Financial Results for the First Nine Months of 2023

Lion Corporation

November 7, 2023

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- Fiscal 2023 Financial Forecast

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

Net sales (up Y-o-Y)

- In Consumer Products, sales of fabric care products increased due largely to the launch of major new products, while sales of pharmaceutical products rose due to robust demand from inbound visitors to Japan
- Overseas, looking at Southeast and South Asia as well as Northeast Asia, sales increased significantly in Thailand and China

Core operating income (down Y-o-Y)

- Fell due mainly to increased competition-related expenses and head office relocation costs

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

- Down due to a Y-o-Y decrease in core operating income as well as a recoil from a gain on transfer of land recorded in January 2022

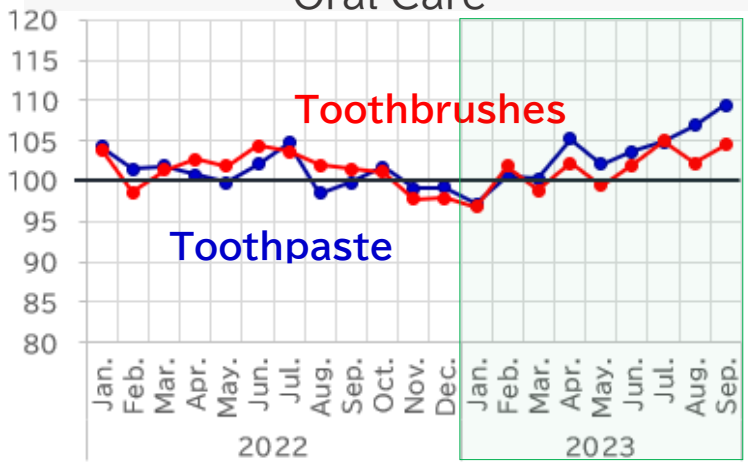
Market Trends—Major Product Categories in Japan

Markets saw overall recovery from April onward, with January–September results mostly higher than in the previous year

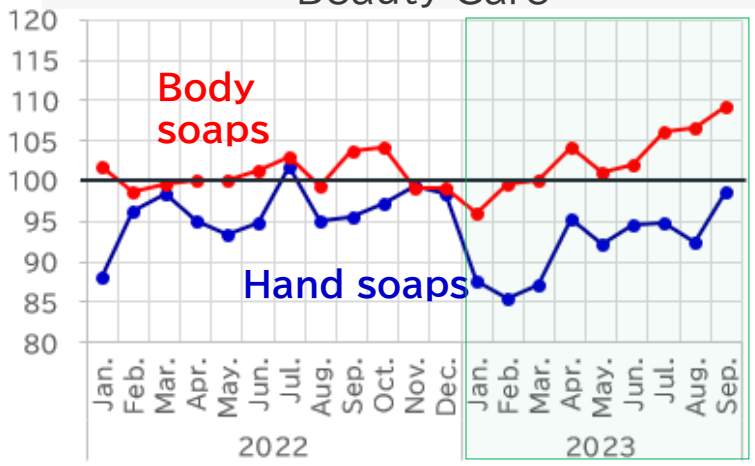
Y-o-Y comparison of consumer products markets in Japan by in-store sales value (%)

Source: INTAGE Inc. SRI+ survey

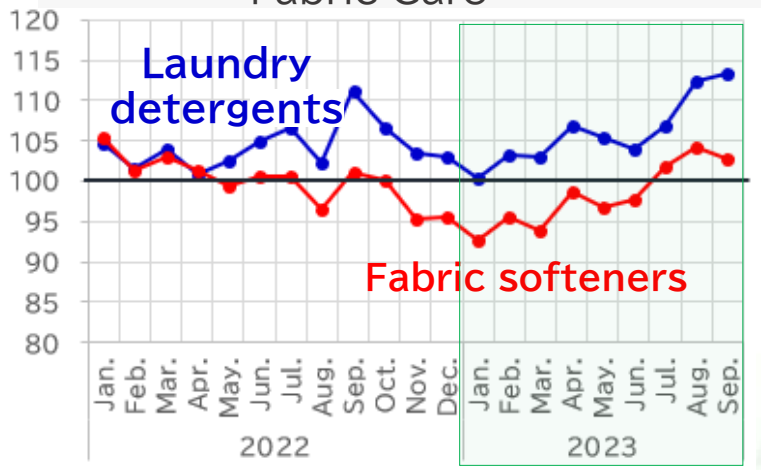
Oral Care



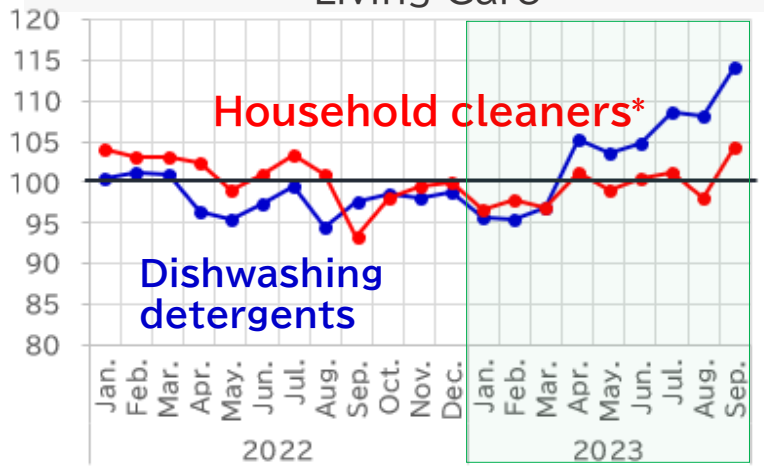
Beauty Care



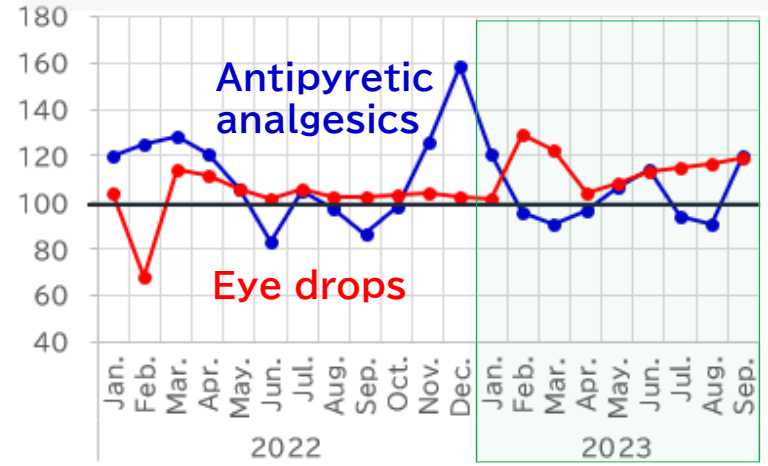
Fabric Care



Living Care



Pharmaceutical



Comparison of key categories in the first nine months of 2023 (%)

Category	Vs. '22	Vs. '21	Vs. '19
Toothpaste	103	105	108
Toothbrushes	101	104	97
Hand soaps	92	88	117
Laundry detergents	106	111	113
Fabric softeners	98	99	103
Dishwashing detergents	104	102	117
Household cleaners	100	101	111
Antipyretic analgesics	102	108	127

* "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

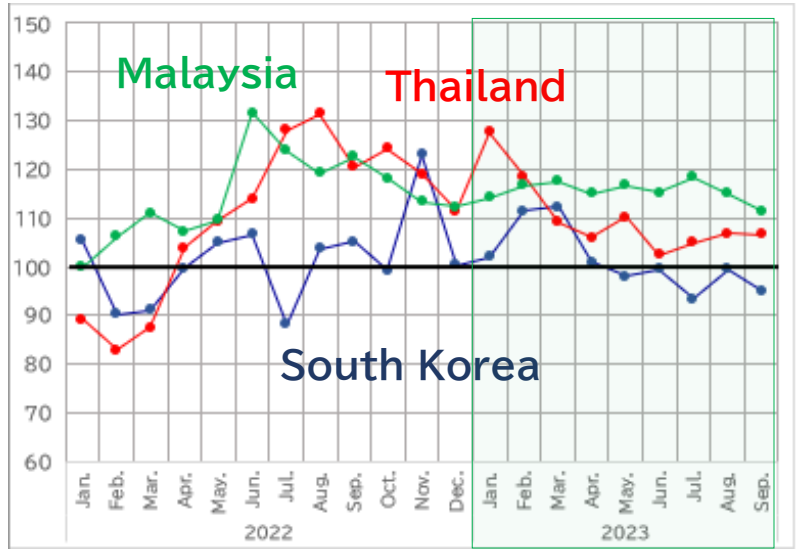
Sales value by country and category compared with previous years (%) (Jan.–Sep. 2023)

Source: Nielsen

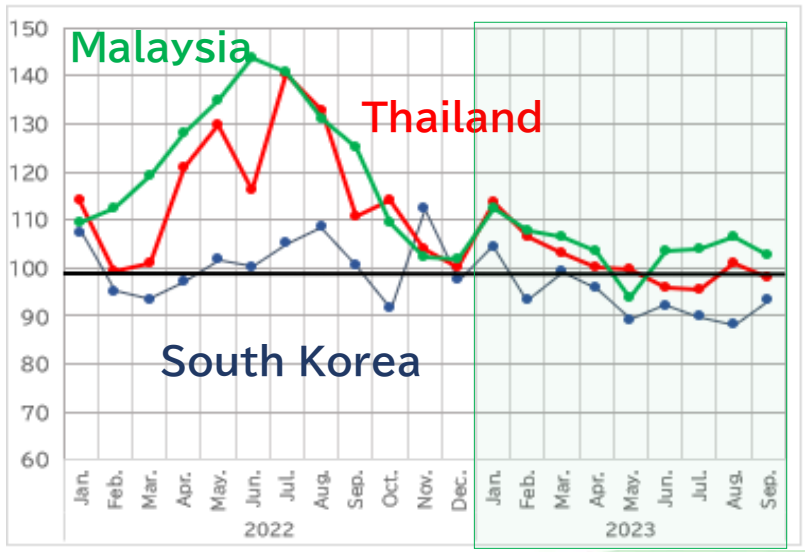
	Thailand			Malaysia			South Korea		
Category	Vs. ‘22	Vs. ‘21	Vs. ‘19	Vs. ‘22	Vs. ‘21	Vs. ‘19	Vs. ‘22	Vs. ‘21	Vs. ‘19
Laundry detergents	110	116	95	116	132	114	101	100	95
Toothbrushes	101	119	94	104	132	122	94	95	84
Hand soaps	89	79	141	60	48	134	82	77	118

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

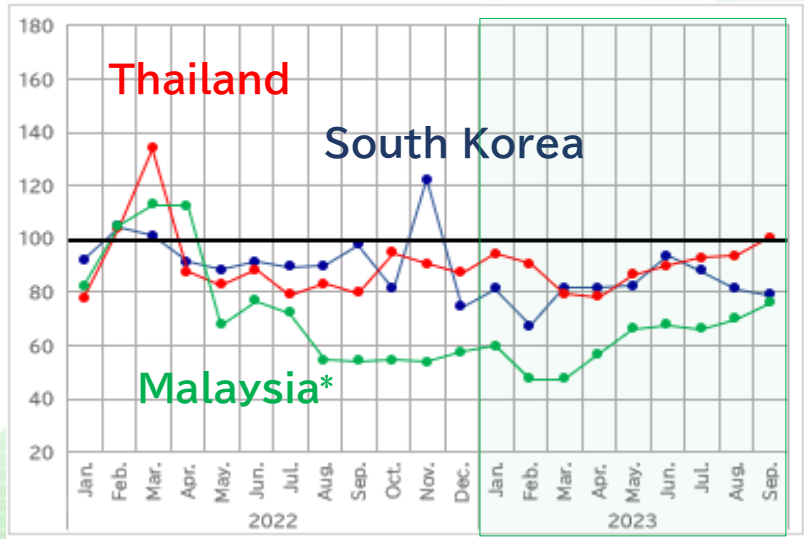
Laundry detergents



Toothbrushes



Hand soaps



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

Consolidated Financial Results

Although net sales increased Y-o-Y, core operating income fell due mainly to increased competition-related expenses and head office relocation costs

(Billions of yen)	Jan.–Sep. 2023	Jan.–Sep. 2022	Y-o-Y change	
			Amount	%
Net sales	296.0	286.1	9.9	3.5 1.5*
Core operating income*1 % of net sales	12.6 4.3	17.2 6.0	(4.6)	(26.8)
Operating profit % of net sales	12.5 4.2	22.3 7.8	(9.8)	(44.1)
Profit for the period attributable to owners of the parent	8.8	17.1	(8.2)	(48.3)
EPS (Yen)	31.12	60.04	(28.92)	(48.2)
EBITDA*2	26.0	28.7	(2.7)	(9.6)
EBITDA margin (%)*3	8.8	10.1	—	(1.3PP)

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

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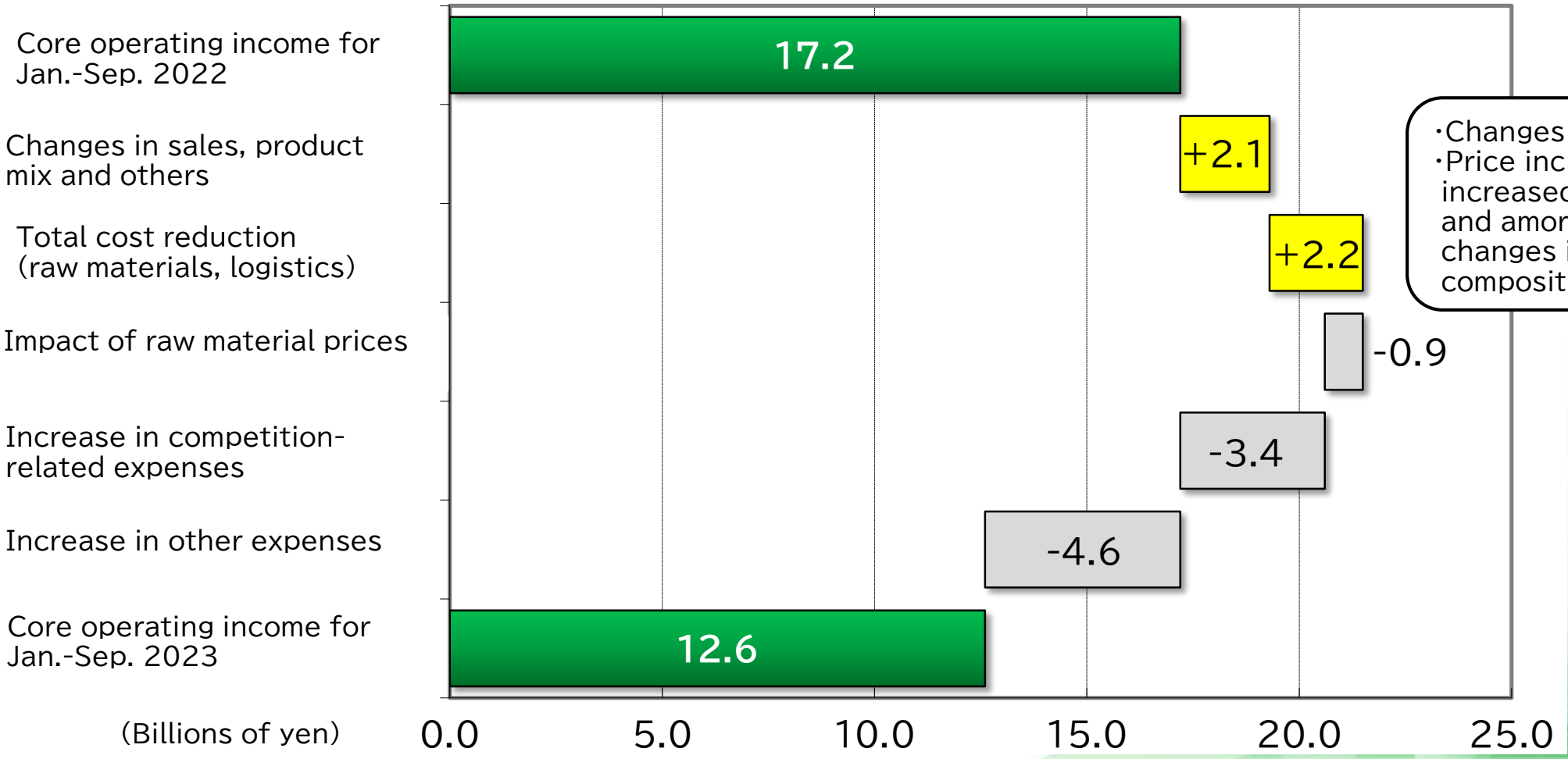
Core operating income was boosted by cost reductions and the increase in gross profit due to increased sales, primarily overseas, but decreased overall due mainly to increased competition-related expenses and head office relocation costs



Results by Business Segment

Sales increased but profit decreased in Consumer Products; sales and profit both increased in Industrial Products, Overseas and Other

(Billions of yen)	Net sales				Segment profit (Core operating income)			
	Jan.–Sep. 2023	Jan.–Sep. 2022	Y-o-Y change		Jan.–Sep. 2023, %	Jan.–Sep. 2022, %	Y-o-Y change	
			Amount	%			Amount	%
Consumer Products	196.5	193.0	3.5	1.8	3.0	8.9	(5.8)	(65.6)
	167.4	167.3	0.1	0.1	1.6	4.6		
Industrial Products	42.7	42.3	0.3	0.9	2.5	2.3	0.1	4.9
	28.1	27.6	0.5	1.8	5.9	5.7		
Overseas	109.6	96.2	13.3	13.9	5.9	3.3	2.6	77.9
	99.1	88.1	11.0	12.6	5.4	3.5		
Other	15.5	11.2	4.2	37.6	0.9	0.8	0.0	7.7
	1.2	3.0	(1.7)	(58.1)	6.0	7.7		
Adjustment	(68.3)	(56.7)	(11.5)	—	0.0	1.6	(1.5)	—
	—	(0.0)	0.0	—				
Consolidated Total	296.0	286.1	9.9	3.5	12.6	17.2	(4.6)	(26.8)
					4.3	6.0		

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

Consumer Products Business Net Sales by Product Category

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Sales of fabric care and pharmaceutical products increased; a rise in other is mainly attributable to an increase in Group internal sales recorded by manufacturing subsidiaries
Sales of oral care products decreased slightly, due in part to the suspension of shipments of some toothpaste products

(Billions of yen)	Net sales			
	Jan.–Sep. 2023	Jan.–Sep. 2022	Y-o-Y change	
			Amount	%
Oral Care	51.8	52.0	(0.1)	(0.3)
Beauty Care	18.0	19.8	(1.7)	(9.1)
Fabric Care	46.6	43.9	2.7	6.2
Living Care	15.8	17.0	(1.2)	(7.4)
Pharmaceutical	18.9	17.9	1.0	5.7
Other	45.2	42.2	2.9	7.0
Total	196.5	193.0	3.5	1.8

Performance of New NANOX one, Launched Sep. 20

Initial shipments met plans, with the ratio of shipments by price range proceeding as anticipated

◆The ratio of units sold by price range was as targeted

Sales ratio of units sold since release



Standard line
66%



PRO
34%

Source: INTAGE Inc. SRI+ survey
Laundry detergent market: September 18–October 15
Ratio by units sold among NANOX one products

◆Each has achieved a high repeat purchase rate*



68%

72%

67%

Source: SOO panel data
Period 1: September 15–September 22
Period 2: September 23–October 15
* Of customers who bought the product in period 1 and bought any laundry detergent in period 2, the percentage that again bought the product in period 2

We aim to secure first-time users and expand repeat purchasing to grow sales going forward

Overseas Business Results by Region

Sales and profit increased in both Southeast and South Asia and Northeast Asia

(Billions of yen)	Net sales				Core operating income			
	Jan.–Sep. 2023	Jan.–Sep. 2022	Y-o-Y change		Jan.–Sep. 2023	Jan.–Sep. 2022	Y-o-Y change	
			Amount	%			Amount	%
Southeast and South Asia	66.8	61.1	5.7	9.4	3.4	1.4	1.9	129.5
Northeast Asia	42.7	35.1	7.6	21.6	2.5	1.8	0.6	37.0
Total	109.6	96.2	13.3	13.9	5.9	3.3	2.6	77.9

∗ 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: +1.7% (Thailand: +3.4%, Malaysia: -0.6%);
Northeast Asia: +17.4% (China∗: +33.6%, South Korea: +7.1%); ∗ Qingdao Lion
Total: +7.4%

Overseas Business: Status of Business in Key Countries

Sales in China grew significantly, while sales in Thailand and South Korea also rose Y-o-Y
Sales in Malaysia decreased slightly Y-o-Y, but sales of mainstay laundry detergents recovered

Thailand: +3.4%

＊Y-o-Y change in net sales at constant currency; same applies for other countries

- Laundry detergent sales volume decreased amid a difficult competitive environment, but by reining in promotional discounts, we increased total net sales
- Sales of *Shokubutsu-Monogatari* body washes were strong

Personal care field net sales
Y-o-Y: +7.2%; share of total sales: 31.6%

Malaysia: -0.6%

- Amid a fierce competitive environment, due in part to reinforcing in-store measures, sales of laundry detergents increased Y-o-Y
- Profit increased significantly Y-o-Y

Personal care field net sales
Y-o-Y: -4.7%; share of total sales: 19.7%

China: +33.6%

- Online
  Recovering from the impact of switching e-commerce vendors in 2022
- Offline
  Sales of locally produced *White&White* toothpaste were strong

Personal care field net sales
Y-o-Y: +43.1%; share of total sales: 85.0%

South Korea: +7.1%

- Offline sales of *Beat* laundry detergent were strong
- The hand soap market remained down Y-o-Y, and sales struggled

Personal care field net sales
Y-o-Y: +1.4%; share of total sales: 29.2%

- Personal care field net sales = Total of net sales in the oral care, beauty care and pharmaceutical fields (calculated based on shipments from the Company; Y-o-Y change at constant currency)

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Consolidated Financial Results for the First Nine Months of 2023

Fiscal 2023 Financial Forecast

2023 Consolidated Financial Forecast

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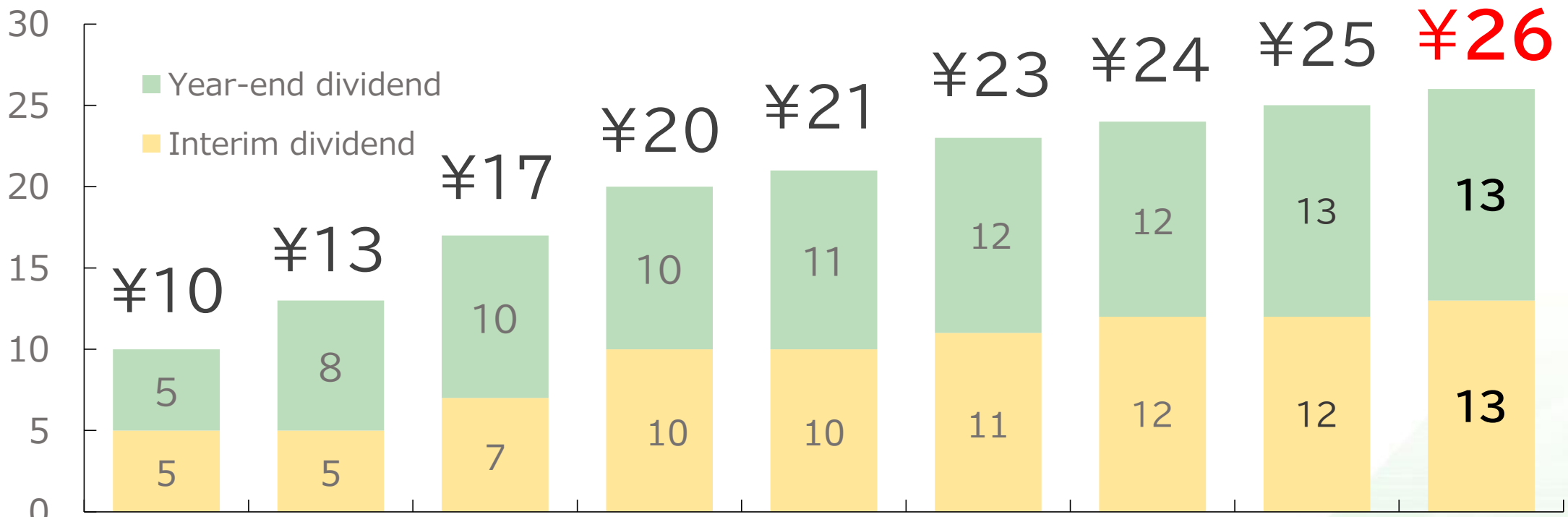
Unchanged from the forecast announced at the start of the year

(Billions of yen)	2023	2022	Y-o-Y change	
			Amount	%
Net sales	410.0	389.8	20.1	5.2
Core operating income*1 % of net sales	25.0 6.1	23.5 6.0	1.4	6.1
Operating profit % of net sales	25.0 6.1	28.8 7.4	(3.8)	(13.3)
Profit for the period attributable to owners of the parent	17.5	21.9	(4.4)	(20.2)
EPS (Yen)	61.45	77.04	(15.59)	(20.2)
EBITDA*2	42.0	39.9	2.0	5.1
EBITDA margin (%)*3	10.2	10.2	—	(0.0PP)
ROIC (%)*4	5.5	6.0	—	(0.5PP)
ROE (%)	6.5	8.5	—	(2.0PP)

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.
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.

Shareholder Returns

We plan to increase the annual per-share dividend for an eighth consecutive year, to ¥26 (for a consolidated payout ratio of 42.3%)



	2015	2016	2017	2018	2019	2020	2021	2022	2023
Consolidated payout ratio	25.4%	23.6%	24.9%	22.7%	29.7%	22.4%	29.4%	32.4%	**42.3%**

Basic dividend policy

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

Reference Materials

Consolidated Results for July–September 2023

(Billions of yen)	Jan.–Jun. 2023	Jul.–Sep. 2023	Y-o-Y change Jul.–Sep.	
			Amount	%
Net sales	192.8	103.2	2.2	2.2
Core operating income*1 % of net sales	6.3 3.3	6.2 6.0	(1.8)	(23.2)
Operating profit % of net sales	6.2 3.2	6.2 6.1	(1.8)	(22.9)
Profit for the period attributable to owners of the parent	4.2	4.5	(1.4)	(24.8)
EPS (Yen)	15.12	16.00	(5.29)	(24.8)
EBITDA*2	14.9	11.0	(0.8)	(7.5)

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).

Segment Results for July–September 2023

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(Billions of yen)	Net sales				Segment income (core operating income)			
	Jan.–Jun. 2023	Jul.–Sep. 2023	Y-o-Y change Jul.–Sep.		Jan.–Jun. 2023, %	Jul.–Sep. 2023, %	Y-o-Y change Jul.–Sep.	
			Amount	%			Amount	%
Consumer Products	128.7	67.7	0.2	0.4	0.7	2.3	(2.3)	(49.7)
	109.7	57.6	(1.0)	(1.9)	0.6	3.5		
Industrial Products	28.5	14.2	(0.9)	(6.1)	1.6	0.8	(0.0)	(0.9)
	18.7	9.4	0.0	0.3	5.9	5.9		
Overseas	70.2	39.3	4.3	12.3	3.4	2.4	0.9	67.6
	63.4	35.7	3.3	10.3	5.0	6.3		
Other	10.9	4.5	(0.2)	(5.5)	0.7	0.1	(0.1)	(49.8)
	0.9	0.3	0.1	131.2	6.8	4.2		
Adjustment	(45.6)	(22.6)	(1.1)	—	(0.2)	0.3	(0.3)	—
	—	—	(0.1)	—				
Consolidated total	192.8	103.2	2.2	2.2	6.3	6.2	(1.8)	(23.2)
					3.3	6.0		

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

Consumer Products Net Sales for July–September 2023

(Billions of yen)	Total net sales			
	Jan.–Jun. 2023	Jul.–Sep. 2023	Y-o-Y change Jul.–Sep.	
			Amount	%
Oral care	34.4	17.4	(0.9)	(5.3)
Beauty care	11.9	6.0	(1.1)	(16.2)
Fabric care	29.8	16.8	1.7	12.0
Living care	10.8	4.9	(0.6)	(12.0)
Pharmaceuticals	11.8	7.0	0.2	4.4
Other	29.8	15.3	0.9	6.9
Total	128.7	67.7	0.2	0.4

Consolidated Statement of Income

(Billions of yen)	Jan.–Sep. 2023	Jan.–Sep. 2022	Y-o-Y change	
			Amount	%
Net sales	296.0	286.1	9.9	3.5
Cost of sales	164.7	158.4	6.2	4.0
Gross profit	131.3	127.6	3.6	2.9
Selling, general and administrative expenses	118.7	110.4	8.3	7.5
Core operating income	12.6	17.2	(4.6)	(26.8)
Other income	1.0	6.2	(5.1)	(82.8)
Other expenses	1.1	1.0	0.1	11.6
Operating profit	12.5	22.3	(9.8)	(44.1)
Finance income	0.9	0.8	0.0	8.0
Finance costs	0.6	0.0	0.5	553.6
Share of profit of investments accounted for using the equity method	1.3	1.5	(0.1)	(10.3)
Profit before tax	14.2	24.7	(10.4)	(42.5)
Income taxes	4.0	6.9	(2.9)	(42.4)
Profit for the period	10.2	17.7	(7.5)	(42.5)
Profit for the period attributable to non-controlling interests	1.3	0.6	0.7	109.0
Profit for the period attributable to owners of the parent	8.8	17.1	(8.2)	(48.3)

Selling, General and Administrative Expenses

(Billions of yen)	Jan.–Sep. 2023		Jan.–Sep. 2022		Y-o-Y change	
	Amount	% of sales (%)	Amount	% of sales (%)	Amount	%
Selling, general and administrative expenses	118.7	40.1	110.4	38.6	8.3	7.5
Sales commissions	6.2	2.1	7.3	2.6	(1.0)	(14.3)
Promotional expenses	27.5	9.3	22.9	8.0	4.5	19.9
Advertising expenses	15.9	5.4	16.0	5.6	(0.1)	(0.7)
Transportation and warehousing expenses	15.7	5.3	15.5	5.4	0.2	1.6
R&D expenses	8.1	2.8	8.0	2.8	0.1	1.9
Other expenses	44.9	15.2	40.4	14.1	4.4	11.1

Consolidated Statement of Financial Position

(Billions of yen)		September 30, 2023	December 31, 2022	Change
Current assets		227.2	237.6	(10.4)
	Cash and cash equivalents	73.8	101.0	(27.2)
	Trade and other receivables	77.6	71.2	6.3
	Inventories	59.9	53.9	6.0
Non-current assets		251.6	231.5	20.0
	Property, plant and equipment	138.3	130.1	8.2
	Intangible assets	22.8	23.9	(1.0)
	Right-of-use assets	31.6	31.5	0.1
	Other financial assets	24.5	22.8	1.6
Total assets		478.8	469.2	9.6

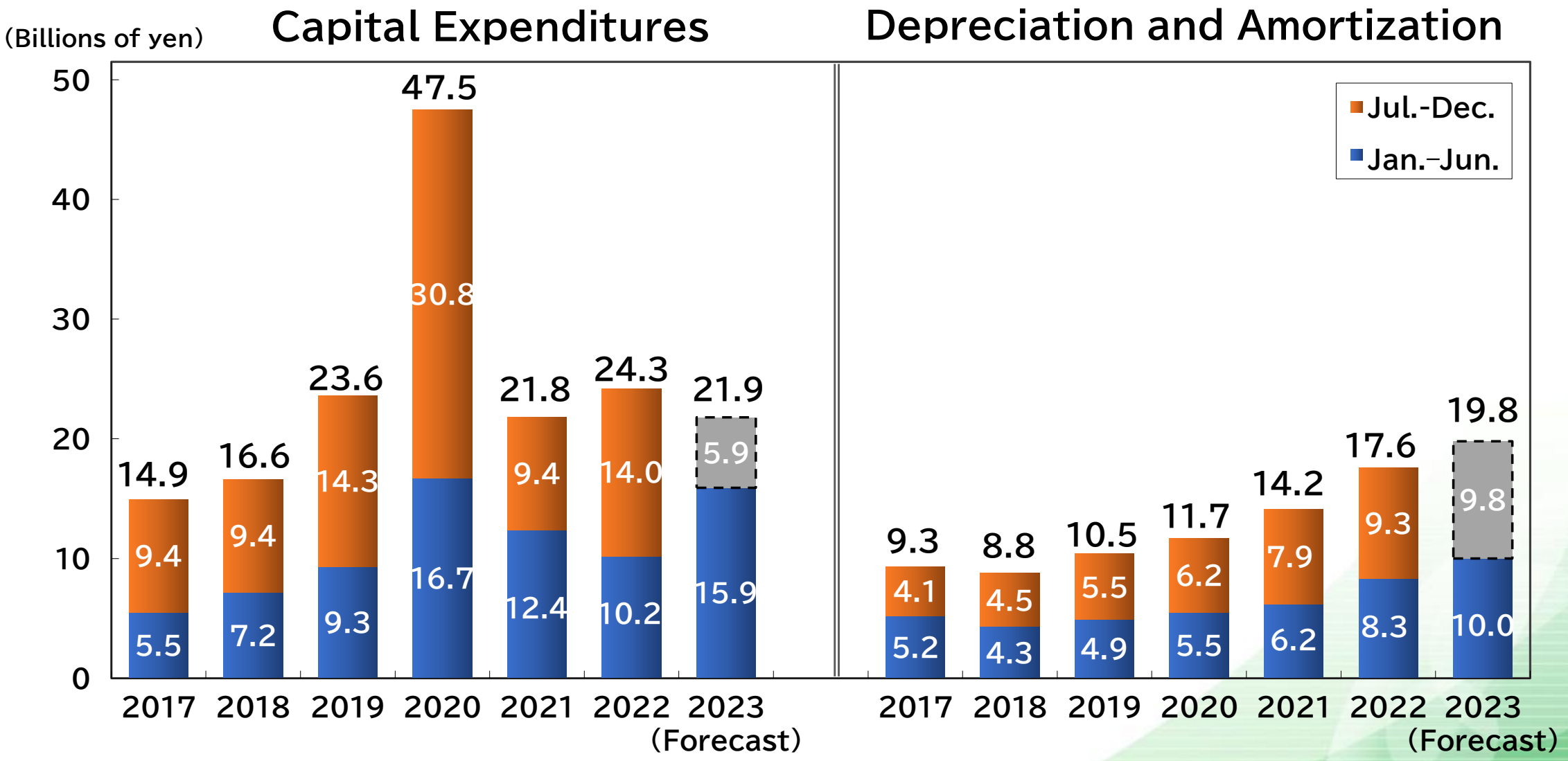
Consolidated Statement of Financial Position

(Billions of yen)		September 30, 2023	December 31, 2022	Change
Current liabilities		141.1	141.5	(0.4)
	Trade and other payables	125.1	126.0	(0.8)
	Lease liabilities	2.1	1.7	0.3
	Other current liabilities	7.7	7.0	0.6
Non-current liabilities		45.9	48.5	(2.6)
	Retirement benefit liabilities	6.0	10.4	(4.3)
	Lease liabilities	28.4	28.8	(0.4)
Equity		291.8	279.1	12.6
	Share capital	34.4	34.4	—
	Capital surplus	31.0	31.0	0.0
	Treasury stock	(7.8)	(8.0)	0.1
	Other components of equity	19.2	13.9	5.2
	Retained earnings	197.9	192.8	5.1
Total liabilities and equity		478.8	469.2	9.6

Consolidated Statement of Cash Flows

(Billions of yen)	Jan.–Sep. 2023	Jan.–Sep. 2022	Change
Cash flows from operating activities	13.1	18.6	(5.5)
Cash flows from investing activities	(30.6)	(13.3)	(17.2)
Cash flows from financing activities	(11.0)	(19.2)	8.1
Effect of exchange rate changes on cash and cash equivalents	1.3	1.8	(0.4)
Net increase (decrease) in cash and cash equivalents	(27.2)	(12.1)	(15.1)
Cash and cash equivalents at beginning of period	101.0	97.2	3.8
Cash and cash equivalents at end of period	73.8	85.1	(11.2)

Capital Expenditures and Depreciation and Amortization



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

Changes in Household Products Market and OTC Drug Market

1)Market Environment for Household Products (35 markets, SRI/SRI+*1)

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.–Sep. 2023
Sales value	102	102	112	95	101	102
Unit sales	100	100	105	92	97	95
Average unit price	102	102	106	103	104	107

Source: INTAGE Inc. SRI survey (data for 2017 is for 37 markets ; data for 2018–2020 is for 38),
SRI+ survey (data for 2021 is for 38 markets; data for 2022 is for 37; data for Jan.–Sep. 2023 is for 35)

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

	2018	2019	2020	2021	2022	Jan.–Sep. 2023
Sales value	102	105	108	102	101	99
Unit sales	100	102	101	96	96	93
Average unit price	103	104	106	107	106	106

Source: INTAGE Inc. SCI survey (data for 2017–2019 is for 15 markets; data for 2020 onward is for 14)

Notes 1. The SRI+ survey uses point-of-sales data from around 3,000 stores nationwide for its estimates.
2. The SCI survey collects purchasing data from around 50,000 shoppers (age 15-69) nationwide except for Okinawa

Changes in Household Products Market and OTC Drug Market

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.–Sep. 2023
Sales value	102	100	93	103	104	113
Unit sales	101	99	89	101	102	109
Average unit price	101	101	105	102	101	103

Source: INTAGE Inc. SDI survey (data for 2017- 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 2017 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.–Sep. 2023
Sales value	104	104	102	110	101	97
Sales volume	102	102	99	107	100	96
Average unit price	102	102	103	103	102	101

Source: INTAGE Inc. SCI survey

Assumed Raw Material Prices and Exchange Rates

All figures below are annual averages for 2023.

◇Most recent revision (8/7)

Dubai Crude	Domestic Naphtha	Crude Palm Oil
75.0$/BBL	JPY60,000/KL	3,800RM/ton

Exchange Rates

U.S. Dollar	Thai Baht
JPY138.0	JPY4.00

◇Reference: Previous assumptions (5/9)

Dubai Crude	Domestic Naphtha	Crude Palm Oil
80.0$/BBL	JPY62,000/KL	4,000RM/ton

U.S. Dollar	Thai Baht
JPY130.0	JPY3.80

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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.