

## Analyst Q&A (Summary)

### First Quarter Ended March 31, 2020

#### **Business Performance**

Q: How much of the year-on-year increase in sales was attributable to hand soaps and other hygiene-related products?

A: We estimate that about 60% of the ¥3.6 billion year-on-year increase in consolidated net sales was due to the novel coronavirus pandemic. Because consumers are spending more time at home, dishwashing detergents and certain other products in categories other than hygiene-products also saw sales growth.

Q: What caused the significant sales growth in Oral Care?

A: This growth was attributable to the high-value-added strategy we have been implementing for some time. In addition to the effect of the new toothpastes released in the first quarter of 2020, the new toothpastes and toothbrushes released in the second half of 2019 also contributed to results, and overall sales were strong.

Q: Could you break down the sales increase in Beauty Care?

A: Hand soaps accounted for more than half of sales in Beauty Care and contributed significantly to the increase in sales. Besides hand soaps, body washes and antiperspirants and deodorants also saw nearly double-digit growth.

Q: Why do you expect the business environment to be challenging from the second quarter onward?

A: We see five main risks: 1. Consumption may fall as consumers continue to stay home and use the stocks of products they have in their homes, which are thought to have increased in the first quarter; 2. Detergents for institutional use products may be impacted by the stagnation of the restaurant industry; 3. Mid-summer and other gift and novelty sales may decrease; 4. Demand from visitors to Japan may fall further; 5. Consumers may be reluctant to buy direct-to-consumer products. It is not yet clear how great the impact of any of these will be.

Q: Competition-related expenses decreased in the first quarter. Do you plan to increase them going forward?

A: We may invest in in-store promotions as stay-at-home orders and other such measures are relaxed going forward, but this is another area in which right now it is difficult to make predictions.

Q: Could you tell us more about your efforts to increase hand soap production?

A: In Japan, since February, we have increased production volumes of hand soaps and other hygiene-related products to 1.5 times the previous year's level. From the second quarter onward, we will bring this up to 1.8 times. We have increased hand soap production through full 24-hour operations, and, going forward, we will expand facilities to increase production capacity 30%. Overseas, too, we are increasing production in Thailand and South Korea.

Q: Do you expect online sales to grow going forward?

A: Looking at our products' sales channels, the share of sales at drug stores is growing, and we expect this trend to continue. However, e-commerce is an excellent channel for periodic large purchases. We will need to implement channel strategies in line with the changing consumption patterns of our customers.

### **Overseas Business**

Q: What impact has the novel coronavirus had on business in Southeast Asia?

A: In Malaysia, business activities were suspended from March 18, which negatively affected sales, but because our products were recognized as essential daily commodities, we were able to restart activities from March 30. In Thailand, although a state of emergency was declared on March 26, the impact on our business has not been as great as it was in Malaysia.

Q: How was performance in Northeast Asia?

A: While conditions in China were difficult, we saw continued double-digit growth. In South Korea, hand soap sales grew, but the business environment has been challenging since summer 2019, and overall sales fell year on year.

### **Other**

Q: What was the purpose of selling the land on which Lion's headquarters is located in February?

A: The current headquarters building was completed in 1971 and is about 50 years old. We decided to sell the land based on a number of considerations regarding what the headquarters should be, including the consolidation of headquarters functions and work style reforms. We are advancing considerations related to relocating the headquarters, but have not yet reached any concrete decisions.

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