

Analyst Q&A (Summary)

First Quarter Ended March 31, 2022

Q: Given the first quarter results, could core operating income for the first half of the year exceed your forecast?

A: We planned for higher core operating income in the first quarter than in the second quarter and progress thus far has largely been as expected, so we anticipate core operating income for the first half to be approximately as forecast. From the second quarter onward, the impact of rising raw material prices will be even greater, and we brought our new core systems online as planned in May. As a result, amortization costs will increase.

Q: How were sales in each overseas country during the first quarter, and what is the outlook going forward?

A: Beginning with Southeast Asia, in Thailand, we saw year-on-year real sales growth (at constant currency excluding exchange rate fluctuations) of 1.5%; however, as economic recovery progresses, we expect the growth rate to gradually rise. In particular, although Malaysia's high real sales growth rate in the first quarter was in part a rebound from the previous year, we are expecting future growth of close to 10%. In Northeast Asia, growth in China has slowed somewhat, partly due to a change in e-commerce distributors, but we expect this trend to be transitory and not result in a full year of low growth. However, the impact of the lockdowns in Shanghai could be a significant negative factor going forward. South Korea has regained economic normalcy, and we believe that sales there will be grow as planned.

Q: You said that you expect the impact of the rise in raw material prices to be 1.5 to 2 times greater than you had initially assumed at the beginning of the year. Is the impact expected to be greater in Japan or overseas?

A: We expect a slightly larger impact overseas this year. A high percentage of our raw materials for detergents, which will be heavily affected, are purchased on a spot basis by Lion's overseas affiliates, eliminating delays inherent to handling such operations through Japan, and the rise in raw material prices will have a direct impact. Although the impact on Lion's domestic market will gradually increase, we expect that that on Lion's overseas market will be slightly larger than that on the domestic market for the year as the impact on the overseas market was already about twice as large as that on the domestic market in the first quarter.

Q: You mentioned that the rises in shipping prices will mainly be overseas in response to rises in raw material costs. Have they already risen and what do you plan to do in the future?

A: Some price revisions were made in the detergent field in Southeast Asia in the first quarter. Moving forward, we will continue to be flexible, taking into consideration the distribution and sales channel situation as well as our competitive position in the field.

Q: Will you be raising shipping prices of consumer products in Japan? Please tell us about the price increase environment, including trends at other companies.

A: In the domestic consumer products business, we are reviewing prices for some products that are very costly to ship, such as cat litter in the pet supplies business segment. In principle, we are not raising shipping prices across the board for toiletries. In the major market segments in which we operate, there has been little talk of price increases at other companies, and even those that have announced price increases are probably making adjustments and negotiating with their trading partners on a case-by-case basis. While keeping an eye on trends at other companies, the Company aims to secure profits by increasing unit prices through a shift to high value-added products, reviewing in-store sales promotions, and taking additional cost reduction measures.

Q: If you continue to reduce competition-related expenses in response to rising raw material prices, will this affect medium-term growth?

A: The purpose of our medium-term management plan is to grow our business and generate cash from it, so we will limit our efforts to curb expenses in order to secure short-term profits to this year only. Although rolling measures may be necessary in the future, we will return to our original direction.

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