

February 14, 2024  
Lion Corporation

## Analyst Q&A (Summary) Fiscal Year Ended December 31, 2023

### **Fiscal 2023 Performance Results**

Q: How would you evaluate the performances of the new products released in 2023, *SOFLAN Airis* and *NANOX one*?

A: Because both of these were new products in our major category, fabric care, we actively invested in marketing. Unfortunately, we were unable to achieve the level of sales we were aiming for, and we will reflect on this challenge. Nevertheless, given the difficulty of the market, we still believe that we learned from this experience and a certain level of result was achieved for each product. Going forward, we plan to sharpen our targets and strategically enhance profitability rather than spending a large amount on competition-related expenses to appeal to the masses.

Q: It seems that Lion will be focusing on a strategy to improve profitability, but does that mean you plan to change the Positive Habits strategy?

A: We do not plan to change our general policy of promoting Positive Habits around the world. However, creating habits takes a considerable amount of time and is quite difficult. We will learn from this challenge in the fabric care field and continue to examine how we can help create positive habits and contribute to society.

### **Fiscal 2024 Performance Forecasts and Measures**

Q: Please explain in detail about the factors behind the change in core operating income in 2024.

A: The increase in competition-related expenses can mainly be attributed to aggressive investment in overseas growth. Because we have already taken them into account, we expect that there will be no overall impact from shifts in raw material prices, exchange rate trends, and the time it takes for these factors to affect our business results. Thus, we anticipate a ¥500 million increase in profits in the first half of the year and then a ¥500 million decrease in profits in the second half of the year, resulting in no change overall for the year as a whole. Changes in sales, the product mix and other items include factors that will increase profits due to growth overseas and in the oral care field as well as price increases. On the other hand, we also expect a decrease in gross profit due to a temporary lowering in sales volume in reaction to price increases, a review of some portfolios, and a reduction in SKUs. Thus, taking these factors into account, we anticipate a ¥3 billion increase in

profit compared to 2023.

Q: What are the sales forecasts for each field of Consumer Products in 2024 and what is your vision going forward?

A: In oral care, we plan to increase sales around 5% to 6% compared to 2023, while maintaining similar levels to 2023 in the fields of fabric care, beauty care, living care, and pharmaceutical products, excluding the impact of brand transfers. We believe that this plan will be a good level of growth considering the growth rate of the domestic economy. Going forward, we would like to strengthen investment aimed primarily at securing growth in the oral care field and improving profitability.

Q: What is your outlook on core operating income for each segment?

A: In 2024, we will focus on steadily increasing consolidated profits overall, so, although Consumer Products sales will decrease, we are planning for an increase in total profits, and overseas we expect profits to increase along with higher sales. We expect gross profit from increased sales to be evenly divided between Japan and overseas.

Q: Please explain the effects and details of the price increases in 2024.

A: In 2022, we reached about ¥2 billion domestically and made more progress overseas with about ¥4 billion. In 2023, we made more progress domestically with about ¥3 billion, and about ¥500 million to ¥600 million overseas. In 2024, through higher prices we will secure increases amounting to approximately ¥4 billion, mainly in Japan, with the aim of improving the profitability of Consumer Products.

Q: What progress do you plan to make in 2024 towards the reform of the Consumer Products earning structure for 2027?

A: In 2024, we will work to improve profitability by raising prices and reducing SKUs. Our general policy is to review our portfolio and increase profitability while aiming for stable top-line growth. In 2024, we plan to improve the profit margin of Consumer Products by about 2 percentage points compared to 2023, and then raise the profit margin to almost 10%.

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