

Analyst Q&A (Summary)
First Half Ended June 30, 2024

Core Operating Income

Q: Consolidated core operating income was ¥1.5 billion higher than forecast for the first half of the year. How does this increase stand up if we look at domestic and overseas performance separately?

A: Proportionally, approximately one-third of the ¥1.5 billion increase was from overseas sources, with the remaining two-thirds attributable to domestic performance. Specifically, in Japan we started to see the effects of more efficient handling of competition-related expenses as well as a shift toward focusing on oral care and eye drops in pharmaceutical, fields that Lion is particularly strong in. Going forward, we will continue focusing on our areas of expertise in order to further improve domestic profitability.

Q: Can you explain why changes to segment composition yielded an increase of ¥800 million for the first quarter of the year (January–March) but a decrease of ¥600 million for the first half of the year (January–June)?

A: Let me break down the ¥600 million decrease for the first half of the year (January–June). First, price increases, mainly in Japan, boosted profit by ¥1,700 million, but this was followed by higher manufacturing costs due to wage raises and other factors leading to a decline of ¥600 million. On top of this, changes in segment composition led to a further decrease of ¥1,700 million (a figure that also reflects the impact of the sale of the business handling foods with function claims that occurred last year). As each of these figures comprises a number of components, going forward we intend to revamp the way we present results to ensure clarity and accuracy.

Q: Please explain the details of revisions to factors affecting core operating income for the current fiscal year.

A: Our forecast for total core operating income for the full fiscal years remains the same as it was at the beginning of the year, but we have made revisions to its composition based on the progress made in the first half. These revisions reflect impacts from changes in sales,

product mix and others, as well as price increases, which have progressed soundly, and we anticipate that these impacts may yield greater than expected profit increases. At the same time, we expect the cost of raw materials in the second half to be greater than expected at the beginning of the year due to the yen weakening more than expected in the first half of year.

Status of Consumer Products Business

Q: I got the impression that the top line was weak for Consumer Products Business in the first quarter, but did it recover in the second quarter?

A: The overall trend is toward recovery thanks to the launch of new brand *OCH-TUNE*, which contributed to growth in the oral care category, and actual results, excluding the impact of business and brand transfers, were up year on year.

Q: What are your thoughts on the status of the new *OCH-TUNE*, and the entire oral care category going forward?

A: Performance-wise, *OCH-TUNE* products have yet to achieve anticipated levels, but we recognize that market acceptance is likely to take some time as the line takes a new approach that does not target specific symptoms. By cultivating *OCH-TUNE* while growing our existing brands, we will further solidify our position in the oral care category.

Q: What is the status of the Fabric Care category, and what is your strategy going forward?

A: The main reason for the weak top line in Fabric Care was reaction to the launch of the *SOFLAN Airis* fabric softener last year. Going forward in Fabric Care, we will shift away from relying on heavy advertising to acquire market share, focusing rather on fields in which we have strengths while prioritizing profitability. We are currently examining consolidating and streamlining operations in our production structure.

Portfolio Reform

Q: As portfolio reform progresses, what approach will you take to resource allocation and organizational structure over the medium to long term?

A: For example, in R&D we are looking at implementing a system to accelerate growth across the entire Lion Group, such as reallocating our internal resources from the perspective of how the Group positions its domestic and overseas research centers and distributes its technologies.

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