

# **Financial Results for the First Nine Months of 2021**

**Lion Corporation  
November 5, 2021**

## ■ Consolidated Financial Results for the First Nine Months of 2021

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## Sales rose but profit fell Y-o-Y in the first nine months

### Net sales (increased Y-o-Y)

- In Consumer Products, solid sales of toothbrushes, fabric softeners, antipyretic analgesics and other products compensated for a decrease in hand soap sales, and net sales were approximately level year on year
- Overseas, performance in Southeast Asia was steady amid a challenging market environment and performance in China remained strong, leading to an increase in sales
- Industrial Products saw an increase in sales driven by the chemicals field due to market recovery

### Core operating income (decreased Y-o-Y)

- Despite total cost reductions, rising competition-related expenses and raw material costs resulted in decreased profit

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

- Decreased due to drop in core operating income as well as recoil from a gain on transfer of non-current assets (land Lion's head office occupies) recorded in 2020

**Domestic and overseas markets have been largely as forecast, but the impact of raw material markets has been greater than expected**

Business environment assumptions as of August 2021 and current business environment conditions

## Business impact assumptions (as of August 4)

- ❑ **The COVID-19 pandemic will continue past the end of the year**
  - Ongoing demand related to increased time spent at home will lead to **increased sales**
  - Ongoing demand related to treating vaccine side effects will lead to **increased sales**
  - Lower-than-expected demand for hand soaps and hygiene-related products will lead to **decreased sales**
  - In Southeast Asia, consumption will remain weak, leading to **decreased sales** and **increased competition-related expenses**
- ❑ **Rising demand for chemical materials due to market recovery in the automotive and other industries**
  - In the Industrial Products business, the chemicals field will see **increased sales**
- ❑ **Raw material prices will rise more than expected**
  - Rising costs will cause **decreased gross profit**

## Business environment conditions

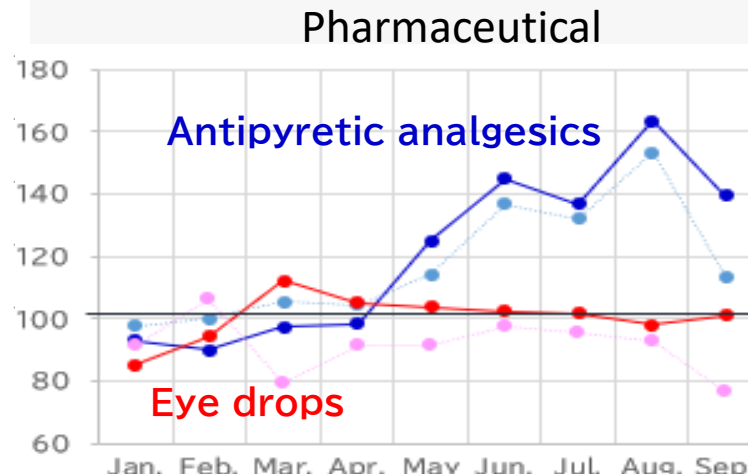
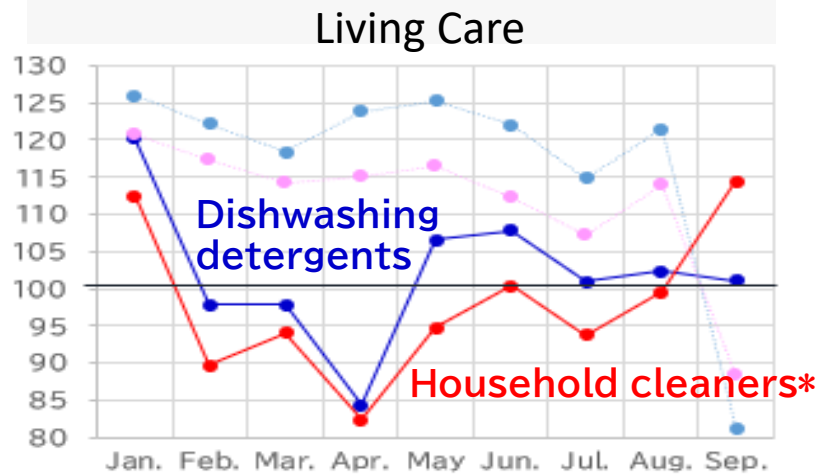
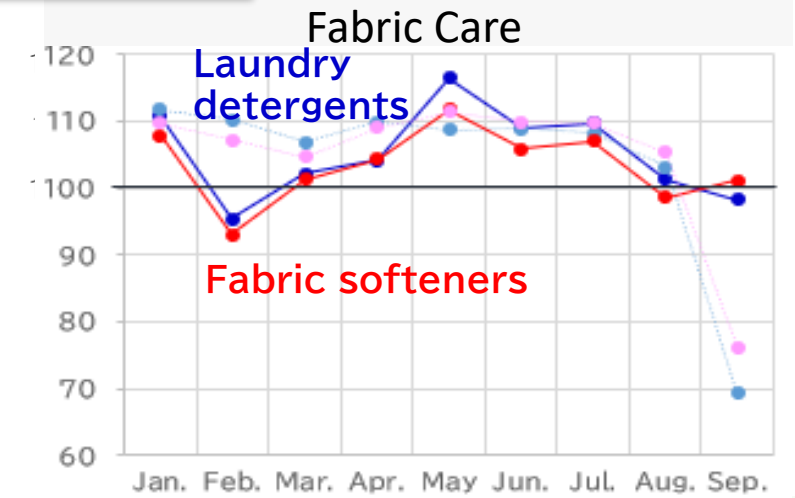
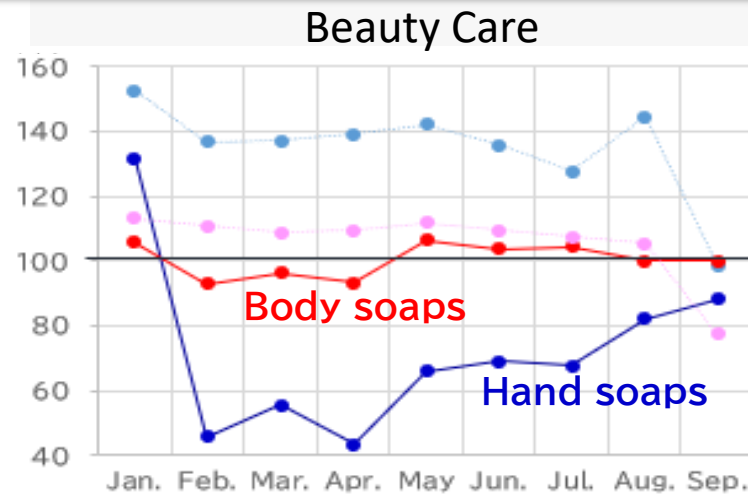
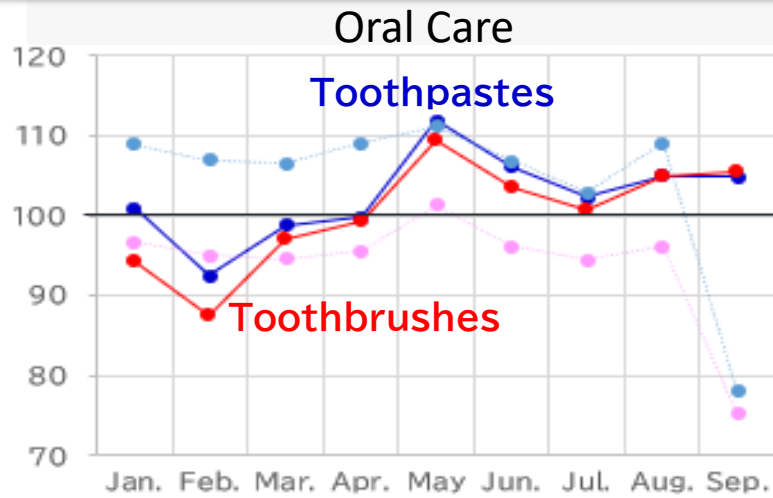
- ▶ **Domestic and overseas markets will be largely as forecast**
  - In Japan, demand for dishwashing detergents, household cleaners, antipyretic analgesics and other products will continue to grow
  - In Southeast Asia, weak consumption will cause market contraction
  - In Industrial Products, demand for chemical materials will continue to grow
- ▶ **The impact of rising raw material prices will be greater than expected**
  - The impact will mainly be greater than anticipated overseas (especially in Southeast Asia)

# Market Trends—Major Product Categories in Japan

Except for hand soaps, markets were on par with 2020 from January to September, and many markets grew compared with 2019

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

Source: INTAGE Inc. SRI+



For reference, dotted lines show Y-o-Y comparisons with January to September 2019

- Toothbrush sales value held steady Y-o-Y but were down 7% compared with 2019
- Sales value of hand soaps held steady at around 140% of the 2019 level
- Demand for antipyretic analgesics increased from May onward, reflecting COVID-19 vaccination
- Sales value of eye drops fell from 2019 due to the decrease in demand from foreign visitors to Japan
- \* Demand increased in September 2019 due to a demand surge ahead of the consumption tax hike

\* "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, hand soap sales value grew compared with 2019**

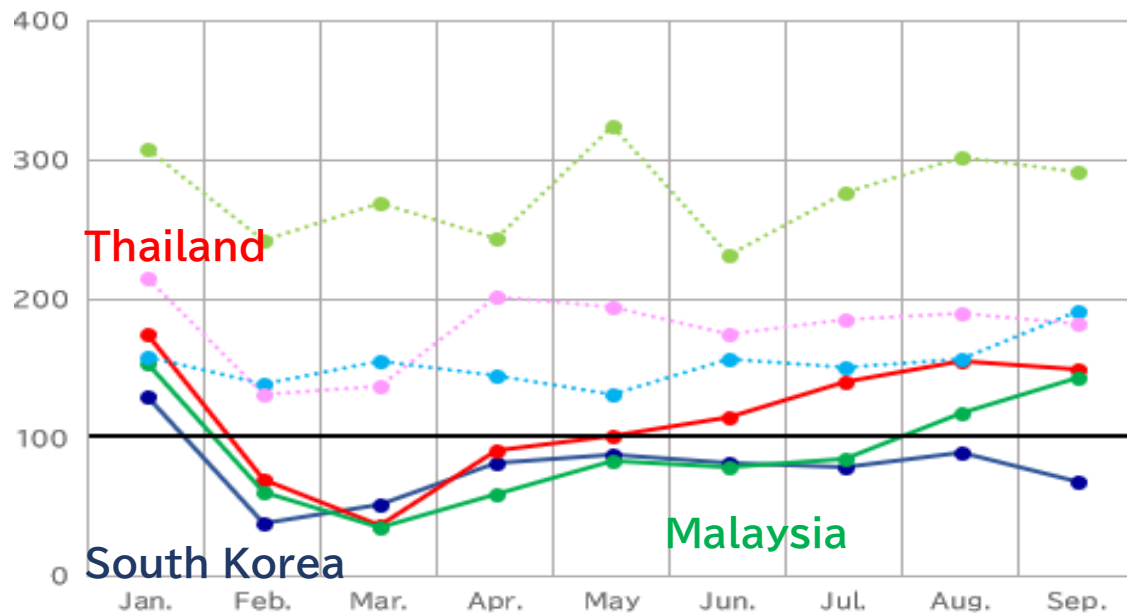
Source: Nielsen

Hand soap sales value by country (Jan.–Sep. 2021)

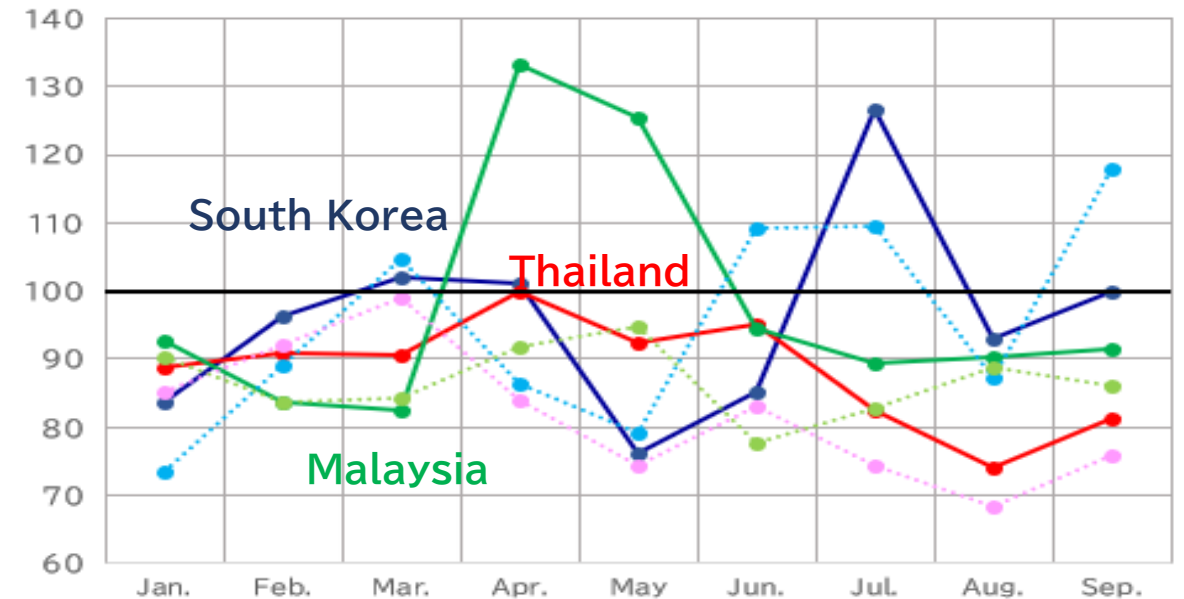
	Thailand	Malaysia	South Korea
Compared with 2020	100%	77%	69%
Compared with 2019	178%	277%	153%

Laundry detergent sales value by country (Jan.– Sep. 2021)

	Thailand	Malaysia	South Korea
Compared with 2020	88%	96%	95%
Compared with 2019	82%	87%	95%



\* Data for Malaysia is for the entire soap market, including hand soaps



For reference, dotted lines show Y-o-Y comparisons with January to September 2019



# Market Trends

Period: Jan.–Sep. 2021; Source: INTAGE Inc. SRI+

<b>Aggregate of Key Domestic Markets</b>	<b>In the 38 home product markets surveyed, sales value fell 6% year on year, reflecting a decrease in sales volumes of hand soaps and household cleaners due to year-on-year recoil</b>
Oral Care	<ul style="list-style-type: none"> <li>✓ Toothpaste unit prices continued to increase, reflecting increased hygiene awareness (sales value up 2% Y-o-Y)</li> <li>✓ Toothbrush unit prices continued to rise, and sales volumes grew in August and September, helping January to September sales value recover to the 2020 level (sales value changed 0% Y-o-Y)</li> </ul>
Beauty Care	<ul style="list-style-type: none"> <li>✓ Hand soap sales volumes fell significantly due to recoil from expansion in 2020 but were still up almost 40% from 2019 (sales value down 34% Y-o-Y)</li> </ul>
Fabric Care	<ul style="list-style-type: none"> <li>✓ Laundry detergents and fabric softeners saw higher unit prices due to a shift to larger size products reflecting bulk buying (laundry detergent sales value up 5% 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 size products reflecting more frequent use (sales value up 1% Y-o-Y)</li> <li>✓ Household cleaner sales volumes fell due to recoil from the previous year (total sales value of home cleaners, bath detergents and bathroom detergents down 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 21% Y-o-Y)</li> <li>✓ Eye drop unit sales were level year on year, as the absence of demand from overseas visitors was unchanged from the previous year (sales value changed 0% Y-o-Y)</li> </ul>

Period: Jan.–Sep. 2021; Source: Nielsen

<b>Aggregate of Key Overseas Markets</b>	<b>The hand soap market grew compared with 2019, but the laundry detergent market shrank Y-o-Y, due partly to stagnation in consumption</b>
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# Financial Results for the First Nine Months of 2021

**Despite a Y-o-Y increase in sales, profit fell due largely to rises in competition-related expenses and raw material prices**

(Billions of yen)	Jan.–Sep. 2021	Jan.–Sep. 2020	Y-o-Y change	
			Amount	%
Net sales	267.5	262.0	5.5	2.1 1.0*
Core operating income* <sup>1</sup> % of net sales	25.3 9.5	29.8 11.4	(4.4)	(15.0)
Operating profit % of net sales	25.4 9.5	38.2 14.6	(12.7)	(33.4)
Profit for the period attributable to owners of the parent	19.0	27.2	(8.2)	(30.1)
EPS (Yen)	65.46	93.69	(28.23)	(30.1)
EBITDA* <sup>2</sup>	35.6	38.2	(2.6)	(6.8)
EBITDA Margin (%)* <sup>3</sup>	13.3	14.6	—	(1.3)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.

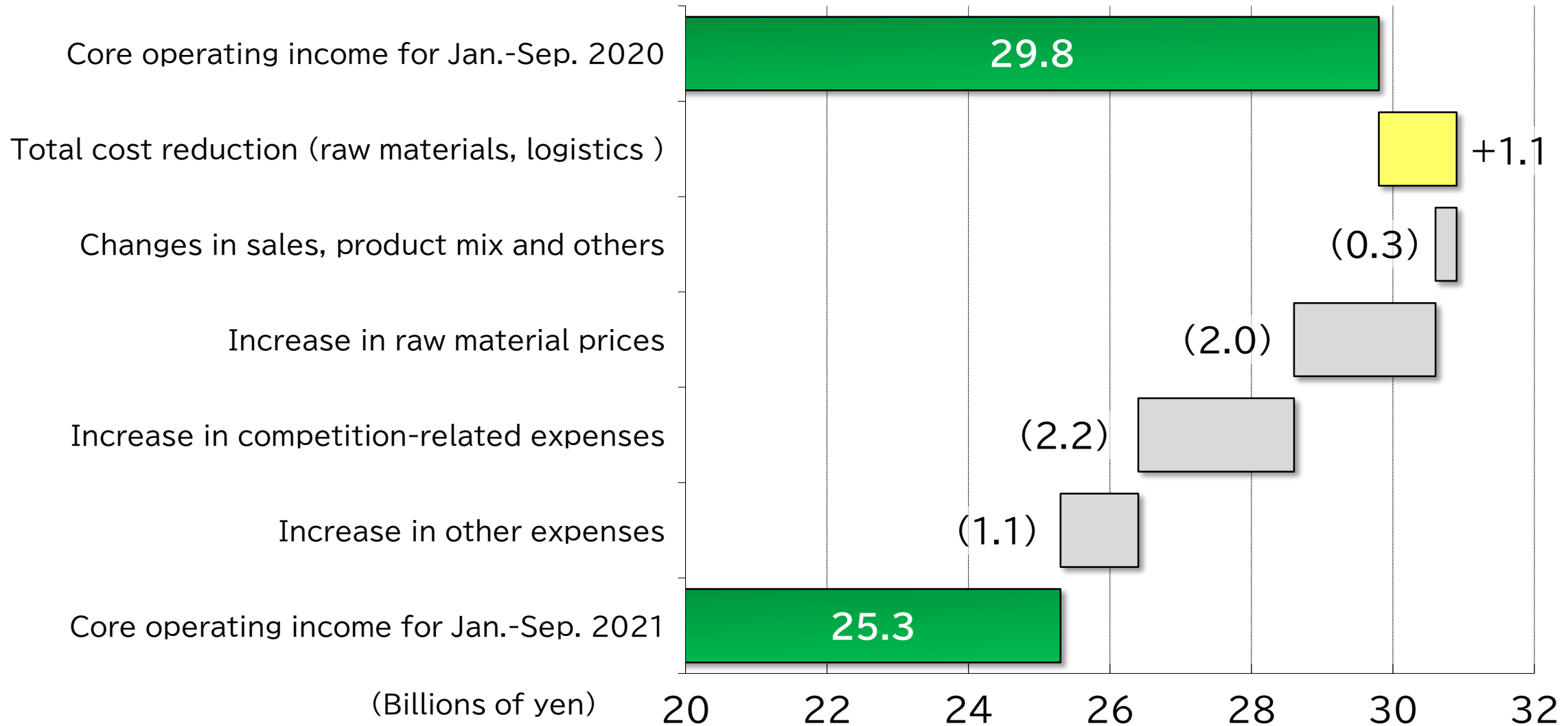
2. EBITDA: An indicator of profitability on a cash basis calculated as the sum of core operating income and depreciation and amortization.

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



# Results by Business Segment

While the Industrial Products and Overseas businesses saw Y-o-Y sales increases, Consumer Products saw a substantial decrease in profit due partly to increased competition-related expenses

(Billions of yen)	Net sales*				Segment profit (Core operating income)			
	Jan.-Sep. 2021	Jan.-Sep. 2020	Y-o-Y change		Jan.-Sep. 2021, %	Jan.-Sep. 2020, %	Y-o-Y change	
			Amount	%			Amount	%
Consumer Products	180.4	179.9	0.4	0.3	16.6	22.0	(5.3)	(24.3)
	166.9	168.3	(1.4)	(0.9)	9.2	12.2		
Industrial Products	43.4	40.2	3.2	8.0	1.6	1.4	0.2	18.7
	25.1	22.8	2.3	10.4	3.9	3.6		
Overseas	81.4	76.7	4.6	6.1	4.7	5.5	(0.7)	(13.9)
	73.6	68.6	4.9	7.2	5.9	7.2		
Other	22.8	24.4	(1.6)	(6.6)	1.7	1.4	0.2	17.1
	1.8	2.1	(0.2)	(13.5)	7.7	6.1		
Adjustment	(60.5)	(59.2)	(1.2)	—	0.5	(0.6)	1.1	—
	(0.0)	(0.0)	(0.0)	—	—	—		
Consolidated Total	267.5	262.0	5.5	2.1	25.3	29.8	(4.4)	(15.0)
					9.5	11.4		

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

Sales increased, except in beauty care, which suffered Y-o-Y recoil

(Billions of yen)	Net sales			
	Jan.-Sep. 2021	Jan.-Sep. 2020	Y-o-Y change	
			Amount	%
Oral Care	49.8	47.5	2.3	4.9
Beauty Care	18.5	24.4	(5.9)	(24.2)
Fabric Care	44.0	43.1	0.8	2.0
Living Care	18.3	17.3	0.9	5.4
Pharmaceutical	18.4	17.8	0.6	3.6
Other	31.2	29.6	1.6	5.5
Total	180.4	179.9	0.4	0.3

# Overseas Business Net Sales by Region

Despite continued weak consumption, reinforced sales promotion of laundry detergents led to increased sales in Southeast Asia, while sales in Northeast Asia increased, driven by sales in China

(Billions of yen)	Net sales			
	Jan.-Sep. 2021	Jan.-Sep. 2020	Y-o-Y change	
			Amount	%
Southeast Asia	51.2	49.7	1.5	3.1
Northeast Asia	30.1	27.0	3.1	11.7
Total	81.4	76.7	4.6	6.1

\*Y-o-Y change at constant currency excluding exchange rate fluctuations:  
 Southeast Asia: 1.0% (Thailand: -0.4%, Malaysia: +4.1%);  
 Northeast Asia: +3.4% (China: +17.1%, South Korea: -7.1%);  
 Total: +1.8%

# ■ 2021 Consolidated Financial Forecast

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# 2021 Consolidated Financial Forecast

(Billions of yen)	2021 (Jul. 30 revision)	2020	Change	
			Amount	%
Net sales	365.0	355.3	9.6	2.7
Core operating income* <sup>1</sup> % of net sales	30.0 8.2	35.9 10.1	(5.9)	(16.5)
Operating profit % of net sales	30.0 8.2	44.0 12.4	(14.0)	(31.9)
Profit for the period attributable to owners of the parent	21.5	29.8	(8.3)	(28.0)
EPS (Yen)	73.95	102.75	(28.80)	(28.0)
ROE (%)	9.0	13.6		(4.6)PP
ROIC (%)	8.5	10.7		(2.2)PP
EBITDA* <sup>2</sup>	43.5	47.6	(4.1)	(8.7)
EBITDA margin (%)* <sup>3</sup>	11.9	13.4		(1.5)PP

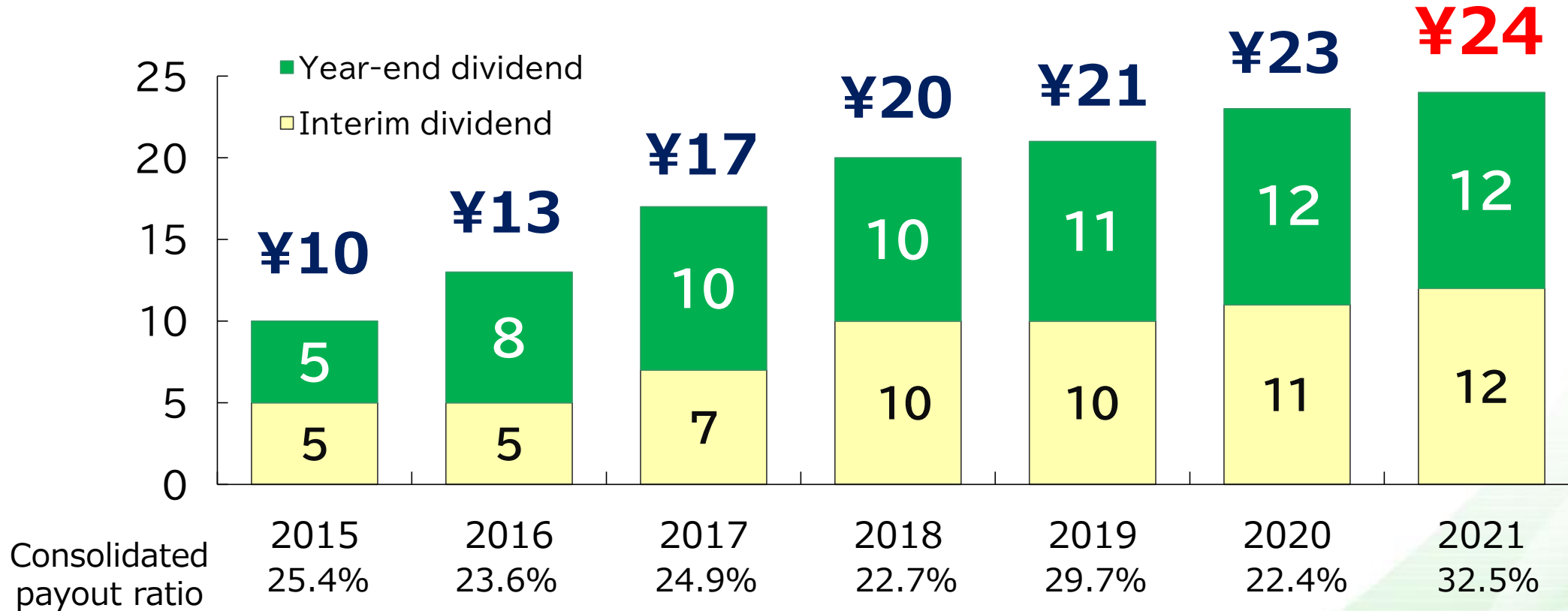
Notes 1. Core operating income is an earnings indicator the Company uses to measure regular business performance by subtracting selling, general and administrative expenses from gross profit.

2. EBITDA: 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.



Annual per-share dividend forecast of **¥24**  
(increased for a **sixth consecutive year**)



### Basic dividend policy

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

# Reference Materials

# Consolidated Statement of Income

(Billions of yen)	Jan.-Sep. 2021	Jan.-Sep. 2020	Y-o-Y change	
			Amount	%
Net sales	267.5	262.0	5.5	2.1
Cost of sales	134.3	128.4	5.9	4.6
Gross profit	133.2	133.6	(0.3)	(0.3)
Selling, general and administrative expenses	107.8	103.7	4.0	3.9
Core operating income	25.3	29.8	(4.4)	(15.0)
Other income	0.8	11.9	(11.1)	(93.0)
Other expenses	0.7	3.5	(2.8)	(78.8)
Operating profit	25.4	38.2	(12.7)	(33.4)
Finance income	0.5	0.5	0.0	3.1
Finance costs	0.1	0.1	(0.0)	(7.8)
Share of profit of investments accounted for using the equity method	1.7	1.0	0.7	68.5
Profit before tax	27.6	39.7	(12.0)	(30.3)
Income taxes	7.3	10.9	(3.6)	(32.9)
Profit for the period	20.3	28.7	(8.4)	(29.3)
Profit for the period attributable to non-controlling interests	1.2	1.4	(0.1)	(13.5)
Net sales	19.0	27.2	(8.2)	(30.1)

# Selling, General and Administrative Expenses

(Billions of yen)	Jan.–Sep. 2021		Jan.–Sep. 2020		Y-o-Y change	
	Amount	% of sales (%)	Amount	% of sales (%)	Amount	%
<b>Selling, general and administrative expenses</b>	<b>107.8</b>	<b>40.3</b>	<b>103.7</b>	<b>39.6</b>	<b>4.0</b>	<b>3.9</b>
Sales commissions	7.2	2.7	6.8	2.6	0.3	5.8
Promotional expenses	20.4	7.6	19.4	7.4	0.9	5.0
Advertising expenses	18.3	6.9	17.5	6.7	0.7	4.5
Transportation and warehousing expenses	14.7	5.5	13.9	5.3	0.8	6.0
R&D expenses	8.1	3.0	7.6	2.9	0.4	5.9
Other expenses	38.9	14.5	38.3	14.6	0.6	1.6

# Consolidated Statement of Financial Position

(Billions of yen)		Sep. 30, 2021	Dec. 31, 2020	Change
<b>Current assets</b>		213.2	245.4	(32.1)
	Cash and cash equivalents	79.0	121.5	(42.4)
	Trade and other receivables	62.1	62.4	(0.2)
	Inventories	55.5	45.1	10.3
<b>Non-current assets</b>		194.8	190.0	4.8
	Property, plant and equipment	118.9	118.3	0.5
	Intangible assets	24.4	18.9	5.5
	Right-of-use assets	6.4	4.8	1.5
	Other financial assets	20.8	24.8	(4.0)
<b>Total assets</b>		408.1	435.5	(27.3)

# Consolidated Statement of Financial Position

(Billions of yen)		Sep. 30, 2021	Dec. 31, 2020	Change
<b>Current liabilities</b>		125.5	166.6	(41.0)
	Trade and other payables	109.5	141.2	(31.7)
	Lease liabilities	1.5	1.3	0.1
	Other current liabilities	8.5	8.7	(0.1)
<b>Non-current liabilities</b>		24.1	24.0	0.0
	Retirement benefit liabilities	11.7	13.0	(1.2)
	Lease liabilities	6.1	4.6	1.4
<b>Equity</b>		258.4	244.8	13.6
	Share capital	34.4	34.4	—
	Capital surplus	35.0	34.9	0.0
	Treasury stock	(4.7)	(4.7)	0.0
	Other components of equity	8.1	10.0	(1.9)
	Retained earnings	172.8	156.9	15.9
<b>Total liabilities and equity</b>		408.1	435.5	(27.3)

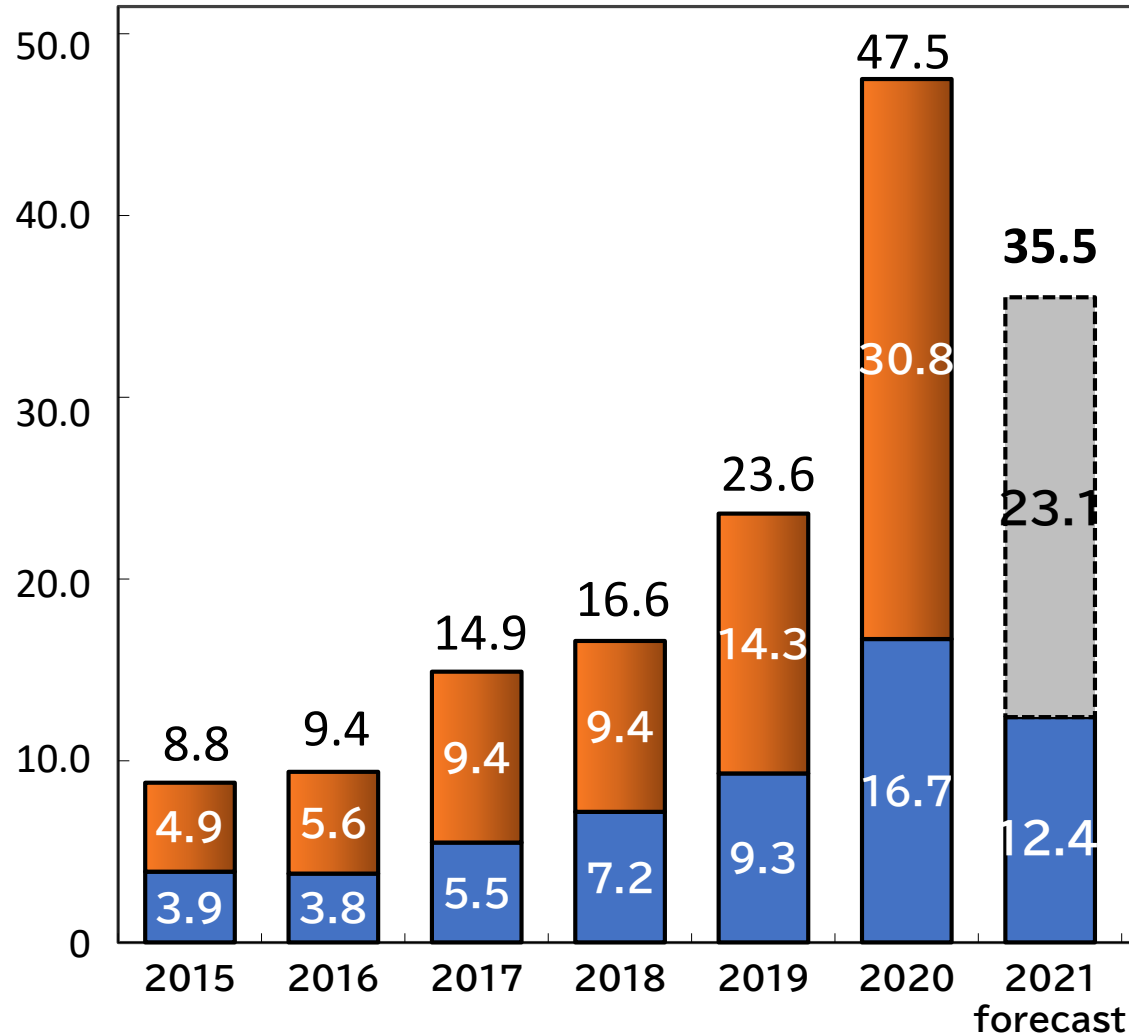


# Consolidated Statement of Cash Flows

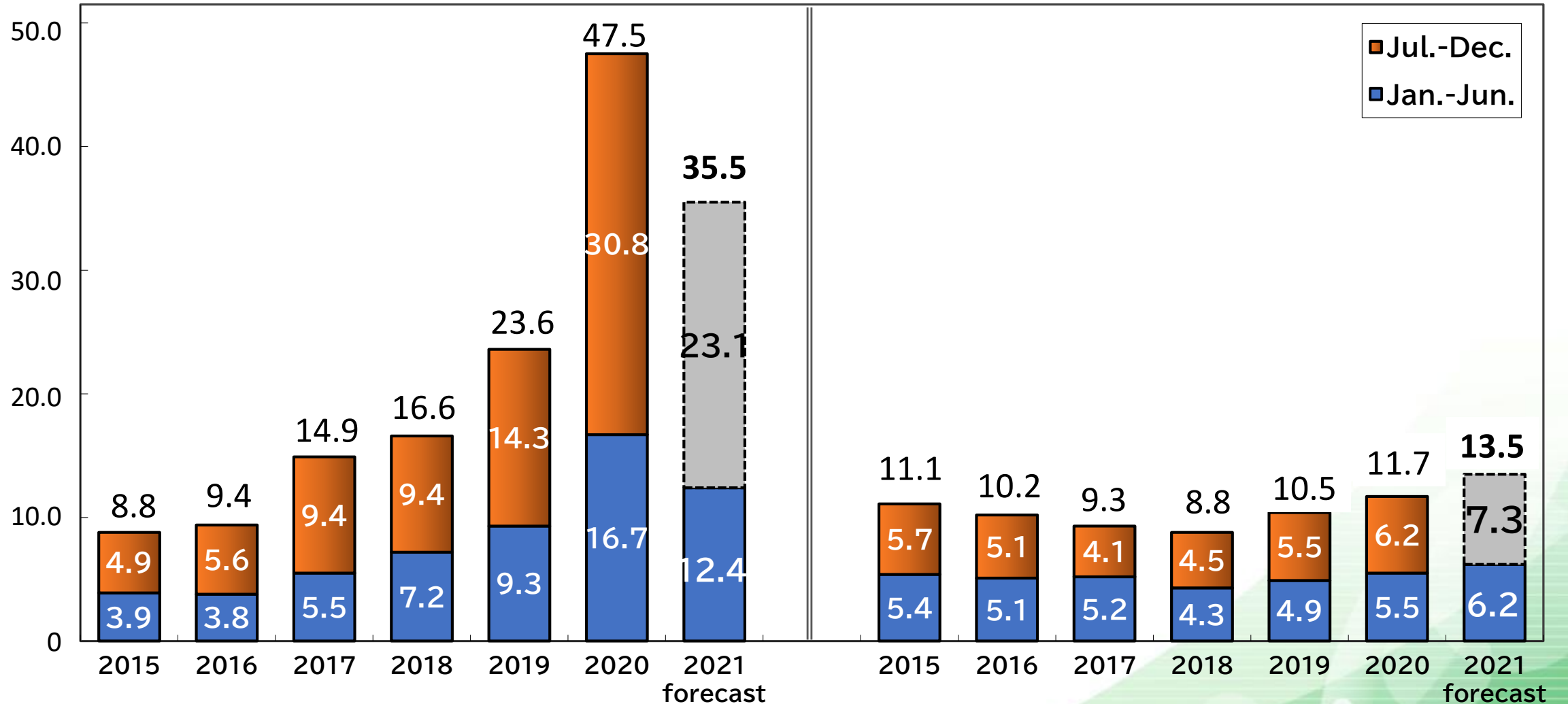
(Billions of yen)	Jan.-Sep. 2021	Jan.-Sep. 2020	Change
Cash flows from operating activities	(5.0)	18.1	(23.1)
Cash flows from investing activities	(28.1)	(13.6)	(14.5)
Cash flows from financing activities	(9.6)	(8.5)	(1.0)
Effect of exchange rate changes on cash and cash equivalents	0.3	(0.8)	1.2
Net increase (decrease) in cash and cash equivalents	(42.4)	(4.9)	(37.5)
Cash and cash equivalents at beginning of period	121.5	110.4	11.1
Cash and cash equivalents at end of period	79.0	105.4	(26.4)

# Capital Expenditures and Depreciation and Amortization

(Billions of yen) Capital Expenditures



Depreciation and Amortization



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

## 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)

	2016	2017	2018	2019	2020	Jan.-Sep. 2021
<b>Sales value</b>	104	99	102	102	112	94
<b>Sales volume</b>	102	98	100	100	105	91
<b>Average unit price</b>	102	102	102	102	106	103

Source: INTAGE Inc. SRI Survey (data for 2016 are for 38 markets; data for 2017 are for 37; data for 2018–2020 are for 38)  
SRI+ Survey data (data for 2021 are 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  
(Values are percentages of the results of the corresponding periods of the previous years)

	2016	2017	2018	2019	2020	Jan.-Sep. 2021
<b>Sales value</b>	105	103	102	105	108	102
<b>Sales volume</b>	101	101	100	102	101	95
<b>Average unit price</b>	104	102	103	104	106	107

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

\* 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/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)

	2016	2017	2018	2019	2020	Jan.-Sep. 2021
<b>Sales value</b>	104	103	102	100	93	104
<b>Sales volume</b>	102	101	101	99	89	102
<b>Average unit price</b>	101	102	101	101	105	102

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

	2016	2017	2018	2019	2020	Jan.-Sep. 2021
<b>Sales value</b>	104	103	104	104	102	112
<b>Sales volume</b>	102	100	102	102	99	108
<b>Average unit price</b>	102	103	102	102	103	103

Source: INTAGE Inc. SCI survey

# Assumed Raw Material Prices and Exchange Rates

## Raw material prices

	Dubai Crude	Domestic Naphtha	Crude Palm Oil
2021 second-half forecasts	USD 70.0/BBL	JPY 52,000/KL	RM 4,000/ton

## Exchange rates

	USD	THB
2021 second-half forecasts	JPY 110.0	JPY 3.40

## ◇Reference

	Dubai Crude	Domestic Naphtha	Crude Palm Oil
2021 initial forecasts	USD 56.0/BBL	JPY 35,000/KL	RM 3,800/ton

	USD	THB
2021 initial forecasts	JPY 104.0	JPY 3.40

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