



Lion Corporation

Financial Results for the First Half of 2021

August 4, 2021

Event Summary

[Company Name]	Lion Corporation	
[Company ID]	4912-QCODE	
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[Event Type]	Earnings Announcement	
[Event Name]	Financial Results for the First Half of 2021	
[Fiscal Period]	FY2021 Q2	
[Date]	August 4, 2021	
[Time]	17:00 – 18:03 (Total: 63 minutes, Presentation: 31 minutes, Q&A: 32 minutes)	
[Venue]	Webcast	
[Participants]	58	
[Number of Speakers]	5	
	Masazumi Kikukawa	Representative Director, President, Executive 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

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Presentation

Tanimoto: Thank you very much for taking time out of your busy schedule to join us today for the Lion Corporation Financial Results Briefing for the First Half of 2021. This time, we hold the meeting online again.

We have just disclosed our financial results on the Tokyo Stock Exchange at 15:00. First, I would like to introduce the attendees from our company: Masazumi Kikukawa, Representative Director, President and Executive Officer; Takeo Sakakibara, Director and Senior Executive Officer; Kei Minamikawa, Director of Corporate Planning Department; Yoshitada Ishii, Deputy Director of Finance Department.

I, Tanimoto of Investor Relations Office, Corporate Planning Department, will moderate the meeting.

After an explanation by Mr. Kikukawa based on the presentation material for the first half results, we will move on to the Q&A session. The entire meeting is scheduled to last approximately 1 hour.

The material used in today's presentation can be found on our website, so please refer to it.

Before we start the briefing, I'd like to say 1 thing. This presentation may contain forward-looking statements based on current expectations, all of which are subject to risks and uncertainties. Please be aware that the actual results may differ from the forecast.

We will now begin the explanation. President Kikukawa, please.

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- Consolidated Financial Results for the First Half of 2021
- Progress of Key Measures
- 2021 Consolidated Financial Forecast

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Kikukawa: Thank you for taking time out of your busy schedule to participate in this financial results briefing today.

I will now explain our consolidated business results for the first half of the fiscal year ending December 31, 2021, and an overview by segment, based on the presentation material disclosed today.

I will proceed on the premise that you have the presentation material and summary of financial statements at hand.

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Sales and profit met forecasts;* sales rose but profit fell year on year

Net sales(increased Y-o-Y)

- In Consumer Products, solid sales of toothbrushes, fabric softeners, pharmaceuticals and other products compensated for a decrease in hand soap sales, and net sales increased
- Overseas, performance in China was strong, and sales increased
- Industrial Products saw an increase in sales due to market recovery

Core operating income (decreased Y-o-Y)

- Despite total cost reductions, rising raw material costs and selling, general and administrative expenses resulted in decreased profit

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

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

*Forecasts announced February 12, 2021; the same applies hereinafter.

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First, I would like to explain our business results for the first half of FY2021. Page 4.

As we made an upward revision to the forecast on July 30, our consolidated results for the first half were on target for both sales and profit.

Sales of domestic consumer products were negatively affected by a decrease in sales of hand soap due to the reaction to the increased demand caused by the new coronavirus infection last year, while sales of fabric softeners were strong, and increased demand for antipyretic analgesics due to adverse reactions to the coronavirus vaccine contributed to an increase.

In addition, sales continued to be strong in China, and sales in the industrial products field increased due to a recovery in market conditions, resulting in an overall increase over the previous year.

As for core operating income, we have been promoting total cost reduction, which is progressing as expected.

On the other hand, SG&A expenses have increased due to higher raw material prices and Competition-related expenses. As a result, total core operating income were lower than that of the previous year.

Operating profit and profit for the period attributable to owners of the parent decreased due to the impact of the gain on the transfer of the land our head office occupies in February last year.

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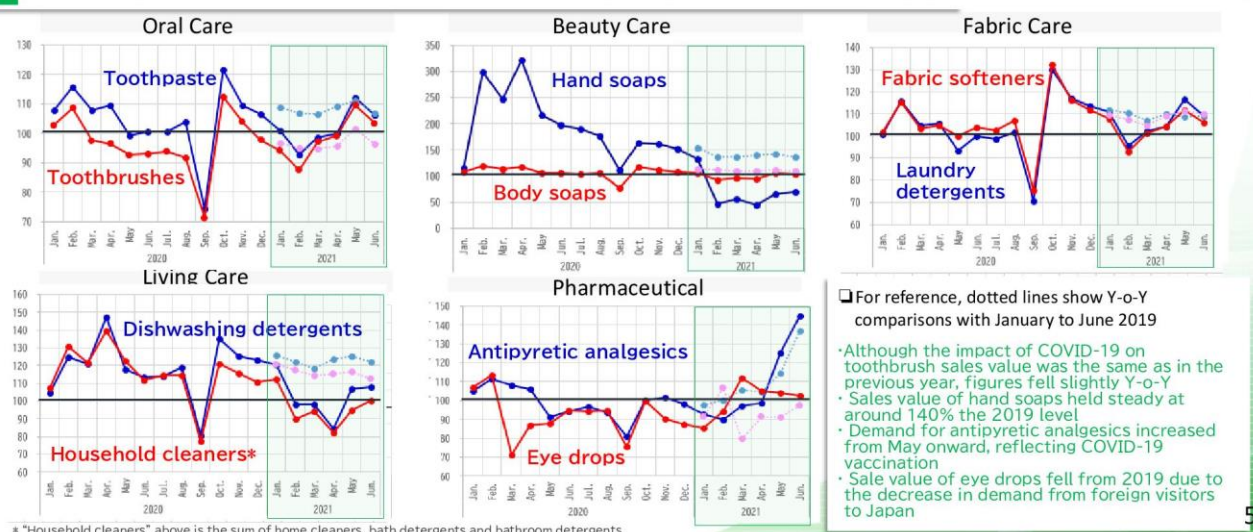
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Market Trends—Major Product Categories in Japan

Despite recoil from demand related to COVID-19 from January to March, performance recovered from April to June, and many markets grew compared with 2019

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

Source: INTAGE Inc. SRI and SDI surveys



This page shows trends in the domestic consumer products market. In particular, I will explain the overview for the period from January to June.

While in the January to March period our business was negatively affected by a rebound from last year's increase in demand caused by COVID-19, the April to June period roughly saw a return trend. As shown by the dotted line, the market continued to expand in many areas compared to 2019.

Let's look at each field. As for oral care products, market of toothpaste grew YoY as unit prices continued to rise in line with rising hygiene awareness. On the other hand, although the unit price of toothbrushes increased, sales value was lower than the previous year due to a decrease in the number of units as people became more conscious of saving money.

In the beauty care field, the sales volume of hand soap products decreased significantly in reaction to last year's results, and the market is shrinking, but it has still expanded 1.4 times compared to 2019.

In the fabric care field, the market for laundry detergents and fabric softeners is expanding as a whole, driven by a shift to higher-priced products due to value-added products, in addition to the shift to larger products in line with demand for bulk purchases.

In the living care field, sales value of dishwashing detergents increased from the previous fiscal year due to an increase in unit prices as a result of increased usage and larger sizes in line with the increase in time spent at home. On the other hand, sales value of household cleaners fell below the previous year's level in reaction to the large growth last year. However, compared to 2019, the 2 markets are both expanding.

In the pharmaceutical field, the sales volume of antipyretic analgesics increased significantly due to demand associated with adverse reactions to COVID-19 vaccines.

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Market Trends—Major Product Categories Overseas

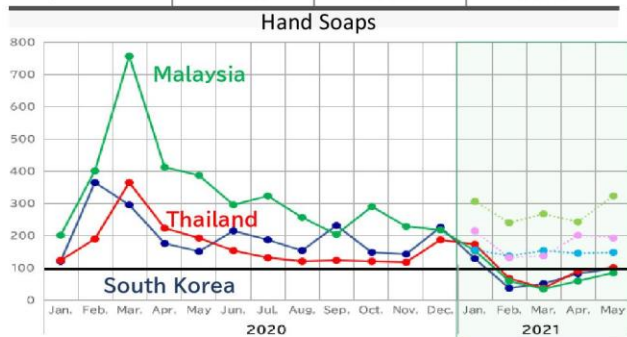
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**Despite continued stagnation in consumption,
hand soap sales increased compared with 2019**

Source: Nielsen

**Hand soap sales value by country
(Jan.-May 2021)**

	Thailand	Malaysia	South Korea
Compared with 2020	81%	64%	63%
Compared with 2019	175%	278%	145%



**Laundry detergent sales value by country
(Jan.-May 2021)**

	Thailand	Malaysia	South Korea
Compared with 2020	92%	100%	91%
Compared with 2019	86%	90%	87%



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Page 6 shows the status by country category overseas.

As for hand soap, there was a rebound from last year's sales, and sales values in both Southeast Asia and Northeast Asia were down from the previous year. On the other hand, the market is expanding compared to 2019 due to the increase in the frequency of hand washing.

With the exception of Malaysia, where the market shrank significantly last year, the laundry detergent market has been affected by restrictions on going out and sluggish consumption, and has continued to fall short of the previous year's level this year, remaining in a very difficult situation, especially in Thailand.

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Market Trends



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

Aggregate of Key Domestic Markets	In the 38 home product markets surveyed, sales value fell 7% year on year, reflecting a decrease in sales volume of hand soaps and household cleaners due to year-on-year recoil
Oral Care	<ul style="list-style-type: none"> ✓ Toothpaste unit prices continued to increase, reflecting increased hygiene awareness (sales value up 2% Y-o-Y) ✓ Toothbrush unit prices rose, but sales volumes fell, reflecting thriftier consumer mindsets (sales value down 2% Y-o-Y)
Beauty Care	<ul style="list-style-type: none"> ✓ Hand soap sales volumes fell significantly due to recoil from expansion in 2020 but were still up approximately 40% from 2019 (sales value down 39% Y-o-Y)
Fabric Care	<ul style="list-style-type: none"> ✓ Laundry detergents and fabric softeners saw higher unit prices due to a shift to larger size products reflecting bulk buying (laundry detergent sales value up 6% Y-o-Y; fabric softener sales value up 4% Y-o-Y)
Living Care	<ul style="list-style-type: none"> ✓ Dishwashing detergent unit prices rose due to a shift to larger size products reflecting more frequent use (sales value up 1% Y-o-Y) ✓ Household cleaner sales volumes fell due to recoil from the previous year (total sales value of home cleaners, bath detergents and bathroom detergents down 5% Y-o-Y)
Pharmaceutical	<ul style="list-style-type: none"> ✓ Antipyretic analgesic sales volumes increased due to an increase in demand related to treating COVID-19 vaccine side effects (sales value up 7% Y-o-Y) ✓ Eye drop sales values were level year on year, as the absence of demand from overseas visitors was unchanged from a year before (sales value $\pm 0\%$ Y-o-Y)

Period: Jan.–May 2021; Source: Nielsen

Aggregate of Key Overseas Markets	Sales values of hand soaps increased compared with 2019, while sales values of laundry detergents fell year on year across the board, excluding Malaysia
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Page 7 is a summary of the market trends I have explained so far.

There is a lot of overlap, so I will skip the explanation.

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Financial Results for the First Half of 2021



Net sales and profit met forecasts; despite a Y-o-Y increase in net sales, profit fell due to changes in the sales mix and other factors

(Billions of yen)	Jan.-Jun. 2021	Jan.-Jun. 2020	Y-o-Y change		Deviation from forecast %
			Amount	%	
Net sales	173.2	169.1	4.1	2.4 1.3*	0.2 0.1
Core operating income* ¹ % of net sales	14.0 8.1	16.3 9.7	(2.3)	(14.3)	2.5 22.0
Operating profit % of net sales	14.1 8.2	25.9 15.4	(11.7)	(45.4)	2.6 23.3
Profit for the period attributable to owners of the parent	10.8	18.6	(7.8)	(41.9)	2.8 35.1
EPS (Yen)	37.20	64.06	(26.86)	(41.9)	9.68 35.2
EBITDA* ²	20.3	21.9	(1.5)	(7.3)	—
EBITDA Margin (%)* ³	11.7	13.0	—	(1.3)PP	—

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

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

3. EBITDA margin: The ratio of EBITDA to consolidated net sales.

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

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This page shows the actual figures for our consolidated results. The deviation from forecast indicates the increase/decrease compared to the published figures at the beginning of the year.

Net sales were JPY173.2 billion, up 2.4% or JPY4.11 billion from the previous fiscal year. Excluding the effect of exchange rate fluctuations, the real rate of change would be plus 1.3%.

Core operating income was JPY14.0 billion, about JPY2.3 billion lower than the previous year. Core operating income to net sales was 8.1%, a decrease of 1.6 percentage points from the previous year.

Operating profit decreased by JPY11.78 billion, partly due to the impact of the gain on the transfer of land last year.

EBITDA was JPY20.3 billion, a decrease of JPY1.5 billion from the previous fiscal year. The EBITDA margin was 11.7%, down 1.3 percentage points.

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Year-on-Year Changes in Core Operating Income



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Page 9 shows the factors behind the YoY changes in core operating income, which I just explained.

The first factors for the increase are the 2 upper yellow areas, totaling JPY1.1 billion. As for the impact of the changes in sales, product mix and others, there was an increase in gross profit due to the increase in sales. Looking at the details, there was a decrease in sales of high-margin hand soap and hygiene related products, and a decrease in gross profit due to the change in the composition of the segment, resulting in a net increase of JPY300 million.

Total cost reduction progressed as expected, resulting in an increase of JPY0.8 billion mainly due to raw material cost reduction.

The 3 factors for the decrease in core operating income are shown in lower gray areas, totaling JPY3.4 billion. This was due to the increase in raw material prices both in Japan and overseas, competitive costs such as sales promotion and advertising, and other costs such as research and development.

As a result of these factors, total core operating income decreased by JPY2.3 billion compared to last year.

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Results by Business Segment



Sales rose but profit fell in the Consumer Products Business due to changes in the sales mix reflecting recoil from hand soap sales in the previous year

(Billions of yen)	Net sales*				Segment profit (Core operating income)			
	Jan.-Jun. 2021	Jan.-Jun. 2020	Y-o-Y change		Jan.-Jun. 2021, %	Jan.-Jun. 2020, %	Y-o-Y change	
			Amount	%			Amount	%
Consumer Products	116.6	115.7	0.9	0.8	8.2	11.7	(3.5)	(29.9)
	107.1	108.1	(0.9)	(0.9)	7.1	10.2		
Industrial Products	28.4	27.1	1.3	4.8	1.4	1.0	0.3	35.9
	16.6	15.1	1.4	9.4	5.0	3.8		
Overseas	53.5	49.6	3.9	7.9	3.4	3.3	0.1	5.1
	48.3	44.3	3.9	9.0	6.5	6.7		
Other	16.3	14.5	1.7	12.2	1.0	0.8	0.1	13.3
	1.1	1.4	(0.2)	(19.8)	6.2	6.1		
Adjustment	(41.8)	(38.0)	(3.7)	—	(0.1)	(0.6)	0.5	—
	(0.0)	0.0	(0.0)	—	—	—		
Consolidated Total	173.2	169.1	4.1	2.4	14.0	16.3	(2.3)	(14.3)
					8.1	9.7		

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

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This is followed by the results by segment. For net sales, the upper lines indicate total net sales, and the lower lines indicate sales to external customers.

In the consumer products business, sales of toothbrushes, fabric softeners, and antipyretic analgesics offset a reactionary decline in sales of hygiene products, etc., resulting in a total increase in sales over the previous year.

Segment profit decreased by 29.9% due to increased competition expenses.

Both sales and profit increased in the Industrial Products business. In the chemicals field, sales increased YoY due to a recovery in market conditions, particularly in the automobile industry. In the area of professional cleaning agents, sales of cleaning agents for food services struggled, but sales of hand soap and other products were strong. Segment profit increased due to an increase in gross profit resulting from higher sales.

Overall, sales and profit in overseas business increased. The detailed situation by region will be explained later in this report.

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**Beauty care product sales fell significantly
due to recoil from the previous year**

(Billions of yen)	Net sales			
	Jan.-Jun. 2021	Jan.-Jun. 2020	Y-o-Y change	
			Amount	%
Oral Care	32.1	30.6	1.5	4.9
Beauty Care	11.6	16.1	(4.5)	(28.0)
Fabric Care	28.5	26.9	1.6	6.2
Living Care	11.5	11.9	(0.3)	(3.0)
Pharmaceutical	11.4	10.9	0.5	4.6
Other	21.2	19.1	2.1	11.0
Total	116.6	115.7	0.9	0.8

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Next is sales by product category in the consumer products business. Please see page 11.

In the oral care category, sales of toothpaste, toothbrushes, and dental care products increased YoY. Especially in the toothbrush market, which has been declining YoY, sales of *CLINICA ADVANTAGE Toothbrush* and *NONIO Toothbrush* were strong, and the new *SYSTEMA Toothbrush Super Premium* was a positive factor, resulting in a larger growth than in the previous year.

In the beauty care category, sales decreased significantly from the previous year due to a decrease in the sales volume of hand soaps.

In the fabric care category, total sales exceeded the previous year's level due to strong sales of *Aroma Rich* and significant growth in fabric softeners, which saw steady sales of *SOFLAN Premium Deodorizer*.

In the living care category, sales of kitchen and bathroom detergents increased from the previous year, but sales of food preparation products decreased in reaction to last year's increase, resulting in an overall decrease from the previous year.

In the pharmaceuticals category, sales increased due to increased demand for antipyretic analgesics caused by COVID-19 vaccine adverse reactions.

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Overseas Business Net Sales by Region

Sales increased in Southeast Asia despite ongoing stagnation in consumption due to laundry detergent sales promotion reinforcement, while business in China drove an increase in sales in Northeast Asia

(Billions of yen)	Net sales			
	Jan.-Jun. 2021	Jan.-Jun. 2020	Y-o-Y change	
			Amount	%
Southeast Asia	34.2	32.5	1.6	5.1
Northeast Asia	19.3	17.0	2.2	13.1
Total	53.5	49.6	3.9	7.9

*Y-o-Y change at constant currency excluding exchange rate fluctuations:
 Southeast Asia: +2.4% (Thailand: +1.6%, Malaysia: +6.6%);
 Northeast Asia: +5.2% (China: +25.2%, South Korea: -8.5%);
 Total: +3.4%

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Next, I would like to show you the sales situation of our overseas business by region.

First is Southeast Asia. Although still affected by sluggish consumption, our company secured a 5.1% increase in sales. Excluding the effect of foreign exchange rates, the real increase was 2.4%.

In Thailand, sales promotion was strengthened in rural areas, mainly for detergents, while in Malaysia, various detergents were renewed to appeal to anti-viruses, and aggressive efforts were made to secure exposure in stores.

Northeast Asia saw an increase of 13.1% YoY. Excluding the effect of foreign exchange rates, the real rate of change is 5.2%.

Our business in China, which continues to perform well thanks to enhanced sales promotions such as ecommerce and live commerce, has secured double-digit growth this year again.

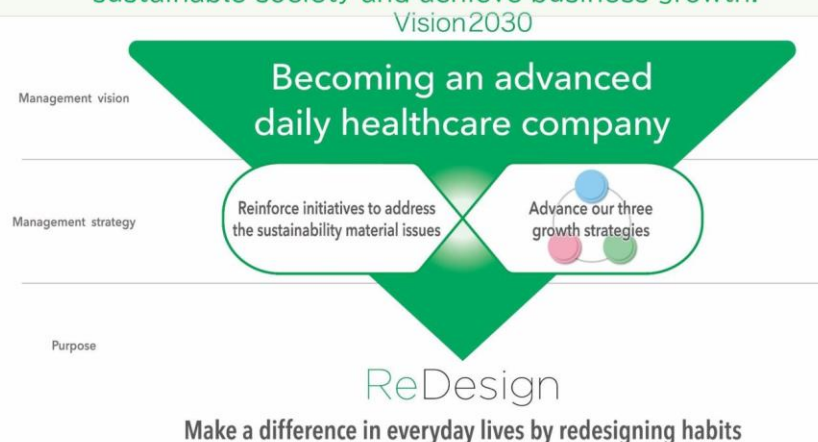
On the other hand, total sales in South Korea decreased due to the impact of a shrinking market for laundry detergents, in addition to a decline in demand for hygiene products.

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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.



I would now like to explain the progress of the key measures for this year.

Based on the medium- to long-term management strategy frame Vision 2030 announced in February, we will further strengthen our management based on the purpose of "make a difference in everyday lives by redesigning habits" to realize our management vision for 2030. We aim to contribute to a sustainable society and achieve business growth by addressing our sustainability material issues and promoting growth strategies in a synergistic manner.

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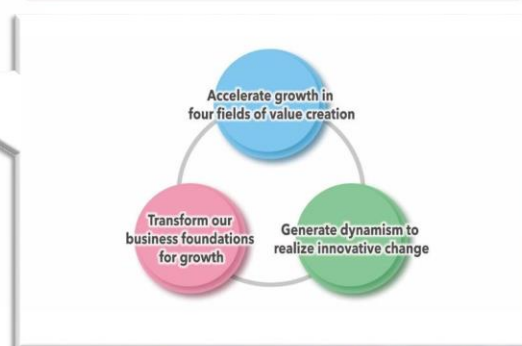
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Our Three Growth Strategies



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I would like to explain the current situation. First, I would like to talk about the 3 growth strategies we have set forth.

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
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 ○ Continuously enhance the new value creation program NOIL, that promotes businesses proposed by employees

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These are the key themes for this fiscal year for each of the strategies we presented in February. I will selectively explain.

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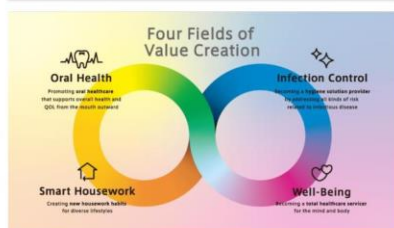


Field Program Promotion Framework —Accelerate Growth in Four Fields of Value Creation

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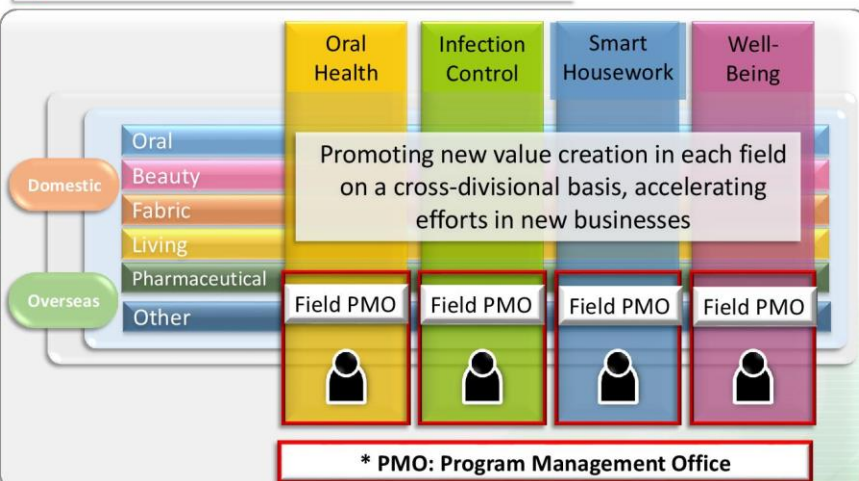
Framework for creating new value in the four fields

Four fields of value creation



We have created a promotional framework (the **field PMOs**) in which an executive officer has been appointed to lead efforts in each field

Field Program promotion framework



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First, I would like to talk about "accelerate growth in 4 fields of value creation." We created the promotion system you see here for each of these value creation fields.

Specifically, the Program Management Office, PMO, headed by an executive officer, has been established in each of the 4 fields that span across existing businesses to promote cross-organizational study and promotion of new value creation in each field, with the aim of accelerating the challenge of new businesses.

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Offering solutions via both products and services (Lion Hygiene Co., Ltd.)

Food product hygiene management support

HACCP * compliance: Hygiene management support system

*Hazard Analysis and Critical Control Point



Light version, for small enterprises (free)



Professional version, for store chains

HACCP now mandatory in restaurants in Japan (June 2021)



Supporting restaurants' HACCP through app development

Environmental hygiene assessments

Up approx. 20% Y-o-Y



Supporting the creation of the hygienic environments that are the basis of food product hygiene

e-learning



Up approx. 150% Y-o-Y

Offering e-learning about food product hygiene

New Product to Meet Public Health Needs

Indoor space disinfectant

Sales approx. 508% higher than planned

Medinurse Room Disinfectant

Launched December 14, 2020



Meeting social needs, such as disinfecting indoor spaces of public facilities

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Next, I would like to introduce the hygiene solutions business of Lion Hygiene, a related group company, in the field of infection control. Lion Hygiene is developing hygiene products and services for professional use.

In June of this year, in order to respond to the institutionalization of hygiene management in line with HACCP, which has become completely mandatory, we introduced the free Hayaraku HACCP Light application, which consists of the essence of the web application Hayaraku HACCP, in addition to the Hayaraku HACCP.

We will provide support to small businesses, such as sole proprietorships, in their efforts to comply with the HACCP mandate. At the same time, we would like to capture the businesses that we provide these apps to as loyal customers.

As for food sanitation management, in addition to supporting the creation of a hygienic environment through hygiene diagnosis, we have also enhanced our e-learning content by making learning videos for new employees freely available to the public in response to the current situation where group training is difficult to conduct due to COVID-19.

On the other hand, in order to meet the hygiene needs of facilities used by many people, last year we also launched hand sanitizers for professional use and space sanitizers for indoor use. Sales have been strong, and we expect further growth in the future.

In this way, this Lion Hygiene will also provide hygiene solutions in terms of both products and services.

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Start of operations at a new factory increased toothpaste production capacity (at the Lion Chemical Oleochemical Production Site)



■ **Increased production capacity** by adopting cutting-edge production facilities

➔ Lion's annual toothpaste production capacity increased by approximately **130 million** tubes*1

*1. Approximately 16,000 tons/year

■ **Built an end-to-end production framework** to save labor and share data on material supply and demand, **improving productivity**

➔ New factory realizes approximately **2.8 times** the production efficiency*2 of existing plants*3

*2. Labor productivity (annual production volume/number of direct personnel), in comparison with Lion's existing plants

*3. Lion Corporate Odawara Plant and Akashi Plant

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As part of our second strategy, to transform our foundations for growth, in July of this year, we built our first plant that integrates the production of toothpaste and laminated tube production facility of Dai Nippon Printing in the same site in Sakaide City, Kagawa Prefecture.

This will enable us to realize integrated production of toothpaste, from the production of laminated tubes to the production of toothpaste, filling, packaging, and packing into cardboard boxes, all in 1 location.

The new plant will not only significantly increase our production capacity of toothpaste, but will also save manpower by establishing an integrated production system and significantly improve production efficiency by sharing data on demand and supply of materials. We believe that we will be able to meet the growing demand for toothpaste in Japan and overseas, especially in China.

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New Business, Gokinjo Cheftomo
—Generate Dynamism to Realize Innovative Change

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New restaurant dinner takeout reservation service launched February 21, 2021 through NOIL

Services and new value created

Place orders on a weekly basis	Pick up food in the area where you live	Balanced menu options
Reduces housework burden	Fosters healthy eating habits	Fosters community connection

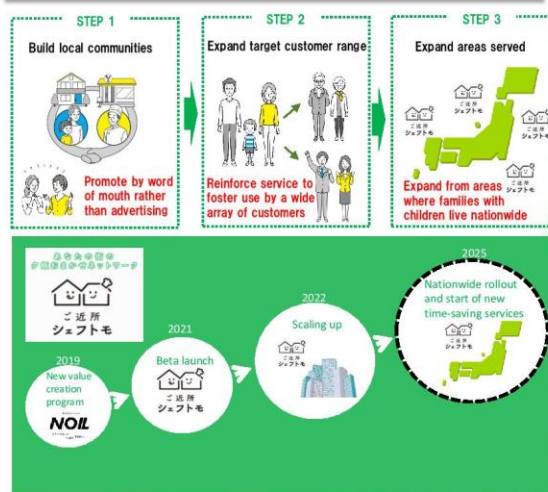
New value created

- ▶Reduces housework burden for dual-income households and frees up time to spend as a family
- ▶Builds local community connections and has been well received by both customers and restaurants

Registered users and restaurants (as of July 2021)

- Users: 5,789
- Restaurants: 37

Medium- to long-term outlook



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Third, I would like to introduce new businesses that were born from the in-house new value creation program NOIL as a strategy of “generate dynamism to realize innovative change.”

The first is Gokinjo Cheftomo, a restaurant dinner takeout reservation service that started in February this year.

This service is not just takeout, but a neighborhood restaurant becomes your own personal chef, and the restaurant will come up with a healthy and balanced menu for you. This is a service that allows customers to pre-order takeout for the days they need it on a weekly basis using a communication app. The service is mainly targeted at working parents, and was launched mainly in Tokyo.

The current number of registered users is just under 6,000, and the number of member restaurants is about 35. This business is differentiated from existing home delivery services not only by reducing the burden of household chores, but also by fostering healthy eating habits and the added value of connecting with the local community. This is currently receiving a good reputation from users and restaurants.

In the future, in addition to further enhancing our services, we would like to expand our business to provide new housekeeping habits and values with a view to expanding our target and area.

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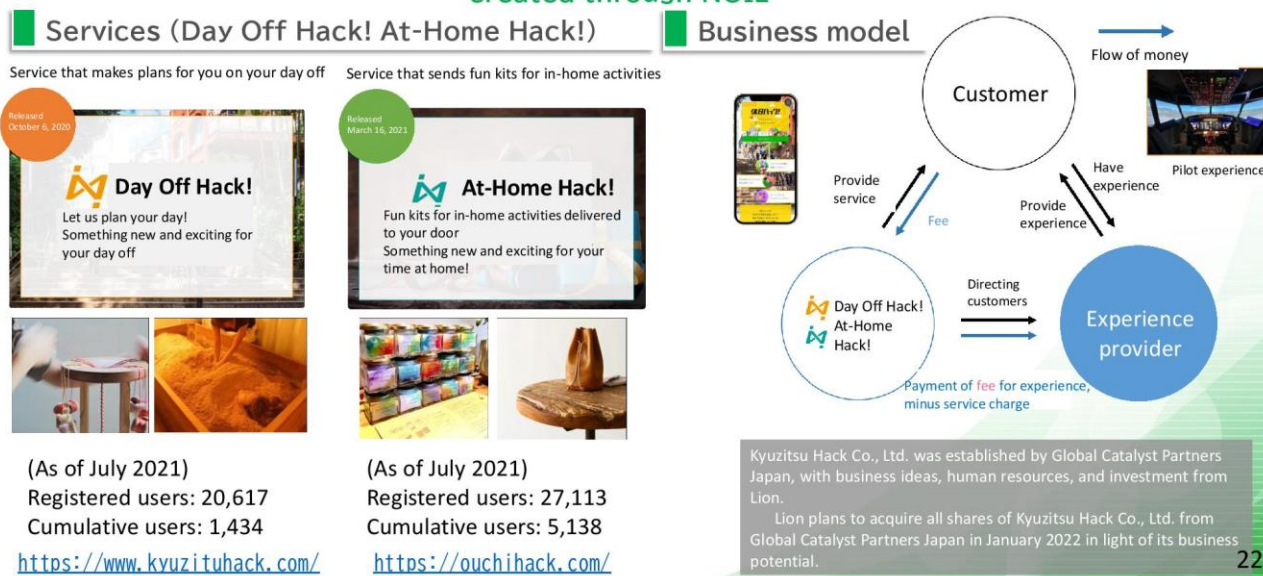
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Acquiring shares of Kyuzitsu Hack Co., Ltd.
—Generate Dynamism to Realize Innovative Change



Lion will acquire all shares of Kyuzitsu Hack Co., Ltd., a new business created through NOIL



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Next is a new experience-based service, also born from NOIL, Day-off Hack! and Home Hack!

From October 2020, we offer 2 services of Day-off Hack! and Home Hack!

These services are being developed by Kyuzitsu Hack, Co., Ltd., a company established by GCPJ, in which we provide business ideas and human resources, and in which we also invest.

Day-off Hack! offers a completely tailor-made holiday service that plans over 100 types of experience contents in Tokyo and makes reservations on behalf of customers. In addition, Home Hack! offers a service that delivers a surprise experience kit that matches the customer's preferences.

Both services have been well received, with the number of registrants and users far exceeding the initial target, and with good prospects for future business, we decided to acquire all shares of Kyuzitsu Hack Co., Ltd. from GCPJ in January 2022.

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Progress of Key Measures

—Reinforce Initiatives to Address the Sustainability Material Issues

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Taking action to address the top priority sustainability material issues

Top priority material issues	2021 highlights
Creating Healthy Living Habits	<ul style="list-style-type: none">❑ Launched a special webpage for inclusive oral care activities❑ Held the 78th Oral Health Event of Tooth Brushing for Children (via DVD content)❑ Began in-school lessons about hygiene habits for children in upper elementary grades❑ Began the Kirei Relay project at the Sumida Aquarium
Promoting Environmental Initiatives for a Sustainable Planet	<ul style="list-style-type: none">❑ Completed preparations to send advanced shipping notices (ASNs) for individual delivery trucks to improve logistics efficiency using logistics EDI❑ Field testing of in-store used refill pack collection with Kao Corporation❑ Participating in field testing of used plastic collection in Kita Kyushu City❑ Received the Supply Chain Innovation Award 2021

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Next, I would like to explain our efforts to address key sustainability issues.

We are promoting these activities as important measures for this year. Today, I would like to introduce 1 of these examples, Logistics EDI, for improving logistics efficiency.

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Improving Logistics Efficiency Using Logistics EDI —Promoting Environmental Initiatives for a Sustainable Planet



Working with other companies to effectively use logistics resources and improve efficiency

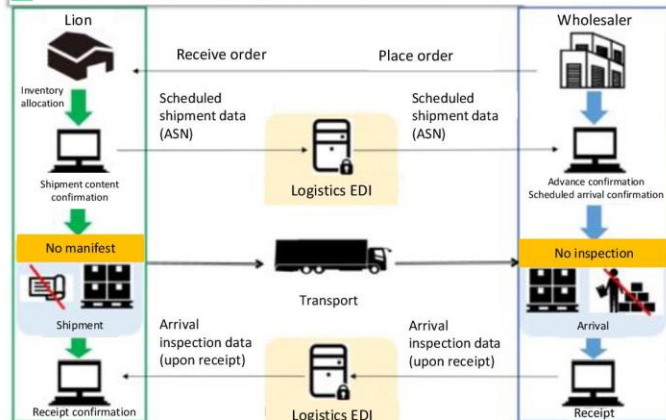
Smart logistics (logistics EDI) concept

→ Effectively utilize logistics resources and improve logistics efficiency through improved accessibility of logistics data and mutual collaboration

Expected Effects

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

Improving logistics efficiency



We have **completed preparations to send advanced shipping notices (ASNs)** for individual delivery trucks to improve logistics efficiency using PLANET, INC.'s logistics EDI. We begun sending ASNs to wholesalers.

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This year, we have been implementing Logistics EDI for the industry's smart logistics initiatives using PLANET's platform.

By visualizing and interconnecting logistics information that connects not only our company but also other manufacturers and wholesalers, we aim not only to make effective use of logistics resources and improve the efficiency of logistics operations, but also to improve the working environment, increase productivity, and reduce environmental impact for the industry as a whole.

As for the current situation, we have just completed preparations for the distribution of ASN, Advanced Shipping Notice, shipment data by delivery vehicle unit, and have started distributing them to some wholesalers.

With this ASN delivery, wholesalers will be able to match order information with delivery information in advance. In addition, the receiving site can cross-check the ASN obtained beforehand with the actual product information to be received in advance, which has been very time-consuming. Therefore, it is expected to simplify the inspection process, resulting in smoother warehousing and paperless operations.

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Highlight: New Lightee Brand

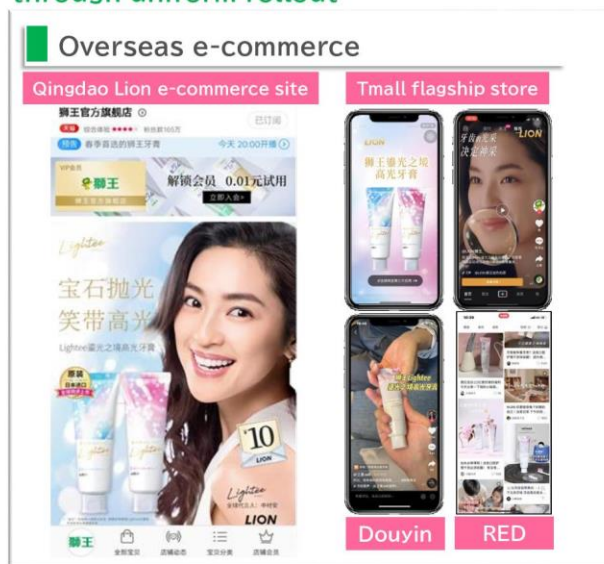
—Accelerate Growth in Four Fields of Value Creation

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Domestic: Driving growth in the high-end whitening subcategory



Overseas: Secured brand recognition through uniform rollout



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Finally, as a topic, I would like to explain the status of *Lightee*, a new brand of toothpaste that was launched this year.

This was our first simultaneous launch in Japan and China on March 31. We are implementing marketing that takes advantage of group synergies through unified development in Japan and China, including product packaging and communication using celebrities.

As for the situation in Japan, the product has been performing well since its launch with 149% sales compared to the plan, contributing to the growth of the high-priced whitening category in the market.

As for overseas, full-scale promotion is yet to begin, but after the simultaneous launch by Qingdao Lion in China at the end of March, we are aiming to gain recognition mainly through Douyin, the Chinese version of TikTok, and RED, the Chinese version of Instagram.

In the future, we will continue to take measures to gain recognition, with Double Eleven as our main target.

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Changes in the business environment from initial assumptions and effects on performance

- **The COVID-19 pandemic will continue until after the end of the year**
 - ☞ Ongoing demand related to increased time spent at home, rising health awareness and ongoing demand related to vaccine side effects will lead to **increased sales**
 - ☞ Hand soaps and hygiene-related products will see smaller market expansion than expected, leading to **decreased sales**
 - ☞ In Southeast Asia, consumption will remain weak due to additional waves of COVID-19, leading to **decreased sales**, and intensifying consumption will cause **increased competition-related expenses**
- **Rising demand for chemical materials due to market recovery, mainly in the automotive industry**
 - ☞ In the Industrial Products business, the chemicals field will see **increased sales**
- **Raw material prices rising more than expected**
 - ☞ **Decreased gross profit** due to rising costs

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Lastly, I would like to explain our consolidated earnings forecast for the full year of FY2021. First of all, I would like to explain the business environment and its impact on our company in the second half of the fiscal year, which is the premise for the revision of the first-half and full-year business forecasts made on July 30.

Regarding the situation of the new coronavirus, I assume that the situation in Japan will be under control from the end of the year at the earliest.

As for the impact on the market we operate, we assume that the positive aspects of sales will be the continuation of stay-home demand, increased value-added oral care and other products in line with rising health consciousness, and increased demand for antipyretic analgesics in response to adverse reactions to vaccines. On the other hand, sales of hand soaps and hygiene related products are not expected to grow to the expected market size, and sales are expected to decrease from the initial plan for the year.

Overseas, we expect the slump in consumption to be prolonged throughout the second half of the year, partly due to the delay in vaccinations. In Southeast Asia, where the infection is particularly widespread, we anticipate a decline in sales due to a decline in consumption.

In addition, demand for chemical materials is increasing due to the recovery of market conditions in the automobile industry, etc., and we expect sales to increase in the Industrial Products segment, especially in the chemical products field.

On the other hand, we have factored in a larger decline in gross profit due to higher costs in the second half of the year due to higher-than-expected raw material prices.

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2021 Consolidated Financial Forecast



(Billions of yen)	2021 (Jul. 30 revision)	2021 (initial forecast)	Change	
			Amount	%
Net sales	365.0	365.0	—	—
Core operating income* ¹ % of net sales	30.0 8.2	30.0 8.2	—	—
Operating profit % of net sales	30.0 8.2	30.0 8.2	—	—
Profit for the period attributable to owners of the parent	21.5	21.0	0.5	2.4
EPS (Yen)	73.95	72.24	—	—
ROE (%)	9.0	8.8	—	0.2PP
ROIC (%)	8.5	8.5	—	—
EBITDA* ²	43.5	43.5	—	—
EBITDA margin (%)* ³	11.9	11.9	—	—

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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Here is the consolidated earnings forecast.

As per the new upward revision on July 30, profit for the period attributable to owners of the parent is set to increase by JPY500 million from the initial plan in light of the situation in the first half of the year. Other than that, the previous forecasts for net sales, core operating income, and operating profit remain unchanged, taking into account the impact of rising raw material prices and the spread of the new coronavirus infection.

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2021 Sales to External Customers Forecast

(Billions of yen)	Sales to External Customers			
	2021 (Aug. 4 revision)	2021 (Initial forecast)	Change	
			Amount	%
Consumer Products	233.0	235.0	(2.0)	(0.9)
Industrial Products	34.0	32.0	2.0	6.3
Overseas	95.0	95.0	—	—
Others	3.0	3.0	—	—
Consolidated Total	365.0	365.0	—	—

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The forecast for sales to external customers by segment is shown here. We made a revision to the initial forecast.

In consumer products, we expect sales of oral care products and medicines to increase in the second half, but we will not be able to recover the decline in sales of hand soap for the full year. As a result, we expect sales to be JPY2 billion less than the forecast announced at the beginning of this year.

On the other hand, we expect sales of industrial products to increase, as we expect the market recovery in the first half to continue in the second half.

Although overseas sales increased in the first half of the year, we have factored in the risk of a decline in sales in Southeast Asia, where the impact has become more pronounced since the latter half of the second quarter, and expect the full year sales to be in line with our initial forecast.

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Impact on income

(Billions of yen)	Assumptions at start of year	Revision	Change
Sales, product mix and others	+1.5	+1.0	(0.5)
Total cost reduction (manufacturing and logistics costs, etc.)	+1.0	+1.5	+0.5
Crude oil and vegetable oils and fats, etc.	(1.5)	(2.4)	(0.9)
Competition-related expenses	(4.4)	(4.0)	+0.4
Other expenses	(2.5)	(2.0)	+0.5
Total	(5.9)	(5.9)	±0.0

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This page shows factors affecting core operating profit. We have reviewed it based on the results of the first half and the situation in the second half.

As for the impact of sales increase/decrease, product mix change, etc., we expect a decline of JPY0.5 billion from the initial forecast due to composition change factors based on the situation of hand soap and other factors.

As for the impact of total cost reduction, we expected income to increase by JPY500 million from the initial forecast, based on the results of the first half.

With regard to the price of raw materials, we assume a decrease in income of JPY900 million from the initial assumption, taking into account the recent surge in the price of raw materials, which is higher than expected.

As for competition-related expenses, measures that we have not implemented in the first half of the fiscal year will be implemented in the second half of the fiscal year, and revisions have been made.

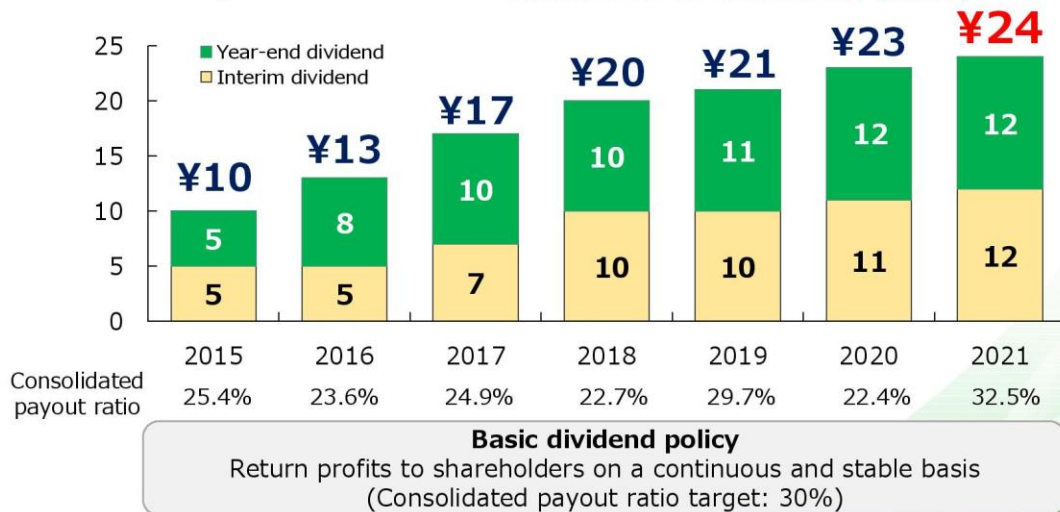
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Annual per-share dividend forecast of **¥24**
(increased for a **sixth consecutive year**)



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Finally, with regard to shareholder returns, based on our basic dividend policy of providing continuous and stable returns to shareholders, we plan to increase the dividend for the current fiscal year by JPY1 from the previous year to JPY24, as announced at the beginning of the year, for the sixth consecutive year.

This concludes my explanation.

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Question & Answer

Q : What were the sales growth rates in each country in the April to June period on a local currency basis?

A : We do not disclose specific quarterly figures. Broadly speaking, however, in our mainstays of Thailand and Malaysia, sales growth in the April to June period did not change greatly from that of the January to March period. In China, growth was strong in the January to March period, slowing somewhat in the April to June period due to a recoil from the previous fiscal year, leading to year-on-year sales growth of around 20% for the first half. In South Korea, sales growth in the January to March and April to June periods were at about the same level.

Q : To what extent did *Lightee* toothpastes contribute in China?

A : In terms of sales value, the contribution is still very small. CLINICA products and other existing products imported from Japan make up a very large share of total sales, and these products have been performing well. We expect the contribution of *Lightee* to be mainly from the October to December period onward, mainly around the Double 11 shopping holiday in November.

Q : In the April to June period, new variants of COVID-19 were spreading in Thailand and Malaysia. What impact did this have?

A : In Thailand and Malaysia, we began to see a substantial negative impact from April to June, especially in June, and even more so in July. We regard this as a major risk factor.

Q : Do you expect annual sales in Thailand and Malaysia to fall year on year?

A : Decreases in the latter half of the year will be offset by increases in the first half, so we expect annual sales to be around or slightly below last year's level.

Q : Some would argue that sales of daily commodities can grow even with the spread of new variants of COVID-19, but how is it actually going?

A : Before the pandemic, we thought that, too. However, as you can see in the presentation materials, we have found that the market as a whole, especially for laundry detergents, has persistently been down more than 10% since the latter half of last year. We can theorize and imagine many possible reasons for this. Particularly in Southeast Asia, there is still a major difference in per-person detergent use between urban and rural areas. It is likely that a number of those who had come to cities for work lost their employment with the lockdowns and other measures of this past year and returned to rural areas. The resulting drop in detergent use among such individuals may, we think, have been a major negative factor. As we explained earlier, we are working to strengthen sales promotion in rural areas and implementing promotions to increase the share of sales accounted for by small-sized products with low unit prices in order to make up as much ground as we can.

Q : In terms of strategy in China, you said that sales grew by around 20%. Was there any difference in the growth rates for toothpastes and toothbrushes? Also, how do you plan to compete with foreign competitors?

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For toothbrushes, Lion's technologies, small toothbrush head sizes and bristle implantation will presumably be strengths, but for toothpaste, do you think it will be difficult to get consumers who have grown accustomed to your competitors' product flavors over many years to make the switch?

A : For toothpastes, in addition to functionality, taste familiarity and loyalty are very important. As such, getting consumers to switch brands is not as easy as it is with toothbrushes. We still do not have nearly as high a market share in the field of toothpaste as we do in toothbrushes. I think we are capturing a very niche consumer segment. These consumers are buying Lion toothpastes because they are made in Japan and, specifically, made by the leading toothpaste manufacturer in Japan. It seems that purchasers of our products put a very high value on such factors. Therefore, we believe that our competitors' target segment of consumers is different from ours, so our strategy will naturally be different, as well. This is also why our marketing puts the fact that *Lightee* is a Japanese brand at the forefront. Currently, the sales growth rate for toothpaste is higher than that for toothbrushes, partly because sales volumes are lower. We would like to continue our present approach for the time being.

Q : Core operating income was ¥2.5 billion higher than forecast in the first half of the year, so why has the core operating income forecast for the full year not increased? While the sales mix will be negatively impacted by weak hand soap performance, sales of antipyretic analgesics are expected to grow, and raw material costs are increasing only ¥0.9 billion. Given that competition-related costs will be lower than expected, what is behind the disappearance of that ¥2.5 billion?

A : There are two main factors. The first is that the rise in raw material prices actually started in the latter part of the first half of the year and is expected to hit harder in the second half. This will push down profit in the second half by about ¥1 billion compared with earlier assumptions. The remaining ¥1.5 billion will be accounted for by competition-related expenses and other expenses. These expenses are expected to be about ¥1 billion lower than originally forecast for the full year. However, since they were lower than anticipated in the first half of the fiscal year, we will shift them to the second half, for total expenses of about ¥1.5 billion. Thus, these expenses will be higher than originally forecast for the second half of the year and a negative factor. Changes in the product mix, including hand soaps, will have a minor negative impact, but this will be offset by an increase in sales of antipyretic analgesics and other products and so will not be a particularly major factor in the second half of the year.

Q : So, the competition-related expenses and other expenses not realized in the first half will appear in the second half?

A : Yes. For example, from the beginning, other expenses have included expenses for the planning of the Field Programs mentioned earlier. We had assumed that these expenses would probably be mainly in the second half of the year, but we weren't sure, so we distributed them more or less evenly across the first and second half in our forecasts. As it turned out, they will indeed occur mainly in the second half of the year.

Q : Looking at the waterfall chart, did gross profit or the product mix improve in the April to June period?

A : The impact of the product mix was severe in the January to March period but got better in the April to June period. For one thing, more than the impact of hand soaps, the portion of total sales from domestic businesses increased in this period. The gross profit margin is higher in Japan compared with overseas, so this impacted gross profit in the April to June period. This shift in the balance of domestic and overseas sales was due mainly to worsening sales in China in the April to June period compared with the January to March period.

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Q : In terms of profit, am I correct in understanding that even if hand soaps struggle, due to increases in sales of antipyretic analgesics, you expect a negative impact of only around ¥0.5 billion for the full year?

A : We are being a little ambitious here. Antipyretic analgesics have already seen growth since June, and we expect this to continue through the second half of the year. We also aim to further expand sales of high-value-added products, especially in oral care, but this will require significant effort. As such, the increase in competition-related expenses is mainly in the oral care field, and we hope that this approach will lead to growth.

Q : Sales of Living Care Products in the first half fell year on year. Could you tell us about the main factors behind this?

A : We are not worried about Living Care Products. Our two mainstay fields of dishwashing detergents and household cleaners continued to perform favorably in the first half of the year. However, in the first half of 2020, household cleaners in particular saw very strong growth, so this year the first half saw a slight decline in comparison. Also, last year, Living Care saw major growth in sales of REED kitchen paper, mainly in March, from which we saw recoil this year. The spike in demand for kitchen paper last March was due to the shortage of tissue paper and other paper products, which spilled over to demand for REED products. This was thus a one-off fluke, resulting in a year-on-year decrease of ¥350 million.

Q : The January to March period saw an increase in sales, while the April to June period saw a double-digit decrease. Was the decrease in sales of kitchen paper a major factor in this?

A : As I said, last year was a good year for household cleaners, as well. Compared with that, we saw a year-on-year decrease, but this category is still clearly performing favorably. In that regard, I believe that there is no problem in areas other than kitchen paper within Living Care.

Q : How well did antipyretic analgesics sell in the first half of the year?

A : Roughly speaking, sales increased approximately 20% year on year.

Q : If sales of antipyretic analgesics increased 20% in the first six months of the year, what about the April to June period, specifically?

A : Sales growth in the April to June period was mainly concentrated in June.

Q : Looking at the second half of the year and into next year, with hand soap sales declining and raw material prices remaining high, and given your assumptions regarding antipyretic analgesics, what conditions will have to be met to realize profit growth in 2022?

A : We expect the domestic Consumer Products Business to remain relatively steady into 2022. In the first half of 2021 as a whole, there were very few areas in which we underperformed the market: just laundry detergents and hand soaps. In all our other mainstay fields, we outpaced market growth. It will take a lot of hard work, but we seek to continue this trend in 2022. As for hand soaps, which have been the biggest factor in this year's sales decline, in terms of year-on-year comparisons, next year we will no longer be juxtaposing

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current results with those from the boom of 2020. So, if we can maintain performance in that category, we should be able to increase overall sales based on performance in the fields I mentioned that are doing well.

Q : What about profit?

A : This year, we are increasing competition-related expenses and other expenses, such as R&D investment, but we do not expect to continue increasing them next year. On the other hand, looking at negative factors affecting profit, we will record depreciation for the new Sakaide Toothpaste Factory only in the latter half of 2021, but for the full year in 2022. Nevertheless, we believe that we will be able to increase EBITDA and gross profit.

Q :What about raw material costs in 2022?

A : I think it is best not to make too many assumptions about raw material prices too far in the future, such as a year from now. We generally assume, however, that crude oil prices will move within the range of USD40 and USD100 in a cycle spanning one or two years, and we advance our businesses accordingly. We do not have any particular forecast about the prices of crude oil or natural fats in 2022.

Q : Some of your competitors have announced that they will reinforce their marketing of hand soaps and introduce new household cleaners. How do you expect this to impact Lion's performance?

A :. We would like to maintain the current hand soap market size, which is about 40% larger than that of 2019, and further expand it as much as possible. We also plan to use some of the increased expenses mentioned earlier on hand soap marketing. In the household cleaner field, there will be some impact in the short term. Depending on how you look at it, however, it may not necessarily be a bad thing if LOOK Plus and our competitors' new products succeed in transforming the bath detergent market from one where the focus of competition is centered on very low prices into one where the focus is on higher-value-added products. Also, although I didn't get to explain it today, we will launch a new product, LOOK Plus Awa-Pita Toilet Cleaning Spray, in September, targeting a similar market position as LOOK Plus Bath Cleansing. As such, even if there is some negative impact on bath detergents, we believe that we can make up for it with the positive impact of the new product.

Q : I believe you aimed to increase full-year sales in China by almost 50%. However, in an earlier comment you indicated that you expected growth of about 25%. Could you tell us more about this?

A : Our hope is for 50% growth every year, but our plan and assumptions for this fiscal year, especially the first half, are around 25%. Last year, we were able to increase our annual sales by 50%, but this was partly due to successfully uncovering demand for Japanese products. This has now settled down somewhat, and we are preparing for the next round of measures.

Q : So, you were expecting growth of 50% for the full year but have now changed that to 25%?

A : We do not forecast growth 50% for the full year at this time.

Q : Is your current outlook for performance in China different from your initial assumptions?

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A : We don't think the current situation is necessarily bad. The July to September and October to December periods will be important, especially the latter, so we aim to effectively cultivate demand over the remainder of the year.

Q : Why did growth not reach your expectations in the April to June period?

A : Like Double 11, the 618 shopping event in June is very important, but overall demand for household products did not surge as expected. This was a major factor, and affected other companies, as well.

Q : You mean it was due to market factors?

A : Yes.

Q : Is there a risk of the Chinese market remaining sluggish in the latter half of the year?

A : We are currently analyzing why sales on 618 were not as high as expected. It may be that, as consumers come out of pandemic conditions, their spending has shifted away from household products somewhat.

Q : Looking at the factors affecting core operating income, you mentioned that you shifted about ¥1.5 billion in competition-related expenses to the second half of the year, but were cuts to these costs overseas also a major factor? Also, can we assume that you will not spend all that much in competition-related expenses in the latter half of the year in Thailand and Malaysia, which are experiencing new waves of COVID-19? Finally, has there been any change in your initial assumptions related to the digital investment included in the changes in other expenses?

A : I will start with the latter part of your question. Although there have been delays in digital-related investments, there is no change in the total amount of investment, and the progress of each investment area is proceeding approximately as expected. Regarding where the competition-related expenses are invested, in the first half of the year, Southeast Asia began to show signs of difficulty in June, but the situation had been relatively normal up to that point, and there are no major changes in our assumptions about changes in competition-related expenses in the region. Rather, competition-related expenses to be invested in the domestic market have been shifted to the second half of the year.

Q : Why did the profit margin in the Consumer Products Business decline significantly in the April to June period? Looking at the whole year, do you think this decline is just temporary?

A : There are two reasons, which, as explained earlier, relate to a change in the balance of the quarterly breakdown. The first reason is that the sharp rise in raw material prices that appeared in the April to June period had almost no impact in the earlier January-March period. The second is that, while we invested less than expected in competition-related expenses, these expenses still rose compared with 2020. This increase was concentrated in the April to June period, so, as you said, I think it is safe to say that this is temporary effect, a matter of variation from quarter to quarter.

Q : Is it correct to assume that the profit margin for the full year will return to around 10%?

A : We believe that the profit margin for the full year will remain at about the level recorded in the first half of the year .

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Q : Given that the profit margin is down year on year, will the Overseas Business compensate for decreased domestic sales?

A : The reason for the decline compared to the previous year is, as explained in the waterfall chart, the growing impact of the increase in competition-related expenses and the rise in cost of sales, which are mostly in the Consumer Products Business.

[END]

Document Notes

1. *Portions of the document where the audio is unclear are marked with [Inaudible].*
2. *Portions of the document where the audio is obscured by technical difficulty are marked with [TD].*
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