

Financial Results for the Fiscal Year Ended December 31, 2019

**Lion Corporation
February 13, 2020**

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Fiscal 2019 Review

Deviation from initial forecasts

Net sales and profit forecasts not achieved

- Worsening business environment in South Korea and Hong Kong and intensifying competition in Southeast Asia from the third quarter onward
- Intensifying competition in the domestic Consumer Products business, which had been firm, near the end of the year

Y-o-Y Change

Net sales edged down, but core operating income increased

- Sales down in the Overseas Business and Industrial Products Business due in part to geopolitical factors
- Sales growth in the Consumer Products Business and improved profitability in the Overseas business led to an increase in core operating income

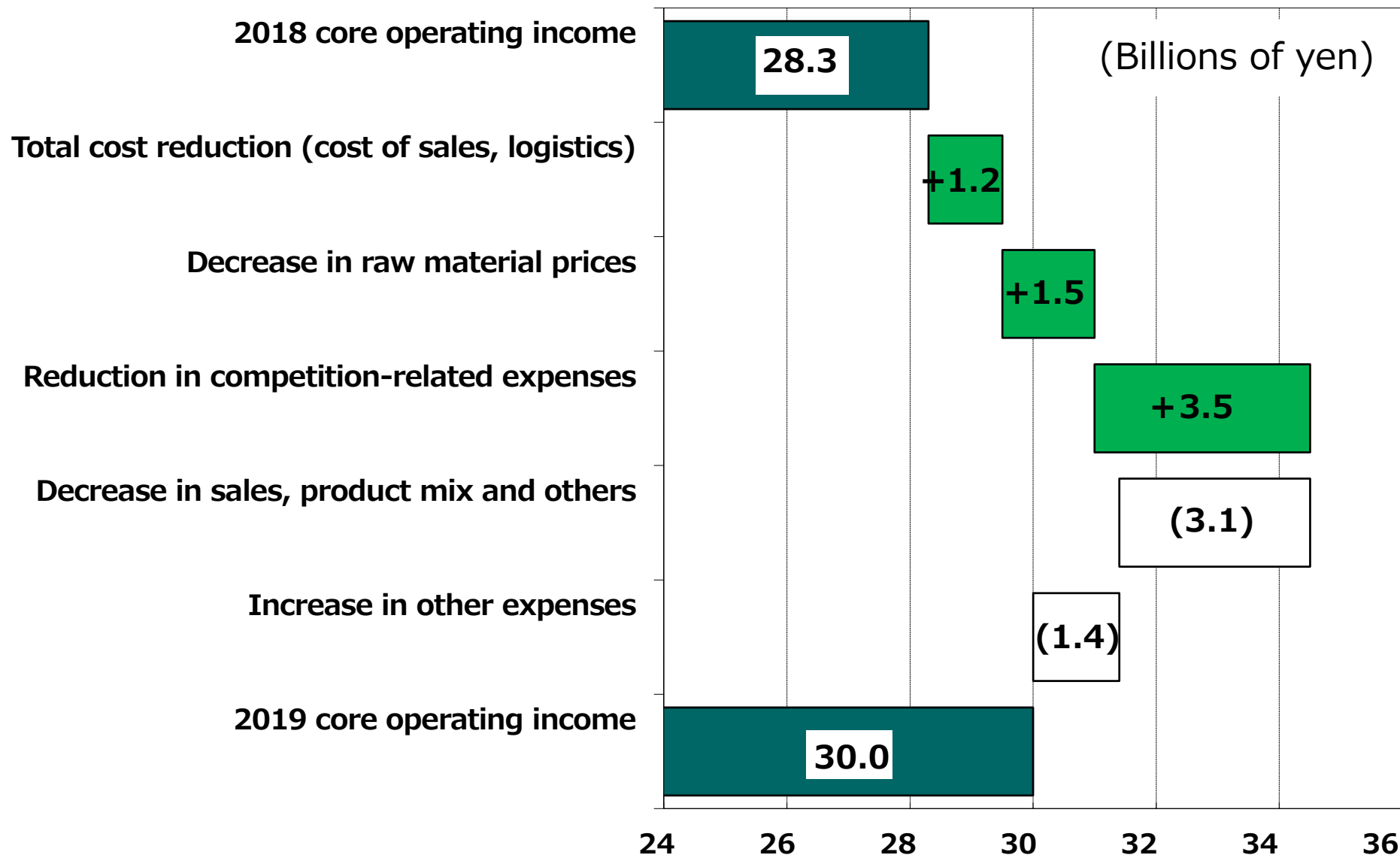
Consolidated Financial Results

LION

(Billions of yen)	2019	2018	Y-o-Y change		Deviation from forecast (% deviation)
			Amount	%	
Net sales	347.5	349.4	(1.8)	(0.5)	(12.4) (3.5)
Core operating income % of net sales	30.0 8.6	28.3 8.1	1.6	5.9	(1.4) (4.6)
Operating profit % of net sales	29.8 8.6	34.1 9.8	(4.3)	(12.8)	(1.1) (3.8)
Profit for the period attributable to owners of parent	20.5	25.6	(5.0)	(19.7)	(0.4) (2.1)
EPS (Yen)	70.72	88.11	(17.39)	(19.7)	(1.53) (2.1)

*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 **LION**



Results by Business Segment

LION

(Billions of yen)	Sales				Segment profit (Core operating income)		
	2019	2018	Y-o-Y change		2019 %	Y-o-Y change	
			Amount	%		Amount	%
Consumer Products	234.3	231.5	2.7	1.2	19.6	1.8	10.1
	219.3	215.3	3.9	1.9	8.4		
Industrial Products	55.1	57.9	(2.7)	(4.8)	1.7	(0.6)	(25.5)
	32.9	34.0	(1.0)	(3.2)	3.2		
Overseas	101.0	105.0	(3.9)	(3.8)	7.5	0.6	9.8
	91.7	94.7	(3.0)	(3.2)	7.5		
Other	35.3	34.0	1.2	3.7	1.5	(0.1)	(11.4)
	3.4	5.2	(1.8)	(35.0)	4.3		
Adjustment	(78.4)	(79.2)	0.8	—	(0.4)	(0.0)	—
	0.0	(0.0)	0.0	—	—		
Consolidated Total	347.5	349.4	(1.8)	(0.5)	30.0 8.6	1.6	5.9

* Under sales, upper lines indicate net sales and lower lines indicate sales to external customers.

The % figures given under the 2019 segment profit figures indicate said figures' ratio to segment net sales.

Consumer Products Business Net Sales by Product Category

LION

(Billions of yen)	Net sales			
	2019	2018	Y-o-Y change	
			Amount	%
Oral Care	64.5	59.5	5.0	8.5
Beauty Care	22.3	21.0	1.3	6.3
Fabric Care	60.7	59.7	0.9	1.7
Living Care	19.7	17.8	1.8	10.5
Pharmaceuticals	26.2	29.2	(3.0)	(10.3)
Other	40.6	44.1	(3.4)	(7.9)
Total	234.3	231.5	2.7	1.2

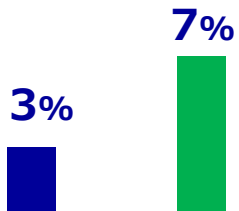
*Excluding the transfer of the insecticide business, the year-on-year change in the Pharmaceutical Products business was -4.9%.

Sales growth outpaced the market in point-of-sales data



Oral Care

+4p

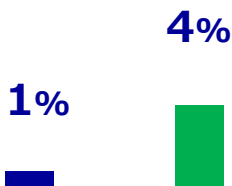


Market Lion



Beauty Care

+3p



Market Lion



Fabric Care

±0p

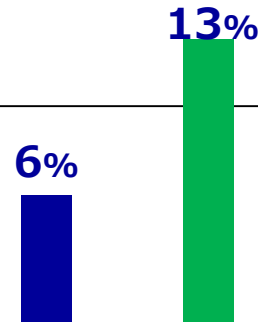


Market Lion



Living Care

+7p



Market Lion



Pharmaceuticals

+3p



Market Lion

*Source: INTAGE Inc. SRI/SDI Survey data. Jan.–Dec. 2019 value-basis growth rate.

Continued growth in high-value-added products

● Continued strong growth in oral care (+8.5%)

Cavity prevention



Gum disease prevention



Bad-breath care



● Market share expansion in bath detergents drove growth in the living care field (+10.5%)



Net Sales by Region

(Billions of yen)	Net sales			
	2019	2018	Y-o-Y change	
			Amount	%
Southeast Asia	69.5	70.2	(0.6)	(0.9)
Northeast Asia	31.5	34.8	(3.3)	(9.5)
Total	101.0	105.0	(3.9)	(3.8)

*A detergent ingredient manufacturing subsidiary in Southeast Asia has been excluded from the scope of consolidation from the end of May 2018. Excluding the impact of this exclusion, the Y-o-Y change for Southeast Asia was +1.8%.

- Rapid worsening of business environment in South Korea and Hong Kong
- Double-digit growth in China

Fiscal 2020 Initiatives

2020 Consolidated Financial Forecast



(Billions of yen)	2020	2019	Y-o-Y change		LIVE Plan forecast for 2020*	Difference from LIVE Plan forecast for 2020
			Amount	%		
Net sales	355.0	347.5	7.4	2.2	400.0	(45.0)
Core operating income % of net sales	30.5 8.6	30.0 8.6	0.4	1.5	40.0 10.0	(9.5)
Operating profit % of net sales	31.0 8.7	29.8 8.6	1.1	3.9	40.0 10.0	(9.0)
Profit for the period attributable to owners of parent	21.0	20.5	0.4	2.1	28.0	(7.0)
EPS (Yen)	72.24	70.72	1.52	2.1	—	—

* The LIVE Plan forecast was announced February 9th, 2018.

† 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.

2020 Forecast of Sales by Segment

(Billions of yen)	Sales to external customers			
	2020	2019	Y-o-Y change	
			Amount	%
Consumer Products	225.0	219.3	5.6	2.6
Industrial Products	33.5	32.9	0.5	1.7
Overseas	93.5	91.7	1.7	1.9
Other	3.0	3.4	(0.4)	(12.5)
Total	355.0	347.5	7.4	2.2

Reasons for Difference from Initial LIVE Plan **LION**

2020 forecast: Sales to external customers

(Billions of yen)	2020 forecast	Difference	
		From initial LIVE Plan forecast	From 2017 results
Consumer Products	225.0	(25.0)	9.8
Industrial Products	33.5	(1.5)	0.8
Overseas	93.5	(19.0)	2.7
Other	3.0	+0.5	(1.0)
Total	355.0	(45.0)	12.2

Reasons for difference

- Consumer Products: ¥25.0 billion

Growth was slower than expected due to intensifying competition in fabric care and direct-to-consumer sales

- Overseas: ¥19.0 billion

Sales were lower than expected in South Korea, where the business environment worsened, and China, where Lion advanced the first year of structural reforms

2020 Consolidated Financial Forecast



(Billions of yen)	2020	2019	Y-o-Y change	
			Amount	%
Net sales	355.0	347.5	7.4	2.2
Core operating income % of net sales	30.5 8.6	30.0 8.6	0.4	1.5
Operating profit % of net sales	31.0 8.7	29.8 8.6	1.1	3.9
Profit for the period attributable to owners of parent	21.0	20.5	0.4	2.1

*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.

While aiming to expand domestic and overseas sales, Lion plans to reinforce investment in future growth, resulting in profit on par with 2019.

Domestic

- Continue growth in the oral care field
- Expand presence in pharmaceuticals
- Capture demand from visitors to Japan

Overseas

- Accelerate growth in China
- Improve growth in Southeast Asia

20s–30s: Young consumers



Create habits

40s–50s: Middle-aged consumers



Change habits

60s–70s: Seniors



Maintain current happiness level



予防歯科から生まれた

クリニカ

口臭科学から生まれた

NONIO



今ある歯を1本でも多く守る

デントヘルス

ハグキプラス

Creating new habits

Creating a new market outside the home by promoting after-lunch tooth brushing at the office



Grow dermatological agents into a third pillar to join antipyretic analgesics and eye drops

Market size (2019)	
Antipyretic analgesics	Approx. ¥60 billion
Eye drops	Approx. ¥80 billion
Dermatologic agents	Approx. ¥100 billion



Source: Lion survey

Itchiness

Method

Dryness

FERZEA

**Beauty
(Acne)**

PAIR

Major renewal of the Method brand (integration with Encron)

Method

Choose the product by body part for your needs—the Method Series

Scalp

Face/
Decolletage

March 4 launch

Sweaty
areas

Hands/
fingers

Severe
itching

CL Lotion

WO Cream

AS Lotion

AS Cream

AS Ointment

Premium
AS Cream

Premium
AS
Ointment



Standard Series

Non-Steroid

For steroid-sensitive areas and users

Steroidal Antedrug
Highly effective formula

Premium Series

Eight active ingredients—
including a steroidal
antedrug—the most in the
Method series

Capture demand from the surge in visitors to Japan due to the Olympics and Paralympics

- Leverage mobile marketing
- Expand promotional products for visitors
- Increase recommendation sales



Move beyond capturing one-time demand to help expand cross-border and overseas businesses

Leverage Japanese brands' reputation for trustworthiness and reliability to expand sales channels and reinforce brand development

- Approach Chinese consumers via diverse sales channels
- Expand supply from Japan
- Develop brands using marketing that combines know-how from Japan with local strengths
- Expand the oral care market by promoting preventive dentistry



Expand base of loyal Lion brand users

Revise the laundry detergent-centered business portfolio

- Growing middle-income population
- Growing health care needs



Expand business in the personal care field

Increase high-value-added products in the home care field

*Personal care field: Oral care, beauty care

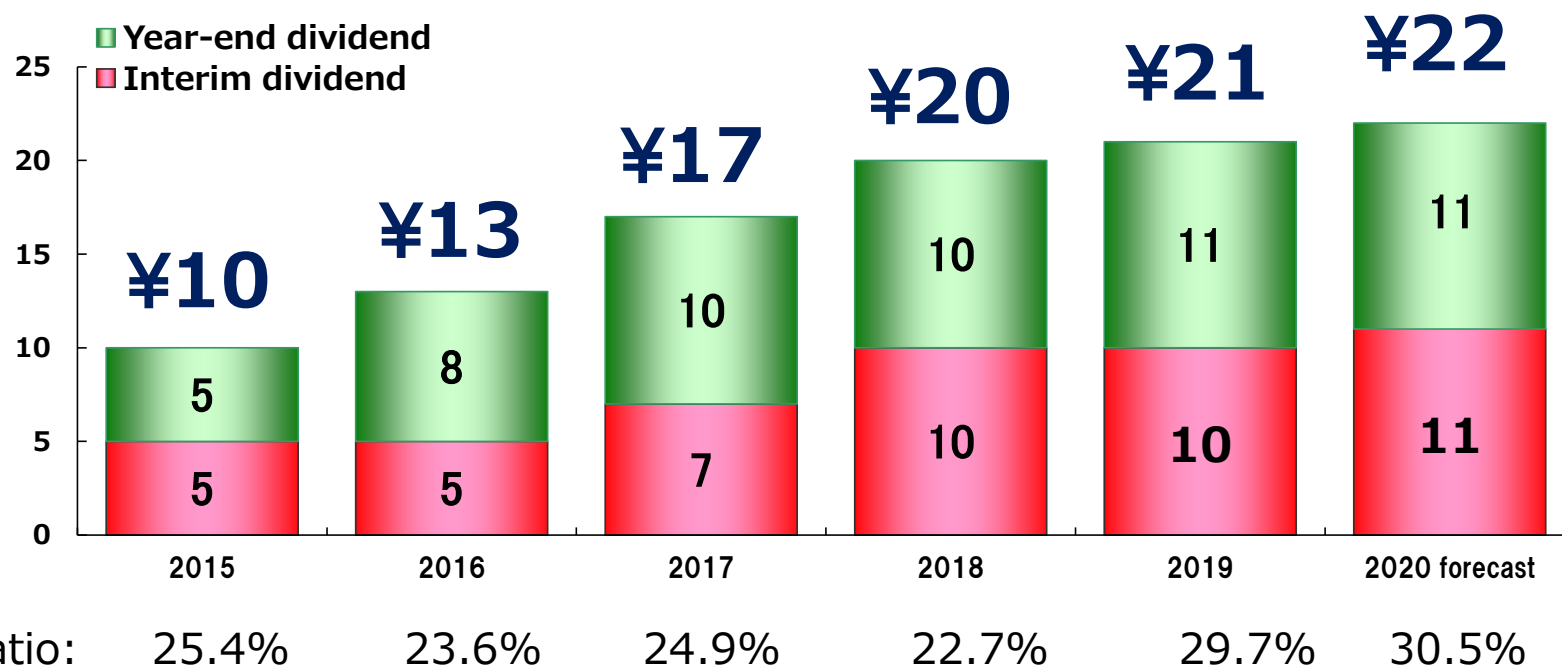
*Home care field: Fabric care, living care

Lion's commitment to quality in manufacturing **LION**

We continue to use natural mint,
which gives our products rich flavor



Annual dividend forecast up for a fifth consecutive year to ¥22



**Basic dividend policy: Pay continuous and stable cash dividends
(Target consolidated payout ratio of 30%)**

Reference Materials

Consolidated Statement of Income

(Billions of yen)	2019	2018	Y-o-Y change	
			Amount	%
Net sales	347.5	349.4	(1.8)	(0.5)
Cost of sales	175.5	177.6	(2.0)	(1.2)
Gross profit	171.9	171.7	0.2	0.1
Selling, general and administrative expenses	141.8	143.3	(1.4)	(1.0)
Core operating income	30.0	28.3	1.6	5.9
Other income	1.5	7.4	(5.9)	(79.6)
Other expenses	1.7	1.6	0.1	7.8
Operating profit	29.8	34.1	(4.3)	(12.8)
Finance income	0.7	0.7	(0.0)	(4.8)
Finance costs	0.1	0.1	0.0	21.8
Share of profit of investments accounted for using the equity method	0.9	0.8	0.1	21.8
Profit before tax	31.4	35.6	(4.2)	(11.9)
Income taxes	8.4	5.8	2.5	43.4
Profit for the period	22.9	29.7	(6.8)	(22.8)
Profit for the period attributable to non-controlling interests	2.4	4.1	(1.7)	(42.0)
Profit for the period attributable to owners of the parent	20.5	25.6	(5.0)	(19.7)

Selling, general and administrative expenses

(Billions of yen)		2019		2018		Y-o-Y change	
		Amount	% of sales (%)	Amount	% of sales (%)	Amount	%
Selling, general and administrative expenses		141.8	40.8	143.3	41.0	(1.4)	(1.0)
	Sales commissions	9.1	2.6	9.3	2.7	(0.1)	(1.5)
	Promotional expenses	26.2	7.5	25.9	7.4	0.2	1.1
	Advertising expenses	25.1	7.2	28.7	8.2	(3.6)	(12.7)
	Transportation and warehousing expenses	19.7	5.7	19.1	5.5	0.6	3.6
	R&D expenses	10.9	3.1	10.9	3.1	(0.0)	(0.2)
	Other expenses	50.6	14.6	49.2	14.1	1.3	2.8

Consolidated Statement of Financial Position

(Billions of yen)		2019	2018	Change
Current assets		222.4	215.9	6.5
	Cash and cash equivalents	110.4	104.9	5.4
	Trade and other receivables	61.7	64.6	(2.9)
	Inventories	43.5	42.0	1.4
Non-current assets		158.2	139.4	18.7
	Property, plant and equipment	90.9	81.5	9.3
	Intangible assets	13.4	10.1	3.3
	Right-of-use assets	5.9	—	5.9
	Other financial assets	25.5	25.0	0.4
Total assets		380.7	355.3	25.3

Consolidated Statement of Financial Position

(Billions of yen)		2019	2018	Change
Current liabilities		135.7	129.7	5.9
	Trade and other payables	116.2	116.9	(0.7)
	Lease liabilities	1.4	—	1.4
	Other current liabilities	7.6	7.0	0.6
Non-current liabilities		23.7	21.3	2.4
	Retirement benefit liabilities	12.0	10.9	1.1
	Lease liabilities	5.5	—	5.5
Equity		221.2	204.2	16.9
	Share capital	34.4	34.4	—
	Capital surplus	34.7	34.7	0.0
	Treasury stock	(4.7)	(4.7)	0.0
	Other components of equity	11.3	10.9	0.3
	Retained earnings	132.6	115.8	16.8
Total liabilities and equity		380.7	355.3	25.3

Consolidated Statement of Cash Flows

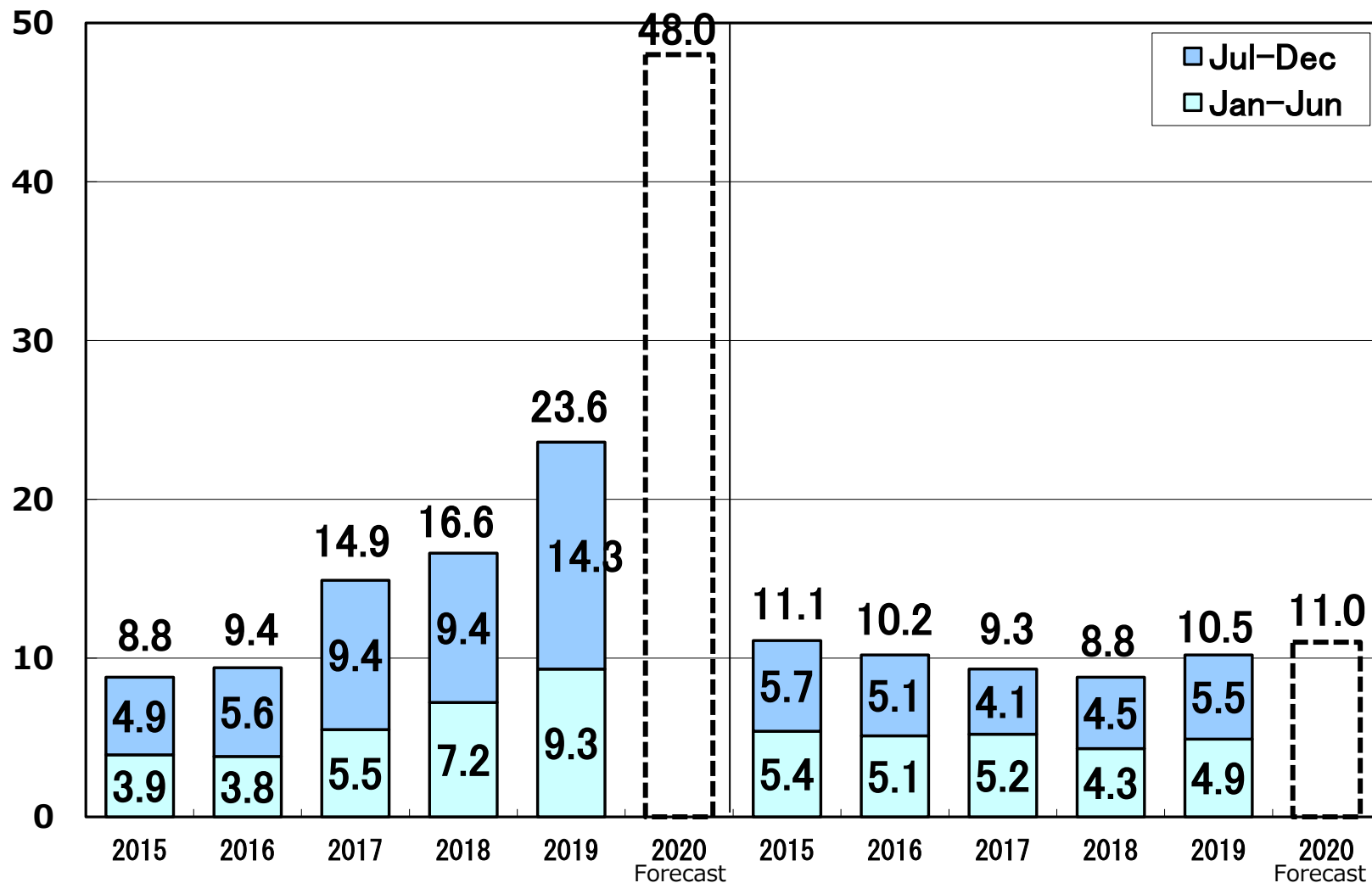
(Billions of yen)	2019	2018	Change
Cash flows from operating activities	36.7	31.8	4.8
Cash flows from investing activities	(20.7)	(8.9)	(11.7)
Cash flows from financing activities	(10.5)	(8.7)	(1.8)
Effect of exchange rate changes on cash and cash equivalents	(0.0)	(0.5)	0.5
Net increase (decrease) in cash and cash equivalents	5.4	13.5	(8.1)
Cash and cash equivalents at beginning of period	104.9	91.4	13.5
Cash and cash equivalents at end of period	110.4	104.9	5.4

Capital Expenditures and Depreciation Expenses

(Billions of yen)

Capital expenditures

Depreciation expenses



Notes: Both capital expenditures and depreciation expenses include amounts for intangible assets

2019 Consolidated Financial Forecast

(Billions of yen)	2020	2019	Y-o-Y change		Jan. – Jun. 2020	Jan. – Jun. 2019	Y-o-Y change	
			Amount	%			Amount	%
Net sales	355.0	347.5	7.4	2.2	168.0	167.3	0.6	0.4
Core operating income % of net sales	30.5 8.6	30.0 8.6	0.4	1.5	12.5 7.4	12.4 7.4	0.0	0.3
Operating profit % of net sales	31.0 8.7	29.8 8.6	1.1	3.9	13.0 7.7	12.8 7.7	0.1	0.9
Profit for the period attributable to owners of parent % of net sales	21.0 5.9	20.5 5.9	0.4	2.1	9.0 5.4	8.6 5.2	0.3	3.6
EPS (Yen)	72.24	70.72	1.52	2.1	30.96	29.89	1.07	3.6

2020 Sales to External Customers Forecast

(Billions of yen)	2020	2019	Y-o-Y change		Jan.– Jun. 2020	Jan.– Jun. 2019	Y-o-Y change	
			Amount	%			Amount	%
Consumer Products	225.0	219.3	5.6	2.6	106.0	102.8	3.1	3.0
Industrial Products	33.5	32.9	0.5	1.7	16.0	16.0	(0.0)	(0.2)
Overseas	93.5	91.7	1.7	1.9	44.5	46.7	(2.2)	(4.7)
Others	3.0	3.4	(0.4)	(12.5)	1.5	1.6	(0.1)	(9.1)
Consolidated Total	355.0	347.5	7.4	2.2	168.0	167.3	0.6	0.4

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)

	2014	2015	2016	2017	2018	2019
Sales value	102	103	104	99	102	102
Unit sales	100	100	102	98	100	100
Average unit price	102	102	102	102	102	102

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)

	2016	2017	2018	2019
Sales value	105	103	102	105
Unit sales	101	101	100	102
Average unit price	104	102	103	104

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)

	2016	2017	2018	2019
Sales value	104	103	102	100
Unit sales	102	101	101	99
Average unit price	101	102	101	101

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)

	2016	2017	2018	2019
Sales value	104	103	104	104
Unit sales	102	100	102	102
Average unit price	102	103	102	102

Source: INTAGE Inc. SCI survey

Fiscal 2020 Forecast of Change Factors Affecting Core Operating Income

Impact on income

(Billions of yen)

	Assumptions at start of year
Sales, product mix and others	+2.0
Total cost reduction (cost of sales, logistics, etc.)	+1.5
Raw material prices	(0.5)
Competition-related expenses	(1.0)
Other expenses	(1.5)
Total	+0.5

Assumed Raw Material Prices and Exchange Rates

Raw material prices

	Dubai Crude	Domestic Naphtha	Crude Palm Oil
2020 forecasts	60.0\$/BBL	JPY42,000/KL	2,800RM/ton

Exchange Rates

	U.S. Dollar	Thai Baht
2020 forecasts	JPY110.0	JPY3.60

◇Reference

	Dubai Crude	Domestic Naphtha	Crude Palm Oil
2019 actual	\$62.0/BBL	JPY41,975/KL	2,173RM/ton
	U.S. Dollar	Thai Baht	
2019 actual	JPY109.2	JPY3.53	



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.