

February 12, 2026
Lion Corporation

Analyst Q&A (Summary) Fiscal Year Ended December 31, 2025

2025 Performance

Q: Looking at the year-on-year changes in core operating income, why is the increase in gross profit for October to December so large? How does this rise break down in terms of contributions from Japan and overseas?

A: A number of factors affected income in this period, with the most significant contributor being from overseas with the consolidation of Merap Lion while in Japan the transfer of the *REED* brand of food preparation products led to lower gross profit. In terms of the shift towards high value-added products and upward price revisions, major movements included launching high-end products in Japan and undertaking product-specific measures.

Q: How are the shift towards high value-added products and upward price revisions progressing in the domestic Oral Healthcare business?

A: We have seen firm growth in the high-end product range and are making progress in improving the product mix, and efforts in both areas have enhanced profitability across the entire business. However, with the growing polarization of consumption, upward price revisions are difficult to execute in the low-end to middle-range product ranges. Moving forward, we will focus even more on developing high value-added products that have been seeing continuous market growth.

M&A and Business Portfolio

Q: How do you plan to expand PNB's business in Australia in the future?

A: Our first step will be to take advantage of PNB's business foundation to steadily capture local Australian demand. We will also pursue expansion into Southeast and South Asia with an eye to establishing new highly profitable businesses. As we move on to the 3rd STAGE, we will consider further expansion of business including oral healthcare.

Q: Shouldn't growth investments be focused on the Oral Healthcare business?

A: The Oral Healthcare business remains our top priority, and multiple initiatives are considered simultaneously. On the other hand, the timing of the M&A varies depending on how negotiations with the other party are playing out, so in this case we decided to begin with investment first into PNB to improve the Beauty Care business, which we have positioned as a "Challenge for Growth" business.

Q: How will Merap Lion (Vietnam) and PNB contribute to future profits?

A: Merap Lion's business focuses on over-the-counter pharmaceutical products and PNB has developed a natural beauty care brand with a focus on skin care. Both of these businesses have high margins and we believe that further expansion will contribute significantly to current and future profitability and growth.

Full-Year Financial Forecasts

Q: Is progress toward targets moving in line with the medium-term management plan? What categories will drive core operating income growth in 2026?

A: Although we are on course with the targets of the medium-term management plan, given the uncertainties in economic trends across Asia, we are not excessively optimistic. Our plan for core operating income is to increase margins in Japan by improving profitability mainly by shifting to high value-added products and executing upward price revisions. Overseas, we plan to increase sales volume and improve the product mix, as evidenced by the acquisition of subsidiaries in Vietnam and Australia. In Japan, we expect the Oral Healthcare business to continue driving growth, and together with the Home Care business where we are already seeing better profitability, we intend to increase added value even further by launching new products with unique value.

Q: What impacts will the recently announced transfer of shares of chemical products subsidiaries, the acquisition of PNB in January, and the acquisition of Merap Lion in the second half of 2025 have on business performance in 2026?

A: We expect net sales to be down by approximately ¥2 billion year on year. From a consolidated perspective, this impact will be less than 1%, and we believe that this will be fully offset by existing businesses. Regarding core operating income, although contributions from the new highly profitable business in Australia will be slightly limited due to temporary expenses this fiscal year, we expect its performance and that of the newly consolidated subsidiary in Vietnam to almost completely offset the decline in profit in the Chemical Products business.

Q: What is your outlook for the Overseas business growth in FY 2026?

A: We expect to see growth of approximately 5% in Thailand, Malaysia and South Korea. In Thailand, exports to Cambodia have been declining as a result of geopolitical issues, but we will offset this across the rest of the Group. In China, we anticipate 2% growth. Shipment volumes grew substantially from October to December, but as in-store activity declined toward the end of the year, some of these shipments were converted to distribution inventories. However, these inventories are expected to be cleared from January to March and return to a steady growth path from April through June. We will clarify the role of our businesses in each country and balance our investments based on economic and competitive conditions, thus achieving profitable growth.

Disclaimer

The contents of this document comprise a summary of the views of the Company expressed during the question and answer portion of a quarterly financial results presentation. This document does not guarantee the accuracy or completeness of the information contained herein and is subject to change without notice. Furthermore, forecasts, results projections and other forward-looking statements are based on certain assumptions judged by the Company to be reasonable in light of information available at the time of preparation and do not constitute promises or guarantees. Please be advised that a wide range of factors may cause actual results to differ significantly from the forward-looking statements made herein.