

# **Financial Results for the First Nine Months of 2018**

**Lion Corporation**  
**November 5, 2018**

# 1. Financial Results for the Nine Months Ended September 30, 2018 (IFRS)

(Billions of yen)	Jan.–Sep. 2018	Jan.– Sep. 2017	Y-o-Y change	
			Amount	%
<b>Net sales</b>	<b>258.7</b>	<b>251.3</b>	<b>7.3</b>	<b>2.9</b>
Core operating income	20.9	21.7	(0.8)	(3.9)
<b>Operating profit [% of net sales]</b>	<b>26.2 [10.1]</b>	<b>21.6 [8.6]</b>	<b>4.6</b>	<b>21.3</b>
<b>Profit for the period attributable to owners of parent</b>	<b>19.9</b>	<b>15.5</b>	<b>4.3</b>	<b>28.0</b>
<b>EPS (Yen)</b>	<b>68.60</b>	<b>53.60</b>	<b>15.00</b>	<b>28.0</b>

\* Lion has adopted IFRS from fiscal 2018. The above results for the first nine months of fiscal 2017 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.

## 2. Consolidated Financial Highlights

### **Net sales up 2.9% YoY**

(up 2.0% excluding the impact of exchange rate conversions)

- In Japan, overall sales grew, mainly in oral care products, but fabric care sales declined year on year.
- Overseas, in Southeast Asia, sales of new products were strong in Thailand and Malaysia, and performance recovered the third quarter in Northeast Asia.

### **Operating profit up 21.3% YoY**

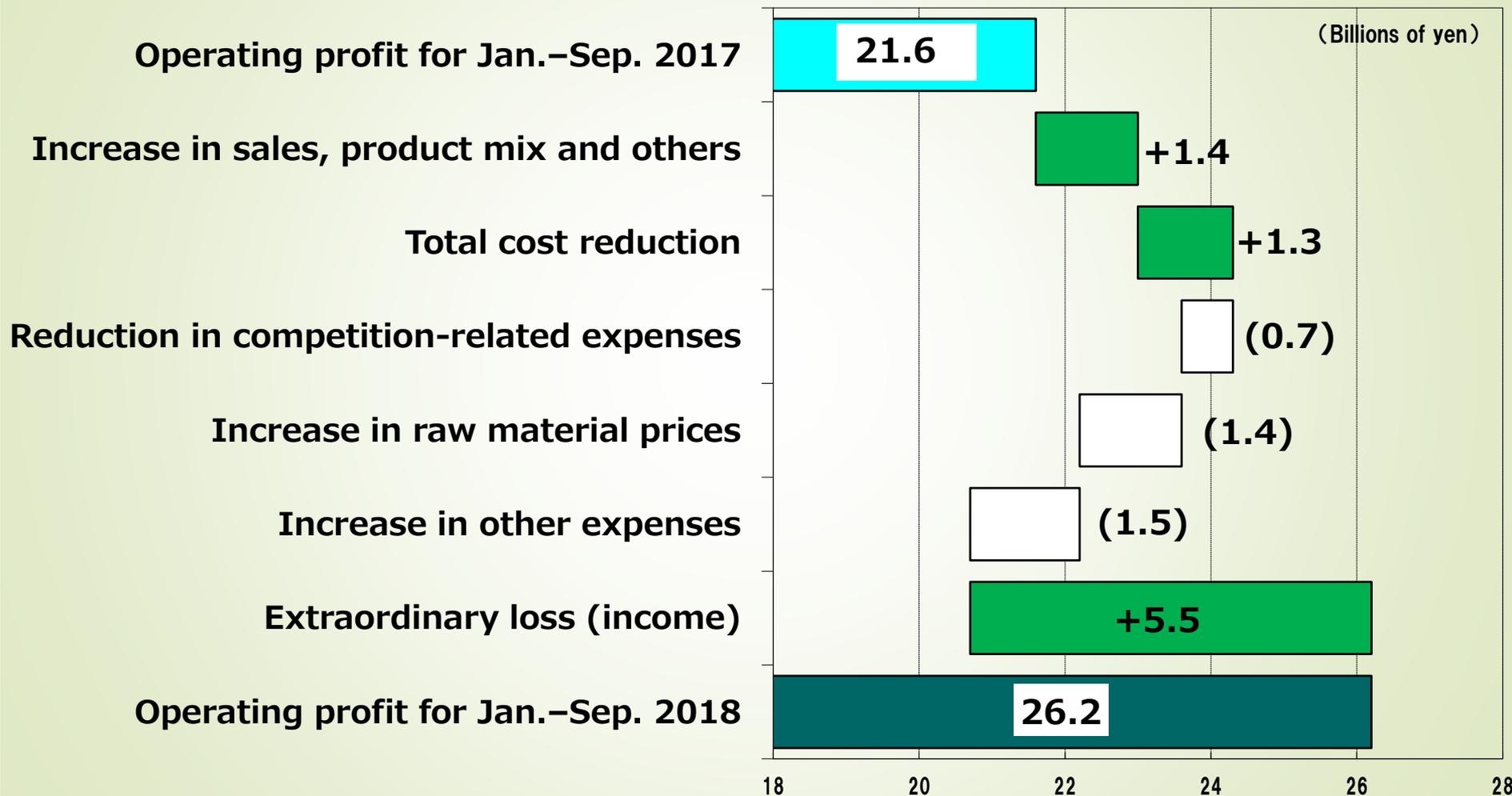
- Core operating income fell due to rising raw material costs and competition-related expenses reflecting intensifying competition in fabric care products. However, due in part to gains on sales of non-current assets, operating profit increased year on year.

### **Aiming to achieve the forecast results**

- Lion is developing and expanding new products in the latter half of the year, and the full-year forecast is unchanged.

\* Lion has adopted IFRS from fiscal 2018. Year-on-year changes are based on results for the first nine months of fiscal 2017 calculated according to IFRS.

### 3. Year-on-Year Changes in Operating Profit (IFRS)



\* Lion has adopted IFRS from fiscal 2018. The above results for the first nine months of fiscal 2017 are calculated according to IFRS.

## 4. Results by Business Segment (IFRS)

(Billions of yen)	Net sales				Segment profit (Core operating income)		
	Jan.–Sep. 2018	Jan.–Sep. 2017	Y-o-Y change		Jan.–Sep. 2018	Y-o-Y change	
			Amount	%		Amount	%
Consumer Products	169.5	178.0	(8.5)	(4.8)	13.1	(1.0)	(7.6)
Industrial Products	42.3	39.6	2.6	6.8	1.8	0.4	28.6
Overseas	80.5	76.3	4.2	5.6	5.2	1.3	35.2
Other	24.6	22.1	2.5	11.3	1.1	0.1	16.2
Subtotal	317.1	316.2	0.9	0.3	21.4	0.8	4.1
Adjustment	(58.4)	(64.8)	6.4	—	(0.5)	(1.6)	—
Consolidated Total	258.7	251.3	7.3	2.9	20.9	(0.8)	(3.9)

\* Lion has adopted IFRS from fiscal 2018. The above results for the first nine months of fiscal 2017 are calculated according to IFRS.

## 5.Consumer Products Business Net Sales by Product Category (IFRS)

Net sales (Billions of yen)	Jan.–Sep. 2018	Jan.–Sep. 2017	Change	Change (%)
Oral Care	41.8	40.0	1.8	4.5
Beauty Care	15.8	15.7	0.0	0.5
Fabric Care	44.7	45.8	(1.0)	(2.4)
Living Care	12.6	12.3	0.2	2.2
Pharmaceutical	21.8	21.8	(0.0)	(0.1)
Other	32.5	42.1	(9.5)	(22.8)
<b>Total</b>	<b>169.5</b>	<b>178.0</b>	<b>(8.5)</b>	<b>(4.8)</b>

\* Lion has adopted IFRS from fiscal 2018. The above results for the first nine months of fiscal 2017 are calculated according to IFRS.

## 6. Overseas Business

### Net Sales by Region (IFRS)

Net sales (Billions of yen)	Jan.–Sep. 2018	Jan.–Sep. 2017	Y-o-Y change	
			Amount	%
Southeast Asia	54.1	49.6	4.5	9.1
Northeast Asia	26.3	26.6	(0.2)	(1.0)
Total	80.5	76.3	4.2	5.6

\* Lion has adopted IFRS from fiscal 2018. The above results for the first nine months of fiscal 2017 are calculated according to IFRS.

## 7. Progress under the LIVE Plan (July–September Topics)



# Expand and Evolve Our Business Domains through New Value Creation

## ● New products in the second half of the year



Solid start, with shipments surpassing targets



Marketed as requiring no scrubbing, well-received by customers



## ● Test marketing begun in new domains

Pilot testing of a bad breath care support app launched



東急百貨店  
**TOKYU**  
For customer service staff

Began small-start commercialization



# Accelerate Growth in Overseas Businesses through Glocalization

## ● Promoting preventive dentistry and the penetration of our brands



 Thailand, Malaysia

Advancing oral health care initiatives with the officials responsible for dental programs in the Ministry of Health, dentists, dental hygienists and other partners as part of public-private cooperation

Oral Healthcare Forum (Ministry of Economy, Trade and Industry)  
Location: Courtyard Marriott Tokyo Ginza Hotel



 Malaysia

Tie-ups with the Ministry of Health, a periodontology society, and local major drug stores; presenting SYSTEMA toothpastes in the media

Tie-ups  
Ministry of Health (Malaysia), Malaysian Society of Periodontology, Universiti Teknologi MARA, others

# Selected for ESG Indices

MEMBER OF

**Dow Jones Sustainability Indices**

In Collaboration with RobecoSAM

2 years running



FTSE4Good



FTSE Blossom Japan

**MSCI**  2017 Constituent  
MSCI Japan ESG  
Select Leaders Index

**MSCI**  2017 Constituent  
MSCI Japan Empowering  
Women Index (WIN)

**MS-SRI** | Morningstar Socially Responsible Investment Index

**S&P/JPX Carbon Efficient Index**

Selected in September 2018

ESG investment: Investment that takes into account environmental, social and governance factors

## 8. 2018 Consolidated Financial Forecast (IFRS)

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

## 9. 4th Quarter Initiatives

### Consumer Products Business

- In the highly competitive fabric care field, we will reinforce and expand the super-concentrated liquid laundry detergent lineup with new TOP Hareta, seeking to gain market share.
- In the oral care, beauty care, and living care fields, we are working to nurture markets for products released in summer and autumn of 2018 to secure solid growth in each field.

### Industrial Products Business

- By continuing to expand relationships with trading partners for value-added products, we will further expand sales and profit.

### Overseas Business

- In Northeast Asia, we will accelerate structural reforms in progress, particularly working to transition to profitable growth in China. In Southeast Asia, we will develop markets for new products to further expand sales and profit.
- We will accelerate profit structure reform in the home care field, including laundry detergents.

### Overall Cost Reduction

- We achieved ¥1.3 billion in cost reductions from January to September, and will continue efforts at an even faster pace in the 4th quarter.

## Reference Materials

### Consolidated Statement of Financial Position (IFRS)

(Billions of yen)		Sep. 30, 2018	Dec. 31, 2017	Change
Current assets		210.7	199.5	11.1
	Cash and cash equivalents	92.5	91.4	1.1
	Trade and other receivables	66.3	64.8	1.4
	Inventories	44.9	39.6	5.3
Non-current assets		142.3	139.3	3.0
	Property, plant and equipment	80.1	79.5	0.5
	Intangible assets	8.8	8.3	0.5
	Retirement benefit assets	10.4	10.3	0.1
	Other financial assets	28.4	29.3	(0.9)
<b>Total assets</b>		<b>353.0</b>	<b>338.8</b>	<b>14.2</b>

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

## Reference Materials

### Consolidated Statement of Financial Position (IFRS)

(Billions of yen)		Sep. 30, 2018	Dec. 31, 2017	Change
<b>Current liabilities</b>		<b>126.4</b>	<b>129.4</b>	<b>(2.9)</b>
	Trade and other payables	83.8	75.7	8.1
	Borrowings	1.4	4.0	(2.6)
	Accrued expenses	28.7	35.9	(7.1)
<b>Non-current liabilities</b>		<b>22.0</b>	<b>20.6</b>	<b>1.3</b>
	Borrowings	1.3	1.5	(0.1)
	Retirement benefit liabilities	9.1	7.5	1.6
<b>Equity</b>		<b>204.5</b>	<b>188.7</b>	<b>15.8</b>
	Capital surplus	34.6	34.6	0.0
	Treasury stock	(4.7)	(4.8)	0.0
	Other components of equity	14.1	15.4	(1.3)
	Retained earnings	112.9	98.6	14.3
<b>Total liabilities and equity</b>		<b>353.0</b>	<b>338.8</b>	<b>14.2</b>

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

# Reference Materials Results by Business Segment (IFRS)

(Billions of yen)	Net sales			Segment profit (Core operating income)		
	Jan.–Sep. 2018	Y-o-Y change		Jan.–Sep. 2018	Y-o-Y change	
		Amount	%		Amount	%
Consumer Products	169.5	(8.5)	(4.8)	13.1	(1.0)	(7.6)
	157.5	(0.3)	(0.2)			
Industrial Products	42.3	2.6	6.8	1.8	0.4	28.6
	24.6	1.4	6.2			
Overseas	80.5	4.2	5.6	5.2	1.3	35.2
	72.6	5.2	7.8			
Others	24.6	2.5	11.3	1.1	0.1	16.2
	3.8	1.1	40.6			
Subtotal	317.1	0.9	0.3	21.4	0.8	4.1
Adjustments	(58.4)	6.4	—	(0.5)	(1.6)	—
Consolidated Total	258.7	7.3	2.9	20.9	(0.8)	(3.9)

\* Lion has adopted IFRS from fiscal 2018. Year-on-year changes are based on results for the first nine months of fiscal 2017 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.

## Reference Materials

Consumer Products Business Net Sales  
by Product Category (JGAAP)

(Billions of yen)	Jan.–Sep. 2018	Jan.–Sep. 2017	Change	Change (%)
Oral Care	49.6	48.1	1.5	3.3
Beauty Care	19.0	18.9	0.1	0.6
Fabric Care	58.2	59.2	(1.0)	(1.8)
Living Care	15.3	15.0	0.2	1.9
Pharmaceutical	29.7	28.7	0.9	3.4
Other	34.0	43.6	(9.6)	(22.1)
<b>Total</b>	<b>206.1</b>	<b>213.8</b>	<b>(7.7)</b>	<b>(3.6)</b>

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

# Fiscal 2018 First Nine Months Consolidated Profit/Loss Results (differences in accounting standards)

JGAAP	(bn. yen)	IFRS adjustments	IFRS	(bn.yen)	Difference
Net sales	309.4	→Promotional expense deductions (50.7)	Net Sales	258.7	(50.7)
Cost of sales	131.1	→Levies (property tax), retirement benefits +0.5	Cost of sales	131.7	
Gross profit	178.2		Gross profit	126.9	(51.2)
Selling, general and administrative expenses	156.1	→Exemptions for promotional expenses (50.8) Goodwill and intangible asset depreciation (0.06) Other +0.8	Selling, general and administrative expenses	106.0	
Operating income	22.1		Core operating income	20.9	
Non-operating income	1.7	→Other income +0.7, Financial income +0.5 Share of profit of investments accounted for using the equity method +0.5	Other income	6.4	
Non-operating expenses	0.5	→Other expenses +0.3, Financial expenses +0.1, To BS +0.01	Other expenses	1.1	
Ordinary income	23.4		Operating profit	26.2	4.0
Extraordinary income	5.8	→Other income +5.5, To BS +0.2	Finance income	0.5	
Extraordinary loss	0.7	→Other expenses +0.7, To BS +0.01	Finance costs	0.1	
Income before income tax	28.5		Share of profit of investments accounted for using the equity method	0.6	
Total income taxes	4.3		Profit before tax	27.2	(1.3)
Profit	24.2		Income taxes	3.6	
Profit attributable to non-controlling interests	3.6		Profit for the period	23.5	
Profit attributable to owners of parent	20.6		Profit for the period attributable to non-controlling interests	3.6	
			Profit for the period attributable to owners of the parent	19.9	(0.6)

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

# Reference Materials 2018 Consolidated Financial Forecast (IFRS)

(Billions of yen)	2018	2017	Y-o-Y Change		Jul. – Sep. 2018	Jul. – Sep. 2017	Y-o-Y Change	
			Amount	%			Amount	%
Net sales	355.0	342.7	12.2	3.6	258.7	251.3	7.3	2.9
Core operating income [% of Sales]	29.0 [8.2]	28.8 [8.4]	0.1	0.7	20.9 [8.1]	21.7 [8.7]	(0.8)	(3.9)
Operating profit [% of Sales]	33.0 [9.3]	30.4 [8.9]	2.5	8.3	26.2 [10.1]	21.6 [8.6]	4.6	21.3
Profit attributable to owners of parent [% of Sales]	25.0 [7.0]	20.8 [6.1]	4.1	19.7	19.9 [7.7]	15.5 [6.2]	4.3	28.0
EPS (Yen)	86.03	71.87	14.16	19.7	68.60	53.60	15.00	28.0

\* Lion has adopted IFRS from fiscal 2018. The above results for fiscal 2017 and the first nine months of fiscal 2017 are calculated according to IFRS.

# Reference Materials Changes in Home Products Market

## Market Environment for Home Products (38 markets, SRI)

Y-o-Y change (%)

	2013	2014	2015	2016	2017	Jan.-Sep. 2018
<b>Sales value</b>	<b>102</b>	<b>102</b>	<b>103</b>	<b>104</b>	<b>99</b>	<b>102</b>
<b>Unit sales</b>	<b>102</b>	<b>100</b>	<b>100</b>	<b>102</b>	<b>98</b>	<b>100</b>
<b>Average unit price</b>	<b>100</b>	<b>102</b>	<b>102</b>	<b>102</b>	<b>102</b>	<b>102</b>

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 2016–2018 is for 38.)

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

Y-o-Y change (%)

	2016	2017	Jan.-Sep. 2018
<b>Sales value</b>	<b>105</b>	<b>103</b>	<b>102</b>
<b>Unit sales</b>	<b>101</b>	<b>101</b>	<b>99</b>
<b>Average unit price</b>	<b>104</b>	<b>102</b>	<b>102</b>

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.

## Reference Materials

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

Y-o-Y change (%)

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

Source: INTAGE Inc. SDI Survey

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

Y-o-Y change (%)

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

Source: INTAGE Inc. SCI survey

# *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.