

Financial Results for the Fiscal Year Ended December 31, 2018

Lion Corporation

- **2018 Achievements and Main Issues**
- **2019 Key Measures**

2018 Achievements and Main Issues

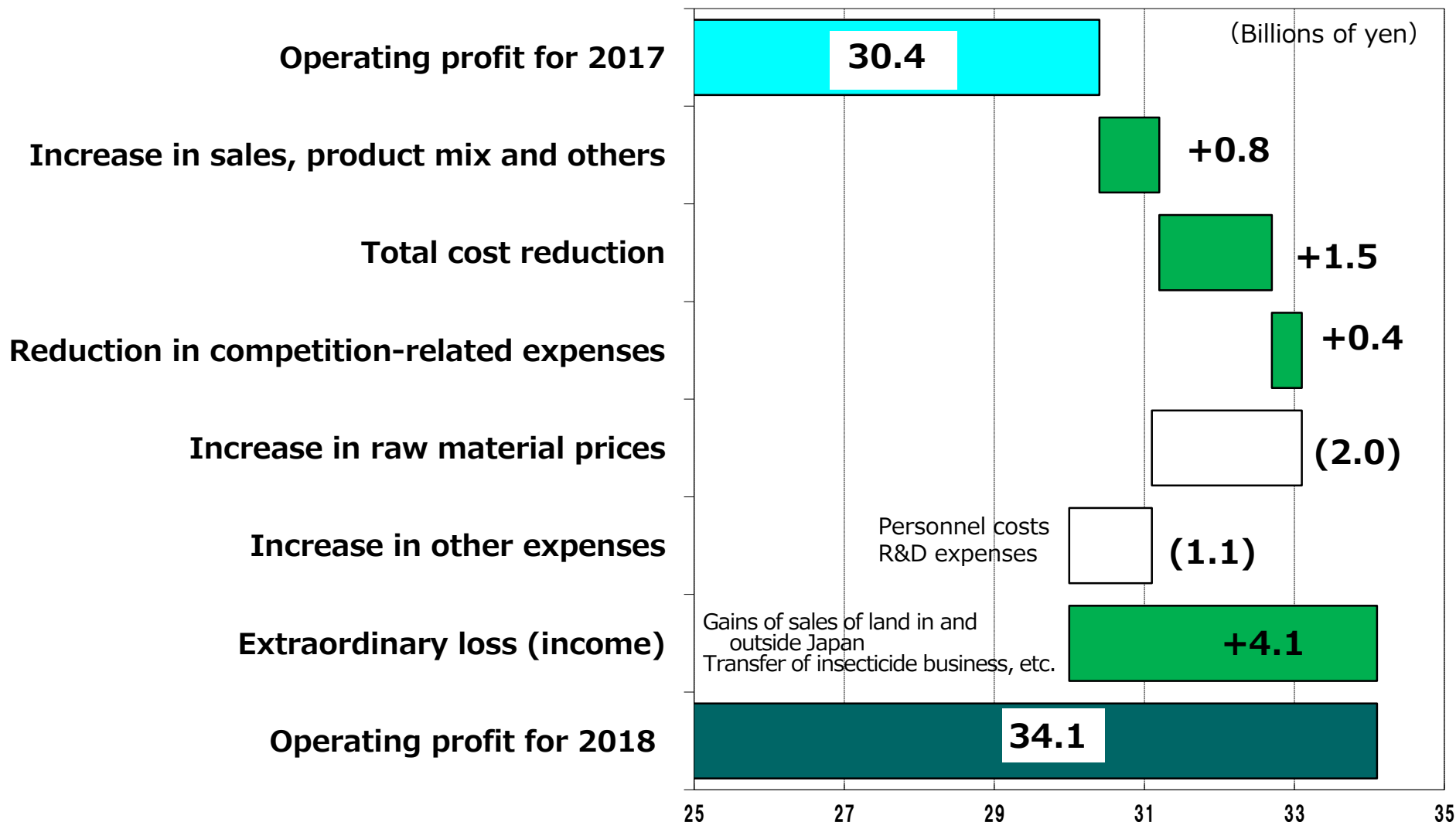
Consolidated Financial (IFRS)

LION

(Billions of yen)	2018	2017	Y-o-Y change		Deviation from forecast
			Amount	%	
Net sales	349.4	342.7	6.6	2.0	(5.5) [(1.6%)]
Core operating income [% of net sales]	28.3 [8.1]	28.8 [8.4]	(0.4)	(1.5)	(0.6) [(2.2%)]
Operating profit [% of net sales]	34.1 [9.8]	30.4 [8.9]	3.7	12.2	+1.1 [+3.6%]
Profit for the period attributable to owners of parent	25.6	20.8	4.7	22.6	+0.6 [+2.4%]
EPS (Yen)	88.11	71.87	16.24	22.6	+0.2 [+2.4%]
ROE (%)	13.9	12.7	1.2	9.4	—

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

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



Results by Business Segment (IFRS) **LION**

(Billions of yen)	Net sales				Segment profit (Core operating income)		
	2018	2017	Y-on-Y change		2018	Y-on-Y change	
			Amount	%		Amount	%
Consumer Products	231.5	241.2	(9.6)	(4.0)	17.8	(1.1)	(5.8)
Industrial Products	57.9	55.0	2.9	5.3	2.3	0.0	1.7
Overseas	105.0	102.5	2.4	2.4	6.8	2.4	55.8
Other	34.0	30.5	3.5	11.5	1.7	0.3	28.5
Subtotal	428.6	429.3	(0.7)	(0.2)	28.7	1.7	6.6
Adjustment	(79.2)	(86.6)	7.4	-	(0.4)	(2.2)	-
Consolidated Total	349.4	342.7	6.6	2.0	28.3	(0.4)	(1.5)

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

Consumer Products Business Net Sales by Product Category (IFRS)



(Billions of yen)	Net sales			
	2018	2017	Y-on-Y change	
			Amount	%
Oral Care	59.5	56.4	3.0	5.3
Beauty Care	21.0	20.3	0.7	3.5
Fabric Care	59.7	61.5	(1.7)	(2.8)
Living Care	17.8	16.9	0.9	5.6
Pharmaceutical	29.2	29.4	(0.1)	(0.6)
Other	44.1	56.5	(12.3)	(21.9)
Total	231.5	241.2	(9.6)	(4.0)

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

Achievement: Continued growth in high-value-added products

Main issue: Performance in the fabric care field not as planned

Achievement

Continued growth in high-value-added products



**Toothpaste
+1p**



**Dental rinse
+12p**



**Body wash
+9p**



**Antipyretic
analgesics
+5p**

2%

3%

Market

Lion

16%

4%

Market

Lion

15%

6%

Market

Lion

8%

3%

Market

Lion

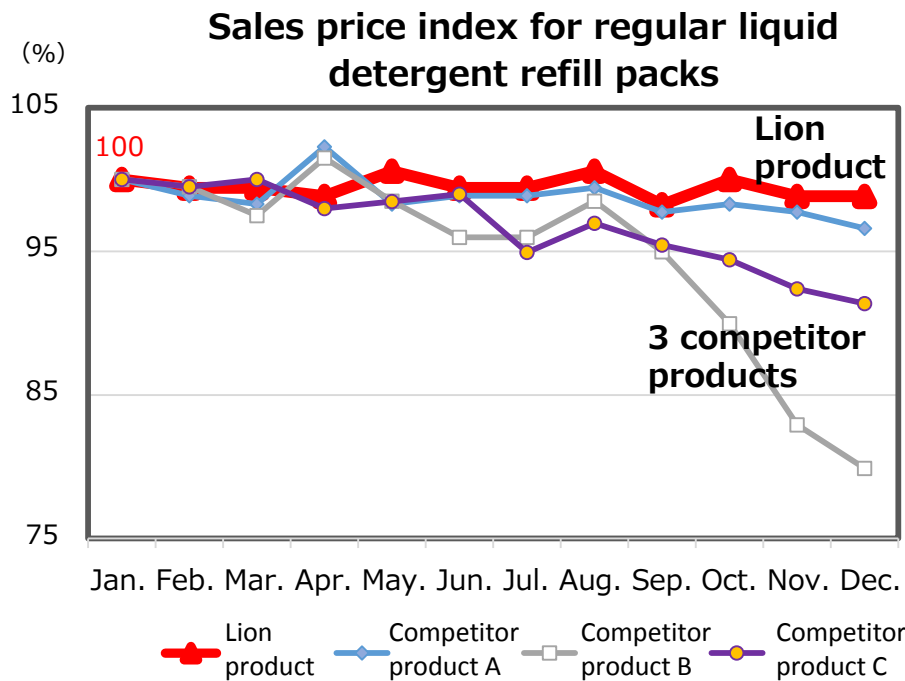
Note: The figures above are the full year-on-year growth rates for 2018 based on Lion's own research.

Main issue

Performance in the fabric care field not as planned

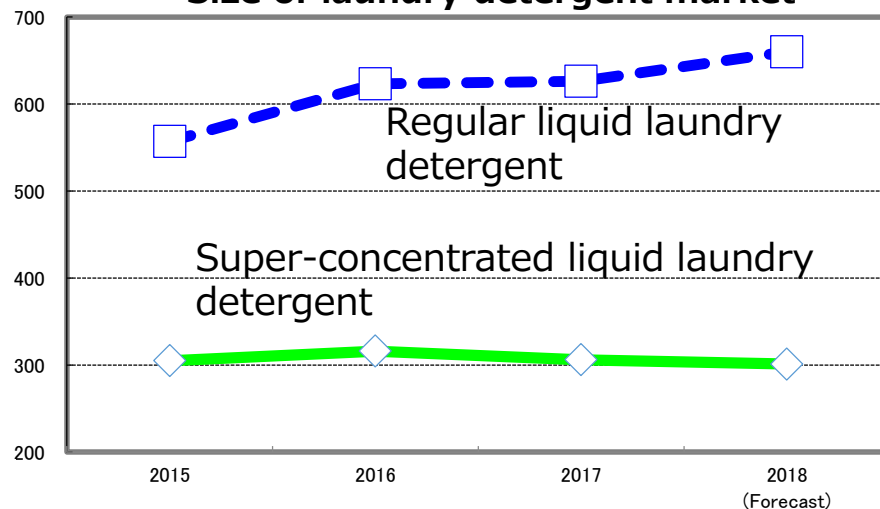
Current market: Price competition among regular liquid detergents heating up again; retail prices declining

Lion: Stayed out of price-cutting competition; super-concentrated liquid laundry detergent sales stagnant



(Billions of yen)

Size of laundry detergent market



Source: Intage Inc.'s SRI data

Achievement: Growth in the functional chemicals field

Main issue: Lagging market development for detergents for food processing plants

Achievement

Growth in the functional chemicals field

Japan

131%

Electro-conductive compounds
(for semiconductor carrier materials, etc.)

Electrical and electronic products



107%

Anti-sticking agents for tires

Automotive



Overseas

159%

Electro-conductive materials for secondary batteries

Electrical and electronic products



111%

Textile chemical agents

Lifestyle related industry



Main issue

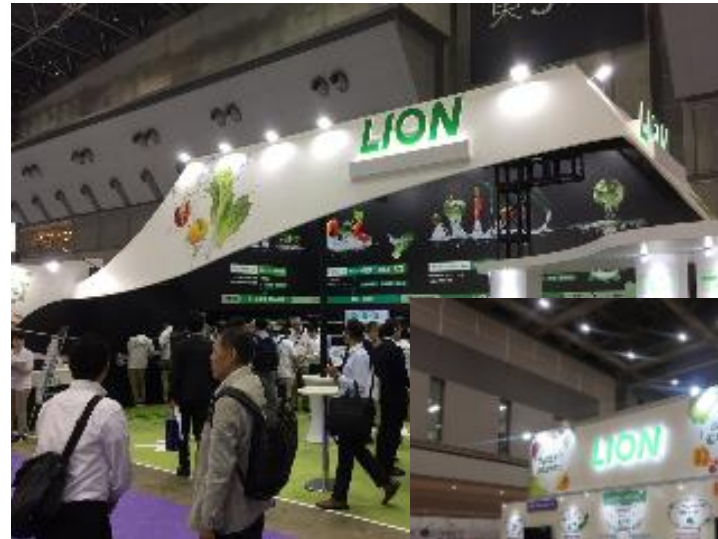
Lagging market development for detergents for food processing plants



Yasai Kirei
(Vegetable Clean)
spray washer



Fruit and vegetable
detergent lineup



FOOMA JAPAN 2018
(international food
machinery and
technology exhibition)



Vegetables & Fruits Expo 2018
(fruit and vegetable processing
technology exhibition)

Attracting new customers through
sales activities, exhibitions, etc.

Achievement: Steadily expanded sales and profit in Southeast Asia; rebuilt business management structure in Northeast Asia

Main issue: Sales stagnant in China

Achievement

Continued profitable business growth

2017-2018 YoY sales growth (local currency basis)

Thailand



**Expansion in
personal care field**



Shokubutsu
Shampoo



KireiKirei
Foaming
Hand Soap

**Personal care field
+4%**

Malaysia



**Growth in oral care and
fabric care fields**



SYSTEMA
Toothpaste

**Oral care
field**

+17%



TOP Super-
Compact
Liquid
Laundry
Detergent

Fabric care field

+14%



TOP
Fabric
Softener

South Korea



**Expansion in personal
care field**



Ai!Kekute
Foaming
Hand Soap

Personal care field

+10%



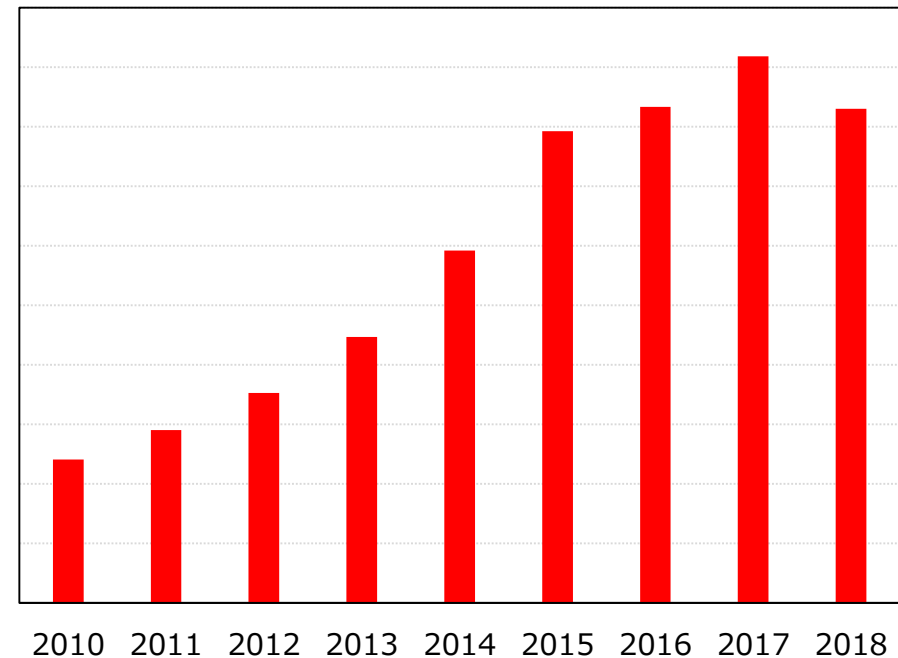
Kysoku
Jikan foot
sheets

Main issue

Sales stagnant in China



Qingdao Lion Sales





Expand and Evolve our Business Domains through New Value Creation

LION

Expand and evolve our existing businesses

NONIO



**hada
kara**
ハダカラ



ハレタ!



(TOP Hareta)

**ルック+
バスバブ
クレンジング**



(LOOK Plus Bath Cleansing)

Launch and promote new high-value-added products

Create new business value using digital data



Source: ITmedia NEWS

Developed and tested the Bad Breath Care Support App

Accelerate Growth in Overseas Businesses through Glocalization

LION

Northeast Asia

Completed structural reforms in China



Southeast Asia

**Enhanced our oral care presence
(preventive dentistry activities)**



**Initiatives uniting
the Lion Group, experts,
and logistics operators**

Reinforce Our Management Base through Business Structure Reform

Boosted production capacity in the oral care field



New toothbrush manufacturing
facility in Sakaide, Kagawa
Began operations Nov. 2018



New dental rinse manufacturing
facility in Akashi, Osaka
To begin operations Apr. 2019

**Construction to begin on a new
toothpaste manufacturing facility**

To begin operations in 2021

Create Dynamism to Foster Innovative Change **LION**

Developed new businesses through open innovation

Established the Innovation Lab



VISOURIRE



Advanced internal reforms, led by young employees

ReDesign FORUM



LION

LION CORPORATION

- 1 . Accelerate business growth to achieve the goals of the LIVE Plan**
- 2 . Create growth engines to become an advanced daily healthcare company**

New Management Structure

LION

Mission

CEO Itsuo Hama



- Group-wide oversight and management
- Create multiple strong growth engines

COO Masazumi Kikukawa



- Overall execution of operations
- Expand and evolve existing businesses

Key Word

Accelerate 

2019 Key Measures

Japan

- **Continuously create and promote high-value-added products**

Overseas

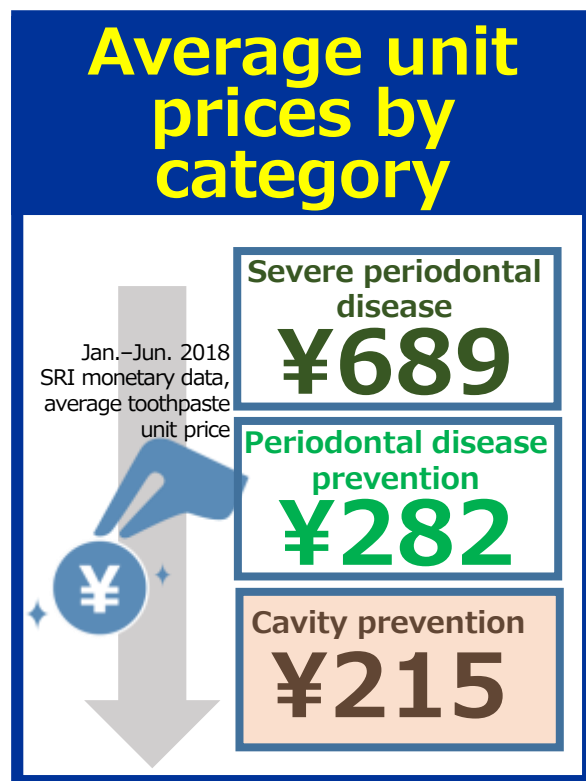
- **Target the Chinese market**
- **Expand into new countries**

1. Raise unit prices in commoditized categories

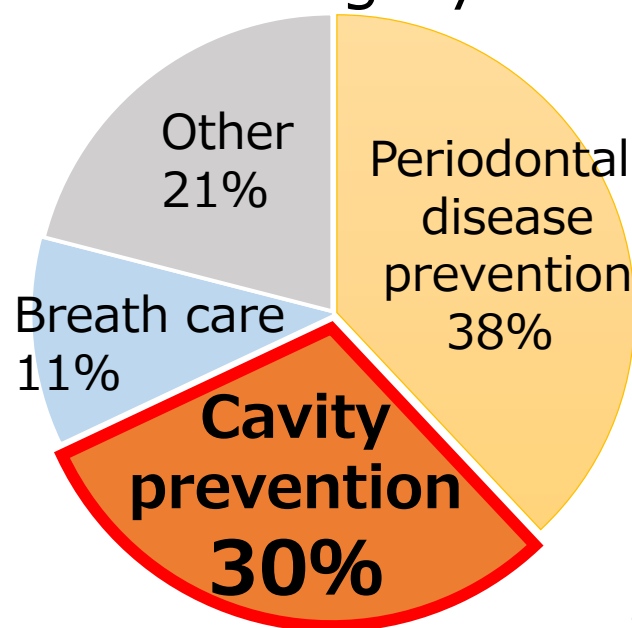
2. Attract new users

Approach [Japan]: Create and promote high-value-added products

1. Raise unit prices in commoditized categories (toothpastes)



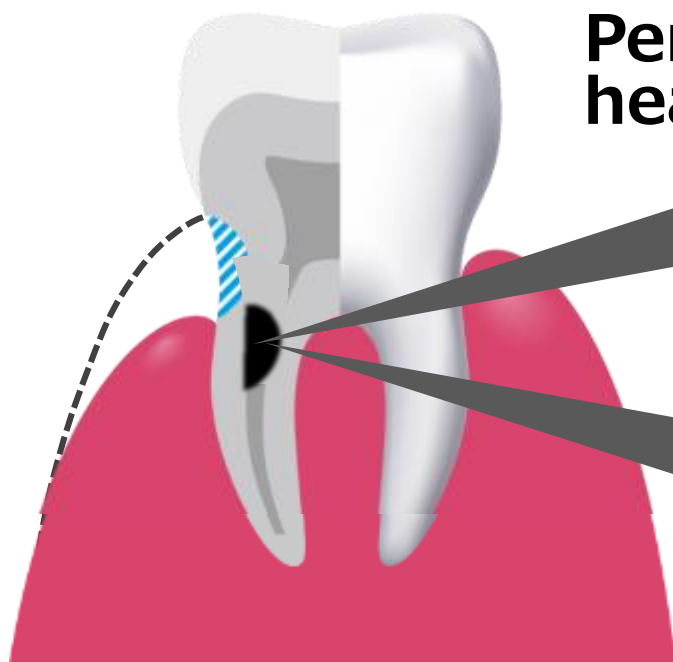
Market category breakdown



Jan.–Dec. 2018
SRI monetary data,
average toothpaste unit price

We will launch high-value-added cavity prevention products to raise the category's unit prices

Adults often develop cavities in the enamel of exposed tooth roots (Root cavities)



Percentage of people who have heard of root cavities: **8%**

Tooth roots are weak and **easily form cavities**

Cavities progress quickly here, raising the risk of losing the tooth

To help prevent adult root cavities, we will expand the market for high-value-added cavity prevention products.

Approach [Japan]: Create and promote high-value-added products

LION

Preventive Dentistry for Adults

大人のための 予防歯科

ADVANTAGE

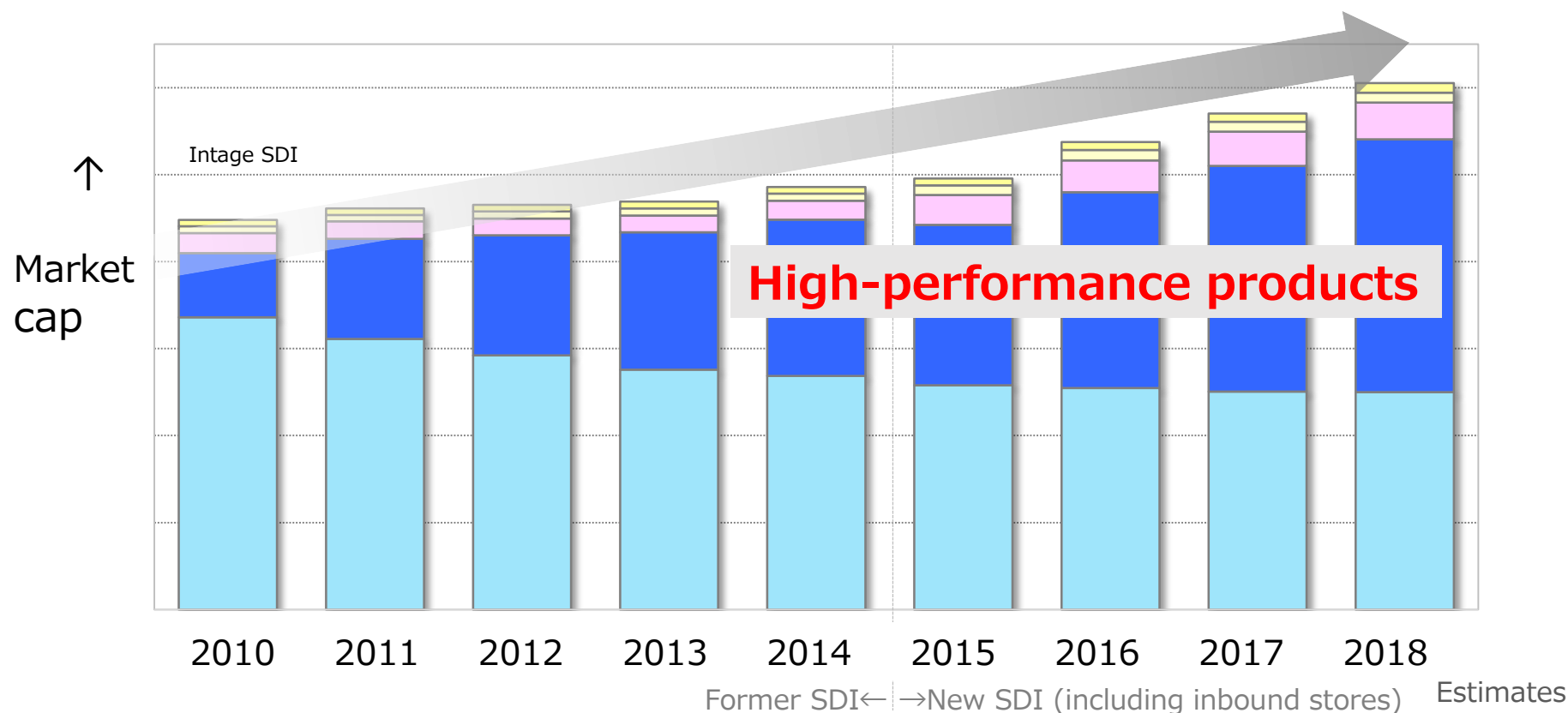
NEXT STAGE



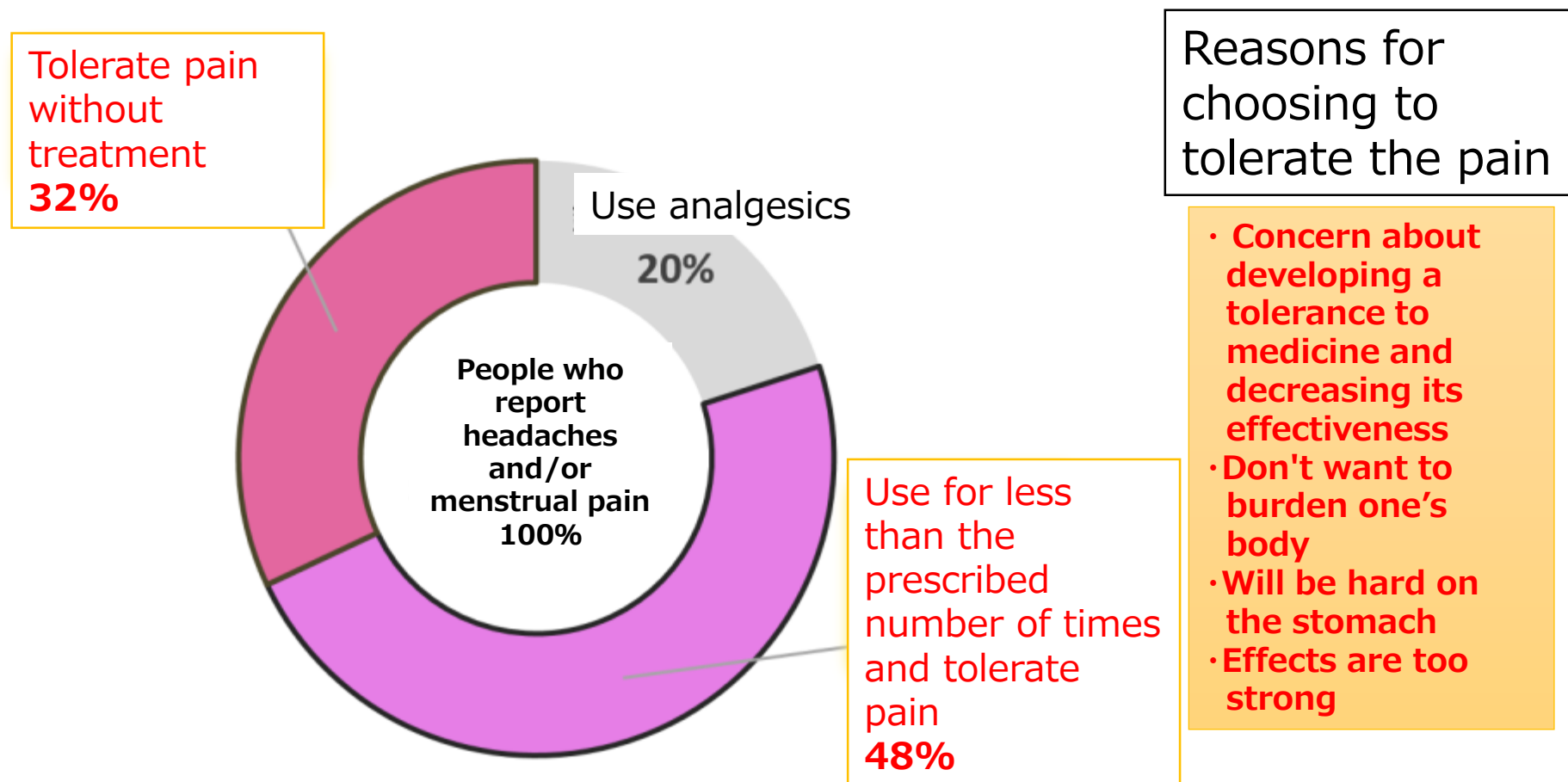
Approach [Japan]: Create and promote high-value-added products

2. Attract new users (antipyretic analgesics)

The antipyretic analgesic market is steadily expanding, driven by the high-performance category



Targeting people who leave pain untreated



Approach [Japan]: Create and promote high-value-added products

Launch of *BUFFERIN Light* to appeal to people who leave pain untreated

Features of *BUFFERIN Light*



Feature

1

Modest effect

Feature

3

Does not contain ingredients that cause drowsiness

Feature

2

Gentle on the stomach

Feature

4

Non-caffeine

Approach [Japan]: Create and promote high-value-added products

LION

The laundry detergent field is seeing intense competition



~~Engaging in extreme price competition~~

Steadily promote super-concentrated liquid laundry detergent

+

Create new value in the fabric care field, including fabric softeners

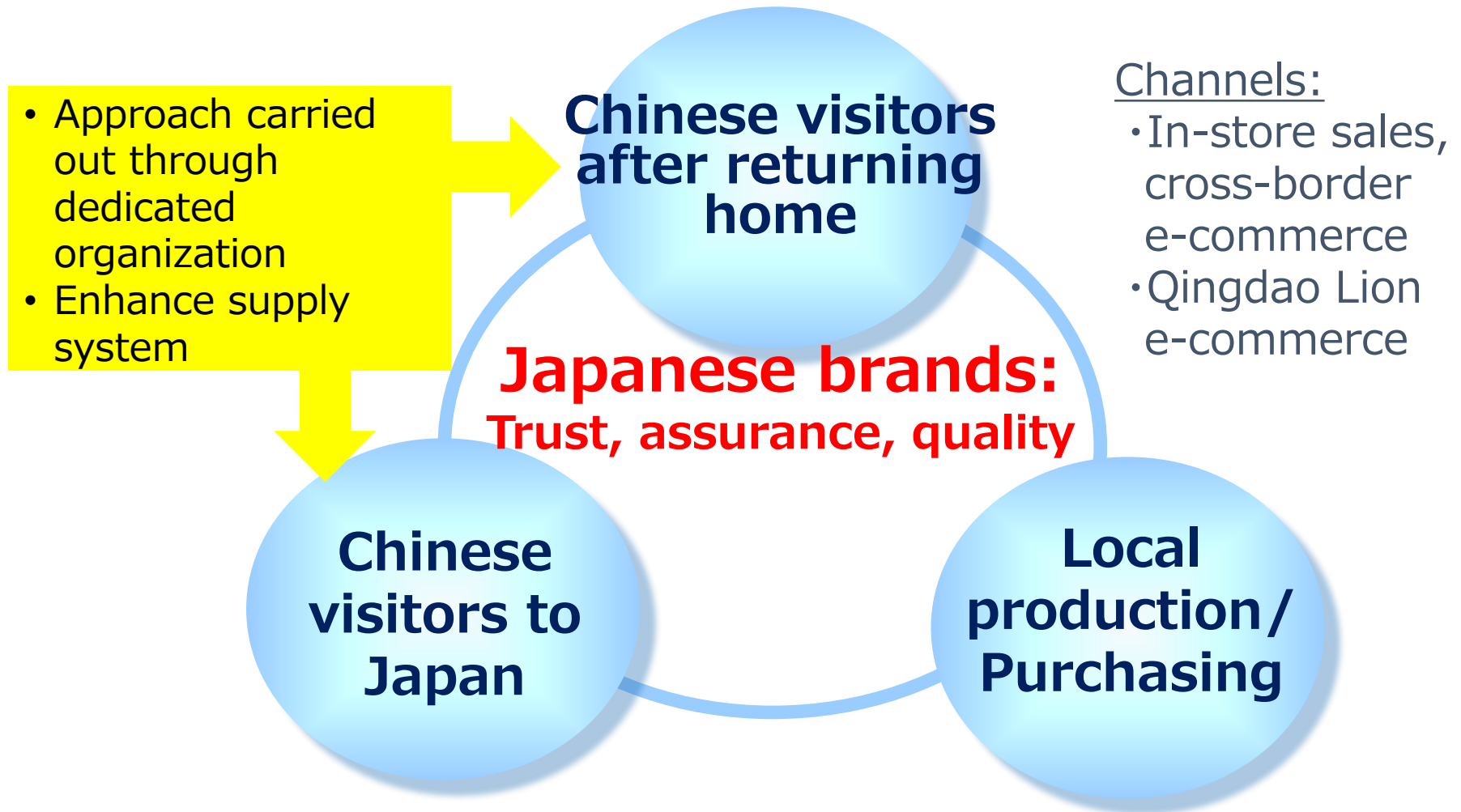


Qingdao Lion's initiatives

- **Brands:** Focus on promoting *SYSTEMA* and *CLINICA* brands
- **Target areas:** Strengthen efforts with key accounts in eastern China
- **Channels:** Optimize balance between online (e-commerce) and offline (in-store)

Approach [Overseas]: Target the Chinese market

Steps to expand demand in China



Approach [Overseas]: Expand into new countries



- Expand export business beyond countries where we currently operate
- Promote brand awareness via e-commerce
- Accelerate entry through M&A and capital alliances

2019 Consolidated Financial Forecast (IFRS) **LION**

(Billions of yen)	2019	2018	Y-o-Y change	
			Amount	%
Net sales	360.0	349.4	10.5	3.0
Core operating income [% of net sales]	31.5 [8.8]	28.3 [8.1]	3.1	11.0
Operating profit [% of net sales]	31.0 [8.6]	34.1 [9.8]	(3.1)	(9.3)
Profit for the period attributable to owners of parent	21.0	25.6	(4.6)	(18.0)
EPS (Yen)	72.25	88.11	(15.86)	(18.0)

Fiscal 2019 Forecast of Net Sales by Segment (IFRS)



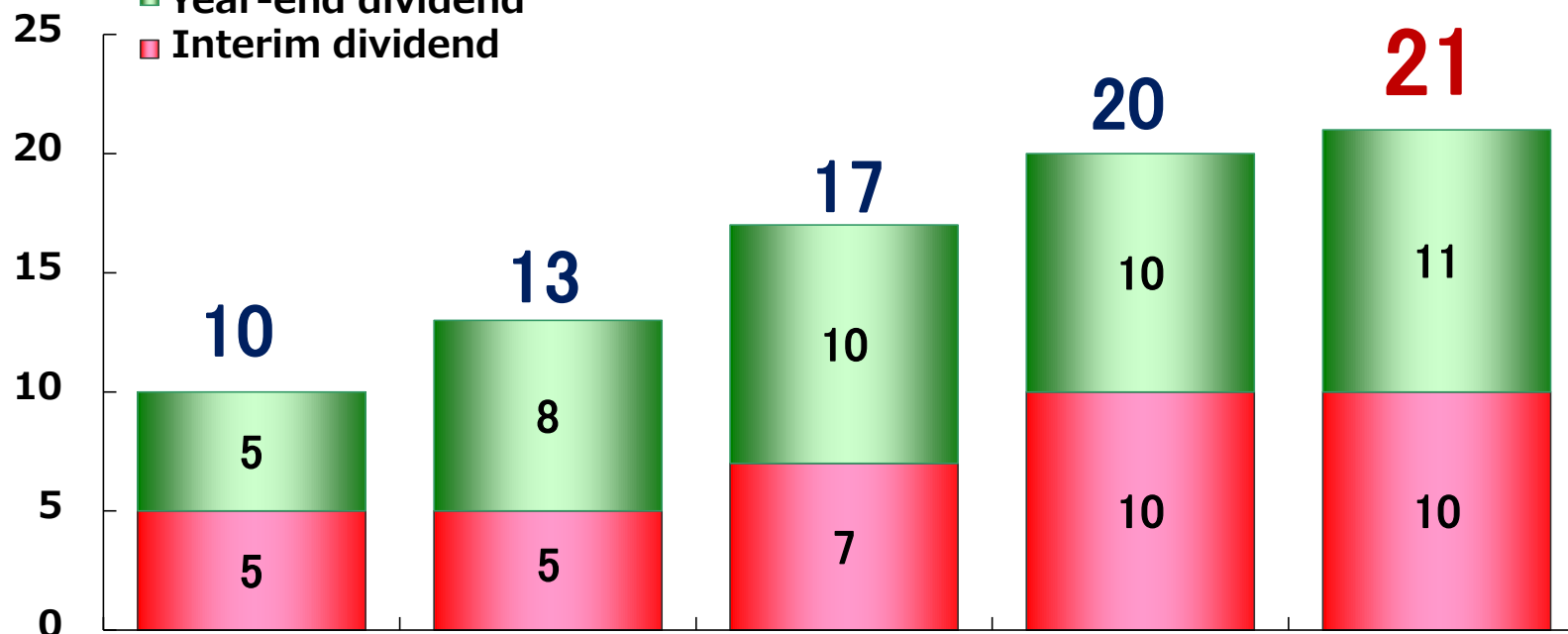
(Billions of yen)	2019	2018	Y-o-Y change	
			Amount	%
Consumer Products	220.0	215.3	4.6	2.1
Industrial Products	34.5	34.0	0.4	1.3
Overseas	101.0	94.7	6.2	6.6
Other	4.5	5.2	(0.7)	(14.7)
Subtotal	360.0	349.4	10.5	3.0
Consolidated Total	360.0	349.4	10.5	3.0

Shareholder Returns

Increasing dividends for four consecutive years and counting

(Yen)

■ Year-end dividend
■ Interim dividend



Consolidated
payout ratio

2015
25.4%

2016
23.6%

2017
24.9%

2018
22.7%

2019
(forecast)
29.1%

Basic dividend policy: Pay continuous and stable cash dividends

1. Accelerate growth strategies

- ◇ **Further expand the domestic oral care field**
 - Enhance capacity and efficiency of production facilities
- ◇ **Reinforce the pharmaceuticals field**
 - Build up a third pillar to follow antipyretic analgesics and eye drops
- ◇ **Expand business scale and countries where we operate overseas**
 - Flexible forms of entry (M&A, alliances, e-commerce, etc.)
- ◇ **Accelerate growth in the Chinese market**
 - Form dedicated cross-border sales team directly under the president

2. Further reform the profit structure

- ◇ **Revise overseas business portfolio**
 - Expand the oral care field
- ◇ **Advance BPR* to streamline operations**
 - *BPR: Business process engineering

3. Strengthen ESG management

- ◇ **Achieve 2020 Sustainability Material Issues and Objectives**
 - Establish the “New Environmental Objectives 2030”
 - Develop diverse human resources that drive the next generation of management
 - Build Lion’s health management model
 - Etc.

life. love.
LION

Reference Materials

Consolidated Statement of Income (IFRS)

(Billions of yen)	2018	2017	Y-o-Y change	
			Amount	%
Net sales	349.4	342.7	6.6	2.0
Cost of sales	177.6	171.7	5.9	3.5
Gross profit	171.7	170.9	0.7	0.4
Selling, general and administrative expenses	143.3	142.1	1.1	0.8
Other income	7.4	3.1	4.2	136.5
Other expenses	1.6	1.4	0.1	9.6
Operating profit	34.1	30.4	3.7	12.2
Finance income	0.7	0.8	(0.0)	(2.4)
Finance costs	0.1	0.2	(0.0)	(32.7)
Share of profit of investments accounted for using the equity method	0.8	0.9	(0.1)	(11.6)
Profit before tax	35.6	31.9	3.6	11.4
Income taxes	5.8	8.6	(2.7)	(31.7)
Profit for the period	29.7	23.3	6.3	27.3
Profit for the period attributable to non-controlling interest	4.1	2.5	1.6	66.5
Profit for the period attributable to owners of the parent	25.6	20.8	4.7	22.6

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

Selling, general and administrative expenses (IFRS)

(Billions of yen)		2018		2017		Y-o-Y change	
		Amount	% of sales (%)	Amount	% of sales (%)	Amount	%
Selling, general and administrative expenses		143.3	41.0	142.1	41.5	1.1	0.8
	Sales commissions	9.3	2.7	9.0	2.6	0.2	3.3
	Promotional expenses	25.9	7.4	25.4	7.4	0.4	1.9
	Advertising expenses	28.7	8.2	29.9	8.7	(1.1)	(3.8)
	Transportation and warehousing expenses	19.1	5.5	18.6	5.4	0.4	2.4
	R&D expenses	10.9	3.1	10.4	3.1	0.4	4.7
	Other expenses	49.2	14.1	48.6	14.2	0.5	1.2

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

Consolidated Statement of Financial Position (IFRS)

(Billions of yen)		2018	2017	Change
Current assets		215.9	199.5	16.4
	Cash and cash equivalents	104.9	91.4	13.5
	Trade and other receivables	64.6	64.8	(0.1)
	Inventories	42.0	39.6	2.4
Non-current assets		139.4	139.3	0.0
	Property, plant and equipment	81.5	79.5	2.0
	Intangible assets	10.3	8.3	2.0
	Retirement benefit assets	7.7	10.3	(2.5)
	Other financial assets	25.0	29.3	(4.3)
Total assets		355.3	338.8	16.5

* 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)		2018	2017	Change
Current liabilities		129.7	129.4	0.3
	Trade and other payables	116.9	111.7	5.2
	Borrowings	1.4	4.0	(2.6)
Non-current liabilities		21.3	20.6	0.6
	Borrowings	1.2	1.5	(0.3)
	Retirement benefit liabilities	10.9	7.5	3.4
Equity		204.2	188.7	15.4
	Additional paid-in capital	34.7	34.6	0.0
	Treasury stock	(4.7)	(4.8)	0.0
	Other components of equity	10.9	15.4	(4.5)
	Retained earnings	115.8	98.6	17.1
Total liabilities and equity		355.3	338.8	16.5

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

Consolidated Statement of Cash Flows (IFRS)

(Billions of yen)	2018	2017	Change
Cash flows from operating activities	31.8	28.5	3.3
Cash flows from investing activities	(8.9)	(8.7)	(0.2)
Cash flows from financing activities	(8.7)	(6.7)	(2.0)
Effect of exchange rate changes on cash and cash equivalents	(0.5)	0.6	(1.1)
Net increase (decrease) in cash and cash equivalents	13.5	13.6	(0.0)
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	104.9	91.4	13.5

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

Results by Business Segment (IFRS)

(Billions of yen)	Net sales			Segment profit (Core operating income)			
	2018	Y-o-Y change		2018		Y-o-Y change	
		Amount	%	Amount	%	Amount	%
Consumer Products	231.5	(9.6)	(4.0)	17.8	7.7	(1.1)	(5.8)
	215.3	0.2	0.1				
Industrial Products	57.9	2.9	5.3	2.3	4.1	0.0	1.7
	34.0	1.4	4.4				
Overseas	105.0	2.4	2.4	6.8	6.5	2.4	55.8
	94.7	4.0	4.5				
Others	34.0	3.5	11.5	1.7	5.0	0.3	28.5
	5.2	1.1	28.8				
Subtotal	428.6	(0.7)	(0.2)	28.7	6.7	1.7	6.6
Consolidated Total	349.4	6.6	2.0	28.3	8.1	(0.4)	(1.5)

* Lion has adopted IFRS from fiscal 2018. Year-on-year changes are based on fiscal 2017 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 (JGAAP)

(Billions of yen)	2018	2017	Change	Change (%)
Oral Care	70.7	68.2	2.4	3.6
Beauty Care	25.4	24.5	0.9	3.8
Fabric Care	77.9	79.5	(1.6)	(2.0)
Living Care	21.7	20.7	1.0	4.8
Pharmaceutical	39.9	39.0	0.8	2.3
Other	46.2	58.7	(12.4)	(21.3)
Total	282.1	290.8	(8.7)	(3.0)

* The above JGAAP figures for 2018 are approximate and unaudited.

Overseas Business Net Sales by Region (IFRS)

(Billions of yen)	2018	2017	Y-o-Y change	
			Amount	%
Southeast Asia	70.2	67.6	2.5	3.8
Northeast Asia	34.8	34.9	(0.0)	(0.2)
Total	105.0	102.5	2.4	2.4

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

Southeast Asia:

Thailand, Malaysia, Singapore, Indonesia (IPPOSHA)

Northeast Asia:

South Korea, China, Taiwan, Hong Kong

Domestic Home Product Market

(1) Market Environment for Home Products (38 markets, SRI*)

Overall market trend for the 38 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	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 to 2018 are for 38.)

(2) 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	2018
Sales value	105	103	102
Unit sales	101	101	100
Average unit price	104	102	103

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

(3) 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	2018
Sales value	99	100	102	101	100	99
Unit sales	99	98	101	100	98	99
Average unit price	100	102	101	101	102	100

Source: INTAGE Inc. SDI Survey

(4) 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	2018
Sales value	104	103	104
Unit sales	102	100	102
Average unit price	102	103	102

Source: INTAGE Inc. SCI survey

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

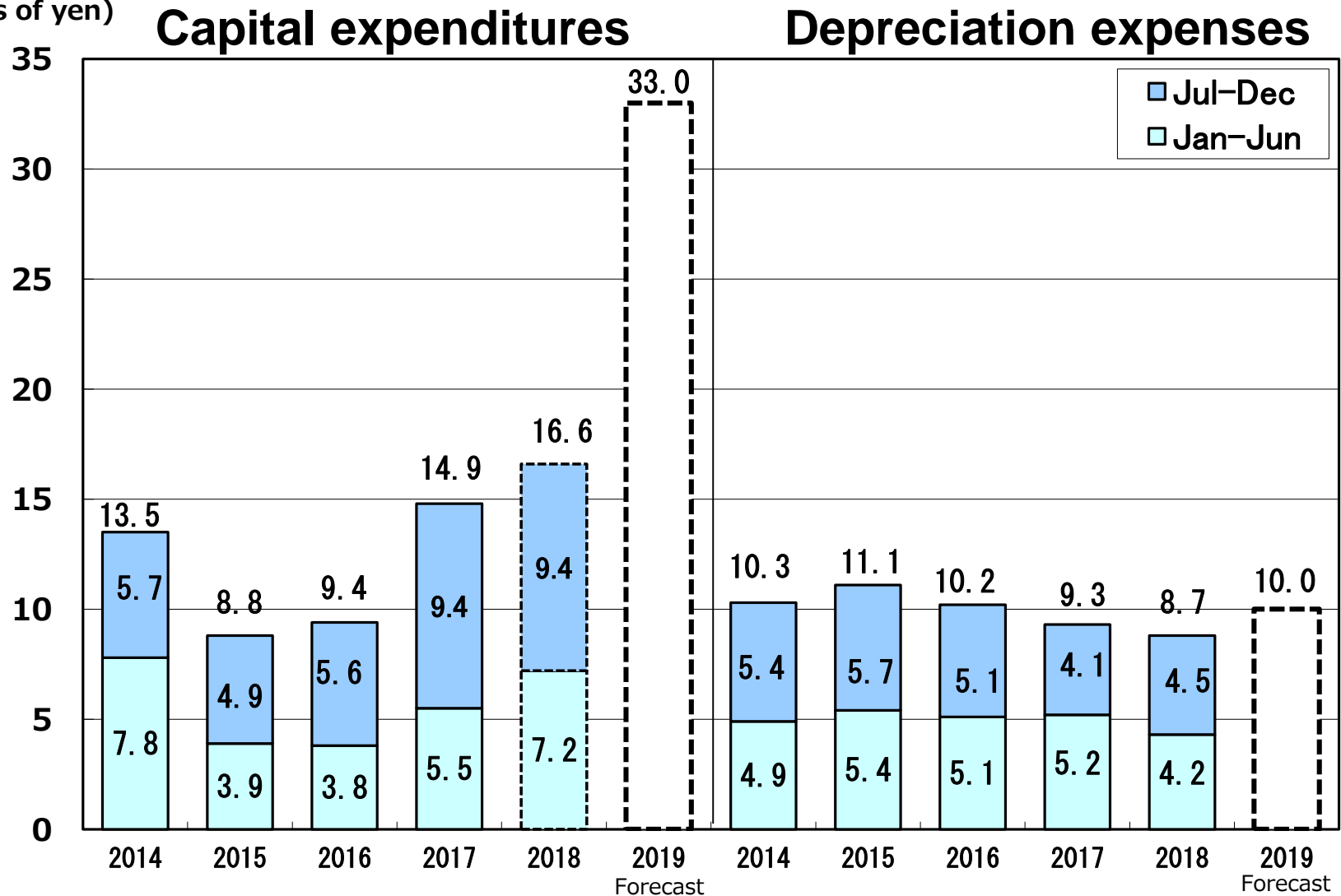
JGAAP	(bn. yen)	IFRS adjustments
Net sales	418.8	→Promotional expense deductions (69.4)
Cost of sales	177.4	→Retirement benefits +0.2
Gross profit	241.4	
Selling, general and administrative expenses	211.9	→Exemptions for promotional expenses (69.4) Retirement benefits +0.6 Goodwill and intangible asset depreciation (0.08) Other +0.3
Operating income	29.5	
Non-operating income	2.5	→Other income +0.9, Financial income +0.7 Share of profit of investments accounted for using the equity method +0.8
Non-operating expenses	0.7	→Other expenses +0.5, Financial expenses +0.1, To BS +0.03
Ordinary income	31.3	
Extraordinary income	6.6	→Other income +6.4, To BS +0.2
Extraordinary loss	2.5	→Other expenses +1.0, To BS +1.4
Income before income tax	35.4	
Total income taxes	6.3	
Profit	29.0	
Profit attributable to non-controlling interests	4.2	
Profit attributable to owners of parent	24.8	

IFRS	(bn.yen)	Difference
Net Sales	349.4	(69.4)
Cost of sales	177.6	
Gross profit	171.7	(69.7)
Selling, general and administrative expenses	143.3	
Core operating income	28.3	
Other income	7.4	
Other expenses	1.6	
Operating profit	34.1	4.6
Finance income	0.7	
Finance costs	0.1	
Share of profit of investments accounted for using the equity method	0.8	
Profit before tax	35.6	0.2
Income taxes	5.8	
Profit for the period	29.7	
Profit for the period attributable to non-controlling interests	4.1	
Profit for the period attributable to owners of the parent	25.6	0.7

* The above JGAAP figures for 2018 are approximate and unaudited.

Capital Expenditures and Depreciation Expenses

(Billions of yen)



Notes: IFRS basis from 2018

Both capital expenditures and depreciation expenses include amounts for intangible assets

Fiscal 2019 Fiscal 2018 Forecast of Change Factors Affecting Core Operating Income

Impact on income

(Billions of yen)	Assumptions at start of year
Sales, product mix and others	+ 3.1
Total cost reduction (manufacturing and logistics costs, etc.)	+ 2.0
Crude oil and vegetable oil prices	0
Competition-related expenses	(1.0)
Other expenses	(1.0)
Total	+ 3.1

Assumed Raw Material Prices and Exchange Rates

Raw material prices

	Dubai Crude	Domestic Naphtha	Crude Palm Oil
2019 forecasts	\$62/BBL	JPY51,000/KL	2,200RM/ton

Exchange Rates

	U.S. Dollar	Thai Baht	Korean Won
2019 forecasts	JPY110	JPY3.4	JPY0.100

◇Reference

	Dubai Crude	Domestic Naphtha	Crude Palm Oil
2018 actual	\$69/BBL	JPY51,600/KL	2,290RM/ton

	U.S. Dollar	Thai Baht	Korean Won
2018 actual	JPY110.3	JPY3.4	JPY0.100



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.