

## **Analyst Q&A (Summary)**

First Quarter Ended March 31, 2019

### **Business Performance**

Q: Were results for the first quarter as projected? It seems like performance will have to improve substantially to meet the published forecasts for the first half of the year.

A: The consolidated total results for the first quarter are more or less as projected. To meet our previously published forecasts, sales from April to June will need to increase by more than 4%. We expect fields that are showing strong sales in Japan, such as oral care, beauty care and living care, to continue growing. Overseas, we expect firm expansion in Southeast Asia as well as improvement in China to contribute to sales. As such, we think that our targets for the first half of the year are achievable.

Q: Was the decrease in profit in Consumer Products within the range of your assumptions?

A: Yes, it was. The first quarter saw the launch of such major new products as *CLINICA ADVANTAGE NEXT STAGE Toothpaste* and *CHARMY Magica Enzyme + ("Plus")*, requiring up-front investment in competition-related expenses that led to the decrease in profit.

Q: Fabric Care struggled in the first quarter. What are your strategies for recovery in the second quarter?

A: Unit prices in the laundry detergent market, which had fallen, are recovering. , Our strategy of mainly promoting super-concentrated liquid laundry detergents, which saw firm sales in the first quarter, is unchanged. In regular liquid laundry detergents, where we faced challenging circumstances in the first quarter, we released new and improved *TOP Clear Liquid* in April and added a new antibacterial version to its lineup. At the same time, we are working to nurture markets for the new fabric softener released in February to improve performance in fabric care as a whole.

Q: What impact do you expect raw material prices to have in the second quarter and beyond?

A: Our assumptions at the start of the year viewed raw material prices as a factor negatively impacting first-half profit. However, in the first quarter, prices fell below our projections, providing a boost to profit, mainly in the Overseas Business. However, crude oil prices have recently been rising, so it is unclear whether raw material prices will remain a positive factor for profit in the second quarter and beyond.

## **Overseas Business**

Q: Profit in the Overseas Business rose substantially, and the segment profit margin rose to the level of Lion's domestic businesses. What factors caused this, and what is your forecast going forward?

A: Our business in China, where we implemented structural reforms last year, steadily contributed to increased profit, and in Southeast Asia, where sales continue to grow, we are seeing profit improvement thanks to synergies between volume increases and cost reductions. Also, the portion of sales accounted for by the personal care field is rising, helping to boost the profit margin. This field includes oral care, which is growing in part as a result of efforts to promote preventive dentistry. Compared with businesses in Japan, there is still considerable room to increase volumes and cut costs, so we expect the profit margin to expand further. That said, these businesses are also impacted by raw material cost fluctuations, so we will have to proceed carefully.

## **Other**

Q: Did China's new law on e-commerce impact sales from visitors to Japan?

A: We estimate that sales from overseas visitors to Japan fell about ¥300 million year on year. We do not have a detailed breakdown to tell us whether that was due entirely to China's new e-commerce law, but yes, sales of certain pharmaceutical products were impacted.

Q: In the second quarter, what steps are you taking to prepare for the consumption tax hike?

A: We expect rush demand ahead of the tax hike to begin in earnest in the third quarter. Based on the sales patterns surrounding the previous consumption tax hike, we will take appropriate steps to precisely capture this demand. We are also considering measures to spur demand after the tax hike, such as introducing high-value-added products.

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