

# **Financial Results for the First Half of 2019**

**Lion Corporation  
August 6, 2019**

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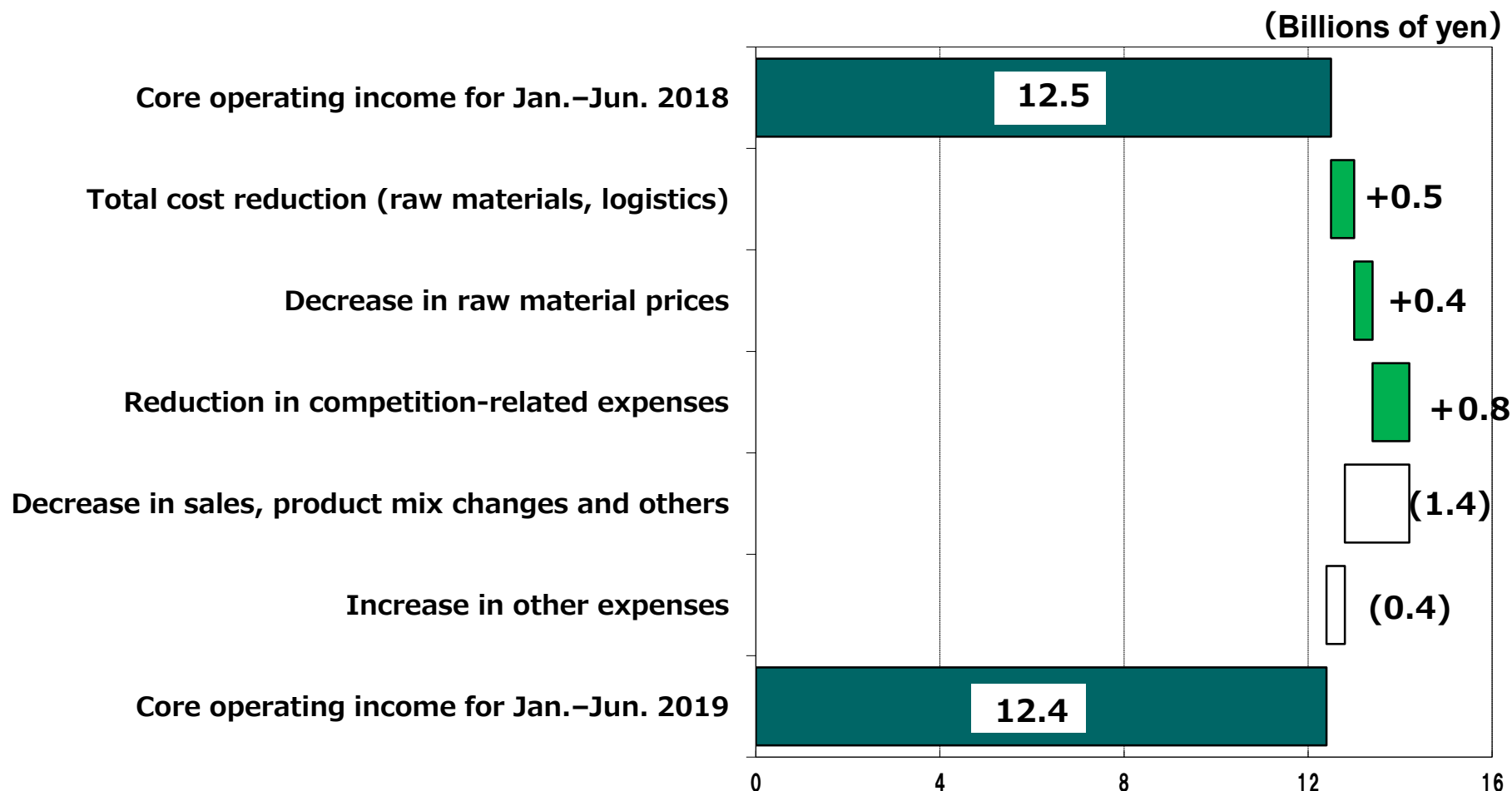
# Financial Results for the First Half Ended June 30, 2019



(Billions of yen)	Jan.–Jun. 2019	Jan.–Jun. 2018	Y-o-Y change		Deviation from forecast
			Amount	%	
<b>Net sales</b>	<b>167.3</b>	<b>168.4</b>	<b>(1.1)</b>	<b>(0.7)</b>	<b>(4.6)</b> <b>(2.7%)</b>
<b>Core operating income</b> % of net sales	<b>12.4</b> 7.4	<b>12.5</b> 7.5	<b>(0.0)</b>	<b>(0.7)</b>	<b>(0.5)</b> <b>(4.2%)</b>
<b>Operating profit</b> % of net sales	<b>12.8</b> 7.7	<b>17.8</b> 10.6	<b>(4.9)</b>	<b>(27.9)</b>	<b>0.3</b> <b>3.1%</b>
<b>Profit for the period attributable to owners of parent</b>	<b>8.6</b>	<b>13.9</b>	<b>(5.2)</b>	<b>(37.6)</b>	<b>0.1</b> <b>2.2%</b>
<b>EPS (Yen)</b>	<b>29.89</b>	<b>47.95</b>	<b>(18.06)</b>	<b>(37.7)</b>	<b>0.65</b> <b>2.2%</b>

\* 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 Core Operating Income



# Results by Business Segment



(Billions of yen)	Net sales*				Segment profit (Core operating income)		
	Jan.–Jun. 2019	Jan.–Jun. 2018	Y-o-Y change		Jan.–Jun. 2019	Y-o-Y change	
			Amount	%		Amount	%
Consumer Products	110.2	110.8	(0.5)	(0.5)	7.7	(0.2)	(3.6)
	102.8	102.6	0.2	0.2			
Industrial Products	27.0	28.3	(1.3)	(4.6)	0.7	(0.5)	(42.4)
	16.0	16.1	(0.1)	(0.8)			
Overseas	51.4	52.2	(0.7)	(1.4)	3.6	0.7	26.9
	46.7	46.9	(0.2)	(0.6)			
Other	15.5	15.4	0.1	0.9	0.5	(0.0)	(10.8)
	1.6	2.6	(1.0)	(38.3)			
Adjustment	(36.9)	(38.2)	1.2	-	(0.3)	0.0	-
	0.0	(0.0)	0.0	-			
Consolidated Total	167.3	168.4	(1.1)	(0.7)	12.4	(0.0)	(0.7)

\* Upper lines: net sales; lower lines: sales to external customers

(Billions of yen)	Net sales			
	Jan. –Jun. 2019	Jan–Jun. 2018	Y-o-Y change	
			Amount	%
Oral Care	29.8	27.6	2.2	8.0
Beauty Care	11.0	10.1	0.8	8.4
Fabric Care	28.6	28.9	(0.2)	(1.0)
Living Care	9.0	7.8	1.2	15.8
Pharmaceutical	12.0	14.1	(2.0)	(14.7)
Other	19.6	22.1	(2.4)	(11.2)
Total	110.2	110.8	(0.5)	(0.5)

## Oral Care Field

- Unit prices up in the cavity prevention toothpaste category
- Ongoing sales growth in mid-range and high-end toothpastes and dental rinses

## Beauty Care Field

- Double-digit sales growth in hand soaps and body soaps

## Living Care Field

- Double-digit sales growth in household cleaners

## Fabric Care Field

- Sales of super-concentrated liquid detergents were steady  
Sales of regular liquid laundry detergents showed signs of recovery
- In fabric softeners, sales of deodorizing-type products were strong, while fragrance-type products struggled

## Pharmaceutical Field

- Demand from overseas visitors fell more than expected

### Issues

- ✓ Further reinforce the oral care field
- ✓ Reinforce fabric softeners, especially fragrance-type products
- ✓ Nurture new category in the pharmaceutical field



(Billions of yen)	Net sales			
	Jan.—Jun. 2019	Jan.—Jun. 2018	Y-o-Y change	
			Amount	%
Southeast Asia	34.5	35.4	(0.8)	(2.4)
Northeast Asia	16.9	16.7	0.1	0.8
Total	51.4	52.2	(0.7)	(1.4)

\*A detergent ingredient manufacturing affiliate in Southeast Asia has been excluded from the scope of consolidation from the end of May 2018.

- Continued steady growth in Southeast Asia
  - Transition to profitable growth in China
  - Ratio of sales from personal care products\* up
- \* The portion of total overseas sales accounted for by sales in the fields of oral care, beauty care, pharmaceutical products and foods with function claims
- Cost reduction in laundry detergents

## Issue

- ✓ Maintain profitable growth in China

# **Initiatives in the Second Half of 2019**

# Changes in Home Products and OTC Drug Markets **LION**

## 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)

	2016	2017	2018	Jan.–Jun. 2019
Sales value	104	99	102	103
Unit sales	102	98	100	101
Average unit price	102	102	102	102

Source: INTAGE Inc. SRI Survey (data for 2017 are for 37 such markets in which Lion operates)

## Market Environment for OTC Drug Market (7 markets, SDI)

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	Jan.–Jun. 2019
Sales value	104	103	102	100
Unit sales	102	101	101	99
Average unit price	101	102	101	100

Source: INTAGE Inc. SDI Survey (2016-2018, 8 markets)

\* Panel data changed from January 2019. Data for 2016 onward has been updated accordingly.

## Continue Shift to High-Value-Added Products

1. Further growth in the domestic oral care field
2. Introduce and nurture dermatologic agents to reinforce pharmaceutical field
3. Create new value in fabric care field

## Address the Consumption Tax Hike

4. Capture pre-tax hike demand surge and minimize recoil

## Reinforce the Overseas Business

5. Accelerate growth in China

# 1. Further growth in the domestic oral care field



Reinforce 3 Key Categories in the Second Half

## Cavity prevention

Market size

Approx. ¥22 billion

CAGR

+2.8 %

## Periodontal Disease Prevention

Market size

Approx. ¥70 billion

CAGR

+1.9 %

## Bad breath care

Market size

Approx. ¥18 billion

CAGR

+6.8 %

Introduce high-value-added products in each category to stimulate the market

予防歯科から生まれた

クリニカ

Clinica



システム

Systema



口臭科学から生まれた

NONIO






Market size: 2018 figure (total of toothpaste, toothbrush and mouthwash markets) (SRI data)

CAGR: 2015–2018 average annual growth rate (SRI data)

## 2. Introduce and nurture dermatologic agents to reinforce pharmaceutical field

Establish third pillar in addition to antipyretic analgesics and eye drops

Market size (2018)	
Antipyretic analgesics 	Approx. ¥60 billion
Eye drops 	Approx. ¥80 billion
Dermatologic agents 	Approx. ¥100 billion

(Lion internal research)

Acquired the *FERZEA* and *Encron* dermatologic agent brands from Shiseido Pharmaceuticals

## 2. Introduce and nurture dermatologic agents to reinforce pharmaceutical field

LION

### Key target symptoms of dermatologic agents

Acne

PAIR



Dryness

FERZEA®



Itching

エンクロン

Encron





### 3. Create new value in fabric care field

LION

Total deodorizer laundry detergent,\*  
created based on deodorizing science.

## TOP SUPER NANOX for Odors



(July 31 launch)

New push-pump bottle  
No measuring required!

## TOP SUPER NANOX Push Bottle



(November 20 launch)

\*Total approach addresses deodorizing from biological, physical, sensory and chemical perspectives. Does not eliminate all odors.

### 3. Create new value in fabric care field

LION

#### First Half



**Reinforce deodorizing-type products**  
SOFLAN Premium Deodorizer

#### Second Half

ソフラン  
Aroma  
Rich

**Reinforce fragrance-type products**  
SOFLAN Aroma Rich  
(Full renewal in August)

Fabric softeners that offer long-lasting,  
unchanging fragrances users love



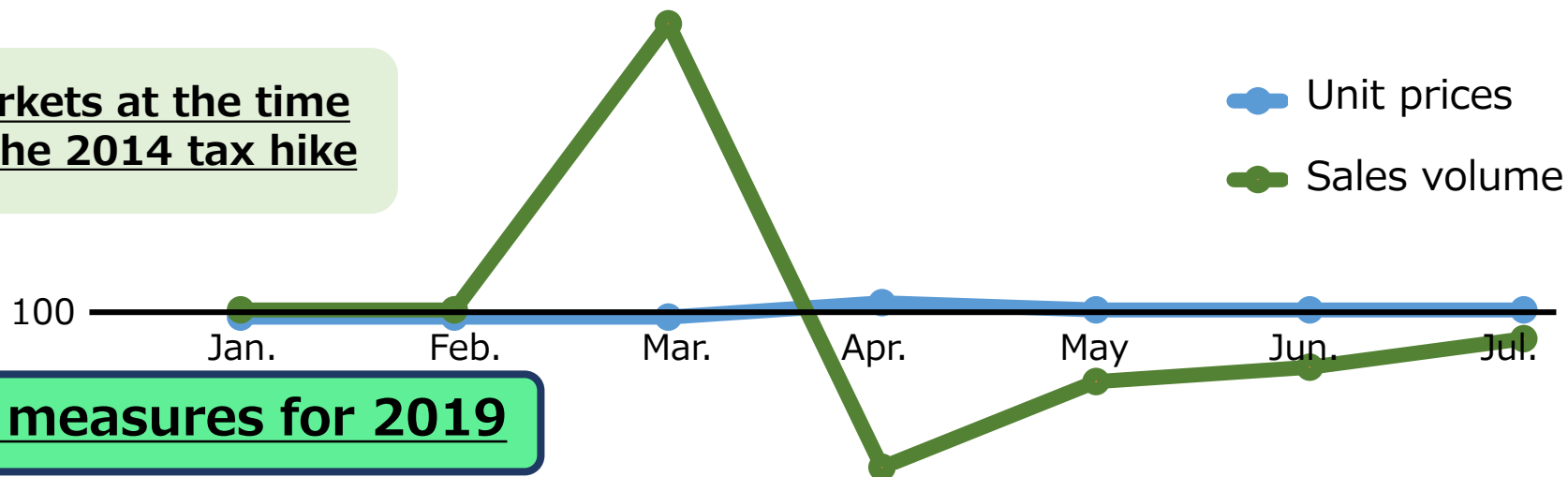
**Fresh Bloom Aroma Formula**  
The fresh scent lasts from  
the moment you pour it into  
the wash to the moment you  
undress at the end of the day



## 4. Capture Pre-Tax Hike Demand Surge and Minimize Recoil

LION

Markets at the time  
of the 2014 tax hike



Lion's measures for 2019

**Before tax hike**  
Capture demand surge

- ✓ Bulk purchasing
- ✓ Encourage trial use



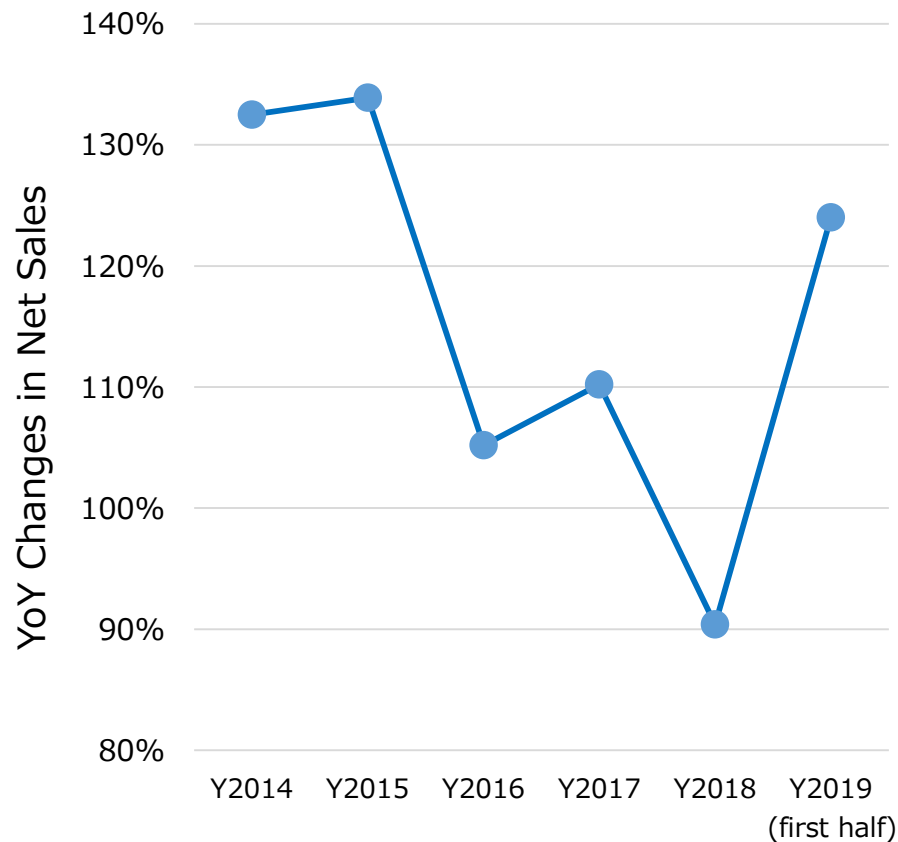
**After tax hike**  
Minimize recoil

- ✓ Cultivate demand with new value proposals



# 5. Accelerate Growth in China

## YoY Changes in Qingdao Lion Net Sales



## Strategy for Expansion in China

- ✓ Approach carried out through dedicated organization
- ✓ Enhance supply system





# 5. Accelerate Growth in China

LION

## Vision

Spread **healthcare habits** from Japan to other Asian countries and regions



# 5. Accelerate Growth in China


LION

Challenge ①

Expand sales areas for oral care

Challenge ②

Expand categories

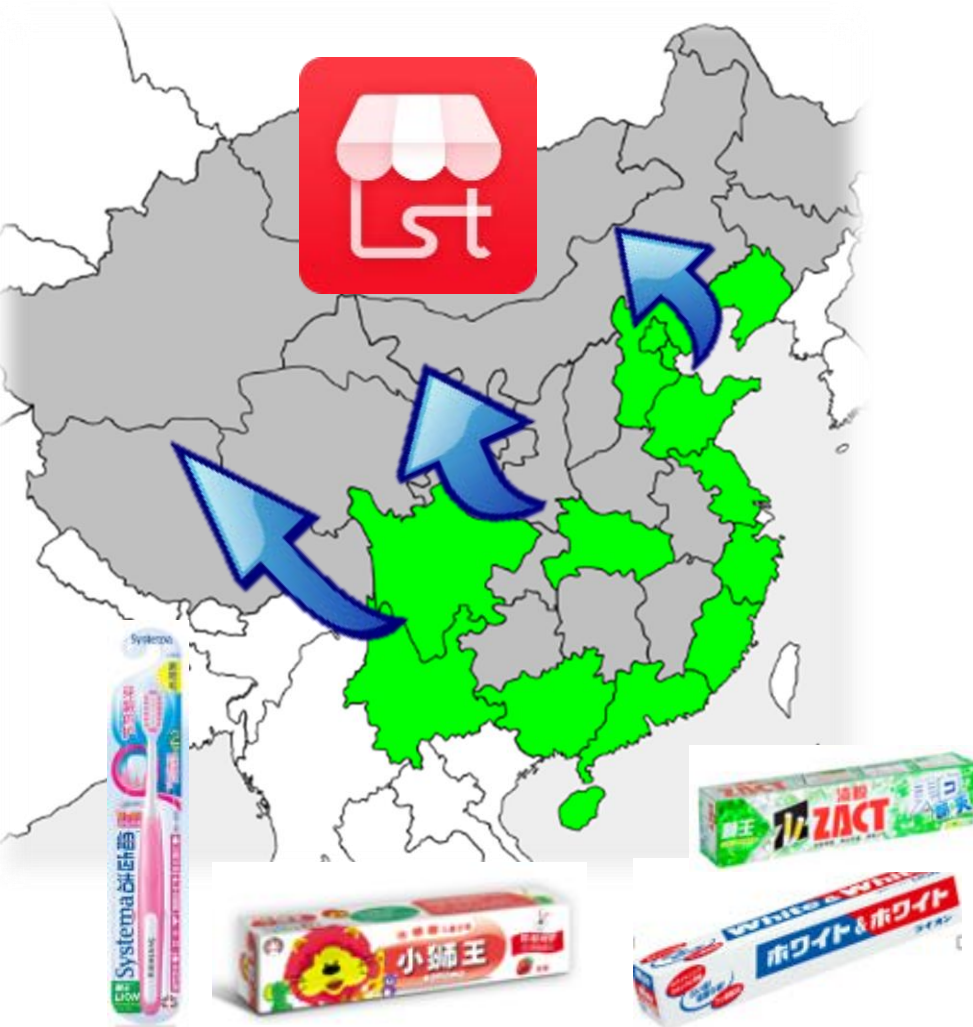
	Major cities	Regional areas
Oral Care 	Current business	①
Laundry detergents, hand soaps, etc. 	②	
OTC Pharmaceuticals 		

# 5. Accelerate Growth in China

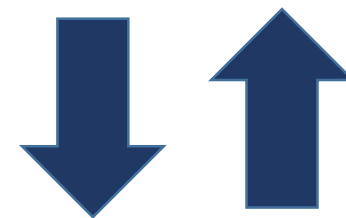
**LION**

**Participating in Alibaba's LST  
(Starting from June 18, 2019)**

**Merged Business Functions To Enhance  
Business with Chinese EC Companies**



**Alibaba**  
(Tmall Global, LST)



**New Dept.  
Cross-Border Business  
Promotion Department**

**LION**

**LION 獅王**

Qingdao Lion



**NOIL**

## Ideation

Business ideas that  
disrupt conventional  
wisdom



## Ownership

Personnel that create  
businesses and see them  
all the way through



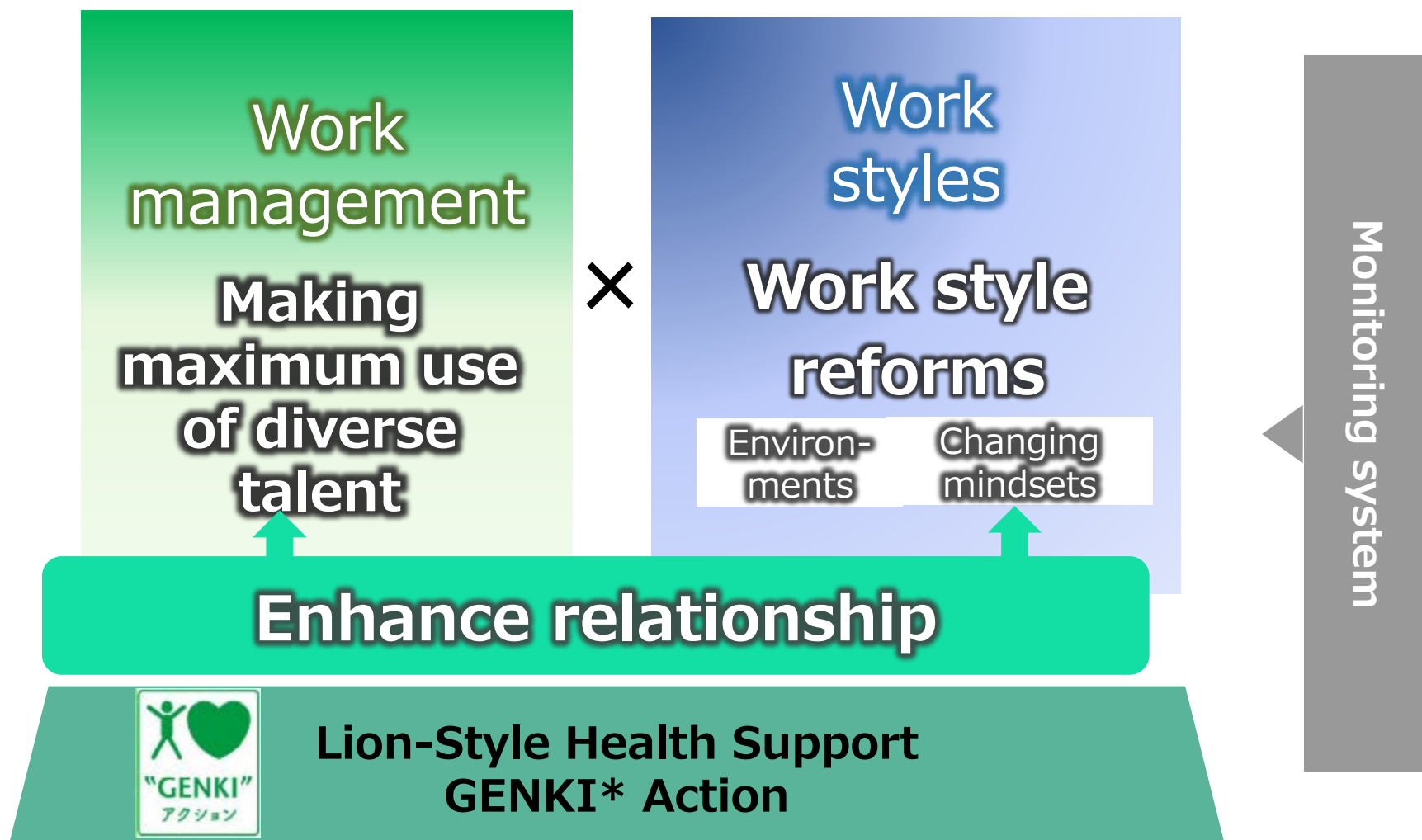
## Mentoring

External experts provide ongoing support



1st program currently under way, aimed at new value creation





\* "Health" in Japanese

## Lion Eco Challenge 2050

Healthy future for people and our planet



### Challenges for a Decarbonized Society



#### Challenge 1:

Lion will reduce CO<sub>2</sub> emissions to zero throughout business activities by 2050.

• By 2030, CO<sub>2</sub> emissions reduced by **30%** in comparison to 2017 levels in absolute quantity



#### Challenge 2:

Lion will reduce CO<sub>2</sub> emissions by half throughout the life cycle of products by 2050.

• By 2030, CO<sub>2</sub> emissions reduced by **30%** in comparison to 2017 levels in absolute quantity

### Challenges for a Resource-Circulating Society



#### Challenge 3:

Lion will create an advanced resource-circulation for plastics by 2050.

• By 2030, promotion of the 3Rs (Reduce, Reuse, Recycle) and Renewable (use of sustainable resources), and use of doubles the amount of recycled plastics and bio-mass plastics in comparison to 2017 levels in absolute quantity



#### Challenge 4:

Lion will optimize water usage for sustainability by 2050.

• By 2030, **30%** reduction in water usage throughout the life cycle of its products in comparison to 2017 levels per unit of total revenue

# 2019 Consolidated Financial Forecast

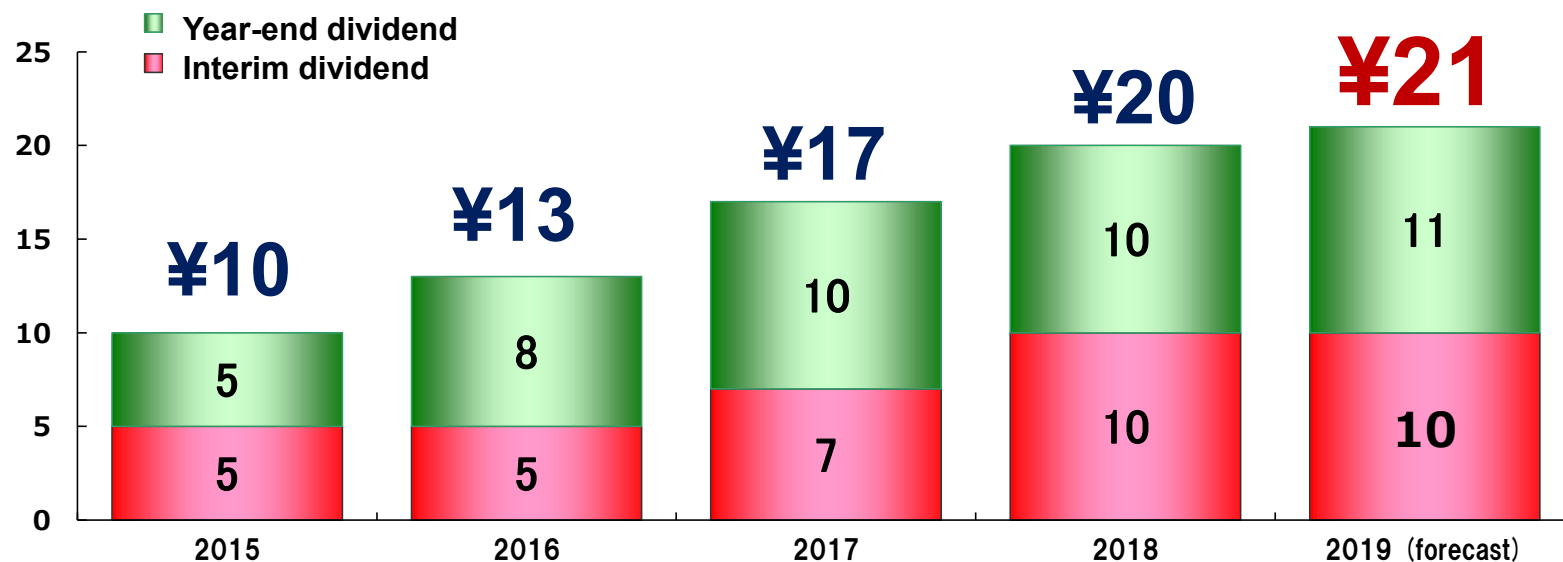


(Billions of yen)	2019	2018	Y-o-Y change	
			Amount	%
<b>Net sales</b>	<b>360.0</b>	<b>349.4</b>	<b>10.5</b>	<b>3.0</b>
<b>Core operating income</b> % of net sales	<b>31.5</b> 8.8	<b>28.3</b> 8.1	<b>3.1</b>	<b>11.0</b>
<b>Operating profit</b> % of net sales	<b>31.0</b> 8.6	<b>34.1</b> 9.8	<b>(3.1)</b>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

Note: No change to financial forecast

## Increased dividends for four consecutive years

Per-share dividend of ¥21 per share, up ¥1 YoY, planned for 2019



Payout ratio	25.4%	23.6%	24.9%	22.7%	29.1%
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**Basic dividend policy:**

**Return profits to shareholders on a continuous and stable basis  
(Consolidated payout ratio target: 30%)**

# Reference Materials

# Consolidated Statement of Income

(Billions of yen)	Jan.–Jun. 2019	Jan.–Jun. 2018	Y-o-Y change	
			Amount	%
Net sales	167.3	168.4	(1.1)	(0.7)
Cost of sales	84.8	85.8	(0.9)	(1.2)
Gross profit	82.5	82.6	(0.1)	(0.2)
Selling, general and administrative expenses	70.0	70.1	(0.0)	(0.1)
Core operating income	12.4	12.5	(0.0)	(0.7)
Other income	1.0	6.0	(5.0)	(83.3)
Other expenses	0.5	0.7	(0.1)	(21.3)
Operating profit	12.8	17.8	(4.9)	(27.9)
Finance income	0.4	0.4	0.0	4.5
Finance costs	0.1	0.0	0.0	24.3
Share of profit of investments accounted for using the equity method	0.4	0.3	0.0	27.1
Profit before tax	13.6	18.5	(4.8)	(26.4)
Income taxes	3.8	1.5	2.2	141.3
Profit for the period	9.8	16.9	(7.1)	(42.1)
Profit for the period attributable to non-controlling interest	1.1	3.0	(1.8)	(62.4)
Profit for the period attributable to owners of the parent	8.6	13.9	(5.2)	(37.6)

# Selling, general and administrative expenses

(Billions of yen)		Jan.–Jun. 2019		Jan.–Jun. 2018		Y-o-Y change	
		Amount	% of sales (%)	Amount	% of sales (%)	Amount	%
Selling, general and administrative expenses		70.0	41.9	70.1	41.6	(0.0)	(0.1)
	Sales commissions	4.5	2.7	4.4	2.6	0.0	1.8
	Promotional expenses	12.8	7.7	12.8	7.6	0.0	0.3
	Advertising expenses	12.9	7.7	13.8	8.2	(0.9)	(6.7)
	Transportation and warehousing expenses	9.5	5.7	9.2	5.5	0.3	3.9
	R&D expenses	5.3	3.2	5.2	3.1	0.1	2.5
	Other expenses	24.8	14.8	24.5	14.6	0.2	1.0

# Consolidated Statement of Financial Position

(Billions of yen)		Jun. 30, 2019	Dec. 31, 2018	Change
Current assets		212.3	215.9	(3.6)
	Cash and cash equivalents	99.6	104.9	(5.3)
	Trade and other receivables	62.1	64.6	(2.5)
	Inventories	44.6	42.0	2.5
Non-current assets		146.6	139.4	7.1
	Property, plant and equipment	83.7	81.5	2.2
	Intangible assets	11.1	10.1	0.9
	Right-of-use assets	6.1	-	6.1
	Other financial assets	24.2	25.0	(0.8)
Total assets		358.9	355.3	3.5



<b>(Billions of yen)</b>		<b>Jun. 30, 2019</b>	<b>Dec. 31, 2018</b>	<b>Change</b>
<b>Current liabilities</b>		<b>126.2</b>	<b>129.7</b>	<b>(3.4)</b>
	Trade and other payables	<b>112.4</b>	<b>116.9</b>	<b>(4.5)</b>
	Lease liabilities	<b>1.4</b>	<b>-</b>	<b>1.4</b>
	Other current liabilities	<b>4.9</b>	<b>7.0</b>	<b>(2.1)</b>
<b>Non-current liabilities</b>		<b>24.1</b>	<b>21.3</b>	<b>2.8</b>
	Retirement benefit liabilities	<b>11.8</b>	<b>10.9</b>	<b>0.9</b>
	Lease liabilities	<b>5.7</b>	<b>-</b>	<b>5.7</b>
<b>Equity</b>		<b>208.4</b>	<b>204.2</b>	<b>4.2</b>
	Share capital	<b>34.4</b>	<b>34.4</b>	<b>-</b>
	Capital surplus	<b>34.7</b>	<b>34.7</b>	<b>0.0</b>
	Treasury stock	<b>(4.7)</b>	<b>(4.7)</b>	<b>0.0</b>
	Other components of equity	<b>9.8</b>	<b>10.9</b>	<b>(1.0)</b>
	Retained earnings	<b>122.7</b>	<b>115.8</b>	<b>6.9</b>
<b>Total liabilities and equity</b>		<b>358.9</b>	<b>355.3</b>	<b>3.5</b>

# Consolidated Statement of Cash Flows

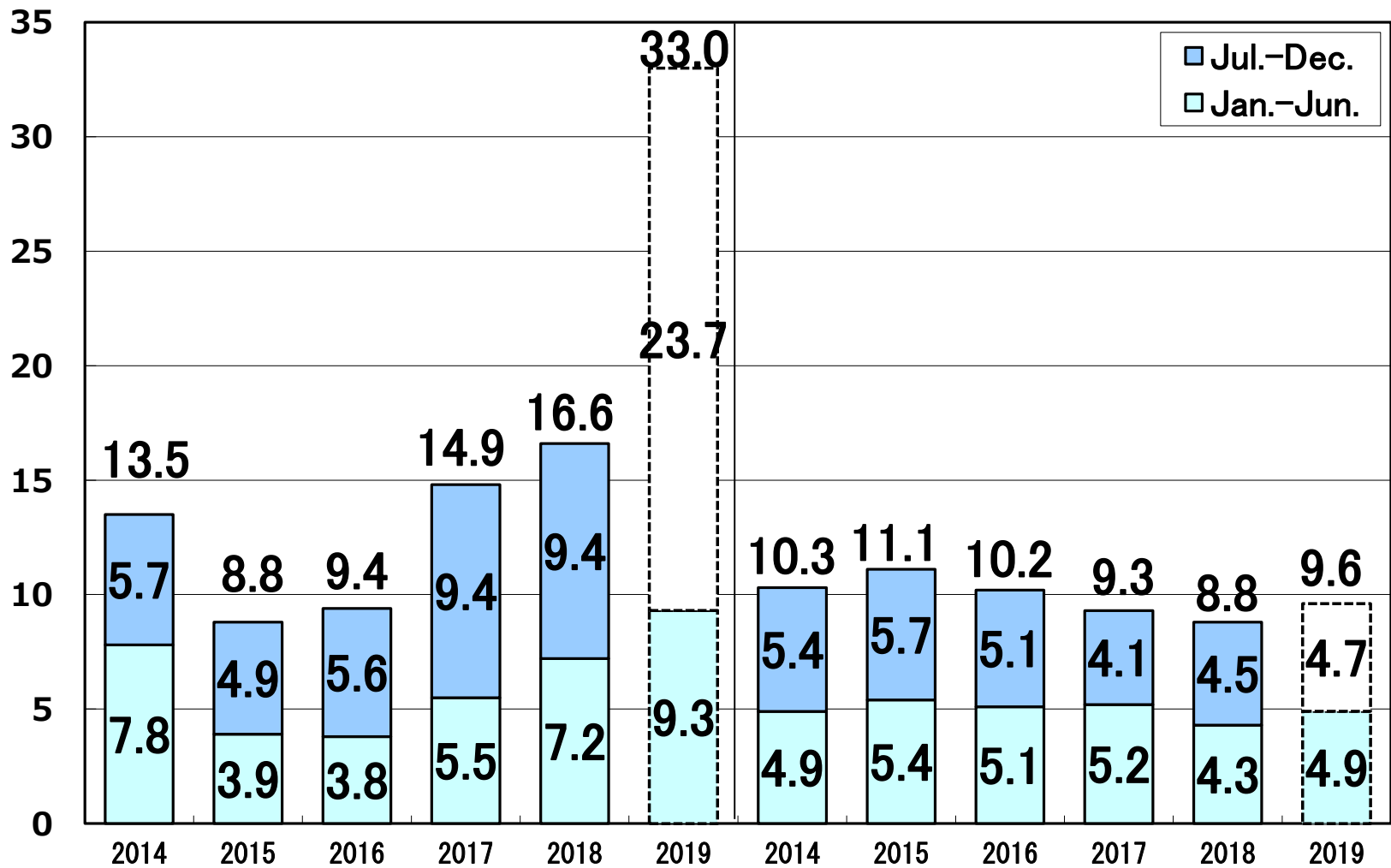
<b>(Billions of yen)</b>	<b>Jan.–Jun. 2019</b>	<b>Jan.–Jun. 2018</b>	<b>Change</b>
<b>Cash flows from operating activities</b>	<b>11.6</b>	<b>7.5</b>	<b>4.1</b>
<b>Cash flows from investing activities</b>	<b>(10.2)</b>	<b>(0.9)</b>	<b>(9.2)</b>
<b>Cash flows from financing activities</b>	<b>(6.6)</b>	<b>(5.4)</b>	<b>(1.1)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(0.1)</b>	<b>(0.5)</b>	<b>0.3</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(5.3)</b>	<b>0.6</b>	<b>(5.9)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>104.9</b>	<b>91.4</b>	<b>13.5</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>99.6</b>	<b>92.0</b>	<b>7.6</b>

# Capital Expenditures and Depreciation and Amortization Expenses

(Billions of yen)

## Capital Expenditures

## Depreciation and Amortization Expenses



\* Capital expenditures and depreciation expenses both include intangible assets.

# 2019 Consolidated Financial Forecast

## Revised forecasts of net sales by segment

(Billions of yen)	Assumptions at start of year (2/13/2019)	Current assumptions (8/6/2019)	Y-o-Y change
Consumer Products	220.0	223.5	3.5
Industrial Products	34.5	34.0	(0.5)
Overseas	101.0	98.0	(3.0)
Other	4.5	4.5	0
Consolidated Total	360.0	360.0	0

# Fiscal 2019 Forecast of Change Factors Affecting Core Operating Income

## ◇Impact on income

(Billions of yen)	Assumptions at start of year (2/13/2019)	Current assumptions (8/6/2019)
Sales, product mix and others	<b>3.1</b>	<b>1.6</b>
Total cost reduction (manufacturing and logistics costs)	<b>2.0</b>	<b>1.5</b>
Raw material price fluctuations	<b>0</b>	<b>1.6</b>
Competition-related expenses	<b>(1.0)</b>	<b>(0.7)</b>
Other expenses	<b>(1.0)</b>	<b>(0.9)</b>
Total	<b>3.1</b>	<b>3.1</b>

# Changes in Home Products 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)

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Jan.-Jun. 2019</b>
<b>Sales value</b>	<b>102</b>	<b>103</b>	<b>104</b>	<b>99</b>	<b>102</b>	<b>103</b>
<b>Unit sales</b>	<b>100</b>	<b>100</b>	<b>102</b>	<b>98</b>	<b>100</b>	<b>101</b>
<b>Average unit price</b>	<b>102</b>	<b>102</b>	<b>102</b>	<b>102</b>	<b>102</b>	<b>102</b>

Source: INTAGE Inc. SRI Survey (data for 2014 are for 40 such markets in which Lion operates; data for 2015 are for 39; data for 2016 are for 38; data for 2017 are for 37; data for 2018 onward 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)

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Jan.-Jun. 2019</b>
<b>Sales value</b>	<b>105</b>	<b>103</b>	<b>102</b>	<b>104</b>
<b>Unit sales</b>	<b>101</b>	<b>101</b>	<b>100</b>	<b>101</b>
<b>Average unit price</b>	<b>104</b>	<b>102</b>	<b>103</b>	<b>103</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.

### 3) Market Environment for OTC Drug Market (7 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)

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Jan.–Jun. 2019</b>
<b>Sales value</b>	<b>104</b>	<b>103</b>	<b>102</b>	<b>100</b>
<b>Unit sales</b>	<b>102</b>	<b>101</b>	<b>101</b>	<b>99</b>
<b>Average unit price</b>	<b>101</b>	<b>102</b>	<b>101</b>	<b>100</b>

Source: INTAGE Inc. SDI Survey (2016–2018, 8 markets)

\* Panel data changed from January 2019. Data for 2016 onward has been updated accordingly.

### 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)

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Jan.–Jun. 2019</b>
<b>Sales value</b>	<b>104</b>	<b>103</b>	<b>104</b>	<b>103</b>
<b>Unit sales</b>	<b>102</b>	<b>100</b>	<b>102</b>	<b>102</b>
<b>Average unit price</b>	<b>102</b>	<b>103</b>	<b>102</b>	<b>102</b>

Source: INTAGE Inc. SCI survey

# Assumed Raw Material Prices and Exchange Rates

## Raw material prices

	<b>Dubai Crude</b>	<b>Domestic Naphtha</b>	<b>Crude Palm Oil</b>
<b>2019 second half forecasts</b>	<b>\$62/BBL</b>	<b>JPY48,000/KL</b>	<b>2,200RM/ton</b>

## Exchange Rates

	<b>U.S. Dollar</b>	<b>Thai Baht</b>	<b>Korean Won</b>
<b>2019 second half forecasts</b>	<b>JPY110.0</b>	<b>JPY3.4</b>	<b>JPY0.100</b>





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.

- \* The Lion Group applies the International Financial Reporting Standards (IFRS) .
- \* Monetary amounts herein are truncated after the last digit shown.