

February 13, 2025
Lion Corporation

Analyst Q&A (Summary)
Fiscal Year Ended December 31, 2024

Q: Have there been any changes in the targets announced initially for ¥600 billion in net sales and ¥50 billion in core operating income by 2030?

A: Our corporate growth trajectory remains unchanged, but we have not attached concrete figures to achieve within a certain timeframe. This flexible approach allows us to avoid excessive focus on unsustainable expansion that would damage corporate value and growth. All of our new targets are displayed in terms of percentages, and our goal is to enhance corporate value through continuous improvement in profitability.

Q: Is the business foundation ready to achieve profitable growth towards 2027?

A: In 2025, we plan to increase gross profit by optimizing domestic pricing, shifting formulations in the detergent business and increasing the share of sales accounted for by the personal care field in the Overseas Business. We will focus on three initiatives that are working toward goals set for 2027, including strengthening brand management in Japan as well as maintaining top-line growth and improving strategies for profit growth overseas, thereby raising the EBITDA margin.

Q: Is it correct that you believe that if Lion achieves its target for improving the EBITDA margin in Consumer Products by 2027, the core operating income ratio will be restored to pre-COVID-19 levels?

A: We believe that we will be able to achieve our previous target of a core operating income ratio of 10% by increasing profitability to achieve our target for the EBITDA margin. Even though we expect rising raw material prices to depress profit somewhat, we will steadily increase the EBITDA margin by adding value to products in the fabric care category, one of the businesses undergoing structural reform, and reaping the results of growth investments.

Q: The 2027 outlook for results by business segment indicates that sales will stabilize, but does this account for business transfers? Also, will the portfolios for each category change?

A: Our stated sales estimate is conservative and factors in the possibility of business and brand transfers as we proceed with profit structure reforms. Operating profit, on the other hand, does not include sales of business and brand transfers. In the future, we will further strengthen business portfolio management and increase the share of personal care sales, while reviewing low-profit brands and categories.

Q: Please give us a concrete example of how you are accelerating growth in oral healthcare.

A: We have positioned oral healthcare as the Group's top priority business and increased the allocation of management resources accordingly. Previously, we focused on oral healthcare initiatives (such as for products and services related to oral function) in Japan, but going forward intend to expand the scope of value that Lion provides, stepping up our focus on markets in Asia. To realize this aim, we will raise the number of oral function researchers by 30%, clarify the role of every center in Japan and overseas, and strengthen R&D structures across the Group. Details will differ by country and region, for example, in Thailand our aim is to hold the top share of the toothbrush market by 2030, and we are doing so by leveraging the strengths of our joint venture partners, including their ties with government authorities. The Lion Group is aiming for a CAGR of 8% in oral healthcare sales growth, In China, we are striving for double-digit growth in this category, and we project that growth rates for oral healthcare in Southeast and South Asia to be higher than each country's overall growth rate, considering the increasing share of oral healthcare sales.

Q: Can you speak about the start of discussions about consolidating Merap Lion Holding Corporation in Vietnam?

A: One of the features of Merap Lion Holding Corporation is that it sells healthcare products through doctor recommendations. This is a highly profitable business model that enables it to sell products at retail stores without incurring competition-related expenses. Expanding this model to include oral healthcare and skin care products will help accelerate growth and improve profitability in the personal care field. This consolidation and its expected effects have been included in the results forecast for fiscal 2025.

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