May 8, 2025
Lion Corporation

Analyst Q&A (Summary)
First Quarter Ended March 31, 2025

Q: How do the first quarter results compare with plans?

A: Sales came in slightly under expectations, but profit is generally on track thanks to firm progress in shifting to high-value-added products, implementing upward sales price revisions and optimizing competition-related expenses. Specifically, rather than prioritizing short-term sales, which would drive up competition-related expenses, we are prioritizing the improvement of profitability in the fabric care category in the increasingly competitive Japanese market and implementing measures towards this aim. Overseas, exports struggled due to the indirect impacts of tariffs, especially in South Korea, but we expect our top line in China to recover and profit margins to improve with the consolidation of Merap Lion in the second half of 2025.

Q: Competition-related expenses have decreased substantially. Is it possible that this trend will continue going forward?

A: No. The current lower competition-related expenses are primarily attributable to the strategies laid out in our medium-term management plan, which focuses on improving profitability rather than short-term profit. However, as we move forward we expect sales—particularly those overseas—to gradually recover, as was in our forecast at the beginning of the year. We expect this recovery to lead to higher competition-related expenses, so, no, we do not expect this trend to continue.

Q: What impacts do you expect to see from the U.S. tariffs and exchange rate fluctuations?

A: We do not expect to see a major impact from the U.S. tariffs on our consumer products market in Japan. Although there is some concern about indirect effects in terms of exports of Lion subsidiaries, we do not expect significant impacts. The yen is also trending stronger, and if this trend continues, we expect to see positive impacts, especially in domestic raw material procurement.

Q: How will the changes to segment classifications affect performance?

A: Previously, transactions related to overseas support functions were attributed to the

Consumer Products business segment, but in light of the growing importance of the Overseas business segment, accounting for these items has been transferred to the Overseas business segment to better reflect segment performance. These transactions include export sales, including to overseas Group companies, selling, general and administrative costs and labor costs. In addition, the Company has reclassified royalty income from overseas Group companies and revised the method of measuring core operating income and other income in the reported segments. As a result, it was eliminated as an internal transaction. Segment information for the previous consolidated fiscal year has also been reclassified to reflect this change and disclosed accordingly.

Q: What is the reason for holding off on increasing the production of electro-conductive carbon black? Do you think Lion may reconsider this stance in the future?

A: Growth in the EV market has slowed down, and demand has decreased for lithium-ion secondary batteries for EVs, which was the primary reason to invest in increased production. In addition, Lion works with IRPC, a major petrochemicals company in Thailand that is facing a deteriorating business environment. For these reasons, we have decided not to proceed with the investment for the present. We may reconsider our stance in the future if the environment changes, for example, if there is growth in demand for secondary batteries.