# Summary of Consolidated Financial Statements for the Year Ended December 31, 2022 [IFRS]

February 13, 2023

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

Representative: Masazumi Kikukawa, Representative Director, President and Executive Officer
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Annual meeting of shareholders: March 30, 2023
Start date of payment of dividend: March 2, 2023
Scheduled date of filing of quarterly financial report: March 31, 2023
Supplementary materials prepared for quarterly results: Yes
Quarterly results information meeting held: Yes (for institutional investors, analysts, etc.)

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

## 1. Consolidated Results for the Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)

(1) Consolidated Results (cumulative)

(Percentage figures denote year-on-year change)

| | Net sales | | Operating profit | | Profit before tax | |
|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Year ended December 31, 2022 | 389,869 | 6.5 | 28,843 | (7.5) | 31,292 | (8.2) |
| Year ended December 31, 2021 | 366,234 | 3.1 | 31,178 | (29.3) | 34,089 | (23.4) |

| | Profit for the period | | Profit for the period attributable to owners of the parent | | Total comprehensive income for the period | |
|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Year ended December 31, 2022 | 23,110 | (9.1) | 21,939 | (7.7) | 32,025 | 12.5 |
| Year ended December 31, 2021 | 25,431 | (20.4) | 23,759 | (20.5) | 28,467 | (8.0) |

Note: Core operating income for the year ended December 31, 2022 was ¥23,559 million (down 23.8% year on year).
Core operating income for the year ended December 31, 2021 was ¥30,923 (down 14.0% year on year).
Core operating income is an earnings indicator the Company uses to measure regular business performance and is calculated by subtracting selling, general and administrative expenses from gross profit.

| | Basic earnings per share | Diluted earnings per share | Ratio of equity attributable to owners of the parent to profit for the period | Ratio of profit before tax to total assets | Ratio of operating profit to net sales |
|---|---|---|---|---|---|
| | Yen | Yen | % | % | % |
| Year ended December 31, 2022 | 77.04 | 76.91 | 8.5 | 7.0 | 7.4 |
| Year ended December 31, 2021 | 81.73 | 81.59 | 9.8 | 7.9 | 8.5 |

Note: Share of profit (loss) of investments accounted for using the equity method: December 31, 2022: ¥1,824 million
December 31, 2021: ¥2,229 million

(2) Consolidated Financial Position

| | Total assets | Total equity | Equity attributable to owners of the parent | Ratio of equity attributable to owners of the parent to total assets | Equity attributable to owners of the parent per share |
|---|---|---|---|---|---|
| | Millions of yen | Millions of yen | Millions of yen | % | Yen |
| December 31, 2022 | 469,278 | 279,168 | 264,255 | 56.3 | 929.72 |
| December 31, 2021 | 428,025 | 265,014 | 251,572 | 58.8 | 865.31 |

(3) Consolidated Cash Flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of period |
|---|---|---|---|---|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Year ended December 31, 2022 | 41,962 | (19,535) | (19,821) | 101,078 |
| Year ended December 31, 2021 | 19,296 | (34,177) | (10,225) | 97,250 |

**2. Dividends**

| | Cash dividends per share | | | | | Total dividend paid (annual) | Payout ratio (consolidated) | Ratio of dividends to equity attributable to owners of the parent (consolidated) |
|---|---|---|---|---|---|---|---|---|
| | First Quarter | Second Quarter | Third Quarter | Year-End | Total | | | |
| | Yen | Yen | Yen | Yen | Yen | Millions of yen | % | % |
| Fiscal 2021 | — | 12.00 | — | 12.00 | 24.00 | 6,996 | 29.4 | 2.9 |
| Fiscal 2022 | — | 12.00 | — | 13.00 | 25.00 | 7,123 | 32.4 | 2.8 |
| Fiscal 2023 (forecast) | — | 13.00 | — | 13.00 | 26.00 | | 42.3 | |

### 3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2023 (January 1, 2023 – December 31, 2023)

(Percentage figures denote year-on-year change)

| | Net sales | | Operating profit | | Profit for the period attributable to owners of the parent | | Basic earnings per share |
|---|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| First half 2023 | 190,000 | 2.6 | 5,500 | (61.5) | 4,000 | (63.8) | 14.05 |
| Fiscal 2023 | 410,000 | 5.2 | 25,000 | (13.3) | 17,500 | (20.2) | 61.45 |

Note: Core operating income forecast: First half 2023: ¥5,500 million
Fiscal 2023: ¥25,000 million

### Notes

(1) Significant Change in Scope of Consolidation during Period: No

(2) Changes in accounting principles, procedures and presentation methods in connection with the preparation of quarterly consolidated financial statements:
   a. Changes in accounting standards required under IFRS: No
   b. Other changes: No
   c. Changes in accounting estimates: No

(3) Number of outstanding shares (common stock)
   a. Number of outstanding shares on balance sheet dates (including treasury stocks):
      As of December 31, 2022: 292,536,446 shares
      As of December 31, 2021: 299,115,346 shares
   b. Number of treasury stocks on balance sheet date:
      As of December 31, 2022: 8,304,250 shares
      As of December 31, 2021: 8,382,512 shares
   c. Average number of shares outstanding over period
      Fiscal year ended December 31, 2022: 284,763,600 shares
      Fiscal year ended December 31, 2021: 290,729,628 shares

Reference: Summary Non-Consolidated Results (JGAAP basis)

1. Non-Consolidated Results for the Year Ended December 31, 2022
(January 1, 2022 – December 31, 2022)
(1) Non-consolidated Results

(Percentage figures denote year-on-year change)

| | Net sales | | Operating profit | | Ordinary income | | Profit for the period | |
|---|---|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Fiscal 2022 | 231,299 | 0.3 | 8,966 | (43.0) | 17,296 | (39.3) | 13,874 | (48.5) |
| Fiscal 2021 | 230,522 | — | 15,742 | (27.7) | 28,488 | 4.5 | 26,956 | 4.3 |

| | Basic earnings per share | Diluted earnings per share |
|---|---|---|
| | Yen | Yen |
| Fiscal 2022 | 48.72 | 48.63 |
| Fiscal 2021 | 92.71 | 92.56 |

Note: Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) has been applied from the beginning of the fiscal year under review.

This change in accounting policy has, in principle, been applied retroactively. As such, the figure shown for fiscal 2021 net sales is that after retroactive application, and the year-on-year change in net sales is not provided.

(2) Non-consolidated Financial Position

| | Total assets | Net assets | Shareholders' equity to total assets | Net assets per share |
|---|---|---|---|---|
| | Millions of yen | Millions of yen | % | Yen |
| December 31, 2022 | 332,443 | 204,415 | 61.5 | 718.75 |
| December 31, 2021 | 326,488 | 206,925 | 63.3 | 711.27 |

Reference: Shareholders' equity: December 31, 2022: ¥204,292 million
December 31, 2021: ¥206,790 million

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

* Appropriate use of results forecasts; other special items

The forecasts and projected operating results contained in this report are based on information available at the time of preparation and thus involve inherent risks and uncertainties, including those related to economic conditions, the competitive environment and exchange rate fluctuations. Accordingly, readers are cautioned that actual results may differ materially from those projected as a result of a variety of factors. For information on forecasts of operating results, see I. Consolidated Performance and Financial Status on pages 2‐9.

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# I. Consolidated Performance and Financial Status

## 1. Consolidated Performance

### (1) Performance Overview of the Consolidated Fiscal Year under Review (January 1, 2022–December 31, 2022)

In fiscal 2022 (January 1, 2022–December 31, 2022), as restrictions on movement and other measures related to the COVID-19 pandemic were eased, overall conditions in the Japanese economy, including ongoing recovery in personal consumption and corporate profits, gradually improved.

In domestic consumer products, the Lion Group's main business, despite the significant impact of rising resource prices and exchange rate fluctuations, the market was steady overall.

Amid these circumstances, the Lion Group launched its new medium-term management plan, Vision2030 1st STAGE, and advanced initiatives based on three growth strategies. These three strategies are "Accelerate growth in four fields of value creation," "Transform our business foundations for growth" and "Generate dynamism to realize innovative change."

In its domestic operations, Lion focused on cultivating markets for such high-value-added products as toothpastes, toothbrushes, household cleaners and antipyretic analgesics. In its overseas operations, in addition to efforts to expand its business in the personal care field, which includes oral care and beauty care products, the Group focused on bolstering its competitiveness in the home care field, which includes such products as laundry detergents. Both in Japan and overseas, the Group worked to increase the efficiency of sales promotion efforts and further reduce costs to secure profitability.

Reflecting these efforts, consolidated results for fiscal 2022 are as follows. Net sales amounted to ¥389,869 million, a year-on-year increase of 6.5% (or a 3.4% increase at constant currency excluding exchange rate fluctuations). Core operating income came to ¥23,559 million, down 23.8% compared with the previous fiscal year, and operating profit to ¥28,843 million, down 7.5% year on year. Profit for the period attributable to owners of the parent totaled ¥21,939 million, down 7.7% compared with the previous fiscal year.

**Consolidated Results** (Millions of yen)

| | Fiscal 2022 | Ratio to net sales | Fiscal 2021 | Ratio to net sales | Change | Change (%) |
|---|---|---|---|---|---|---|
| Net sales | 389,869 | | 366,234 | | 23,635 | 6.5% |
| Core operating income | 23,559 | 6.0% | 30,923 | 8.4% | (7,364) | (23.8%) |
| Operating profit | 28,843 | 7.4% | 31,178 | 8.5% | (2,334) | (7.5%) |
| Profit for the period attributable to owners of the parent | 21,939 | 5.6% | 23,759 | 6.5% | (1,820) | (7.7%) |

Notes: 1. Core operating income is an earnings indicator the Company uses to measure regular business performance by subtracting selling, general and administrative expenses from gross profit.
2. Operating profit includes gain on transfer of land held by a consolidated subsidiary (transferred January 31, 2022).

**Results by Business**

(Millions of yen)

| | Net sales | | | | Segment profit (core operating income) | | | |
|---|---|---|---|---|---|---|---|---|
| | Fiscal 2022 | Fiscal 2021 | Change | Change (%) | Fiscal 2022 | Fiscal 2021 | Change | Change (%) |
| Consumer Products | 265,555 | 257,932 | 7,623 | 3.0% | 11,454 | 18,974 | (7,519) | (39.6%) |
| Industrial Products | 58,076 | 50,407 | 7,668 | 15.2% | 3,132 | 2,716 | 416 | 15.3% |
| Overseas | 129,342 | 109,253 | 20,089 | 18.4% | 5,116 | 6,005 | (889) | (14.8%) |
| Other | 15,394 | 27,881 | (12,487) | (44.8%) | 1,202 | 2,145 | (943) | (44.0%) |
| Subtotal | 468,368 | 445,474 | 22,894 | 5.1% | 20,904 | 29,841 | (8,937) | (29.9%) |
| Adjustment | (78,499) | (79,240) | 741 | — | 2,654 | 1,081 | 1,573 | — |
| Total | 389,869 | 366,234 | 23,635 | 6.5% | 23,559 | 30,923 | (7,364) | (23.8%) |

Note: From the first quarter of the fiscal year under review, due to a change in the business structure of consolidated Group subsidiary Lion Chemical Co., Ltd., said company's business, which was previously concentrated in the Industrial Products segment, has been divided between the Industrial Products and Consumer Products segments.
Segment information for the previous fiscal year has been restated to reflect this change.

Results by business segment are as follows.

**Consumer Products Business**

The Consumer Products Business segment comprises the Oral Care Products, Beauty Care Products, Fabric Care Products, Living Care Products, Pharmaceutical Products and Other Products businesses. Segment net sales increased 3.0% compared with the previous fiscal year. Segment profit decreased 39.6%.

(Millions of yen)

| | Year ended December 31, 2022 | Ratio to net sales | Year ended December 31, 2021 | Ratio to net sales | Change | Change (%) |
|---|---|---|---|---|---|---|
| Net sales | 265,555 | | 257,932 | | 7,623 | 3.0% |
| Segment profit | 11,454 | 4.3% | 18,974 | 7.4% | (7,519) | (39.6%) |

Note: Net sales include internal sales within and among segments, which amounted to ¥35,035 million in fiscal 2022 and ¥28,337 million in fiscal 2021.

**Net Sales by Product Segment** (Millions of yen)

| | Year ended December 31, 2022 | Year ended December 31, 2021 | Change | Change (%) |
|---|---|---|---|---|
| Oral Care Products | 72,299 | 69,418 | 2,881 | 4.2% |
| Beauty Care Products | 26,482 | 24,729 | 1,753 | 7.1% |
| Fabric Care Products | 60,120 | 60,660 | (539) | (0.9%) |
| Living Care Products | 23,630 | 25,158 | (1,527) | (6.1%) |
| Pharmaceutical Products | 25,144 | 25,381 | (236) | (0.9%) |
| Other Products | 57,877 | 52,584 | 5,293 | 10.1% |

Oral Care Products

In toothpastes, sales of *CLINICA ADVANTAGE Toothpaste* were strong, and new *SYSTEMA Haguki (the Gums) Plus Premium Toothpaste Yokubari na BIHAKU (Whitening)* and *CLINICA PRO* toothpastes received favorable customer reviews. Overall sales increased year on year.

In toothbrushes, sales of *CLINICA ADVANTAGE Toothbrush* and *NONIO Toothbrush* were strong, and overall sales increased year on year.

In dental rinses, sales of *NONIO Plus Whitening Dental Rinse* were favorable. Overall sales increased year on year.

Beauty Care Products

In hand soaps, sales of *KireiKirei Medicated Foaming Hand Soap* were strong. Overall sales increased significantly year on year.

In body washes, sales *of hadakara Body Soap* were steady, and overall sales increased year on year.

Fabric Care Products

In fabric softeners, sales of *SOFLAN Premium Deodorizer* decreased year on year, but those of *SOFLAN Aroma Rich* were strong. Overall sales were up year on year.

In laundry detergents, sales of highly concentrated liquid laundry detergent *TOP SUPER NANOX For Odors* increased year on year, but sales of liquid laundry detergents *Kaori Tsuzuku (Long-Lasting Fragrance) TOP* and *TOP Clear Liquid* fell. Overall sales decreased slightly year on year.

Living Care Products

In dishwashing detergents, sales of *CHARMY Magica* fell year on year, and overall sales decreased year on year.

In household cleaners, sales of bath detergent *LOOK Plus Bath Cleansing* and *LOOK Plus Bath Antimold Fogger* were up year on year, but sales of toilet cleaners fell year on year. Overall sales edged down year on year.

Pharmaceutical Products

In antipyretic analgesics, amid a favorable market, sales of *BUFFERIN PREMIUM DX* were strong, and sales of *BUFFERIN A* increased year on year. Overall sales were up year on year.

In eye drops, sales of the *Smile 40EX GOLD* series, which saw the addition of new products, were up year on year, and overall sales increased year on year.

In acne medicines, sales of *PAIR® Acne Cream W* decreased year on year, and overall sales fell year on year.

Other Products

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

In direct-to-consumer sales products, sales of *Intestinal Effect Nice rim essence Lactoferrin* were down year on year, and overall sales were down year on year.

In addition to the above, Group internal sales recorded by manufacturing subsidiaries increased significantly.

**Industrial Products Business**

The Industrial Products Business segment includes the Mobility, Electronics and Detergents for Institutional Use Products fields. These businesses handle products that include anti-sticking agents for tires, electro-conductive carbon for secondary batteries, and detergents for institutional and kitchen use, respectively. Segment net sales increased 15.2% compared with the previous fiscal year. Segment profit increased 15.3%.

(Millions of yen)

| | Year ended December 31, 2022 | Ratio to net sales | Year ended December 31, 2021 | Ratio to net sales | Change | Change (%) |
|---|---|---|---|---|---|---|
| Net sales | 58,076 | | 50,407 | | 7,668 | 15.2% |
| Segment profit | 3,132 | 5.4% | 2,716 | 5.4% | 416 | 15.3% |

Note: Net sales include internal sales within and among segments, which amounted to ¥20,226 million in fiscal 2022 and ¥15,627 million in fiscal 2021.

In the Mobility field, sales of anti-sticking agents for tires and mold releasing agent for rubber were strong, and overall sales increased significantly year on year.

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

In the Detergents for Institutional Use Products field, sales of hand soaps were down year on year, but sales of alcohol sanitizers for kitchen use were strong, and overall sales were up year on year.

**Overseas Business**

The Overseas Business segment comprises business operations located in Southeast Asia, including Thailand and Malaysia, and Northeast Asia, including South Korea and China. Segment net sales increased 18.4% year on year (or a 7.1% increase at constant currency excluding exchange rate fluctuations). Due in part to the significant impact of rising raw material prices in Southeast Asia, segment profit decreased 14.8% year on year.

(Millions of yen)

| | Year ended December 31, 2022 | Ratio to net sales | Year ended December 31, 2021 | Ratio to net sales | Change | Change (%) |
|---|---|---|---|---|---|---|
| Net sales | 129,342 | | 109,253 | | 20,089 | 18.4% |
| Segment profit | 5,116 | 4.0% | 6,005 | 5.5% | (889) | (14.8%) |

Note: Net sales include internal sales within and among segments, which amounted to ¥11,300 million in fiscal 2022 and ¥10,525 million in fiscal 2021.

**Net Sales by Region**

(Millions of yen)

| | | Year ended December 31, 2022 | Year ended December 31, 2021 | Change | Change (%) |
|---|---|---|---|---|---|
| Southeast Asia | Net sales | 81,249 | 68,795 | 12,454 | 18.1% |
| | Segment profit | 2,378 | 3,777 | (1,398) | (37.0%) |
| Northeast Asia | Net sales | 48,093 | 40,458 | 7,634 | 18.9% |
| | Segment profit | 2,737 | 2,228 | 509 | 22.8% |

Net Sales by Region

In Southeast Asia, overall sales were up 18.1% year on year (or up 7.0% at constant currency excluding exchange rate fluctuations), but segment profit was down 37.0%.

In Thailand, sales of laundry detergents were down year on year, but sales of body washes were strong. Overall sales after yen conversions were up significantly year on year.

In Malaysia, sales of TOP laundry detergent were strong. Overall sales after yen conversions were up significantly year on year.

In Northeast Asia, overall sales were up 18.9% year on year (or up 7.2% at constant currency excluding exchange rate fluctuations), and segment profit was up 22.8%.

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

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

**Other (Construction Contracting Business, etc.)**

(Millions of yen)

| | Year ended December 31, 2022 | Ratio to net sales | Year ended December 31, 2021 | Ratio to net sales | Change | Change (%) |
|---|---|---|---|---|---|---|
| Net sales | 15,394 | | 27,881 | | (12,487) | (44.8%) |
| Segment profit | 1,202 | 7.8% | 2,145 | 7.7% | (943) | (44.0%) |

Note: Net sales include internal sales within and among segments, which amounted to ¥11,918 million in fiscal 2022 and ¥24,687 million in fiscal 2021.

## (2) Forecast of Consolidated Financial Results for the Fiscal Year Ending December 2023

**Consolidated** (Millions of yen)

| | Fiscal 2023 forecast | Fiscal 2022 | Change | Change (%) |
|---|---|---|---|---|
| Net sales | 410,000 | 389,869 | 20,130 | 5.2% |
| Core operating income | 25,000 | 23,559 | 1,440 | 6.1% |
| Operating profit | 25,000 | 28,843 | (3,843) | (13.3%) |
| Profit attributable to owners of the parent | 17,500 | 21,939 | (4,439) | (20.2%) |
| Basic earnings per share (yen) | 61.45 | 77.04 | (15.59) | (20.2%) |

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

During fiscal 2023 (January 1–December 31, 2023), the Japanese economy is expected to continue to gradually recover, but due to concerns about the impacts of rising prices and monetary policy, the outlook is likely to remain unclear.

Performance in domestic consumer products, the Lion Group's main business, is expected to be steady despite the possibility of such risks as conservative consumer sentiment toward purchasing in reaction to rising prices.

Amid these circumstances, the Lion Group will continue to advance its medium-term management plan, Vision2030 1st STAGE, based on its Vision2030 long-term strategic framework, aiming to contribute to the realization of a sustainable society and accelerate business growth.

In the Consumer Products Business segment, the Lion Group will continue to introduce environmentally friendly products and launch new products that offer new value within the laundry experience, working to accelerate new value creation initiatives in its four fields of value creation.

In the Industrial Products Business segment, the Lion Group will steadily promote its priority measures in such key areas as the Mobility and Electronics fields to increase profitability and strive to contribute to sustainability through the sale of its products. Furthermore, Lion will step up marketing efforts to reach out to key customer groups in the Detergents for Institutional Use Products field while striving to expand sales of hygiene-related products.

With regard to the Overseas Business segment, the Lion Group will work to increase profitability in the home care field. The Group will also implement marketing activities focused mainly on its business in the personal care field, which includes oral care and beauty care products, placing the greatest emphasis on the Chinese market. Furthermore, Lion will work to quickly develop businesses in newly entered countries.

As a result of the above, consolidated results forecasts for fiscal 2023 are as follows: net sales of ¥410,000 million (up 5.2 % year on year), core operating income of ¥25,000 million (up 6.1% year on year), operating profit of ¥25,000 million (down 13.3% year on year) and profit for the period attributable to owners of the parent of ¥17,500 million (down 20.2% year on year).

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

¥128= US$1.00
¥3.8 = 1.00 baht

## 2. Financial Status

### (1) Status of Consolidated Assets, Liabilities and Equity

| | 2022 | 2021 | Change |
|---|---|---|---|
| Total assets (millions of yen) | 469,278 | 428,025 | 41,253 |
| Total equity (millions of yen) | 279,168 | 265,014 | 14,153 |
| Ratio of equity attributable to owners of the parent to total assets[1] (%) | 56.3% | 58.8% | (2.5%) |
| Equity attributable to owners of the parent per share[2] (yen) | 929.72 | 865.31 | 64.41 |

Notes: 1. Ratio of equity attributable to owners of the parent to total assets = (Total equity – Non-controlling interests) / Total assets
2. Non-controlling interests are excluded from the calculation of equity attributable to owners of the parent per share.

Total assets rose ¥41,253 million compared with the previous consolidated fiscal year-end to ¥469,278 million. This was primarily attributable to an increase in right-of-use assets. Total equity increased ¥14,153 million to ¥279,168 million. The ratio of equity attributable to owners of the parent to total assets stood at 56.3%

### (2) Cash Flows

**Consolidated Cash Flows** (Millions of yen)

| | 2022 | 2021 | Change |
|---|---|---|---|
| Cash flows from operating activities | 41,962 | 19,296 | 22,665 |
| Cash flows from investing activities | (19,535) | (34,177) | 14,641 |
| Cash flows from financing activities | (19,821) | (10,225) | (9,595) |
| Effect of exchange rate change on cash and cash equivalents | 1,222 | 822 | 400 |
| Net increase (decrease) in cash and cash equivalents | 3,827 | (24,283) | 28,111 |
| Cash and cash equivalents at end of period | 101,078 | 97,250 | 3,827 |

Net cash provided by operating activities totaled ¥41,962 million, due mainly to profit before tax.

Net cash used in investing activities totaled ¥19,535 million, due in part to the purchase of property, plant and equipment.

Net cash used in financing activities totaled ¥19,821 million. Major components of this outflow included the purchase of treasury stock.

As a result of the above, cash and cash equivalents as of December 31, 2022 increased ¥3,827 million compared with December 31, 2021, to ¥101,078 million.

### (3) Forecast of Fiscal 2023 Consolidated Cash Flows

In cash flows from operating activities, Lion projects profit before tax of approximately ¥26,000 million. Depreciation and amortization is estimated to total about ¥20,000 million.

In cash flows from investment activities, Lion plans to undertake capital expenditures of around ¥22,000 million during fiscal 2023.

Cash flows from financing activities are expected to yield an outflow of about ¥13,000 million mainly due to cash dividends paid.

Based on these projections, Lion estimates that cash and cash equivalents at the end of fiscal 2023 will be up approximately ¥11,000 million year on year.

### (4) Cash Flow Indicators

| | Fiscal 2018 | Fiscal 2019 | Fiscal 2020 | Fiscal 2021 | Fiscal 2022 |
|---|---|---|---|---|---|
| Ratio of equity attributable to owners of the parent to total assets (%) | 53.8 | 54.7 | 53.2 | 58.8 | 56.3 |
| Ratio of equity attributable to owners of the parent to total assets on a market value basis (%) | 185.7 | 162.3 | 166.8 | 104.4 | 91.7 |
| Debt redemption (years) | 0.2 | 0.3 | 0.3 | 0.6 | 0.8 |
| Interest coverage ratio | 259.3 | 431.9 | 719.4 | 564.8 | 1,021.4 |

Notes:

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

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

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

Taking into consideration the Company's cash dividend payment record, as well as its dividend payout ratio target, Lion's Board of Directors resolved to pay an interim dividend of ¥12 per share (payment date: September 5, 2022) and a year-end dividend of ¥13 per share (payment date: March 2, 2023) for fiscal 2022.

With regard to dividends for fiscal 2023, in accordance with its basic policy on the distribution of earnings and cash dividends, Lion plans to pay an interim dividend of ¥13 per share and a year-end dividend of ¥13 per share, for a total annual dividend of ¥26 per share.

## II. Corporate Group

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

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

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

Note: Due to a change in the business structure of consolidated Group subsidiary Lion Chemical Co., Ltd., said company's business, which was previously concentrated in the Industrial Products segment, has been divided between the Industrial Products and Consumer Products segments.

## III. Management Policies

### 1. Basic Management Policies

The Lion Group positions “Fulfilling a Spirit of Love” as fundamental to its management, and thus contributes to the enrichment of the happiness and lives of people. Based on this motto and its purpose, “Make a difference in everyday lives by redesigning habits: ReDesign,” the Lion Group provides customers with superior products and services that are useful in realizing health, comfort and cleanliness in daily living. The Group sees proactively contributing to society through such efforts as its mission.

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

### 2. Long-Term Management Strategies

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

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

**Vision2030 Long-Term Strategic Framework**

Management Vision

Becoming an advanced daily healthcare company

**Advancing Three Growth Strategies**

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

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

**Reinforce Initiatives to Address the Sustainability Material Issues**

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

Envisioned Financial Performance in 2030

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

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

## 3. Management Issues

To achieve its management vision, the Lion Group must rapidly implement and realize results from the strategies of Vision2030 1st STAGE.

### ◇Management Strategies for Realizing the Management Vision

The Three Growth Strategies

**(1)** Accelerate Growth in four fields of value creation

Focusing on the four fields of value creation, we will reinforce existing businesses and create new value to secure profit opportunities and further accelerate growth in Japan and overseas.

**(2)** Transform Our Business Foundations for Growth

We will reinforce strategic investment (in M&A, supply chain management, manufacturing infrastructure, digital technologies, sustainability, etc.) necessary for future growth and transform our business base into one that promotes growth.

**(3)** Generate Dynamism to Realize Innovative Change

We will create dynamism to transform into a company that can grow sustainably by improving employee engagement through professional fulfillment reforms and diversity and inclusion initiatives.

Reinforce Initiatives to Address the Sustainability Material Issues

We will contribute to the realization of a decarbonized, resource-circulating society by promoting the formation of environmentally friendly living habits together with consumers. We will further develop our environmental technologies and advance the development of products and services that apply such technologies. Furthermore, we will work with other industry actors and companies to develop water-saving habits, power-saving habits, refill habits and waste-free habits[3] that reduce environmental impact in the home, both in Japan and the rest of Asia.

3 Creating habits to realize resource recycling through advanced recycling initiatives (infrastructure development, recycling technology, etc.)

As social issues related to healthcare, such as improving quality of life (QOL) and extending healthy life expectancies, grow more prevalent in Japan and overseas, the Lion Group's role as a familiar presence in people's everyday life will continue to grow.

By vigorously promoting the aforementioned strategies, the Lion Group will create shared value with society through its businesses. Simultaneously, the Group will make broad-ranging contributions to the realization of a sustainable society and thereby enhance its corporate value.

## IV. Basic Approach Regarding the Selection of Accounting Standards

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

## V. Consolidated Financial Statements and Notes

### (1) Consolidated Statement of Financial Position

(Millions of yen)

| | December 31, 2021 | December 31, 2022 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 97,250 | 101,078 |
| Trade and other receivables | 70,115 | 71,263 |
| Inventories | 51,714 | 53,909 |
| Other financial assets | 6,656 | 7,977 |
| Other current assets | 6,413 | 3,462 |
| Total current assets | 232,150 | 237,691 |
| Non-current assets | | |
| Property, plant and equipment | 120,673 | 130,137 |
| Goodwill | 182 | 327 |
| Intangible assets | 23,975 | 23,917 |
| Right-of-use assets | 5,416 | 31,518 |
| Investments accounted for using the equity method | 6,935 | 8,939 |
| Deferred tax assets | 6,005 | 3,912 |
| Retirement benefit assets | 9,768 | 9,147 |
| Other financial assets | 21,815 | 22,856 |
| Other non-current assets | 1,100 | 831 |
| Total non-current assets | 195,875 | 231,587 |
| Total assets | 428,025 | 469,278 |

(Millions of yen)

| | December 31, 2021 | December 31, 2022 |
|---|---|---|
| Liabilities and equity | | |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | 123,146 | 126,024 |
| Borrowings | 1,411 | 1,433 |
| Income tax payables | 2,470 | 2,182 |
| Provisions | 1,673 | 1,444 |
| Lease liabilities | 1,483 | 1,746 |
| Other financial liabilities | 855 | 1,681 |
| Other current liabilities | 8,178 | 7,061 |
| Total current liabilities | 139,218 | 141,574 |
| Non-current liabilities | | |
| Borrowings | 392 | 141 |
| Deferred tax liabilities | 1,270 | 2,701 |
| Retirement benefit liabilities | 12,684 | 10,431 |
| Provisions | 332 | 2,058 |
| Lease liabilities | 5,088 | 28,849 |
| Other financial liabilities | 2,469 | 2,378 |
| Other non-current liabilities | 1,554 | 1,974 |
| Total non-current liabilities | 23,792 | 48,536 |
| Total liabilities | 163,011 | 190,110 |
| Equity | | |
| Share capital | 34,433 | 34,433 |
| Capital surplus | 35,189 | 31,069 |
| Treasury stock | (4,731) | (8,056) |
| Other components of equity | 9,311 | 13,966 |
| Retained earnings | 177,370 | 192,842 |
| Equity attributable to owners of the parent | 251,572 | 264,255 |
| Non-controlling interests | 13,442 | 14,912 |
| Total equity | 265,014 | 279,168 |
| Total liabilities and equity | 428,025 | 469,278 |

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

Consolidated Statement of Income

(Millions of yen)

| | Year Ended December 31, 2021 | Year Ended December 31, 2022 |
|---|---|---|
| Net sales | 366,234 | 389,869 |
| Cost of sales | (187,129) | (215,263) |
| Gross profit | 179,104 | 174,605 |
| Selling, general and administrative expenses | (148,181) | (151,046) |
| Other income | 1,208 | 6,738 |
| Other expenses | (953) | (1,453) |
| Operating profit | 31,178 | 28,843 |
| Finance income | 817 | 804 |
| Finance costs | (136) | (179) |
| Share of profit of investments accounted for using the equity method | 2,229 | 1,824 |
| Profit before tax | 34,089 | 31,292 |
| Income taxes | (8,657) | (8,182) |
| Profit for the period | 25,431 | 23,110 |
| | | |
| Profit for the period attributable to: | | |
| Owners of the parent | 23,759 | 21,939 |
| Non-controlling interests | 1,671 | 1,170 |
| Profit for the period | 25,431 | 23,110 |
| | | |
| Earnings per share | | |
| Basic (Yen) | 81.73 | 77.04 |
| Diluted (Yen) | 81.59 | 76.91 |

## Consolidated Statement of Comprehensive Income

(Millions of yen)

| | Year Ended December 31, 2021 | Year Ended December 31, 2022 |
|---|---|---|
| Profit for the period | 25,431 | 23,110 |
| Other comprehensive income | | |
| Items that will not be reclassified as profit or loss | | |
| Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income | 85 | 729 |
| Remeasurements of defined benefit plans | 1,457 | 2,523 |
| Share of other comprehensive income (loss) of investments accounted for using the equity method | 30 | 24 |
| Total items that will not be reclassified as profit or loss | 1,573 | 3,277 |
| Items that may be subsequently reclassified as profit or loss | | |
| Net gain (loss) on derivatives designated as cash flow hedges | 0 | (42) |
| Exchange differences on translation of foreign operations | 1,824 | 5,680 |
| Share of other comprehensive income (loss) of investments accounted for using the equity method | (362) | — |
| Total items that may be subsequently reclassified as profit or loss | 1,462 | 5,638 |
| Total other comprehensive income, net of tax | 3,035 | 8,915 |
| Comprehensive income for the period | 28,467 | 32,025 |
| | | |
| Comprehensive income for the period attributable to: | | |
| Owners of the parent | 26,618 | 29,411 |
| Non-controlling interests | 1,848 | 2,614 |
| Comprehensive income for the period | 28,467 | 32,025 |

## (3) Consolidated Statement of Changes in Equity

Fiscal 2021 (January 1 to December 31, 2021)

(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 | Remeasure-ments of defined benefit plans |
| Balance at January 1, 2021 | 34,433 | 34,986 | (4,739) | 138 | 10,592 | — |
| Changes during the period | | | | | | |
| Comprehensive income | | | | | | |
| Profit for the period | | | | | | |
| Other comprehensive income | | | | | 113 | 1,457 |
| Total comprehensive income for the period | — | — | — | — | 113 | 1,457 |
| Transactions with owners | | | | | | |
| Dividends | | | | | | |
| Acquisition of treasury stock | | | (3) | | | |
| Disposal of treasury stock | | 1 | 10 | (2) | | |
| Share-based payments | | 202 | | | | |
| Transfer from other components of equity to retained earnings | | | | | (2,164) | (1,457) |
| Total transactions with owners | — | 203 | 7 | (2) | (2,164) | (1,457) |
| Balance at December 31, 2021 | 34,433 | 35,189 | (4,731) | 135 | 8,541 | — |

| | Equity attributable to owners of the parent | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| | Other components of equity | | | Retained earnings | Total | | |
| | Net gain (loss) on derivatives designated as cash flow hedges | Exchange differences on translation of foreign operations | Total | | | | |
| Balance at January 1, 2021 | (0) | (654) | 10,076 | 156,965 | 231,723 | 13,133 | 244,856 |
| Changes during the period | | | | | | | |
| Comprehensive income | | | | | | | |
| Profit for the period | | | — | 23,759 | 23,759 | 1,671 | 25,431 |
| Other comprehensive income | 0 | 1,288 | 2,858 | | 2,858 | 177 | 3,035 |
| Total comprehensive income for the period | 0 | 1,288 | 2,858 | 23,759 | 26,618 | 1,848 | 28,467 |
| Transactions with owners | | | | | | | |
| Dividends | | | — | (6,977) | (6,977) | (1,539) | (8,517) |
| Acquisition of treasury stock | | | — | | (3) | | (3) |
| Disposal of treasury stock | | | (2) | | 8 | | 8 |
| Share-based payments | | | — | | 202 | | 202 |
| Transfer from other components of equity to retained earnings | | | (3,621) | 3,621 | — | | — |
| Total transactions with owners | — | — | (3,624) | (3,355) | (6,769) | (1,539) | (8,309) |
| Balance at December 31, 2021 | — | 634 | 9,311 | 177,370 | 251,572 | 13,442 | 265,014 |

Fiscal 2022 (January 1 to December 31, 2022)

(Millions of yen)

| | Equity attributable to owners of the parent | | | | | |
|---|---|---|---|---|---|---|
| | | | | Other components of equity | | |
| | Share capital | Capital surplus | Treasury stock | Subscription rights to shares | Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income | Remeasure-ments of defined benefit plans |
| Balance at January 1, 2022 | 34,433 | 35,189 | (4,731) | 135 | 8,541 | — |
| Changes during the period | | | | | | |
| Comprehensive income | | | | | | |
| Profit for the period | | | | | | |
| Other comprehensive income | | | | | 670 | 2,523 |
| Total comprehensive income for the period | — | — | — | — | 670 | 2,523 |
| Transactions with owners | | | | | | |
| Dividends | | | | | | |
| Acquisition of treasury stock | | | (10,001) | | | |
| Disposal of treasury stock | | 1 | 46 | (12) | | |
| Cancellation of treasury stock | | (4,259) | 6,630 | | | |
| Share-based payments | | 137 | | | | |
| Changes due to business combination | | | | | | |
| Transfer from other components of equity to retained earnings | | | | | (281) | (2,523) |
| Total transactions with owners | — | (4,120) | (3,324) | (12) | (281) | (2,523) |
| Balance at December 31, 2022 | 34,433 | 31,069 | (8,056) | 123 | 8,930 | — |

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

**(4) Consolidated Statement of Cash Flows**

(Millions of yen)

| | Year Ended December 31, 2021 | Year Ended December 31, 2022 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before tax | 34,089 | 31,292 |
| Depreciation and amortization | 14,252 | 17,665 |
| Impairment loss | 15 | 501 |
| Interest and dividend income | (699) | (671) |
| Interest expenses | 136 | 179 |
| Share of loss (profit)s of investments accounted for using the equity method | (2,229) | (1,824) |
| Loss (gain) on disposal of non-current assets | 373 | (4,932) |
| Decrease (increase) in trade and other receivables | (7,106) | 992 |
| Decrease (increase) in inventories | (5,839) | (1,065) |
| Increase (decrease) in trade and other payables | 3,936 | (870) |
| Increase in net defined benefit liability | 1,801 | 1,070 |
| Other | (876) | 3,139 |
| Subtotal | 37,853 | 45,477 |
| Interest and dividends received | 1,490 | 1,592 |
| Interest paid | (34) | (41) |
| Income taxes paid | (20,013) | (5,066) |
| Cash flows from operating activities | 19,296 | 41,962 |
| Cash flows from investing activities | | |
| Net decrease (increase) in time deposits | 2,837 | (1,312) |
| Purchase of property, plant and equipment | (37,282) | (18,490) |
| Proceeds from sales of property, plant and equipment | 56 | 5,521 |
| Purchase of intangible assets | (5,639) | (4,655) |
| Purchase of other financial assets | (901) | (331) |
| Proceeds from sales of other financial assets | 4,023 | 677 |
| Proceeds from sales of affiliates | 3,077 | 35 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | — | (96) |
| Other | (347) | (883) |
| Cash flows from investing activities | (34,177) | (19,535) |
| Cash flows from financing activities | | |
| Repayment of long-term borrowings | (259) | (274) |
| Cash dividends paid | (6,974) | (6,895) |
| Cash dividends paid to non-controlling interests | (1,539) | (1,169) |
| Repayment of lease liabilities | (1,456) | (1,504) |
| Purchase of treasury stock | — | (10,001) |
| Other | 5 | 25 |
| Cash flows from financing activities | (10,225) | (19,821) |
| Effect of exchange rate changes on cash and cash equivalents | 822 | 1,222 |
| Increase (decrease) in cash and cash equivalents | (24,283) | 3,827 |
| Cash and cash equivalents at beginning of period | 121,534 | 97,250 |
| Cash and cash equivalents at end of period | 97,250 | 101,078 |

## (5) Notes to Consolidated Financial Statements

### Notes relating to the assumption of a going concern

Not applicable.

### Segment Information

1) Overview of reportable segments

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

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

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

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

The Group's reportable segments are as follows.

A. Consumer Products Business

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

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

B. Industrial Products Business

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

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

C. Overseas Business

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

D. Other Business

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

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

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

2) Net Sales and Performance of Reportable Segments

Fiscal 2021 (January 1 to December 31, 2021)

(Millions of yen)

| | Reportable Segment | | | Other | Total | Adjustment[2] | Consolidated[3] |
|---|---|---|---|---|---|---|---|
| | Consumer Products Business | Industrial Products Business | Overseas Business | | | | |
| Net sales | | | | | | | |
| External | 229,595 | 34,779 | 98,727 | 3,193 | 366,296 | (62) | 366,234 |
| Intersegment[1] | 28,337 | 15,627 | 10,525 | 24,687 | 79,178 | (79,178) | — |
| Total | 257,932 | 50,407 | 109,253 | 27,881 | 445,474 | (79,240) | 366,234 |
| Core operating income | 18,974 | 2,716 | 6,005 | 2,145 | 29,841 | 1,081 | 30,923 |
| Other income | | | | | | | 1,208 |
| Other expenses | | | | | | | (953) |
| Operating profit | | | | | | | 31,178 |
| Finance income | | | | | | | 817 |
| Finance costs | | | | | | | (136) |
| Share of profit of investments accounted for using the equity method | | | | | | | 2,229 |
| Profit before tax | | | | | | | 34,089 |
| Other monetary items | | | | | | | |
| Depreciation and amortization | 8,485 | 1,119 | 3,009 | 104 | 12,719 | 1,533 | 14,252 |

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

2. A positive ¥1,081 million adjustment of core operating income mainly comprises intersegment eliminations and corporate expenses not allocated to any reportable segment.

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

| | (Millions of yen) |
|---|---|
| Gross profit | 179,104 |
| Selling, general and administrative expenses | (148,181) |
| Core operating income | 30,923 |

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

Fiscal 2022 (January 1 to December 31, 2022)

(Millions of yen)

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

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

| | (Millions of yen) |
|---|---|
| Gross profit | 174,605 |
| Selling, general and administrative expenses | (151,046) |
| Core operating income | 23,559 |

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

3) Disclosure of Changes, etc., in Reportable Segments

From the first quarter of the fiscal year under review, due to a change in the business structure of consolidated Group subsidiary Lion Chemical Co., Ltd., said company's business, which was previously concentrated in the Industrial Products segment, has been divided between the Industrial Products and Consumer Products segments.

Segment information for the previous fiscal year has been restated to reflect this change.

4) Information by product and service category

Fiscal 2021 (January 1 to December 31, 2021)

(Millions of yen)

| | Healthcare | Household | Chemicals | Other | Total |
|---|---|---|---|---|---|
| Sales to external customers | 177,702 | 160,802 | 24,395 | 3,333 | 366,234 |

Fiscal 2022 (January 1 to December 31, 2022)

(Millions of yen)

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

5) Information by region

A. Net sales

Fiscal 2021 (January 1 to December 31, 2021)

(Millions of yen)

| Japan | Asia | | Other | Total |
|---|---|---|---|---|
| | | Thailand | | |
| 263,957 | 101,070 | 42,331 | 1,205 | 366,234 |

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

Fiscal 2022 (January 1 to December 31, 2022)

(Millions of yen)

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

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

B. Non-current assets

Fiscal 2021 (December 31, 2021)

(Millions of yen)

| Japan | Asia | | Total |
|---|---|---|---|
| | | Thailand | |
| 125,217 | 26,131 | 13,736 | 151,349 |

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

Fiscal 2022 (December 31, 2022)

(Millions of yen)

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

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

6) Major customers

Fiscal 2021 (January 1 to December 31, 2021)

(Millions of yen)

| Customer | Net sales | Related segments |
|---|---|---|
| PALTAC Corporation | 96,837 | Consumer Products, Industrial Products |
| Arata Corporation | 45,254 | Consumer Products, Industrial Products |

Fiscal 2022 (January 1 to December 31, 2022)

(Millions of yen)

| Customer | Net sales | Related segments |
|---|---|---|
| PALTAC Corporation | 101,628 | Consumer Products, Industrial Products |
| Arata Corporation | 43,363 | Consumer Products, Industrial Products |

**Income Taxes**

(1) Deferred tax assets and deferred tax liabilities

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

(Millions of yen)

| | December 31, 2021 | December 31, 2022 |
|---|---|---|
| Deferred tax assets | | |
| Provisions, other current liabilities, etc. | 4,679 | 4,435 |
| Retirement benefit assets and liabilities | 8,323 | 7,234 |
| Excess depreciation | 660 | 711 |
| Accrued enterprise and office taxes | 278 | 172 |
| Appraisal value of inventories | 561 | 528 |
| Unrealized profit on inventories and non-current assets | 1,279 | 1,173 |
| Other | 1,842 | 2,182 |
| Total | 17,626 | 16,438 |
| Deferred tax liabilities | | |
| Special depreciation of non-current assets | (827) | (1,929) |
| Valuation difference upon contribution of securities to retirement benefit trust | (3,902) | (3,862) |
| Temporary differences due to distribution of retained earnings at overseas affiliates | (2,384) | (2,891) |
| Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income | (3,406) | (3,625) |
| Right of trademark | (2,035) | (2,046) |
| Other | (335) | (873) |
| Total | (12,891) | (15,227) |

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

(Millions of yen)

| | Year ended December 31, 2021 | Year ended December 31, 2022 |
|---|---|---|
| Net deferred tax assets and (liabilities) | | |
| Balance at beginning of the year | 4,353 | 4,735 |
| Deferred income taxes | (124) | (2,528) |
| Deferred taxes related to other comprehensive income items | | |
| Net gain (loss) on revaluation of financial assets measured at fair value | (116) | (367) |
| Net gain (loss) on derivatives designated as cash flow hedges | 0 | 18 |
| Remeasurements of defined benefit plans | 585 | (1,021) |
| Other | 37 | 373 |
| Balance at end of the year | 4,735 | 1,210 |

(2) Unrecognized deferred tax assets

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

(Millions of yen)

| | December 31, 2021 | December 31, 2022 |
|---|---|---|
| Deductible temporary differences | 8,602 | 8,620 |

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

(3) Unrecognized deferred tax liabilities

There were no significant taxable temporary differences related to the investments of subsidiaries not recognized as deferred tax liabilities at December 31, 2021 or December 31, 2022.

(4) Income taxes

Income taxes recognized through profit or loss are as follows.

(Millions of yen)

| | Year ended December 31, 2021 | Year ended December 31, 2022 |
|---|---|---|
| Current income taxes | 8,533 | 5,653 |
| Deferred income taxes | | |
| Origination and reversal of temporary differences | 665 | 2,524 |
| Adjustments and reversals of deferred tax assets | (541) | 5 |
| Total | 8,657 | 8,182 |

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

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

| | Year ended December 31, 2021 | Year ended December 31, 2022 |
|---|---|---|
| Statutory tax rate | 30.6% | 30.6% |
| Entertainment expenses and other non-deductible items | 0.2% | 0.2% |
| Dividend income and other items not recognizable as income for tax purposes | 0.2% | (1.0%) |
| Unrecognized deferred tax assets | (0.0%) | 0.1% |
| Differences in tax rates applicable to foreign subsidiaries | (2.2%) | (1.8%) |
| Research and development expenses and other special deductions | (3.1%) | (2.1%) |
| Foreign tax credits | 0.5% | 0.5% |
| Other | (0.8%) | (0.4%) |
| Effective tax rate | 25.4% | 26.1% |

Note: The Company is subject to taxes mainly comprising income taxes, residence taxes and enterprise taxes. Calculated based on these taxes, the statutory tax rate for the fiscal years ended December 31, 2021 and December 31, 2022 was 30.6%. However, overseas subsidiaries are subject to the income and other taxes of their respective locations.

**Post-Retirement Benefits**

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

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

(1) Defined benefit plans

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

(Millions of yen)

| | December 31, 2021 | December 31, 2022 |
|---|---|---|
| Present value of defined benefit obligation | 64,428 | 57,287 |
| Fair value of plan assets | (61,512) | (56,003) |
| Total | 2,916 | 1,284 |
| Retirement benefit liabilities | 12,684 | 10,431 |
| Retirement benefit assets | (9,768) | (9,147) |
| Net liabilities presented in the Consolidated Statement of Financial Position | 2,916 | 1,284 |

A. Changes in the present value of retirement benefit obligation

(Millions of yen)

| | Year ended December 31, 2021 | Year ended December 31, 2022 |
|---|---|---|
| Balance of retirement benefit obligation at beginning of year | 66,558 | 64,428 |
| Current service costs | 2,315 | 2,188 |
| Interest expenses | 212 | 215 |
| Remeasurements | | |
| Experience adjustments | (237) | (4,515) |
| Actuarial differences arising from changes in demographic assumptions | — | — |
| Actuarial differences arising from changes in financial assumptions | — | — |
| Retirement benefit payments | (4,424) | (5,306) |
| Other | 4 | 276 |
| Balance of retirement benefit obligation at end of year | 64,428 | 57,287 |

The weighted average duration of the defined benefit obligation was 10.6 years at December 31 2021 and 10.1 years at December 31, 2022.

B. Changes in the fair value of plan assets

(Millions of yen)

| | Year ended December 31, 2021 | Year ended December 31, 2022 |
|---|---|---|
| Balance of plan assets at beginning of year | 63,485 | 61,512 |
| Interest revenue on plan assets | 206 | 210 |
| Remeasurements | | |
| Return on plan assets (excluding interest revenue) | 1,792 | (984) |
| Employer contributions | 320 | 384 |
| Retirement benefit payments | (4,312) | (5,202) |
| Other | 19 | 82 |
| Balance of plan assets at end of year | 61,512 | 56,003 |

The Group's planned contribution to defined benefit plans in the consolidated fiscal year ending December 31, 2023 is ¥426 million.

C. Plan asset management policy

The pension assets held by the LION PENSION FUND account for approximately 60% of the Group's plan assets. Management of the LION PENSION FUND's pension assets is aimed at securing the necessary total returns over the long term to ensure the payment of the defined benefit obligation going forward. Specifically, the Group manages such assets by considering factors that include the expected rates of return, risk and combinations of investment assets to determine an investment asset mix that will be optimal into the future and then maintaining this mix. Every year, the asset mix is evaluated, and if the conditions upon which it was formulated have changed, it is revised as needed. At present, in light of the fund's highly mature financial status with retirement benefit payments greatly exceeding revenues from premiums, the fund is managed in a relatively low-risk manner with an asset mix focused primarily on bonds.

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

D. Components of plan assets

The components of plan assets are as follows.

(Millions of yen)

| | December 31, 2021 | | December 31, 2022 | |
|---|---|---|---|---|
| | Assets with quoted prices in active markets | Assets without quoted prices in active markets | Assets with quoted prices in active markets | Assets without quoted prices in active markets |
| Bonds | — | 28,438 | — | 22,336 |
| Stocks | 19,874 | — | 20,205 | — |
| Other | 8,376 | 4,822 | 9,555 | 3,907 |
| Total | 28,251 | 33,261 | 29,760 | 26,243 |

E. Actuarial assumptions

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

| | December 31, 2021 | December 31, 2022 |
|---|---|---|
| Discount rate | 0.3% | 1.0% |

F. Sensitivity analysis of actuarial assumptions

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

This analysis assumes that other relevant variables are fixed.

(Millions of yen)

| | Year ended December 31, 2021 | Year ended December 31, 2022 |
|---|---|---|
| Discount rate up to 0.5% | (2,930) | (2,448) |
| Discount rate down to 0.5% | 1,897 | 2,687 |

(2) Defined contribution plans

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

(Millions of yen)

| | Year ended December 31, 2021 | Year ended December 31, 2022 |
|---|---|---|
| Expenses related to defined contribution plans | 3,074 | 3,062 |

**Earnings per Share**

(1) Basic earnings per share

| | Year ended December 31, 2021 | Year ended December 31, 2022 |
|---|---|---|
| Profit for the period attributable to owners of the parent (millions of yen) | 23,759 | 21,939 |
| Average common shares during the period (thousands of shares) | 290,729 | 284,763 |
| Basic earnings per share (yen) | 81.73 | 77.04 |

(2) Diluted earnings per share

| | Year ended December 31, 2021 | Year ended December 31, 2022 |
|---|---|---|
| Profit for the period attributable to owners of the parent (millions of yen) | 23,759 | 21,939 |
| Adjustments to profit for the period (millions of yen) | — | — |
| Profit for the period used to calculate diluted earnings per share (millions of yen) | 23,759 | 21,939 |
| Average common shares during the period (thousands of shares) | 290,729 | 284,763 |
| Stock options (thousands of shares) | 231 | 218 |
| Executive compensation BIP trust (thousands of shares) | 245 | 290 |
| Diluted average common shares during the period (thousands of shares) | 291,206 | 285,272 |
| Diluted earnings per share (yen) | 81.59 | 76.91 |

**Important Subsequent Events**

Making a Company an Equity-Method Affiliate by Share Acquisition

Lion Corporation reached a decision at the January 16, 2023 Board of Directors meeting to acquire 36% of the shares of Vietnam-based MERAP HOLDING CORPORATION (“MERAP”). A share transfer agreement was concluded the same day.

With this acquisition, Lion plans to make MERAP an equity-method affiliate.

(1) Reasons for the Acquisition

The Lion Group has established the management vision “Becoming an advanced daily healthcare company,” driven by its purpose, “Make a difference in everyday lives by redesigning habits: ReDesign,” and is working toward the realization of this vision. In particular, to expand the Overseas Business, which will be important to achieving the vision for 2030, Lion is working to reinforce its businesses in countries and areas where it already operates while also entering new countries and areas with the aim of expanding its presence in Asia. Until now, Lion has exported certain products to the Vietnamese market mainly through its overseas affiliates. Now, to expand its business in this market, which is expected to see ongoing growth, Lion has decided to acquire shares of MERAP, which operates in the country.

MERAP possesses major brands in the healthcare field, mainly in over-the-counter pharmaceuticals, as well as a distribution network and sales capabilities covering hospitals, clinics and pharmacies throughout Vietnam. We will pursue synergy by combining these business foundations with the Lion Group’s strengths in product development and production technology. By doing so, we aim to contribute to the creation of better habits and achieve business expansion in Vietnam.

(2) Overview of the Affiliate to be Acquired

| | |
|---|---|
| (1) Name | MERAP HOLDING CORPORATION |
| (2) Location | Ho Chi Minh City, Vietnam |
| (3) Representative | Dao Xuan Dinh |
| (4) Business | Strategic and operational management of group companies involved mainly in the manufacture and sale of pharmaceuticals and medical devices |
| (5) Capital | 224,000 million VND (approx. ¥1,254 million) |
| (6) Date of establishment | June 3, 2019 |

(3) Shares to be Acquired and Shareholdings before and after Acquisition

| | |
|---|---|
| (1) Shares held by Lion before acquisition | 0 (0% of voting rights) |
| (2) Shares to be acquired | 8,064,000 (36.0% of voting rights) |
| (3) Shares held by Lion after acquisition | 8,064,000 (36.0% of voting rights) |

(4) Dates of Agreement and Acquisition of Shares

| | |
|---|---|
| (1) Conclusion of the acquisition agreement | January 16, 2023 |
| (2) Acquisition of shares | Early March 2023 (tentative) |

Note: Depending on progress toward meeting the necessary conditions for the share acquisition, the date of the delivery of shares may differ.

By agreement of the parties to the transaction, the acquisition price is undisclosed.