



Lion Corporation

Financial Results for the Fiscal Year Ended December 31, 2020

February 12, 2021

Event Summary

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[Event Language]	JPN	
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[Venue]	Webcast	
[Participants]	73	
[Number of Speakers]	5	
	Masazumi Kikukawa	Representative Director, President and Executive Officer Chief Operating Officer
	Takeo Sakakibara	Director, Senior Executive Officer
	Kei Minamikawa	Director of Corporate Planning Department
	Yoshitada Ishii	Deputy Director of Finance Department
	Keita Tanimoto	Director of Investor Relations Office, Corporate Planning Department
[Respondent]	Masazumi Kikukawa, Takeo Sakakibara	

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Presentation

Tanimoto: Thank you very much for taking time out of your busy schedule to join us today for the FY2020 Lion Corporation Financial Results Briefing. This event is held as a live webcast. We just disclosed our financial results on the Tokyo Stock Exchange at 15:00. We will now explain the details.

First, let me introduce our attendees, these four members: Mr. Masazumi Kikukawa, Representative Director, President, Executive Officer; Mr. Takeo Sakakibara, Director, Senior Executive Officer; Mr. Kei Minamikawa, Director of Corporate Planning Department; and Mr. Yoshitada Ishii, Deputy Director of Finance Department. I, Tanimoto of the Investor Relations Office of the Corporate Planning Department, will serve as the moderator.

After an explanation by Mr. Kikukawa, based on the financial results presentation materials, we will move on to the Q&A session. The entire meeting is scheduled for one hour and 15 minutes.

The materials to be used in today's presentation are available on our website.



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.

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Before the explanation, please note that this presentation may contain forward-looking statements based on current expectations, all of which are subject to risks and uncertainties, and therefore, actual results may differ from the forecast.

Now, let us begin the explanation. President Kikukawa, please.

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1. Fiscal 2020 Financial Results
2. Long-Term Strategic Framework (Vision2030)
3. Fiscal 2021 Financial Forecast

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Kikukawa: I'm Kikukawa, the President. Thank you very much for taking time out of your busy schedule to participate in our financial results briefing today. We would also like to thank you again for your continued support of our IR activities.

Today, I will explain these three points.

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Comparison to Forecast (revised 11/5)

Sales and profit met forecasts

- The net sales forecast was met due to increased sales in mainstay domestic markets (oral care, fabric softeners, etc.), where we made strategic investments in competition-related expenses, despite weak performance in Southeast Asia due to sluggish consumption in the fourth quarter.
- Core operating income exceeded the forecast due to an increase in gross profit that reflected changes in the sales mix

Y-o-Y Change

Both sales and profit increased

- Sales, particularly of hygiene-related products, grew due to the spread of the novel coronavirus (COVID-19).
- Core operating income and the ratio of core operating income to net sales both rose, mainly due to cost reductions and an increase in gross profit that reflected the increase in sales and changes in the sales mix.
- 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). Lion Corporation. All rights reserved. 4

First, I would like to explain the business results for the last fiscal year.

Last year's business results achieved both net sales and profits in line with the announced figures revised on November 5. In particular, in Q4 of the fiscal year, we increased our competition-related expenses in the core areas of domestic consumer products as planned, which drove sales and market growth.

Core operating income exceeded the announced figures due to the increase in gross profit caused by the change in sales composition.

Compared to the previous year, sales and profits increased due to increased sales of hygiene-related products due to the impact of the novel coronavirus (COVID-19) throughout the year, increased gross profit due to a change in the composition of sales, and promotion of cost reduction.

Operating profit and profit for the period attributable to owners of parent increased substantially due to the recording of a gain on the transfer of the head office land in February last year.

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Market Trends



Period: Jan.-Dec. 2020; Source: INTAGE Inc. SRI, SDI survey

Aggregate of 38 Home Products Markets	Driven by hygiene-related products, both sales volume and unit prices increased, and sales value grew 12% year on year
Oral Care	<ul style="list-style-type: none"> ✓ Toothpaste unit prices rose, reflecting a shift to higher-value-added products, driving market expansion (up 2% Y-o-Y) ✓ Toothbrush fell (down 4% Y-o-Y) due to a decrease in sales volume but showed signs of improvement in the second half (up 5% in Oct.-Dec. Y-o-Y)
Beauty Care	<ul style="list-style-type: none"> ✓ Hygiene-related products, including hand soaps, expanded (hand soaps: up 86% Y-o-Y)
Fabric Care	<ul style="list-style-type: none"> ✓ Laundry detergents and fabric softeners were level year on year, reflecting a decrease in sales volume that was offset by rising unit prices
Living Care	<ul style="list-style-type: none"> ✓ Dishwashing detergents and food preparation products grew due to an increase in eating at home (up 14% and 16% Y-o-Y, respectively) ✓ Household cleaner expanded due to increased hygiene awareness (up 29% Y-o-Y)

Period: Jan.-Nov. 2020; Source: Nielsen

Aggregate of Key Overseas Markets	Hand soap benefitted from more frequent hand washing, while laundry detergent were down Y-o-Y but improving
Hand soaps	<ul style="list-style-type: none"> ✓ In South Korea, sales value was double the previous year's results ✓ In Thailand, sales value was 1.7 times the previous year's results ✓ In Malaysia, sales value was 3.4 times the previous year's results
Laundry detergents	<ul style="list-style-type: none"> ✓ In South Korea, sales value was down 1% year on year, largely unchanged on a full-year basis, despite fluctuations during the year ✓ In Thailand, sales value was down 7%, as, despite gradual improvement, recovery from the impact of sluggish consumption was slow ✓ In Malaysia, sales value was down 8%, gradually recovering from April onward and, in November, reaching a level on par with the previous year

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This slide summarizes trends in the domestic consumer goods market and major overseas markets in which we operate.

In Japan, the total market for 38 home products, in which we operate, has expanded by more than 10%, driven by hygiene-related products.

As I mentioned at the Q3 financial results briefing, toothbrushes showed signs of recovery in H2 of last year, and in the three months from October to December, both unit price and volume increased exceeding the previous year.

Overseas, hand-washing frequency is increasing in many countries, and the hand soap market is expanding greatly, doubling in South Korea, 1.7 times in Thailand, and 3.4 times in Malaysia. Laundry detergents, on the other hand, were greatly affected by a decrease in the frequency of laundry washing due to restrictions on activities in Southeast Asia and sluggish consumption, and although they have been on a gradual recovery trend since April, sales for the entire year have shrunk to the level of 90% to 95% of the previous year.

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Consolidated Financial Results



Core operating income, operating profit and profit for the period reached new record highs and the ratio of core operating income ratio reached 10%

(Billions of yen)	2020	2019	Y-o-Y change		Deviation from revised forecast (% deviation)
			Amount	%	
Net sales	355.3	347.5	7.8	2.3 3.2*	0.3 0.1%
Core operating income % of net sales	35.9 10.1	30.0 8.6	5.8	19.6	2.9 8.9%
Operating profit % of net sales	44.0 12.4	29.8 8.6	14.2	47.7	2.5 6.2%
Profit for the period attributable to owners of parent	29.8	20.5	9.3	45.3	2.8 10.6%
EPS(Yen)	102.75	70.72	32.03	45.3	9.87 10.6%

Note: 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.

* Y-o-Y change at constant currency excluding exchange rate fluctuations.

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I will now explain our consolidated business results.

Net sales totaled JPY355.3 billion, up 2.3% or JPY7.83 billion from the previous fiscal year. Excluding the effect of currency translation, the real rate of change would have been 3.2%.

Core operating income increased about JPY5.8 billion from the previous year to JPY35.9 billion, up 19.6%. Core operating income to net sales was 10.1%, an increase of about 1.5 percentage points from the previous year.

Operating profit increased by JPY14.2 billion, including the gain on the transfer of land.

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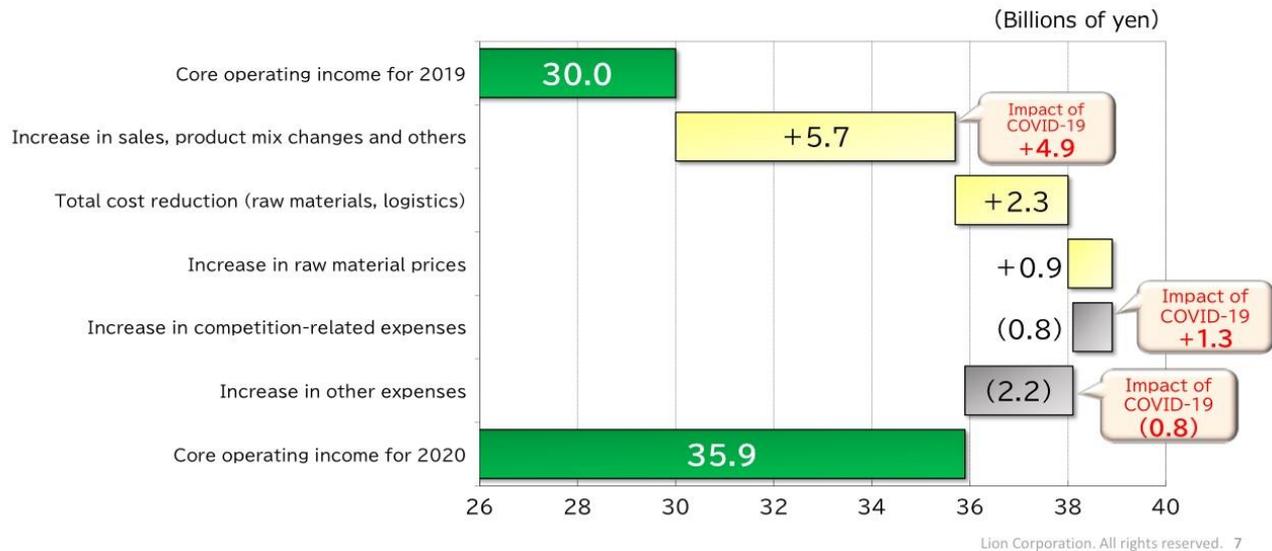
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Year-on-Year Changes in Core Operating Income

Core operating income increased significantly, reflecting increased sales of hygiene-related products due to COVID-19 and cost reductions



This slide shows the reasons for the increase-decrease in core operating income. This time, the impact of COVID-19 is listed as an internal number in the relevant section.

As for the impact of sales increase and change in product mix, the increase in gross profit due to sales increase and change in segment composition made a significant contribution. We estimate that the impact of COVID-19 will be approximately JPY4.9 billion, mainly due to changes in the product mix as hygiene-related products increased.

In addition, total cost reductions and lower raw material prices contributed to an increase in core operating income, resulted in a total increase of JPY8.9 billion.

On the other hand, the increase in competition-related expenses, which were strategically invested especially in Q4, as well as the increase in other expenses such as personnel expenses and depreciation linked to business performance, resulted in a total decrease in core operating income of JPY3 billion. As for the impact of COVID-19, we estimate that a decrease of approximately JPY1.3 billion in competition-related expenses was a positive factor, and an increase of JPY800 million in expenses was a negative factor.

As a result, core operating income increased by JPY5.9 billion, of which the impact of COVID-19 is estimated to be approximately JPY5 billion.

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Results by Business Segment



Consumer Products drove major growth in both sales (up ¥11.1 billion) and profit (up ¥5.0 billion)

(Billions of yen)	Net sales*				Segment profit (Core operating income)		
	2020	2019	Y-o-Y change		2020	Y-o-Y change	
			Amount	%		Amount	%
Consumer Products	245.4	234.3	11.1	4.8	24.6	5.0	25.5
	229.7	219.3	10.3	4.7	10.0%		
Industrial Products	55.0	55.1	(0.0)	(0.2)	2.1	0.4	23.7
	31.5	32.9	(1.3)	(4.2)	3.9%		
Overseas	101.6	101.0	0.5	0.5	7.1	(0.4)	(5.4)
	91.2	91.7	(0.5)	(0.6)	7.0%		
Other	34.8	35.3	(0.5)	(1.5)	2.3	0.7	52.2
	2.8	3.4	(0.5)	(17.5)	6.6%		
Adjustment	(81.6)	(78.4)	(3.2)	-	(0.3)	0.0	-
	0.0	0.0	(0.0)	(78.9)	(0.3)		
Consolidated Total	355.3	347.5	7.8	2.3	35.9	5.8	19.6
					10.1%		

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

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Let's look at results by business segment. The upper line shows net sales and the lower line shows sales to external customers. The first is the Consumer Products Business.

Sales increased by 4.8%, driven by growth in hygiene-related products. Segment profit increased significantly by 25.5%, and segment income margin rose to 10%.

Next, in the Industrial Products Business, sales declined due to the significant impact of the sluggish market conditions in the chemical products field.

In the Detergents for Institutional Use Products fields, sales increased YoY, due to increased sales of sanitizers for kitchens and hand soaps for institutional use, despite struggling sales of detergents for restaurant-related use. Segment profit increased mainly due to an increase in the proportion of the Detergents for Institutional Use Products which earn high-margin.

Next, I would like to talk about our Overseas Business. In Southeast Asia, the market was strongly affected by the contraction of the market due to restrictions on outings and activities, but in Northeast Asia, the Chinese market grew strongly. As a result, total sales increased YoY. Segment profit decreased in total, due to the struggles in Southeast Asia.

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Consumer Products Business Net Sales by Product Category

Rising hygiene awareness and increased time spent at home drove major growth in beauty care and living care

(Billions of yen)	Net sales			
	2020	2019	Y-o-Y change	
			Amount	%
Oral Care	66.4	64.5	1.8	2.9
Beauty Care	31.4	22.3	9.1	40.9
Fabric Care	59.1	60.7	(1.6)	(2.7)
Living Care	24.0	19.7	4.2	21.7
Pharmaceutical	23.8	26.2	(2.3)	(8.9)
Other	40.5	40.6	(0.1)	(0.4)
Total	245.4	234.3	11.1	4.8

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Next is sales by product category in the Consumer Products Business.

Oral care sales increased by 2.9% for the year. Sales of toothpaste, mouthwash, and dental care products all grew steadily throughout the year. As for toothbrushes, which we saw as an issue to be addressed for early recovery, there are signs of recovery mainly in the adult-use category, thanks to our aggressive marketing investment in Q4.

For beauty care, most of the increase in revenue is due to the growth of hand soap and hand sanitizer.

In the fabric care category, sales were down from the previous year due to struggling sales of laundry detergents in particular.

In the living care category, sales of dishwashing detergents, food preparation products, and household cleaner were strong due to an increase in time spent at home as people refrained from going out.

Sales in the pharmaceutical field decreased, due to the significant impact of the decline in inbound demand.

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Overseas Business Net Sales by Region

Sales in Southeast Asia fell due to sluggish consumption, but sales in China drove sales in Northeast Asia, leading to an overall increase

(Billions of yen)	Net sales			
	2020	2019	Y-o-Y change	
			Amount	%
Southeast Asia	66.4	69.5	(3.0)	(4.4)
Northeast Asia	35.1	31.5	3.6	11.5
Total	101.6	101.0	0.5	0.5

*Y-o-Y change at constant currency excluding exchange rate fluctuations:
Southeast Asia: -0.8%; Northeast Asia: 14.4%; Total: 4.0%

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Next, we will look at the sales by region of our Overseas Business.

In Southeast Asia, overall sales decreased by 4.4% from the same period of the previous year due to the impact of reduced consumption caused by restrictions on outings and activities in Thailand and Malaysia. Excluding the effect of exchange rate fluctuations, the real sales decreased by 0.8%.

In Northeast Asia, overall sales increased by 11.5% from the same period of the previous year. Excluding the effect of exchange rate fluctuations, the increase in real terms was 14.4%. China, where the overall market recovered at an early stage, performed well and drove the overall performance. In South Korea, the impact of the deterioration in the business environment since the summer of the year before last ran its course in H2 of last year, and strong sales of hand soap added to the increase in sales for the year.

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Impact of COVID-19 on Lion's Financial Results



Net sales: +¥6.1 billion

Main Factors Affecting Net Sales (billions of yen)

POSITIVE

NEGATIVE

+10.0	<ul style="list-style-type: none"> Hygiene-related products (hand soaps, hand sanitizers) Dishwashing detergents, food preparation products <p>Rising hygiene awareness and increased time spent at home</p>	Consumer Products	<ul style="list-style-type: none"> Oral care (toothbrushes, travel products, professional care products) Pharmaceuticals (acne medicines, foot cooling sheets) <p>Efforts to stay home, decreased demand from overseas visitors</p>	-3.4
+1.1	<ul style="list-style-type: none"> Institutional use products (hygiene-related products) <p>Rising hygiene awareness</p>	Industrial Products	<ul style="list-style-type: none"> Chemicals (Automotive, Electrical and Electronics) Institutional use products (dishwashing detergents, food preparation products) <p>Sluggish demand for industrial products</p>	-1.9
+2.6	<ul style="list-style-type: none"> Northeast Asia (China, South Korea) <p>Increased demand for hygiene-related products</p>	Overseas	<ul style="list-style-type: none"> Southeast Asia (Thailand, Malaysia) <p>Sluggish consumption due to restrictions on activity</p>	-1.7

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Here is a summary of the impact of COVID-19 on our business.

On a consolidated basis, we estimate a positive impact to be approximately JPY6.1 billion in sales.

This section shows the main reasons for the increase and decrease in sales. As for positive factors, a major factor in all segments was the increase in demand for hygiene-related products along with the rise in hygiene awareness. In addition, the increase in the number of hours spent at home has led to increased demand for dishwashing detergents, food preparation products, and household cleaner in the Consumer Products Business.

Negative factors, on the other hand, include a decline in demand for travel goods and medical products due to voluntary restraint in going out, as well as a decrease in inbound demand due to restrictions on domestic and international activities and a decline in demand for industrial products.

In Southeast Asia, in addition to the impact of the restrictions on going out, the economy itself has been severely damaged, as the tourism industry plays a major role, and the resulting decline in consumption has had a negative impact.

Now that I have finished explaining last year's business results, I would like to explain Vision 2030, our medium- to long-term management strategy framework for the next 10 years.

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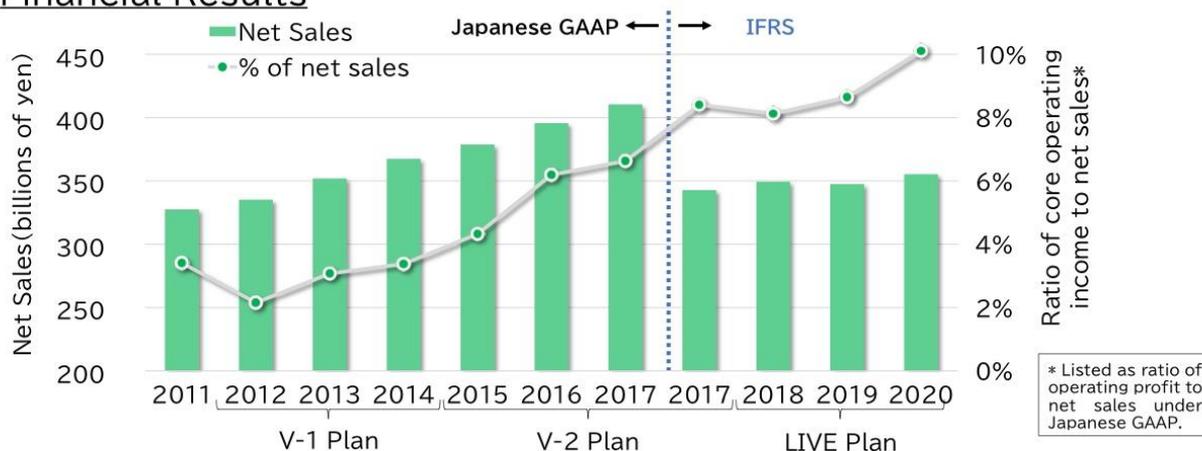


Financial Results Over the Past Decade (2011 to 2020)



Profitability has improved greatly over the past decade, but the rise of net sales has been slow for several years, and bolstering growth remains an issue going forward.

Financial Results



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Before I explain the next 10 years, I would like to first look back at the past 10 years.

In October 2011, we formulated Vision 2020 and have promoted three medium-term management plans--V-1 Plan, V-2 Plan, and LIVE Plan--since 2012.

Under the theme of improving profitability, which has been a particular issue for us, we have promoted structural reforms, such as adding more value to our products, strengthening our earnings base, and consolidating and eliminating affiliated companies.

As a result, as you can see, both sales and core operating income margin have improved significantly, with the core operating income margin most recently reaching the 10% level.

On the other hand, although sales have continued to grow steadily, they have increased only slightly in the past few years, and we see the recovery of growth potential as a challenge for the future.

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Financial Results Over the Past Decade (2011 to 2020)



Profitability, efficiency and productivity rose significantly as we steadily reinforced the management base. In addition, we made future-oriented investments in growth.

Key Indicators		V-1 Plan	V-2 Plan	LIVE Plan	Change*1 (2011→2020)	
		2011	2014	2017		2020*1
Profitability	Core operating income*2	¥11.1 b	¥12.4 b	¥27.2 b	¥35.9 b	+¥24.7 b
	EBITDA*3	¥23.1 b	¥22.7 b	¥36.5 b	¥47.6 b	+¥24.4 b
Efficiency	ROE	4.0%	6.2%	12.2%	13.6%	+9.6 P
	ROIC	4.7%	4.8%	11.1%	10.7%	+6.0 P
Productivity	Core operating income per person*2	¥1.8 m	¥1.9 m	¥3.8 m	¥4.8 m	+¥2.9 m
Investment	Advertising	¥22.1 b	¥24.5 b	¥29.9 b	24.9 b	+¥2.8 b
	R&D	¥8.9 b	¥9.4 b	¥10.4 b	10.9 b	+¥1.9 b
	Capital expenditure	¥8.3 b	¥13.5 b	¥14.8 b	47.5 b	+¥39.2 b

*1 Figures for 2020 are on an IFRS basis.

*2 2011-2017: Operating income under J GAAP.

*3 2011-2017: Operating income + depreciation and amortization

2020: Core operating income + depreciation and amortization

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This page shows the changes in major management indicators over the past 10 years.

Profitability, efficiency, and productivity have all improved significantly over the past 10 years, and we believe that our management base has been steadily strengthened. In terms of investment, we have steadily invested in growth for the future, including advertising, R&D, and capital expenditures.

In the future, we recognize the importance of how to reflect these investments in our business performance.

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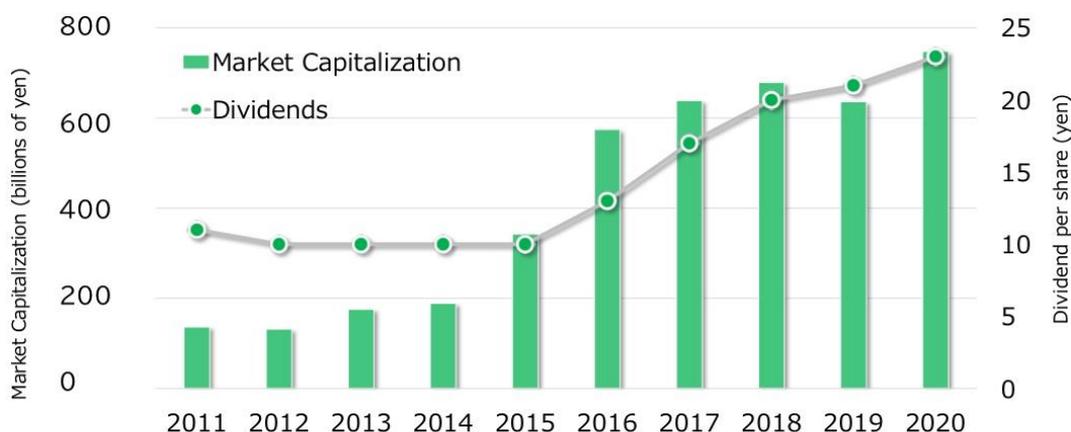


Financial Results Over the Past Decade (2011 to 2020)



Market capitalization in 2020 was approximately 5.5 times that of 2011, and per-share dividends have increased for five consecutive years, rising from ¥11 to ¥23

Market Capitalization and Dividend Per Share



* Market capitalization based on year-end share price

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Next, here are the changes in market capitalization and dividends over the past 10 years.

Our market capitalization has increased approximately 5.5 times during this period, and our dividend per share has increased from JPY11 to JPY23, which was the fifth consecutive year of dividend increases.

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Review of the LIVE Plan (2018 to 2020)

Sales and profit rose from 2017 but did not reach the LIVE Plan targets; growth remains an issue.

(Billions of yen)	2017	2020	Difference from 2017		LIVE Plan target	Difference from target
			Change	CAGR		
Net sales	342.7	355.3	+12.6	1.2%	400.0	(44.6)
Core operating income	28.8	35.9	+7.1	7.7%	40.0	(4.0)
% of net sales	8.4%	10.1%	+1.7P		10%	
Operating profit	30.4	44.0	+13.5	13.1%	40.0	+4.0
Profit for the period attributable to owners of the parent	20.8	29.8	+8.9	12.7%	28.0	+1.8
ROE	12.7%	13.6%	+0.9P	—	Approx. 12%	—

Achievements

- Growth in oral care and China
- Reinforced business foundations (Revenue structure, production framework)

Challenges

- Business expansion in fabric care and Southeast Asia
- Creating new points of business growth (Business creation beyond existing frameworks)

Difference from 2017: Net sales, income, profit and profitability all rose.

Difference from targets: Targets for net sales and core operating income were not met.

Key factors: Weak performance in the domestic fabric care category and in Southeast Asia and inability to fully compensate for said performance

Targets for operating profit, profit for the period attributable to owners of the parent and ROE were met

Key factors: Gain on transfer of non-current assets, etc.

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This page is a review of the LIVE Plan, our mid-term management plan up until last year.

Both sales and profits grew from 2017 but did not reach the targets of the Live Plan.

On the other hand, operating profit, profit for the period, and ROE have reached the target levels due to the impact of the gain on the transfer of fixed assets.

As for the results, we were able to steadily promote the growth of our Oral Care Business and China Business, as well as the strengthening of our business foundation through profit structure reforms and production systems.

On the other hand, we recognize that we still have issues to address in terms of organic growth in existing businesses, including the Fabric Care Business and Southeast Asia Businesses, as well as in terms of creating new growth businesses and growth starting points to supplement them.

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The Coming Decade (2021 to 2030)



The social role and significance of Lion, with its close involvement in everyday living, will grow further as the world adapts to the new normal with COVID-19

Changes in values and behavior

- Renewed awareness of the importance of daily habits
- Increased hygiene needs
- Increased healthcare awareness
- Changes in housework patterns

Key themes for the decade ending in 2030

- Create social value and economic value through **purpose-driven management**
- **Achieve business growth by making a difference in the everyday lives of even more people**
- Transform into a **company that constantly evolves** in response to changes in society

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Now, I would like to talk about the next 10 years.

As I mentioned earlier, under the LIVE Plan, our profitability has indeed improved and our business foundation for the next stage of growth is being prepared, including the strengthening of our production base. In this context, we recognize that the social mission and significance of our company have been greatly enhanced by the impact of the new coronavirus infection that we experienced last year.

We believe that the changes in values and behaviors caused by the new normal has given us a great opportunity to create a new starting point for growth, and that we now have a great chance to achieve business growth.

Against this backdrop, we will work to achieve even more thorough, purpose-driven management by 2030, and we will grow our business by contributing to the daily lives of more people.

In order to realize these goals, we must transform ourselves into a company that continues to transform itself in response to drastic social changes. These are the three themes that we would like to promote.

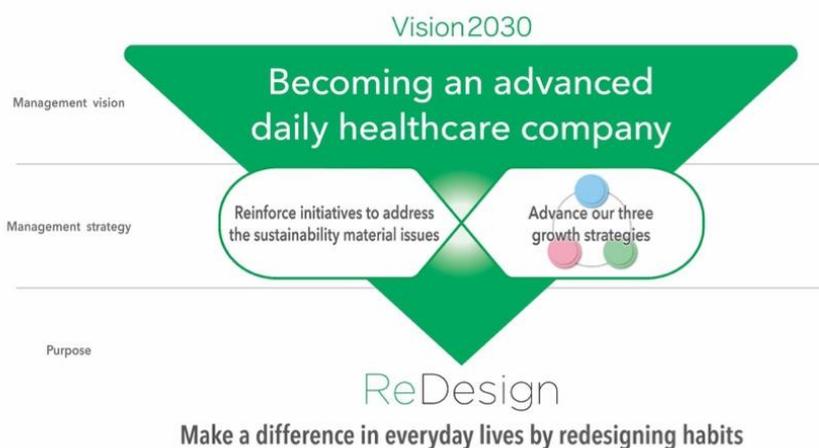
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To achieve its management vision for 2030, based on its purpose, the Lion Group will synergistically **address its sustainability material issues** and advance **three growth strategies** in order to contribute to the realization of a sustainable society and achieve business growth.



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In this environment, our group has formulated a long-term management strategy frame, Vision 2030.

In order to realize this management vision, we will further strengthen our management based on the objective to “make a difference in everyday lives by redesigning habits”, while synergistically promoting initiatives to address the sustainability material issues and growth strategies, aiming to contribute to a sustainable society and achieve business growth.

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We will reinforce management driven by our purpose:
Make a difference in everyday lives by redesigning habits

ReDesign

Make a difference in everyday lives by redesigning habits

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In the wake of the global spread of COVID-19, we are once again reminded of how daily habits, such as hand washing and gargling, play a major role in people's mental and physical health.

Society and our customers need us to “make a difference in everyday lives by redesigning habits”, which is the purpose and raison d’être of our Group. We believe it is important to further strengthen our management based on this purpose and fulfill our social roles and responsibilities.

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Asia's Meetings, Globally

Becoming an advanced daily healthcare company

We will realize healthy minds and bodies for all
by creating new customer experiences
to make everyday habits more natural, easy and enjoyable

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This is our management vision for the year 2030.

When we formulated the LIVE Plan, we set a management vision of “becoming an advanced daily healthcare company” for the year 2030. We will not change this one. By evolving and developing healthcare as only Lion can, we will contribute to a sustainable society and aim to increase our corporate value.

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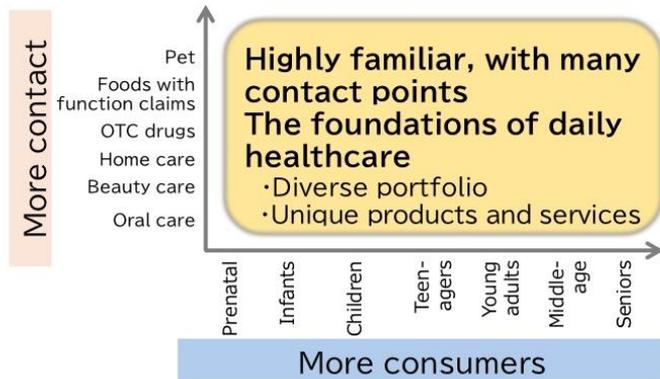
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Business Fields



Regions/areas



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This page shows our approach to the realization of our management vision.

Again, through implementing purpose-driven management, we aim to make a difference in more people's lives, and as a result, we hope to achieve business growth. In order to achieve this, we believe it is important to have more points of contact and scenes related to daily life, to contribute to more consumers regardless of age, and to contribute in more areas, especially in Asia.

By achieving these goals, we hope to achieve business growth and increase our market presence in Asia as a result.

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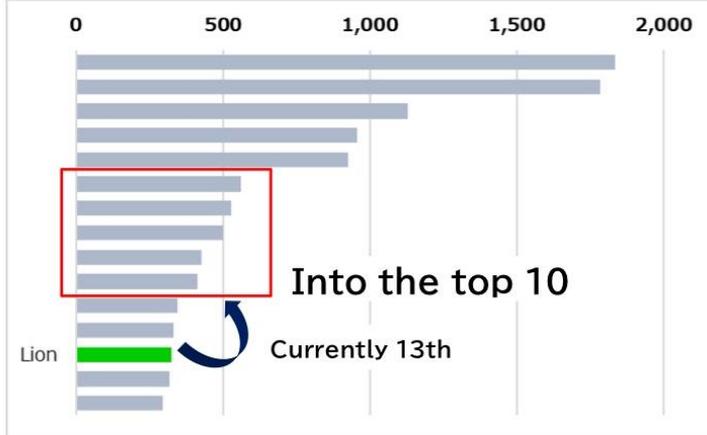
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Envisioned Financial Performance in 2030



Put our purpose into action to realize business growth and, as a result, increase our market presence in Asia

Enhance our market presence in Asia (Billions of yen)



Envisioned Financial Performance in 2030

- Scale: Net sales of ¥600 billion (In the top 10 in Asia)
- Core operating income: ¥50 billion
- ROIC: 8–12%, ROE: 10–14%
- EBITDA* margin: 10–14%

* EBITDA: Core operating income + depreciation and amortization

Source: Prepared by Lion using data from Euromonitor International
Sum of 2019 figures for the Beauty and Personal Care, Home Care and Consumer Health categories (Lion's key markets)
Asia/Pacific region

The figure on the left shows our current presence in our major markets. We would like to grow our business from the current 13th position to the 10th position and beyond, by contributing to society.

In 2030, we are aiming for a business scale of JPY600 billion in sales, a 50% share of overseas sales, JPY50 billion in core operating income, 8% to 12% ROIC, and 10% to 14% ROE and EBITDA margins.

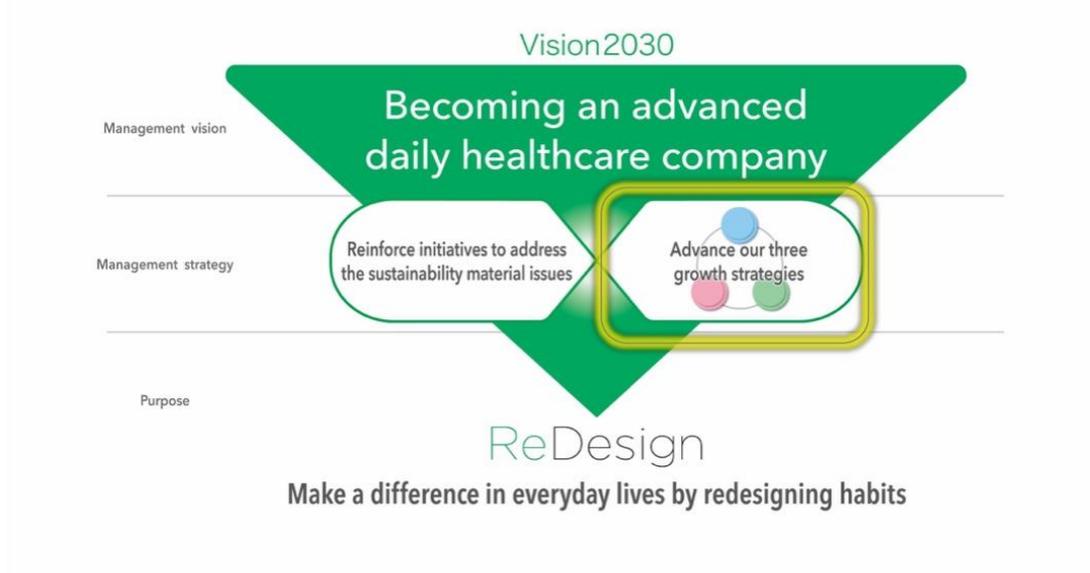
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Our Three Growth Strategies



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I would now like to explain the promotion of the three growth strategies, which are part of our management strategy to realize our vision.

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Our Three Growth Strategies



We will advance three strategies toward the achievement of the management vision to drive business growth



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In order to realize our vision, we will drive business growth by promoting the three growth strategies that you see here.

The first is to accelerate growth in four fields of value creation. As a direction for the Group's growth toward the realization of the vision, we will strategically innovate across the entire company, identify four fields of value creation, which are fields where we can create consumer value, and promote the evolution of existing businesses and the creation of new value, in order to further accelerate growth in Japan and overseas.

The second is to transform our business foundation for growth. By continuing and strengthening strategic investments, we will work to transform our business foundation to the one that promotes growth.

The third is to generate dynamism to realize innovative change. We will realize the transformation into a company that can achieve sustainable growth by strengthening the corporate brand, reforming job satisfaction, and promoting diversity and open innovation.

In the following slides, I will explain each strategy in detail.

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Designating the Four Fields of Value Creation

The "health" that Lion aims to promote means

being able to live authentically, and to connect with others while healthy in mind and body.

It means that everyone can find happiness every day with their families and communities.

Awareness of and social demand for health and cleanliness are on the rise.

To support each individual's mental and physical health,

we have designated four fields of value creation that will be growth drivers going forward.

In these four fields, Lion will continue to evolve and develop its efforts to enhance healthcare by **redesigning habits**—a form of healthcare Lion is uniquely positioned to address.

First, the growth strategy.

I mentioned that we will drive our growth by identifying the four fields of value creation and clearly stating the direction we will take.

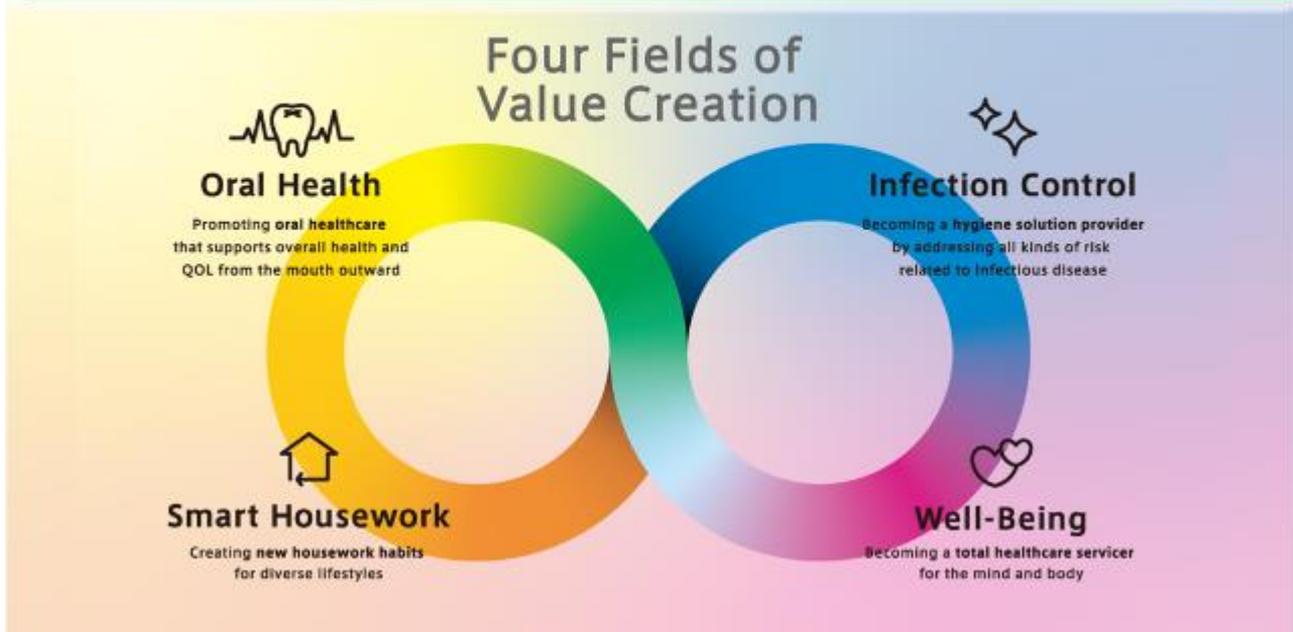
First of all, in setting up these value creation fields, we thought about the health that we pursue – to be able to live authentically, and to connect with others while healthy in mind and body. Everyone can find happiness every day with their families and communities.

In order to further evolve and develop healthcare and better habits that only Lion can provide, we have defined four fields of value creation based on those views of health as growth drivers.

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The four fields of value creation are oral health, infection control, smart housework, and well-being.

In the following sections, I will explain the details.

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Our Approach to the Four Fields of Value Creation



Accelerate business evolution and new value creation to become an advanced daily healthcare company

 <p>Oral Health</p>	<p>Promoting oral healthcare that supports overall health and QOL from the mouth outward. Lion aims to leverage its strengths as Japan's leading oral care manufacturer to integrate innovative oral care products and services into the daily lives of individuals as a new form of healthcare. By doing so, we seek to realize business expansion beyond the bounds of our existing businesses.</p>
 <p>Infection Control</p>	<p>Becoming a hygiene solution provider by addressing all kinds of risk related to infectious disease. As a company with a long history of supporting cleanliness, Lion's mission is to transform its business. We will expand our business from living spaces to encompass public and industrial spaces in order to defend against bacteria and viruses on all fronts—bodies, objects and spaces—by providing hygiene solutions.</p>
 <p>Smart Housework</p>	<p>Creating new housework habits for diverse lifestyles. As lifestyles and living situations diversify, one-size-fits-all ideas for improving housework increasingly fall short of meeting consumer needs. Building on the basic concept of smart housework that is fun and efficient, we will establish a unique edge by reframing housework generally to maximize authentic comfort at the individual level and by cooperating closely with external partners across a wide range of categories.</p>
 <p>Well-Being</p>	<p>Becoming a total healthcare servicer for the mind and body. We will transform into a total healthcare servicer that supports health and happiness at each life stage by building connections with consumers through habitual self-healthcare and by expanding the solutions we offer and integrating our services through collaboration with external partners.</p>

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First, let's talk about oral health.

By leveraging the strengths of Japan's number one oral care manufacturer, we will aim to expand our business beyond the boundaries of our existing operations by integrating innovative oral care products and services into the context of each individual's life as a new form of healthcare.

Second, let's talk about infection control. As a company that has been securing cleanliness and hygiene for a long time, we will reform our business with a sense of mission, expand our business domain not only to residential spaces, but also to public and industrial spaces, and provide hygiene solutions that protect people's lives from bacteria and viruses in all directions.

Next, about Smart housework. With the increasing diversification of lifestyles and living conditions, we believe that uniform proposals for household chores are no longer able to capture the needs of consumers. With the basic concept of making housework smarter, more enjoyable and more efficient, we will rethink housework in general to maximize the comfort that each person can feel in his or her own way and aim to establish a unique advantage in various categories through strong collaboration and innovation with external partners.

The last one, well-being. Starting with habitual self-health care, we will work with external partners to expand the solutions we offer and integrate each service while building connections with consumers. We would like to transform ourselves into a total health care servicer that stays close to people's life stages for a long time and continues to support their own health and happiness.

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Provide value that starts with oral care in various aspects of daily life



The following is a detailed explanation of our approach to oral health, one of the four fields of value creation.

We are the number one manufacturer of toothpaste, toothbrushes, and other oral products in Japan, and we will continue to create new value to lead the market.

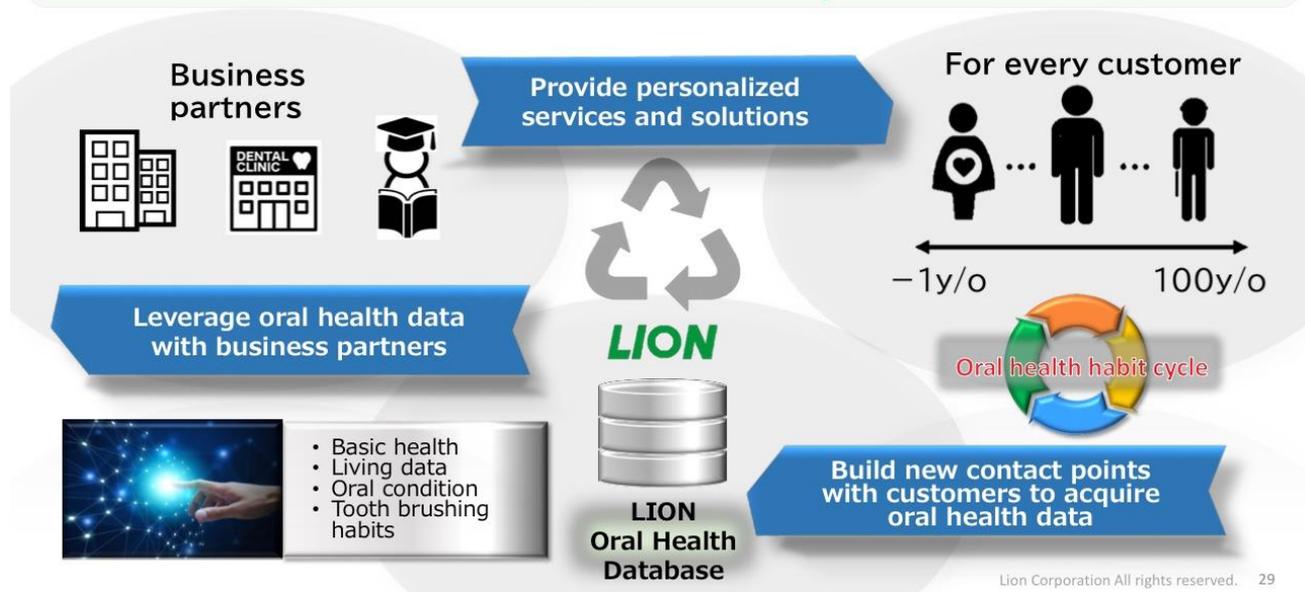
The oral care goods market in which we have been operating has been surrounded by a vast array of business opportunities, including dental care and oral care as a measure against systemic diseases. We will contribute to the improvement of oral health and quality of life by utilizing our assets to expand our business into these areas and provide new value to various life contexts related to healthcare for consumers.

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Utilize oral health data to create and offer individually tailored oral health solutions



Here is an example of a specific business concept.

By utilizing data related to oral health, we will be able to make appropriate proposals for oral health. We will build new customer contact points in fields of value creation and obtain data related to oral health. Based on this data, we will actively build collaborative relationships not only with our own company, but also with external stakeholders, such as companies in other industries, dental clinics, and academia. We aim to build a business that builds long-term relationships by providing personalized services and solutions to each customer.

By promoting this digital transformation in oral health, we will also be able to acquire new business models.

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Our three growth strategies:
 Transform our business foundations for growth



Promote business foundation transformation that will spur growth
 by continuing and reinforcing strategic investment

Digital transformation (DX)

- Create new value by building digital infrastructure
- Improve efficiency and speed through operational transformation
- Enhance decision-making precision and speed with real-time business data



Reinforce business infrastructure

- Increase production capacity to support business growth
- Develop core systems that will enhance the sophistication of management
- Build a flexible, resilient and sustainable SCM platform
- Build business foundations that are adaptable to new business models



Sakaide
 Toothpaste Factory
 Operations begin
 July 2021

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In the second part of our growth strategy, transformation of our business foundation for growth, we will promote transformation into a business foundation that promotes growth by continuing and strengthening strategic investments.

In the promotion of digital transformation, digital technology should be used to create new value that contributes to the creation of better habits for consumers. In addition, we will promote the transformation of operations to improve efficiency and speed. These are our two key themes.

In the area of reinforcing business infrastructure, we will continue to strengthen our business infrastructure to achieve the above-mentioned growth by continuously increasing production capacity, developing core systems for more sophisticated business management, and building a highly flexible and resilient SCM platform.

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Our three growth strategies:
Generate dynamism to realize innovative change



We will transform to realize sustainable growth through corporate brand reinforcement, professional fulfillment reforms and the promotion of diversity and open innovation

Corporate Branding

In and outside Japan, implement **purpose-driven, consistent corporate activities** to continually earn the trust and respect of all stakeholders and increase corporate value

Diversity & Open Innovation

Accelerate the utilization of diverse human resources and proactive external collaboration to **transform our ways of thinking and operational speed and methods** and thereby continually create new value

Professional Fulfillment Reforms

Advance the Lion Professional Fulfillment Reforms, including the radical transformation of personnel systems to support employees' self-directed growth and thereby enhance adaptability and innovativeness



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Finally, in the third growth strategy, the generation of dynamism to realize innovative change, we will aim to realize transformation into a company that can grow sustainably even in a drastically changing social environment.

With regard to corporate branding, we will continuously earn the trust and sympathy of all stakeholders and enhance our corporate value by developing consistent corporate activities based on our purpose-driven management in Japan and overseas.

We have been aiming for Lion Professional Fulfillment Reforms, which maximize the diverse abilities of employees, since we started the reform two years ago. We will continue to implement each of these measures with the aim of improving our ability to respond to change and create innovation.

In the area of diversity and open innovation, we will accelerate the utilization of diverse human resources and proactive collaboration with external partners to create new value by transforming conventional ideas, speed, and methods.

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Next, I will explain how we will reinforce initiatives to address the sustainability material issues, which we will promote in conjunction with our three growth strategies.

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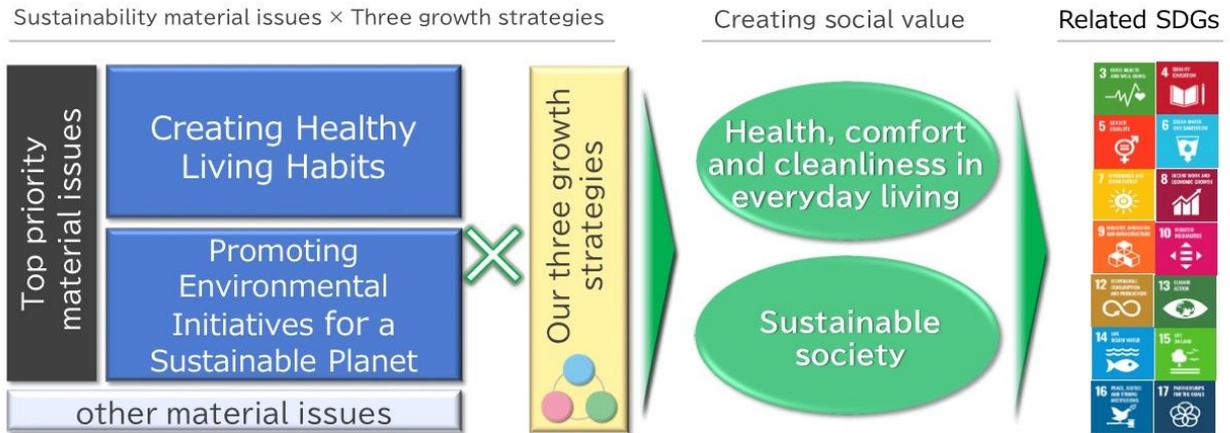
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Reinforce Initiatives to Address the Sustainability Material Issues



By advancing initiatives to address the sustainability material issues in coordination with our three growth strategies, we will contribute to health, comfort and cleanliness in everyday living and the realization of a sustainable society



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We will also strengthen our initiatives to address the sustainability material issues that are inextricably linked to the promotion of the three growth strategies. In particular, we will focus on creating healthy living habits and promoting environmental initiatives for a sustainable planet, which we regard as our top priority material issues.

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Inclusive Oral Care

Oral care for all.

For the health of all.

Many people do not practice adequate oral care due to a wide range of factors, such as their living environment, physical limitations, economic circumstances, or lack of education or information. We want to offer oral care for all.

Through oral care, we can share with people everywhere habits that nurture and enhance their natural ability to live a healthy life.

Working to reduce health disparities through oral care— we call these activities “inclusive oral health.”



* We will reduce four types of disparity that we believe give rise to health disparities, namely, disparities in living environment, physical ability, economic circumstances and education/information.

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From here, I will explain about inclusive oral care, which is a new business action to be taken as a key theme for creating healthy living habits, which is positioned as our top priority material issue.

The background of inclusive oral care is that there are disparities in the implementation of oral care due to various circumstances, such as living environment, physical, education, and information, and there are people who are unable to adequately take care of their mouths.

Health is closely related to oral care. Through oral care, we will make it a habit for everyone to draw out and nurture the innate power of healthy living. Inclusive oral care is an activity that addresses the health disparities that are currently the focus of attention.

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Inclusive Oral care

Our motivation

Lion is working to enable oral care for all—oral care that can be practiced by anyone, by oneself, and is supported by systems.

Not because anyone told you to, and not because you told anyone else to; creating oral care habits that each individual can practice by themselves, for themselves.

By Anyone

Offering oral care that is accessible to all, regardless of physical handicap, age, environment, or other circumstances.

By Oneself

By Systems

Building systems of mutual support to overcome the issues individuals cannot solve alone and realize lasting health for all.

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Our thoughts on promoting inclusive oral care are summarized in three keywords.

The first is **By Anyone**. We want to provide opportunities for oral care to all people regardless of their circumstances or reasons, such as physical handicaps, aging, or environment.

By Oneself. We would like to create a habit of taking care of their oral health on their own, not because someone tells them to or because they tell someone else to.

By Systems. We would like to create a society in which everyone can continue to be healthy by creating a system in which everyone can support each other to solve problems that cannot be solved by one person.

With these three thoughts, we will deliver oral care to all people.

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Inclusive Oral care

Supporting children

Programs to develop self-esteem

- Compared with the children of more affluent households, the children of economically disadvantaged families typically grow up having fewer positive experiences—like being praised, communicating with adults and acquiring life skills—and have significantly lower self-esteem.
- Humans need to eat to live, and tooth brushing is closely related to eating. Using this as an entry point, Lion offers a variety of oral health-related programs via community spaces that provide meals and services to economically disadvantaged children. These programs provide the kind of positive experiences that children need to grow their self-esteem.

Programs related to tooth brushing

- Developing self-expression through dance
- Learning through fun quizzes and other games
- Experiencing accomplishment by solving problems through programming
- Expanding thinking and ingenuity through building and crafts



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I would like to share with you some of the specific actions of the program.

The first is to support the children's independence. Children who grow up in economically deprived households are said to be characterized by a significantly lower sense of self-affirmation than those who do not, due to a lack of various experiences, such as praise from someone else and communication with adults other than their parents.

Focusing on tooth brushing, which has a high affinity with eating, a necessary part of human life, we will use the children's cafeteria to improve children's sense of self-affirmation and provide them with experiences through the program.

The program will be based on the theme of tooth brushing and will include a dance program to foster emotional expression and a program to feel a sense of accomplishment.

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Inclusive Oral care

Supporting children

- Coordinating with NPOs and municipalities to build support frameworks for children



- NPO partners



Florence



Musubie

- Channels: Community spaces, after-school academic programs, homes, websites, apps, etc.
- Communities: Focused on areas with high rates of poverty and food insecurity



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For this activity, we would like to build a system to support children by collaborating with NPOs and local governments. The NPO partners we will be collaborating with are Florence and Musubie. Both companies are NPOs that support children.

We are also thinking of providing opportunities of experience in children's cafeterias, learning support classes, in families of single mothers, as well through the web and apps.

In terms of regions, we plan to start with areas with high poverty and dental caries rates.

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Inclusive Oral care

Switch to verified mint for toothpaste

Supporting mint producers in India by using verified sustainable mint

- We are switching to the exclusive use of mint (*Mentha canadensis*) verified via strict inspections* for all Lion toothpastes (beginning with *Dentor Clear MAX* in June 2021 and expanding to all brands by 2022).

*Sustainable Agriculture Initiative (SAI) Platform-verified mint
This mint is verified under the Farm Sustainability Assessment (FSA, a survey comprising 127 questions about social and environmental practices) operated by the SAI Platform, which supports the creation of sustainable agricultural supply chains.

- Increasing our procurement of verified mint and sales of products made using it will lead to higher production of verified mint and more producers being verified, in turn supporting the social, environmental and economic sustainability of India's mint producers.

Conditions for verification

- Workers' human rights protected
- Farms set up to save water
- Regular training provided
- Modern farming methods used for high yields
- No environmentally harmful fertilizers
- Discrimination-free worker compensation at or above the legal minimum wage




Mentha canadensis

Lion researchers visit farms to gain an understanding of conditions

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Another example is the provision of a mechanism to encourage sustainable production for mint farms in India, through the use of verified mint.

We are particular about the flavor of our toothpaste and use various kinds of natural mint. The main mint is from the US, but we use Indian mint for the Japanese species of *mentha canadensis*. We will replace all of this Japanese *mentha canadensis* with verified mint that has passed a rigorous screening process. The verification is FSA's verification on social and environmental issues, such as human rights, provided by the SAI Platform, which supports sustainable agricultural supply chains.

Verified mints are more expensive than regular mints due to their quality and environmentally friendly manufacturing process. By expanding the sales of products using this verified mint, we will increase the amount procured and the number of farmers who obtain verification, thereby contributing to the establishment of a system that supports the sustainability of producers in terms of society, environment, and economy.

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Work with many other companies and municipalities to accelerate initiatives aimed at realizing a sustainable planet

Plastic film packaging horizontal recycling



- Began horizontal recycling efforts for film packaging in collaboration with Kao Corporation
- 1) Studying packaging **sorting and collection methods**
- 2) Advancing recyclable container **quality design**
- 3) Studying **uses** of recycled materials
- 4) Fostering **awareness and uptake** among consumers



Smart logistics (logistics EDI)



- Advance and implement **logistics EDI**
 → Effectively utilize logistics resources and improve logistics efficiency through improved accessibility of logistics data and mutual collaboration

● Expected effects

- | | | |
|---|---|--|
| <ul style="list-style-type: none"> ① Improved work environments · Reduce standby times | <ul style="list-style-type: none"> ② Improved labor productivity · Eliminate inspections · Paperless · Save pallet management work · Increase loads and loaded running rate | <ul style="list-style-type: none"> ③ Reduced environmental burden · Reduce CO₂ emissions · Reduce paper use |
|---|---|--|

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I would also like to explain another important issue: the promotion of sustainable global environmental initiatives.

The important thing here is to work not only within our own company, but also with many other companies and local governments.

A specific example is the horizontal recycling of film containers that we are working on with Kao Corporation, which we released in September last year. Here, we will study not only the mechanism of separate collection, but also the quality design of recyclable containers, how to utilize recycled materials, and dissemination and educational activities for consumers in cooperation with consumers, government, and distributors.

One more thing is, starting this year, we will be working on the realization of the Logistics EDI concept for the industry's smart logistics initiatives using PLANET's system. This initiative aims to improve the working environment, increase productivity, and reduce the environmental burden, as well as to effectively utilize logistics resources and improve the efficiency of logistics operations by centrally managing, visualizing, and interconnecting logistics information.

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2021 Consolidated Financial Forecast



Planning for a Y-o-Y increase in sales and decrease in profit

(Billions of yen)	2021	2020	Y-o-Y change	
			Amount	%
Net sales	365.0	355.3	9.6	2.7
Core operating income % 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	21.0	29.8	(8.8)	(29.7)
EPS (Yen)	72.24	102.75	(30.51)	(29.7)
ROE	8.8	13.6		(4.8)P
ROIC	8.5	10.7		(2.2)P
EBITDA	43.5	47.6	(4.1)	
EBITDA margin	11.9	13.4		(1.5)P

- 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.

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Lastly, I would like to explain our business forecast for 2021.

For FY2021, we are forecasting consolidated net sales of JPY365 billion, core operating income of JPY30 billion, operating profit of JPY30 billion, and profit for the year attributable to owners of the parent of JPY21 billion, an increase in revenue, but a decrease in profit. The factors behind the decrease in core operating income will be explained later.

In addition, from the current fiscal year, we will promote the optimization of our business portfolio and management to increase investment efficiency by setting ROIC as an indicator and strengthening the monitoring and management of investment effectiveness. Furthermore, we will utilize EBITDA as a cash-based earnings indicator in the leading phase of investment.

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Results by Business Segment



Increases in sales across all segments

(Billions of yen)	Net sales			
	2021	2020	Y-o-Y change	
			Amount	%
Consumer Products	235.0	229.7	5.2	2.3
Industrial Products	32.0	31.5	0.4	1.4
Overseas	95.0	91.2	3.7	4.2
Other	3.0	2.8	0.1	6.0
Consolidated Total	365.0	355.3	9.6	2.7

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The forecast for external sales by segment is shown in this page. I will not go into details, but we plan to increase sales in all segments.

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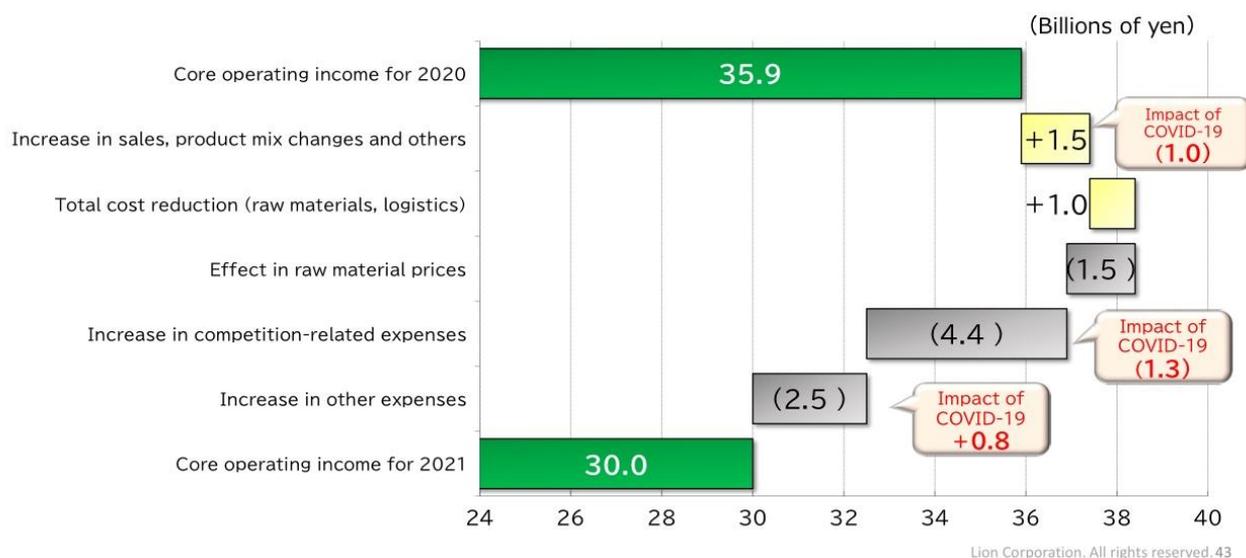
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Fiscal 2021 Forecast of Change Factors Affecting Core Operating Income



Profit forecast to decrease, reflecting sales mix changes (recoil from positive effects of COVID-19), increases in competition-related expenses and depreciation expenses, and market factors



Now, here is the explanation of the factors behind the decline in core operating income.

In the increase in sales, products mix changes and others, the impact of the increase in gross profit due to the increase in sales and the decrease in profit due to changes in the composition of the segment are taken into account. We estimate that the rebound from the impact of COVID-19 last year will be approximately JPY1 billion, mainly due to the decrease in profit caused by the change in segment composition.

Also included here is an increase in depreciation and amortization due to the start of operations at the new toothpaste factory scheduled for completion this fiscal year. Together with total cost reductions and other factors, the total positive impact on core operating income is expected to be JPY2.5 billion.

On the other hand, the negative impact on core operating income is expected to be JPY8.4 billion due to strategic competition related expenses, such as increased advertising expenses that could not be implemented as planned due to the impact of COVID-19 last year, increased investment expenses for the future, such as research and survey activities, increased in depreciation and amortization and other expenses.

As a reaction to the impact of COVID-19 last year, we estimate that an increase of about JPY1.3 billion in competition-related expenses will be a negative factor, and other expenses will have a positive impact of about JPY800 million.

As a result, core operating income is expected to decrease by JPY5.9 billion. We expect steady sales growth in the current fiscal year, which will result in an increase of gross profit as before.

On the other hand, profit will decrease due to increasing expenses caused by the rebound from the COVID-19 pandemic and due to increasing investment to ensure growth over the next 10 years.

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- The Lion Group provides products that are essential to daily living. As such, we will **maintain and reinforce measures to prevent the infection of employees** while continuing business activities.
- We will design and implement systems that help improve employee safety and professional fulfillment as we **adapt to and enhance new work styles**.
- Positioning 2021 as the start of efforts to achieve our vision for 2030, we will **begin to steadily implement the growth strategies of Vision2030 and achieve steady growth in business size (net sales)**.

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I would like to explain our approach to the promotion of this year's business.

We recognize that the business of our Group is to provide products that are essential for daily life. Therefore, we will be committed to both prevention of the new coronavirus infection and business continuity.

In addition, in an environment where COVID-19 is still unresolved, we will accelerate the shift to a new way of working by proactively introducing systems that contribute to improving job satisfaction, not to mention the safety of our employees, including factory workers.

This year is positioned as the starting year for the realization of our Vision for 2030, and we intend to steadily promote the growth strategies set forth in Vision 2030 starting this year to achieve growth in the scale of our business.

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 **SCRIPTS**
Asia's Meetings, Globally

Key Themes in 2021



Growth strategy	Key themes in 2021
1. Accelerate growth in four fields of value creation	<ul style="list-style-type: none"> ○ Building new business models that leverage individuals' oral data ○ Develop hygiene businesses for the new normal with COVID-19 ○ Accelerate expansion in the Chinese market through domestic-overseas coordination ○ Advance inclusive oral care
2. Transform our business foundations for growth	<ul style="list-style-type: none"> ○ Build digital platforms for new value creation and work reforms ○ Stably operate the Sakaide Toothpaste Factory to expand the toothpaste business in Japan and China ○ Build a new SCM management platform for timely and adequate product supply
3. Generate dynamism to realize innovative change	<ul style="list-style-type: none"> ○ Build awareness of Vision2030 within the Group to realize the management vision ○ Reinforce operational changes and human resource development to expand the Overseas business ○ Implement the Lion Professional Fulfillment Reforms in line with new ways of working

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These are key themes for this year based on the three growth strategies.

I won't go into details, but as I mentioned earlier, this is our starting year, and we will steadily promote these measures.

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Oral Health

Key theme: Accelerate expansion in the Chinese market through domestic-overseas coordination

Simultaneous launch of new *Lightee* brand in Japan and China



Wed., March 31, 2021

Simultaneous launch in Japan and China

A solution in response to a common insight in both Japan and China—consumers want to improve the appearance of their faces through tooth whitening

We will realize Group synergy through a unified rollout that includes product packaging and communication (leveraging our brand strength as No. 1 in the Japanese oral care market)

Within the whitening sub-category, which boasts the greatest volume in the Chinese toothpaste market, we will target the especially fast-growing **super high-end range**

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I would like to introduce one specific example of our initiatives.

This is *Lightee*, our first brand of whitening toothpaste to be launched simultaneously in Japan and China, with the aim of accelerating growth in the Chinese market, one of our oral health initiatives.

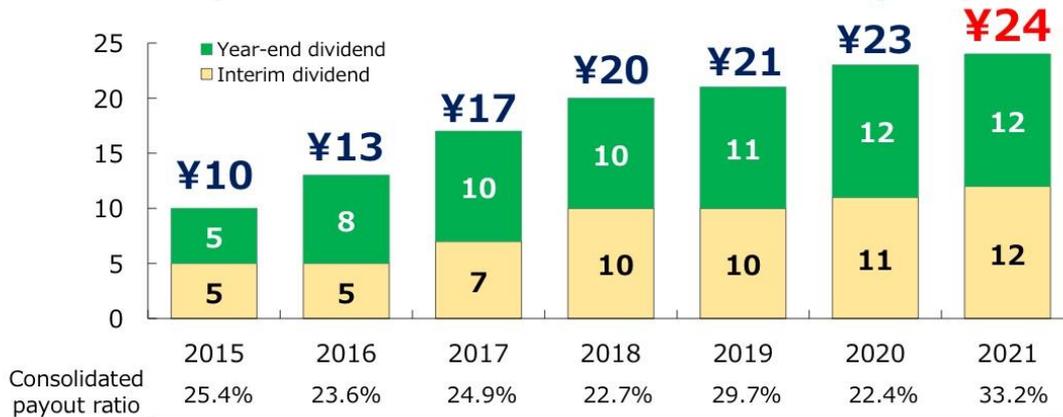
By doing so, we hope to firmly capture the ultra-high price range, which has a particularly high growth rate in the whitening market, the largest volume market in China. For more details, please refer to the release on February 10.

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Annual per-share dividend forecast up **¥1** to **¥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%)

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This is the last point.

Our basic dividend policy is to provide continuous and stable returns to our shareholders. For the current fiscal year, we plan to pay an annual dividend of JPY24 per share, an increase of JPY1 from the previous fiscal year, which results in the sixth consecutive year of dividend increases.

This is the end of my explanation.

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Question & Answer

Q: For fiscal 2021, you forecast a year-on-year increase in net sales of about ¥9.6 billion. Given this, why does the expected impact on core operating income of sales, product mix changes and others amount to just ¥1.5 billion?

A: One major factor is the new depreciation expenses that will kick in from 2021 as a result of the operation of the new toothpaste factory in Sakaide, negatively affecting profit. Furthermore, sales of hand soaps increased rapidly in 2020, and the resulting change in the sales mix boosted profit, but the share of hand soaps in the overall sales mix will not be as high this year, and we expect profit in this area to soften somewhat. Such sales mix changes are expected to adversely impact profit, which we have indicated as a negative ¥1.0 billion impact of COVID-19.

Q: Could you explain the factors behind the increases in competition-related expenses and other expenses, including the impact of COVID-19?

A: In 2021, including the impact of COVID-19, we forecast a ¥4.4 billion increase in competition-related expenses and a ¥2.5 billion increase in other expenses. In competition-related expenses, we plan to increase advertising and promotional expenses as we aim for new growth from 2021. Under other expenses, we intend to up investment in R&D and spending related to digital transformation, among other factors. Excluding the impact of COVID-19, we expect to increase investment in each of these by about ¥3.0 billion, which will have a negative effect on profit in 2021.

Q: How much will depreciation expenses increase due to the Sakaide Factory?

A: We cannot disclose the exact figures, but we expect an overall year-on-year increase of about ¥2.0 billion in depreciation expenses. This difference is mainly due to the depreciation expenses associated with the Sakaide Factory.

Q: Could you tell us more concretely about how, and in which businesses and fields, you plan to increase competition-related expenses?

A: There are two main factors. The first is the rebound from COVID-19, which will increase costs by ¥1.3 billion. This increase represents the portion of advertising expenses related to various promotional events. In 2020, almost all such events were cancelled due to COVID-19. Circumstances permitting, we plan to reinstate these events in 2021, entailing the ¥1.3 billion increase. The second factor is our efforts to further drive growth by stepping up investment focused on advertising for our key brands, increasing expenses ¥3.0 billion.

Q: I gather that, having decided your aim and direction in each field of value creation, you are going to be focusing on businesses with high added value. However, in your envisioned financial performance in 2030, the ratio of core operating income to net sales is only 8%, which seems somewhat at odds with a focus on added value. Is this because the portion of sales from overseas will increase, or is there some other factor?

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A: First, we can reach net sales of ¥600 billion only if we achieve a top-line CAGR of almost 5% every year for the next 10 years. This figure currently stands at about 2%, so we will need to boost it significantly. To do so, we will invest heavily in the four fields of value creation to expand our existing business domains and fields of value creation and thereby achieve business growth.

Furthermore, we will continue to bolster investment over the next 10 years. The year 2030 is still only a midway point in terms of realizing a profit return from the expansion of growth areas. After that, we will enter a stage where we can further improve the profit margin.

Q: As you work toward becoming an advanced daily healthcare company, do you have any ideas about what needs changing or trimming with regard to your existing businesses?

A: Yes, in the smart housework field, where we are struggling the most, I think that we need to significantly change our current approach and shift our angle of competition. In the three other fields as well, we will take on very ambitious challenges. For example, in oral health, this will mean evolving from a conventional business approach centered merely on selling products like toothpaste and toothbrushes to expand outward.

Q: Could you break down your 2021 forecast for net sales in the Consumer Products Business by category?

A: We expect overall growth of about 2%. As in 2021, oral care and living care will be the main growth areas. Due in part to recoil from the previous year, the growth rate in beauty care will be slightly below the average. For fabric care and pharmaceutical products, we expect short-term recovery to take a little more time.

Q: What is your forecast for sales of hand soaps in Japan?

A: Last year, the market for hand soaps expanded to about 1.8 times the 2019 level. Throughout 2021, we expect this market to stay steady at about 1.5 to 1.6 times the 2019 level. As such, we expect hand soap sales to decline about 10% or more. On the other hand, starting in March, we will be rapidly expanding our lineup of hygiene-related products to promote the formation of hygienic habits in a variety of settings. We aim to leverage these new products to help increase revenue.

Q: What is your outlook of for the Overseas business, particularly in China and Thailand, in 2021?

A: Our business in Thailand is gradually recovering but still not completely back to normal. Sales of laundry detergents, in particular, are still below the previous year's level. Our outlook for the full year is not very optimistic, and we expect sales to remain flat year on year. In China, on the other hand, we were able to achieve year-on-year growth of about 50% in 2020. We hope to see the same level of growth this year and will aggressively reinforce our business there.

Q: One of your competitors has announced a business model shift toward data-linked precision healthcare. With your digital transformation (DX) strategy in the four fields of value creation, are you aiming in a similar direction, or for something different?

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A: Going forward, we will inevitably see a shift toward leveraging digital technologies across society, not just at Lion. For our part, particularly in the area of oral healthcare, we aim to accelerate the realization of businesses that utilize oral healthcare records and data.

Q: Could you tell us more about why you expect sales of hand soaps to decrease in 2021?

A: Since around December 2020, the market size itself has already cooled to around 70% to 80% of its size at the peak of demand in April and May. The market has remained at about this level throughout January and February, so we expect it to stay there for at least the rest of the year. Of course, we hold the top market share in Japan, and we aim to expand it further to bolster sales as much as we can. At present, however, we expect expansion to be limited, and the forecast takes this into account.

Q: In 2020, core operating income was approximately ¥36 billion, for a core operating income margin of 10%. Should we regard this level as unsustainable over the medium and long terms?

A: We are currently at work on the three-year medium-term management plan scheduled to commence next year. Although we cannot make any concrete promises, we would like to achieve annual net sales growth of 3% to 5%. Furthermore, we believe that the amount of gross profit generated from this may increase, and will not decrease, from the current level. In 2021, gross profit is being eroded by increased investment in growth and recoil from the effects of COVID-19. From next year onward, we believe that these effects will gradually ease, and we believe that we can quite reasonably aspire to return to core operating income at the ¥36 billion level within a few years.

Q: Could you tell us more about why your envisioned core operating income margin in 2030 is 8%?

A: Our envisioned financial performance in 2030 includes net sales of approximately ¥600 billion and core operating income of approximately ¥50 billion. One more number to pay attention to is the EBITDA margin, which we have included as an indicator from 2021. We are currently imagining an EBITDA margin in the range of 10% to 14% in 2030. Given the need to invest in growth, we are shifting focus to growth on a cash flow basis, calculated as the sum of depreciation expenses and core operating income, with the year 2030 as a milestone along the road to further growth.

Q: As you work to achieve the vision, in addition to the business of selling products, will you be starting businesses involved in the accumulation and sale of data?

A: Yes, we plan to make a big leap into business that make greater use of data. Rather than just selling the data itself, however, we are pursuing businesses in such areas as providing services that leverage data or using data to add value to product sales.

Q: How much of the ¥600 billion in net sales do you expect to come from services that leverage data and similar businesses?

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A: We have not made a concrete projection for that 10 years out. However, if we were to simply continue on our current organic growth trajectory, we would come up more than ¥100 billion short of ¥600 billion in 2030. We plan to fill this gap by expanding our overseas operations and creating new businesses.

Q: You said that in 2021, as the first year of Vision2030, you will be making considerable investments. It seems that competition-related expenses account for more of this investment than R&D expenses. Does this indicate that the foundations have already been laid for new services leveraging digital technologies and you will thus be directing expenditure toward sales promotion for such services?

A: Reinforcing our existing brands is a necessary step in adding value to products that leverage data. From there, once we have in place the means to create higher added value using data, we will promote further growth and seek to add more value.

Q: How many years do you expect it to take for businesses that leverage data to become significantly profitable?

A: We are already in the study stages for such data utilization businesses in, for example, oral care. However, there are regulatory hurdles we have to clear before we can launch such businesses, so we cannot yet provide any concrete timelines.

Q: Could you tell us your estimates of the specific positive and negative impacts of COVID-19 on core operating income in 2020 and 2021?

A: Please refer to page 11 of the Supplementary Materials to the fiscal 2020 financial results, which shows the main positive and negative factors affecting net sales. The greatest positive factor was a ¥10 billion increase in sales of such products as hand soaps and dishwashing detergents due to rising hygiene awareness. The main negative factors were decline in sales of toothbrushes in oral care, the impact of decreased demand from overseas visitors on sales of pharmaceuticals, as well as a decline in sales of chemicals in the Industrial Products business. Overseas, sales in Southeast Asia declined. Positive sales impacts amounted to about ¥13 billion and negative sales impacts to ¥7 billion, for a net increase in sales attributable to COVID-19 of ¥6 billion. These effects on net sales are reflected in gross profit along with other factors attributable to COVID-19, such as a decrease in competition-related expenses, as shown on page 7. In total, we estimate that there was a positive impact of about ¥5 billion on core operating income.

Q: What aspects of your current businesses will form the basis for your efforts in well-being, one of the fields of value creation designated under Vision2030?

A: Well-being will grow from our businesses in OTC drugs and supplements. Currently, our businesses are focused on selling products. Our customers take BUFFERIN when they have a headache and use Smile when their eyes are tired. In such businesses, however, our only contact with customers is when they need one of these products. We would like to evolve our businesses to be able to provide a variety of services tailored to individual lifestyles and maintain long-term customer relationships through data. Of course, Lion cannot provide all such services working alone, nor can Lion alone gather all the data needed, so collaboration with a wide range of other companies will be crucial.

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Q: You said that to reach net sales of ¥600 billion in 2030, in addition to growth in existing businesses, around ¥100 billion in sales from overseas business and new businesses will be necessary. Could you give us an approximate breakdown of that ¥100 billion?

A: We are not able to disclose that information at this time.

[END]

Document Notes

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