May 8, 2024
Lion Corporation

Analyst Q&A (Summary)
First Quarter Ended March 31, 2024

Q1: How do the results for the first quarter compare to the plan?

A1: Overall, progress is advancing as planned. Although overseas results exceeded expectations, Industrial Products struggled due to customer inventory adjustments. In Consumer Products, although the situation varies by product category, overall performance is progressing as planned. Excluding foreign exchange rate fluctuations, consolidated net sales decreased by 0.2%, but net sales increased by 0.7% when excluding the foods with function claims business, which was discontinued in 2023.

Q2: The top line in Consumer Products appears weak, can you comment?

A2: Overall growth has slowed slightly due to efforts to manage sales promotion expenses for low-end products and other factors, but figures are still within the expected range. In Fabric Care, sales of fabric softeners are meeting with short-term difficulties due to the impact of price offensives from competitors. Overall, however, we are on track to improve the profitability of Consumer Products.

Q3: Can you elaborate on the progress you have made on improving the profitability of Consumer Products?

A3: Through price shifting and changes in the value-added composition of products, we increased overall prices approximately¥1 billion in the January-March period on a year-on-year basis. From April, we plan to increase shipping prices for some products, with an eye to raising overall prices ¥4 billion for the full fiscal year. We are monitoring the balance of and proceeding with reductions in the number of SKUs in order to facilitate short-term inventory disposal. We have already decided to separate our business fields by transferring two pharmaceutical product brands, and will continue to consider our options moving forward.

Q4: You mentioned that business overseas is growing faster than planned, do you expect such conditions to continue in the future?

A4: Although we expect the rate of sales growth to slow compared to the first quarter, we do believe that it will continue to grow over the course of the year. In particular, we believe we will achieve growth in Thailand by growing sales in the personal care field in rural areas and in China by expanding our sales areas.

Q5: It was previously forecasted that the year-on-year annual increase in competition-related expenses would be ¥1.5 billion, but it actually increased by ¥1.7 billion in the first quarter. Can you please explain the discrepancy?

A5: Sales promotion expenses are increasing due to higher-than-expected sales growth in overseas business. Competition-related expenses are increasing, especially in China, as forward-looking investment to expand the sales area progresses. Nevertheless, we will manage the entire segment to ensure increased profits.

Q6: How do you view the current raw material prices and exchange rates?

A6: Because it takes some time for changes in raw material prices and other factors to be reflected in Lion's business results, we are assuming a risk of several hundred million yen in the second half of the fiscal year; however, we also believe that we will be able to offset this risk with cost reductions and revisions to the sales mix.

Q7: What is the breakdown for the core operating income consolidated adjustment, seeing as it remains unchanged from the first quarter of 2023?

A7: Unrealized profits on transactions within the Group have increased, mainly due to increased inventories. Although we have started reducing inventory levels to improve business efficiency, overall levels are still high, and we recognize that we need to continue working towards reducing these levels.