results of the corresponding periods of the previous years)

	2013	2014	2015	2016	2017	Jan.–Jun. 2018
Sales value	99	100	102	101	100	100
Unit sales	99	98	101	100	98	100
Average unit price	100	102	101	101	102	101

Source: INTAGE Inc. SDI Survey

Market Environment for OTC Drug Market (2 markets, SCI)

Overall market trends in the two drug markets in which Lion participates
(Values are percentages of the results of the corresponding periods of the previous years)

	2016	2017	Jan.–Jun. 2018
Sales value	104	103	103
Unit sales	102	100	101
Average unit price	102	103	102

Source: INTAGE Inc. SCI survey

Assumed Raw Material Prices and Exchange Rates

Raw material prices

	Dubai Crude	Domestic Naphtha	Crude Palm Oil
2018 second half forecasts	\$73/BBL	JPY52,000/KL	2,300RM/ton

Exchange Rates

	U.S. Dollar	Thai Baht	Korean Won
2018 second half forecasts	JPY112.0	JPY3.5	JPY0.100

life. love. **LION**

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.

- * Lion adopted the International Financial Reporting Standards (IFRS) from the first quarter of 2018. Figures herein for the previous fiscal year are presented according to IFRS unless otherwise noted.
- * Monetary amounts herein are truncated after the last digit shown.