

Financial Results for the First Quarter Ended March 31, 2023

**Lion Corporation
May 9, 2023**

- Consolidated Financial Results for the First Quarter of 2023
- Fiscal 2023 Financial Forecast

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- Fiscal 2023 Financial Forecast

First quarter sales increased year on year, but profit decreased, largely in line with the plan for the year

■ Net sales (up Y-o-Y)

- Net sales were driven by the Overseas and Industrial Products businesses
In the Overseas business, sales increased, with Thailand driving performance in Southeast and South Asia and China driving performance in Northeast Asia
In the Industrial Products business, the increase in sales reflected increased demand for chemicals

■ Core operating income (down Y-o-Y)

- Core operating income decreased due mainly to rising raw material prices, one-off expenses related to the head office relocation and the amortization of new core systems

■ Operating profit and profit for the period attributable to owners of the parent (down Y-o-Y)

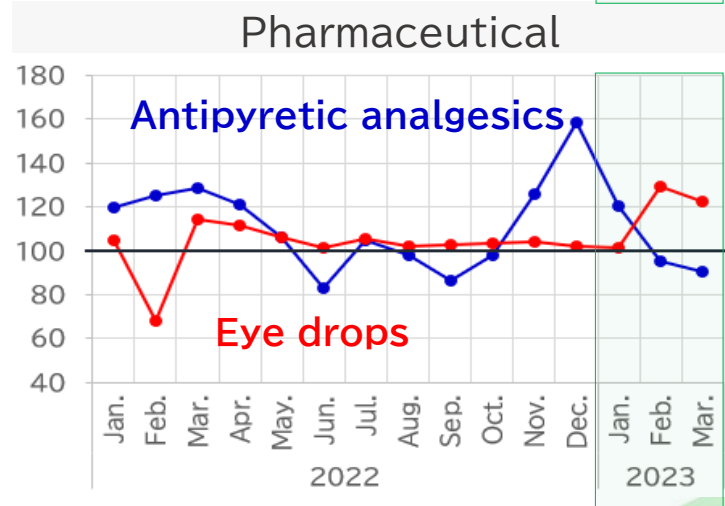
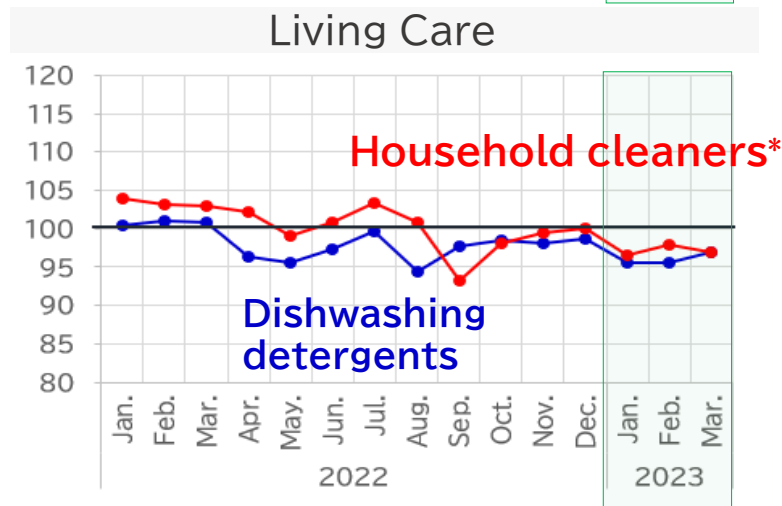
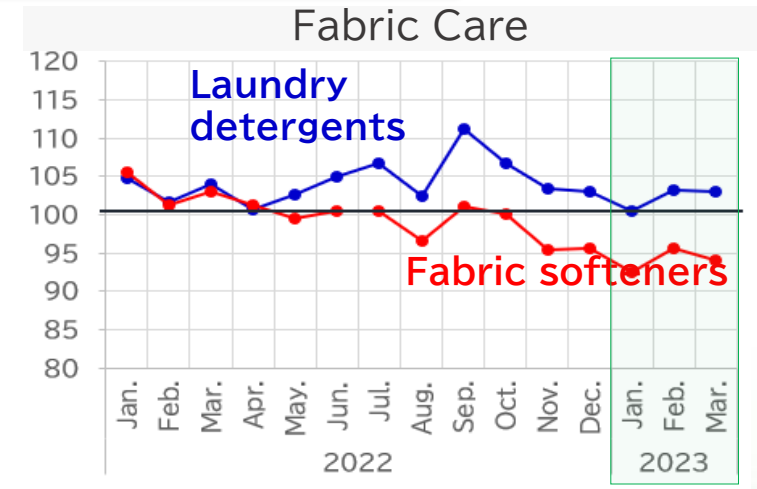
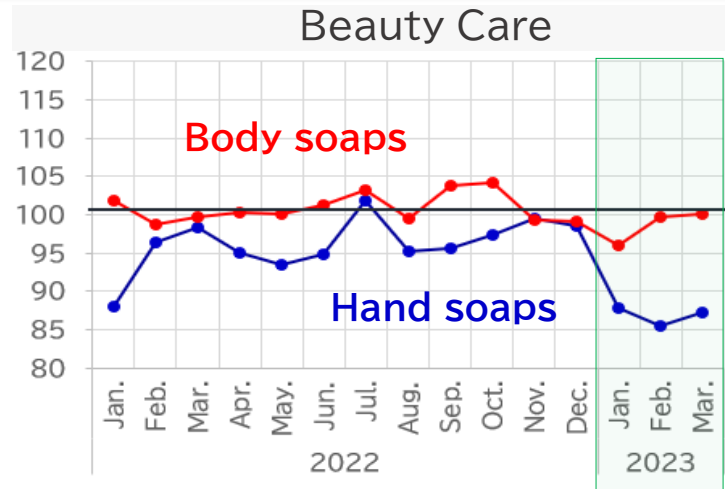
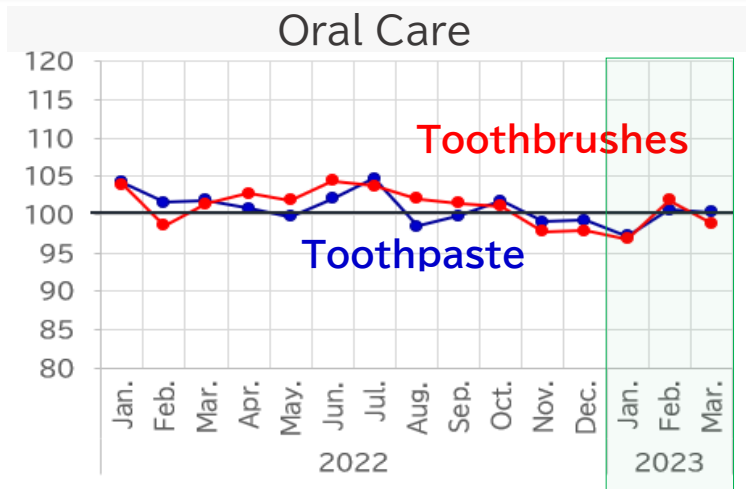
- Profit decreased due to the decrease in core operating income as well as a recoil from the gain on transfer of land recorded in January 2022

Market Trends—Major Product Categories in Japan

Unit prices continued to rise, but sales volumes decreased, leading to Y-o-Y decreases in sales value in many categories

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

Source: INTAGE Inc. SRI+



Y-o-Y comparison of key categories in 1Q (%)

Category	Vs. '22	Vs. '21	Vs. '19
Toothpaste	99	102	109
Toothbrushes	99	100	96
Hand soaps	87	82	116
Laundry detergents	102	106	116
Fabric softeners	94	97	104
Dishwashing detergents	96	97	118
Household cleaners	97	100	118
Antipyretic analgesics	102	127	128

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

Market Trends—Major Product Categories Overseas

Laundry detergents saw a Y-o-Y increase in sales value

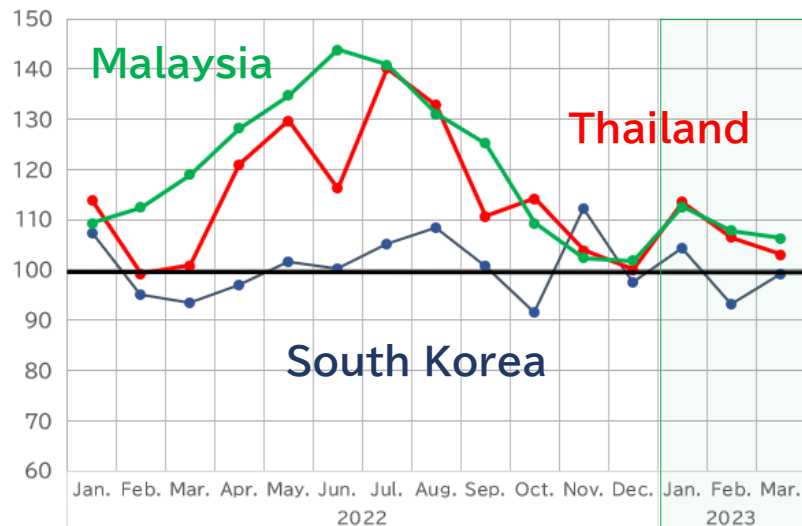
Sales value by country and category compared with previous years (Jan.–Mar. 2023)

Source: Nielsen

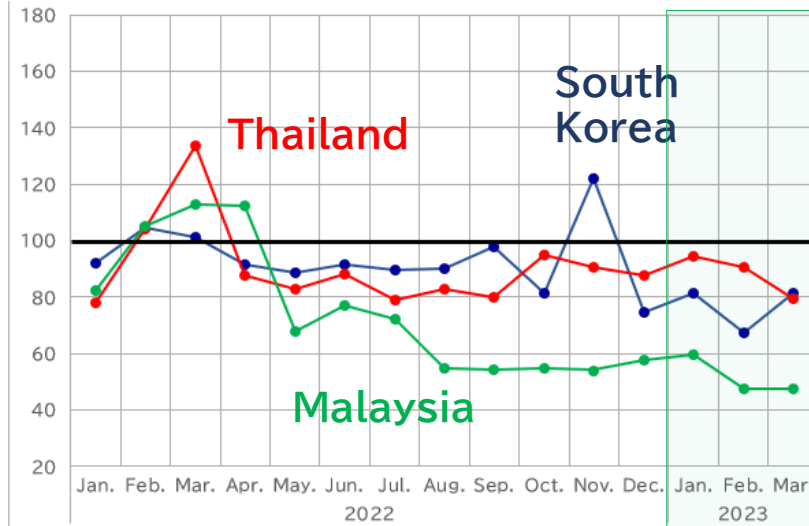
	Thailand			Malaysia			South Korea		
Category	Vs. '22	Vs. '21	Vs. '19	Vs. '22	Vs. '21	Vs. '19	Vs. '22	Vs. '21	Vs. '19
Toothbrushes	108	112	95	109	124	121	99	97	83
Hand soaps	88	89	142	51	51	139	77	76	115
Laundry detergents	118	102	94	116	122	106	109	103	92

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

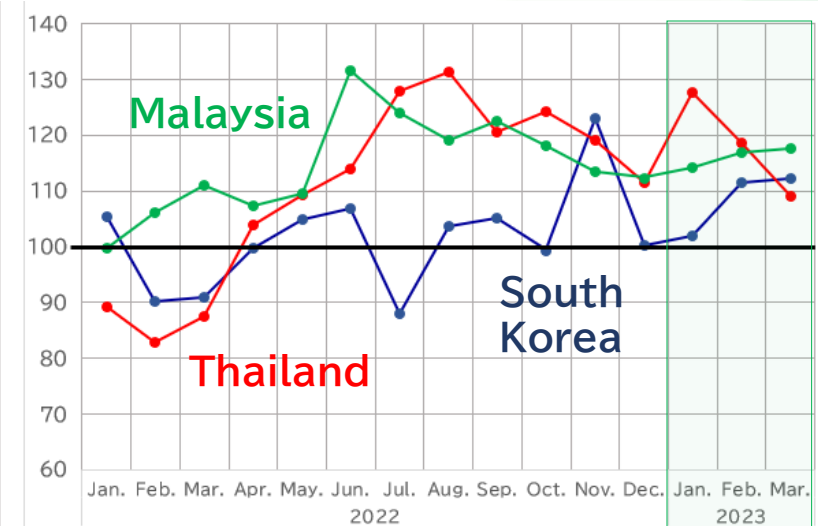
Toothbrushes



Hand soaps



Laundry detergents



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

Consolidated Financial Results

Net sales were up Y-o-Y, but core operating income was down, reflecting rising raw material prices and one-off expenses related to the head office relocation

(Billions of yen)	Jan.–Mar. 2023	Jan.–Mar. 2022	Y-o-Y change*	
			Amount	%
Net sales	90.8	87.0	3.8	4.4 1.5*
Core operating income* ¹ % of net sales	2.5 2.8	5.5 6.3	(3.0)	(54.7)
Operating profit % of net sales	2.3 2.6	10.4 12.1	(8.1)	(77.5)
Profit for the period attributable to owners of the parent	1.5	7.8	(6.3)	(80.0)
EPS (Yen)	5.55	27.56	(22.01)	(79.9)
EBITDA* ²	6.8	9.2	(2.4)	(26.0)
EBITDA margin (%)* ³	7.5	10.6	—	(3.1PP)

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.

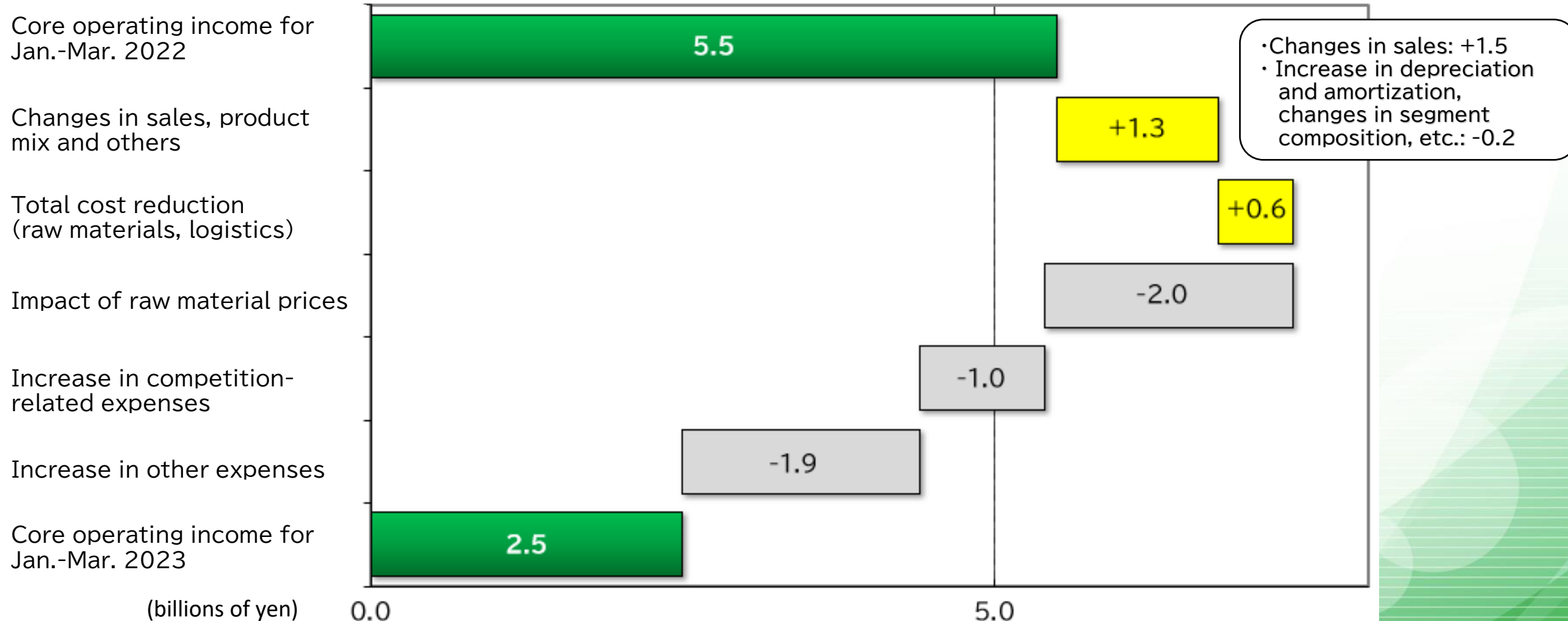
2. EBITDA: An indicator of profitability on a cash basis calculated as the sum of core operating income and depreciation and amortization.

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

Core operating income was boosted by the increase in gross profit due to increased sales, mainly overseas, but decreased overall due to head office relocation costs and rising raw material prices



Results by Business Segment

Profit fell Y-o-Y in Consumer Products, reflecting increased raw material prices
Industrial Products and Overseas saw Y-o-Y increases in both sales and profit

(Billions of yen)	Net sales				Segment profit (Core operating income)			
	Jan.-Mar. 2023	Jan.-Mar. 2022	Y-o-Y change		Jan.-Mar. 2023, %	Jan.-Mar. 2022, %	Y-o-Y change	
			Amount	%			Amount	%
Consumer Products	60.0	59.6	0.3	0.6	1.0	3.6	(2.5)	(70.8)
	50.3	50.9	(0.5)	(1.1)	1.8	6.0		
Industrial Products	14.7	13.0	1.6	12.6	1.0	0.7	0.2	26.8
	9.0	8.6	0.4	5.4	6.9	6.1		
Overseas	34.2	28.7	5.5	19.1	1.5	0.8	0.7	81.2
	30.9	26.1	4.7	18.1	4.6	3.0		
Other	5.7	2.5	3.2	127.5	0.4	0.0	0.3	437.2
	0.4	1.2	(0.7)	(59.5)	7.3	3.1		
Adjustment	(23.9)	(17.0)	(6.9)	—	(1.5)	0.1	(1.7)	—
	0.0	0.0	(0.0)	—				
Consolidated Total	90.8	87.0	3.8	4.4	2.5	5.5	(3.0)	(54.7)
					2.8	6.3		

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

Consumer Products Business Net Sales by Product Category

Sales increased in pharmaceutical, but decreased in beauty care and living care.
Sales under Other increased, reflecting a rise in Group internal sales recorded by manufacturing subsidiaries

(Billions of yen)	Net sales			
	Jan.–Mar. 2023	Jan.–Mar. 2022	Y-o-Y change	
			Amount	%
Oral Care	15.4	15.5	(0.1)	(0.8)
Beauty Care	5.4	5.9	(0.4)	(7.7)
Fabric Care	13.8	13.7	0.1	0.9
Living Care	4.9	5.1	(0.1)	(3.3)
Pharmaceutical	5.5	5.3	0.2	4.1
Other	14.7	13.9	0.7	5.4
Total	60.0	59.6	0.3	0.6

Southeast and South Asia and Northeast Asia both saw sales and profit increases
Sales increased substantially in Northeast Asia, reflecting strong in-store performance and recovery in e-commerce in China

(Billions of yen)	Net sales				Core operating income			
	Jan.-Mar. 2023	Jan.-Mar. 2022	Y-o-Y change		Jan.-Mar. 2023	Jan.-Mar. 2022	Y-o-Y change	
			Amount	%			Amount	%
Southeast and South Asia	20.8	18.4	2.4	13.4	0.8	0.3	0.5	133.6
Northeast Asia	13.3	10.3	3.0	29.3	0.6	0.4	0.2	41.1
Total	34.2	28.7	5.5	19.1	1.5	0.8	0.7	81.2

- Due to the establishment of a joint venture company in Bangladesh in 2022, the business grouping previously labeled “Southeast Asia” has been changed to “Southeast and South Asia”

*Y-o-Y change at constant currency excluding exchange rate fluctuations:
 Southeast and South Asia: +2.7% (Thailand: +5.3%, Malaysia: -2.7%);
 Northeast Asia: +21.6% (China*: +53.1%, South Korea: +5.0%); * Qingdao Lion
 Total: +9.5%

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- Fiscal 2023 Financial Forecast

2023 Consolidated Financial Forecast

No change from the forecasts announced at the start of the year for the first half or full year

(Billions of yen)	Jan.-Jun. 2023	Y-o-Y change		2023	Y-o-Y change	
		Amount	%		Amount	%
Net sales	190.0	4.8	2.6	410.0	20.1	5.2
Core operating income	5.5	(3.5)	(39.5)	25.0	1.4	6.1
% of net sales	2.9			6.1		
Operating profit	5.5	(8.7)	(61.5)	25.0	(3.8)	(13.3)
% of net sales	2.9			6.1		
Profit for the period attributable to owners of the parent	4.0	(7.0)	(63.8)	17.5	(4.4)	(20.2)
% of net sales	2.1			4.3		
EPS (Yen)	14.05	(24.70)	(63.7)	61.45	(15.59)	(20.2)

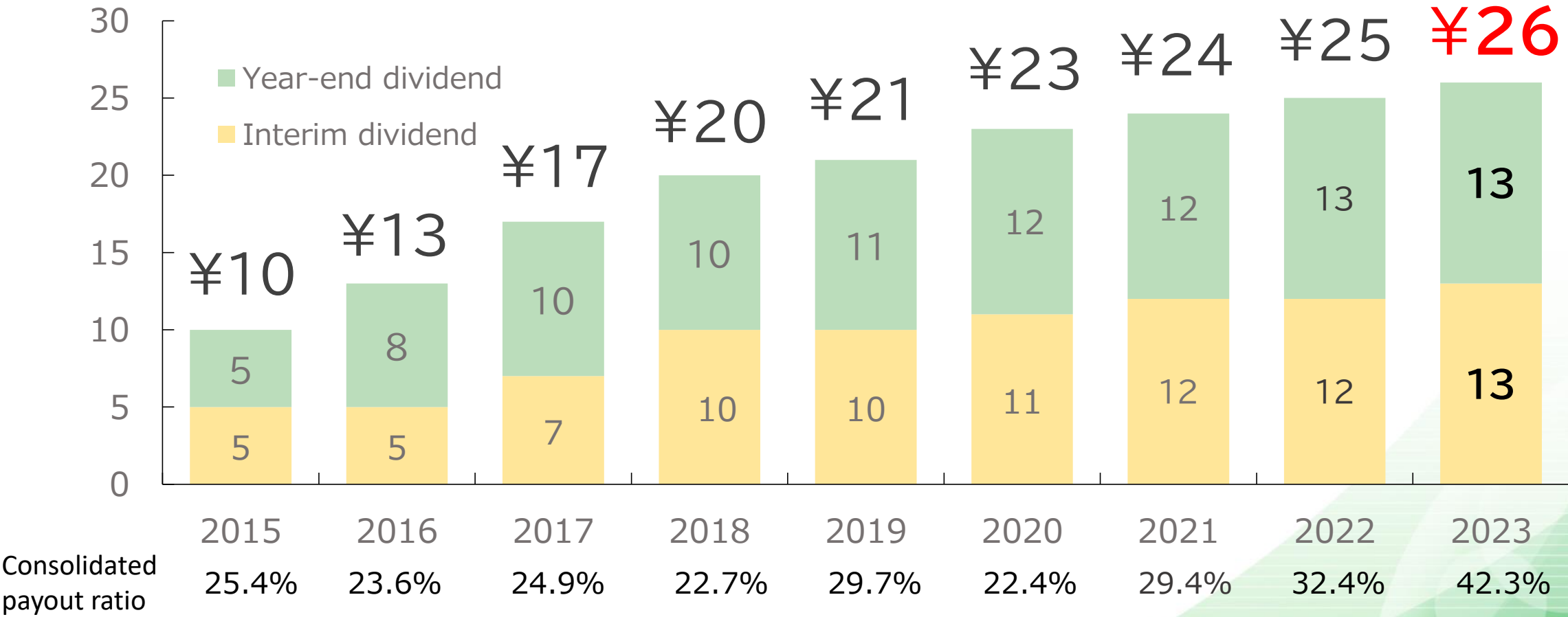
Revisions to Forecast of Change Factors Affecting First Half and Full Year Core Operating Income in 2023

The forecasts of factors affecting core operating income in the first half and full year have been revised in light of first quarter conditions

(Billions of yen)	Jan.–Jun.		Change	Jan.–Dec.		Change
	Initial forecast	Revision		Initial forecast	Revision	
Changes in sales, product mix and others	+1.4	+3.2	+1.8	+5.0	+7.5	+2.5
Total cost reduction (raw materials, logistics)	+1.0	+1.2	+0.2	+2.0	+2.5	+0.5
Impact of raw material prices	(0.5)	(2.5)	(2.0)	+4.0	+1.0	(3.0)
Changes in competition-related expenses	(2.0)	(2.0)	±0	(5.0)	(5.0)	±0
Changes in other expenses	(3.4)	(3.4)	±0	(4.5)	(4.5)	±0
Total	(3.5)	(3.5)	±0	+1.5	+1.5	±0

* Figures indicate Y-o-Y changes

Aiming to increase annual per-share dividend **¥1** to **¥26**
(eighth consecutive year of increase)



Basic dividend policy

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

Reference 1: About the May 9 Press Release

Lion will transfer part of the foods with function claims business, including the Lactoferrin business

LION

Affected products



NISSIN FOOD
PRODUCTS CO., LTD.

Transfer timing:
November 30, 2023
(tentative)

Reference 2: About the April 28 Press Release

By merging and integrating Group affiliates, Lion will concentrate and reinforce Group functions and promote professional fulfillment reforms for diverse human resources

Lion Business Service Co., Ltd.
(real estate management,
employee benefits, etc.)

Lion Cordial Support Co., Ltd.
(personnel dispatch)

Part of the shared administrative
functions of Lion
Corporation/domestic affiliates

Lion Expert Business Co., Ltd.

Objectives

- **Improve Group-wide productivity** by integrating common operations within the Group
- **Enhance work quality and realize low-cost operations** by developing and effectively utilizing highly specialized expert personnel
- Enhance professional fulfillment for each individual through work environments that allow diverse human resources to play active roles over the long term

(Ex.: Introduce flexible work systems; extend the retirement age and maximum age for rehiring; reinforce reskilling support)

Reference Materials

Consolidated Statement of Income

(Billions of yen)	Jan.–Mar. 2023	Jan.–Mar. 2022	Y-o-Y change	
			Amount	%
Net sales	90.8	87.0	3.8	4.4
Cost of sales	51.6	47.7	3.8	8.1
Gross profit	39.2	39.2	(0.0)	(0.1)
Selling, general and administrative expenses	36.7	33.7	2.9	8.8
Core operating income	2.5	5.5	(3.0)	(54.7)
Other income	0.3	5.5	(5.1)	(94.2)
Other expenses	0.4	0.5	(0.0)	(15.1)
Operating profit	2.3	10.4	(8.1)	(77.5)
Finance income	0.1	0.0	0.0	250.6
Finance costs	0.2	0.0	0.2	711.8
Share of profit of investments accounted for using the equity method	0.4	0.5	(0.1)	(26.6)
Profit before tax	2.6	11.0	(8.4)	(76.1)
Income taxes	0.7	3.0	(2.2)	(74.8)
Profit for the period	1.8	8.0	(6.1)	(76.7)
Profit for the period attributable to non-controlling interests	0.2	0.1	0.1	116.4
Profit for the period attributable to owners of the parent	1.5	7.8	(6.3)	(80.0)

Selling, General and Administrative Expenses

(Billions of yen)		Jan.-Mar. 2023		Jan.-Mar. 2022		Y-o-Y change	
		Amount	% of sales (%)	Amount	% of sales (%)	Amount	%
Selling, general and administrative expenses		36.7	40.4	33.7	38.8	2.9	8.8
	Sales commissions	2.1	2.4	2.2	2.6	(0.0)	(1.6)
	Promotional expenses	7.6	8.4	6.5	7.5	1.0	16.7
	Advertising expenses	4.7	5.3	4.8	5.6	(0.0)	(1.6)
	Transportation and warehousing expenses	5.0	5.5	4.9	5.7	0.0	1.9
	R&D expenses	2.5	2.8	2.4	2.8	0.1	5.0
	Other expenses	14.5	16.0	12.7	14.6	1.7	13.9

Consolidated Statement of Financial Position

(Billions of yen)		March 31, 2023	December 31, 2022	Change
Current assets		211.5	237.6	(26.1)
	Cash and cash equivalents	72.1	101.0	(28.9)
	Trade and other receivables	63.1	71.2	(8.1)
	Inventories	61.9	53.9	8.0
Non-current assets		246.3	231.5	14.7
	Property, plant and equipment	135.5	130.1	5.4
	Intangible assets	23.4	23.9	(0.4)
	Right-of-use assets	32.1	31.5	0.6
	Other financial assets	23.3	22.8	0.5
Total assets		457.9	469.2	(11.3)

Consolidated Statement of Financial Position

(Billions of yen)		March 31, 2023	December 31, 2022	Change
Current liabilities		130.6	141.5	(10.8)
	Trade and other payables	117.9	126.0	(8.0)
	Lease liabilities	2.0	1.7	0.2
	Other current liabilities	5.1	7.0	(1.8)
Non-current liabilities		47.8	48.5	(0.6)
	Retirement benefit liabilities	9.4	10.4	(1.0)
	Lease liabilities	28.8	28.8	(0.0)
Equity		279.3	279.1	0.2
	Share capital	34.4	34.4	0.0
	Capital surplus	31.1	31.0	0.0
	Treasury stock	(8.0)	(8.0)	0.0
	Other components of equity	14.8	13.9	0.8
	Retained earnings	191.7	192.8	(1.0)
Total liabilities and equity		457.9	469.2	(11.3)

Consolidated Statement of Cash Flows

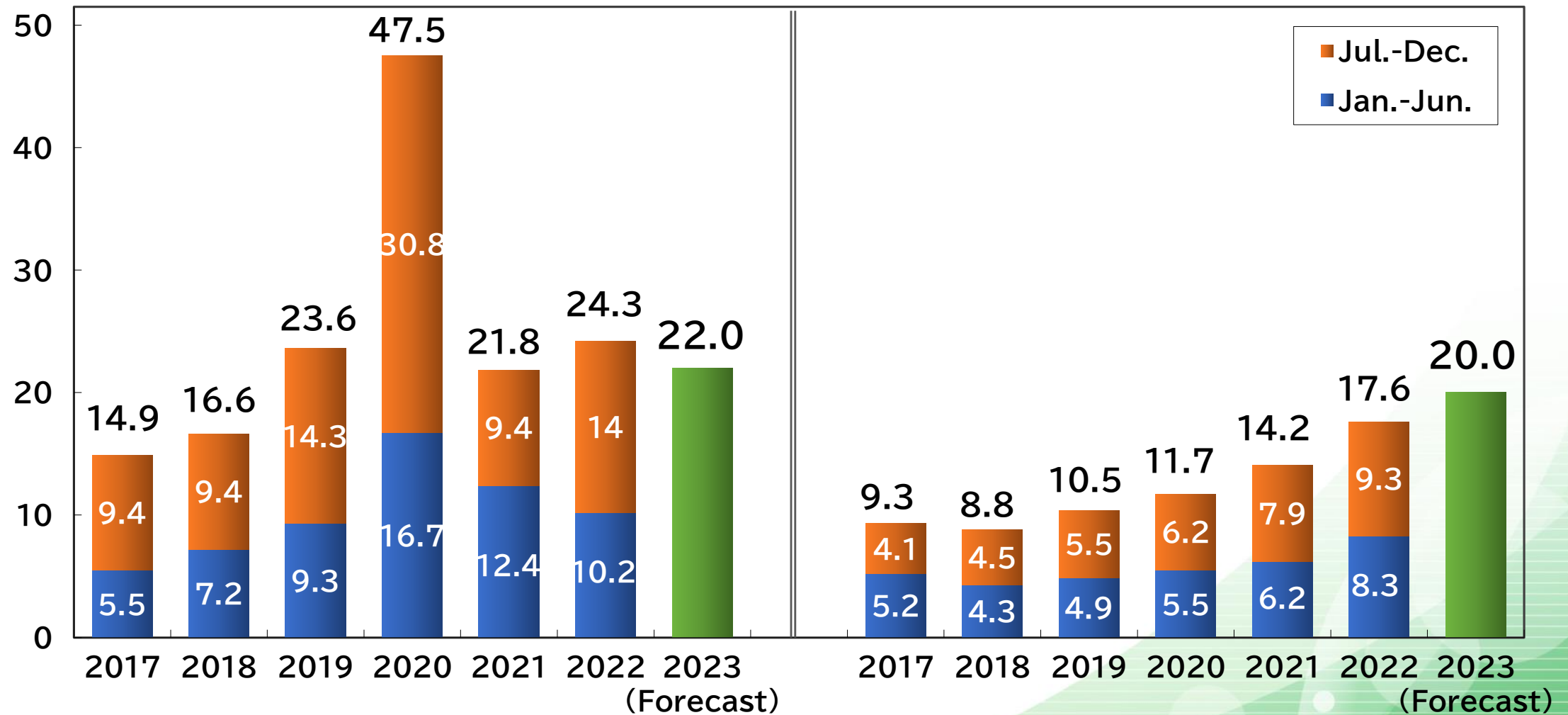
(Billions of yen)	Jan.-Mar. 2023	Jan.-Mar. 2022	Change
Cash flows from operating activities	(11.2)	(4.2)	(6.9)
Cash flows from investing activities	(12.7)	(2.9)	(9.8)
Cash flows from financing activities	(5.1)	(13.8)	8.7
Effect of exchange rate changes on cash and cash equivalents	0.2	0.7	(0.5)
Net increase (decrease) in cash and cash equivalents	(28.9)	(20.3)	(8.5)
Cash and cash equivalents at beginning of period	101.0	97.2	3.8
Cash and cash equivalents at end of period	72.1	76.9	(4.7)

Capital Expenditures and Depreciation and Amortization

(Billions of yen)

Capital Expenditures

Depreciation and Amortization



*Capital expenditures and depreciation and amortization both include intangible assets.

2023 Sales to External Customers Forecast

(Billions of yen)	Jan.–Jun. 2023	Jan.–Jun. 2022	Y-o-Y change		2023	2022	Y-o-Y change	
			Amount	%			Amount	%
Consumer Products	110.0	108.5	1.4	1.4	244.0	230.5	13.4	5.8
Industrial Products	19.0	18.2	0.7	3.9	38.0	37.8	0.1	0.4
Overseas	60.0	55.6	4.3	7.8	126.0	118.0	7.9	6.7
Other	1.0	2.9	(1.9)	(65.8)	2.0	3.4	(1.4)	(42.5)
Consolidated Total	190.0	185.1	4.8	2.6	410.0	389.8	20.1	5.2

1) Market Environment for Household Products (36 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)

	2018	2019	2020	2021	2022	Jan.–Mar. 2023
Sales value	102	102	112	95	101	97
Unit sales	100	100	105	92	97	92
Average unit price	102	102	106	103	104	105

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 for 38 markets; data for 2022 is for 37; data for 2023 is for 36)

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

Overall market trend for the 14 home product markets in which Lion participates
(Values are percentages of the results of the corresponding periods of the previous years)

	2018	2019	2020	2021	2022	Jan.–Mar. 2023
Sales value	102	105	108	102	101	97
Unit sales	100	102	101	96	96	92
Average unit price	103	104	106	107	106	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)

	2018	2019	2020	2021	2022	Jan.–Mar. 2023
Sales value	102	100	93	103	104	111
Sales volume	101	99	89	101	102	109
Average unit price	101	101	105	102	101	102

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)

	2018	2019	2020	2021	2022	Jan.–Mar. 2023
Sales value	104	104	102	110	101	102
Sales volume	102	102	99	107	100	101
Average unit price	102	102	103	103	102	101

Source: INTAGE Inc. SCI survey

Raw Material Prices

	Dubai Crude	Domestic Naphtha	Crude Palm Oil
2023 revised forecasts	80\$/BBL	JPY62,000/KL	4,000RM/ton

Exchange Rates

	U.S. Dollar	Thai Baht
2023 revised forecasts	JPY130	JPY3.80

Reference

	Dubai Crude	Domestic Naphtha	Crude Palm Oil
2023 initial forecasts	75\$/BBL	JPY60,000/KL	3,800RM/ton

	U.S. Dollar	Thai Baht
2023 initial forecasts	JPY128	JPY3.80

life.love. **LION**

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.