ANNUAL REPORT 2023

Lion Corporation

Fiscal year ended December 31, 2023

This manuscript is for audit.
An editorial and printing agency will read proofs about space, font, character, and lay out all over annual report.

Consolidated Statement of Financial Position
Lion Corporation and Consolidated Subsidiaries
December 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars [Note 2(d)]
ASSETS	**2023**	2022	**2023**
Current assets:			
Cash and cash equivalents [Notes 5, 30]	**¥85,526**	¥101,078	**$603,018**
Trade and other receivables [Notes 6, 30]	**75,230**	71,263	**530,427**
Inventories [Note 7]	**56,090**	53,909	**395,474**
Other financial assets[Notes 8, 30]	**12,276**	7,977	**86,556**
Other current assets[Note 9]	**3,151**	3,462	**22,223**
Total current assets	**232,274**	237,691	**1,637,697**
Non-current assets:			
Property, plant and equipment [Note 10]	**140,671**	130,137	**991,828**
Goodwill [Note 11]	**327**	327	**2,312**
Intangible assets [Note 11]	**22,712**	23,917	**160,142**
Right-of-use assets [Note 27]	**31,313**	31,518	**220,784**
Investments accounted for using the equity method [Note 12]	**17,487**	8,939	**123,298**
Deferred tax assets [Note 13]	**4,357**	3,912	**30,720**
Retirement benefit assets [Note 19]	**10,826**	9,147	**76,332**
Other financial assets [Notes 8, 30]	**25,475**	22,856	**179,620**
Other non-current assets [Note 9]	**917**	831	**6,468**
Total non-current assets	**254,089**	231,587	**1,791,504**
Total assets	**¥486,363**	¥469,278	**$3,429,201**

See accompanying notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen 2023	2022	Thousands of U.S. dollars [Note 2(d)] 2023
Liabilities			
Current liabilities:			
Trade and other payables [Notes 14,30]	**¥126,158**	¥126,024	**$889,503**
Borrowings [Notes 15,30]	**148**	1,433	**1,047**
Income tax payables	**2,508**	2,182	**17,684**
Provisions [Note 18]	**2,399**	1,444	**16,920**
Lease liabilities [Note 30]	**2,043**	1,746	**14,408**
Other financial liabilities [Notes 16,30]	**2,363**	1,681	**16,667**
Other current liabilities [Note 17]	**7,711**	7,061	**54,369**
Total current liabilities	**143,333**	141,574	**1,010,598**
Non-current liabilities:			
Borrowings [Notes 15,30]	**-**	141	**-**
Deferred tax liabilities [Note 13]	**5,847**	2,701	**41,226**
Retirement benefit liabilities [Note 19]	**4,531**	10,431	**31,949**
Provisions [Note 18]	**2,046**	2,058	**14,430**
Lease liabilities [Note 30]	**28,150**	28,849	**198,484**
Other financial liabilities [Notes 16,30]	**2,452**	2,378	**17,294**
Other non-current liabilities [Note 17]	**1,867**	1,974	**13,165**
Total Non-current liabilities	**44,896**	48,536	**316,548**
Total liabilities	**188,229**	190,110	**1,327,146**
Equity :			
Share capital [Note 21]	**34,433**	34,433	**242,782**
Capital surplus [Note 21]	**31,118**	31,069	**219,410**
Treasury stock [Note 21]	**(7,868)**	(8,056)	**(55,480)**
Other components of equity	**18,377**	13,966	**129,577**
Retained earnings [Note 21]	**204,255**	192,842	**1,440,140**
Equity attributable to owners of the parent	**280,316**	264,255	**1,976,429**
Non-controlling interests	**17,817**	14,912	**125,627**
Total equity	**298,134**	279,168	**2,102,056**
Total liabilities and equity	**¥486,363**	¥469,278	**$3,429,201**

Consolidated Statement of Profit or Loss
Lion Corporation and Consolidated Subsidiaries
Years ended December 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars [Note 2(d)]
	2023	2022	2023
Net sales [Notes 4,23]	**¥402,767**	¥389,869	**$2,839,788**
Cost of sales [Notes 7,24]	**(222,168)**	(215,263)	**(1,566,442)**
Gross profit	**180,598**	174,605	**1,273,346**
Selling, general and administrative expenses [Note 24]	**(160,465)**	(151,046)	**(1,131,391)**
Other income [Note 25,33]	**2,196**	6,738	**15,486**
Other expenses [Note 26]	**(1,824)**	(1,453)	**(12,863)**
Operating profit [Note 4]	**20,505**	28,843	**144,577**
Finance income [Note 28]	**1,106**	804	**7,798**
Finance costs [Note 28]	**(843)**	(179)	**(5,946)**
Share of profit (loss) of investments accounted for using the equity method [Note 12]	**1,607**	1,824	**11,335**
Profit before income taxes	**22,375**	31,292	**157,765**
Income taxes [Note 13]	**(5,687)**	(8,182)	**(40,104)**
Profit for the year	**16,687**	23,110	**117,661**
Profit for the year attributable to:			
Owners of the parent	**14,624**	21,939	**103,116**
Non-controlling interests	**2,062**	1,170	**14,545**
Profit for the year	**¥16,687**	¥23,110	**$117,661**

	Yen		U.S. dollars [Note 2(d)]
Earnings per share:			
Basic [Note 29]	**¥51.42**	¥77.04	**$0.36**
Diluted [Note 29]	**51.35**	76.91	**0.36**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income
Lion Corporation and Consolidated Subsidiaries
Years ended December 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars [Note 2(d)]
	2023	2022	2023
Profit for the year	**¥16,687**	¥23,110	**$117,661**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income [Notes 22,30]	**1,803**	729	**12,716**
Remeasurements of defined benefit plans [Note 22]	**3,853**	2,523	**27,172**
Share of other comprehensive income(loss) of investments accounted for using the equity method [Note 22]	**(74)**	24	**(528)**
Total items that will not be reclassified to profit or loss	**5,582**	3,277	**39,359**
Items that may be subsequently reclassified to profit or loss			
Net gain (loss) on derivatives designated as cash flow hedges [Note 22]	**20**	(42)	**145**
Exchange differences on translation of foreign operations [Note 22]	**4,284**	5,680	**30,212**
Total items that may be subsequently reclassified to profit or loss	**4,305**	5,638	**30,357**
Total other comprehensive income, net of tax	**9,887**	8,915	**69,716**
Comprehensive income for the year	**26,575**	32,025	**187,377**

Comprehensive income for the year attributable to:			
Owners of the parent	**23,353**	29,411	**164,659**
Non-controlling interests	**3,222**	2,614	**22,718**
Comprehensive income for the year	**¥26,575**	¥32,025	**$187,377**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Equity
Lion Corporation and Consolidated Subsidiaries
Fiscal 2023 (January 1 to December 31, 2023)

		Millions of yen					
		Equity attributable to owners of the parent					
					Other components of equity		
		Share capital	Capital surplus	Treasury stock	Subscription rights to shares	Net gain(loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance at January 1, 2023		**¥34,433**	**¥31,069**	**¥(8,056)**	**¥123**	**¥8,930**	**¥-**
Profit for the year							
Other comprehensive income						**1,728**	**3,811**
Total comprehensive income for the year		-	-	-	-	**1,728**	**3,811**
Dividends	[Note 21]						
Purchase of treasury stock	[Note 21]			**(1)**			
Disposal of treasury stock	[Note 21]			**189**	**(73)**		
Share-based payments	[Note 20]		**49**				
Changes due to business combination							
Transfer from other components of equity to retained earnings						**(432)**	**(3,811)**
Total transactions with owners		**-**	**49**	**187**	**(73)**	**(432)**	**(3,811)**
Balance at December 31, 2023		**¥34,433**	**¥31,118**	**¥(7,868)**	**¥50**	**¥10,227**	**¥-**

		Millions of yen						
		Equity attributable to owners of the parent						
		Other components of equity						
		Net gain (loss) on derivatives designated as cash flow hedges	Exchange differences on translation of foreign operations	Total	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2023		**¥(42)**	**¥4,953**	**¥13,966**	**¥192,842**	**¥264,255**	**¥14,912**	**¥279,168**
Profit for the year				**-**	**14,624**	**14,624**	**2,062**	**16,687**
Other comprehensive income		**20**	**3,168**	**8,728**		**8,728**	**1,159**	**9,887**
Total comprehensive income for the year		**20**	**3,168**	**8,728**	**14,624**	**23,353**	**3,222**	**26,575**
Dividends	[Note 21]			**-**	**(7,393)**	**(7,393)**	**(740)**	**(8,133)**
Purchase of treasury stock	[Note 21]			**-**		**(1)**		**(1)**
Disposal of treasury stock	[Note 21]			**(73)**	**(63)**	**53**		**53**
Share-based payments	[Note 20]			**-**		**49**		**49**
Changes due to business combination				**-**		**-**	**423**	**423**
Transfer from other components of equity to retained earnings				**(4,243)**	**4,243**	**-**		**-**
Total transactions with owners		**-**	**-**	**(4,316)**	**(3,212)**	**(7,291)**	**(317)**	**(7,609)**
Balance at December 31, 2023		**¥(21)**	**¥8,122**	**¥18,377**	**¥204,255**	**¥280,316**	**¥17,817**	**¥298,134**

Consolidated Statement of Changes in Equity

Lion Corporation and Consolidated Subsidiaries
Fiscal 2022 (January 1 to December 31, 2022)

		Millions of yen					
		Equity attributable to owners of the parent					
					Other components of equity		
		Share capital	Capital surplus	Treasury stock	Subscription rights to shares	Net gain(loss) on revaluation of	Remeasurements of defined benefit
Balance at January 1, 2022		¥34,433	¥35,189	¥(4,731)	¥135	¥8,541	¥-
Profit for the year							
Other comprehensive income						670	2,523
Total comprehensive income for the year		-	-	-	-	670	2,523
Dividends	[Note 21]						
Purchase of treasury stock	[Note 21]			(10,001)			
Disposal of treasury stock	[Note 21]		1	46	(12)		
Retirement of treasury stock	[Note 21]		(4,259)	6,630			
Share-based payments	[Note 20]		137				
Changes due to business combination							
Transfer from other components of equity to retained earnings						(281)	(2,523)
Total transactions with owners		-	(4,120)	(3,324)	(12)	(281)	(2,523)
Balance at December 31,2022		¥34,433	¥31,069	¥(8,056)	¥123	¥8,930	¥-

		Millions of yen						
		Equity attributable to owners of the parent						
		Other components of equity						
		Net gain (loss) on derivatives designated as cash flow hedges	Exchange differences on translation of foreign operations	Total	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2022		¥-	¥634	¥9,311	¥177,370	¥251,572	¥13,442	¥265,014
Profit for the year				-	21,939	21,939	1,170	23,110
Other comprehensive income		(42)	4,319	7,471		7,471	1,443	8,915
Total comprehensive income for the year		(42)	4,319	7,471	21,939	29,411	2,614	32,025
Dividends	[Note 21]			-	(6,899)	(6,899)	(1,169)	(8,069)
Purchase of treasury stock	[Note 21]			-		(10,001)		(10,001)
Disposal of treasury stock	[Note 21]			(12)		35		35
Retirement of treasury stock	[Note 21]			-	(2,371)	-		-
Share-based payments	[Note 20]			-		137		137
Changes due to business combination				-		-	25	25
Transfer from other components of equity to retained earnings				(2,804)	2,804	-		-
Total transactions with owners		-	-	(2,817)	(6,466)	(16,728)	(1,144)	(17,872)
Balance at December 31,2022		¥(42)	¥4,953	¥13,966	¥192,842	¥264,255	¥14,912	¥279,168

Consolidated Statement of Changes in Equity
Lion Corporation and Consolidated Subsidiaries
Fiscal 2023 (January 1 to December 31, 2023)

		Thousands of U.S. dollars [Note 2(d)]					
		Equity attributable to owners of the parent					
					Other components of equity		
		Share capital	Capital surplus	Treasury stock	Subscription rights to shares	Net gain(loss) on revaluation of	Remeasurements of defined benefit
Balance at January 1, 2023		**$242,782**	**$219,061**	**$(56,805)**	**$870**	**$62,969**	**$-**
Profit for the year							
Other comprehensive income						**12,190**	**26,870**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**12,190**	**26,870**
Dividends	[Note 21]						
Purchase of treasury stock	[Note 21]			**(13)**			
Disposal of treasury stock	[Note 21]			**1,338**	**(515)**		
Share-based payments	[Note 20]		**349**				
Changes due to business combination							
Transfer from other components of equity to retained earnings						**(3,051)**	**(26,870)**
Total transactions with owners		**-**	**349**	**1,325**	**(515)**	**(3,051)**	**(26,870)**
Balance at December 31, 2023		**$242,782**	**$219,410**	**$(55,480)**	**$355**	**$72,108**	**$-**

		Thousands of U.S. dollars [Note 2(d)]						
		Equity attributable to owners of the parent						
		Other components of equity						
		Net gain (loss) on derivatives designated as cash flow hedges	Exchange differences on translation of foreign operations	Total	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2023		**$(296)**	**$34,928**	**$98,470**	**$1,359,675**	**$1,863,183**	**$105,146**	**$1,968,328**
Profit for the year				**-**	**103,116**	**103,116**	**14,545**	**117,661**
Other comprehensive income		**145**	**22,339**	**61,544**		**61,544**	**8,172**	**69,716**
Total comprehensive income for the year		**145**	**22,339**	**61,544**	**103,116**	**164,659**	**22,718**	**187,377**
Dividends	[Note 21]			**-**	**(52,126)**	**(52,126)**	**(5,220)**	**(57,346)**
Purchase of treasury stock	[Note 21]			**-**		**(13)**		**(13)**
Disposal of treasury stock	[Note 21]			**(515)**	**(446)**	**377**		**377**
Share-based payments	[Note 20]			**-**		**349**		**349**
Changes due to business combination				**-**		**-**	**2,983**	**2,983**
Transfer from other components of equity to retained earnings				**(29,921)**	**29,921**	**-**		**-**
Total transactions with owners		**-**	**-**	**(30,436)**	**(22,650)**	**(51,413)**	**(2,237)**	**(53,650)**
Balance at December 31, 2023		**$(152)**	**$57,266**	**$129,577**	**$1,440,140**	**$1,976,429**	**$125,627**	**$2,102,056**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Lion Corporation and Consolidated Subsidiaries

Years ended December 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars [Note 2(d)]
	2023	2022	**2023**
Cash flows from operating activities:			
Profit before income taxes	**¥22,375**	¥31,292	**$157,765**
Depreciation and amortization	**20,201**	17,665	**142,432**
Impairment loss	**187**	501	**1,322**
Interest and dividend income	**(1,003)**	(671)	**(7,073)**
Interest expenses	**774**	179	**5,461**
Share of loss (profit) of investments accounted for using the equity method	**(1,607)**	(1,824)	**(11,335)**
Loss (gain) on disposal of non-current assets	**716**	(4,932)	**5,049**
Decrease (increase) in trade and other receivables	**(2,454)**	992	**(17,305)**
Decrease (increase) in inventories	**(1,321)**	(1,065)	**(9,316)**
Increase (decrease) in trade and other payables	**(3,982)**	(870)	**(28,081)**
Increase in net retirement benefit liabilities	**(2,092)**	1,070	**(14,750)**
Other	**1,326**	3,139	**9,353**
Subtotal	**33,120**	45,477	**233,521**
Interest and dividends received	**1,688**	1,592	**11,903**
Interest paid	**(18)**	(41)	**(131)**
Income taxes (paid) refund	**(4,721)**	(5,066)	**(33,289)**
Net cash flows from operating activities	**30,068**	41,962	**212,005**
Cash flows from investing activities:			
Net decrease (increase) in time deposits	**(3,715)**	(1,312)	**(26,197)**
Purchases of property, plant and equipment	**(23,317)**	(18,490)	**(164,402)**
Proceeds from sales of property, plant and equipment	**478**	5,521	**3,372**
Purchases of intangible assets	**(1,263)**	(4,655)	**(8,911)**
Purchases of right-of-use assets	**(406)**	-	**(2,867)**
Purchases of other financial assets	**(762)**	(331)	**(5,374)**
Proceeds from sales of other financial assets	**854**	677	**6,024**
Purchases of investments in affiliates	**(7,087)**	-	**(49,972)**
Proceeds from sales of affiliates	**-**	35	**-**
Purchase of shares of subsidiaries resulting in change in scope of consolidation	**-**	(96)	**-**
Proceeds from transfer of business [Note 33]	**1,005**	-	**7,088**
Other	**(575)**	(883)	**(4,058)**
Net cash flows used in investing activities	**(34,790)**	(19,535)	**(245,296)**
Cash flows from financing activities:			
Repayment of short-term borrowings	**(1,150)**	-	**(8,108)**
Repayment of long-term borrowings	**(290)**	(274)	**(2,048)**
Cash dividends paid	**(7,385)**	(6,895)	**(52,075)**
Cash dividends paid to non-controlling interests	**(740)**	(1,169)	**(5,220)**
Repayment of lease liabilities	**(2,618)**	(1,504)	**(18,461)**
Purchase of treasury stock	**(1)**	(10,001)	**(13)**
Proceeds from share issuance to non-controlling interests	**423**	-	**2,983**
Other	**1**	25	**9**
Net cash flows used in financing activities	**(11,762)**	(19,821)	**(82,934)**
Effect of exchange rate changes on cash and cash equivalents	**931**	1,222	**6,570**
Net increase in cash and cash equivalents	**(15,552)**	3,827	**(109,655)**
Cash and cash equivalents at beginning of the period [Note 5]	**101,078**	97,250	**712,673**
Cash and cash equivalents at end of the period [Note 5]	**¥85,526**	¥101,078	**$603,018**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Lion Corporation and Consolidated Subsidiaries, December 31, 2023

Note 1: Reporting Entity

Lion Corporation (hereinafter the “Company”) is a company, as defined by Japan’s Companies Act, and is based in Japan. The consolidated financial statements of the Company and its subsidiaries (hereinafter the “Group”) presented herein comprise the results for the year ended December 31, 2023 recorded by the Company, its subsidiaries and the Group’s interests in its equity-method affiliates.

Information about the Group’s primary business activities can be found in Note 4 “Segment Information.”

Note 2: Basis of Preparation

(a) Compliance with IFRS

The Group’s consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The Group meets the requirements for a “designated international accounting standards specified company” as specified in Article 1-2 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements. As such, the provisions of Article 93 of said ordinance apply.

(b) Approval of consolidated financial statements

The consolidated financial statements have been approved by the board of directors on March 27, 2024.

(c) Basis of measurement

Except for specific financial instruments stated in Note 3 “Material Accounting Policies” that are measured at fair value, the consolidated financial statements have been prepared based on acquisition cost.

(d) Functional currency and presentation currency

The Company and its domestic consolidated subsidiaries maintain their accounting records in Japanese yen, and its foreign consolidated subsidiaries maintain their accounting records in the currencies of their respective countries of domicile. The U.S. dollar amounts included in the accompanying consolidated financial statements, solely for the convenience of the reader, represent the arithmetic results of translating yen amounts into U.S. dollar amounts at ¥141.83= U.S.$1.00, the approximate rate of exchange in effect on December 31, 2023. This translation into U.S. dollars should not be construed as a representation that the yen amounts have been or could be converted into U.S. dollars at the above or any other rate.

As permitted under the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sum of the individual amounts.

(e) Accounting judgments, estimates and assumptions

In preparing the Group's consolidated financial statements, management makes estimates, judgments and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Management reviews such estimates and their underlying assumptions on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the future periods affected by such revisions.

Key items for which management made judgments, estimates and assumptions are as follows:

・Assessment of refund liabilities and sales-related provisions

Refund liabilities and sales-related provisions are calculated by using the most likely outcome method based on contract provisions, past sales performance, etc. If the estimated amount of sales ultimately differs from the actual amount of sales due to unforeseeable events, there is a possibility that this will have a material impact on the consolidated financial statements for the following fiscal year.

Details of estimates, book value, assumptions and uncertainty of estimates are as follows:

Assessment of refund liabilities (Note 3 "Material Accounting Policies" (15), Note 14 "Trade and Other Payables")

Provisions (Note 3 "Material Accounting Policies" (12), Note 18 "Provisions")

・Assessment of intangible assets for which useful life cannot be determined

An impairment test is performed annually. It is judged that the likelihood of recognizing a significant impairment loss for the cash-generating unit is low, and that this would be the case even if any of the key assumptions used for determining impairment were to change within a reasonably foreseeable range.

Details of estimates, book value, assumptions and uncertainty of estimates are as follows:

Impairment of non-financial assets (Note 3 "Material Accounting Policies" (10), Note11 "Goodwill and Intangible Assets")

(f) Standards issued but not yet effective

There are no main standards and interpretations already issued but not yet effective which brings significant impact at the approval date of the consolidated financial statements.

Note 3: Material Accounting Policies

The Group's accounting policies are prepared in accordance with IFRS for which application are mandatory as of December 31, 2023.

Unless otherwise noted, the Material Accounting Policies applied to these consolidated financial statements have been consistently applied to each fiscal period presented herein.

From this consolidated fiscal year, the group have applied IAS 1 (Amended). The group have reviewed the judgments on material accounting policies based on the revised standards. There is no impact on the consolidated financial statements of this consolidated fiscal year.

Standard	Title	Outline of new/amended standard
IAS 1 (Amended)	Presentation of Financial Statements	Amended to require disclosure of material accounting policies rather than significant accounting policies.

(1) Basis of consolidation

A. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group is deemed to control an entity when, through its involvement with the entity, it has exposure to or holds rights to variable returns from the entity and has the authority to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date that the Group's control commences until the date that control ceases. Balances and internal transactions existing between the entity and subsidiaries or between subsidiaries as well as any unrealized income and expenses arising from such transactions are eliminated when preparing the consolidated financial statements. Non-controlling interests in subsidiaries are recognized separately from the Group's interests.

The comprehensive income of subsidiaries is attributed to the owners of the parent and any non-controlling interests even if doing so results in the non-controlling interest having a deficit balance.

B. Affiliates

Affiliates are entities over whose financial and operating policies decisions the Group has significant influence but neither control nor joint control. The Group is assumed to have significant influence over a company if it directly or indirectly owns between 20% and 50% of said entity's voting rights. Investments in affiliates are initially recognized at acquisition cost and accounted for by the equity method from the date that the Group's significant influence commences until the date that said significant influence ceases.

(2) Business combinations

Business combinations are accounted for using the acquisition method.

The identifiable assets and liabilities of acquirees are measured at fair value on the acquisition date. In the event that the total of the consideration transferred for the business combination, the non-controlling interests in the acquiree and the fair value of the equity in the acquiree already held by the acquirer exceeds the net amount of the acquiree's identifiable assets and liabilities on the acquisition date as measured in accordance with IFRS 3 "*Business Combinations*" (hereinafter

“IFRS 3”), this excess is recognized as goodwill. The consideration transferred for the business combination is calculated as the sum of the fair value at the acquisition date of assets transferred by the acquirer, liabilities to the acquiree’s former owners incurred by the acquirer and equity interests issued by the acquirer.
Whether the Group measures non-controlling interests at fair value or as the amount of the acquiree’s identifiable net assets proportionate to the non-controlling interests is determined individually for each business combination. Acquisition-related costs are accounted for as expenses in the period in which they are incurred.
Additional acquisitions of non-controlling interests after the acquisition of control are accounted for as equity transactions, and the Group does not recognize goodwill from such transactions.

(3) Foreign currency translation

A. Foreign currency denominated transactions

Transactions denominated in foreign currencies are translated into the Group’s relevant functional currencies using the exchange rates at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates at the fiscal period-end, and exchange differences resulting from such translation are recognized as net gains or losses. However, if gains or losses associated with such assets and liabilities are recognized in other comprehensive income, exchange differences on such gains or losses are recognized in other comprehensive income.
Non-monetary assets and liabilities measured at acquisition cost that are denominated in foreign currencies are translated using the exchange rates at the date of transaction.

B. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments resulting from the acquisition of foreign operations, are translated at the exchange rates as of the fiscal period-end date. Income and expenses recorded by foreign operations are translated using the average exchange rate during the fiscal period, except for cases of significant exchange rate movements during the fiscal period.

(4) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, readily available deposits and short-term, highly liquid investments with original maturities of three months or less that entail insignificant price fluctuation risk.

(5) Inventories

Inventories are measured at the lower of acquisition cost or net realizable value. The cost of inventories is calculated based on the moving-average method and includes purchase cost, processing costs and other expenses incurred in bringing the inventories to their present location and state. Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and estimated costs necessary to sell.

(6) Property, plant and equipment

The Group applies the cost model to measure property, plant and equipment.

Property, plant and equipment is stated at acquisition cost less accumulated depreciation and accumulated impairment loss.

Such acquisition cost includes expenses directly attributable to the acquisition of the assets; the costs of dismantling and removing such assets as well as restoring the site on which they are located; and borrowing costs that meet the requirements for capitalization.

For all property, plant and equipment other than land, the depreciable amount, calculated as acquisition cost less the residual value at the end of estimated useful life, is depreciated evenly over each asset’s estimated useful life using the straight-line method.

Estimated useful lives, residual value and method of depreciation of property, plant and equipment are reviewed at the fiscal year-end, and the effect of any changes is accounted for on a prospective basis as changes in accounting estimates.

The estimated useful lives of the main categories of property, plant and equipment are as follows:

・Buildings and structures 3–50 years

・Machinery and equipment 5–15 years

(7) Goodwill

Goodwill arising from business combinations is stated at acquisition cost less accumulated impairment loss.

Goodwill is not amortized. It is allocated to a cash-generating unit or group of cash-generating units that are tested for impairment annually or whenever there is an indication of impairment.

Impairment losses on goodwill are recognized in profit or loss, and no subsequent reversal is made.

The measurement of goodwill upon initial recognition is described in (2) Business combinations.

(8) Intangible assets

The Group applies the cost model to measure intangible assets.

Intangible assets are stated at acquisition cost less accumulated amortization and accumulated impairment loss.

Intangible assets acquired individually are measured at acquisition cost at initial recognition.

Intangible assets acquired through business combinations are measured at fair value at the acquisition date.

Expenditures on internally generated intangible assets are recognized as expenses in the period when incurred, except for those that satisfy the criteria for capitalization.
Intangible assets for which useful lives can be determined are amortized over their respective estimated useful lives using the straight-line method and tested for impairment whenever there is an indication of impairment.
The estimated useful life and amortization method of intangible assets for which useful lives can be determined are reviewed at the fiscal year-end, and the effect of any changes is accounted for on a prospective basis as changes in accounting estimates.
The estimated useful lives of the main category of intangible assets are as follows:
・Software 5–10 years
Intangible assets for which useful lives cannot be determined are not amortized but are tested for impairment annually and whenever there is an indication of impairment individually or as part of their respective cash-generating units.

(9) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract transfers the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) Leases as a lessee

The Group recognizes a right-of-use asset and a lease liability at the commencement date of the lease contract. The initial Measurement of the right-of-use asset is measured at the amount of the initial measurement of the lease liabilities at the commencement date adjusted for initial direct cost etc., and the cost of restoration obligation required under the lease contract. After the commencement date, right-of-use assets apply a cost model and are measured at acquisition cost less any accumulated depreciation and impairment losses. Right-of-use assets are depreciated using the straight-line method from the commencement to the earlier of the end of the useful life of the assets or the end of the lease term, unless it is reasonably certain that the Group will acquire ownership of the underlying asset by the end of the lease term. The Group determines the term of the lease to be the non-cancellable term of the lease, as well as any optional period for which the Group is reasonably certain to exercise an option to extend the lease or not exercise an option to terminate the lease.

At the commencement date, lease liability is measured at the present value of the lease payments that are not paid at that date discounted using the lessee's incremental borrowing rate. After the commencement date, the book value of the lease liability is adjusted to reflect the interest incurred on the lease liability and lease payments made. When a lease is modified, the lease liability is remeasured. Furthermore, for lease modifications that are not accounted for as a separate lease and that decrease the scope of the lease, the book value of the right-of-use assets are decreased to reflect the partial or full termination of the lease, and any gain or loss resulting from such termination is recognized in profit or loss. For other lease modifications, an adjustment to the right-of-use asset is made.

The Group recognizes the lease payments on short-term leases and leases of low-value assets as expense on a straight-line method over the lease term.

(ii) Leases as a lessor

The Group classifies each of its leases as either an operating lease or a finance lease. If the lease transfers substantially all the risks and rewards incidental to the ownership of the underlying asset, it is classified as a finance lease; otherwise, it is classified as an operating lease. The Group assesses whether a lease is a finance lease or an operating lease depending on the substance of the transaction rather than the form of the contract.

(a) Finance leases

At the commencement date of the lease, assets held under finance leases are presented as receivables in an amount equal to the net investment in the lease.

(b) Subleases

In classifying a sublease, the intermediate lessor classify the sublease with reference to the right-of-use asset arising from the head lease.

(10) Impairment of assets

A. Impairment of non-financial assets

The Group assesses whether there is any indication that assets may be impaired at each reporting period-end. If any such indication is found or the asset requires an annual impairment test, the Group estimates the asset's recoverable amount. The recoverable amount of an asset is estimated as the higher of fair value less disposal cost or value in use. If the recoverable amount of an individual asset cannot be determined, the recoverable amount of the cash-generating unit or group of cash-generating units to which the asset belongs is estimated. If the book value of a cash-generating unit or group of cash-generating units exceeds its recoverable amount, impairment of the corresponding assets is recognized, and their value is written down to the recoverable amount. In determining the value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Note that, in principle, the business plans used to estimate future cash flows extend no longer than five years. Future cash flows beyond the estimates of the business plans are, in principle, calculated based on steady or declining rates of growth.

Fair value less disposal cost is calculated using appropriate valuation models backed by available indicators of fair value.

B. Reversal of impairment loss

At the end of each reporting period, the Company evaluates whether there is any indication that impairment losses recognized in prior years for assets other than goodwill have decreased or may no longer exist. If such indication of a reversal of an impairment loss exists, the recoverable amount of the asset, cash-generating unit or group of cash-generating units is estimated. If this recoverable amount exceeds the book value of the asset, cash-generating unit or group of cash-generating units, a reversal of impairment loss is recognized up to the lower of the recoverable amount or the book value less the depreciation and amortization that would have been recognized had no impairment loss been recognized. Reversal of impairment loss is recognized in profit or loss.

(11) Post-employment benefits

The Group operates defined benefit plans and defined contribution plans as retirement benefit plans for its employees.

(i) Defined benefit plans

The Group calculates the present value of defined benefit obligation as well as related current and prior service costs for each plan individually using the projected unit credit method.

The discount rate is calculated based on market yields on high-quality corporate bonds that have terms corresponding to the residual terms until the estimated date of future payment as of the end of the corresponding reporting period.

Assets and liabilities related to defined benefit plans are calculated by deducting the fair value of plan assets from the present value of the defined benefit obligation.

Remeasurements of assets and liabilities related to defined benefit plans are recognized in their entirety in other comprehensive income for the period in which they occur and are immediately reflected in retained earnings.

Prior service costs are recognized as expenses for the period in which they are incurred.

(ii) Defined contribution plans

Costs related to defined contribution plans are recognized as expenses in the period in which the contributions are made.

(12) Provisions

Provisions are recognized when the Group comes to have a present obligation (legal or constructive) as a result of past events, it is likely that the settlement of said obligation will require an outflow of resources that carry economic benefits, and the amount of the obligation can be reliably estimated.

If the effect of the time value of money is material, the amount of a provision is measured at the present value of expenditures expected to be required to settle the obligation.

Present value is calculated using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the liability.

(13) Financial Instruments

A. Financial assets (excluding derivatives)

(i) Initial recognition and measurement

The Group initially recognizes trade and other receivables on the date that they arise. The Group initially recognizes all other financial assets at the trade date on which the Company becomes a party to the relevant contract.

Financial assets are classified as either financial assets measured at fair value through profit or loss or other comprehensive income; or financial assets measured at amortized cost. This classification is made upon initial recognition.

Financial assets are classified as financial assets measured at amortized cost when the following conditions are met:

- The financial asset is held based on a business model that has the objective of holding financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal

Equity instruments are individually classified as either measured at fair value through profit or loss or measured at fair value through other comprehensive income, and this classification is continuously applied.

Debt instruments are classified as measured at fair value through other comprehensive income when the conditions listed below are met or they are classified as measured at fair value through profit or loss when said conditions are not met.

- The financial asset is held based on a business model that has an objective that is achieved when contractual cash flows are collected and the asset is sold
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal

With the exception of financial assets measured at fair value through profit or loss, financial assets are measured at the sum of fair value and transaction costs that are directly attributable to the financial assets in question.

(ii) Subsequent measurement

After their initial recognition, financial assets are measured using the following methods applied by financial asset category.

(a) Financial assets measured at amortized cost

Assets in this category are measured at amortized cost based on the effective interest method.

(b) Other financial assets

Financial assets other than those measured at amortized cost are measured at fair value.

Changes in the fair value of assets in this category are recognized either in profit or loss or in other comprehensive income.

Changes in the fair value of equity instruments that are classified as financial assets measured at fair value through other comprehensive income are recognized in other comprehensive income. In cases where the Group derecognizes said assets or the fair value of said assets drops significantly, such changes are transferred to retained earnings.

Changes in the fair value of debt instruments that are classified as financial assets measured at fair value through other comprehensive income are recognized in other comprehensive income, excluding impairment and gains and losses on foreign exchange until the derecognition or reclassification of the financial assets in question. In cases where the Group derecognizes said assets, previously recognized other comprehensive income is transferred to profit or loss.

(iii) Derecognition of financial assets

The Company derecognizes financial assets only when the contractual rights to the cash flows from the financial assets expire or when the financial assets and substantially all the risks and rewards of ownership are transferred.

(iv) Impairment of financial assets

At every fiscal period-end, the Group evaluates whether the credit risk of financial assets measured at amortized cost has increased significantly since each asset's initial recognition. If said risk is not found to have increased significantly, the asset's 12-month expected credit loss is recognized under allowance for doubtful accounts. If said risk has increased significantly, the asset's lifetime expected credit loss is recognized under allowance for doubtful accounts. However, for trade receivables, the lifetime expected credit loss is recognized from the time of initial asset recognition.

To determine whether the credit risk has increased significantly, the Group refers to delinquency rate data and supported information that the Group can reasonably obtain, such as internal and external ratings.

Estimates of the expected credit loss on financial assets reflect the following factors.

・ An unbiased and probability-weighted amount determined by evaluating a range of possible outcomes

・ The time value of money

・ Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of economic conditions

Increases in the allowance for doubtful accounts related to financial assets are recognized in profit or loss. When the allowance for doubtful accounts decreases, the reversal of said allowance is recognized in profit or loss.

B. Financial liabilities (excluding derivatives)

(i) Initial recognition and measurement

Financial liabilities other than derivatives are categorized as financial liabilities measured at amortized cost.

The Group initially measures all financial liabilities at fair value. In the case of financial liabilities measured at amortized cost, transaction costs that are directly attributable to the financial liabilities in question are deducted from such fair value.

(ii) Subsequent measurement

After their initial recognition, financial liabilities measured at amortized cost are remeasured at amortized cost based on the effective interest method. Amortization determined by the effective interest method and gain or loss due to derecognition are recognized in profit and loss.

(iii) Derecognition of financial liabilities

Financial liabilities are derecognized when the relevant obligations are discharged; cancelled; expired and replaced by significantly different conditions; or changed to significantly different conditions.

C. Offset of financial instruments

Financial assets and liabilities are offset only when the Group currently has a legally enforceable right to offset the transactions and intends either to settle on a net basis or to simultaneously realize the financial assets and settle the financial liabilities. The net outcome of such offset is recorded on the Consolidated Statement of Financial Position.

D. Fair Value of Financial Instruments

The fair value of financial instruments being traded in active markets as of the end of the fiscal period is determined with reference to quoted market prices or dealer prices.

The fair value of financial instruments without active markets is calculated using appropriate valuation techniques or calculated with reference to prices stated by counterpart financial institutions.

E. Derivatives and Hedge Accounting

The Group designates hedging instruments for derivative transactions, which are accounted for as cash flow hedges.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it is applying hedge accounting as well as its risk management objectives and strategy for undertaking the hedge.

This documentation includes the specific hedging instrument, the hedged items, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the fair values of the hedging instruments to offset exposure to changes in the fair value or cash flows of the hedged items due to the risks hedged against (including analysis of the sources of hedge ineffectiveness and the method of determining the hedging ratio).

Upon the designation of the hedge relationship and on an ongoing basis, the Group evaluates whether the derivative used in the hedge effectively offsets changes in the fair value or cash flows of the hedged item.

These derivatives are initially measured at fair values as of the contract date, subsequently remeasured at fair value and changes in the fair value are accounted for as follows.

(a) Cash flow hedges

The effective portion of gain or loss on hedging instruments is recognized in other comprehensive income, while the ineffective portion is recognized immediately in profit or loss.

The amount related to hedging instruments thus recorded in other comprehensive income is transferred to profit or loss when the hedged transaction affects profit or loss.

If hedged items result in the recognition of non-financial assets or liabilities, the amounts recognized in other comprehensive income are accounted for as adjustments to the initial book value of the non-financial assets or liabilities.

If the forecast transaction is no longer expected to occur, any related cumulative gain or loss that has been recognized in equity through other comprehensive income is transferred to profit or loss.

When a hedging instrument expires, is sold or is terminated or exercised without being replaced with another hedging instrument or renewed, or when hedge accounting is discontinued due to a change of risk management purpose, any related cumulative gain or loss that has been recognized in equity through other comprehensive income remains in equity until the forecast transaction occurs.

(b) Derivatives not designated as hedges

Changes in the fair value of derivatives are recognized in profit or loss.

(14) Stock-based compensation

A. Stock option system

Stock options are measured at fair value estimated at the grant date and recognized in profit or loss over the vesting period, with an equal amount recognized as equity.

B. Performance-linked stock-based compensation system

Consideration for services received is estimated based on the fair value of Company shares at the grant date and recognized in profit or loss over the vesting period, with an equal amount recognized in equity.

(15) Revenue

The Group applies the following steps to recognize revenue.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the Group satisfies a performance obligation

Revenue is recognized at a point in time or over a period of time when a performance obligation in a contract with a customer is satisfied. Revenues from the sale of goods in the course of normal business activities are recorded when said goods are delivered, as the performance obligation is satisfied upon the transfer of control of the goods to the customer. Specifically, revenue is recognized when the goods are delivered, as the legal ownership, physical ownership, and significant risk and economic value of ownership of the goods are transferred to the customer upon said goods' delivery.

The Group has in place a distribution system in which, in principle, products are delivered to customers on the day they are shipped, and there is no significant time lag between shipping and delivery.

Revenue is measured at the monetary amount of consideration to which the Group gains a right in exchange for the transfer of the promised goods to the customer, factoring in discounts, rebates and returns. The consideration that the Group expects to refund to customers is recorded as refund liabilities. Said refund liabilities are estimated using a modal value based on the terms of the relevant contracts, past performance and other factors. Furthermore, advances received from customers are recorded as contract liabilities.

Consideration for goods under sales contracts is mainly collected within 12 months of the transfer of control over said goods to the customer. This consideration includes no significant financial elements.

For performance obligations satisfied over time, the Group recognizes revenue over time based on estimates of its progress toward the complete satisfaction of the obligation.

(16) Income taxes

Current income taxes for the current period and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities using the tax rates and tax laws that have been enacted or substantively enacted at the end of the fiscal period.

Deferred taxes are recognized using the asset and liability method on temporary differences arising between the carrying amount of an asset or liability of financial position and its taxable base.

In principle, deferred tax liabilities are recognized for all taxable temporary differences, and deferred tax assets are recognized for deductible temporary differences and tax loss carryforwards to the extent that it is probable that taxable profits will be available against which said deductible temporary differences and tax loss carry forwards can be utilized.

However, as exceptions to the above, the following temporary differences are not recorded as deferred tax assets or liabilities.

- Temporary differences arising from the initial recognition of goodwill
- Temporary differences arising from the initial recognition of assets and liabilities in transactions other than business combinations that affect neither the accounting profit nor the taxable profit
- Deductible temporary differences associated with investments in subsidiaries and affiliates when it is probable that such differences will not reverse in the foreseeable future, or it is

improbable that taxable profits against which the differences can be utilized will be earned

- Taxable temporary differences associated with investments in subsidiaries and affiliates when the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future

The book values of deferred tax assets and liabilities (including unrecognized deferred tax assets) are reviewed at the end of each fiscal period.

Deferred tax assets and liabilities are measured using the estimated tax rates for the periods in which the deferred tax assets are realized or deferred tax liabilities are settled based on tax rates and tax laws that have been enacted or substantively enacted as of the end of the fiscal period.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to offset a current tax asset against a current tax liability and the same taxation authority levies income taxes either on the same taxable entity or different entities that intend to realize the asset and settle the liability at the same time.

The group has adopted the "International Tax Reform - Pillar Two Model Rules (Revised IAS 12)" (hereinafter referred to as "Revised IAS 12") from the current consolidated fiscal year. Based on the exception provisions in the Revised IAS 12, we have not recognized or disclosed deferred tax assets and liabilities arising from the tax system enacted or substantially enacted to introduce the Pillar Two Model Rules published by the Organisation for Economic Co-operation and Development (OECD).

(17) Assets held for sale

Non-current assets or disposal groups whose book value is expected to be recovered through sale and not continuing use are classified as assets held for sale. However, to be classified as assets held for sale, said non-current assets or disposal groups must be available for immediate sale and highly probable be sold within 12 months. Assets held for sale are measured at the lower of book value or fair value less selling cost. Assets categorized as held for sale are not subject to depreciation or amortization.

(18) Equity

A. Share capital and capital surplus

The issue price of equity instruments issued by the Company is recognized in share capital and capital surplus. Transaction costs arising directly from such issuance are deducted from capital surplus.

B. Treasury stock

When the Company acquires treasury stock, said treasury stock is recognized at acquisition cost and stated as a deduction from equity. In addition, transaction costs arising directly from such acquisition are deducted from equity. When the Company sells treasury stock, the consideration received is recognized as an increase in equity, and any difference between the book value and the consideration received is included in capital surplus.

Note 4: Segment Information

1. Overview of
The Groupôs reportable segments are component units
that are subject to regular review by the board c
management resources and
The Groupôs business divisions are organized by product c
business activities for the products it handles. Affil
of their respect
Affiliated companies located overseas are independent r
of the regions
Accordingly, the Group comprises three reportable se
based on business divisions and compa
Products Business, Industrial

The Group's reporta

(a) Consumer
Manufacture and sale of
Main products: toothpaste, toothbrushes, hand soaps,
dishwashing detergents, fabric so

(b) Industria
Manufacture and sale of chemical raw materials, industrial p
Main products: activators, el

(c) Overs
Manufacture and sale of commoditi

The "Other" category refers to busines
the Company's subsidiaries located in Japa
real estate management and tempc

2. Methods of Calculating Net Sales, Profit (
The methods of accountinthe same as those staPoli
Reportable segment profit
The prices of inter-segment transactions and transfe
supplier costs and Compa