

Financial Results for the First Quarter Ended March 31, 2020

**Lion Corporation
May 8, 2020**

Y-o-Y gains in 1Q sales and profit

- Sales increased in all product categories of the Consumer Products Business.
 - * Continued strong growth in Oral Care due in part to high-value-added strategy.
 - * Due to the spread of the novel coronavirus, sales of hand soap and related products increased.
- The core operating income ratio increased due to the increase in sales, changes in the sales mix and a reduction in competition-related expenses.
- Operating profit and profit for the period attributable to owners of parent rose substantially due to a gain on transfer of non-current assets (land Lion's head office occupies).

Domestic

Markets of Five Hygiene-Related Products

(Values are percentages of the results of the corresponding periods of the previous years)

	2019			2020		
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Hand soap	87	98	101	110	290	233
Hand sanitizer	121	163	172	279	442	1136
Gargle	89	104	99	105	301	250
Wet tissue	104	106	114	160	405	202
Disinfectant	97	109	122	163	681	367

Source: INTAGE Inc. SRI survey

Overseas

Country	Trends
Thailand	Sales of most consumer products fell year on year, but those of hand soaps grew.
Malaysia	Sales of body soaps (especially antibacterial products) and hand soaps grew.
South Korea	Sales of laundry detergents and dishwashing detergents fell year on year, but those of hand soaps rose.
China	In-store sales fell, but online sales rose. Demand for hygiene-related products expected to grow.

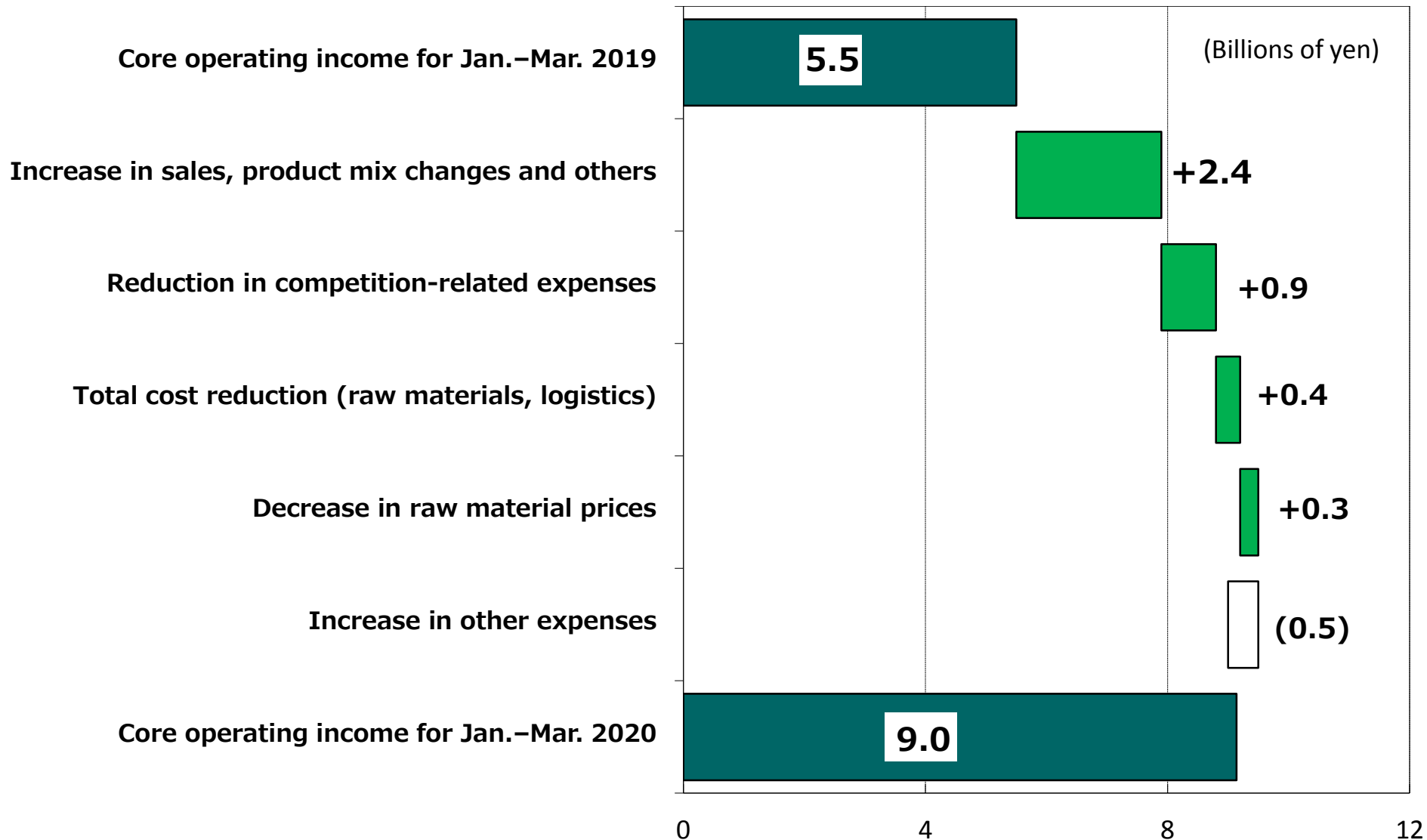
1. Consolidated Financial Results

LION

(Billions of yen)	Jan.–Mar. 2020	Jan.–Mar. 2019	Y-o-Y change	
			Amount	%
Net sales	82.5	78.9	3.6	4.6
Core operating income	9.0	5.5	3.5	63.5
% of net sales	11.0	7.0		
Operating profit	18.7	5.9	12.7	214.7
% of net sales	22.7	7.5		
Profit for the period attributable to owners of parent	13.5	3.4	10.1	294.0
EPS (Yen)	46.64	11.84	34.80	293.9

* 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



Results by Business Segment

LION

(Billions of yen)	Net sales				Segment profit (Core operating income)		
	Jan.–Mar. 2020	Jan.–Mar. 2019	Y-o-Y change		Jan.–Mar. 2020, %	Y-o-Y change	
			Amount	%		Amount	%
Consumer Products	55.8	50.1	5.6	11.3	7.2	3.6	99.9
	52.2	46.8	5.3	11.5	12.9		
Industrial Products	13.5	13.0	0.4	3.8	0.6	0.2	72.9
	7.6	7.7	(0.0)	(0.8)	4.9		
Overseas	24.7	25.7	(0.9)	(3.8)	1.5	(0.2)	(14.8)
	22.1	23.4	(1.3)	(5.6)	6.4		
Other	5.9	7.0	(1.1)	(16.3)	0.4	0.1	71.7
	0.5	0.8	(0.3)	(37.7)	7.1		
Adjustment	(17.5)	(17.1)	(0.4)	—	(0.7)	(0.2)	—
	(0.0)	0.0	(0.0)	—	—		
Consolidated Total	82.5	78.9	3.6	4.6	9.0 11.0	3.5	63.5

* Regarding sales figures, upper lines indicate net sales and lower lines indicate sales to external customers.
The % figures below the Jan.–Mar. 2020 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			
	Jan.–Mar. 2020	Jan.–Mar. 2019	Y-o-Y change	
			Amount	%
Oral Care	14.9	13.5	1.4	10.5
Beauty Care	7.7	5.2	2.4	47.5
Fabric Care	13.5	13.0	0.4	3.5
Living Care	5.1	4.1	0.9	23.5
Pharmaceutical	5.4	5.3	0.1	3.0
Other	9.1	8.9	0.1	2.2
Total	55.8	50.1	5.6	11.3

(Billions of yen)	Net sales			
	Jan.–Mar. 2020	Jan.–Mar. 2019	Y-o-Y change	
			Amount	%
Southeast Asia	16.5	17.3	(0.8)	(4.7)
Northeast Asia	8.2	8.3	(0.1)	(2.0)
Total	24.7	25.7	(0.9)	(3.8)

*Y-o-Y change at constant currency excluding exchange rate fluctuations:
 Southeast Asia: -2.5%; Northeast Asia: +3.8%; Total: -0.4%

- Sales of hygiene-related products increased in all countries.
- Due to lockdown orders, production stopped temporarily and sales in stores decreased.

● Sales growth mainly in hygiene-related products

- Growth in sales of hand soap and other hygiene-related products in and outside Japan.
- Increases in hygiene awareness and time spent at home are driving growth in sales of related products (body soap, dishwashing detergent, food preparation products, etc.).

● Decline in demand from visitors to Japan

- A major drop in visitors to Japan has caused a decline in sales of related products (acne medicines, cooling sheets for feet, etc.).

● Product supply systems

- Japan: Production of hand soaps has been maintained with 24-hour full operation.
- Overseas: Hand soap production increased in South Korea and Thailand.
- China and Malaysia saw production stops due to lockdown orders.

● Continuity/reinforcement of hygiene-related product supply

- As a company operating in the domains of health, comfort and cleanliness, Lion will do its utmost to ensure the supply of hygiene-related products and thereby fulfill its social responsibility.

● Implementing the LIVE Plan Strategies in the current environment

- We aim to steadily advance the four basic strategies of the LIVE Plan, even as the business environment changes immensely.

Risks

● Declining consumption in and outside Japan due to the novel coronavirus

2020 Consolidated Financial Forecast

LION

(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	39.5 11.1	29.8 8.6	9.6	32.4
Profit for the period attributable to owners of parent	27.0	20.5	6.4	31.3
EPS (Yen)	92.88	70.72	22.16	31.3

Reference Materials

Consolidated Statement of Income

(Billions of yen)	Jan.–Mar. 2020	Jan.–Mar. 2019	Y-o-Y change	
			Amount	%
Net sales	82.5	78.9	3.6	4.6
Cost of sales	40.6	40.0	0.5	1.3
Gross profit	41.9	38.8	3.0	8.0
Selling, general and administrative expenses	32.8	33.3	(0.4)	(1.3)
Core operating income	9.0	5.5	3.5	63.5
Other income	11.1	0.7	10.3	1,307.2
Other expenses	1.4	0.3	1.0	271.7
Operating profit	18.7	5.9	12.7	214.7
Finance income	0.0	0.0	0.0	6.0
Finance costs	0.0	0.0	(0.0)	(6.3)
Share of profit of investments accounted for using the equity method	0.2	0.1	0.1	163.7
Profit before tax	19.0	6.1	12.9	212.5
Income taxes	5.0	2.0	2.9	141.3
Profit for the period	14.0	4.0	10.0	249.8
Profit for the period attributable to non-controlling interests	0.4	0.5	(0.1)	(18.9)
Profit for the period attributable to owners of the parent	13.5	3.4	10.1	294.0

Selling, general and administrative expenses

(Billions of yen)		Jan.–Mar. 2020		Jan.–Mar. 2019		Y-o-Y change	
		Amount	% of sales	Amount	% of sales	Amount	%
Selling, general and administrative expenses		32.8	39.8	33.3	42.2	(0.4)	(1.3)
	Sales commissions	2.3	2.8	2.0	2.6	0.2	12.7
	Promotional expenses	5.9	7.2	6.2	7.9	(0.3)	(5.8)
	Advertising expenses	5.1	6.3	5.9	7.5	(0.7)	(13.0)
	Transportation and warehousing expenses	4.4	5.4	4.5	5.8	(0.0)	(1.7)
	R&D expenses	2.4	3.0	2.4	3.1	0.0	0.8
	Other expenses	12.5	15.2	12.0	15.3	0.4	4.1

Consolidated Statement of Financial Position

(Billions of yen)		March 31, 2020	December 31, 2019	Change
Current assets		214.2	222.4	(8.2)
	Cash and cash equivalents	101.0	110.4	(9.3)
	Trade and other receivables	55.7	61.7	(5.9)
	Inventories	47.5	43.5	3.9
Non-current assets		157.2	158.2	(0.9)
	Property, plant and equipment	92.3	90.9	1.4
	Intangible assets	13.9	13.4	0.4
	Right-of-use assets	5.8	5.9	(0.0)
	Other financial assets	21.9	25.5	(3.5)
Total assets		371.5	380.7	(9.1)

Consolidated Statement of Financial Position

(Billions of yen)		March 31, 2020	December 31, 2019	Change
Current liabilities		121.2	135.7	(14.4)
	Trade and other payables	103.6	116.2	(12.5)
	Lease liabilities	1.5	1.4	0.0
	Other current liabilities	5.9	7.6	(1.6)
Non-current liabilities		26.4	23.7	2.6
	Retirement benefit liabilities	14.8	12.0	2.7
	Lease liabilities	5.5	5.5	0.0
Equity		223.7	221.2	2.5
	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	6.7	11.3	(4.5)
	Retained earnings	140.3	132.6	7.7
Total liabilities and equity		371.5	380.7	(9.1)

2020 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	39.5 11.1	29.8 8.6	9.6	32.4	21.5 12.8	12.8 7.7	8.6	66.8
Profit for the period attributable to owners of parent % of net sales	27.0 7.6	20.5 5.9	6.4	31.3	15.0 8.9	8.6 5.2	6.3	72.6
EPS (Yen)	92.88	70.72	22.16	31.3	51.60	29.89	21.71	72.6

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 trends 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.-Mar. 2020
Sales value	103	104	99	102	102	116
Unit sales	100	102	98	100	100	112
Average unit price	102	102	102	102	102	104

Source: INTAGE Inc. SRI Survey (Year-on-year data for 2015 are for 39 such markets in which Lion operates; data for 2016 onward 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 trends 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.-Mar. 2020
Sales value	105	103	102	105	106
Unit sales	101	101	100	102	103
Average unit price	104	102	103	104	103

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 Drugs (7 markets, SDI)

Overall market trends in the eight OTC 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.–Mar. 2020
Sales value	104	103	102	100	96
Unit sales	102	101	101	99	94
Average unit price	101	102	101	101	102

Source: INTAGE Inc. SDI Survey (Year-on-year data for 2016–2018 are for 8 markets; data for 2019 onward are for 7)

4) Market Environment for OTC Drugs (2 markets, SCI)

Overall market trends in the two OTC 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.–Mar. 2020
Sales value	104	103	104	104	101
Unit sales	102	100	102	102	98
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 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.