November 7, 2024
Lion Corporation

Analyst Q&A (Summary)

Nine Months Ended September 30, 2024

Q: What were the factors leading to core operating income exceeding expectations?

A: Results for both the Consumer Products and Overseas Business exceeded planned estimates. The Consumer Products Business has been showing steady results due to profit structure reforms. In addition to firm progress in price revisions, measures to optimize competition-related expenses are also under way. The reduction in competition-related expenses includes a retreat from last year's increase in advertising expenses related to the launch of *NANOX one*, a major new product. In the Overseas Business, the primary factor contributing to profit growth was the greater-than-anticipated impact of raw material prices.

Q: What impact is expected from the recording of an impairment loss, mainly in the domestic Fabric Care category?

A: The domestic Fabric Care category was in the red last year due to the impact of capital expenditure as well as high-cost investments in advertising in line with the launch of major new products, such as *Airis*. We are confident that it will return to profitability in the next fiscal year due to business structure reforms. By recording an impairment loss of approximately ¥6.2 billion at this time, we expect a reduction in fixed expenses of nearly ¥1.0 billion yearly from next fiscal year onward. We aim to develop highly profitable brands and products while maintaining the utilization rate of consolidated facilities.

Q: What is the current situation in China and how do you plan to move forward?

A: While sales growth slowed on a same-store basis due in part to a cooling of consumption, the expansion of sales areas has helped to ensure continued overall growth. Looking ahead, while we recognize that the prioritization of profitability will inevitably lead to somewhat of a falloff in the growth rate, we believe we can maintain a growth trend. We are engaging in new measures and efforts to expand into categories beyond oral care, while also securing growth across the Overseas Business by pursuing expansion in every country and region in which we operate.

Q: What is next fiscal year's profit forecast for the domestic Consumer Products Business, given the impact of raw material costs and overall price revisions?

A: Price revisions include basic price hikes, reducing sales promotion expenses, and a shift to high value-added products. We aim to proceed at the same pace in 2025 as we are in the current fiscal year. We expect raw material costs to remain high. While it is difficult to make predictions due to such factors as the impact of the U.S. presidential election, we believe overall business performance will remain at a similar level to the current fiscal year. Regarding profits in the Consumer Products Business, the impact of profit structure reforms is becoming evident. With the help of Japan Activation Capital, Inc. (hereinafter "JAC"), with whom we have a partnership agreement, we will continue pushing forward with further profitability improvements.

Q: Could you please explain the specific positive benefits resulting from this partnership agreement with JAC?

A: We will be able to leverage JAC's support, resources, and network to strengthen and accelerate our abilities in both strategy and policy development and implementation, ultimately enhancing their effectiveness. Essentially, the purpose of the partnership is to support the promotion of strategies that are aligned with Lion's policies, and we do not anticipate any significant changes to these policies. We are currently conducting discussions regarding the specifics.