

ANNUAL REPORT 2025

Lion Corporation

Fiscal year ended December 31, 2025

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, 2025 and 2024

ASSETS	Millions of yen		Thousands of U.S. dollars [Note 2(d)]
	2025	2024	2025
Current assets:			
Cash and cash equivalents [Notes 5, 29]	88,092	102,240	562,673
Trade and other receivables [Notes 6, 29]	80,876	76,197	516,586
Inventories [Note 7]	54,133	53,252	345,767
Other financial assets [Notes 8, 29]	25,322	16,891	161,744
Other current assets [Note 9]	5,539	2,843	35,383
Total current assets	253,964	251,424	1,622,152
Non-current assets:			
Property, plant and equipment [Note 10]	125,239	128,143	799,944
Goodwill [Note 11]	19,580	327	125,064
Intangible assets [Note 11]	31,509	21,078	201,260
Right-of-use assets [Note 26]	28,839	30,667	184,205
Investments accounted for using the equity method [Note 12]	13,966	20,767	89,209
Deferred tax assets [Note 13]	4,568	4,638	29,182
Retirement benefit assets [Note 18]	21,008	12,311	134,191
Other financial assets [Notes 8, 29]	29,153	27,000	186,212
Other non-current assets [Note 9]	766	807	4,897
Total non-current assets	274,632	245,742	1,754,165
Total assets	528,596	497,167	3,376,317

See accompanying notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen		Thousands of U.S. dollars [Note 2(d)]
	2025	2024	2025
Liabilities			
Current liabilities:			
Trade and other payables [Notes 14,29]	114,139	117,129	729,044
Income tax payables	6,583	10,391	42,051
Provisions [Note 17]	2,724	3,054	17,405
Lease liabilities [Note 29]	2,061	2,099	13,170
Other financial liabilities [Notes 15,29]	1,317	1,302	8,412
Other current liabilities [Note 16]	9,369	8,400	59,847
Total current liabilities	136,196	142,378	869,929
Non-current liabilities:			
Deferred tax liabilities [Note 13]	6,618	3,339	42,274
Retirement benefit liabilities [Note 18]	4,755	1,733	30,377
Provisions [Note 17]	2,224	2,171	14,212
Lease liabilities [Note 29]	26,189	27,637	167,280
Other financial liabilities [Notes 15,29]	2,354	2,384	15,036
Other non-current liabilities [Note 16]	1,838	1,827	11,740
Total Non-current liabilities	43,980	39,094	280,920
Total liabilities	180,176	181,473	1,150,849
Equity :			
Share capital [Note 20]	34,433	34,433	219,940
Capital surplus [Note 20]	31,419	31,327	200,687
Treasury stock [Note 20]	(3,304)	(8,730)	(21,109)
Other components of equity	27,987	23,749	178,765
Retained earnings [Note 20]	232,190	212,938	1,483,077
Equity attributable to owners of the parent	322,726	293,717	2,061,360
Non-controlling interests	25,692	21,976	164,108
Total equity	348,419	315,694	2,225,468
Total liabilities and equity	528,596	497,167	3,376,317

Consolidated Statement of Profit or Loss
Lion Corporation and Consolidated Subsidiaries
Years ended December 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars [Note 2(d)]
	2025	2024	2025
Net sales [Notes 4,22]	422,092	412,943	2,696,041
Cost of sales [Notes 7,23]	(228,170)	(224,159)	(1,457,402)
Gross profit	193,921	188,783	1,238,639
Selling, general and administrative expenses [Note 23]	(163,161)	(162,450)	(1,042,163)
Other income [Note 24,32]	7,106	10,056	45,389
Other expenses [Note 25]	(1,497)	(8,001)	(9,567)
Operating profit [Note 4]	36,368	28,387	232,298
Finance income [Note 27]	1,416	1,748	9,050
Finance costs [Note 27]	(1,234)	(807)	(7,887)
Share of profit (loss) of investments accounted for using the equity method [Note 12]	2,882	2,921	18,410
Profit before income taxes	39,433	32,249	251,872
Income taxes [Note 13]	(8,383)	(8,177)	(53,551)
Profit for the year	31,049	24,072	198,321

Profit for the year attributable to:

Owners of the parent	27,587	21,197	176,211
Non-controlling interests	3,461	2,875	22,111
Profit for the year	31,049	24,072	198,321

	Yen		U.S. dollars [Note 2(d)]
	Earnings per share:		
Basic [Note 28]	99.74	76.51	0.64
Diluted [Note 28]	99.64	76.41	0.64

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income
Lion Corporation and Consolidated Subsidiaries
Years ended December 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars [Note 2(d)]
	2025	2024	2025
Profit for the year	31,049	24,072	198,321
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 21,29]	829	1,078	5,301
Remeasurements of defined benefit plans [Note 21]	4,561	3,309	29,137
Share of other comprehensive income(loss) of investments accounted for using the equity method [Note 21]	23	(33)	152
Total items that will not be reclassified to profit or loss	5,415	4,354	34,590
Items that may be subsequently reclassified to profit or loss			
Net gain (loss) on derivatives designated as cash flow hedges [Note 21]	(1)	23	(10)
Exchange differences on translation of foreign operations [Note 21]	5,616	7,201	35,874
Total items that may be subsequently reclassified to profit or loss	5,614	7,224	35,865
Total other comprehensive income, net of tax	11,030	11,579	70,455
Comprehensive income for the year	42,079	35,651	268,776
Comprehensive income for the year attributable to:			
Owners of the parent	36,831	30,467	235,258
Non-controlling interests	5,247	5,183	33,518
Comprehensive income for the year	42,079	35,651	268,776

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Equity
Lion Corporation and Consolidated Subsidiaries
Fiscal 2025 (January 1 to December 31, 2025)

	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, 2025	34,433	31,327	(8,730)	50	10,687	-
Profit for the year						
Other comprehensive income					756	4,561
Total comprehensive income for the year	-	-	-	-	756	4,561
Dividends [Note 20]						
Purchase of treasury stock [Note 20]			(2)			
Disposal of treasury stock [Note 20]		(39)	194	(47)		
Cancellation of treasury stock [Note 20]		(5,234)	5,234			
Transfer from retained earnings to capital surplus		5,274				
Share-based payments [Note 19]		92				
Changes in ownership interests in subsidiaries						
Transfer from other components of equity to retained earnings					(396)	(4,561)
Total transactions with owners	-	92	5,426	(47)	(396)	(4,561)
Balance at December 31, 2025	34,433	31,419	(3,304)	2	11,047	-

	Millions of yen						
	Equity attributable to owners of the parent						
	Other components of equity			Total	Retained earnings	Total	Non-controlling interests
Net gain (loss) on derivatives designated as cash flow hedges	Exchange differences on translation of foreign operations						
Balance at January 1, 2025	1	13,009	23,749	212,938	293,717	21,976	315,694
Profit for the year			-	27,587	27,587	3,461	31,049
Other comprehensive income	(1)	3,927	9,244		9,244	1,785	11,030
Total comprehensive income for the year	(1)	3,927	9,244	27,587	36,831	5,247	42,079
Dividends [Note 20]			-	(8,019)	(8,019)	(1,626)	(9,645)
Purchase of treasury stock [Note 20]			-		(2)		(2)
Disposal of treasury stock [Note 20]			(47)		106		106
Cancellation of treasury stock [Note 20]			-		-		-
Transfer from retained earnings to capital surplus			-	(5,274)	-		-
Share-based payments [Note 19]			-		92		92
Changes in ownership interests in subsidiaries			-		-	95	95
Transfer from other components of equity to retained earnings			(4,958)	4,958	-		-
Total transactions with owners	-	-	(5,006)	(8,335)	(7,823)	(1,531)	(9,354)
Balance at December 31, 2025	-	16,937	27,987	232,190	322,726	25,692	348,419

Consolidated Statement of Changes in Equity
Lion Corporation and Consolidated Subsidiaries
Fiscal 2024 (January 1 to December 31, 2024)

	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, 2024	34,433	31,118	(7,868)	50	10,227	-
Profit for the year						
Other comprehensive income					1,084	3,275
Total comprehensive income for the year	-	-	-	-	1,084	3,275
Dividends [Note 20]						
Purchase of treasury stock [Note 20]			(10,002)			
Disposal of treasury stock [Note 20]			17			
Cancellation of treasury stock [Note 20]			9,122			
Share-based payments [Note 19]		208				
Changes due to business combination						
Transfer from other components of equity to retained earnings					(623)	(3,275)
Total transactions with owners	-	208	(862)	-	(623)	(3,275)
Balance at December 31, 2024	34,433	31,327	(8,730)	50	10,687	-

	Millions of yen							
	Equity attributable to owners of the parent			Total	Retained earnings	Total	Non-controlling interests	Total equity
	Net gain (loss) on derivatives designated as cash flow hedges	Exchange differences on translation of foreign operations						
Balance at January 1, 2024	(21)	8,122	18,377	204,255	280,316	17,817	298,134	
Profit for the year			-	21,197	21,197	2,875	24,072	
Other comprehensive income	23	4,887	9,270	-	9,270	2,308	11,579	
Total comprehensive income for the year	23	4,887	9,270	21,197	30,467	5,183	35,651	
Dividends [Note 20]			-	(7,291)	(7,291)	(1,493)	(8,784)	
Purchase of treasury stock [Note 20]			-		(10,002)		(10,002)	
Disposal of treasury stock [Note 20]			-		17		17	
Cancellation of treasury stock [Note 20]			-	(9,122)	-		-	
Share-based payments [Note 19]			-		208		208	
Changes due to business combination			-		-	468	468	
Transfer from other components of equity to retained earnings			(3,898)	3,898	-		-	
Total transactions with owners	-	-	(3,898)	(12,514)	(17,067)	(1,024)	(18,091)	
Balance at December 31, 2024	1	13,009	23,749	212,938	293,717	21,976	315,694	

Consolidated Statement of Changes in Equity
Lion Corporation and Consolidated Subsidiaries
Fiscal 2025 (January 1 to December 31, 2025)

	Thousands of U.S. dollars [Note 2(d)]					
	Equity attributable to owners of the parent					
	Share capital	Capital surplus	Treasury stock	Subscription rights to shares	Other components of equity	
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, 2025	220	200	(56)	0	68	-
Profit for the year						
Other comprehensive income					5	29
Total comprehensive income for the year	-	-	-	-	5	29
Dividends [Note 20]						
Purchase of treasury stock [Note 20]			(0)			
Disposal of treasury stock [Note 20]		(0)	1	(0)		
Cancellation of treasury stock [Note 20]		(33)	33			
Transfer from retained earnings to capital surplus		34				
Share-based payments [Note 19]		1				
Changes in ownership interests in subsidiaries						
Transfer from other components of equity to retained earnings	-				(3)	(29)
Total transactions with owners	-	1	35	(0)	(3)	(29)
Balance at December 31, 2025	220	201	(21)	0	71	-

	Thousands of U.S. dollars [Note 2(d)]						
	Equity attributable to owners of the parent						
	Other components of equity		Total	Retained earnings	Total	Non-controlling interests	Total equity
Net gain (loss) on derivatives designated as cash flow hedges	Exchange differences on translation of foreign operations						
Balance at January 1, 2025	0	83	152	1,360	1,876	140	2,016
Profit for the year			-	176	176	22	198
Other comprehensive income	(0)	25	59		59	11	70
Total comprehensive income for the year	(0)	25	59	176	235	34	269
Dividends [Note 20]			-	(51)	(51)	(10)	(62)
Purchase of treasury stock [Note 20]			-		(0)		(0)
Disposal of treasury stock [Note 20]			(0)		1	-	1
Cancellation of treasury stock [Note 20]			-		-	-	-
Transfer from retained earnings to capital surplus			-	(34)	-	-	-
Share-based payments [Note 19]			-	-	1	-	1
Changes in ownership interests in subsidiaries			-	-	-	1	1
Transfer from other components of equity to retained earnings			(32)	32	-	-	-
Total transactions with owners	-	-	(32)	(53)	(50)	(10)	(60)
Balance at December 31, 2025	-	108	179	1,483	2,061	164	2,225

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Lion Corporation and Consolidated Subsidiaries

Years ended December 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars [Note 2(d)]
	2025	2024	2025
Cash flows from operating activities:			
Profit before income taxes	39,433	32,249	251,872
Depreciation and amortization	21,125	21,162	134,935
Impairment loss [Notes 10,11]	448	6,678	2,866
Interest and dividend income	(1,349)	(1,366)	(8,622)
Interest expenses	771	762	4,925
Share of loss (profit) of investments accounted for using the equity method	(2,882)	(2,921)	(18,410)
Loss (gain) on disposal of non-current assets	316	(4,187)	2,023
Gain on transfer of businesses [Notes 32]	(271)	(3,425)	(1,736)
Gain (loss) on step acquisitions [Notes 34]	(4,476)	-	(28,596)
Decrease (increase) in trade and other receivables	(1,700)	1,910	(10,860)
Decrease (increase) in inventories	917	4,135	5,863
Increase (decrease) in trade and other payables	2,264	(9,327)	14,466
Increase in net retirement benefit liabilities	1,120	493	7,160
Other	(1,561)	17	(9,972)
Subtotal	54,156	46,182	345,914
Interest and dividends received	2,467	2,552	15,759
Interest paid	(37)	(43)	(238)
Income taxes (paid) refund	(15,937)	(5,031)	(101,799)
Net cash flows from operating activities	40,648	43,660	259,636
Cash flows from investing activities:			
Net decrease (increase) in time deposits	(6,330)	(3,177)	(40,438)
Purchases of property, plant and equipment	(18,073)	(18,062)	(115,443)
Proceeds from sales of property, plant and equipment	36	11,344	234
Purchases of intangible assets	(1,254)	(938)	(8,015)
Purchases of other financial assets	(1,409)	(975)	(9,001)
Proceeds from sales of other financial assets	843	1,075	5,391
Payments for purchases of shares of associates	(102)	(102)	(655)
Proceeds from sales of shares of associates	483	-	3,085
Payments for acquisition of subsidiaries resulting in change in scope of consolidation [Notes 34]	(17,905)	-	(114,367)
Proceeds from transfer of business [Note 32]	453	3,663	2,897
Other	(200)	(485)	(1,282)
Net cash flows used in investing activities	(43,460)	(7,659)	(277,595)
Cash flows from financing activities:			
Repayment of long-term borrowings	-	(149)	-
Cash dividends paid	(8,016)	(7,289)	(51,207)
Cash dividends paid to non-controlling interests	(1,626)	(1,493)	(10,390)
Repayment of lease liabilities	(2,856)	(2,719)	(18,246)
Purchase of treasury stock	(2)	(10,002)	(19)
Proceeds from share issuance to non-controlling interests	95	468	607
Other	1	(19)	10
Net cash flows used in financing activities	(12,406)	(21,205)	(79,245)
Effect of exchange rate changes on cash and cash equivalents	1,070	1,918	6,835
Net increase (decrease) in cash and cash equivalents	(14,148)	16,714	(90,369)
Cash and cash equivalents at beginning of the period [Note 5]	102,240	85,526	653,042
Cash and cash equivalents at end of the period [Note 5]	88,092	102,240	562,673

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Lion Corporation and Consolidated Subsidiaries, December 31, 2025

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 as of and for the year ended December 31, 2025 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 312 of said ordinance apply.

(b) Approval of consolidated financial statements

The consolidated financial statements have been approved by the board of directors on March 26, 2026.

(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 ¥156.56=U.S.\$1.00, the approximate rate of exchange in effect on December 31, 2025. 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 17 "Provisions")

- Allocation of acquisition price of identifiable assets and liabilities upon new consolidation

The share acquisition price associated with business combinations implemented during the fiscal year is allocated to identifiable acquired assets and liabilities (Purchase Price Allocation, hereinafter "PPA"). Identifiable intangible assets are measured at the present value of the future cash flows they are expected to generate, as assets that will generate future economic benefits for the company. Goodwill is calculated as the difference between the acquisition cost and the amount allocated to identifiable assets and liabilities at the time of the share acquisition.

Furthermore, if the estimated sales amount differs from the actual amount due to the occurrence of an unforeseen event, this may materially affect the consolidated financial statements for the following fiscal year.

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

Assessment of identifiable assets and liabilities (Note 11 "Goodwill and Intangible Assets", Note 34 "Business Combination")

- Impairment of non-financial assets

Non-financial assets (excluding inventories, deferred tax assets, and assets related to post-employment benefits) are tested for impairment whenever there is an indication that the recoverable amount is less than the carrying amount. However, goodwill and intangible assets for which useful life cannot be determined are tested for impairment annually and whenever an indication of impairment is identified.

An impairment loss is recognized when the recoverable amount of an asset or the cash-generating unit or group of cash-generating units to which the asset belongs is less than its carrying amount.

Certain assumptions are made in the calculation of the recoverable amount. These assumptions are determined based on management's best estimates and judgment. However, they may be affected by unpredictable future changes in the business environment, and if they need to be revised, this could have a significant impact on the consolidated financial statements in the following fiscal years and thereafter.

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

Impairment of non-financial assets (Note 3 “Material Accounting Policies” (10), Note 10 “Property, Plant and Equipment”, Note 11 “Goodwill and Intangible Assets”)

(f) Standards issued but not yet effective

The main new or revised standards and interpretations issued by the date of approval of the consolidated financial statements that have not been early adopted by the Group are as follows.

Standard	Title	Timing of mandatory adoption	Timing of adoption for the Group	Outline of new/amended standard
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	Year ending December 31, 2027	New standard replacing IAS 1, the current accounting standard for presentation and disclosure in financial statements.

The impact of the adoption of IFRS 18 is being assessed.

Other than the above, there are no other standards and interpretations that have not yet been applied that will have a material impact.

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, 2025.

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

(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 (including contingent 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.

When a business combination is achieved in stages, the Group's previously held interest in the acquiree is remeasured by the acquisition-date fair value and the resulting gain or loss is recognized in profit or loss.

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.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the items for which the accounting is incomplete are

measured at provisional amounts. Where new information obtained during the measurement period, which shall not exceed one year from the acquisition date, would have affected the measurement of the amounts recognized as of the acquisition date, the provisional amounts are retrospectively adjusted.

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
- Trademarks 6–20 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 classifies 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 Group derecognizes financial assets 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.

If the Group continues to have control over the transferred financial asset, it recognizes the asset and the related liability to the extent of its continuing involvement.

(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 asset or liability in transaction other than a business combination which, on the transaction date, affects neither the accounting profit and loss nor the taxable profit or loss, and, at the time of the transaction, does not give rise to taxable temporary differences and deductible temporary differences in equal amounts.
- 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 applies the temporary exception to IAS 12 “Income taxes” as amended on May 23, 2023, and 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 Organization 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 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 and over-the-counter drugs, primarily in Japan.

Main products: toothpastes, toothbrushes, hand soaps, analgesics, eyedrop solutions, 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.

Main products: activators, electro-conductive carbon and industrial cleaners

(c) Overseas Business

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

The Other Business segment comprises business activities not included in the above business segments.

The Company's subsidiaries located in Japan primarily undertake operations related to Group businesses.

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

2. Methods of Calculating Net Sales, Profit (Loss), Assets, Liabilities and Other Items for Reportable Segments

The methods of accounting for the reportable segments are the same as those stated in "3. Material Accounting Policies".

Reportable segment profit is stated on an operating profit basis.

The prices of inter-segment transactions and transfers are principally determined by price negotiations based on market prices, total supplier costs and Company notification of preferred prices.

3. Net Sales, Profit (loss), and other items by reportable segment

Segment information for the years ended December 31, 2025 and 2024 consisted of the following:

	Millions of yen						
	2025						
	Reportable segments			Other	Total	Adjustments *2	Consolidated total*3
Consumer Products Business	Industrial Products Business	Overseas Business					
Net sales							
(1) External customers	223,743	39,307	158,125	915	422,092	—	422,092
(2) Intersegment*1	35,131	19,008	19,873	9,024	83,038	(83,038)	—
Total	258,874	58,316	177,999	9,939	505,130	(83,038)	422,092
Core operating income	21,634	2,898	8,180	(178)	32,534	(1,774)	30,760
Other income							7,106
Other expenses							(1,497)
Operating profit							36,368
Finance income							1,416
Finance costs							(1,234)
Share of profit (loss) of investments accounted for using the equity method							2,882
Profit before tax							39,433
Other							
Depreciation and amortization	13,639	1,288	4,104	32	19,065	2,060	21,125

Notes: *1. Includes intra-segment transactions within the reportable segments.

*2. (1) A negative ¥1,774 million adjustment of core operating income mainly comprises intersegment eliminations and corporate expenses not allocated to any reportable segment.

(2) The depreciation and amortization adjustment is depreciation and amortization of corporate assets and intersegment eliminations.

*3. Core operating income is reconciled with gross profit as follows:

Gross profit	193,921
Selling, general and administrative expenses	(163,161)
Core operating income	30,760

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.

	Millions of yen						
	2024						
	Reportable segments			Other	Total	Adjustments *2	Consolidated total*3
Consumer Products Business	Industrial Products Business	Overseas Business					
Net sales							
(1) External customers	222,737	38,161	150,745	1,298	412,943	—	412,943
(2) Intersegment*1	32,095	17,011	21,114	15,496	85,716	(85,716)	—
Total	254,832	55,172	171,859	16,795	498,660	(85,716)	412,943
Core operating income	17,842	2,807	6,518	284	27,451	(1,119)	26,332
Other income							10,056
Other expenses							(8,001)
Operating profit							28,387
Finance income							1,748
Finance costs							(807)
Share of profit (loss) of investments accounted for using the equity method							2,921
Profit before tax							32,249
Other							
Depreciation and amortization	12,516	1,225	4,107	95	17,945	3,216	21,162

Notes: *1. Includes intra-segment transactions within the reportable segments.

*2. (1) A negative ¥1,119 million adjustment of core operating income mainly comprises intersegment eliminations and corporate expenses not allocated to any reportable segment.

(2) The depreciation and amortization adjustment is depreciation and amortization of corporate assets and intersegment eliminations.

*3. Core operating income is reconciled with gross profit as follows:

Gross profit	188,783
Selling, general and administrative expenses	(162,450)
Core operating income	26,332

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.

Thousands of U.S. dollars

2025							
	Reportable segments			Other	Total	Adjustments *2	Consolidated total*3
	Consumer Products Business	Industrial Products Business	Overseas Business				
Net sales							
(1) External customers	1,429,123	251,072	1,010,001	5,846	2,696,041	—	2,696,041
(2) Intersegment*1	224,395	121,416	126,941	57,642	530,393	(530,393)	—
Total	1,653,518	372,488	1,136,942	63,487	3,226,435	(530,393)	2,696,041
Core operating income	138,186	18,512	52,254	(1,142)	207,810	(11,334)	196,476
Other income							45,389
Other expenses							(9,567)
Operating profit							232,298
Finance income							9,050
Finance costs							(7,887)
Share of profit (loss) of investments accounted for using the equity method							18,410
Profit before tax							251,872
Other							
Depreciation and amortization	87,119	8,232	26,216	208	121,776	13,159	134,935

Notes: *1. Includes intra-segment transactions within the reportable segments.

*2. (1) A negative \$11,334 thousands adjustment of core operating income mainly comprises intersegment eliminations and corporate expenses not allocated to any reportable segment.

(2) The depreciation and amortization adjustment is depreciation and amortization of corporate assets and intersegment eliminations.

*3. Core operating income is reconciled with gross profit as follows:

Gross profit	1,238,639
Selling, general and administrative expenses	(1,042,163)
Core operating income	196,476

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.

4. Changes in Reportable Segments

Previously, transactions related to overseas support functions were attributed to the Consumer Products business segment, but to better reflect the performance of each reportable segment in light of the growing importance of overseas operations, the Group has revised its internal performance management classifications, and from the current fiscal year, these transactions relating to domestic overseas support functions are included in the Overseas business segment. In addition, the Company has reclassified royalty income from overseas Group companies and revised the method of measuring segment profit and other income in the reported segments.

Segment information for the previous consolidated fiscal year has also been reclassified to reflect this change.

5. Information by product and service category

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Net sales to external customers			
Healthcare	215,221	208,037	1,374,688
Household	175,228	176,790	1,119,241
Chemicals	27,240	26,439	173,993
Other	4,402	1,676	28,120
Total	422,092	412,943	2,696,041

6. Geographic Information

(1) Net sales	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Japan	260,851	259,001	1,666,146
Asia	159,480	151,755	1,018,656
Thailand	62,972	60,639	402,228
Other	1,759	2,186	11,239
Consolidated	422,092	412,943	2,696,041

Net sales to external customers, classified by country or geographic region based on customer location.

(2) Non-current assets	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Japan	159,666	149,628	1,019,844
Asia	46,267	31,396	295,528
Thailand	14,901	14,934	95,182
Total	205,934	181,025	1,315,371

Non-current assets are classified by country or geographic 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.

7. Information about major customers

Customer	Related segments	Millions of yen 2025
Net sales		
PALTAC Corporation	Consumer Products, Industrial Products	97,604
Saha Pathanapibul Public Company Limited	Overseas	48,767

Customer	Related segments	Millions of yen 2024
Net sales		
PALTAC Corporation	Consumer Products, Industrial Products	92,356
Saha Pathanapibul Public Company Limited	Overseas	45,483

Customer	Related segments	Thousands of U.S. dollars 2025
Net sales		
PALTAC Corporation	Consumer Products, Industrial Products	623,430
Saha Pathanapibul Public Company Limited	Overseas	311,493

Note 5: Information on Cash Flows

(1) Cash and cash equivalents

Cash and cash equivalents at December 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Cash and time deposits	84,878	98,902	542,144
Short-term investments	3,214	3,338	20,530
Cash and cash equivalents at end of the year	88,092	102,240	562,673

The balance of cash and cash equivalents presented in the consolidated statement of Financial Position is equal to the balance of cash and cash equivalents presented in the consolidated statement of cash flows.

(2) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities during the years ended December 31, 2025 and 2024 consisted of the following:

	January 1, 2025	Changes arising from cash flows	Millions of yen			December 31, 2025
			Non-cash changes			
			Foreign currency	New leases	other	
Lease liabilities	29,737	(2,856)	(124)	930	564	28,251
Total	29,737	(2,856)	(124)	930	564	28,251

	January 1, 2024	Changes arising from cash flows	Millions of yen			December 31, 2024
			Non-cash changes			
			Foreign currency	New leases	other	
Long-term borrowings (include current portion)	148	(149)	1	—	—	—
Lease liabilities	30,194	(2,719)	18	1,697	546	29,737
Total	30,342	(2,868)	19	1,697	546	29,737

	January 1, 2025	Changes arising from cash flows	Thousands of U.S. dollars			December 31, 2025
			Non-cash changes			
			Foreign currency	New leases	other	
Long-term borrowings (include current portion)	—	—	—	—	—	—
Lease liabilities	189,946	(18,246)	(797)	5,941	3,607	180,451
Total	189,946	(18,246)	(797)	5,941	3,607	180,451

Note 6: Trade and Other Receivables

Trade and other receivables at December 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Trade receivables	79,604	74,953	508,461
Other receivables	1,532	1,324	9,790
Allowance for doubtful accounts	(260)	(81)	(1,666)
Total	80,876	76,197	516,586

Note 7: Inventories

Inventories at December 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of
	2025	2024	U.S. dollars
Merchandise and finished goods	35,722	35,762	228,170
Work in progress	3,787	3,430	24,193
Raw materials and supplies	14,623	14,059	93,403
Total	54,133	53,252	345,767

The above amounts are measured at the lower of acquisition cost or net realizable value.

The acquisition cost recognized as expenses are mainly included in cost of sales.

The amount of write-downs of inventories or reversals of write-downs recognized in profit or loss are not significant.

Note 8: Other Financial Assets

Other financial assets at December 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of
	2025	2024	U.S. dollars
			2025
Financial assets measured at amortized cost			
Time Deposits due over three months	24,526	16,400	156,659
Other	3,277	2,916	20,936
Financial assets measured at fair value through profit or loss	2,886	2,413	18,438
Financial assets measured at fair value through other comprehensive income			
Securities	23,784	22,160	151,922
Financial assets for which hedge accounting was applied			
Derivatives	—	2	—
Total	54,475	43,891	347,956
Current assets	25,322	16,891	161,744
Non- Current assets	29,153	27,000	186,212

Note 9: Other Assets

Other assets at December 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Prepaid expenses	3,017	2,933	19,273
Other	3,288	717	21,007
Total	6,306	3,651	40,280
Current assets	5,539	2,843	35,383
Non- current assets	766	807	4,897

Note 10: Property, Plant and Equipment

(1) Changes in property, plant and equipment

The following tables present changes in book value, acquisition costs and accumulated depreciation and accumulated impairment losses of property, plant and equipment.

Book value	Millions of yen					
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
January 1, 2024	46,238	49,282	25,098	13,198	6,853	140,671
Acquisition	122	404	—	13,963	375	14,864
Depreciation	(3,084)	(11,010)	—	—	(2,474)	(16,568)
Impairment loss	(909)	(5,187)	—	—	(188)	(6,285)
Sales and disposal	(1,492)	(37)	(4,315)	—	(129)	(5,976)
Exchange differences on foreign currencies	784	677	251	68	92	1,875
Reclassification and other	1,513	5,785	—	(9,421)	1,685	(437)
December 31, 2024	43,173	39,913	21,033	17,807	6,214	128,143
Acquisition	121	524	—	9,691	274	10,612
Acquisitions through business combinations	49	1,361	—	12	5	1,428
Depreciation	(2,957)	(10,329)	—	—	(2,412)	(15,699)
Impairment loss	—	(405)	—	—	(0)	(405)
Sales and disposal	(28)	(59)	(0)	—	(16)	(104)
Exchange differences on foreign currencies	533	435	331	82	57	1,440
Reclassification and other	7,493	12,266	—	(23,030)	3,095	(175)
December 31, 2025	48,385	43,707	21,365	4,562	7,218	125,239

The "Acquisitions through business combinations" for the current consolidated fiscal year relates to the additional acquisition of shares of Merap Lion Holding Limited Liability Company. For details of this business combination, see " Note 34. Business Combination "

Depreciation is recognized in cost of sales and selling and administrative expenses on the consolidated statement of profit or loss.

Acquisition cost	Millions of yen					
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
December 31, 2025	112,920	198,919	28,485	4,562	35,172	380,060
December 31, 2024	104,023	182,669	28,154	17,807	32,725	365,380
January 1, 2024	102,886	178,505	32,218	13,198	32,165	358,974

Accumulated depreciation and accumulated impairment loss	Millions of yen					
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
December 31, 2025	64,535	155,211	7,120	—	27,953	254,821
December 31, 2024	60,850	142,755	7,120	—	26,510	237,237
January 1, 2024	56,647	129,222	7,120	—	25,312	218,302

Book value	Thousands of U.S. dollars					
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
December 31, 2024	275,761	254,943	134,350	113,744	39,696	818,494
Acquisition	773	3,352	—	61,902	1,756	67,784
Acquisitions through business combinations	318	8,695	—	77	34	9,124
Depreciation	(18,891)	(65,977)	—	—	(15,411)	(100,280)
Impairment loss	—	(2,589)	—	—	(0)	(2,589)
Sales and disposal	(181)	(378)	(0)	—	(105)	(665)
Exchange differences on foreign currencies	3,407	2,783	2,117	525	366	9,199
Reclassification and other	47,865	78,348	—	(147,106)	19,771	(1,123)
December 31, 2025	309,051	279,176	136,467	29,142	46,107	799,944

Acquisition cost	Thousands of U.S. dollars					
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
December 31, 2025	721,261	1,270,562	181,947	29,142	224,658	2,427,570

Accumulated depreciation and accumulated impairment loss	Thousands of U.S. dollars					
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
December 31, 2025	412,210	991,386	45,479	—	178,550	1,627,625

(2) Impairment loss

The Company performs an impairment test for some property, plant and equipment with indication of impairment.

The grouping of the Company's business assets are based on individual business units which is the lowest level of generating cash inflows.

Idle assets not prospected to be used in the future are individually assessed for impairment.

Impairment loss included in "Other expense" of consolidated statement of income amounted to ¥448 million (U.S.\$2,866 thousand) and ¥6,678 million for the years ended December 31, 2025 and 2024, respectively.

Among those, the significant impairment losses are as following:

In the previous consolidated fiscal year, the Company has fostered a business restructuring to strengthen its profitability in response to the changes in the current business environment. As part of these efforts, the Company considered the consolidation of production items and streamlining of the production system, mainly in the domestic fabric care sector of the Consumer Products Business. As a result, the Company decided to retire certain production facilities and recorded an impairment loss of ¥2,213 million.

In addition, among property, plant and equipment and intangible assets in the Consumer Products Business, indications of impairment were identified in the asset group of the cash generating unit that includes the domestic fabric care sector within the home care business as a result of prudent determination of the projected revenue based on this restructuring. Accordingly, an impairment test was conducted, and the book value of this asset group was reduced to the recoverable amount, resulting in an impairment loss of ¥4,034 million. The impairment loss consists of ¥4,017 million for property, plant and equipment and ¥16 million for intangible assets.

Additionally, after recording the impairment loss, the book value of the asset group for the same business at the end of current fiscal year is ¥17,904 million. The book value consists of ¥17,845 million for property, plant and equipment and ¥58 million for intangible assets. The Company measures recoverable amounts of the asset group based on value in use, which is calculated by discounting the estimated future cash flows to their present value using a discount rate of 5.9%, which is based on the pre-tax weighted average cost of capital for the relevant cash-generating unit. These future cash flows are based on a three-year business plan approved by management, and for periods beyond that, they are calculated using a terminal value that is determined by applying a growth rate of 2.0%. This business plan was created based on past experience and external information, in reflecting management's assessment of the future projection of the business. The key assumptions used in calculating value in use are future sales forecasts stated in the business plan, and growth rate and discount rate for the period beyond the business plan. These assumptions are determined based on the best estimates and judgments of management. Nonetheless, they are subject to potential impacts from unpredictable changes in the future business environment. Should a need for revision arise, it could substantially affect the consolidated financial statements in the next fiscal year.

(3) Assets pledged as collateral and debt obligations covered by collateral

Assets pledged as collateral and debt obligations covered by collateral at December 31, 2025 and 2024 consisted of the following:

Assets pledged as collateral

	Millions of yen		Thousands of
	2025	2024	U.S. dollars 2025
Cash and cash equivalents	—	1,873	—
Machinery and vehicles	—	853	—
Total	—	2,726	—

Debt obligations covered by collateral

	Millions of yen		Thousands of
	2025	2024	U.S. dollars 2025
Trade and other payables	—	96	—
Total	—	96	—

(4) Commitments

See " Note 30. Commitments " .

Note 11: Goodwill and Intangible Assets

(1) Changes in goodwill and intangible assets

The following tables present changes in book value, acquisition costs, accumulated amortization and accumulated impairment losses, of goodwill and intangible assets.

Book value	Millions of yen					
	Intangible assets					
	Goodwill	Trademarks	Software	Software - related temporary account	Other	Total
January 1, 2024	327	6,968	14,587	955	201	22,712
Acquisition	—	—	28	912	17	958
Amortization	—	(7)	(2,196)	—	(52)	(2,256)
Impairment loss	—	(378)	(16)	—	—	(395)
Sales and disposal	—	(0)	(44)	—	(0)	(45)
Exchange differences on foreign currencies	—	(0)	16	1	0	18
Reclassification and other	—	5	1,152	(1,079)	7	85
December 31, 2024	327	6,587	13,526	789	174	21,078
Acquisition	—	0	47	1,091	—	1,139
Acquisitions through business combinations	17,908	5,124	44	—	6,132	11,300
Amortization	—	(163)	(2,391)	—	(309)	(2,865)
Impairment loss	—	—	(43)	—	—	(43)
Sales and disposal	—	—	(79)	—	(1)	(80)
Exchange differences on foreign currencies	1,343	366	17	22	438	843
Reclassification and other	—	5	1,427	(1,308)	10	135
December 31, 2025	19,580	11,919	12,549	595	6,444	31,509

The main contents of acquisition is due to individual acquisition.

The “Acquisitions through business combinations” for the current consolidated fiscal year relates to the additional acquisition of shares of Merap Lion Holding Limited Liability Company. For details of this business combination, please see “Note 34. Business Combination”. Amortization is recognized in cost of sales and selling, general and administrative expenses on the consolidated statement of profit or loss.

Acquisition cost	Millions of yen					
	Intangible assets					
	Goodwill	Trademarks	Software	Software - related temporary account	Other	Total
December 31, 2025	19,580	45,202	29,201	595	7,751	82,751
December 31, 2024	327	39,706	27,731	789	932	69,160
January 1, 2024	327	39,701	26,515	955	882	68,056

Accumulated amortization and accumulated impairment loss

	Millions of yen					
	Intangible assets					
	Goodwill	Trademarks	Software	Software - related temporary account	Other	Total
December 31, 2025	—	33,283	16,652	—	1,306	51,241
December 31, 2024	—	33,119	14,204	—	758	48,081
January 1, 2024	—	32,733	11,928	—	680	45,343

Book value	Thousands of U.S. dollars					
	Intangible assets					
	Goodwill	Trademarks	Software	Software - related temporary account	Other	Total
December 31, 2024	2,095	42,076	86,400	5,045	1,115	134,635
Acquisition	—	3	306	6,972	—	7,281
Acquisitions through business combinations	114,388	32,729	281	—	39,170	72,180
Amortization	—	(1,047)	(15,275)	—	(1,979)	(18,300)
Impairment loss	—	—	(275)	—	—	(275)
Sales and disposal	—	(0)	(507)	—	(6)	(514)
Exchange differences on foreign currencies	8,581	2,338	111	144	2,798	5,390
Reclassification and other	—	36	9,116	(8,357)	68	863
December 31, 2025	125,064	76,134	80,158	3,804	41,165	201,260

Acquisition cost	Thousands of U.S. dollars					
	Intangible assets					
	Goodwill	Trademarks	Software	Software - related temporary account	Other	Total
December 31, 2025	125,064	288,725	186,521	3,804	49,508	528,558

Accumulated amortization and accumulated impairment loss

	Thousands of U.S. dollars					
	Intangible assets					
	Goodwill	Trademarks	Software	Software - related temporary account	Other	Total
December 31, 2025	—	212,591	106,363	—	8,344	327,297

(2) Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are some trademarks.

The company classified them to the intangible assets with indefinite useful lives because they will continue as long as the company continues the business.

(3) Research and development costs recognized as expenses

Research and development costs that are not eligible for capitalization are expensed as incurred.

Research and development costs recognized as expenses amounted to ¥11,915 million (U.S.\$76,105 thousand) and ¥11,418 million for the years ended December 31, 2025 and 2024, respectively.

In addition, the company didn't recognize significant internally generated intangible assets.

(4) Significant intangible assets and impairment tests

Intangible assets with indefinite useful lives

Significant intangible assets recognized in the consolidated statement of financial position are the trademarks of antipyretic analgesics "BUFFERIN" in the Asia-Oceania region (except for some countries and regions, including China). The carrying amount of the trademarks at December 31, 2025 and 2024 are ¥6,560 million (U.S.\$41,901 thousand).

These trademark rights classified as intangible assets with indefinite useful lives are tested for impairment annually.

The Group measures recoverable amounts of the pharmaceutical product sector's asset group (which is a cash-generating unit) based on value in use, which is calculated by discounting the estimated future cash flows to their present value using a discount rate of 5.6%, which is based on the pre-tax weighted average cost of capital for the relevant cash-generating unit. These future cash flows are based on a three-year business plan approved by management, and for periods beyond that, they are calculated using a terminal value that is determined by applying a growth rate of 2.0%. This business plan was created based on past experience and external information, in reflecting management's assessment of the future projection of the business. The key assumptions used in calculating value in use are future sales forecasts stated in the business plan, and growth rate and discount rate for the period beyond the business plan. Even if the key assumptions used for impairment testing were to change within a reasonably foreseeable range, it is considered unlikely that a material impairment would occur for the cash-generating unit in question.

Purchase Price Allocation Related to Acquisition of Merap Lion Holding Limited Liability Company

As the Company consolidated Merap Lion Holding Limited Liability Company as a subsidiary during the current consolidated fiscal year, intangible assets of ¥11,284 million (U.S.\$72,075 thousand) (including trademarks of ¥5,124 million [U.S.\$32,729 thousand] and other intangible assets of ¥6,160 million [U.S.\$39,346 thousand]) and goodwill of ¥17,908 million (U.S.\$114,388 thousand) were recognized at the acquisition date.

The consideration transferred for the acquisition was determined through negotiations, taking into consideration the share value calculated based on the present value of future cash flows derived from the business plan. In addition, the consideration transferred was allocated to the identifiable assets acquired and liabilities assumed as part of a purchase price allocation (hereinafter referred to as "PPA").

Identifiable intangible assets are recognized as assets that are expected to generate future economic benefits for the Company and are measured at the present value of the future cash flows expected to be generated by those intangible assets. Goodwill represents the excess of the consideration transferred over the amounts allocated to identifiable assets and liabilities at the acquisition date.

External valuation were engaged in measuring these fair values. Among the identifiable intangible assets, trademarks were measured using the relief-from-royalty method, while other intangible assets were measured using valuation methods appropriate to their respective characteristics.

In measuring trademarks, the principal assumptions include projected future sales, royalty rates, and discount rates. These assumptions are determined based on management's best estimates and judgments; however, they are subject to uncertainty due to potential changes in the future business environment. Accordingly, revisions to these assumptions could have a material impact on the consolidated financial statements for the following fiscal year.

Goodwill

Among goodwill recognized in the consolidated statement of financial position, ¥19,252 million (U.S.\$122,969 thousand) was recognized in the current fiscal year upon the consolidation of Merap Lion Holding Limited Liability Company as a subsidiary.

The Group tests goodwill for impairment annually or if there are indications of impairment.

The Group measures the recoverable amount of goodwill allocated to each cash-generating unit based on its value in use which is calculated by discounting the estimated future cash flows to their present value using a discount rate of 15.2% derived from the pre-tax weighted average cost of capital for the relevant cash-generating unit.

Future cash flows are based on a five-year business plan approved by management. Cash flows beyond that period are estimated using a terminal value calculated by applying a growth rate of 4.0%, and all such cash flows are discounted using an appropriate discount rate. This business plan was created based on past experience and external information, in reflecting management's assessment of the future projection of the business. The key assumptions used in calculating value in use are future sales forecasts stated in the business plan, and growth rate and discount rate for the period beyond the business plan. Even if the key assumptions used for impairment testing were to change within a reasonably foreseeable range, it is considered unlikely that a material impairment would occur for the cash-generating unit in question.

The company doesn't recognize impairment loss from goodwill and intangible assets with indefinite useful lives at December 31, 2025 and 2024.

(5) Impairment loss

The Company recorded an impairment loss of ¥43 million yen (U.S.\$275 thousand) in the current fiscal year, which is included in "Other expenses" in the consolidated statement of profit or loss.

(6) Intangible assets pledged as collateral

No intangible assets has been pledged as collateral to secure the debt.

(7) Commitments

See "Note 30. Commitments".

Note 12: Investments Accounted for Using the Equity Method

Investments accounted for using the equity method at December 31, 2025 and 2024 consisted of the following:

Affiliated companies

	Millions of yen		Thousands of
	2025	2024	U.S. dollars
Investments accounted for using the equity method	13,966	20,767	89,209

The Group's share	Millions of yen		Thousands of
	2025	2024	U.S. dollars
Profit	2,882	2,921	18,410
Other comprehensive income	23	(33)	152
Total	2,906	2,887	18,563

There are no individually important affiliated companies accounted for by the equity method for the years ended December 31, 2025 and 2024.

Note 13: Income taxes**(1) Deferred tax assets and deferred tax liabilities**

The major components of deferred tax assets and liabilities at December 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Deferred tax assets			
Provisions, and Other current liabilities, etc.	5,742	5,361	36,677
Retirement benefit assets and liabilities	478	3,104	3,059
Retirement benefit trust	1,464	—	9,351
Excess depreciation	869	763	5,555
Accrued enterprise and office taxes	321	579	2,055
Valuation loss on inventories	340	379	2,172
Unrealized profit on inventories and non-current assets	1,138	1,232	7,273
Other	3,635	3,572	23,222
Total	13,990	14,993	89,364
Deferred tax liabilities			
Special depreciation of non-current assets	(340)	(358)	(2,178)
Retirement benefit trust	—	(1,351)	—
Temporary differences due to distribution of retained earnings at overseas affiliates	(5,169)	(4,459)	(33,017)
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	(5,020)	(4,569)	(32,070)
Trademarks	(2,007)	(2,007)	(12,822)
Fair value adjustments on business combinations	(2,644)	—	(16,890)
Other	(857)	(948)	(5,480)
Total	(16,040)	(13,694)	(102,456)

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

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Net deferred tax assets and (liabilities)			
Balance at beginning of the year	1,298	(1,490)	8,296
Deferred income taxes	1,888	4,408	12,060
Deferred taxes related to other comprehensive income items			
Net gain (loss) on revaluation of financial assets measured at fair value	(544)	(615)	(3,476)
Net gain (loss) on derivatives designated as cash flow hedges	0	(10)	4
Remeasurements of defined benefit plans	(2,032)	(1,492)	(12,982)
Other	(2,660)	498	(16,993)
Balance at end of the year	(2,049)	1,298	(13,092)

(2) Unrecognized deferred tax assets

Deductible temporary differences, net loss carryforwards and tax credit carryforwards for which deferred tax assets are not recognized are as follows.

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Deductible temporary differences	8,540	8,372	54,554

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 in subsidiaries not recognized as deferred tax liabilities at December 31, 2025 and 2024.

(4) Income taxes

Income taxes recognized through profit or loss are as follows.

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Current income taxes	10,271	12,585	65,610
Deferred income taxes			
Origination and reversal of temporary differences	(2,030)	(4,336)	(12,971)
Adjustment and reversal of deferred tax assets	142	(71)	912
Total	8,383	8,177	53,551

The Group evaluates exposure of income taxes, derived from tax systems enacted or substantially enacted to implement the Pillar Two model rule, released by the OECD. Income tax exposure of the Pillar Two model rule is immaterial.

(5) Reconciliation of the applicable tax rate and the average effective tax rate

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

	2025	2024
Applicable tax rate	30.6%	30.6%
Entertainment expenses and other non-deductible items	0.2%	0.3%
Dividend income and other items not recognizable as income for tax purposes	(0.7%)	(0.1%)
Unrecognized deferred tax assets	(0.0%)	(0.8%)
Differences in tax rates applicable to foreign subsidiaries	(3.1%)	(3.5%)
Research and development expenses and other special deductions	(2.8%)	(1.4%)
Foreign tax credits	(0.0%)	(0.0%)
Other	(2.9%)	0.3%
Average effective tax rate	21.3%	25.4%

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, 2025 and December 31, 2024 was 30.6%. However, overseas subsidiaries are subject to the income and other taxes of their respective locations.

(6) Revision of deferred tax assets and deferred tax liabilities due to change in statutory effective tax rate

Following the enactment of the "Act on Partial Revision of the Income Tax Act, etc." (Act No. 13, 2025) by the Diet on March 31, 2025, the special defense corporation tax will be imposed from the fiscal years beginning on or after April 1, 2026.

In accordance with the Act, the statutory tax rate, which is used to measure deferred tax assets and deferred tax liabilities, will increase from 30.6% to 31.5% for temporary differences that are expected to reverse in periods beginning on or after January 1, 2027. The impact of this tax rate change on the Group's consolidated financial statements will be de minimis.

Note 14: Trade and Other Payables

Trade and other payables at December 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of
	2025	2024	U.S. dollars
Accounts (Trade) payable and Notes payable	55,343	53,442	353,494
Accrued payables and accrued expenses	49,954	55,960	319,075
Refund liabilities and contract liabilities*	8,841	7,726	56,475
Total	114,139	117,129	729,044

* This figure for the fiscal year ended December 31, 2025 and 2024 includes ¥7,631 million (U.S.\$48,747 thousand) and ¥6,843 million of refund liabilities in the form of discounts, rebates, etc.

Note 15: Other Financial Liabilities

Other financial liabilities at December 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of
	2025	2024	U.S. dollars
			2025
Financial liabilities measured at amortized cost			
Long-term deposits	2,354	2,384	15,036
Other	1,317	1,302	8,412
Total	3,671	3,686	23,449
Current liabilities	1,317	1,302	8,412
Non-Current liabilities	2,354	2,384	15,036

Note 16: Other Liabilities

Other liabilities at December 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Accrued bonus	6,170	5,483	39,411
Accrued paid annual leave	2,538	2,429	16,215
Other accrued employee benefits	908	932	5,804
Other	1,590	1,383	10,157
Total	11,207	10,228	71,587
Current liabilities	9,369	8,400	59,847
Non-Current liabilities	1,838	1,827	11,740

Note 17: Provisions

The changes in provisions during the year ended December 31, 2025 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	Provision for sales*1	Other*2	Provision for sales	Other
At beginning of year	3,034	2,190	19,385	13,994
Increase	2,685	105	17,153	675
Decrease (used)	(3,034)	(30)	(19,385)	(195)
Decrease (reversal)	—	(1)	—	(10)
At end of year	2,685	2,264	17,153	14,464

Notes: *1. Provision for sales are mainly consisted of the expected expenditure for sales promotion that will be paid within a year.

*2. The restoration obligation associated with the real estate lease agreement of the head office is included.

Based on the real estate lease agreement, the cost of restoration to the original state at the time of moving out is calculated based on a third party's estimate.

Amounts expected to be paid in the future are recognized as asset retirement obligations.

The Group expects restoration expenditures to be incurred after one year or more, however, this will be affected by future business plans and other factors.

Note 18: Post-employment benefits

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

Furthermore, the Company has established a retirement benefit trust.

(1) Defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Present value of defined benefit obligation	42,976	48,416	274,508
Fair value of plan assets	(59,229)	(58,994)	(378,321)
Total	(16,253)	(10,578)	(103,814)
Retirement benefit liabilities	4,755	1,733	30,377
Retirement benefit assets	(21,008)	(12,311)	(134,191)
Net liabilities presented in the Consolidated Statement of Financial Position	(16,253)	(10,578)	(103,814)

A. Changes in the present value of defined benefit obligation

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Balance of defined benefit obligation at beginning of year	48,416	53,151	309,252
Current service costs	1,754	1,934	11,205
Past service costs	—	—	—
Interest expenses	648	532	4,139
Remeasurements			
Experience adjustments	293	249	1,876
Actuarial gains and losses arising from changes in demographic assumptions	287	—	1,833
Actuarial gains and losses arising from changes in financial assumptions	(3,232)	(1,677)	(20,646)
Retirement benefit payments	(5,304)	(5,998)	(33,880)
Other	113	224	727
Balance of defined benefit obligation at end of year	42,976	48,416	274,508

The weighted average duration of the defined benefit obligation was 9.4 years at December 31, 2025 and 9.8 years at December 31, 2024.

B. Changes in the fair value of plan assets

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Balance of plan assets at beginning of year	58,994	59,446	376,817
Interest income	852	632	5,448
Remeasurements			
Return on plan assets(excluding interest income)	3,942	3,365	25,182
Contribution by the employer	281	255	1,799
Retirement benefit payments	(4,866)	(4,669)	(31,086)
Other	25	(35)	161
Balance of plan assets at end of year	59,229	58,994	378,321

The Group's planned contribution to defined benefit plans in the consolidated fiscal year ending December 31, 2026 is ¥281 million (U.S.\$1,799 thousand).

Plan asset management policy

The pension assets held by the LION PENSION FUND account for approximately 50% 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 50% 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.

C. Components of plan assets

The components of plan assets are as follow.

	Millions of yen				Thousands of U.S. dollars	
	2025		2024		2025	
	Plan assets with quoted prices in active markets	Plan assets without quoted prices in active markets	Plan assets with quoted prices in active markets	Plan assets without quoted prices in active markets	Plan assets with quoted prices in active markets	Plan assets without quoted prices in active markets
Bonds	424	12,965	—	20,071	2,709	82,817
Stocks	14,727	—	21,100	—	94,069	—
Other	19,880	11,232	11,323	6,499	126,981	71,745
Total	35,031	24,198	32,424	26,570	223,759	154,562

D. Actuarial assumptions

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

	2025	2024
Discount rate(%)	2.3%	1.4%

E. 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		Thousands of U.S. dollars
	2025	2024	2025
Discount rate(+0.5%)	(1,588)	(1,933)	(10,147)
Discount rate(-0.5%)	1,731	2,116	11,061

(2) Defined contribution plans

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

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Expense related to defined contribution plans	3,196	3,047	20,416

Note 19: Share-based Payment

(1) Stock option system

① Details of stock options

Company name	Submitting Company	Submitting Company	Submitting Company	Submitting Company
Resolution date	March 29, 2012	March 28, 2013	December 25, 2013	March 28, 2014
Grantee information	8 Directors (excluding external directors)	8 Directors (excluding external directors)	2 Directors 8 Employees (Executive officer)	8 Directors (excluding external directors)
Stock information *1	Common stock 96,418	Common stock 99,716	Common stock 41,576	Common stock 82,672
Grant date	April 17, 2012	April 15, 2013	January 14, 2014	April 15, 2014
Settlement	Equity-settled	Equity-settled	Equity-settled	Equity-settled
Vesting conditions	*4	*4	*2	*4
Length of service	—	—	—	—
Exercise period	From April 17, 2012 to April 16, 2042	From April 15, 2013 to April 14, 2043	From January 14, 2014 to January 13, 2044	From April 15, 2014 to April 14, 2044

Company name	Submitting Company	Submitting Company	Submitting Company	Submitting Company
Resolution date	December 25, 2014	March 27, 2015	December 25, 2015	March 30, 2016
Grantee information	7 Employees (Executive officer)	8 Directors (excluding external directors)	11 Employees (Executive officer)	6 Directors (excluding external directors)
Stock information *1	Common stock 34,762	Common stock 73,062	Common stock 29,447	Common stock 30,892
Grant date	January 13, 2015	April 13, 2015	January 12, 2016	April 18, 2016
Settlement	Equity-settled	Equity-settled	Equity-settled	Equity-settled
Vesting conditions	*3	*4	*3	*4
Length of service	—	—	—	—
Exercise period	From January 13, 2015 to January 12, 2045	From April 13, 2015 to April 12, 2045	From January 12, 2016 to January 11, 2046	From April 18, 2016 to April 17, 2046

*1:

The number of stock options granted are converted to the number of stock.

*2:

i)Directors

Directors can exercise the stock options warrant within ten days from the next day they are retired after their term of 1 year (exclude death), or lose their positions. They have to exercise the stock options warrant in a lump.

ii)Executive officer

Executive officer can exercise the stock options warrant within ten days from the next day they are retired after their term of 1 year (exclude death), or lose their positions. They have to exercise the stock options warrant in a lump. However, the board of directors can determine that certain directors can exercise their stock options warrant (not later than 1 year)divided proportionally to the term they are qualified, when their terms in office are no more than 1 year or they lose their positions because they are retired during their tenure no more than 1 year. Fractional of divided stock options warrants are rounded off.

iii)Board of directors can determine the term to exercise stock options warrant, during the period mentioned above.

iv)Other conditions are fixed under the contract between the Company and guarantees based on the determination of the board of directors.

*3:

i)Executive officer can exercise the stock options warrant within ten days from the next day they are retired after their term of 1 year (exclude death), or lose their positions.

They have to exercise the stock options warrant in a lump. However, the board of directors can determine that certain directors can exercise their stock options warrant (not later than 1 year)divided proportionally to the term they are qualified, when their terms in office are no more than 1 year or they lose their positions because they are retired during their tenure no more than 1 year or they are retired from employees or being directors. Fractional of divided stock options warrants are rounded off.

ii)Board of directors can determine the term to exercise stock options warrant, within the period mentioned above.

iii)Other conditions are fixed under the contract between the Company and guarantees based on the determination of the board of directors.

*4:

i)Executive officer can exercise the stock options warrant within ten days from the next day they are retired after their term of 1 year (exclude death), or lose their positions.

They have to exercise the stock options warrant in a lump.

ii)Board of directors can determine the term to exercise stock options warrant, within the period mentioned above.

iii)Other conditions are fixed under the contract between the Company and guarantees based on the determination of the board of directors.

② Numbers of stock options and weighted average exercise price

	2025		2024	
	Number of shares	Weighted average exercise price (yen)	Number of shares	Weighted average exercise price (yen)
Beginning balance of outstanding	80,607	1	80,607	1
Granted	-	-	-	-
Expired	-	-	-	-
Exercised	77,930	1	-	-
Expired at maturity	-	-	-	-
Ending balance of outstanding	2,677	1	80,607	1
Ending balance of exercisable	-	-	-	-
Range of exercise price	-	1	-	1
Weighted average remaining term of contract	20 years		20 years	

③ Numbers of Exercised during the period

	2025		2024	
	Number of shares	Weighted average exercise price (yen)	Number of shares	Weighted average exercise price (yen)
March 29, 2012	16,142	1,771	-	-
March 28, 2013	16,694	1,771	-	-
December 25, 2013	5,060	1,666	-	-
March 28, 2014	13,072	1,771	-	-
December 25, 2014	4,966	1,666	-	-
March 27, 2015	11,552	1,771	-	-
December 25, 2015	2,677	1,666	-	-
March 30, 2016	7,767	1,771	-	-

(2) Performance Share Plan

The Company introduced a performance share plan (hereinafter the "Plan") for the members of the board of directors (excluding outside directors) and executive officers (collectively, "Directors, etc.") for the aim of raising medium and long term performance and enhancing the value of the company. The Company has introduced the Plan using a structure called a Board Incentive Plan (hereinafter "BIP Trust"). A BIP Trust is designed as an executive incentive plan based on the performance share plans and restricted stock plans in the U.S. The Company will deliver the Company's shares and other consideration to Directors, etc. after their retirement.

(3) Share-based Payment Expenses

Share-based Payment Expense for the fiscal year ended December 31, 2025 and 2024 were ¥198 million (U.S.\$1,268 thousand) and ¥226 million, respectively. These are recognized in the consolidated statements of profit or loss as selling general and administrative expenses.

Note 20: Equity

(1) Share capital

The following table presents changes in the number of outstanding shares and authorized shares.

	Thousands of shares	
	2025	2024
Number of authorized shares	1,185,600	1,185,600
Number of outstanding shares		
At beginning of period	284,432	292,536
Net change	(4,650)	(8,103)
At end of period	279,782	284,432

*1. All shares issued by the Company are ordinary shares which have no par value and no limitations on rights.

*2. The decrease in the number of shares issued was due to the retirement in treasury stock.

(2) Capital surplus

The Companies Act of Japan provides that more than one-half amount of contribution to the Company shall be recorded as share capital and the amount not recorded as share capital shall be recorded as capital surplus. The Companies Act of Japan also provides that capital reserve may be appropriated to the share capital by resolution of the shareholders meeting.

(3) Retained earnings

The Companies Act of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the earned reserve) be transferred to the capital reserve and the earned reserve, respectively, until the legal reserve equals 25% of the capital stock account. Transferred earned reserves can be appropriated to reserve for future loss. The reversal of earned reserves is determined in the shareholders meeting.

(4) Treasury stock

	Thousands of shares	
	2025	2024
At beginning of period	8,045	8,075
Increase due to requests of shareholders owning odd lot shares of ordinary shares	1	1
Decrease due to request of shareholders owning odd lot shares of ordinary shares	(0)	(0)
Decrease due to exercise of stock options	(77)	—
Decrease due to sales of ordinary shares to the BIP Trust	(188)	(31)
Purchases	—	8,103
Retirement	(4,650)	(8,103)
At end of period	3,130	8,045

The increase in the number of shares due to purchases of treasury stock in the fiscal year ended December 31, 2024 is due to the Tokyo Stock Exchange's off-auction treasury stock repurchase (ToSTNeT-3).

(5) Dividends

Dividends paid for each year are as following:

Fiscal year ended December 31, 2025

Resolution	Type of stock	Total dividends		Dividends per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(\$)		
February 13, 2025 Board of Directors	Ordinary shares	3,877	24,767	14.00	0.09	December 31, 2024	March 06, 2025
August 07, 2025 Board of Directors	Ordinary shares	4,159	26,570	15.00	0.10	June 30, 2025	September 02, 2025

The amount of total dividends approved by the board of directors on February 13, 2025 included dividends of ¥8 million (U.S.\$52 thousand) dividend on the company's stock held by the BIP trust. The amount of total dividends approved by the board of directors on August 7, 2025 included dividends of ¥9 million (U.S.\$64 thousand) dividend on the company's stock held by the BIP trust.

Fiscal year ended December 31, 2024

Resolution	Type of stock	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
February 14, 2024 Board of Directors	Ordinary shares	3,705	13.00	December 31, 2023	March 07, 2024
August 07, 2024 Board of Directors	Ordinary shares	3,600	13.00	June 30, 2024	September 04, 2024

The amount of total dividends approved by the board of directors on February 14, 2024 included dividends of ¥7 million dividend on the company's stock held by the BIP trust. The amount of total dividends approved by the board of directors on August 7, 2024 included dividends of ¥7 million dividend on the company's stock held by the BIP trust.

Dividends for which the effective date is in the following fiscal year are as follows:

Fiscal year ended December 31, 2025

Resolution	Type of stock	Total dividends		Dividends per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(\$)		
February 12, 2026 Board of Directors	Ordinary shares	4,159	26,570	15.00	0.10	December 31, 2025	March 05, 2026

The amount of total dividends approved by the board of directors on February 12, 2026 included dividends of ¥9 million (U.S.\$64 thousand) dividend on the company's stock held by the BIP trust.

Fiscal year ended December 31, 2024

Resolution	Type of stock	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
February 13, 2025 Board of Directors	Ordinary shares	3,877	14.00	December 31, 2024	March 06, 2025

The amount of total dividends approved by the board of directors on February 13, 2025 included dividends of ¥8 million dividend on the company's stock held by the BIP trust.

Note 21: Other Comprehensive Income

Other comprehensive income during the years ended December 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
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			
Gains/(losses) during the year	1,374	1,693	8,777
Gains/(losses) before tax effect	1,374	1,693	8,777
Amount of tax effect	(544)	(615)	(3,476)
Gains/(losses) after tax effect	829	1,078	5,301
Remeasurements of defined benefit plans			
Gains/(losses) during the year	6,594	4,801	42,119
Gains/(losses) before tax effect	6,594	4,801	42,119
Amount of tax effect	(2,032)	(1,492)	(12,982)
Gains/(losses) after tax effect	4,561	3,309	29,137
Share of other comprehensive income of investments accounted for using the equity method			
Gains/(losses) during the year	23	(33)	152
Gains/(losses) before tax effect	23	(33)	152
Amount of tax effect	—	—	—
Gains/(losses) after tax effect	23	(33)	152
Items that may be subsequently reclassified to profit or loss			
Net gain (loss) on derivatives designated as cash flow hedges			
Gains/(losses) during the year	(2)	33	(14)
Gains/(losses) before tax effect	(2)	33	(14)
Amount of tax effect	0	(10)	4
Gains/(losses) after tax effect	(1)	23	(10)
Exchange differences on translation of foreign operations			
Gains/(losses) during the year	5,616	7,201	35,874
Reclassification during the year to profit or loss	—	—	—
Gains/(losses) before tax effect	5,616	7,201	35,874
Amount of tax effect	—	—	—
Gains/(losses) after tax effect	5,616	7,201	35,874
Total			
Gains/(losses) during the year	13,606	13,696	86,908
Reclassification during the year to profit or loss	—	—	—
Gains/(losses) before tax effect	13,606	13,696	86,908
Amount of tax effect	(2,575)	(2,117)	(16,454)
Gains/(losses) after tax effect	11,030	11,579	70,455

Note 22: Revenue from contracts with customers

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 component units of the Group 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. Therefore, the revenue recognized at reportable segments and relevant business are represented as net sales. Moreover, Net sales are classified by country or geographic region based on customer location.

(1) Disaggregation of revenue

Disaggregation of revenue during the year ended December 31, 2025 and 2024 consisted of the following:

From the current consolidated fiscal year, the Group has presented related transactions of domestic overseas support functions, which had previously been included in the Consumer Products business, as part of the Overseas business. Accordingly, the disaggregation of revenue is also presented using the same classification. Segment information for the previous consolidated fiscal year has been reclassified to reflect this change.

	Millions of yen				Total
	2025				
	Japan	Asia		Other	
		Thailand			
Consumer Products Business	223,691	52	—	—	223,743
Industrial Products Business	36,216	2,666	703	424	39,307
Overseas Business	28	156,761	62,269	1,335	158,125
Other	915	—	—	—	915
Total	260,851	159,480	62,972	1,759	422,092
Adjustment	—	—	—	—	—
Consolidated	260,851	159,480	62,972	1,759	422,092

	Millions of yen				Total
	2024				
	Japan	Asia		Other	
		Thailand			
Consumer Products Business	222,663	73	—	—	222,737
Industrial Products Business	35,020	2,706	736	434	38,161
Overseas Business	17	148,975	59,902	1,752	150,745
Other	1,298	—	—	—	1,298
Total	259,001	151,755	60,639	2,186	412,943
Adjustment	—	—	—	—	—
Consolidated	259,001	151,755	60,639	2,186	412,943

	Thousands of U.S. dollars				Total
	2025				
	Japan	Asia		Other	
		Thailand			
Consumer Products Business	1,428,790	333	—	—	1,429,122
Industrial Products Business	231,327	17,035	4,495	2,710	251,072
Overseas Business	183	1,001,289	397,733	8,529	1,010,001
Other	5,846	—	—	—	5,846
Total	1,666,146	1,018,656	402,228	11,239	2,696,041
Adjustment	—	—	—	—	—
Consolidated	1,666,146	1,018,656	402,228	11,239	2,696,041

The Consumer Products Business engages in the manufacture and sale of commodities and over-the-counter drugs, primarily in Japan. Its customers are primarily corporate customers and private customers in Japan who engage in the wholesale or retail business. The Industrial Products Business engages primarily in the manufacture and sale of chemical raw materials, industrial products and other items in Japan. Its customers are primarily chemical manufacturers, hotels, restaurants, hospitals, nursing homes, schools, governments, companies, food factories, linen supply factories and laundry shops and so on. Manufacture and sales of these items are carried out overseas as well. The Overseas Business engages mainly in the manufacture and sale of commodities by affiliated overseas businesses. Its customers are primarily corporate customers overseas who engage in the wholesale or retail business. Other Business includes subsidiaries located in Japan primarily undertake operations like construction contracting and so on, related to Group businesses. See Note 3 "Material Accounting Policies (15) Revenue" regarding the timing of satisfaction of performance obligations in contracts with customers, the transaction price and the method of calculating the amount allocated to performance obligations.

(2) Contract balances

Contract balances with customers at December 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Receivables from contracts with customers			
Notes and accounts receivable	79,604	74,953	508,461
Contract assets	25	64	165
Total	79,630	75,017	508,626
Contract liabilities	690	306	4,410
Total	690	306	4,410

The amount of revenue recognized during the fiscal years ended December 31, 2025 and 2024 included in contract liabilities at the beginning of the year is not significant. The amount of revenue recognized from performance obligations satisfied or partially-satisfied during the past year is not significant. Receivables from contracts with customers, contract assets are included in "Trade and other receivables". Contract liabilities are included in "Trade and other payables".

(3) Transaction price allocated to the remaining performance obligations

The construction contract amount allocated to the remaining performance obligations during the years ended December 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Amount allocated to the remaining performance obligations	111	172	710

The Group applies the practical expedient under IFRS 15.121. The information on contracts that have an original expected duration of one year or less is not disclosed. As of the transaction price allocated to the remaining performance obligations, the Group recognizes revenue in accordance with the progress of contract. Expected term for the recognition of the total amount and revenue of transaction price allocated to the remaining performance obligations as of December 31, 2025 and 2024 is within 2 years and within 1 year, respectively. In addition, there are no significant amounts in consideration from contracts with customers that are not included in transaction prices.

(4) Assets recognized from the costs to obtain or fulfill a contract with a customer

Closing balance of assets recognized from the costs incurred to obtain or fulfill a contract with a customer is not significant.

Note 23: Classification of Selling, General and Administrative Expenses

Classification of selling, general and administrative expenses during the years ended December 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of
	2025	2024	U.S. dollars
Personnel expenses	56,734	53,905	362,383
Depreciation and amortization	21,125	21,162	134,935
Sales promotion expenses	44,252	44,426	282,655
Transportation and warehousing expenses	20,962	21,609	133,894
Advertising expenses	17,432	18,679	111,344

Note 24: Other Income

Other income during the years ended December 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Royalty income	892	900	5,699
Gain on disposal of non-current assets *1	16	4,634	104
Gain on transfer of businesses *2	271	3,425	1,736
Gain on step acquisitions *3	4,476	—	28,596
Other	1,448	1,096	9,254
Total	7,106	10,056	45,389

*1 Gain on disposal of non-current assets in the fiscal year ended December 31, 2024 are mainly due to the sale of real estate owned by Lion Expert Business Co., Ltd.

*2 Gain on transfer of businesses in the fiscal year ended December 31, 2024 are mainly due to the transfer of the businesses related to the drink brand products "Guronsan" and "Guromont".

*3 In the current consolidated fiscal year, we recognized a gain on step acquisitions of 4,476 million yen and recorded it under 'Other Income' in the consolidated statement of profit and loss.

Details regarding the gain on step acquisitions are provided in Note 34, 'Business Combinations (7)'.

Note 25: Other Expenses

Other expenses during the years ended December 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of
	2025	2024	U.S. dollars
Loss on disposal of non-current assets	333	447	2,127
Impairment loss *	448	6,678	2,866
Other	716	874	4,574
Total	1,497	8,001	9,567

* Impairment loss of 6,678 million yen were included in “Other Expenses” in the previous consolidated fiscal year. Significant impairment losses included an impairment loss of 2,213 million yen due to the decision to retire production facilities related to the home care business and an impairment loss of 4,034 million yen due to the decline in future profitability of the business.

Note 26: Leases

Leases as a lessee

The Group has entered into leases on certain buildings and other assets as a lessee.

Some leases contain renewal or purchase options.

In addition, lease arrangements do not have escalation clauses or restrictions.

① Income or expenses and cash flows recognized from lease transactions during the year ended December 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of
	2025	2024	U.S. dollars
Depreciation expense of Right-of-use assets			2025
Class of Underlying assets			
Buildings and structures	1,917	1,722	12,247
Machinery and vehicles	476	446	3,041
Land	101	101	651
Other tangible assets	65	69	416
Total	2,560	2,339	16,355
Interest expense on lease liabilities	721	730	4,608
Expense relating to short-term leases	430	539	2,748
Expense relating to leases of low-value assets	809	701	5,171
Total amount of lease cash-flows	4,096	3,959	26,162

② Book value of right-of-use assets at December 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of
	2025	2024	U.S. dollars
Class of Underlying assets			2025
Buildings and structures	26,616	28,306	170,007
Machinery and vehicles	821	818	5,249
Land	992	1,065	6,337
Other tangible assets	409	478	2,613
Total	28,839	30,667	184,205

The amount of Right-of-Use assets increased in the fiscal years ended December 31, 2025 and December 31, 2024 was ¥996 million (U.S.\$6,366 thousand) and ¥1,626 million, respectively.

③ Lease liabilities

See " Note 29. Financial Instruments (3) Liquidity risk management " for the maturity analysis of lease liabilities.

Leases as a lessor

The Group provide rented dormitories and houses for employees as a part of welfare benefits, which are corresponding to the lease transaction as a lessor.

In addition, from the perspective of effective utilization of assets, the Group leases a portion of its land holdings to third parties.

The amount of lease income in each year and uncollected lease investment are not significant.

Note 27: Finance Income and Finance Costs

Finance income and finance expenses during the years ended December 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of
	2025	2024	U.S. dollars
Finance income			2025
Interest income			
Financial assets measured at amortized cost	770	725	4,923
Dividend income			
Financial assets measured at fair value through other comprehensive income	579	641	3,699
Other Finance income			
Financial assets measured at fair value through profit or loss	67	179	429
Foreign exchange gains, net	—	202	—
Total	1,416	1,748	9,050

	Millions of yen		Thousands of
	2025	2024	U.S. dollars
Finance costs			2025
Interest expenses			
Financial liabilities measured at amortized cost	771	762	4,925
Other Finance costs			
Financial assets measured at fair value through profit or loss	98	45	628
Foreign exchange loss, net	365	—	2,334
Total	1,234	807	7,887

Note 28: Earnings per Share

(1) Basic earnings per share

	2025	2024
Profit for the year attributable to owners of the parent (millions of yen)	27,587	21,197
Weighted average number of ordinary shares-basic (thousands of shares)	276,595	277,054
Basic earnings per share (yen)	99.74	76.51

	2025
Profit for the year attributable to owners of the parent (thousands of U.S. dollars)	176,211
Weighted average number of ordinary shares-basic (thousands of shares)	276,595
Basic earnings per share (U.S. dollars)	0.64

(2) Diluted earnings per share

	2025	2024
Profit for the year attributable to owners of the parent (millions of yen)	27,587	21,197
Adjustments to profit for the year (millions of yen)	—	—
Profit for the year used to calculate diluted earnings per share (millions of yen)	27,587	21,197
Weighted average number of ordinary shares (thousands of shares)	276,595	277,054
Stock options (thousands of shares)	23	80
Executive compensation BIP trust (thousands of shares)	247	295
Weighted average number of ordinary shares-diluted (thousands of shares)	276,865	277,429
Diluted earnings per share (yen)	99.64	76.41

	2025
Profit for the year attributable to owners of the parent (thousands of U.S. dollars)	176,211
Adjustments to profit for the year (thousands of U.S. dollars)	—
Profit for the year used to calculate diluted earnings per share (thousands of U.S. dollars)	176,211
Weighted average number of ordinary shares (thousands of shares)	276,595
Stock options (thousands of shares)	23
Executive compensation BIP trust (thousands of shares)	247
Weighted average number of ordinary shares-diluted (thousands of shares)	276,865
Diluted earnings per share (U.S. dollars)	0.64

Note 29: Financial Instruments

(1) Capital management

The Group's basic policy is to secure investment funds to sustain medium- to long-term growth and to maintain financial soundness. The Group uses return on equity attributable to owners of the parent (ROE) and return on invested capital (ROIC) as important indicators.

	2025	2024
Return on equity attributable to owners of the parent (ROE)	9.0%	7.4%
Return on invested capital (ROIC)	6.7%	5.8%

Return on Invested Capital (ROIC) is NOPAT (Net Operating Profit After Tax) divided by average invested capital (total equity plus interest-bearing debt) for the period. It is a measure of efficiency and profitability relative to invested capital.

(2) Credit risk management

The Group is exposed to credit risks such as a counterparty's default on its contractual obligations resulting in a financial loss of the group. Notes and accounts receivable are trade receivables that expose the Group to customer credit risk. The Group manages that risk with an internal process for investigating and approving customer credit on initial transactions, and by obtaining deposits, collateral or other guarantees as necessary. The Group also manages due dates and outstanding balances by customer. In addition, the Group is committed to early identification and mitigation of concerns about collection due to deterioration in the financial conditions of business partners. The Group limits the use of derivatives to actual risk mitigation needs, and does not use derivatives for trading or other speculative purposes, and reduces credit risk by limiting transactions to highly creditworthy financial institutions. In the events that these financial assets are deemed as default, including cases where the assets are still significantly past due, they are considered to be credit-impaired financial assets. In the events that all or part of the financial assets are evaluated as uncollectable and the Group considers it is appropriate to write off the assets based on the results of credit checks, the Group directly writes off the book value of financial assets. The carrying amount of financial assets in the consolidated statement of financial position represents the Group's maximum exposure to the credit risk of financial assets.

⊙ Aging analysis

Aging analysis is not disclosed here because the Group does not have any long overdue accounts receivable.

⊙ Allowance for doubtful receivables

Changes in the allowance for doubtful receivables of trade and other receivables and other financial assets are as follows.

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
At beginning of year	110	80	707
Increase during the year provision	165	44	1,058
Decrease (used)	(9)	(13)	(61)
Decrease (reversal)	(16)	(3)	(104)
Increase due to business combination	25	—	164
Other	14	2	93
At end of year	290	110	1,857

(3) Liquidity risk management

Liquidity risk is the risk that the Group may not be able to fulfill its obligation to pay financial liabilities, such as trade payables and loans. The Group prepares scheduled financing plans and monitors cash liquidity. The Group also manages its funds effectively by operating cash providing system within the Group. In this way, necessary funds are secured and Liquidity risk is reduced. Financial liabilities by maturity date consist of the following.

	Millions of yen			Maturity date
	Carrying amount	Contract cash flow	Average interest rate	
2025				
Non-derivative financial liabilities				
Trade and other payables	114,139	114,139	-	-
Lease liabilities	28,251	37,470	2.49%	October, 2052
Total	142,390	151,609	-	-

	Millions of yen					
	2025					
	Not later than 1 year	Later than 1 year but not later than 2 years	Later than 2 years but not later than 3 years	Later than 3 years but not later than 4 years	Later than 4 years but not later than 5 years	Later than 5 years
Non-derivative financial liabilities						
Trade and other payables	114,139	—	—	—	—	—
Lease liabilities	2,905	2,351	1,770	1,530	1,430	27,481
Total	117,044	2,351	1,770	1,530	1,430	27,481

	Millions of yen			Maturity date
	Carrying amount	Contract cash flow	Average interest rate	
2024				
Non-derivative financial liabilities				
Trade and other payables	117,129	117,129	-	-
Lease liabilities	29,737	39,381	2.41%	October, 2052
Total	146,866	156,510	-	-

	Millions of yen					
	2024					
	Not later than 1 year	Later than 1 year but not later than 2 years	Later than 2 years but not later than 3 years	Later than 3 years but not later than 4 years	Later than 4 years but not later than 5 years	Later than 5 years
Non-derivative financial liabilities						
Trade and other payables	117,129	—	—	—	—	—
Lease liabilities	2,734	2,477	2,160	1,559	1,485	28,963
Total	119,863	2,477	2,160	1,559	1,485	28,963

	Thousands of U.S. dollars			Maturity date
	Carrying amount	Contract cash flow	Average interest rate	
2025				
Non-derivative financial liabilities				
Trade and other payables	729,044	729,044	-	-
Lease liabilities	180,451	239,335	2.49%	October, 2052
Total	909,495	968,379	-	-

	Thousands of U.S. dollars					
	2025					
	Not later than 1 year	Later than 1 year but not later than 2 years	Later than 2 years but not later than 3 years	Later than 3 years but not later than 4 years	Later than 4 years but not later than 5 years	Later than 5 years
Non-derivative financial liabilities						
Trade and other payables	729,044	—	—	—	—	—
Lease liabilities	18,560	15,017	11,312	9,775	9,135	175,535
Total	747,604	15,017	11,312	9,775	9,135	175,535

Average interest rate is a weighted average rate for the ending balance.

In addition, long-term deposits payable is not included above because it is operating guarantee to be returned when business is closed.

(4) Exchange rate risk

The Group is engaged in business activities worldwide and is exposed to the risk of exchange rate fluctuations arising out of transactions entered into currencies other than its functional currency.

The Group settles transactions denominated in foreign currencies through foreign currency deposit accounts.

The Group is also hedging the risk using derivative instruments, such as foreign exchange contract.

Major exchange rates are as follows.

	Yen			
	2025		2024	
	Average exchange rate during the year	Closing rate	Average exchange rate during the year	Closing rate
U.S. dollar	149.8	156.6	152.2	158.2
Thai Baht	4.6	5.0	4.3	4.6

⊙Net Exposure to exchange rate risk is as follows.

	Millions of yen				Thousands of U.S. dollars	
	2025		2024		2025	
	U.S. dollar	Thai Baht	U.S. dollar	Thai Baht	U.S. dollar	Thai Baht
Financial instruments denominated in foreign currency	3,656	374	4,073	345	23,356	2,395

⊙Foreign currency sensitivity analysis

The impact on the profit before income taxes of a 10% appreciation of the yen is as follows.

This analysis is assuming that the other factors are constant and there is no significant impact of the net exposure of currencies other than U.S. dollar and Thai Baht.

	Millions of yen		Thousands of U.S. dollars	
	2025	2024	2025	2025
U.S. dollar	(365)	(407)	(2,336)	
Thai Baht	(37)	(34)	(239)	

*Above () means the negative impact on the profit before income taxes.

(5) Interest rate risk

Interest-bearing liabilities the Group holds are exposed to the risk of fluctuations in interest rates.

However, the Group holds cash and cash equivalents in excess of interest-bearing debt and has minimal interest rate risk.

Interest rate sensitivity analysis is not disclosed here, because the impact of the fluctuation of market interest rate on profit or loss is limited.

(6) Price fluctuation risk

The Group is holding marketable stock of counterparties and these are exposed to the risk of the fluctuation of market price.

The Group manages the risk by monitoring the fair value of shares and financial conditions of the issuers and periodically reviewing the reasonableness of its holdings.

⊙Sensitivity analysis

The impact to the Net gain(loss) on revaluation of financial assets measured at fair value through other comprehensive income (before tax) on the

Consolidated Statement of comprehensive Income of decreasing by 10% of the listed shares the Group holds is following.

This analysis is assuming that the other factors are constant.

	Millions of yen		Thousands of U.S. dollars	
	2025	2024	2025	2025
Other comprehensive income (before tax)	(1,879)	(1,812)	(12,004)	

*Above () means the negative impact on Other comprehensive income(before tax).

(7) Fair Value

⊙Fair Value of Financial Instruments

1) Fair Value hierarchy level

The fair value hierarchy of financial instruments is categorized as follows, based on inputs used for fair value measurement.

Inputs include the stock price, foreign exchange rate and interest rate as well as index of financial instruments price and others.

Level 1: Fair value measured using quoted prices in active markets

Level 2: Fair value measured using inputs other than quoted prices categorized within Level 1 that are observable either directly or indirectly

Level 3: Fair value measured using inputs that are not based on observable market data

The fair value hierarchy of financial instruments measured at fair value is shown below.

	Millions of yen			
	2025			
	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Financial assets measured at fair value through profit or loss	—	—	2,886	2,886
Financial assets measured at fair value through other comprehensive income	18,793	—	4,990	23,784
Derivative assets for which hedge accounting is applied	—	—	—	—
Total	18,793	—	7,877	26,671
	Millions of yen			
	2024			
	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Financial assets measured at fair value through profit or loss	—	—	2,413	2,413
Financial assets measured at fair value through other comprehensive income	18,128	—	4,031	22,160
Derivative assets for which hedge accounting is applied	—	2	—	2
Total	18,128	2	6,444	24,575

	Thousands of U.S. dollars			
	2025			
	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Financial assets measured at fair value through profit or loss	—	—	18,438	18,438
Financial assets measured at fair value through other comprehensive income	120,043	—	31,879	151,922
Derivative assets for which hedge accounting is applied	—	—	—	—
Total	120,043	—	50,317	170,360

The Group processes transfers between levels of fair value hierarchy when there is an event or a change in circumstances that caused the transfer. No financial instruments were transferred between levels of the fair value hierarchy for the fiscal years ended December 31, 2025 or 2024.

The measurement methods for the fair value of the main financial assets and liabilities are as follows.

(Derivative assets and liabilities)

Derivative assets and liabilities are measured based on prices provided by financial institution.

(Equity financial instruments)

A market value is used when it is available. A fair value of financial instrument having no market value available is estimated primarily based on the net asset-based evaluation model (a method to calculate corporate value based on net asset of a company issuing the shares or based on a revised amount if any matter requiring revision for the market evaluation). Any fluctuation on fair value of financial instruments classified in level 3 that would be important in case of any change to unobservable inputs that reflect reasonably possible alternative assumptions are not expected.

(Debt financial instruments)

Debt financial instruments (Financial assets measured at fair value) consist primarily of investments in Limited Partnerships. The fair value of investments in investment Limited Partnerships are measured based on the estimated fair value of the Limited Partnerships assets and the Company's share of such fair value. Accordingly, the fair value measurement of investments in Limited Partnerships are classified as Level 3.

Changes in financial instruments categorized within Level 3 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Beginning balance	6,444	5,289	41,165
Gains (losses)* profit or loss	(31)	134	(199)
other comprehensive income	129	242	825
Purchases	1,494	978	9,549
Sales	—	(104)	—
Others	(160)	(94)	(1,023)
Ending balance	7,877	6,444	50,317

*Gains or losses on financial assets at fair value through profit or loss are recognized in "Finance income" and "Finance costs" in the consolidated statement of income.

Gains or losses on financial assets at fair value through other comprehensive income are recognized in "Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income" in the consolidated statement of comprehensive income.

Financial instruments categorized within Level 3 are primarily unlisted equity securities. Each responsible department of the Group measures the fair value based on the evaluation policy and procedures. The calculated Measurement results are approved by appropriate person in charge.

②Equity financial instruments

Equity Securities are held by the Group for maintaining and strengthening the long-medium term relationship with companies. The Group has designated such equity securities as financial assets measured at fair value through other comprehensive income. Issuers names and fair values of these securities are as follows.

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Saha Pathanapibal Public Company Limited	4,724	4,506	30,179
Saha Pathana Inter Holding Public Company Limited	3,838	3,819	24,518
ARATA CORPORATION	2,963	3,049	18,927
Maruzen Showa Unyu Co., Ltd.	1,549	1,154	9,899
Takasago International Corp.	1,481	1,171	9,462

The Group sells these equity financial instruments considering its fair values (market prices) and the necessity for business.
The total amounts of the fair value of such financial assets at the time of sale and the cumulative gains or losses on sales are as follows.
The cumulative gains or losses (after tax) recognized as other component of equity are transferred to the retained earnings at the time of sale.

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Fair value	843	1,075	5,391
Cumulative gains or losses	586	603	3,748

Dividend income from equity securities is as follows.

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Equity Securities derecognized in the period	23	11	151
Equity Securities held at the end of the period	555	629	3,547

(8) Derivative and Hedge accounting

In order to hedge cash flow fluctuation risks caused by the foreign exchange fluctuations, the Group uses forward foreign exchange contracts as a hedging method and designates them as a cash flow hedge. Details of the method of hedge accounting applied as a cash-flow hedge at December 31, 2025 and 2024 are as follows.

			Millions of yen		Account name on the Consolidated Statement of Financial Position
			2025		
	Contract amount	More than 1 year	Assets	Liabilities	
Foreign exchange risk					
Forward foreign exchange contracts	—	—	—	—	—

			Millions of yen		Account name on the Consolidated Statement of Financial Position
			2024		
	Contract amount	More than 1 year	Assets	Liabilities	
Foreign exchange risk					
Forward foreign exchange contracts	311	—	2	—	Other financial Assets

			Thousands of U.S. dollars		Account name on the Consolidated Statement of Financial Position
			2025		
	Contract amount	More than 1 year	Assets	Liabilities	
Foreign exchange risk					
Forward foreign exchange contracts	—	—	—	—	—

Note 30: Commitments

The significant commitments to purchase property, plant and equipment and intangible assets at December 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Property, plant and equipment and intangible assets	1,724	8,411	11,017

Note 31: Contingencies

Contingencies at December 31, 2025 and 2024 consisted of the following:

Guarantees

	Millions of yen		Thousands of
	2025	2024	U.S. dollars
PT. Lion Wings	375	409	2,397
Employees	239	230	1,529
Total	614	639	3,926

The Group has provided the above guarantee for the guarantors' borrowings.

Guarantees of ¥187 million (U.S. \$1,198 thousand) included in the total guarantee of ¥614 million (U.S.\$3,926 thousand) at December 31, 2025 were reguaranteed from others.

Guarantees of ¥204 million included in the total guarantee of ¥639 million at December 31, 2024 were reguaranteed from others.

Note 32: Transfer of business

(The year ended December 31, 2025)

None

(The year ended December 31, 2024)

Regarding the businesses related to the drink brand products "Guronsan" and "Guromont" in the general consumer goods businesses segment, the company entered into a businesses transfer agreement on February 14, 2024, and transferred through a businesses transfer on June 28, 2024.

The relationship concerning the assets related to the transfer, the transfer consideration, and the income from the businesses transfer is as follows.

In addition, the difference between the net amount of transferred assets and the total consideration received was recognized as gain on transfer of businesses.

	Millions of yen
	2024
Total consideration for transfer of businesses	3,066
Assets of businesses Transfer	
Inventories	262
businesses Transfer-related Expenses	133
Gain on transfer of businesses (Note 1)	2,671

(Note 1) Gain on transfer of businesses is included in "Other income" of the Consolidated Statement of Profit or Loss.

	Millions of yen
	2024
Consideration received in cash	3,066
Net of cash acquired as a result of the transfer of businesses	3,066

Net of cash acquired as a result of the transfer of businesses is included in "Proceeds from transfer of businesses" of the cash flows used in investing activities in the Consolidated Statement of Cash Flows.

The amount of sales related to the transferred businesses is as follows.

	Millions of yen	
	2024	2023
Sales	1,413	2,995

Note 33: Related Party

(1) Information about subsidiaries and affiliates

Consolidated Subsidiaries

Name	Location	Capitalization	Business	Voting shares held by the Company (%)	Nature of business relationship				
					Shared positions		Financial support	Transactions	Lease of facilities, etc.
					Company officers	Company employees			
(Note 1) Lion Chemical Co., Ltd.	Taito-ku, Tokyo	JPY7,800 million	Industrial products and Consumer products	100.0	1	8	Loans	Purchase of raw materials and merchandise	Rental of part of office space, facilities and land
Lion Expert Business Co., Ltd.	Taito-ku, Tokyo	JPY490 million	Other	100.0	—	7	None	Rental, dealing, and brokerage of real estate, insuring, and human resources services	Rental of part of office space and land
Lion Specialty Chemicals Co., Ltd.	Taito-ku, Tokyo	JPY400 million	Industrial products	100.0	2	9	Loans	Sale of merchandise and finished products and purchase of raw materials and merchandise	Lease of part of office space
Lion Hygiene Co., Ltd.	Taito-ku, Tokyo	JPY300 million	Industrial products	100.0	—	7	None	Sales and purchase of merchandise	Lease of part of office and warehouse space
Lion Pet Co., Ltd.	Taito-ku, Tokyo	JPY240 million	Consumer products	100.0	—	7	None	—	Lease of part of office space
Lion Engineering Co., Ltd.	Taito-ku, Tokyo	JPY100 million	Other	100.0	—	11	None	Design, construction, and maintenance of facilities	Lease of part of office space
Kyuzituhack Company, Ltd.	Taito-ku, Tokyo	JPY80 million	Other	100.0	1	4	None	—	Lease of part of office space
Lion Dental Products Co., Ltd.	Taito-ku, Tokyo	JPY10 million	Consumer products	100.0	—	8	None	Sale of merchandise and finished products	Lease of office space
(Note 1) Lion Daily Necessities Chemicals (Qingdao) Co., Ltd.	Qingdao	USD39,065 thousand	Overseas business	100.0	1	8	None	Sale of merchandise and finished products and purchase of merchandise	—
Lion Home Products (Taiwan) Co., Ltd.	New Taipei City	TWD530,000 thousand	Overseas business	100.0	—	6	None	Sale of merchandise and finished products	—
(Note 7) Merap Lion Holding Limited Liability Company	Vietnam	VND224,000 million	Overseas business	100.0	1	1	None	Sale of merchandise and finished products	—
Merap Group Corporation	Vietnam	VND214,887 million	Overseas business	(Note 8) 100.0 (100.0)	—	6	None	—	—
Phanam Pharmaceutical Corporation	Vietnam	VND12,766 million	Overseas business	(Note 9) 99.6 (99.6)	—	2	None	—	—
Lion Corporation (Korea)	South Korea	KRW9,976,250 thousand	Overseas business	100.0	—	6	None	Sale of merchandise and finished products and purchase of merchandise	—
Lion Corporation (Singapore) Pte Ltd	Singapore	SGD9,000 thousand	Overseas business	100.0	—	3	None	Sale of merchandise and finished products	Lease of part of office space
Lion Innovation Center (Shanghai) Co., Ltd.	Shanghai	USD2,500 thousand	Overseas business	100.0	—	4	None	Research and development	—
Lion Corporation (Hong Kong) Ltd.	Hong Kong	HKD12,000 thousand	Overseas business	100.0	—	2	None	Sale of merchandise and finished products	—
Lion Advertising Ltd.	Hong Kong	HKD100 thousand	Overseas business	(Note 3) 100.0 (100.0)	—	2	None	—	—
(Note 1) Lion Kallol Limited	Bangladesh	BDT3,074,000 thousand	Overseas business	75.0	—	2	None	Sale of merchandise and finished products	—
(Note 2) Lion Corporation (Thailand) Ltd.	Thailand	THB500,000 thousand	Overseas business	51.0	1	9	None	Sale of merchandise and finished products and purchase of merchandise	—
Health Care Service Co., Ltd.	Thailand	THB7,000 thousand	Overseas business	(Note 5) 100.0 (100.0)	—	—	None	—	—
Eastern Silicate Co., Ltd.	Thailand	THB500 thousand	Overseas business	(Note 5) 99.9 (99.9)	—	2	None	—	—
Southern Lion Sdn. Bhd.	Malaysia	MYR22,000 thousand	Overseas business	50.0	1	2	None	Sale of merchandise and finished products and purchase of merchandise	—
PT. Ipposha Indonesia	Indonesia	USD750 thousand	Overseas business	(Note 4) 100.0 (90.0)	—	3	None	—	—

Equity-method affiliates

Name	Location	Capitalization	Business	Voting shares held by the Company (%)	Nature of business relationship				
					Shared positions		Financial support	Transactions	Lease of facilities, etc.
					Company officers	Company employees			
Planet, Inc.	Minato-ku, Tokyo	JPY436 million	Other	15.6	1	—	None	Utilization of VANS	—
Yihai Kerry Lion (Shanghai) Clean Technology Co., Ltd.	Shanghai	RMB20,000 thousand	Overseas business	(Note 6) 49.0 (49.0)	—	3	None	Sale of merchandise and finished products	—
PT. Lion Wings	Indonesia	IDR64,062 million	Overseas business	48.0	1	3	None	Sale of merchandise and finished products	—

Notes: *1. Lion Chemical Co., Ltd., Lion Daily Necessities Chemicals (Qingdao) Co., Ltd. and Lion Kallol Limited are specified subsidiaries.

*2. Lion Corporation (Thailand) Ltd. accounts for more than 10% of consolidated net sales (excluding inter-company sales among consolidated companies).

*3. The voting shares of Lion Advertising Ltd. are held by Lion Corporation (Hong Kong) Ltd.

*4. 90% of PT. Ipposha Indonesia's voting shares are held by Lion Specialty Chemicals Co., Ltd.

*5. The voting shares of Health Care Service Co., Ltd. and Eastern Silicate Company Limited are held by Lion Corporation (Thailand) Ltd.

*6. The voting shares of Yihai Kerry Lion (Shanghai) Clean Technology Co., Ltd. are held by Lion Hygiene Co., Ltd.

*7. Lion Corporation acquired all shares of Merap Lion Holding Corporation, an equity-method affiliate, turning it into a wholly owned subsidiary on July 1, 2025.

*8. The voting shares of Merap Group Corporation are held by Merap Lion Holding Limited Liability Company.

*9. The voting shares of Phanam Pharmaceutical Corporation are held by Merap Group Corporation.

*10. Japan Retail Innovation Co., Ltd was excluded from the list of equity method affiliates due to the transfer of all shares held by Lion Corporation in December 2025.

*11. The figures in parentheses in the "Voting shares held by the Company" column are the percentages of total voting shares held indirectly by Lion Corporation.

*12. In addition to the companies listed above, there is one small-scale, equity-method company.

(2) Key management personnel compensation

Key management personnel compensation during the years ended December 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Short-term benefits	393	377	2,512
Share-based payment	97	132	624
Total	490	509	3,136

(3) Related party transactions

Type	Name	Contents of transactions	Millions of yen		
			Transaction amount of the transactions	Outstanding balances	Allowance for doubtful accounts
Affiliates	PT. Lion Wings	Loan guarantee	375	—	—

The Group has provided the above guarantees for the borrowings of an affiliate.

The transaction amount of the transaction is the balance at the end of the year.

Type	Name	Contents of transactions	Millions of yen		
			Transaction amount of the transactions	Outstanding balances	Allowance for doubtful accounts
Affiliates	PT. Lion Wings	Loan guarantee	409	—	—

The Group has provided the above guarantees for the borrowings of an affiliate.

The transaction amount of the transaction is the balance at the end of the year.

Type	Name	Contents of transactions	Thousands of U.S. dollars		
			Transaction amount of the transactions	Outstanding balances	Allowance for doubtful accounts
Affiliates	PT. Lion Wings	Loan guarantee	2,397	—	—

The Group has provided the above guarantees for the borrowings of an affiliate.

The transaction amount of the transaction is the balance at the end of the year.

Note 34: Business Combination

(The year ended December 31, 2025)

(1) Overview of the acquiree

Name Merap Lion Holding Limited Liability Company
 Business Description Strategic and operational management of group companies involved mainly in the manufacture and sale of pharmaceuticals and medical devices

(2) Overview of the business combination

On July 1, 2025, Lion corporation acquired an additional 64.0% shares of Merap Lion Holding Corporation (hereinafter "Merap Lion") which manufactures and sells pharmaceuticals and medical devices and made Merap Lion a wholly owned subsidiary.

The purpose of this acquisition is to generate greater synergy and further expand our business by blending Merap Lion's strengths in the healthcare field with our Group's product development and production technologies in oral healthcare and other categories.

In connection with the change in its corporate form, Merap Lion changed its corporate name to Merap Lion Holding Limited Liability Company as of August 5, 2025.

(3) Acquisition date

July 1, 2025

(4) Percentage of voting rights acquired

Percentage of voting rights before acquisition: 36.0%
 Percentage of voting rights additionally acquired: 64.0%
 Percentage of voting rights after acquisition: 100.0%

(5) Breakdown of consideration

	Thousands of	
	Millions of yen	U.S. dollars
	2025	
Fair value of the acquiree's shares previously held as of the acquisition date	17,920	114,461
Cash and Cash Equivalents	11,268	71,977
Unpaid consideration	2,113	13,499
Total	31,302	199,937

(6) Acquisition related costs

Lion corporation has included ¥155 million as acquisition-related costs in "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

(7) Gain on step acquisitions

As a result of remeasurement of the Company's previously held interests in Merap Lion the fair value as of the acquisition date, ¥4,476 million of gain on step acquisition was recognized in other revenue in the consolidated statement of profit or loss.

(8) Cash flow associated with the acquisition

	Thousands of	
	Millions of yen	U.S. dollars
	2025	
Cash and cash equivalents spent on the acquisition	19,441	124,182
Cash and cash equivalents held by the acquiree at the time of acquisition	(1,483)	(9,477)
Total	17,958	114,705

(9) Fair value of consideration paid, assets acquired, and liabilities assumed as of the acquisition date

	Thousands of	
	Millions of yen	U.S. dollars
	2025	
Fair value of assets acquired and liabilities assumed		
Current assets:	3,753	23,978
Cash and cash equivalents	1,483	9,477
Inventory (Note 1)	938	5,996
Trade and other receivables	982	6,275
Other current assets	349	2,230
Non-current assets:	12,840	82,018
Property, plant and equipment (Note 1)	1,428	9,124
Intangible assets (Note 1)	11,300	72,182
Other non-current assets	111	713
Current liabilities:	685	4,381
Trade and other payables	370	2,367
Other current liabilities	315	2,014
Non-current liabilities:	2,515	16,066
Deferred tax liabilities (Note 1)	2,513	16,053
Other non-current liabilities	2	13
Fair value of assets acquired and liabilities assumed, net	13,393	85,549
Goodwill (Note 2)	17,908	114,388

(Notes) 1. The consideration for the acquisition has been allocated to the acquired assets and assumed liabilities based on their fair values as of the acquisition date. During the current consolidated fiscal year, the allocation of the consideration for the acquisition was completed. The adjustments to the provisional amounts are as follows.

Inventory	358 million yen	increase
Property, plant and equipment	924 million yen	increase
Trademarks	5,124 million yen	increase
Other intangible assets	6,160 million yen	increase
Deferred tax liabilities	2,513 million yen	increase

As a result, Goodwill decreased by 10,053 million yen

2. Goodwill represents the future economic benefits arising from the acquisition that are expected to be realized through future business development and synergies between the Group and the acquiree.

(10) Impact on the business performance

Revenue and profit for the current consolidated fiscal year attributable to the business combination and included in the consolidated statement of profit or loss are not disclosed because the impact on the consolidated financial statements is immaterial.

In addition, revenue and profit assuming that the business combination had occurred at the beginning of the fiscal year are not disclosed because the impact on the consolidated financial statements is immaterial.

Note 35: Significant Subsequent Events

(1) Acquisition of Shares (100% Acquisition)

Lion Corporation has acquired all shares of PNB Consolidated Pty Ltd (hereinafter “PNB”), a company engaged in the manufacture and sale of beauty care products in the Commonwealth of Australia (hereinafter “Australia”), making PNB a wholly owned subsidiary of Lion Corporation as of January 20, 2026.

① Reasons for the Share Acquisition

The Lion Group is working to enhance its business portfolio in order to strengthen profitability, the core theme of its medium-term management plan, Vision2030 2nd STAGE, launched in 2025. To implement strategic initiatives that align with each business in the Group and achieve sustainable growth in our Challenge for Growth Beauty Care Business, we have been exploring opportunities primarily overseas, where we expect to create new business possibilities and drive future growth. At the same time, we are working to accelerate growth in the Top Priority Oral Healthcare Business.

With a business centered on the Sukin natural beauty care brand, PNB boasts high profitability and is active beyond Australia, having expanded operations to more than 20 countries and regions, including in Asia, Europe and North America.

Sukin has established a distinctive brand built on the use of naturally derived ingredients and has earned strong brand recognition and trust among Australian consumers. Centered on its core skincare offerings, the brand provides a broad range of beauty care products—including hair care and body care—that support consumers’ everyday lives.

Sukin is expected to continue growing in the Australian market. In addition, by positioning Sukin as one of the core brands within Lion’s Beauty Care Business and rolling it out in earnest across Asian markets where the Lion Group already operates, we believe that we can generate new business opportunities and further expand the overseas business. The Lion Group has already established a solid presence in beauty care markets such as body care and hand soap, particularly in Southeast Asia, and we will leverage the knowledge and expertise gained through these existing businesses to support the growth of Sukin.

Going forward, by combining PNB’s business platform with the Lion Group’s operational know-how in Asia, we aim to generate synergies and contribute to creating better habits for consumers across Asia and Australia.

② Overview of PNB

(1)	Name	PNB Consolidated Pty Ltd
(2)	Location	Clayton, Victoria, Australia
(3)	Representative	John Humble
(4)	Business	Manufacture and sale of hair care, skin care products, etc.
(5)	Capital	AUS\$10.907 million (approx. ¥1.1 billion)
(6)	Date of establishment	April 9, 2019
(7)	Operating results for most recent year	
	Fiscal year end	June 30, 2025
	Net sales	AUS\$79.747 million (approx. ¥8.4 billion)

③ Shares Acquired and Shareholdings before and after Acquisition

(1)	Shares held by Lion before acquisition	0 shares (0% of voting rights)
(2)	Shares acquired	33,680,380 shares (100.0% of voting rights)
(3)	Shares held by Lion after acquisition	33,680,380 shares (100.0% of voting rights)

④ Schedule

(1)	Conclusion of the acquisition agreement	December 25, 2025
(2)	Delivery of shares	January 20, 2026

⑤ Acquisition Price and Breakdown of the Acquired Company

(Thousands of Australian dollars)

	Amount
Cash and cash equivalents	133,636
Contingent consideration*	15,000
Total	148,636

* An additional contingent consideration of a maximum of AUS\$15,000,000 may be paid upon achievement of performance targets.

At the time of this disclosure, detailed information regarding the accounting treatment for this acquisition has not been disclosed because the initial accounting treatment has not been completed.

(2) Changes in a Consolidated Subsidiary (Transfer of Shares in Two Chemical Business Subsidiaries)

Lion Corporation has decided to transfer ownership of all shares of the Lion Group consolidated subsidiary Lion Specialty Chemicals Co., Ltd. (hereinafter, LSC) and its subsidiary PT. IPPOSHA INDONESIA (hereinafter, IPI) to AP88 Co., Ltd.(hereinafter, AP88), a special purpose company supported by a fund serviced by Advantage Partners, Inc., and has signed a share transfer agreement.

① Purpose of the transfer

Lion Group is working to strengthen its business portfolio in order to realize “Strengthening Profitability”, the core theme of our medium-term management plan, Vision2030 2nd STAGE, launched in 2025. Under this plan, we have positioned the Chemical Products business as a target for structural reform, thoroughly considering available options for sustainable growth and development in the midst of a market environment undergoing major changes. As a result, it has been decided that allowing the two subsidiaries to pursue flexible and bold business strategies under Advantage Partners, Inc., which holds an extensive track record in numerous carve-out transactions, would enable further growth and development. Accordingly, we have decided to enter into this share transfer agreement.

② Name of the Transferee
AP88 Co., Ltd.

③ Details of the Transfer
LSC

(1)	Name	Lion Specialty Chemicals Co., Ltd.	
(2)	Location	1-3-28, Kuramae, Taito-ku, Tokyo	
(3)	Representative	Masanori Nikaido, President and Chief Executive Officer	
(4)	Business	Manufacture and sale of chemical agents, industrial chemicals, chemicals for household use, agrochemicals, food additives, etc.	
(5)	Capital	¥400 million	
(6)	Date of establishment	November 25, 1923	
(7)	Operating results for the most recent fiscal year		
	Fiscal year end	December 31, 2025	
	Revenue (net sales)	¥26.9 billion	
(8)	Major shareholders and shareholding ratios (Prior to transfer)	Lion Corporation: 100%	
(9)	Relationships with Lion Corporation	Capital relationships	Lion Corporation holds 100% of the company’s shares.
		Personal relationships	113 employees, including five of the company’s full-time directors, are Lion personnel.
		Business relationships	Lion Corporation has a business relationship with the company, including the sale and purchase of raw materials and the lending and borrowing of funds.

IPI

(1)	Name	PT. IPPOSHA INDONESIA	
(2)	Location	Jalan Inspeksi, Cakung Drain Timur No.1 Jakarta Timur 13910, Indonesia	
(3)	Representative	Hiroki Okabe, President Director	
(4)	Business	Sale of chemical products	
(5)	Capital	US\$750,000	
(6)	Date of establishment	July 27, 2011	
(7)	Operating results for the most recent fiscal year		
	Fiscal year end	December 31, 2025	
	Revenue (net sales)	US\$4 million	
(8)	Major shareholders and shareholding ratios (Prior to transfer)	LSC: 90% Lion Corporation: 10%	
(9)	Relationships with Lion Corporation	Capital relationships	Lion Corporation holds 10% and LSC holds 90% of the company’s shares.
		Personal relationships	One of the subsidiary’s full-time directors is a Lion employee.
		Business relationships	None

④ Shares to be Transferred, Transfer Price and Shareholdings before and after Transfer

LSC

(1)	Shares held before transfer	5,000,000 (100% of voting rights)
(2)	Shares to be transferred	5,000,000 (100% of voting rights)
(3)	Shares held after transfer	0 (0% of voting rights)

IPI

(1)	Shares held before transfer	10 (10% of voting rights)
(2)	Shares to be transferred	10 (10% of voting rights)
(3)	Shares held after transfer	0 (0% of voting rights)

⑤ Schedule

(1)	Resolution of the Board of Directors	February 12, 2026
(2)	Conclusion of the acquisition agreement	February 12, 2026
(3)	Delivery of shares	June 30, 2026

⑥ Impact on Business Performance

The amount of gain on the transfer of shares will vary depending on the amount of net assets of the relevant subsidiary at the time control is lost and is therefore undetermined at this time. In addition, the assets and liabilities of the subsidiary to be transferred are scheduled to be classified as assets held for sale and liabilities directly associated with assets held for sale in the consolidated financial statements for the first quarter of the fiscal year ending December 31, 2026.

Independent Auditor's Report

The Board of Directors
Lion Corporation

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Lion Corporation (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Calculation of the refund liabilities in the form of discounts, rebates, etc.

Description of Key Audit Matter	Auditor's Response
<p>As described in “Note 3: Material Accounting Policies (15) Revenue”, revenue is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods to a customer, considering discounts, rebates and returns, etc., and the consideration that the Group expects to refund to customers is recorded as refund liabilities. Refund liabilities in the form of discounts, rebates, etc. are determined using the most likely outcome method based on the terms of the relevant contracts, past performance, and other factors. The Group recorded refund liabilities of ¥7,631 million at the end of the current consolidated fiscal year, as described in “Note 14: Trade and Other Payables”.</p> <p>Refund liabilities are incurred mainly in the consumer products business, where the business environment is changing dramatically and sales competition is intensifying, there is a large number of contracts, and the terms of the contracts vary widely. Therefore, given the complicated nature of the calculation process for the refund liabilities, the calculation at the end of the current fiscal year is especially significant in the audit of the consolidated financial statements, and we have determined it to be a key audit matter.</p>	<p>The audit procedures we performed for calculation of the refund liabilities at the end of the current fiscal year include the following, among others:</p> <ul style="list-style-type: none"> • We selected samples of the promotional expense schedules used in the calculations for the amounts of the refund liabilities recorded and matched it to the contracts, settlement agreements, and other supporting documentation. • We performed an analysis of the year-to-year changes in the refund liabilities and the percentage of sales deductions to determine whether there have been any significant changes in the calculation method. • We compared the balance of refund liabilities at the end of the previous fiscal year to the actual payments, evaluated internal controls and examined the impact on the calculation method of the refund liabilities at the end of the current fiscal year. • We reviewed the recorded amounts by comparing the balance of refund liabilities at the end of the current fiscal year to the actual payments and the amount of accrued expenses subsequent to the end of the current fiscal year.

Purchase price allocation related to the acquisition of Merap Lion Holding Limited Liability Company

Description of Key Audit Matter	Auditor’s Response
<p>As described in “Note 34: Business Combination”, the Group acquired an additional shares of Merap Lion Holding Limited Liability Company on July 1, 2025, and made it a wholly owned subsidiary.</p> <p>The share acquisition price was allocated to identifiable acquired assets and liabilities. The Group engaged external valuation specialists to measure the fair value of the identifiable acquired assets and liabilities, such as trademarks of ¥5,124 million and other intangible assets of ¥6,160 million, and recognized goodwill of ¥17,908 million.</p> <p>As described in” Note 11: Goodwill and Intangible Assets” (4) Significant intangible assets and impairment tests”, the identified trademarks were measured using the relief-from-royalty method, with key assumptions including projected future sales, royalty rates and discount rates.</p> <p>The purchase price allocation is complex, as the determination of the allocated amounts requires highly specialized knowledge. In addition, the key assumptions used in the purchase price allocation are based on management’s best estimates and judgments and are subject to uncertainty due to potential changes in the future business environment.</p> <p>Accordingly, we concluded that the purchase price allocation related to the acquisition of Merap Lion Holding Limited Liability Company is of particular significance in the audit of the consolidated financial statements for the current consolidated fiscal year, and we have determined it to be a key audit matter.</p>	<p>The audit procedures we performed in considering the purchase price allocation related to the acquisition of Merap Lion Holding Limited Liability Company include the following, among others:</p> <ul style="list-style-type: none"> • We reconciled the consideration transferred to the relevant agreements and other supporting documentation. • We inquired of management regarding the projected future sales and compared those projections with externally available information on market conditions. • We involved valuation specialists from our network firm to assist in the following audit procedures. <ul style="list-style-type: none"> • We assessed the competence, capabilities and objectivity of the external valuation specialists engaged by management. • We inspected the purchase price allocation report prepared by the external valuation specialists engaged by management and assessed the underlying valuation assumptions, including the valuation techniques applied to the intangible assets and the discount rates used. • We examined the valuation method (the relief-from-royalty method) applied to the trademarks and assessed the key assumptions used in its application, including the royalty rates and discount rates. • We examined, through recalculation, whether the excess of the consideration transferred over the amounts allocated was recorded as goodwill.

Other Information

The other information comprises the information included in the Annual Report that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor’s report thereon.

We have concluded that the other information does not exist. Accordingly, we have not performed any work related to the other information.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by IFRS Accounting Standards, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRS Accounting Standards.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2025 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2(d) to the consolidated financial statements.

Fee-related Information

The fees for the audits of the financial statements of Lion Corporation and its subsidiaries and other services provided by us and other EY member firms for the year ended December 31, 2025 are 182 million yen and 44 million yen, respectively.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan

March 26, 2026

Miki Hayashi

Designated Engagement Partner
Certified Public Accountant

Masayuki Tada

Designated Engagement Partner
Certified Public Accountant