



Summary of Consolidated Financial Statements for the Year Ended December 31, 2023 [IFRS]

February 14, 2024

Company name: Lion Corporation
Listed stock exchanges: Tokyo Stock Exchange
Code: 4912
URL: <http://www.lion.co.jp/en/>

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Annual meeting of shareholders: March 28, 2024
Start date of payment of dividend: March 7, 2024
Scheduled date of filing of quarterly financial report: March 29, 2024
Supplementary materials prepared for quarterly results: Yes
Quarterly results information meeting held: Yes (for institutional investors, analysts, etc.)

Figures in this and subsequent tables are truncated at the nearest million.

1. Consolidated Results for the Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)

(1) Consolidated Results (cumulative)

(Percentage figures denote year-on-year change)

	Net sales		Operating profit		Profit before tax	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended December 31, 2023	402,767	3.3	20,505	(28.9)	22,375	(28.5)
Year ended December 31, 2022	389,869	6.5	28,843	(7.5)	31,292	(8.2)

	Profit for the period		Profit for the period attributable to owners of the parent		Total comprehensive income for the period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended December 31, 2023	16,687	(27.8)	14,624	(33.3)	26,575	(17.0)
Year ended December 31, 2022	23,110	(9.1)	21,939	(7.7)	32,025	12.5

Note: Core operating income for the year ended December 31, 2023 was ¥20,133 million (down 14.5% year on year).
Core operating income for the year ended December 31, 2022 was ¥23,559 million (down 23.8% year on year).
Core operating income is an earnings indicator the Company uses to measure regular business performance by subtracting selling, general and administrative expenses from gross profit.

	Basic earnings per share	Diluted earnings per share	Ratio of equity attributable to owners of the parent to profit for the period	Ratio of profit before tax to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Year ended December 31, 2023	51.42	51.35	5.4	4.7	5.1
Year ended December 31, 2022	77.04	76.91	8.5	7.0	7.4

Note: Share of profit (loss) of investments accounted for using the equity method: December 31, 2023: ¥1,607 million
December 31, 2022: ¥1,824 million

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets	Equity attributable to owners of the parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
December 31, 2023	486,363	298,134	280,316	57.6	985.43
December 31, 2022	469,278	279,168	264,255	56.3	929.72

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended December 31, 2023	30,068	(34,790)	(11,762)	85,526
Year ended December 31, 2022	41,962	(19,535)	(19,821)	101,078

2. Dividends

	Cash dividends per share					Total dividend paid (annual)	Payout ratio (consolidated)	Ratio of dividends to equity attributable to owners of the parent (consolidated)
	First Quarter	Second Quarter	Third Quarter	Year-End	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal 2022	—	12.00	—	13.00	25.00	7,123	32.4	2.8
Fiscal 2023	—	13.00	—	13.00	26.00	7,411	50.6	2.7
Fiscal 2024 (forecast)	—	13.00	—	14.00	27.00		40.4	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2024 (January 1, 2024 – December 31, 2024)

(Percentage figures denote year-on-year change)

	Net sales		Operating profit		Profit for the period attributable to owners of the parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half 2024	195,000	1.1	12,000	92.2	8,000	86.1	28.13
Fiscal 2024	410,000	1.8	27,000	31.7	19,000	29.9	66.81

Note: Core operating income forecast: First half 2024: ¥8,000 million
Fiscal 2024: ¥23,000 million

Notes

- (1) Significant Change in Scope of Consolidation during Period: No
- (2) Changes in accounting principles, procedures and presentation methods in connection with the preparation of quarterly consolidated financial statements:
 - a. Changes in accounting standards required under IFRS: No
 - b. Other changes: No
 - c. Changes in accounting estimates: No
- (3) Number of outstanding shares (common stock)
 - a. Number of outstanding shares on balance sheet dates (including treasury stocks):
 - As of December 31, 2023: 292,536,446 shares
 - As of December 31, 2022: 292,536,446 shares
 - b. Number of treasury stocks on balance sheet date:
 - As of December 31, 2023: 8,075,507 shares
 - As of December 31, 2022: 8,304,250 shares
 - c. Average number of shares outstanding over period
 - Fiscal year ended December 31, 2023: 284,406,596 shares
 - Fiscal year ended December 31, 2022: 284,763,600 shares

Reference: Summary Non-Consolidated Results (JGAAP basis)

1. Non-Consolidated Results for the Year Ended December 31, 2023

(January 1, 2023 – December 31, 2023)

(1) Non-Consolidated Results

(Percentage figures denote year-on-year change)

	Net sales		Operating profit		Ordinary income		Profit for the period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2023	230,801	(0.2)	2,267	(74.7)	8,081	(53.3)	7,528	(45.7)
Fiscal 2022	231,299	0.3	8,966	(43.0)	17,296	(39.3)	13,874	(48.5)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal 2023	26.47	26.43
Fiscal 2022	48.72	48.63

(2) Non-consolidated Financial Position

	Total assets	Net assets	Shareholders' equity to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2023	319,129	206,091	64.6	724.32
December 31, 2022	332,443	204,415	61.5	718.75

Reference: Shareholders' equity: December 31, 2023: ¥206,041 million

December 31, 2022: ¥204,292 million

* This report is not subject to review by a certified public accountant or external auditor.

* Appropriate use of results forecasts; other special items

The forecasts and projected operating results contained in this report are based on information available at the time of preparation and thus involve inherent risks and uncertainties, including those related to economic conditions, the competitive environment and exchange rate fluctuations.

Accordingly, readers are cautioned that actual results may differ materially from those projected as a result of a variety of factors. For information on forecasts of operating results, see I. Consolidated Performance and Financial Status on pages 2–12.

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I. Consolidated Performance and Financial Status

1. Consolidated Performance

(1) Performance Overview of the Consolidated Fiscal Year under Review

(January 1, 2023 – December 31, 2023)

The Lion Group continues advancing initiatives based on three growth strategies under Vision2030 1st STAGE, its current medium-term management plan. These three strategies are “Accelerate growth in four fields of value creation,” “Transform our business foundations for growth” and “Generate dynamism to realize innovative change.”

During the fiscal year under review, the global outlook remained uncertain due to geopolitical issues and financial tightening. The Lion Group’s business environment during the period generally trended towards moderate recovery, especially in Japan, despite higher raw material prices under the influence of the ongoing depreciation of the yen. Against this backdrop, we introduced new high-value-added products into our fabric softener and laundry detergent lineups and worked to develop our mainstay brands.

Overseas, the economies of Thailand and China, our main markets, trended towards recovery although there was some stagnation in China in the second half of the fiscal year due to such factors as a decline in real estate investment. Amid these circumstances, Lion sought to expand its business in the personal care field, which includes oral care and beauty care products, while striving to enhance its competitiveness in the home care field, which encompasses such products as laundry detergents. At the same time, the Group invested in a healthcare company in Vietnam, aiming to create new foundations for growth.

Reflecting these efforts, consolidated results for fiscal 2023 are as follows. Net sales amounted to ¥402,767 million, a year-on-year increase of 3.3% (or a 1.3% increase at constant currency excluding exchange rate fluctuations). Core operating income came to ¥20,133 million, down 14.5% compared with the previous fiscal year, and operating profit to ¥20,505 million, down 28.9% year on year, reflecting such factors as increase in competition-related expenses and the recording of one-off expenses related to the head office relocation. As a result, profit for the period attributable to owners of the parent totaled ¥14,624 million, down 33.3% compared with the previous fiscal year.

Consolidated Results

(Millions of yen)

	Fiscal 2023	Ratio to net sales	Fiscal 2022	Ratio to net sales	Change	Change (%)
Net sales	402,767		389,869		12,897	3.3%
Core operating income	20,133	5.0%	23,559	6.0%	(3,425)	(14.5%)
Operating profit	20,505	5.1%	28,843	7.4%	(8,338)	(28.9%)
Profit for the period attributable to owners of the parent	14,624	3.6%	21,939	5.6%	(7,314)	(33.3%)

Notes: 1. Core operating income is an earnings indicator the Company uses to measure regular business performance by subtracting selling, general and administrative expenses from gross profit.

2. Operating profit in fiscal 2022 includes gain on transfer of land held by a consolidated subsidiary (transferred January 31, 2022).

Results by Business Segment

(Millions of yen)

	Net sales				Segment profit (core operating income)			
	Year ended December 31, 2023	Year ended December 31, 2022	Change	Change (%)	Year ended December 31, 2023	Year ended December 31, 2022	Change	Change (%)
Consumer Products	267,380	265,555	1,824	0.7%	4,799	11,454	(6,655)	(58.1%)
Industrial Products	57,191	58,076	(885)	(1.5%)	3,013	3,132	(118)	(3.8%)
Overseas	148,067	129,342	18,724	14.5%	8,587	5,116	3,471	67.8%
Other	20,909	15,394	5,515	35.8%	1,375	1,202	173	14.4%
Subtotal	493,548	468,368	25,180	5.4%	17,775	20,904	(3,129)	(15.0%)
Adjustment	(90,781)	(78,499)	(12,282)	—	2,358	2,654	(295)	—
Total	402,767	389,869	12,897	3.3%	20,133	23,559	(3,425)	(14.5%)

Results by business segment are as follows.

Consumer Products Business

The Consumer Products Business segment comprises the Oral Care Products, Beauty Care Products, Fabric Care Products, Living Care Products, Pharmaceutical Products and Other Products businesses. Segment net sales increased 0.7% compared with the previous fiscal year. Segment profit decreased 58.1% due to increase in raw material prices.

(Millions of yen)

	Year ended December 31, 2023	Ratio to net sales	Year ended December 31, 2022	Ratio to net sales	Change	Change (%)
Net sales	267,380		265,555		1,824	0.7%
Segment profit	4,799	1.8%	11,454	4.3%	(6,655)	(58.1%)

Note: Net sales include internal sales within and among segments, which amounted to ¥38,700 million in fiscal 2023 and ¥35,035 million in fiscal 2022.

Net Sales by Product Segment

(Millions of yen)

	Year ended December 31, 2023	Year ended December 31, 2022	Change	Change (%)
Oral Care Products	72,847	72,299	548	0.8%
Beauty Care Products	24,348	26,482	(2,134)	(8.1%)
Fabric Care Products	60,957	60,120	837	1.4%
Living Care Products	22,187	23,630	(1,443)	(6.1%)
Pharmaceutical Products	26,341	25,144	1,196	4.8%
Other Products	60,697	57,877	2,819	4.9%

Oral Care Products

This product segment consists of toothpastes, toothbrushes, dental rinses and other related products.

In toothpastes, although sales of *CLINICA PRO* toothpastes and *NONIO Plus Whitening Toothpaste* were strong, due in part to revisions to sales promotions for some brands, overall sales decreased year on year.

In toothbrushes, Lion launched the new *LION "Electric Assist" Toothbrush*, and the new *CLINICA PRO Toothbrush Rubber Head*, which uses a rubbery material for the brush portion, received favorable customer reviews. As a result, overall sales increased year on year.

In dental rinses, sales of *NONIO Mouthwash* were down year on year, and overall sales decreased year on year.

Overall sales of Oral Care Products increased 0.8% year on year.

Beauty Care Products

This product segment consists of hand soaps, body washes, antiperspirants and deodorants and other related products.

In hand soaps, although sales of *KireiKirei Medicated Hand Conditioning Soap* remained steady overall sales decreased year on year due to market contraction.

In body washes, sales of *hadakara Body Soap Foam* were firm, but sales of the liquid version were lower year on year. As a result, overall sales declined year on year.

Overall sales of Beauty Care Products decreased 8.1% year on year.

Fabric Care Products

This product segment consists of fabric softeners, laundry detergents and other related products.

In fabric softeners, sales of *SOFLAN Premium Deodorizer* decreased year on year. However, due in part to the launch of new *SOFLAN Airis*, overall sales increased year on year.

In laundry detergents, Lion launched new highly concentrated liquid laundry detergent *NANOX one*, which cuts through odors and grime while protecting clothing from discoloration. Overall sales increased year on year. However, although the Group has striven to achieve major business expansion through the introduction of this and other new offerings in the Fabric Care Products field, their sales remained lower than the target, with year-on-year growth in total sales of Fabric Care Products amounting to only 1.4%.

Living Care Products

This product segment consists of household cleaners, dishwashing detergents and other related products.

In household cleaners, sales of toilet cleaners decreased year on year, while sales of *LOOK Plus Bath Cleansing* bath detergent were stagnant. Overall sales declined year on year.

In dishwashing detergents, sales of *CHARMY Magica* were steady, but sales of *CHARMY Crysta* for dishwashers decreased year on year. Overall sales declined year on year.

Overall sales of Living Care Products decreased 6.1% year on year.

Pharmaceutical Products

This product segment consists of antipyretic analgesics, eye drops, acne medicines and other related products.

In antipyretic analgesics, sales of *BUFFERIN PREMIUM DX* were strong, but sales of *BUFFERIN PREMIUM* and *BUFFERIN A* declined year on year. Overall sales decreased year on year.

In eye drops, sales of the *Smile 40 GOLD* series were steady, and overall sales increased year on year.

In acne medicines, sales of *PAIR® Acne Cream W* were strong, and overall sales were up substantially year on year.

In cooling gel sheets for feet, sales of *Kyusoku Jikan Ashi-Sukkiri Sheet* were strong due to a recovery in demand from inbound visitors to Japan, and sales were up substantially year on year.

Overall sales of Pharmaceutical Products increased 4.8% year on year.

Other Products

This product segment consists of pet supplies, gifts and novelty products, products sold through dental clinics and other related products.

In pet supplies, sales of *Nioi wo Toru Suna (Deodorizing Cat Litter)* were steady, and sales of oral care products were strong. Overall sales increased year on year.

In gifts and novelty products, sales of gifts decreased, and overall sales also decreased year on year.

Overall sales of Other Products increased 4.9% year on year.

Industrial Products Business

The Industrial Products Business segment includes the Mobility, Electronics and Detergents for Institutional Use Products fields. These businesses handle products that include anti-sticking agents for tire rubber, electro-conductive carbon for secondary batteries, and detergents for institutional and kitchen use, respectively. Segment net sales decreased 1.5% year on year. Segment profit decreased 3.8%.

(Millions of yen)

	Year ended December 31, 2023	Ratio to net sales	Year ended December 31, 2022	Ratio to net sales	Change	Change (%)
Net sales	57,191		58,076		(885)	(1.5%)
Segment profit	3,013	5.3%	3,132	5.4%	(118)	(3.8%)

Note: Net sales include internal sales within and among segments, which amounted to ¥18,841 million in fiscal 2023 and ¥20,226 million in fiscal 2022.

In the Mobility field, sales of anti-sticking agents for tire rubber were firm, and overall sales increased year on year.

In the Electronics field, sales of electro-conductive carbon for secondary batteries were steady, and overall sales increased year on year.

In the Detergents for Institutional Use Products field, sales of hand soaps decreased year on year, but sales of laundry detergents were favorable. Overall sales increased year on year.

In addition to the above, Group internal sales recorded by manufacturing subsidiaries decreased, leading to decreased year-on-year sales for the entire segment.

Overseas Business

The Overseas Business segment comprises business operations located in Southeast and South Asia, including Thailand and Malaysia, as well as Northeast Asia, including China and South Korea. Overall net sales increased 14.5% year on year (or an increase of 8.0% at constant currency excluding exchange rate fluctuations). Segment profit increased 67.8% year on year.

(Millions of yen)

	Year ended December 31, 2023	Ratio to net sales	Year ended December 31, 2022	Ratio to net sales	Change	Change (%)
Net sales	148,067		129,342		18,724	14.5%
Segment profit	8,587	5.8%	5,116	4.0%	3,471	67.8%

Note: Net sales include internal sales within and among segments, which amounted to ¥13,949 million in fiscal 2023 and ¥11,300 million in fiscal 2022.

Net Sales by Region

(Millions of yen)

		Year ended December 31, 2023	Year ended December 31, 2022	Change	Change (%)
Southeast and South Asia	Net sales	90,521	81,249	9,271	11.4%
	Segment profit	5,122	2,378	2,743	115.4%
Northeast Asia	Net sales	57,546	48,093	9,453	19.7%
	Segment profit	3,464	2,737	727	26.6%

Note: Due to the establishment of a joint venture company in Bangladesh in the previous fiscal year, the region previously referred to as "Southeast Asia" has been changed to "Southeast and South Asia."

Net Sales by Region

In Southeast and South Asia, net sales were up 11.4% year on year (or up 3.8% at constant currency excluding exchange rate fluctuations), and segment profit was up 115.4%.

In Thailand, sales of laundry detergents increased year on year, while sales of *Shokubutsu Monogatari* body washes were strong. Overall sales after yen conversions were up substantially year on year.

In Malaysia, sales of *TOP* laundry detergents increased year on year, and overall sales after yen conversions were up year on year.

In Northeast Asia, overall sales were up 19.7% year on year (or up 15.2% at constant currency excluding exchange rate fluctuations), and segment profit was up 26.6%.

In China, sales of *White&White* toothpaste and *SYSTEMA* toothbrushes were strong. Overall sales after yen conversions increased substantially year on year.

In South Korea, sales of laundry detergents were favorable. Overall sales after yen conversions increased year on year.

Other (Construction Contracting Business, etc.)

(Millions of yen)

	Year ended December 31, 2023	Ratio to net sales	Year ended December 31, 2022	Ratio to net sales	Change	Change (%)
Net sales	20,909		15,394		5,515	35.8%
Segment profit	1,375	6.6%	1,202	7.8%	173	14.4%

Note: Net sales include internal sales within and among segments, which amounted to ¥19,290 million in fiscal 2023 and ¥11,918 million in fiscal 2022.

(2) Forecast of Consolidated Financial Results for the Fiscal Year Ending December 2024

(Millions of yen)

	Fiscal 2024 forecast	Fiscal 2023	Change	Change (%)
Net sales	410,000	402,767	7,232	1.8%
Core operating income	23,000	20,133	2,866	14.2%
Operating profit	27,000	20,505	6,494	31.7%
Profit attributable to owners of the parent	19,000	14,624	4,375	29.9%
Basic earnings per share (yen)	66.81	51.42	15.39	29.9%

Note: Core operating income is an earnings indicator the Company uses to measure regular business performance and is calculated by subtracting selling, general and administrative expenses from gross profit.

In terms of the Group's business environment, performance in domestic and overseas consumer products is expected to be steady, despite the possibility of such risks as conservative consumer sentiment towards purchasing in reaction to rising prices, higher raw material prices resulting from geopolitical factors, and exchange rate fluctuations.

Amid these circumstances, the Lion Group will push ahead with revising its business portfolio and improving business efficiency while focusing on promoting the measures described below in order to achieve business growth and improved profitability in each segment.

In the Consumer Products Business segment, the Lion Group will pursue business growth in high-profitability areas through such initiatives as launching new brands in the oral care field and commencing sales of new high value-added pharmaceutical products. At the same time, the Group will review its

operations in low-profitability areas.

In the Industrial Products Business segment, the Lion Group will strive to expand its business related to eco-friendly materials, especially electro-conductive carbon for secondary batteries, a key offering in this segment, in order to increase profitability and to contribute to sustainability through its products.

With regard to the Overseas Business segment, the Lion Group will continue to develop its business in the personal care field, which includes oral care and beauty care products, while endeavoring to improve profitability in the home care field. In terms of market regions, the Group will place the greatest emphasis on the Chinese market in addition to pursuing the early expansion of businesses in newly entered countries (Bangladesh and Vietnam).

As a result of the above, consolidated results forecasts for fiscal 2024 are as follows: net sales of ¥410,000 million (up 1.8% year on year), core operating income of ¥23,000 million (up 14.2% year on year), operating profit of ¥27,000 million (up 31.7% year on year) and profit for the period attributable to owners of the parent of ¥19,000 million (up 29.9% year on year).

Lion utilized the following foreign exchange rates in the calculation of the aforementioned forecasts.

¥145 = US\$1.00

¥4.0 = 1.00 baht

2. Financial Status

(1) Status of Consolidated Assets, Liabilities and Equity

	2023	2022	Change
Total assets (millions of yen)	486,363	469,278	17,084
Total equity (millions of yen)	298,134	279,168	18,966
Ratio of equity attributable to owners of the parent to total assets ¹ (%)	57.6%	56.3%	1.3%
Equity attributable to owners of the parent per share ² (yen)	985.43	929.72	55.72

Notes: 1. Ratio of equity attributable to owners of the parent to total assets = (Total equity – Non-controlling interests) / Total assets

2. Non-controlling interests are excluded from the calculation of equity attributable to owners of the parent per share.

Total assets rose ¥17,084 million compared with the previous consolidated fiscal year-end to ¥486,363 million. This was primarily attributable to an increase in property, plant and equipment. Total equity increased ¥18,966 million to ¥298,134 million. The ratio of equity attributable to owners of the parent to total assets stood at 57.6%.

(2) Cash Flows

Consolidated Cash Flows

(Millions of yen)

	2023	2022	Change
Cash flows from operating activities	30,068	41,962	(11,893)
Cash flows from investing activities	(34,790)	(19,535)	(15,254)
Cash flows from financing activities	(11,762)	(19,821)	8,058
Effect of exchange rate change on cash and cash equivalents	931	1,222	(290)
Net increase (decrease) in cash and cash equivalents	(15,552)	3,827	(19,379)
Cash and cash equivalents at end of period	85,526	101,078	(15,552)

Net cash provided by operating activities totaled ¥30,068 million, due mainly to profit before tax.

Net cash used in investing activities totaled ¥34,790 million, due in part to the purchase of property, plant and equipment.

Net cash used in financing activities totaled ¥11,762 million. Major components of this outflow included the payment of dividends.

As a result of the above, cash and cash equivalents as of December 31, 2023 decreased ¥15,552 million compared with December 31, 2022, to ¥85,526 million.

(3) Forecast of Fiscal 2023 Consolidated Cash Flows

In cash flows from operating activities, Lion projects profit before tax of approximately ¥29,000 million. Depreciation and amortization is estimated to total about ¥20,000 million. On the other hand, the Group

anticipates an outflow of about ¥18,000 million due in part to tax payments.

In cash flows from investment activities, Lion plans to undertake capital expenditures of around ¥20,000 million during fiscal 2024.

Cash flows from financing activities are expected to yield an outflow of about ¥10,000 million mainly due to cash dividends paid.

Based on these projections, Lion estimates that cash and cash equivalents at the end of fiscal 2024 will be up approximately ¥1,000 million year on year.

(4) Cash Flow Indicators

	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023
Ratio of equity attributable to owners of the parent to total assets (%)	54.7	53.2	58.8	56.3	57.6
Ratio of equity attributable to owners of the parent to total assets on a market value basis (%)	162.3	166.8	104.4	91.7	76.5
Debt redemption (years)	0.3	0.3	0.6	0.8	1.1
Interest coverage ratio	431.9	719.4	564.8	1,021.4	1,622.7

Notes:

1. Ratio of equity attributable to owners of the parent to total assets = Equity attributable to owners of the parent / Total assets
2. Ratio of equity attributable to owners of the parent to total assets on a market value basis = Market value of shares / Total assets
3. Debt redemption (years): Interest-bearing liabilities / Cash flows from operating activities
4. Interest coverage ratio: Cash flows from operating activities / Interest payments
5. All the above indicators are calculated based on consolidated financial data.
6. Market value of shares is calculated as the closing stock price as of the end of the term multiplied by the number of outstanding stocks as of the end of the term (after the deduction of treasury stocks).
7. Cash flows from operating activities are those stated in the Consolidated Statement of Cash Flows.
8. "Interest-bearing liabilities" means all those liabilities that bear interest among the liabilities in the Consolidated Statement of Financial Position. Figures in the Consolidated Statement of Cash Flows are used for the amount of interest paid.

3. Basic Policy on the Distribution of Earnings and Cash Dividends

Lion considers returning profits to shareholders on a continuous and stable basis by increasing its consolidated earnings capacity to be one of its most important management issues. To this end, the Company strives to ensure the payment of continuous and stable cash dividends, aiming for a consolidated payout ratio of 30%, and bases the acquisition of treasury stock on comprehensive reviews to ensure that it maintains the levels of internal reserves required to secure medium- and long-term growth. Lion allocates internal reserves to research and development, capital investment in production facilities and the acquisition of external resources, aiming to reinforce the Company's growth potential and to develop a sustainable business foundation.

Taking into consideration the Company's cash dividend payment record, as well as its dividend payout ratio target, Lion's Board of Directors resolved to pay an interim dividend of ¥13 per share (payment date: September 5, 2023) and a year-end dividend of ¥13 per share (payment date: March 7, 2024) for fiscal 2023.

With regard to dividends for fiscal 2024, in accordance with its basic policy on the distribution of earnings and cash dividends, Lion plans to pay an interim dividend of ¥13 per share and a year-end dividend of ¥14 per share, for a total annual dividend of ¥27 per share.

II. Corporate Group

The Lion Group consists of Lion Corporation, 23 consolidated subsidiaries and four equity-method affiliates. The Group's principal businesses are the Consumer Products Business, Industrial Products Business and Overseas Business. Other business activities involve various operations and other services, like construction related to the above businesses.

The relationship between Group business activities and business segments is shown below, which is based on the categorization used for business segments.

Business segment	Main activities	Main companies	
Consumer Products Business	Manufacture and sale of domestic commodities and OTC drugs in Japan	Domestic affiliates	Lion Corporation Lion Chemical Co., Ltd. Lion Pet Co., Ltd. issua Co. Ltd. Lion Dental Products Co., Ltd. Japan Retail Innovation Co., Ltd.
Industrial Products Business	Manufacture and sale of chemical raw materials, industrial products and other items in Japan and overseas	Domestic affiliates	Lion Corporation Lion Chemical Co., Ltd. Lion Specialty Chemicals Co., Ltd. Lion Hygiene Co., Ltd.
Overseas Business	Manufacture and sale of commodities and chemical raw materials overseas	Overseas affiliates	Lion Daily Necessities Chemicals (Qingdao) Co., Ltd. Lion Home Products (Taiwan) Co., Ltd. Lion Corporation (Korea) Lion Corporation (Singapore) Pte Ltd Lion Innovation Center (Shanghai) Co., Ltd. Lion Corporation (Hong Kong) Ltd. Lion Advertising Ltd. Lion Kallol Limited Lion Corporation (Thailand) Ltd. Health Care Service Co., Ltd. Eastern Silicate Co., Ltd. Southern Lion Sdn. Bhd. PT. Ipposha Indonesia PT. Lion Wings Merap Lion Holding Corporation
Other	Design, construction and maintenance of facilities; real estate management; human resource services, etc.	Domestic affiliates	Lion Expert Business Co., Ltd. Lion Engineering Co., Ltd. Kyuzitsuhack Co., Ltd. PLANET, INC.

III. Management Policies

1. Basic Management Policies

The Lion Group has maintained a commitment to “Fulfilling a Spirit of Love” since its founding. With this motto and its purpose, “Make a difference in everyday lives by redesigning habits: ReDesign,” as the foundation of Group management, the Lion Group provides customers with superior products and services that are useful in realizing health, comfort and cleanliness in daily living. The Group sees contributing to the realization of a sustainable society through such efforts as its mission.

The Lion Group continually takes steps to further improve its corporate value. To this end, the Group strives to provide products and services that place the utmost priority on customer satisfaction based on an accurate understanding of the changes taking place in peoples’ values and the social role companies are required to play. At the same time, Lion promotes environmental preservation activities and enhances its corporate governance systems in order to remain a highly trustworthy company that meets the expectations of stakeholders, including shareholders, customers, business partners, local communities, society at large and employees.

2. Long-Term Management Strategies

The Lion Group’s has designated “Becoming an advanced daily healthcare company” as its management vision for 2030.

To achieve this management vision, the Lion Group is reinforcing purpose-driven management and aims to contribute to the realization of a sustainable society and achieve business growth. To this end, Lion has formulated the Vision2030 long-term strategic framework and launched Vision2030 1st STAGE, its medium-term management plan for the three-year period that began in 2022.

Vision2030 Long-Term Strategic Framework

Management Vision

Becoming an advanced daily healthcare company

Advancing Three Growth Strategies

Lion will speed up business growth by advancing three growth strategies.

- a. Accelerate growth in four fields of value creation
- b. Transform our business foundations for growth
- c. Generate dynamism to realize innovative change

Reinforce Initiatives to Address the Sustainability Material Issues

With creating healthy living habits and promoting environmental initiatives for a sustainable planet as our top priority material issues, we will implement sustainability initiatives that realize synergies with our growth strategies.

Envisioned Financial Performance in 2030

• Consolidated net sales	Approx. ¥600 billion (approx. 50% from the Overseas Business)
• EBITDA ¹	Approx. ¥80 billion
• Core operating income ²	Approx. ¥50 billion
• Return on invested capital (ROIC)	8–12%
• Return on equity (ROE)	10–14%

Notes:

1. EBITDA is an indicator of profitability on a cash basis calculated as the sum of core operating income and depreciation and amortization (excluding depreciation and amortization of right-of-use assets).
2. Core operating income is an earnings indicator the Company uses to measure regular business performance by subtracting selling, general and administrative expenses from gross profit.

3. Management Issues

To achieve its management vision, the Lion Group considers swiftly implementing and realizing results from the strategies of Vision2030 1st STAGE, a medium-term management plan for the three years beginning 2022, a matter of importance. Accordingly, the Group is implementing the measures described below.

Implementation Status of the Three Growth Strategies

(1) Accelerate Growth in Four Fields of Value Creation

The Group launched “*Okuchi Plus You*” Corporate Well-Being Support Service in July 2022 in order to assist businesses and local governments in the practice of well-being management. Through these and other measures, the Group has striven to contribute to the entrenchment of healthy living habits among the general public, with the aim of creating new business opportunities that will, in turn, lead to market expansion.

Having also placed the greatest emphasis on the Chinese market in terms of pursuing business growth, the Group aims to achieve regional net sales of around ¥100,000 million in 2030. Starting with marketing oral care products, the Group is currently striving to expand sales areas and channels in this country as well as product categories to be delivered.

(2) Transform Our Business Foundations for Growth

The Lion Group has positioned a new toothpaste factory completed in 2021 (Sakaide City, Kagawa Prefecture) as a main Group base for toothpaste production. Therefore, the Group will take full advantage of this facility to establish an efficient and sustainable production and supply structure.

Moreover, having launched new core systems in 2022, the Group is currently striving to increase the sophistication of business and supply chain management via the use of swift output from these systems with regard to demand and supply planning, procurement, production, sales and other management information.

In terms of developing foundations for overseas business growth, the Group made new entries into Bangladesh (2022) and Vietnam (2023), as stipulated under medium-term management plan targets. Looking ahead, the Group will endeavor to swiftly bring its operations in these two countries on a track while exploring opportunities for new entries into other countries.

(3) Generate Dynamism to Realize Innovative Change

The Group has updated its human resource management systems, including compensation and human resource development systems. Based on these systems, the Group is enhancing its organizational capabilities by helping employees pursue autonomous growth and nurturing human resources capable equipped with highly sophisticated expertise.

The Group also aims to help each employee realize their own life plans and desired lifestyles. To this end, the Group is enhancing the lineup of programs designed to offer more flexible workstyle options to employees while developing a comfortable office environment via, for example, the relocation of the Head Office to the new building.

Status of Initiatives to Address the Sustainability Material Issues

With regard to promoting environmental initiatives for a sustainable planet, one of top-priority material issues, the Group is engaged in collaboration with local governments and external corporations to promote resource recycling and to develop resource-saving products. The Group has also launched a service-oriented business, which proposes new habits for oral care, and otherwise promoted various measures to address another top priority, creating healthy living habits.

In addition, the Group has conducted scenario analysis aimed at assessing climate change-related risks and opportunities that could affect its operations in accordance with a framework proposed by the Task Force on Climate-related Financial Disclosures (TCFD). The results of this scenario analysis were publicly disclosed in 2023.

Progress and Challenges

Outcomes of the implementation of initiatives based on the three growth strategies included growth in consolidated net sales at a pace exceeding the growth rate recorded over the course of three years prior to the launch of the medium-term management plan. This suggests that the Group has, to a certain degree, succeeded in achieving its medium-term management plan theme, namely, “shift gears toward accelerated growth.” In particular, in the Overseas Business Segment, the Group has gained greater presence in its existing market regions, including China. The ratio of segment sales to consolidated net sales stably expanded to 33% in the fiscal year ended December 31, 2023, suggesting robust progress against the segment’s target of raising this ratio to around 50% by December 31, 2030.

On the earnings front, however, the Group has yet to meet its initial profit target because worldwide surges in resource prices led to higher raw material prices and negatively affected its earnings power, while sales of some new products, released in the domestic fabric care field with ambitious sales targets, were lower than estimated.

Aware of these circumstances, the Group has positioned the fiscal year ending December 31, 2024, the final year of Vision2030 1st STAGE, as a year for restructuring its foundations to secure readiness to launch the next medium-term management plan. Accordingly, the Group will review its business portfolio by reorganizing low-profitability businesses and reallocating management resources, in addition to redoubling its efforts to enhance the efficiency of business management. Furthermore, the Group will sharpen its focus on priority market regions and business fields in terms of executing investment. In these ways, the Group will strive to enhance its corporate value to realize its vision for 2030.

IV. Basic Approach Regarding the Selection of Accounting Standards

The Lion Group voluntarily adopted International Financial Reporting Standards (IFRS) from the first quarter of fiscal 2018 in order to improve the international comparability of Lion Group financial statements and reinforce Group business management.

V. Consolidated Financial Statements and Notes

(1) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	December 31, 2022	December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	101,078	85,526
Trade and other receivables	71,263	75,230
Inventories	53,909	56,090
Other financial assets	7,977	12,276
Other current assets	3,462	3,151
Total current assets	237,691	232,274
Non-current assets		
Property, plant and equipment	130,137	140,671
Goodwill	327	327
Intangible assets	23,917	22,712
Right-of-use assets	31,518	31,313
Investments accounted for using the equity method	8,939	17,487
Deferred tax assets	3,912	4,357
Retirement benefit assets	9,147	10,826
Other financial assets	22,856	25,475
Other non-current assets	831	917
Total non-current assets	231,587	254,089
Total assets	469,278	486,363

Lion Corporation (Code 4912): Consolidated Financial Statements
for the Year Ended December 31, 2023

(Millions of yen)

	December 31, 2022	December 31, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	126,024	126,158
Borrowings	1,433	148
Income tax payables	2,182	2,508
Provisions	1,444	2,399
Lease liabilities	1,746	2,043
Other financial liabilities	1,681	2,363
Other current liabilities	7,061	7,711
Total current liabilities	141,574	143,333
Non-current liabilities		
Borrowings	141	—
Deferred tax liabilities	2,701	5,847
Retirement benefit liabilities	10,431	4,531
Provisions	2,058	2,046
Lease liabilities	28,849	28,150
Other financial liabilities	2,378	2,452
Other non-current liabilities	1,974	1,867
Total non-current liabilities	48,536	44,896
Total liabilities	190,110	188,229
Equity		
Share capital	34,433	34,433
Capital surplus	31,069	31,118
Treasury stock	(8,056)	(7,868)
Other components of equity	13,966	18,377
Retained earnings	192,842	204,255
Equity attributable to owners of the parent	264,255	280,316
Non-controlling interests	14,912	17,817
Total equity	279,168	298,134
Total liabilities and equity	469,278	486,363

(2) Consolidated Statement of Income and Statement of Comprehensive Income

Consolidated Statement of Income

(Millions of yen)

	Year Ended December 31, 2022	Year Ended December 31, 2023
Net sales	389,869	402,767
Cost of sales	(215,263)	(222,168)
Gross profit	174,605	180,598
Selling, general and administrative expenses	(151,046)	(160,465)
Other income	6,738	2,196
Other expenses	(1,453)	(1,824)
Operating profit	28,843	20,505
Finance income	804	1,106
Finance costs	(179)	(843)
Share of profit of investments accounted for using the equity method	1,824	1,607
Profit before tax	31,292	22,375
Income taxes	(8,182)	(5,687)
Profit for the period	23,110	16,687
Profit for the period attributable to:		
Owners of the parent	21,939	14,624
Non-controlling interests	1,170	2,062
Profit for the period	23,110	16,687
Earnings per share		
Basic (Yen)	77.04	51.42
Diluted (Yen)	76.91	51.35

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Year Ended December 31, 2022	Year Ended December 31, 2023
Profit for the period	23,110	16,687
Other comprehensive income		
Items that will not be reclassified as profit or loss		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	729	1,803
Remeasurements of defined benefit plans	2,523	3,853
Share of other comprehensive income (loss) of investments accounted for using the equity method	24	(74)
Total items that will not be reclassified as profit or loss	3,277	5,582
Items that may be subsequently reclassified as profit or loss		
Net gain (loss) on derivatives designated as cash flow hedges	(42)	20
Exchange differences on translation of foreign operations	5,680	4,284
Total items that may be subsequently reclassified as profit or loss	5,638	4,305
Total other comprehensive income, net of tax	8,915	9,887
Comprehensive income for the period	32,025	26,575
Comprehensive income for the period attributable to:		
Owners of the parent	29,411	23,353
Non-controlling interests	2,614	3,222
Comprehensive income for the period	32,025	26,575

(3) Consolidated Statement of Changes in Equity

Fiscal 2022 (January 1 to December 31, 2022)

(Millions of yen)

	Equity attributable to owners of the parent					
	Share capital	Capital surplus	Treasury stock	Other components of equity		
				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, 2022	34,433	35,189	(4,731)	135	8,541	—
Changes during the period						
Comprehensive income						
Profit for the period						
Other comprehensive income					670	2,523
Total comprehensive income for the period	—	—	—	—	670	2,523
Transactions with owners						
Dividends						
Acquisition of treasury stock			(10,001)			
Disposal of treasury stock		1	46	(12)		
Cancellation of treasury stock		(4,259)	6,630			
Share-based payments		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	—

Lion Corporation (Code 4912): Consolidated Financial Statements
for the Year Ended December 31, 2023

	Equity attributable to owners of the parent					Non-controlling interests	Total equity
	Other components of equity			Retained earnings	Total		
	Net gain (loss) on derivatives designated as cash flow hedges	Exchange differences on translation of foreign operations	Total				
Balance at January 1, 2022	—	634	9,311	177,370	251,572	13,442	265,014
Changes during the period							
Comprehensive income							
Profit for the period			—	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 period	(42)	4,319	7,471	21,939	29,411	2,614	32,025
Transactions with owners							
Dividends			—	(6,899)	(6,899)	(1,169)	(8,069)
Acquisition of treasury stock			—		(10,001)		(10,001)
Disposal of treasury stock			(12)		35		35
Cancellation of treasury stock			—	(2,371)	—		—
Share-based payments			—		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

Fiscal 2023 (January 1 to December 31, 2023)

(Millions of yen)

	Equity attributable to owners of the parent					
	Share capital	Capital surplus	Treasury stock	Other components of equity		
				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	—
Changes during the period						
Comprehensive income						
Profit for the period						
Other comprehensive income					1,728	3,811
Total comprehensive income for the period	—	—	—	—	1,728	3,811
Transactions with owners						
Dividends						
Acquisition of treasury stock			(1)			
Disposal of treasury stock			189	(73)		
Share-based payments		49				
Changes in ownership interests in controlled subsidiary						
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	—

Lion Corporation (Code 4912): Consolidated Financial Statements
for the Year Ended December 31, 2023

	Equity attributable to owners of the parent					Non-controlling interests	Total equity
	Other components of equity			Retained earnings	Total		
	Net gain (loss) on derivatives designated as cash flow hedges	Exchange differences on translation of foreign operations	Total				
Balance at January 1, 2023	(42)	4,953	13,966	192,842	264,255	14,912	279,168
Changes during the period							
Comprehensive income							
Profit for the period			—	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 period	20	3,168	8,728	14,624	23,353	3,222	26,575
Transactions with owners							
Dividends			—	(7,393)	(7,393)	(740)	(8,133)
Acquisition of treasury stock			—		(1)		(1)
Disposal of treasury stock			(73)	(63)	53		53
Share-based payments			—		49		49
Changes in ownership interests in controlled subsidiary			—		—	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

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Year Ended December 31, 2022	Year Ended December 31, 2023
Cash flows from operating activities		
Profit before tax	31,292	22,375
Depreciation and amortization	17,665	20,201
Impairment loss	501	187
Interest and dividend income	(671)	(1,003)
Interest expenses	179	774
Share of loss (profit)s of investments accounted for using the equity method	(1,824)	(1,607)
Loss (gain) on disposal of non-current assets	(4,932)	716
Decrease (increase) in trade and other receivables	992	(2,454)
Decrease (increase) in inventories	(1,065)	(1,321)
Increase (decrease) in trade and other payables	(870)	(3,982)
Increase in net defined benefit liability	1,070	(2,092)
Other	3,139	1,326
Subtotal	45,477	33,120
Interest and dividends received	1,592	1,688
Interest paid	(41)	(18)
Income taxes paid	(5,066)	(4,721)
Cash flows from operating activities	41,962	30,068
Cash flows from investing activities		
Net decrease (increase) in time deposits	(1,312)	(3,715)
Purchase of property, plant and equipment	(18,490)	(23,317)
Proceeds from sales of property, plant and equipment	5,521	478
Purchase of intangible assets	(4,655)	(1,263)
Expenditures for acquisition of right-of-use assets	—	(406)
Purchase of other financial assets	(331)	(762)
Proceeds from sales of other financial assets	677	854
Expenditures for purchase of stocks of affiliated companies	—	(7,087)
Proceeds from sales of affiliates	35	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(96)	—
Net increase (decrease) in short-term loans payable	—	1,005
Other	(883)	(575)
Cash flows from investing activities	(19,535)	(34,790)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	—	(1,150)
Repayment of long-term borrowings	(274)	(290)
Cash dividends paid	(6,895)	(7,385)
Cash dividends paid to non-controlling interests	(1,169)	(740)
Repayment of lease liabilities	(1,504)	(2,618)
Purchase of treasury stock	(10,001)	(1)

Proceeds from non-controlling shareholders	—	423
Other	25	1
Cash flows from financing activities	(19,821)	(11,762)
Effect of exchange rate changes on cash and cash equivalents	1,222	931
Increase (decrease) in cash and cash equivalents	3,827	(15,552)
Cash and cash equivalents at beginning of period	97,250	101,078
Cash and cash equivalents at end of period	101,078	85,526

(5) Notes to Condensed Consolidated Financial Statements

Notes relating to the assumption of a going concern

Not applicable.

Segment Information

(1) Overview of reportable segments

The Group's reportable segments are component units of the Company for which separate financial information is available and that are subject to regular review by the Board of Directors for the purpose of making decisions regarding the allocation of management resources and evaluating business performance.

The Group's business divisions are organized by product category; each business division formulates a comprehensive strategy and carries out business activities for the products it handles. Affiliated companies in Japan undertake business activities pertinent to the characteristics of their respective products and services.

Affiliated companies located overseas are independent management units that conduct business activities pertinent to the characteristics of the regions in which they operate.

Accordingly, the Group comprises three reportable segments divided by product and service type and by region, which are, in turn, based on business divisions and companies; namely, the reportable segments are Consumer Products Business, Industrial Products Business and Overseas Business.

The Group's reportable segments are as follows.

A. Consumer Products Business

The Consumer Products Business engages in the manufacture and sale of commodities, over-the-counter drugs and foods with function claims, primarily in Japan.

Main products: Toothpastes, toothbrushes, hand soaps, antipyretic analgesics, eye drops, health tonic drinks, laundry detergents, dishwashing detergents, fabric softeners, household cleaners, bleaches and pet supplies

B. Industrial Products Business

The Industrial Products Business engages primarily in the manufacture and sale of chemical raw materials, industrial products and other items in Japan and overseas regions.

Main products: Activators, electro-conductive carbon and detergents for institutional use

C. Overseas Business

The Overseas Business engages mainly in the manufacture and sale of commodities by affiliated overseas businesses.

D. Other Business

The Other Business segment comprises business activities not included in the above business segments. Lion subsidiaries located in Japan primarily undertake operations related to Group businesses.

Main products and services: Construction contracting, real estate management and temporary staffing

Intersegment transaction and transfer prices are, in principle, determined based on negotiations reflecting market prices, total supplier costs and the Company's asking prices.

(2) Net Sales and Performance of Reportable Segments

Fiscal 2022 (January 1 to December 31, 2022)

(Millions of yen)

	Reportable Segment			Other	Total	Adjustment ²	Consolidated ³
	Consumer Products Business	Industrial Products Business	Overseas Business				
Net sales							
External	230,520	37,849	118,042	3,475	389,887	(18)	389,869
Intersegment ¹	35,035	20,226	11,300	11,918	78,480	(78,480)	—
Total	265,555	58,076	129,342	15,394	468,368	(78,499)	389,869
Core operating income	11,454	3,132	5,116	1,202	20,904	2,654	23,559
Other income							6,738
Other expenses							(1,453)
Operating profit							28,843
Finance income							804
Finance costs							(179)
Share of profit of investments accounted for using the equity method							1,824
Profit before tax							31,292
Other monetary items							
Depreciation and amortization	10,873	1,202	3,320	117	15,514	2,151	17,665

- Notes:
1. Includes intra-segment transactions within the reportable segments.
 2. A positive ¥2,654 million adjustment of core operating income mainly comprises intersegment eliminations and corporate expenses not allocated to any reportable segment.
 3. Core operating income is reconciled with gross profit as follows.

(Millions of yen)

Gross profit	174,605
<u>Selling, general and administrative expenses</u>	<u>(151,046)</u>
Core operating income	23,559

Core operating income is calculated as gross profit less selling, general and administrative expenses, and is the basis on which the Board of Directors evaluates the performance of each segment.

Fiscal 2023 (January 1 to December 31, 2023)

(Millions of yen)

	Reportable Segment			Other	Total	Adjustment ²	Consolidated ³
	Consumer Products Business	Industrial Products Business	Overseas Business				
Net sales							
(1) External	228,679	38,349	134,118	1,619	402,767	—	402,767
(2) Intersegment ¹	38,700	18,841	13,949	19,290	90,781	(90,781)	—
Total	267,380	57,191	148,067	20,909	493,548	(90,781)	402,767
Core operating income	4,799	3,013	8,587	1,375	17,775	2,358	20,133
Other income							2,196
Other expenses							(1,824)
Operating profit							20,505
Finance income							1,106
Finance costs							(843)
Share of profit of investments accounted for using the equity method							1,607
Profit before tax							22,375
Other monetary items							
Depreciation and amortization	12,535	1,212	3,678	125	17,551	2,649	20,201

- Notes: 1. Includes intra-segment transactions within the reportable segments.
2. A positive ¥2,358 million adjustment of core operating income mainly comprises intersegment eliminations and corporate expenses not allocated to any reportable segment.
3. Core operating income is reconciled with gross profit as follows.

	(Millions of yen)
Gross profit	180,598
<u>Selling, general and administrative expenses</u>	<u>(160,465)</u>
Core operating income	20,133

Core operating income is calculated as gross profit less selling, general and administrative expenses, and is the basis on which the Board of Directors evaluates the performance of each segment.

(3) Information by product and service category

Fiscal 2022 (January 1 to December 31, 2022)

(Millions of yen)

	Healthcare	Household	Chemicals	Other	Total
Sales to external customers	189,327	168,993	27,311	4,237	389,869

Fiscal 2023 (January 1 to December 31, 2023)

(Millions of yen)

	Healthcare	Household	Chemicals	Other	Total
Sales to external customers	197,778	175,510	27,351	2,126	402,767

(4) Information by region

A. Net sales

Fiscal 2022 (January 1 to December 31, 2022)

(Millions of yen)

Japan	Asia		Other	Total
		Thailand		
266,646	121,041	48,857	2,181	389,869

Note: Sales are classified by country/region based on customer location.

Fiscal 2023 (January 1 to December 31, 2023)

(Millions of yen)

Japan	Asia		Other	Total
		Thailand		
263,157	137,711	55,219	1,898	402,767

Note: Sales are classified by country/region based on customer location.

B. Non-current assets

Fiscal 2022 (December 31, 2022)

(Millions of yen)

Japan	Asia		Total
		Thailand	
158,737	27,994	14,315	186,731

Note: Non-current assets are classified by country/region based on asset location and do not include investments accounted for using the equity method, deferred tax assets, retirement benefit assets or other financial assets.

Fiscal 2023 (December 31, 2023)

(Millions of yen)

Japan	Asia		Total
		Thailand	
166,829	29,113	14,136	195,942

Note: Non-current assets are classified by country/region based on asset location and do not include investments accounted for using the equity method, deferred tax assets, retirement benefit assets or other financial assets.

(5) Major customers

Fiscal 2022 (January 1 to December 31, 2022)

(Millions of yen)

Customer	Net sales	Related segments
PALTAC CORPORATION	101,628	Consumer Products, Industrial Products
Arata CORPORATION	43,363	Consumer Products, Industrial Products

Fiscal 2023 (January 1 to December 31, 2023)

(Millions of yen)

Customer	Net sales	Related segments
PALTAC CORPORATION	98,531	Consumer Products, Industrial Products
Arata CORPORATION	41,925	Consumer Products, Industrial Products

Income Taxes

(1) Deferred tax assets and deferred tax liabilities

The major components of deferred tax assets and liabilities at each fiscal year-end are as follows.

(Millions of yen)

	December 31, 2022	December 31, 2023
Deferred tax assets		
Provisions, other current liabilities, etc.	4,435	4,817
Retirement benefit assets and liabilities	7,234	4,808
Excess depreciation	711	671
Accrued enterprise and office taxes	172	250
Appraisal value of inventories	528	884
Unrealized profit on inventories and non-current assets	1,173	1,420
Other	2,182	2,103
Total	16,438	14,957
Deferred tax liabilities		
Special depreciation of non-current assets	(1,929)	(1,862)
Valuation difference upon contribution of securities to retirement benefit trust	(3,862)	(3,803)
Temporary differences due to distribution of retained earnings at overseas affiliates	(2,891)	(3,570)
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	(3,625)	(4,241)
Right of trademark	(2,046)	(2,058)
Other	(873)	(909)
Total	(15,227)	(16,447)

The major changes to deferred tax assets and liabilities during each fiscal year are as follows.

(Millions of yen)

	Year ended December 31, 2022	Year ended December 31, 2023
Net deferred tax assets and (liabilities)		
Balance at beginning of the year	4,735	1,210
Deferred income taxes	(2,528)	(453)
Deferred taxes related to other comprehensive income items		
Net gain (loss) on revaluation of financial assets measured at fair value	(367)	(575)
Net gain (loss) on derivatives designated as cash flow hedges	18	(9)
Remeasurements of defined benefit plans	(1,021)	(1,710)
Other	373	47
Balance at end of the year	1,210	(1,490)

(2) Unrecognized deferred tax assets

Deductible temporary differences for which deferred tax assets are not recognized are as follows.

(Millions of yen)

	December 31, 2022	December 31, 2023
Deductible temporary differences	8,620	8,606

There are no net loss carryforwards or tax credit carryforwards for which deferred tax assets are not recognized.

(3) Unrecognized deferred tax liabilities

There were no significant taxable temporary differences related to the investments of subsidiaries not recognized as deferred tax liabilities at December 31, 2022 or December 31, 2023.

(4) Income taxes

Income taxes recognized through profit or loss are as follows.

(Millions of yen)

	Year ended December 31, 2022	Year ended December 31, 2023
Current income taxes	5,653	5,234
Deferred income taxes		
Origination and reversal of temporary differences	2,524	457
Adjustments and reversals of deferred tax assets	5	(4)
Total	8,182	5,687

The Lion Group assesses its exposure to income taxes arising from tax systems enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organisation for Economic Co-operation and Development (OECD). Exposure to income taxes in line with the Pillar Two Model Rules is not material.

(5) Reconciliation of the statutory tax rate and effective tax rate

The main factors responsible for the difference between the statutory tax rate and the effective income tax rate are as follows.

	Year ended December 31, 2022	Year ended December 31, 2023
Statutory tax rate	30.6%	30.6%
Entertainment expenses and other non-deductible items	0.2%	0.4%
Dividend income and other items not recognizable as income for tax purposes	(1.0%)	(0.5%)
Unrecognized deferred tax assets	0.1%	(0.0%)
Differences in tax rates applicable to foreign subsidiaries	(1.8%)	(4.5%)
Research and development expenses and other special deductions	(2.1%)	(2.7%)
Foreign tax credits	0.5%	(0.1%)
Other	(0.4%)	2.2%
Effective tax rate	26.1%	25.4%

Note: The Company is subject to taxes mainly comprising income taxes, residence taxes and enterprise taxes. Calculated based on these taxes, the statutory tax rate for the fiscal years ended December 31, 2022 and December 31, 2023 was 30.6%. However, overseas subsidiaries are subject to the income and other taxes of their respective locations.

Post-Retirement Benefits

The Company and certain consolidated subsidiaries maintain funded and unfunded defined benefit and defined contribution retirement plans to pay employee post-retirement benefits.

The main retirement benefit plan in which the Company participates is the LION PENSION FUND. Furthermore, the Company and 9 other companies maintain lump-sum retirement benefit payment plans. Furthermore, the Company has established a retirement benefit trust.

(1) Defined benefit plans

The amounts related to defined contribution pension plans presented in the Consolidated Statement of Financial Position are as follows.

	(Millions of yen)	
	December 31, 2022	December 31, 2023
Present value of defined benefit obligation	57,287	53,151
Fair value of plan assets	(56,003)	(59,446)
Total	1,284	(6,294)
Retirement benefit liabilities	10,431	4,531
Retirement benefit assets	(9,147)	(10,826)
Net liabilities presented in the Consolidated Statement of Financial Position	1,284	(6,294)

A. Changes in the present value of retirement benefit obligation

(Millions of yen)

	Year ended December 31, 2022	Year ended December 31, 2023
Balance of retirement benefit obligation at beginning of year	64,428	57,287
Current service costs	2,188	1,919
Past service costs	—	(989)
Interest expenses	215	577
Remeasurements		
Experience adjustments	(678)	34
Actuarial differences arising from changes in demographic assumptions	—	(245)
Actuarial differences arising from changes in financial assumptions	(3,836)	55
Retirement benefit payments	(5,306)	(5,680)
Other	276	191
Balance of retirement benefit obligation at end of year	57,287	53,151

The weighted average duration of the defined benefit obligation was 10.1 years at December 31 2022 and 9.9 years at December 31, 2023.

B. Changes in the fair value of plan assets

(Millions of yen)

	Year ended December 31, 2022	Year ended December 31, 2023
Balance of plan assets at beginning of year	61,512	56,003
Interest revenue on plan assets	210	603
Remeasurements		
Return on plan assets (excluding interest revenue)	(984)	5,423
Employer contributions	384	224
Retirement benefit payments	(5,202)	(2,860)
Other	82	52
Balance of plan assets at end of year	56,003	59,446

The Group's planned contribution to defined benefit plans in the consolidated fiscal year ending December 31, 2024 is ¥382 million.

C. Plan asset management policy

The pension assets held by the LION PENSION FUND account for approximately 60% of the Group's plan assets. Management of the LION PENSION FUND's pension assets is aimed at securing the necessary total returns over the long term to ensure the payment of the defined benefit obligation going forward. Specifically, the Group manages such assets by considering factors that include the expected rates of return, risk and combinations of investment assets to determine an

investment asset mix that will be optimal into the future and then maintaining this mix. Every year, the asset mix is evaluated, and if the conditions upon which it was formulated have changed, it is revised as needed. At present, in light of the fund's highly mature financial status with retirement benefit payments greatly exceeding revenues from premiums, the fund is managed in a relatively low-risk manner with an asset mix focused primarily on bonds.

The retirement benefit trusts set up for the defined benefit corporate pension plans operated by the LION PENSION FUND at the Company and the lump-sum retirement benefit payment plans maintained by the Company account for approximately 40% of plan assets. The Company's strategically held shares account for the majority of the assets in these retirement benefit trusts. The investment profitability of each such stockholding is recognized as cost of capital and other items, and the Company's Board of Directors examines the economic rationality of each such stockholding on an annual basis.

D. Components of plan assets

The components of plan assets are as follows.

(Millions of yen)

	December 31, 2022		December 31, 2023	
	Assets with quoted prices in active markets	Assets without quoted prices in active markets	Assets with quoted prices in active markets	Assets without quoted prices in active markets
Bonds	—	22,336	—	22,306
Stocks	20,205	—	25,285	—
Other	9,555	3,907	7,798	4,055
Total	29,760	26,243	33,084	26,361

E. Actuarial assumptions

The main actuarial assumptions used at the period-end are as follows.

	December 31, 2022	December 31, 2023
Discount rate	1.0%	1.0%

F. Sensitivity analysis of actuarial assumptions

The changes to the period-end defined benefit obligation if the discount rate were to change as shown below are as follows.

This analysis assumes that other relevant variables are fixed.

(Millions of yen)

	Year ended December 31, 2022	Year ended December 31, 2023
Discount rate up to 0.5%	(2,448)	(2,189)
Discount rate down to 0.5%	2,687	2,399

(2) Defined contribution plans

The amounts recognized as expenses related to defined contribution plans are as follows.

(Millions of yen)

	Year ended December 31, 2022	Year ended December 31, 2023
Expenses related to defined contribution plans	3,062	3,062

Earnings per Share

(1) Basic earnings per share

	Year ended December 31, 2022	Year ended December 31, 2023
Profit for the period attributable to owners of the parent (millions of yen)	21,939	14,624
Average common shares during the period (thousands of shares)	284,763	284,406
Basic earnings per share (yen)	77.04	51.42

(2) Diluted earnings per share

	Year ended December 31, 2022	Year ended December 31, 2023
Profit for the period attributable to owners of the parent (millions of yen)	21,939	14,624
Adjustments to profit for the period (millions of yen)	—	—
Profit for the period used to calculate diluted earnings per share (millions of yen)	21,939	14,624
Average common shares during the period (thousands of shares)	284,763	284,406
Stock options (thousands of shares)	218	121
Executive compensation BIP trust (thousands of shares)	290	286
Diluted average common shares during the period (thousands of shares)	285,272	284,813
Diluted earnings per share (yen)	76.91	51.35

Important Subsequent Events

Not applicable.