

# **Financial Results for the First Half of 2020**

**Lion Corporation  
August 5, 2020**

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## **Sales and profit met forecasts\* and rose year on year**

- **Sales of hygiene-related products increased due to the spread of the novel coronavirus.**
  - Sales of hand soaps and hand sanitizers grew significantly.
  - Increased time spent at home drove significant growth in sales of dish washing detergents and household cleaners.
- **Core operating income and the core operating income ratio increased due to product mix changes and a reduction in competition-related expenses.**
- **Operating profit and profit for the period attributable to owners of parent rose substantially year on year due to a gain on transfer of non-current assets (land Lion's head office occupies).**

\*Forecasts published February 28, 2020

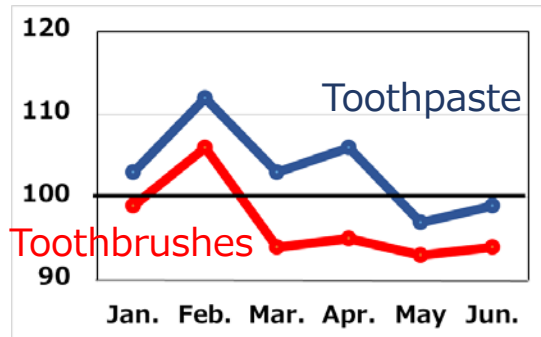
# Market Trends

**LION**

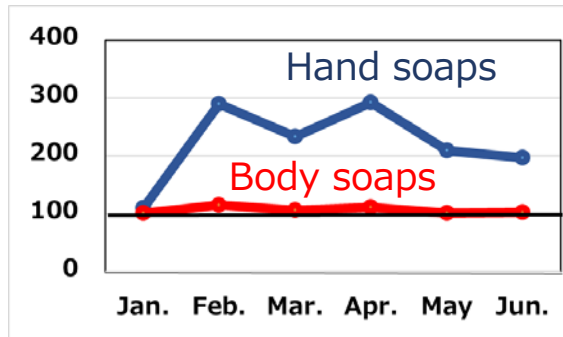
**Y-o-Y comparison of consumer products markets in Japan by in-store sales value (%)**

Source: INTAGE Inc. SRI, SDI survey

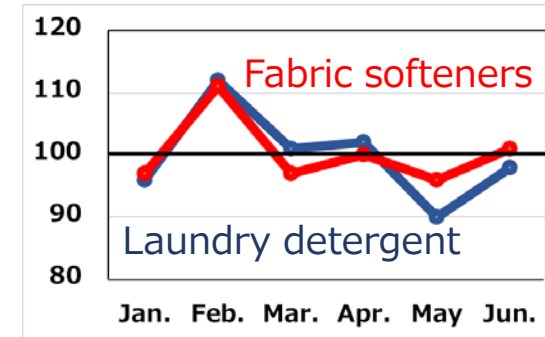
## Oral Care



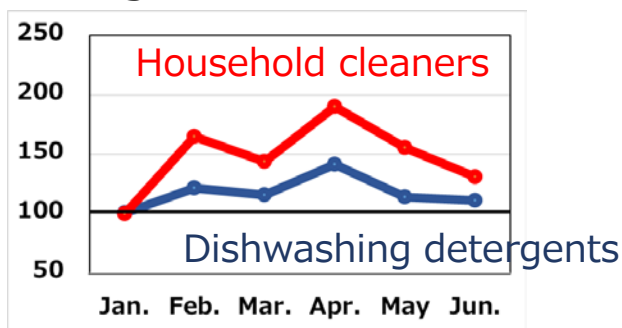
## Beauty Care



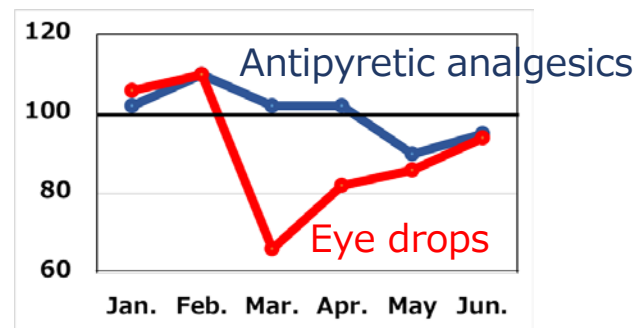
## Fabric Care



## Living Care



## Pharmaceutical



## Overseas Markets

Southeast Asia	Hand soaps: Doubled in Thailand and quadrupled in Malaysia Laundry detergents: Down 92% in Thailand and 88% in Malaysia
Northeast Asia	Hand soaps: Doubled in China, up approximately 40% in South Korea

Source: Nielsen

# Financial Results for the First Half of 2020



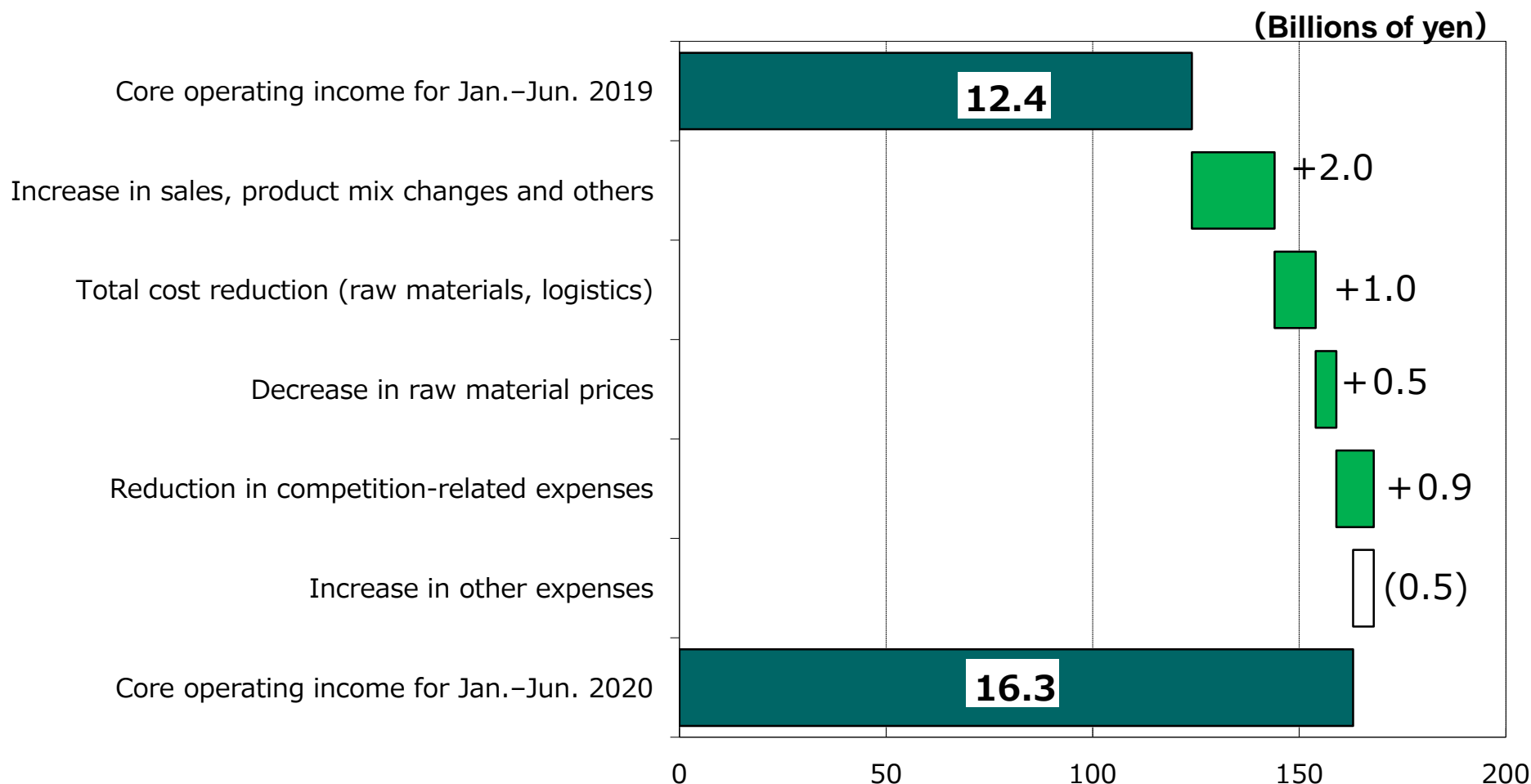
(Billions of yen)	Jan.–Jun. 2020	Jan.–Jun. 2019	Y-o-Y change		Deviation from forecast <sup>2</sup>
			Amount	%	
<b>Net sales</b>	<b>169.1</b>	<b>167.3</b>	<b>1.7</b>	<b>1.1</b> 2.0 <sup>1</sup>	<b>1.1</b> 0.7
<b>Core operating income</b> % of net sales	<b>16.3</b> 9.7	<b>12.4</b> 7.4	<b>3.9</b>	<b>31.4</b>	<b>3.8</b> 31.0
<b>Operating profit</b> % of net sales	<b>25.9</b> 15.4	<b>12.8</b> 7.7	<b>13.0</b>	<b>101.5</b>	<b>4.4</b> 20.8
<b>Profit for the period attributable to owners of parent</b>	<b>18.6</b>	<b>8.6</b>	<b>9.9</b>	<b>114.3</b>	<b>3.6</b> 24.2
<b>EPS (Yen)</b>	<b>64.06</b>	<b>29.89</b>	<b>34.17</b>	<b>114.3</b>	<b>12.46</b> 24.1

Note: 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.

1. Y-o-Y change at constant currency excluding exchange rate fluctuations.

2. Revised forecast published February 28, 2020.

# Year-on-Year Changes in Core Operating Income



# Results by Business Segment



(Billions of yen)	Net sales*				Segment profit (Core operating income)		
	Jan.–Jun. 2020	Jan.–Jun. 2019	Y-o-Y change		Jan.–Jun. 2020	Y-o-Y change	
			Amount	%		Amount	%
Consumer Products	115.7	110.2	5.4	5.0	11.7	4.0	51.7
	108.1	102.8	5.2	5.1	10.2		
Industrial Products	27.1	27.0	0.1	0.4	1.0	0.2	33.4
	15.1	16.0	(0.8)	(5.2)	3.8		
Overseas	49.6	51.4	(1.7)	(3.5)	3.3	(0.3)	(9.8)
	44.3	46.7	(2.4)	(5.2)	6.7		
Other	14.5	15.5	(0.9)	(6.4)	0.8	0.3	56.9
	1.4	1.6	(0.1)	(11.5)	6.1		
Adjustment	(38.0)	(36.9)	(1.0)	—	(0.6)	(0.3)	—
	0.0	0.0	(0.0)	—	-		
Consolidated Total	169.1	167.3	1.7	1.1	16.3 9.7	3.9	31.4

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

(Billions of yen)	Net sales			
	Jan. –Jun. 2020	Jan–Jun. 2019	Y-o-Y change	
			Amount	%
Oral Care	30.6	29.8	0.7	2.6
Beauty Care	16.1	11.0	5.1	46.9
Fabric Care	26.9	28.6	(1.7)	(6.0)
Living Care	11.9	9.0	2.8	31.4
Pharmaceutical	10.9	12.0	(1.1)	(9.5)
Other	19.1	19.6	(0.4)	(2.5)
Total	115.7	110.2	5.4	5.0



(Billions of yen)	Net sales			
	Jan.—Jun. 2020	Jan.—Jun. 2019	Y-o-Y change	
			Amount	%
Southeast Asia	32.5	34.5	(1.9)	(5.7)
Northeast Asia	17.0	16.9	0.1	1.1
Total	49.6	51.4	(1.7)	(3.5)

\*Y-o-Y change at constant currency excluding exchange rate fluctuations:  
 Southeast Asia: (3.3%); Northeast Asia: 6.5%; Total: (0.1%)

## Consumer Products

- Significant growth in the beauty care and living care fields
- Growth in the oral care field continued to outpace market growth
- In fabric care, mainstay laundry detergents and fabric softeners struggled
- Sales of pharmaceuticals fell due to decline in demand from visitors to Japan

## Industrial Products

- Sluggish market conditions caused sales to decline in the chemical business, but detergents for institutional use products secured higher sales due to growth in sales of hygiene-related products, despite challenging conditions for detergents for kitchen use

## Overseas

- In Southeast Asia, consumption fell due to strict restrictions on movement and activity, we were unable to conduct planned marketing, and sales fell
- In Northeast Asia, China recovered quickly, and sales were strong

# **Key Measures in the Second Half of 2020**

## **Risk due to the novel coronavirus pandemic**

- Slower or negative global economic growth
- Decreased incomes due to worsening economies, weaker consumer confidence due to concerns about the future
- Restrictions on social and economic activity in key countries where we do business

## **Geopolitical risks**

- Prolongation of U.S.-China trade frictions
- Worsening conditions in South Korea and Hong Kong

## Consumer Products

- Demand for hygiene-related products will remain high
- Stagnation in fabric care and other key markets
- Demand from visitors to Japan not recovering due to sharp decline in international tourists

## Industrial Products

- Delayed demand recovery in the Automotive, Electrical and Electronics, and other fields
- Decrease in demand for institutional-use products in the food service industry

## Overseas

- Performance remains strong in China following quick recovery
- Weak consumption in Southeast Asia due to continued restrictions on activity

- ① **Respond to demand for hygiene-related products**
- ② **Continue growth in oral care**
- ③ **Accelerate growth in China**

## ① Respond to demand for hygiene-related products

### ● Increase hand soap production

- Domestic: Reinforce production capacity with additional production lines, etc., and expand contracted production
- Overseas: Maintain increased production framework (Thailand and South Korea)

### ● Marketing to promote hygienic habits

Reinforce educational activities aimed at forming hygienic habits, such as hand washing

## ② Continue growth in oral care

- Proactively invest in marketing focused mainly on key brands
- Expand high-value-added product lines to reinforce brand position



## ③ Accelerate growth in China

- Continue nurturing markets for key brands and reinforce e-commerce sales channels



# **Lion's Response to the Novel Coronavirus Pandemic**

## ● Fulfilling our responsibility as a manufacturer of daily necessities

- Continued full-capacity production, mainly of hand soaps
- Emergency production of highly concentrated ethanol products (for institutional use)

## ● Decreasing employee infection risk and increasing work efficiency

### Offices

- Promoting working from home and improving telecommunication environments
- Proactively using online meetings
- Changed the flextime system (eliminated core time)
- Reducing infection risk during commuting (promoting staggered commuting, etc.)

## ● Decreasing infection risk and increasing work efficiency

### Factories

- Thorough hand washing, disinfecting and use of masks
- Improving physical distancing, etc., in cafeterias and during breaks
- Improved ventilation in changing rooms, regularly disinfecting meeting rooms and other shared spaces
- Reducing risk during commuting (payment for rental cars, etc.)

## ● Social initiatives

- Providing information about hand washing methods, etc.
- Support for medical professionals (donations to the Japanese Red Cross Society and Red Cross Society of China)

# Lion's Response to the Novel Coronavirus Pandemic

LION

## Shifting to new work styles

Making changes not just as temporary COVID-19 countermeasures, but as part of permanent work style reform in line with Lion Professional Fulfillment Reforms



# **2020 Consolidated Financial Forecast**

# 2020 Consolidated Financial Forecast



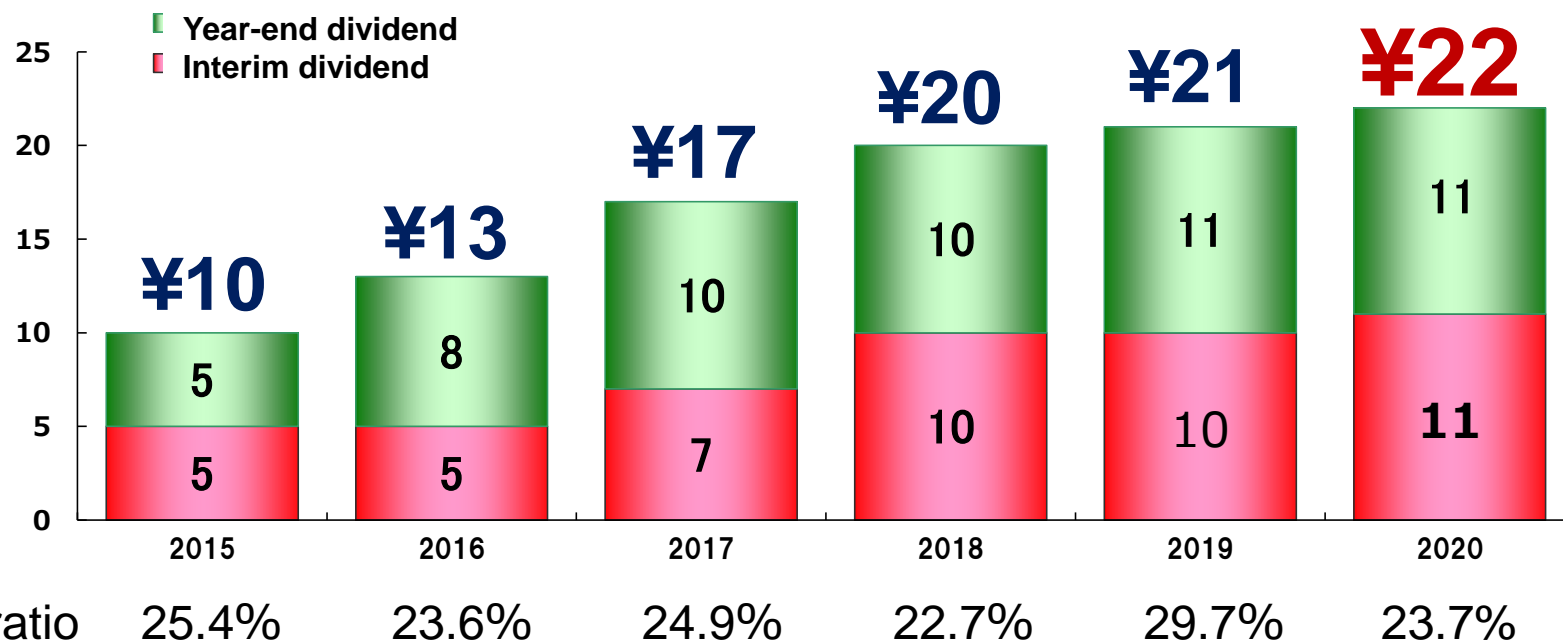
(Billions of yen)	2020	2019	Y-o-Y change	
			Amount	%
<b>Net sales</b>	<b>355.0</b>	<b>347.5</b>	<b>7.4</b>	<b>2.2</b>
<b>Core operating income</b> % of net sales	<b>30.5</b> 8.6	<b>30.0</b> 8.6	<b>0.4</b>	<b>1.5</b>
<b>Operating profit</b> % of net sales	<b>39.5</b> 11.1	<b>29.8</b> 8.6	<b>9.6</b>	<b>32.4</b>
<b>Profit for the period attributable to owners of parent</b>	<b>27.0</b>	<b>20.5</b>	<b>6.4</b>	<b>31.3</b>
<b>EPS (Yen)</b>	<b>92.88</b>	<b>70.72</b>	<b>22.16</b>	<b>31.3</b>

# Forecast Sales to External Customers by Segment **LION**

(Billions of yen)	Sales to External Customers			
	2020 (Initial forecast)	2020 (Aug 5. revision)	Change	
			Amount	%
Consumer Products	225.0	229.0	4.0	1.8
Industrial Products	33.5	32.0	(1.5)	(4.5)
Overseas	93.5	91.0	(2.5)	(2.7)
Other	3.0	3.0	0.0	0.0
Consolidated Total	355.0	355.0	0.0	0.0

## Increased dividends for five consecutive years

Per-share dividend of ¥22 per share, up ¥1 YoY, planned for 2020



**Basic dividend policy:**

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



# The Next Medium-Term Management Plan **LION**

- 2020 is the final year of the LIVE Plan, and we planned to launch the next medium-term management plan in 2021. However, because the outlook for the business environment is unclear due to the novel coronavirus pandemic, we will formulate a single-year plan for 2021 and start the management plan from 2022.
- We plan to publish our vision for the future and basic approach going forward in February 2021.

# Reference Materials

# Consolidated Statement of Income

(Billions of yen)	Jan.–Jun. 2020	Jan.–Jun. 2019	Y-o-Y change	
			Amount	%
Net sales	169.1	167.3	1.7	1.1
Cost of sales	83.5	84.8	(1.3)	(1.5)
Gross profit	85.6	82.5	3.0	3.7
Selling, general and administrative expenses	69.2	70.0	(0.8)	(1.2)
Core operating income	16.3	12.4	3.9	31.4
Other income	11.5	1.0	10.5	1,038.6
Other expenses	1.9	0.5	1.3	230.9
Operating profit	25.9	12.8	13.0	101.5
Finance income	0.4	0.4	0.0	4.6
Finance costs	0.0	0.1	(0.0)	(33.5)
Share of profit of investments accounted for using the equity method	0.7	0.4	0.2	60.9
Profit before tax	27.0	13.6	13.4	98.3
Income taxes	7.4	3.8	3.6	96.2
Profit for the period	19.5	9.8	9.7	99.1
Profit for the period attributable to non-controlling interest	0.9	1.1	(0.2)	(17.7)
Profit for the period attributable to owners of the parent	18.6	8.6	9.9	114.3

# Selling, general and administrative expenses

(Billions of yen)		Jan.–Jun. 2020		Jan.–Jun. 2019		Y-o-Y change	
		Amount	% of sales (%)	Amount	% of sales (%)	Amount	%
Selling, general and administrative expenses		69.2	40.9	70.0	41.9	(0.8)	(1.2)
	Sales commissions	4.6	2.7	4.5	2.7	0.1	2.4
	Promotional expenses	12.6	7.5	12.8	7.7	(0.1)	(1.5)
	Advertising expenses	12.1	7.2	12.9	7.7	(0.7)	(5.9)
	Transportation and warehousing expenses	9.1	5.4	9.5	5.7	(0.4)	(4.9)
	R&D expenses	4.9	2.9	5.3	3.2	(0.3)	(7.0)
	Other expenses	25.6	15.2	24.8	14.8	0.8	3.5

# Consolidated Statement of Financial Position

(Billions of yen)		Jun. 30, 2020	Dec. 31, 2019	Change
Current assets		223.4	222.4	0.9
	Cash and cash equivalents	109.7	110.4	(0.6)
	Trade and other receivables	53.0	61.7	(8.7)
	Inventories	49.9	43.5	6.4
Non-current assets		167.2	158.2	9.0
	Property, plant and equipment	99.2	90.9	8.3
	Intangible assets	14.3	13.4	0.8
	Right-of-use assets	5.6	5.9	(0.2)
	Other financial assets	24.0	25.5	(1.4)
Total assets		390.6	380.7	9.9

(Billions of yen)		Jun. 30, 2020	Dec. 31, 2019	Change
Current liabilities		132.3	135.7	(3.3)
	Trade and other payables	113.1	116.2	(3.1)
	Lease liabilities	1.5	1.4	0.0
	Other current liabilities	5.5	7.6	(2.1)
Non-current liabilities		26.1	23.7	2.3
	Retirement benefit liabilities	14.8	12.0	2.7
	Lease liabilities	5.4	5.5	(0.0)
Equity		232.1	221.2	10.9
	Share capital	34.4	34.4	—
	Capital surplus	34.8	34.7	0.0
	Treasury stock	(4.7)	(4.7)	(0.0)
	Other components of equity	9.1	11.3	(2.1)
	Retained earnings	146.1	132.6	13.5
Total liabilities and equity		390.6	380.7	9.9

# Consolidated Statement of Cash Flows

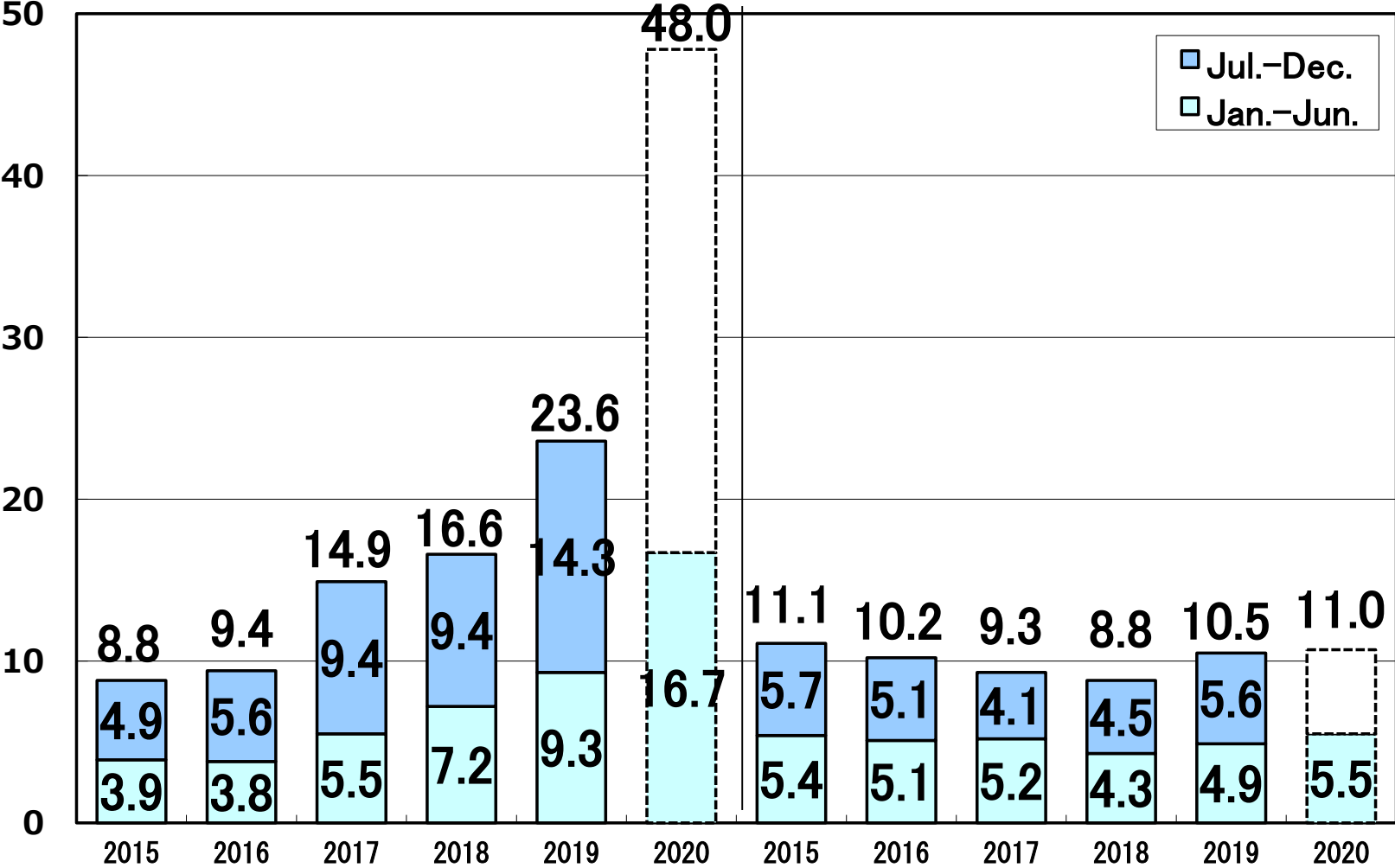
<b>(Billions of yen)</b>	<b>Jan.–Jun. 2020</b>	<b>Jan.–Jun. 2019</b>	<b>Change</b>
<b>Cash flows from operating activities</b>	<b>9.9</b>	<b>11.6</b>	<b>(1.7)</b>
<b>Cash flows from investing activities</b>	<b>(5.0)</b>	<b>(10.2)</b>	<b>5.1</b>
<b>Cash flows from financing activities</b>	<b>(4.8)</b>	<b>(6.6)</b>	<b>1.7</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(0.6)</b>	<b>(0.1)</b>	<b>(0.4)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(0.6)</b>	<b>(5.3)</b>	<b>4.6</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>110.4</b>	<b>104.9</b>	<b>5.4</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>109.7</b>	<b>99.6</b>	<b>10.1</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.



# Fiscal 2020 Forecast of Change Factors Affecting Core Operating Income

## ◇Impact on income

(Billions of yen)	Assumptions at start of year (2/13/2020)	Current assumptions (8/5/2020)
Sales, product mix and others	<b>2.0</b>	<b>3.0</b>
Total cost reduction (manufacturing and logistics costs)	<b>1.5</b>	<b>1.0</b>
Raw material price fluctuations	<b>(0.5)</b>	<b>1.0</b>
Competition-related expenses	<b>(1.0)</b>	<b>(2.5)</b>
Other expenses	<b>(1.5)</b>	<b>(2.0)</b>
Total	<b>0.5</b>	<b>0.5</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)

	2015	2016	2017	2018	2019	Jan.-Jun. 2020
Sales value	103	104	99	102	102	117
Unit sales	100	102	98	100	100	110
Average unit price	102	102	102	102	102	106

Source: INTAGE Inc. SRI Survey (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	Jan.-Jun. 2020
Sales value	105	103	102	105	108
Unit sales	101	101	100	102	103
Average unit price	104	102	103	104	105

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 seven drug markets in which Lion participates  
(Values are percentages of the results of the corresponding periods of the previous years)

	2016	2017	2018	2019	Jan.–Jun. 2020
Sales value	104	103	102	100	93
Unit sales	102	101	101	99	89
Average unit price	101	102	101	101	104

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	Jan.–Jun. 2020
Sales value	104	103	104	104	102
Unit sales	102	100	102	102	99
Average unit price	102	103	102	102	103

Source: INTAGE Inc. SCI survey

# Assumed Raw Material Prices and Exchange Rates

## Raw material prices

	Dubai Crude	Domestic Naphtha	Crude Palm Oil
2020 second half forecasts	<b>\$45/BBL</b>	<b>JPY32,000/KL</b>	<b>2,800RM/ton</b>

## Exchange Rates

	U.S. Dollar	Thai Baht
2020 second half forecasts	<b>JPY108</b>	<b>JPY3.5</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.