

Financial Results for the First Nine Months of 2019

Lion Corporation
November 6, 2019

Financial Results for the Nine Months Ended September 30, 2019

LION

(Billions of yen)	Jan.–Sep. 2019	Jan.–Sep. 2018	Y-o-Y change	
			Amount	%
Net sales	261.9	258.7	3.2	1.3
Core operating income % of net sales	23.5 9.0	20.9 8.1	2.6	12.8
Operating profit % of net sales	23.8 9.1	26.2 10.1	(2.3)	(9.1)
Profit for the period attributable to owners of the parent	16.9	19.9	(2.9)	(15.0)
EPS (Yen)	58.31	68.60	(10.29)	(15.0)

*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.

Net sales: ¥261.9 billion (+¥3.2 billion/+1.3% YoY)

- Year-on-year increase of 1.6% in real net sales, excluding the influence of exchange rate conversions
- Year-on-year increase of 2.7% excluding the impact of the exclusion from the scope of consolidation of a detergent ingredient manufacturing subsidiary in Malaysia and the transfer of the insecticide business

Core operating income: ¥23.5 billion (+¥2.6 billion/+12.8% YoY)

Operating profit: ¥23.8 billion (-¥2.3 billion/-9.1% YoY)

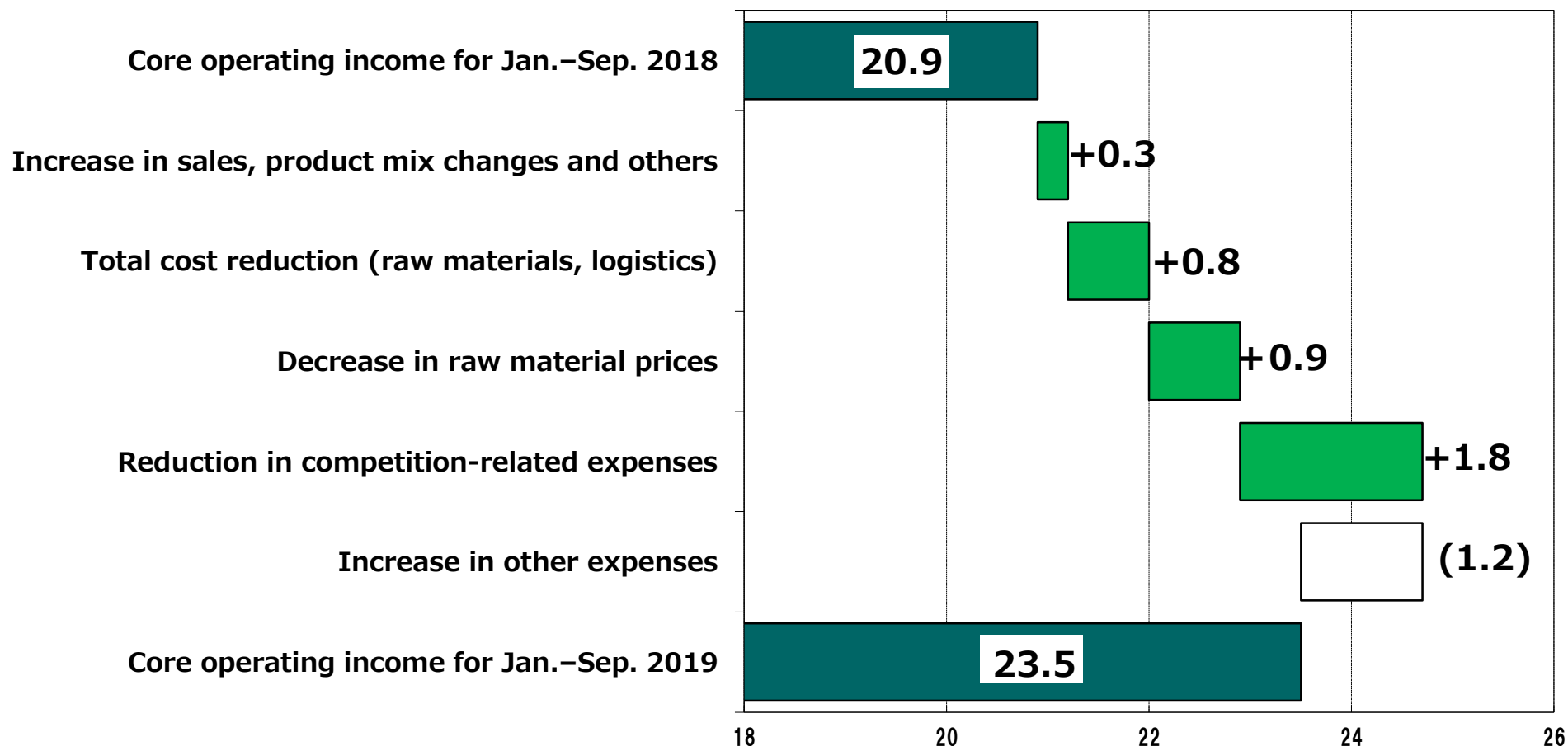
- Decrease due to gains on sales of non-current assets (¥5.4 billion) recorded in the previous year

Profit for the period: ¥16.9 billion (-¥2.9 billion/-15.0% YoY)

Year-on-Year Changes in Core Operating Income



(Billions of yen)



Results by Business Segment



(Billions of yen)	Net sales*				Segment profit (Core operating income)		
	Jan.–Sep. 2019	Jan.–Sep. 2018	Y-o-Y change		Jan.–Sep. 2019	Y-o-Y change	
			Amount	%		Amount	%
Consumer Products	176.0	169.5	6.5	3.8	15.9	2.7	21.0
	164.5	157.5	7.0	4.5			
Industrial Products	40.9	42.3	(1.4)	(3.3)	1.1	(0.7)	(38.0)
	24.3	24.6	(0.3)	(1.4)			
Overseas	77.5	80.5	(3.0)	(3.8)	5.6	0.4	8.0
	70.5	72.6	(2.1)	(2.9)			
Other	24.8	24.6	0.2	0.9	0.9	(0.1)	(14.3)
	2.4	3.8	(1.3)	(35.3)			
Adjustment	(57.4)	(58.4)	0.9	—	(0.1)	0.3	—
	0.0	0.0	0.0	52.1			
Consolidated Total	261.9	258.7	3.2	1.3	23.5	2.6	12.8

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

Consumer Products Business Net Sales by Product Category

LION

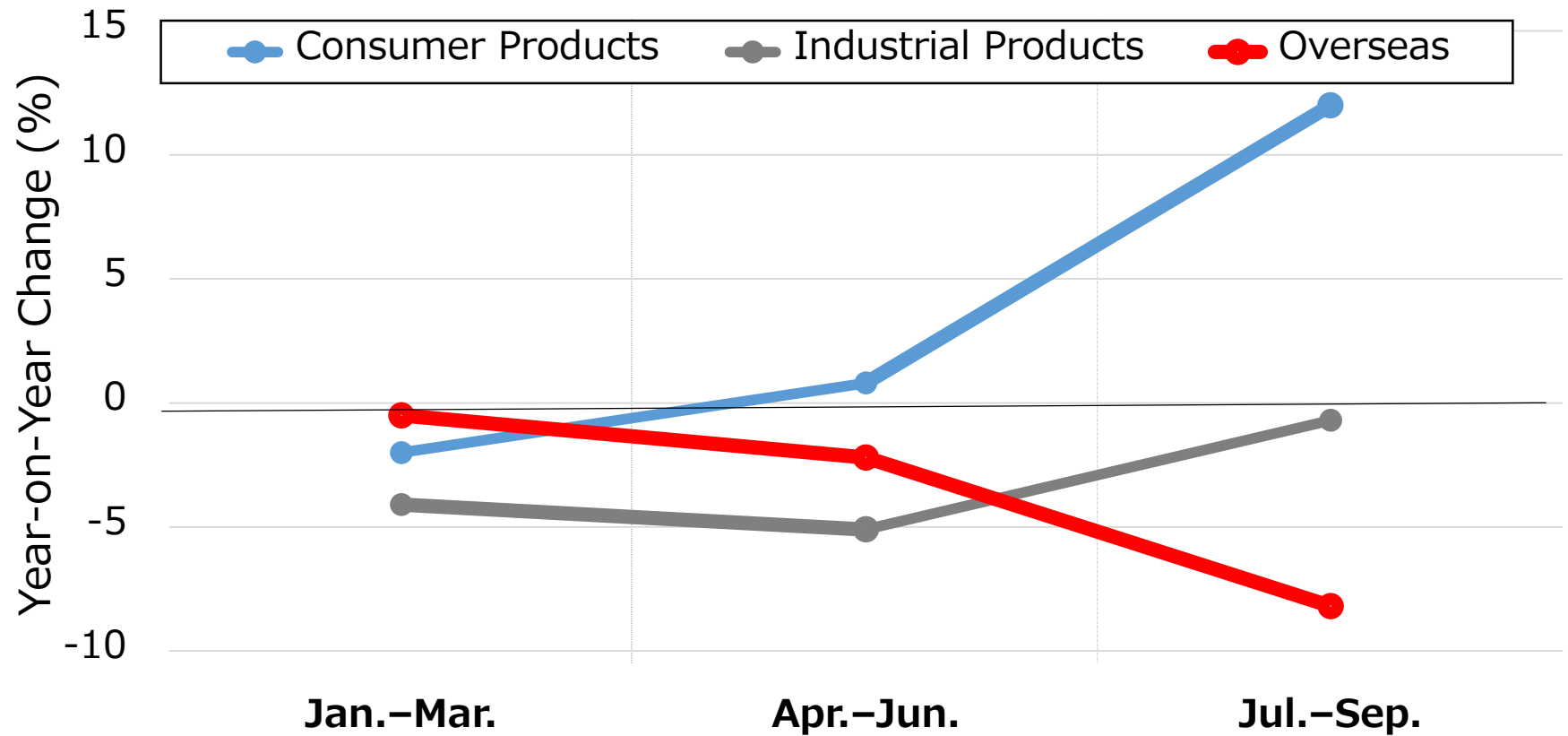
(Billions of yen)	Net sales			
	Jan. –Sep. 2019	Jan–Sep. 2018	Y-o-Y change	
			Amount	%
Oral Care	47.5	41.8	5.6	13.5
Beauty Care	17.2	15.8	1.3	8.7
Fabric Care	46.3	44.7	1.5	3.6
Living Care	14.5	12.6	1.9	15.3
Pharmaceutical	19.7	21.8	(2.1)	(9.7)
Other	30.6	32.5	(1.9)	(6.0)
Total	176.0	169.5	6.5	3.8

Note: Excluding the transfer of the insecticide business, the year-on-year change in the Pharmaceutical Products business was -2.3%.

(Billions of yen)	Net sales			
	Jan.–Sep. 2019	Jan.–Sep. 2018	Y-o-Y change	
			Amount	%
Southeast Asia	52.4	54.1	(1.6)	(3.1)
Northeast Asia	25.0	26.3	(1.3)	(5.2)
Total	77.5	80.5	(3.0)	(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 +0.4%.

Segment Sales Growth by Quarter **LION**



Sales trends in Consumer Products and Overseas changed considerably in the third quarter (July to September)

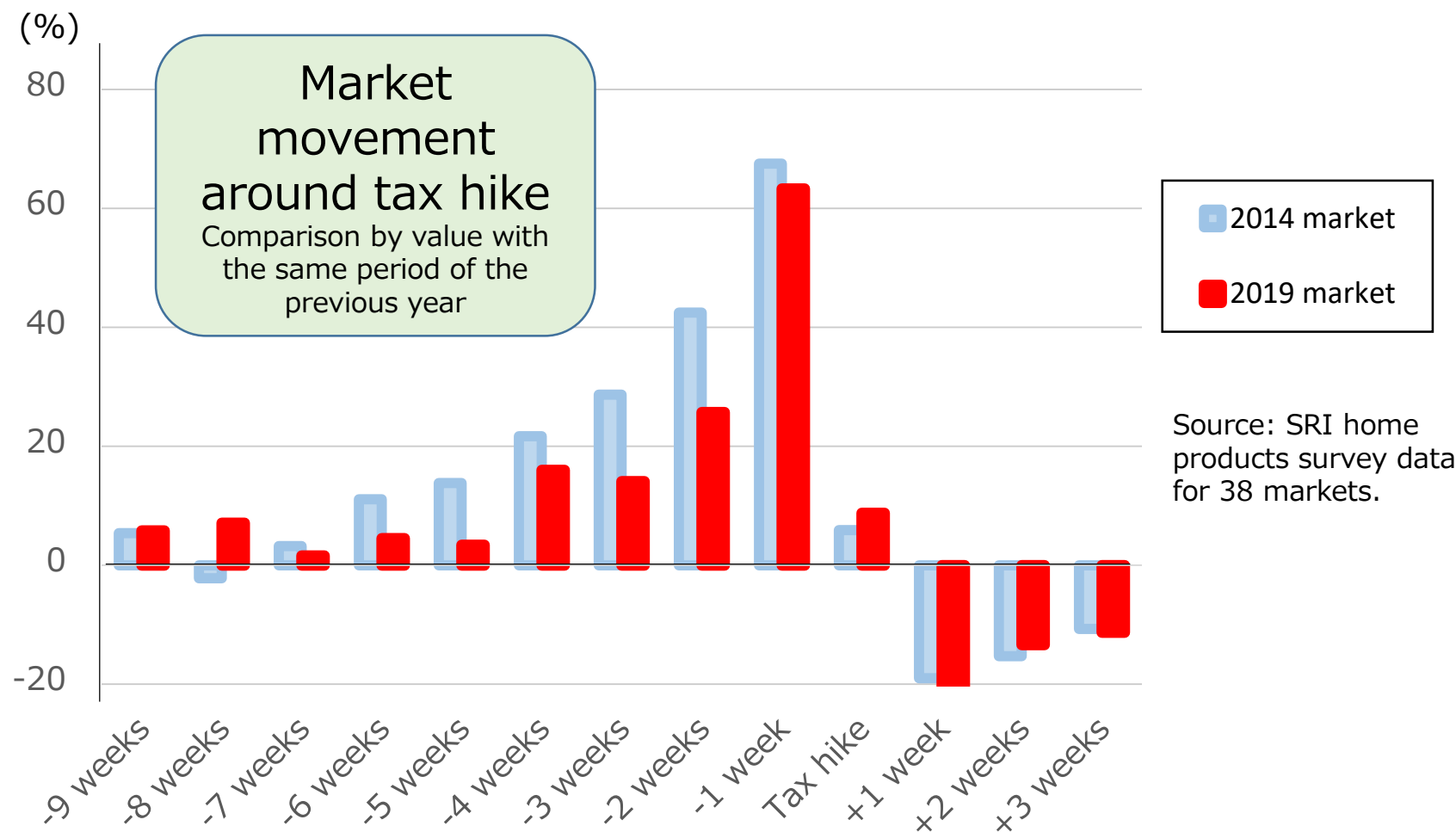
Third Quarter (Jul.–Sep.) Summary



(Billions of yen)	Jul.–Sep. 2019	Jul.–Sep. 2018	Y-o-Y change	
			Amount	%
Net sales	94.6	90.2	4.3	4.9
Core operating income	11.1	8.3	2.7	33.1
% of net sales	11.8	9.3		

- Net sales Y-o-Y change: +¥7.0 billion in Consumer Products, -¥0.1 billion in Industrial Products, and -¥2.3 billion in Overseas.
- Growth in the Consumer Products business outpaced the market, reflecting the pre-tax hike demand surge and new product launches
- However, growth was slow in the Industrial Products and Overseas businesses, due to sluggish market conditions in the Electrical and Electronics field and a worsening business environment in South Korea

Demand Surge and Recoil



The demand surge was smaller than that in the first quarter of 2014. Fourth quarter recoil is expected to be moderate.

In Japan

- Introduce new, high-value-added oral care, beauty care and fabric care products to minimize recoil from the tax hike



NONIO Toothbrush



hadakara Body Soap



TOP SUPER NANOX
Push Bottle



Overseas

- While risk remains in South Korea, expand sales in China and Southeast Asia

2019 Consolidated Financial Forecast



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

Note: The per-share annual dividend forecast is unchanged, at ¥21.

Reference Materials

Consolidated Statement of Income

(Billions of yen)	Jan.–Sep. 2019	Jan.–Sep. 2018	Y-o-Y change	
			Amount	%
Net sales	261.9	258.7	3.2	1.3
Cost of sales	132.4	131.7	0.7	0.6
Gross profit	129.5	126.9	2.5	2.0
Selling, general and administrative expenses	105.9	106.0	(0.1)	(0.1)
Core operating income	23.5	20.9	2.6	12.8
Other income	1.1	6.4	(5.2)	(82.5)
Other expenses	0.8	1.1	(0.2)	(21.7)
Operating profit	23.8	26.2	(2.3)	(9.1)
Finance income	0.5	0.5	(0.0)	(8.2)
Finance costs	0.1	0.1	0.0	31.4
Share of profit of investments accounted for using the equity method	0.6	0.6	0.0	11.6
Profit before tax	24.8	27.2	(2.3)	(8.8)
Income taxes	6.1	3.6	2.5	68.1
Profit for the period	18.6	23.5	(4.8)	(20.7)
Profit for the period attributable to non-controlling interest	1.7	3.6	(1.9)	(52.2)
Profit for the period attributable to owners of the parent	16.9	19.9	(2.9)	(15.0)

Selling, General and Administrative Expenses

(Billions of yen)		Jan.–Sep. 2019		Jan.–Sep. 2018		Y-o-Y change	
		Amount	% of sales	Amount	% of sales	Amount	%
Selling, general and administrative expenses		105.9	40.4	106.0	41.0	(0.1)	(0.1)
	Sales commissions	6.7	2.6	6.8	2.6	(0.0)	(1.1)
	Promotional expenses	19.4	7.4	19.3	7.5	0.0	0.3
	Advertising expenses	19.6	7.5	21.5	8.3	(1.8)	(8.5)
	Transportation and warehousing expenses	14.5	5.6	14.0	5.4	0.5	3.8
	R&D expenses	8.0	3.1	7.8	3.0	0.2	2.8
	Other expenses	37.3	14.3	36.4	14.1	0.9	2.6

Consolidated Statement of Financial Position

(Billions of yen)		Sep. 30, 2019	Dec. 31, 2018	Change
Current assets		206.6	215.9	(9.2)
	Cash and cash equivalents	97.0	104.9	(7.9)
	Trade and other receivables	59.8	64.6	(4.8)
	Inventories	43.6	42.0	1.5
Non-current assets		151.6	139.4	12.2
	Property, plant and equipment	86.2	81.5	4.7
	Intangible assets	12.7	10.1	2.5
	Right-of-use assets	6.0	—	6.0
	Other financial assets	24.0	25.0	(1.0)
Total assets		358.3	355.3	2.9

(Billions of yen)		Sep. 30, 2019	Dec. 31, 2018	Change
Current liabilities		119.8	129.7	(9.9)
	Trade and other payables	101.7	116.9	(15.2)
	Lease liabilities	1.5	—	1.5
	Other current liabilities	8.1	7.0	1.0
Non-current liabilities		24.5	21.3	3.2
	Retirement benefit liabilities	12.7	10.9	1.7
	Lease liabilities	5.7	—	5.7
Equity		213.9	204.2	9.6
	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	9.5	10.9	(1.3)
	Retained earnings	128.0	115.8	12.2
Total liabilities and equity		358.3	355.3	2.9

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

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	Jan.-Sep. 2019
Sales value	102	103	104	99	102	106
Unit sales	100	100	102	98	100	103
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	Jan.-Sep. 2019
Sales value	105	103	102	111
Unit sales	101	101	100	107
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	Jan.–Sep. 2019
Sales value	104	103	102	101
Unit sales	102	101	101	100
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	Jan.–Sep. 2019
Sales value	104	103	104	107
Unit sales	102	100	102	105
Average unit price	102	103	102	101

Source: INTAGE Inc. SCI survey



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.