

# **Financial Results for the First Quarter Ended March 31, 2022**

**Lion Corporation  
May 10, 2022**

## ■ Consolidated Financial Results for the First Quarter of 2022

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**First quarter sales increased year on year, but core operating income decreased, largely in line with the plan for the year**

## **Net sales (up Y-o-Y)**

- In the Consumer Products Business, sales of hand soaps and antipyretic analgesics increased
- Sales in the Overseas Business increased, reflecting strong sales in Malaysia in Southeast Asia and South Korea in Northeast Asia
- Sales in the Industrial Products Business increased, driven by demand growth in the chemicals field

## **Core operating income (down Y-o-Y)**

- Decreased due to increases in raw material prices and depreciation and amortization, despite total cost reductions

## **Operating profit and profit for the period attributable to owners of the parent (up Y-o-Y)**

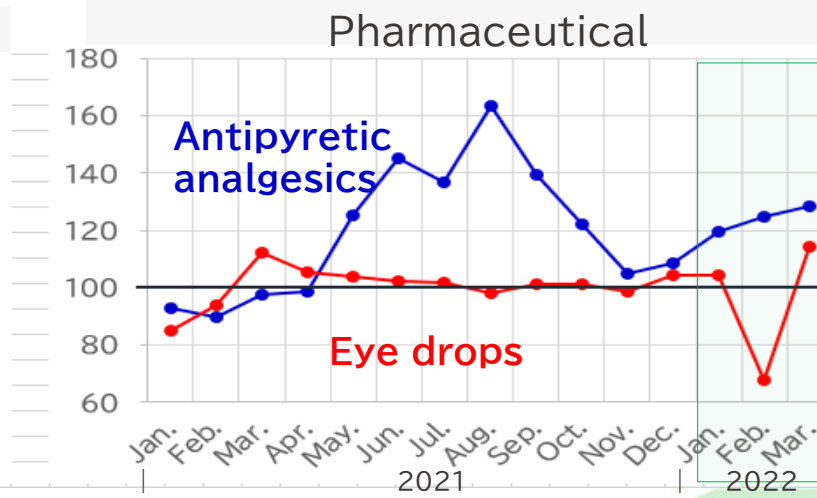
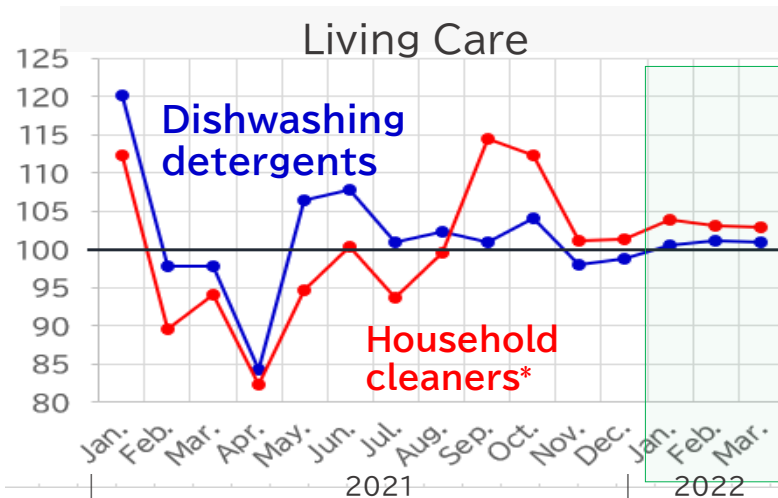
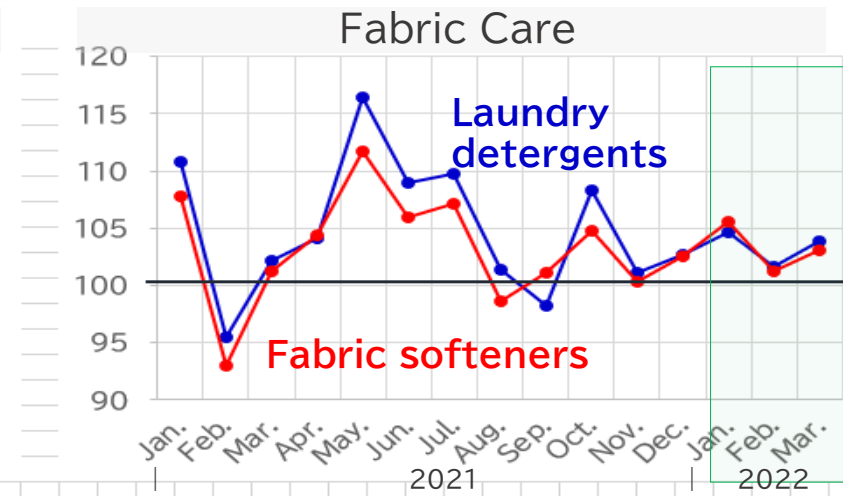
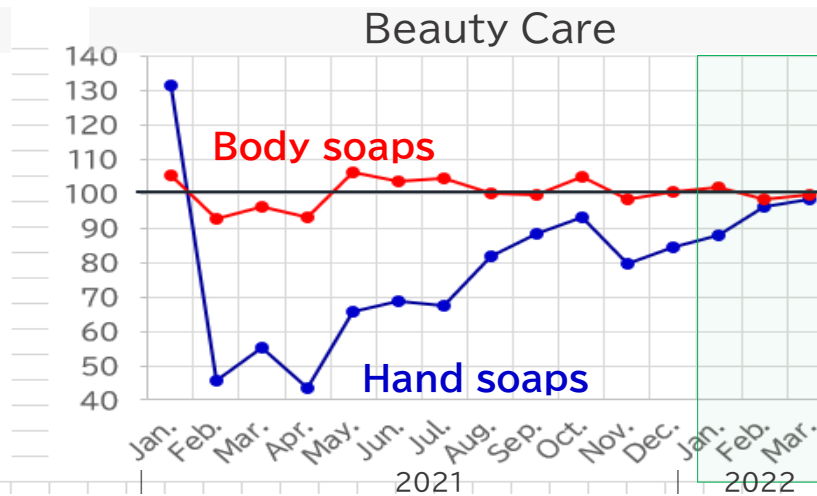
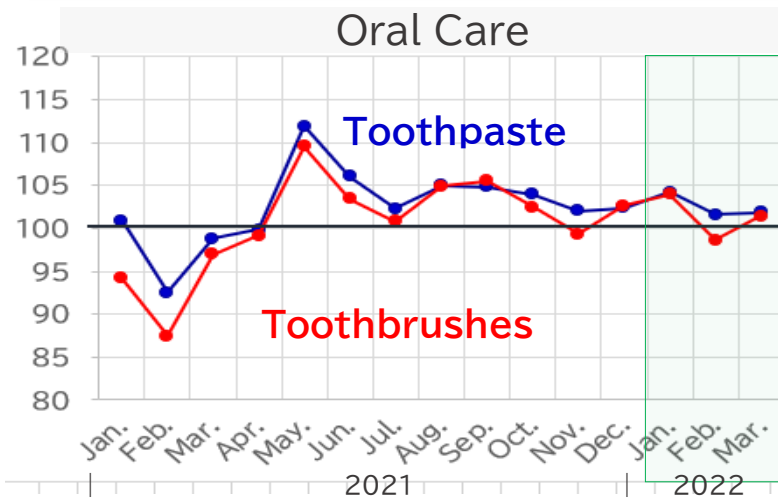
- Increased due partly to gain on transfer of land held by a consolidated subsidiary recorded in January 2022

# Market Trends—Major Product Categories in Japan

First quarter sales values were up year on year except in certain categories

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

Source: INTAGE Inc. SRI+



Comparison of key categories in 1Q of 2022(%)

Category	Vs. '21	Vs. '20	Vs. '19
Toothpaste	103	100	110
Toothbrushes	101	94	97
Hand soaps	94	61	134
Laundry detergents	103	106	113
Fabric softeners	103	104	111
Dishwashing detergents	101	105	123
Household cleaners	103	101	121
Antipyretic analgesics	124	116	126

\* "Household cleaners" above is the sum of home cleaners, bath detergents and bathroom detergents.

# Market Trends—Major Product Categories Overseas

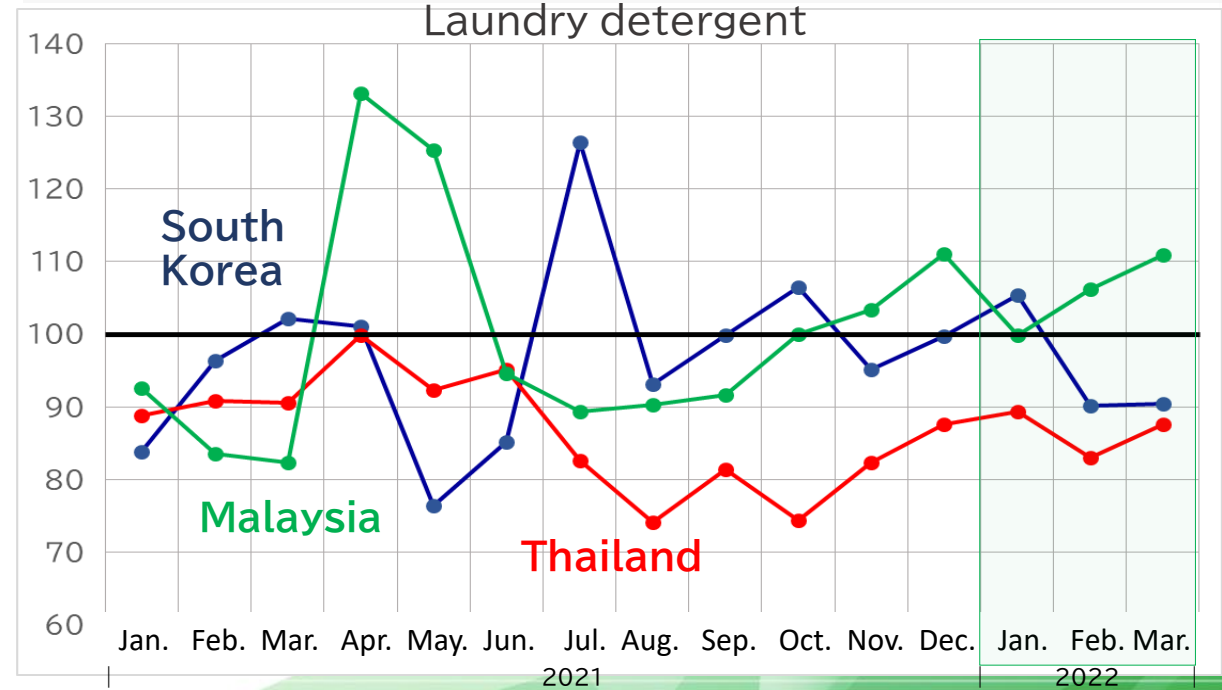
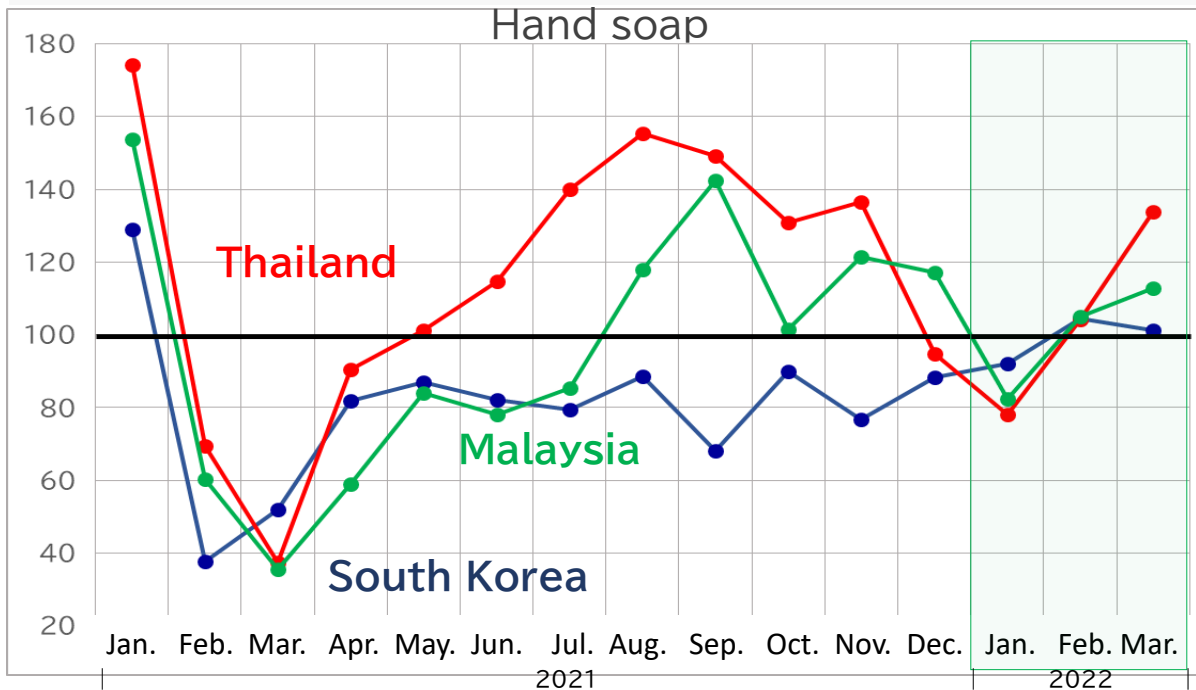
Despite continued stagnation in consumption across the region, Malaysia saw improvement, and the hand soap market expanded compared with 2019

Source: Nielsen

Sales value by country and category compared with previous years(%) Period: Jan.-Mar. 2022

	Thailand			Malaysia			South Korea		
Category	Vs. '21	Vs. '20	Vs. '19	Vs. '21	Vs. '20	Vs. '19	Vs. '21	Vs. '20	Vs. '19
Hand soap	101	72	161	99	60	270	100	55	149
Laundry detergent	87	78	80	105	91	91	94	89	84

## Y-o-Y comparison of overseas markets (%)



Note: Figures for Malaysia represent the entire soap market, including the hand soap market.

# Market Trends

Period: Jan.–Mar. 2022; Source: INTAGE Inc. SRI+

Aggregate of Key Domestic Markets	In the 38 home product markets surveyed, overall sales value was flat year on year, as sales volumes of hand soaps, hand sanitizers and disinfectants fell, but unit prices for oral care and fabric care products rose
Oral Care	<ul style="list-style-type: none"> <li>✓ Toothpaste unit prices continued to increase, reflecting increased hygiene awareness (sales value up 3% Y-o-Y)</li> <li>✓ Toothbrush unit prices continued to rise, and sales volumes were largely unchanged from the previous year (sales value up 1% Y-o-Y)</li> </ul>
Beauty Care	<ul style="list-style-type: none"> <li>✓ Hand soap sales volumes fell year on year but were still up approximately 30% from 2019 (sales value down 6% Y-o-Y)</li> </ul>
Fabric Care	<ul style="list-style-type: none"> <li>✓ Laundry detergents and fabric softeners saw continued increases in unit prices due to a shift to larger product sizes reflecting growth in bulk purchasing as well as a movement toward higher-end products (laundry detergent sales value up 3% Y-o-Y; fabric softener sales value up 3% Y-o-Y)</li> </ul>
Living Care	<ul style="list-style-type: none"> <li>✓ Dishwashing detergent unit prices rose due to a shift to larger product sizes reflecting more frequent use (sales value up 1% Y-o-Y)</li> <li>✓ Household cleaners saw rising unit prices due to a shift to higher-added-value products (total sales value of home cleaners, bath detergents and bathroom detergents up 3% Y-o-Y)</li> </ul>
Pharmaceutical	<ul style="list-style-type: none"> <li>✓ Antipyretic analgesic sales volumes increased due to an increase in demand related to treating COVID-19 vaccine side effects (sales value up 24% Y-o-Y)</li> <li>✓ Eye drop sales value decreased due to a decline in sales volumes (sales value down 6% Y-o-Y)</li> </ul>

Period: Jan.–Mar. 2022; Source: Nielsen

Aggregate of Key Overseas Markets	The hand soap market was flat year on year but larger than in 2019 due to the establishment of hand washing habits Laundry detergent sales value continued to fall in Thailand, reflecting stagnant consumption, but recovered in Malaysia
Thailand	<ul style="list-style-type: none"> <li>✓ In addition to the challenging market environment, rising raw material prices led to scaled back sales promotion, resulting in continued year-on-year decreases</li> </ul>
Malaysia	<ul style="list-style-type: none"> <li>✓ Sales value rose as the government led the loosening of restrictions amid a shift to treating COVID-19 as an endemic illness and in-store promotions resumed</li> </ul>
South Korea	<ul style="list-style-type: none"> <li>✓ Sales increased, reflecting changes in government policy regarding COVID-19 amid record-high case numbers</li> </ul>



# Consolidated Financial Results

Despite a Y-o-Y increase in sales, core operating income fell Y-o-Y due largely to rises in raw material prices and depreciation and amortization

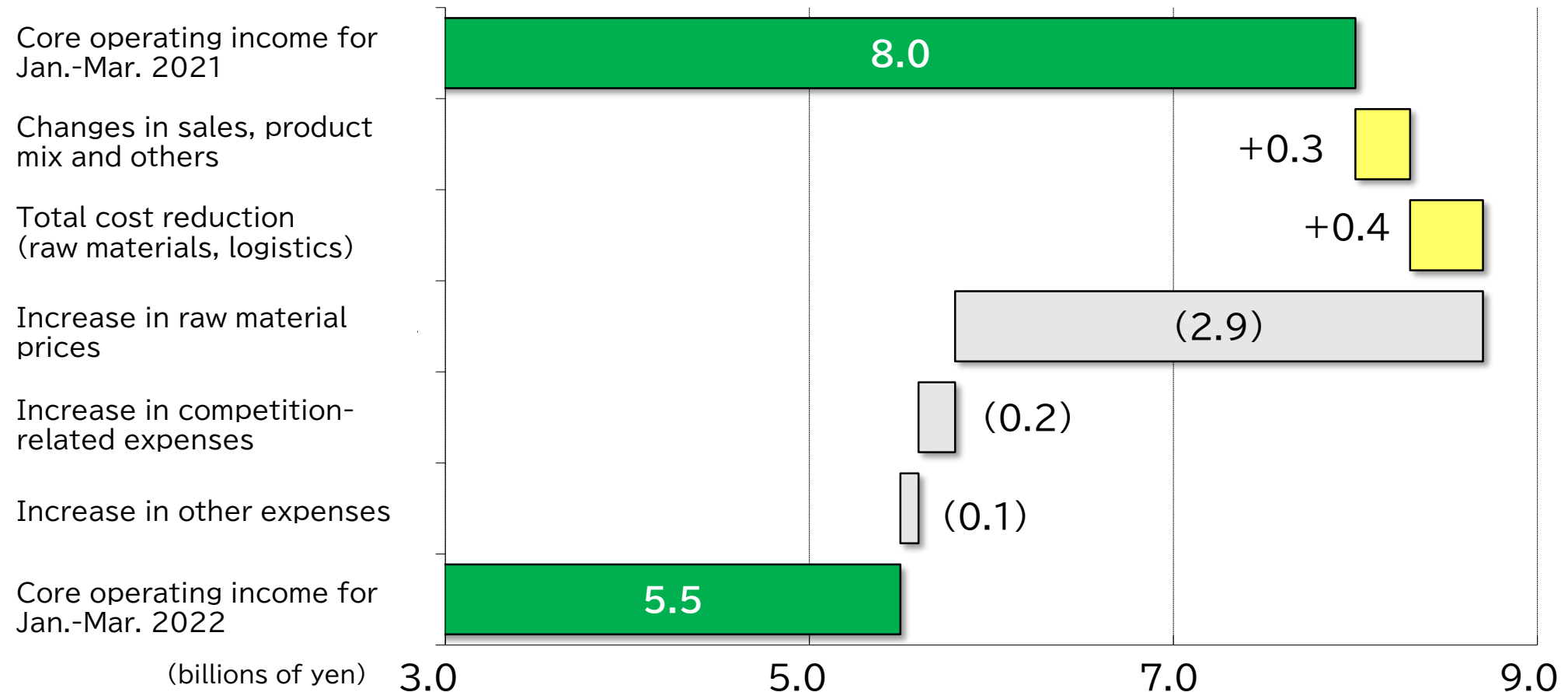
(Billions of yen)	Jan.–Mar. 2022	Jan.–Mar. 2021	Y-o-Y change	
			Amount	%
Net sales	87.0	82.4	4.5	5.5 (4.2*)
Core operating income* <sup>1</sup> % of net sales	5.5 (6.3)	8.0 (9.8)	(2.5)	(31.8)
Operating profit % of net sales	10.4 (12.1)	8.2 (10.0)	2.2	26.7
Profit for the period attributable to owners of the parent	7.8	5.9	1.9	32.5
EPS (Yen)	27.56	20.49	7.07	34.5
EBITDA* <sup>2</sup>	9.2	11.1	(1.9)	(17.3)
EBITDA margin (%)* <sup>3</sup>	10.6	13.6	—	(2.9)PP

Notes 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.  
2. EBITDA is an indicator of profitability on a cash basis calculated as the sum of core operating income and depreciation and amortization (excluding that of right-of-use assets as of 2022).  
3. EBITDA margin: The ratio of EBITDA to consolidated net sales.  
\* Y-o-Y change at constant currency excluding exchange rate fluctuations.

# Year-on-Year Changes in Core Operating Income

Despite total cost reductions, increases in raw material prices and depreciation and amortization led to an overall decrease

## Changes in core operating income from Jan.-Mar. 2022 (consolidated)





# Results by Business Segment

Despite increased sales in all segments but Other, rising raw material costs led to decreased profit

(Billions of yen)	Net sales				Segment profit (Core operating income)			
	Jan.-Mar. 2022	Jan.-Mar. 2021	Y-o-Y change		Jan.-Mar. 2022, %	Jan.-Mar. 2021, %	Y-o-Y change	
			Amount	%			Amount	%
Consumer Products	59.6	57.4	2.2	3.9	3.6	5.5	(1.9)	(35.1)
	50.9	50.3	0.5	1.1	6.0%	9.7%		
Industrial Products	13.0	11.8	1.2	10.6	0.7	1.0	(0.2)	(21.3)
	8.6	8.2	0.3	4.6	6.1%	8.6%		
Overseas	28.7	25.8	2.8	11.1	0.8	1.6	(0.8)	(49.1)
	26.1	23.3	2.8	12.1	3.0%	6.6%		
Other	2.5	7.6	(5.1)	(67.0)	0.0	0.4	(0.3)	(81.8)
	1.2	0.4	0.7	164.1	3.1%	5.6%		
Adjustment	(17.0)	(20.3)	3.3	-	0.1	(0.6)	0.7	-
	0.0	0.0	0.0	59.1				
Consolidated Total	87.0	82.4	4.5	5.5	5.5 6.3%	8.0 9.8%	(2.5)	(31.8)

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

\* From the first quarter of the fiscal year under review, due to a change in the business structure of consolidated Group subsidiary Lion Chemical Co., Ltd., said company's business, which was previously concentrated in the Industrial Products segment, has been divided between the Industrial Products and Consumer Products segments.

Segment information for the first quarter of the previous fiscal year has been restated to reflect this change.

## Sales increased in all categories but living care

(Billions of yen)	Net sales			
	Jan.–Mar. 2022	Jan.–Mar. 2021	Y-o-Y change	
			Amount	%
Oral Care	15.5	15.2	0.2	1.9
Beauty Care	5.9	5.2	0.7	13.5
Fabric Care	13.7	13.7	0.0	0.5
Living Care	5.1	5.5	(0.3)	(6.6)
Pharmaceutical	5.3	5.1	0.1	3.5
Other	13.9	12.6	1.3	10.6
Total	59.6	57.4	2.2	3.9

# Overseas Business Results by Region

Sales increased in both Southeast and Northeast Asia, driven by Malaysia and South Korea, respectively

(Billions of yen)	Net sales				Core operating income			
	Jan.–Mar. 2022	Jan.–Mar. 2021	Y-o-Y change		Jan.–Mar. 2022	Jan.–Mar. 2021	Y-o-Y change	
			Amount	%			Amount	%
Southeast Asia	18.4	16.7	1.6	9.7	0.3	1.2	(0.8)	(69.6)
Northeast Asia	10.3	9.1	1.2	13.7	0.4	0.4	0.0	5.3
Total	28.7	25.8	2.8	11.1	0.8	1.6	(0.8)	(49.1)

\*Y-o-Y change at constant currency excluding exchange rate fluctuations:  
 Southeast Asia: +6.5% (Thailand: +1.5%, Malaysia: +24.1%);  
 Northeast Asia: +6.0% (China\*: -2.2%, South Korea: 17.1%); \* Qingdao Lion  
 Total: +6.3%

## ■ Fiscal 2022 Financial Forecast

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# 2022 Consolidated Financial Forecast

## Planning for a year-on-year increase in sales and decrease in profits

(Billions of yen)	2022	2021	Y-o-Y change	
			Amount	%
Net sales	375.0	366.2	8.7	2.4
Core operating income* <sup>1</sup> % of net sales	23.0 6.1	30.9 8.4	(7.9)	(25.6)
Operating profit % of net sales	27.5 7.3	31.1 8.5	(3.6)	(11.8)
Profit for the period attributable to owners of the parent	20.0	23.7	(3.7)	(15.8)
EPS (Yen)	68.79	81.73	(12.94)	(15.8)
EBITDA* <sup>2</sup>	40.0	45.1	(5.1)	(11.5)
EBITDA margin (%)* <sup>3</sup>	10.7	12.3	—	(1.6)PP
ROIC (%)* <sup>4</sup>	5.5	8.8	—	(3.3)PP
ROE (%)	8.0	9.8	—	(1.8)PP

- Notes 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.  
2. EBITDA is an indicator of profitability on a cash basis calculated as the sum of core operating income and depreciation and amortization (excluding that of right-of-use assets as of 2022).  
¥43.9 billion in 2021 (adjusted).  
3. EBITDA margin: The ratio of EBITDA to consolidated net sales.  
4. ROIC is an indicator calculated from net operating profit after tax (NOPAT) divided by the average invested capital (total equity plus interest bearing liabilities) during the period, and measures the efficiency and profitability of the invested equity.

The impact of fluctuations in raw materials markets has been greater than expected. We are responding by implementing additional cost reductions, streamlining promotional expense management and raising prices, mainly overseas.

The impact of rising raw material prices has been greater than anticipated

Impact significantly exceeding than assumptions at the start of the year  
(particularly large impact in Southeast Asia)

## Lion's response

Control promotional expenses  
by revising special sale  
frequency

Additional cost  
reductions

Raise sale prices  
(mainly overseas)

Streamline expenses

# Reference Materials



# Consolidated Statement of Income

(Billions of yen)	Jan.–Mar. 2022	Jan.–Mar. 2021	Y-o-Y change	
			Amount	%
Net sales	87.0	82.4	4.5	5.5
Cost of sales	47.7	41.1	6.5	15.9
Gross profit	39.2	41.2	(1.9)	(4.8)
Selling, general and administrative expenses	33.7	33.1	0.6	1.8
Core operating income	5.5	8.0	(2.5)	(31.8)
Other income	5.5	0.3	5.1	1,413.2
Other expenses	0.5	0.1	0.3	214.0
Operating profit	10.4	8.2	2.2	26.7
Finance income	0.0	0.1	(0.0)	(66.7)
Finance costs	0.0	0.0	(0.0)	(13.4)
Share of profit of investments accounted for using the equity method	0.5	0.4	0.0	18.6
Profit before tax	11.0	8.8	2.2	25.1
Income taxes	3.0	2.4	0.6	25.1
Profit for the period	8.0	6.4	1.6	25.2
Profit for the period attributable to non-controlling interests	0.1	0.4	(0.3)	(70.2)
Profit for the period attributable to owners of the parent	7.8	5.9	1.9	32.5

# Selling, General and Administrative Expenses

(Billions of yen)		Jan.–Mar. 2022		Jan.–Mar. 2021		Y-o-Y change	
		Amount	% of sales (%)	Amount	% of sales (%)	Amount	%
Selling, general and administrative expenses		33.7	38.8	33.1	40.2	0.6	1.8
	Sales commissions	2.2	2.6	2.1	2.6	0.1	4.9
	Promotional expenses	6.5	7.5	5.9	7.2	0.5	9.4
	Advertising expenses	4.8	5.6	5.2	6.4	(0.4)	(8.2)
	Transportation and warehousing expenses	4.9	5.7	4.6	5.6	0.3	6.8
	R&D expenses	2.4	2.8	2.4	3.0	(0.0)	(1.0)
	Other expenses	12.7	14.6	12.6	15.4	0.0	0.6

# Consolidated Statement of Financial Position

(Billions of yen)		March 31, 2022	December 31, 2021	Change
Current assets		208.3	232.1	(23.8)
	Cash and cash equivalents	76.9	97.2	(20.3)
	Trade and other receivables	59.1	70.1	(11.0)
	Inventories	56.9	51.7	5.2
Non-current assets		195.6	195.8	(0.2)
	Property, plant and equipment	119.7	120.6	(0.9)
	Intangible assets	24.5	23.9	0.6
	Right-of-use assets	5.3	5.4	(0.0)
	Other financial assets	22.1	21.8	0.3
Total assets		403.9	428.0	(24.0)

# Consolidated Statement of Financial Position

(Billions of yen)		March 31, 2022	December 31, 2021	Change
Current liabilities		116.7	139.2	(22.4)
	Trade and other payables	102.5	123.1	(20.5)
	Lease liabilities	1.4	1.4	(0.0)
	Other current liabilities	5.4	8.1	(2.7)
Non-current liabilities		23.5	23.7	(0.2)
	Retirement benefit liabilities	13.1	12.6	0.4
	Lease liabilities	4.9	5.0	(0.1)
Equity		263.6	265.0	(1.3)
	Share capital	34.4	34.4	-
	Capital surplus	30.9	35.1	(4.2)
	Treasury stock	(8.0)	(4.7)	(3.3)
	Other components of equity	12.9	9.3	3.6
	Retained earnings	178.9	177.3	1.5
Total liabilities and equity		403.9	428.0	(24.0)

# 2022 Consolidated Financial Forecast

(Billions of yen)	2022	2021	Y-o-Y change		Jan.– Jun. 2022	Jan.– Jun. 2021	Y-o-Y change	
			Amount	%			Amount	%
Net sales	375.0	366.2	8.7	2.4	179.0	173.2	5.7	3.3
Core operating income % of net sales	23.0 6.1	30.9 8.4	(7.9)	(25.6)	7.6 4.2	14.0 8.1	(6.4)	(45.8)
Operating profit % of net sales	27.5 7.3	31.1 8.5	(3.6)	(11.8)	12.3 6.9	14.1 8.2	(1.8)	(13.3)
Profit for the period attributable to owners of the parent % of net sales	20.0 5.3	23.7 6.5	(3.7)	(15.8)	9.0 5.0	10.8 6.2	(1.8)	(16.8)
EPS (Yen)	68.79	81.73	(12.94)	(15.8)	30.96	37.20	(6.24)	(16.8)

# 2022 Sales to External Customers Forecast

(Billions of yen)	2022	2021	Y-o-Y change		Jan.– Jun. 2022	Jan.– Jun. 2021	Y-o-Y change	
			Amount	%			Amount	%
Consumer Products	235.0	229.5	5.4	2.4	110.0	107.1	2.8	2.6
Industrial Products	35.0	34.7	0.2	0.6	17.0	16.6	0.3	2.2
Overseas	102.0	98.7	3.2	3.3	50.0	48.3	1.6	3.5
Others	3.0	3.1	(0.1)	(6.1)	2.0	1.1	0.8	70.7
Consolidated Total	375.0	366.2	8.7	2.4	179.0	173.2	5.7	3.3

# Changes in Household Products Market and OTC Drug Market

## 1) Market Environment for Household Products (38 markets, SRI/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)

	2017	2018	2019	2020	2021	Jan.–Mar. 2022
Sales value	99	102	102	112	95	100
Unit sales	98	100	100	105	92	96
Average unit price	102	102	102	106	103	103

Source: INTAGE Inc. SRI Survey (data for 2016 is for 38 markets; data for 2017 is for 37; data for 2018–2020 is for 38)

SRI+ Survey data (data for 2021 onward is for 38 markets)

## 2) Market Environment for Household Products (14 markets, SCI\*\*)

Overall market trend for the 14 home product markets in which Lion participates

	2017	2018	2019	2020	2021	Jan.–Mar. 2022
Sales value	103	102	105	108	102	103
Unit sales	101	100	102	101	96	98
Average unit price	102	103	104	106	107	106

Source: INTAGE Inc. SCI survey (data for 2016–2019 is for 15 markets; data for 2020 onward is for 14)

\* The SRI+ survey uses point-of-sales data from around 3,000 stores nationwide for its estimates.

\*\* The SCI survey collects purchasing data from around 50,000 shoppers nationwide



## 3) Market Environment for OTC Drug Market (7 markets, SDI/SRI+)

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)

	2017	2018	2019	2020	2021	Jan.–Mar. 2022
Sales value	103	102	100	93	103	103
Sales volume	101	101	99	89	101	102
Average unit price	102	101	101	105	102	101

Source: INTAGE Inc. SDI Survey (data for 2016–2018 is for 8 markets; data for 2019–2020 is for 7), SRI+ Survey (data for 2021 onward is for 7 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)

	2017	2018	2019	2020	2021	Jan.–Mar. 2022
Sales value	103	104	104	102	110	103
Sales volume	100	102	102	99	107	100
Average unit price	103	102	102	103	103	103

Source: INTAGE Inc. SCI survey

## Raw Material Prices

	Dubai Crude	Domestic Naphtha	Crude Palm Oil
2022 Forecasts*	75.0\$/BBL	JPY58,000/KL	5,000RM/ton

## Exchange Rates

	U.S. Dollar	Thai Baht
2022 Forecasts*	JPY110.0	JPY3.40

\* Forecasts at the start of the year

## Reference

	Dubai Crude	Domestic Naphtha	Crude Palm Oil
2021 actual	69.2\$/BBL	JPY50,017/KL	4,449RM/ton

	U.S. Dollar	Thai Baht
2021 actual	JPY110.3	JPY3.40

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**LION**