ANNUAL REPORT 2022

Lion Corporation

Fiscal year ended December 31, 2022

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, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars [Note 2(d)]
ASSETS	**2022**	2021	**2022**
Current assets:			
Cash and cash equivalents [Notes 5, 30]	**¥101,078**	¥97,250	**$761,706**
Trade and other receivables [Notes 6, 30]	**71,263**	70,115	**537,025**
Inventories [Note 7]	**53,909**	51,714	**406,254**
Other financial assets[Notes 8, 30]	**7,977**	6,656	**60,116**
Other current assets[Note 9]	**3,462**	6,413	**26,092**
Total current assets	**237,691**	232,150	**1,791,194**
Non-current assets:			
Property, plant and equipment [Note 10]	**130,137**	120,673	**980,687**
Goodwill [Note 11]	**327**	182	**2,471**
Intangible assets [Note 11]	**23,917**	23,975	**180,235**
Right-of-use assets [Note 27]	**31,518**	5,416	**237,515**
Investments accounted for using the equity method [Note 12]	**8,939**	6,935	**67,369**
Deferred tax assets [Note 13]	**3,912**	6,005	**29,481**
Retirement benefit assets [Note 19]	**9,147**	9,768	**68,935**
Other financial assets [Notes 8, 30]	**22,856**	21,815	**172,239**
Other non-current assets [Note 9]	**831**	1,100	**6,262**
Total non-current assets	**231,587**	195,875	**1,745,195**
Total assets	**¥469,278**	¥428,025	**$3,536,389**

See accompanying notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen 2022	2021	Thousands of U.S. dollars [Note 2(d)] 2022
Liabilities			
Current liabilities:			
Trade and other payables [Notes 14,30]	**¥126,024**	¥123,146	**$949,695**
Borrowings [Notes 15,30]	**1,433**	1,411	**10,803**
Income tax payables	**2,182**	2,470	**16,448**
Provisions [Note 18]	**1,444**	1,673	**10,886**
Lease liabilities [Note 30]	**1,746**	1,483	**13,164**
Other financial liabilities [Notes 16,30]	**1,681**	855	**12,668**
Other current liabilities [Note 17]	**7,061**	8,178	**53,216**
Total current liabilities	**141,574**	139,218	**1,066,879**
Non-current liabilities:			
Borrowings [Notes 15,30]	**141**	392	**1,068**
Deferred tax liabilities [Note 13]	**2,701**	1,270	**20,355**
Retirement benefit liabilities [Note 19]	**10,431**	12,684	**78,611**
Provisions [Note 18]	**2,058**	332	**15,513**
Lease liabilities [Note 30]	**28,849**	5,088	**217,403**
Other financial liabilities [Notes 16,30]	**2,378**	2,469	**17,925**
Other non-current liabilities [Note 17]	**1,974**	1,554	**14,883**
Total Non-current liabilities	**48,536**	23,792	**365,757**
Total liabilities	**190,110**	163,011	**1,432,636**
Equity :			
Share capital [Note 21]	**34,433**	34,433	**259,486**
Capital surplus [Note 21]	**31,069**	35,189	**234,133**
Treasury stock [Note 21]	**(8,056)**	(4,731)	**(60,713)**
Other components of equity	**13,966**	9,311	**105,245**
Retained earnings [Note 21]	**192,842**	177,370	**1,453,223**
Equity attributable to owners of the parent	**264,255**	251,572	**1,991,373**
Non-controlling interests	**14,912**	13,442	**112,380**
Total equity	**279,168**	265,014	**2,103,753**
Total liabilities and equity	**¥469,278**	¥428,025	**$3,536,389**

Consolidated Statement of Profit or Loss
Lion Corporation and Consolidated Subsidiaries
Years ended December 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars [Note 2(d)]
	2022	2021	2022
Net sales [Notes 4,23]	**¥389,869**	¥366,234	**$2,937,978**
Cost of sales [Notes 7,24]	**(215,263)**	(187,129)	**(1,622,185)**
Gross profit	**174,605**	179,104	**1,315,793**
Selling, general and administrative expenses [Note 24]	**(151,046)**	(148,181)	**(1,138,257)**
Other income [Note 25]	**6,738**	1,208	**50,778**
Other expenses [Note 26]	**(1,453)**	(953)	**(10,954)**
Operating profit [Note 4]	**28,843**	31,178	**217,360**
Finance income [Note 28]	**804**	817	**6,060**
Finance costs [Note 28]	**(179)**	(136)	**(1,353)**
Share of profit (loss) of investments accounted for using the equity method [Note 12]	**1,824**	2,229	**13,747**
Profit before income taxes	**31,292**	34,089	**235,814**
Income taxes [Note 13]	**(8,182)**	(8,657)	**(61,662)**
Profit for the year	**23,110**	25,431	**174,152**
Profit for the year attributable to:			
Owners of the parent	**21,939**	23,759	**165,329**
Non-controlling interests	**1,170**	1,671	**8,823**
Profit for the year	**¥23,110**	¥25,431	**$174,152**

	Yen		U.S. dollars [Note 2(d)]
Earnings per share:			
Basic [Note 29]	**¥77.04**	¥81.73	**$0.58**
Diluted [Note 29]	**76.91**	81.59	**0.58**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income
Lion Corporation and Consolidated Subsidiaries
Years ended December 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars [Note 2(d)]
	2022	2021	2022
Profit for the year	**¥23,110**	¥25,431	**$174,152**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income [Notes 22,30]	**729**	85	**5,496**
Remeasurements of defined benefit plans [Note 22]	**2,523**	1,457	**19,015**
Share of other comprehensive income(loss) of investments accounted for using the equity method [Note 22]	**24**	30	**187**
Total items that will not be reclassified to profit or loss	**3,277**	1,573	**24,699**
Items that may be subsequently reclassified to profit or loss			
Net gain (loss) on derivatives designated as cash flow hedges [Note 22]	**(42)**	0	**(317)**
Exchange differences on translation of foreign operations [Note 22]	**5,680**	1,824	**42,806**
Share of other comprehensive income(loss) of investments accounted for using the equity method [Note 22]	—	(362)	—
Total items that may be subsequently reclassified to profit or loss	**5,638**	1,462	**42,489**
Total other comprehensive income, net of tax	**8,915**	3,035	**67,188**
Comprehensive income for the year	**32,025**	28,467	**241,340**
Comprehensive income for the year attributable to:			
Owners of the parent	**29,411**	26,618	**221,636**
Non-controlling interests	**2,614**	1,848	**19,704**
Comprehensive income for the year	**¥32,025**	¥28,467	**$241,340**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Equity
Lion Corporation and Consolidated Subsidiaries
Fiscal 2022 (January 1 to December 31, 2022)

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

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

Consolidated Statement of Changes in Equity

Lion Corporation and Consolidated Subsidiaries
Fiscal 2021 (January 1 to December 31, 2021)

Millions of yen

Equity attributable to owners of the parent

	Notes	Share capital	Capital surplus	Treasury stock	Other components of equity		
					Subscription rights to shares	Net gain(loss) on revaluation of	Remeasurements of defined benefit
Balance at January 1, 2021		¥34,433	¥34,986	¥(4,739)	¥138	¥10,592	¥-
Profit for the year							
Other comprehensive income						113	1,457
Total comprehensive income for the year		-	-	-	-	113	1,457
Dividends	21						
Purchase of treasury stock	21			(3)			
Disposal of treasury stock	21		1	10	(2)		
Share-based payments	20		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 December31,2021		¥34,433	¥35,189	¥(4,731)	¥135	¥8,541	¥-

Millions of yen

	Notes	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
Profit for the year				-	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 year		0	1,288	2,858	23,759	26,618	1,848	28,467
Dividends	21			-	(6,977)	(6,977)	(1,539)	(8,517)
Purchase of treasury stock	21			-		(3)		(3)
Disposal of treasury stock	21			(2)		8		8
Share-based payments	20			-		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 December31,2021		¥-	¥634	¥9,311	¥177,370	¥251,572	¥13,442	¥265,014

Consolidated Statement of Changes in Equity
Lion Corporation and Consolidated Subsidiaries
Fiscal 2022 (January 1 to December 31, 2022)

		Thousands of U.S. dollars [Note 2(d)]					
		Equity attributable to owners of the parent					
					Other components of equity		
		Share capital	Capital surplus	Treasury stock	Subscription rights to shares	Net gain(loss) on revaluation of	Remeasurements of defined benefit
Balance at January 1, 2022		**$259,486**	**$265,183**	**$(35,659)**	**$1,022**	**$64,366**	**$-**
Profit for the year							
Other comprehensive income						**5,056**	**19,015**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**5,056**	**19,015**
Dividends	21						
Purchase of treasury stock	21			**(75,372)**			
Disposal of treasury stock	21		**14**	**348**	**(93)**		
Retirement of treasury stock	21		**(32,096)**	**49,969**			
Share-based payments	20		**1,033**				
Changes due to business combination							
Transfer from other components of						**(2,121)**	**(19,015)**
Total transactions with owners		**-**	**(31,049)**	**(25,054)**	**(93)**	**(2,121)**	**(19,015)**
Balance at December 31, 2022		**$259,486**	**$234,133**	**$(60,713)**	**$930**	**$67,301**	**$-**

		Thousands of U.S. dollars [Note 2(d)]						
		Equity attributable to owners of the parent						
		Other components of equity						
		Net gain (loss) on derivatives designated as cash flow hedges	Exchange differences on translation of foreign operations	Total	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2022		**$-**	**$4,778**	**$70,167**	**$1,336,625**	**$1,895,800**	**$101,297**	**$1,997,097**
Profit for the year				**-**	**165,329**	**165,329**	**8,823**	**174,152**
Other comprehensive income		**(317)**	**32,553**	**56,307**		**56,307**	**10,881**	**67,188**
Total comprehensive income for the year		**(317)**	**32,553**	**56,307**	**165,329**	**221,636**	**19,704**	**241,340**
Dividends	21			**-**	**(51,994)**	**(51,994)**	**(8,814)**	**(60,808)**
Purchase of treasury stock	21			**-**		**(75,372)**		**(75,372)**
Disposal of treasury stock	21			**(93)**		**270**		**270**
Retirement of treasury stock	21			**-**	**(17,873)**	**-**		**-**
Share-based payments	20			**-**		**1,033**		**1,033**
Changes due to business combination				**-**		**-**	**193**	**193**
Transfer from other components of equity to retained earnings				**(21,136)**	**21,136**	**-**		**-**
Total transactions with owners		**-**	**-**	**(21,229)**	**(48,731)**	**(126,063)**	**(8,621)**	**(134,684)**
Balance at December 31, 2022		**$(317)**	**$37,331**	**$105,245**	**$1,453,223**	**$1,991,373**	**$112,380**	**$2,103,753**

__Consolidated Statement of Cash Flows__

Lion Corporation and Consolidated Subsidiaries

Years ended December 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars [Note 2(d)]
	2022	2021	**2022**
Cash flows from operating activities:			
Profit before income taxes	**¥31,292**	¥34,089	**$235,814**
Depreciation and amortization	**17,665**	14,252	**133,126**
Impairment loss	**501**	15	**3,777**
Interest and dividend income	**(671)**	(699)	**(5,061)**
Interest expenses	**179**	136	**1,353**
Share of loss (profit) of investments accounted for using the equity method	**(1,824)**	(2,229)	**(13,747)**
Loss (gain) on disposal of non-current assets	**(4,932)**	373	**(37,168)**
Decrease (increase) in trade and other receivables	**992**	(7,106)	**7,478**
Decrease (increase) in inventories	**(1,065)**	(5,839)	**(8,031)**
Increase (decrease) in trade and other payables	**(870)**	3,936	**(6,558)**
Increase in net retirement benefit liabilities	**1,070**	1,801	**8,063**
Other	**3,139**	(876)	**23,662**
Subtotal	**45,477**	37,853	**342,707**
Interest and dividends received	**1,592**	1,490	**12,004**
Interest paid	**(41)**	(34)	**(310)**
Income taxes (paid) refund	**(5,066)**	(20,013)	**(38,184)**
Net cash flows from operating activities	**41,962**	19,296	**316,217**
Cash flows used in investing activities:			
Net decrease (increase) in time deposits	**(1,312)**	2,837	**(9,892)**
Purchases of property, plant and equipment	**(18,490)**	(37,282)	**(139,340)**
Proceeds from sales of property, plant and equipment	**5,521**	56	**41,608**
Purchases of intangible assets	**(4,655)**	(5,639)	**(35,084)**
Purchases of other financial assets	**(331)**	(901)	**(2,499)**
Proceeds from sales of other financial assets	**677**	4,023	**5,103**
Proceeds from sales of affiliates	**35**	3,077	**267**
Purchase of shares of subsidiaries resulting in change in scope of consolidation	**(96)**	-	**(724)**
Other	**(883)**	(347)	**(6,658)**
Net cash flows used in investing activities	**(19,535)**	(34,177)	**(147,218)**
Cash flows used in financing activities:			
Repayment of long-term borrowings	**(274)**	(259)	**(2,070)**
Cash dividends paid	**(6,895)**	(6,974)	**(51,965)**
Cash dividends paid to non-controlling interests	**(1,169)**	(1,539)	**(8,814)**
Repayment of lease liabilities	**(1,504)**	(1,456)	**(11,341)**
Purchase of treasury stock	**(10,001)**	-	**(75,372)**
Other	**25**	5	**193**
Net cash flows used in financing activities	**(19,821)**	(10,225)	**(149,369)**
Effect of exchange rate changes on cash and cash equivalents	**1,222**	822	**9,213**
Net increase in cash and cash equivalents	**3,827**	(24,283)	**28,844**
Cash and cash equivalents at beginning of the period [Note 5]	**97,250**	121,534	**732,863**
Cash and cash equivalents at end of the period [Note 5]	**¥101,078**	¥97,250	**$761,706**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Lion Corporation and Consolidated Subsidiaries, December 31, 2022

Note 1: Reporting Entity

Lion Corporation (hereinafter the "Company") is a company, as defined by Japan's Companies Act, and is based in Japan. The consolidated financial statements of the Company and its subsidiaries (hereinafter the "Group") presented herein comprise the results for the year ended December 31, 2022 recorded by the Company, its subsidiaries and the Group's interests in its equity-method affiliates.

Information about the Group's primary business activities can be found in Note 4 "Segment Information."

Note 2: Basis of Preparation

(a) Compliance with IFRS

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

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

(b) Approval of consolidated financial statements

The consolidated financial statements have been approved by the board of directors on March 29, 2023.

(c) Basis of measurement

Except for specific financial instruments stated in Note 3 "Significant 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 ¥132.70= U.S.$1.00, the approximate rate of exchange in effect on December 31, 2022. 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 "Significant Accounting Policies" (15), Note 14 "Trade and Other Payables")

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

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

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

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

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

(f) Standards issued but not yet effective

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

Note 3: Significant Accounting Policies

The Group's accounting policies are prepared in accordance with IFRS for which application are mandatory as of December 31, 2022.

Unless otherwise noted, the significant 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.

C. Jointly Controlled Entity

Jointly controlled entity is an entity over which two or more parties, including the Group, share control per a contractual arrangement and for which important decisions require the unanimous consent of the parties sharing control.

The Group accounts for its investments in jointly controlled entities by the equity method.

(2) Business combinations

Business combinations are accounted for using the acquisition method.

The identifiable assets and liabilities of acquirees are measured at fair value on the acquisition date.

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

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

(3) Foreign currency translation

A. Foreign currency denominated transactions

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

B. Foreign operations

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

(4) Cash and cash equivalents

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

(5) Inventories

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

(6) Property, plant and equipment

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

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

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

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

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

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

・Buildings and structures 3–50 years

・Machinery and equipment 5–15 years

(7) Goodwill

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

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

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

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

(8) Intangible assets

The Group applies the cost model to measure intangible assets.

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

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

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

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

(9) Leases

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

(i) Leases as a lessee

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

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

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

(ii) Leases as a lessor

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

(a) Finance leases

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

(b) Subleases

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

(10) Impairment of assets

A. Impairment of non-financial assets

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

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

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

B. Reversal of impairment loss

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

(11) Employee benefits

A. 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.

B. Other employee benefits

Short-term employee benefits are not subject to discount and are recognized as expenses when the relevant services are provided.

The Group has legal or constructive obligations to pay bonuses. When a reliable estimate of such bonuses can be made, the estimated amount of bonuses to be paid is recognized as a liability.

The Group has legal or constructive obligations related to its cumulative paid vacation systems. When a reliable estimate of such cost of paid vacation can be made, the estimated amount to be paid based on such systems is recognized as a liability.

(12) Provisions

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

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

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

(13) Financial Instruments

A. Financial assets (excluding derivatives)

(i) Initial recognition and measurement

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

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

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

・ The financial asset is held based on a business model that has the objective of holding financial assets in order to collect contractual cash flows

・ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal

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

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

・ The financial asset is held based on a business model that has an objective that is achieved when contractual cash flows are collected and the asset is sold

・ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal

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

(ii) Subsequent measurement

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

(a) Financial assets measured at amortized cost

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

(b) Other financial assets

Financial assets other than those measured at amortized cost are measured at fair value. Changes in the fair value of assets in this category are recognized either in profit or loss or in other comprehensive income.

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

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

(iii) Derecognition of financial assets

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

(iv) Impairment of financial assets

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

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

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

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

・ The time value of money

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

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

B. Financial liabilities (excluding derivatives)

(i) Initial recognition and measurement

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

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

(ii) Subsequent measurement

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

(iii) Derecognition of financial liabilities

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

C. Offset of financial instruments

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

D. Fair Value of Financial Instruments

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

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

E. Derivatives and Hedge Accounting

The Group utilizes such derivatives as forward exchange contracts and interest rate swaps as hedges against foreign exchange risk and interest rate risk, respectively. These derivatives are initially measured at fair value as of the contract date and subsequently remeasured at fair value. Changes in the fair value of derivatives are recognized in profit or loss. However, gains or losses on the effective portion of cash flow hedges and hedges of net investments in foreign operations are recognized in other comprehensive income.

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.

Specifically, a hedge is deemed effective if the economic relationship between the hedged items and hedging instruments will result in an offset.

Hedges that meet the criteria for hedge accounting are classified and accounted for as follows.

(a) Fair value hedges

Changes in the fair value of derivatives are recognized in profit or loss. When the fair value of hedged items changes (due to the hedged risks), the book values of such items are adjusted and the change is recognized in profit or loss.

(b) 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.

(c) Hedges of net investments in foreign operations

Translation differences resulting from the hedge of net investments in foreign operations are accounted for similarly to a cash flow hedge. The effective portion of gains or losses on hedging instruments is recognized in other comprehensive income, while the ineffective portion is recognized in profit or loss. When foreign operations are disposed of, any related cumulative gain or loss that has been recognized in equity through other comprehensive income is transferred to profit or loss.

(14) Stock-based compensation

A. Stock option system

The Company grants Group directors and executive officers stock options that can be exercised to purchase shares of the Company. 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

The Company grants shares of the Company to directors (excluding external directors) and executive officers through a trust. 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) Finance income and finance costs
Finance income is composed mainly of interest income and dividend income. Interest income is recognized by the effective interest method when it arises. Dividend income is recognized when the Group's right to receive it is established.
Finance costs are composed mainly of interest expenses.

(17) Income taxes
Current income taxes for the current period and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities using the tax rates and tax laws that have been enacted or substantively enacted at the end of the fiscal period.
Deferred taxes are recognized using the asset and liability method on temporary differences arising between the carrying amount of an asset or liability of financial position and its taxable base.
In principle, deferred tax liabilities are recognized for all taxable temporary differences, and deferred tax assets are recognized for deductible temporary differences and tax loss carryforwards to the extent that it is probable that taxable profits will be available against which said deductible temporary differences and tax loss carry forwards can be utilized.
However, as exceptions to the above, the following temporary differences are not recorded as deferred tax assets or liabilities.

- Temporary differences arising from the initial recognition of goodwill
- Temporary differences arising from the initial recognition of assets and liabilities in transactions other than business combinations that affect neither the accounting profit nor the taxable profit
- Deductible temporary differences associated with investments in subsidiaries and affiliates or interests in joint-control agreements 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 or interests in joint-control agreements 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.

(18) 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.

(19) 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.

(20) Earnings per share

Basic earnings per share are calculated by dividing profit for the period attributable to common stock of the Company by the weighted-average number of outstanding common shares adjusted for treasury stock. Diluted earnings per share are calculated by adjusting for the effect of all potentially dilutive shares.

(21) Government grants

Income from government grants is measured at fair value and recognized when there is reasonable assurance that the requirements for the issue of the grant will be met and the grant will be received. Grants for expenses are recorded as revenue in the same fiscal year as the relevant expenses. Grants for the acquisition of assets are recognized under liabilities as deferred income that is then recognized in profit or loss on a systematic basis over the useful lives of the related assets.

(22) Notes to Changes in Accounting Principles

None.

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
Manufacture and sale of commodities, OTC drugs and functional food products in Japan
Main products: toothpaste, toothbrushes, hand soaps, analgesics, eyedrop solutions, health tonic drinks, insecticides, laundry detergents, dishwashing detergents, fabric softeners, household cleaners, bleaches and pet supplies

(b) Industrial Products Business
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
Manufacture and sale of commodities by the Company's subsidiaries located overseas

The "Other" category refers to business segments that are not included in the reportable segments, the Company's subsidiaries located in Japan conducting operations to support the reportable segments.
Main products and services: construction contractor business, real estate management and temporary staffing services

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. Significant 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, 2022 and 2021 was as follows:

	Millions of yen						
	2022						
	Reportable segments						
	Consumer Products Business	Industrial Products Business	Overseas Business	Other	Total	Adjustments *2	Consolidated total*3
Net sales							
(1) External customers	**¥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(loss) of investments accounted for using the equity method							**1,824**
Profit before tax							**¥31,292**
Other							
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. (1) A ¥2,654 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	**¥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.

	Millions of yen						
	2021						
	Reportable segments						
	Consumer Products Business	Industrial Products Business	Overseas Business	Other	Total	Adjustments *2	Consolidated total*3
Net sales							
(1) External customers	¥229,595	¥34,779	¥98,727	¥3,193	¥366,296	¥(62)	¥366,234
(2) 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(loss) of investments accounted for using the equity method							2,229
Profit before tax							¥34,089
Other							
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. (1) A ¥1,081 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	¥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.

	Thousands of U.S. dollars						
	2022						
	Reportable segments			Other	Total	Adjustments*2	Consolidated total*3
	Consumer Products Business	Industrial Products Business	Overseas Business				
Net sales							
(1) External customers	**$1,737,154**	**$285,227**	**$889,546**	**$26,189**	**$2,938,115**	**$(138)**	**$2,937,978**
(2) Intersegment*1	**264,019**	**152,423**	**85,156**	**89,818**	**591,415**	**(591,415)**	–
Total	**$2,001,173**	**$437,650**	**$974,702**	**$116,007**	**$3,529,531**	**$(591,553)**	**$2,937,978**
Core operating income	**86,317**	**23,605**	**38,554**	**9,058**	**157,535**	**20,001**	**177,536**
Other income							**50,778**
Other expenses							**(10,954)**
Operating profit							**$217,360**
Finance income							**6,060**
Finance costs							**(1,353)**
Share of profit(loss) of investments accounted for using the equity method							**13,747**
Profit before tax							**$235,814**
Other							
Depreciation and amortization	**$81,940**	**$9,065**	**$25,021**	**$888**	**$116,914**	**$16,212**	**$133,126**

Notes: *1.Includes intra-segment transactions within the reportable segments.
*2. (1) A $20,001 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	$1,315,793
Selling, general and administrative expenses	(1,138,257)
Core operating income	$177,536

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
Due to changes in the business structure of Lion Chemical Co., Ltd., a consolidated subsidiary, which was previously included in the "Industrial Products Business," included in the "Industrial Products Business" and the "Consumer Products Business" from the first quarter of the current fiscal year.
The segment information for the fiscal year ended December 31, 2021 has also been reclassified to reflect this change.

5. Information by product and service category

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Net sales to external customers			
Healthcare	**¥189,327**	¥177,702	**$1,426,735**
Household	**168,993**	160,802	**1,273,497**
Chemicals	**27,311**	24,395	**205,813**
Other	**4,237**	3,333	**31,932**
Total	**¥389,869**	¥366,234	**$2,937,978**

6. Geographic Information

(1) Net sales	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Japan	**¥266,646**	¥263,957	**$2,009,393**
Asia	**121,041**	101,070	**912,142**
Thailand	**48,857**	42,331	**368,181**
Other	**2,181**	1,205	**16,443**
Consolidated	**¥389,869**	¥366,234	**$2,937,978**

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
	2022	2021	**2022**
Japan	**¥158,737**	¥125,217	**$1,196,214**
Asia	**27,994**	26,131	**210,957**
Thailand	**14,315**	13,736	**107,879**
Total	**¥186,731**	¥151,349	**$1,407,171**

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

		Millions of yen		Thousands of U.S. dollars
Customer	Related segments	**2022**	2021	**2022**
Net sales				
PALTAC Corporation	Consumer Products, Industrial Products	**¥101,628**	¥96,837	**$765,850**
Arata Corporation	Consumer Products, Industrial Products	**¥43,363**	¥45,254	**$326,781**

Note 5: Information on Cash Flows

(1) Cash and cash equivalents
Cash and cash equivalents at December 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Cash and time deposits	**¥98,797**	¥94,277	**$744,514**
Short-term investments	**2,281**	2,973	**17,192**
Cash and cash equivalents at end of the year	**¥101,078**	¥97,250	**$761,706**

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) Significant non-cash transactions
Significant non-cash transactions in the current fiscal year ended December 31,2022 consisted of the acquisition of right-of-use assets through lease transactions.
The increase due to the acquisition of right-of-use assets is described in Note "27. Leases〞.

(3) Changes in liabilities arising from financing activities
Changes in liabilities arising from financing activities during the years ended December 31, 2022 and 2021 consisted of the following:

	Millions of yen					
	January 1, 2022	Changes arising from cash flows	Non-cash changes			December 31, 2022
			Foreign currency	New leases	other	
Short-term borrowings	**¥1,150**	**¥ -**	**¥ -**	**¥ -**	**¥ -**	**¥1,150**
Long-term borrowings (include current portion)	**653**	**(274)**	**46**	**-**	**-**	**425**
Lease liabilities	**6,571**	**(1,504)**	**122**	**25,252**	**153**	**30,596**
Total	**¥8,375**	**¥(1,779)**	**¥169**	**¥25,252**	**¥153**	**¥32,171**

	Millions of yen					
	January 1, 2021	Changes arising from cash flows	Non-cash changes			December 31, 2021
			Foreign currency	New leases	other	
Short-term borrowings	¥1,150	¥ -	¥ -	¥ -	¥ -	¥1,150
Long-term borrowings (include current portion)	895	(259)	17	-	-	653
Lease liabilities	6,072	(1,456)	69	2,355	(469)	6,571
Total	¥8,118	¥(1,716)	¥87	¥2,355	¥(469)	¥8,375

	Thousands of U.S. dollars					
	January 1, 2022	Changes arising from cash flows	Non-cash changes			December 31, 2022
			Foreign currency	New leases	other	
Short-term borrowings	**$8,666**	**$ -**	**$ -**	**$ -**	**$ -**	**$8,666**
Long-term borrowings (include current portion)	**4,926**	**(2,070)**	**348**	**-**	**-**	**3,205**
Lease liabilities	**49,524**	**(11,341)**	**927**	**190,301**	**1,157**	**230,567**
Total	**$63,116**	**$(13,411)**	**$1,275**	**$190,301**	**$1,157**	**$242,438**

Note 6: Trade and Other Receivables

Trade and other receivables at December 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Trade receivables	**¥69,382**	¥69,215	**$522,856**
Other receivables	**1,912**	933	**14,415**
Allowance for doubtful accounts	**(32)**	(32)	**(246)**
Total	**¥71,263**	¥70,115	**$537,025**

Note 7: Inventories

Inventories at December 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Merchandise and finished goods	**¥37,183**	¥36,531	**$280,210**
Work in progress	**3,357**	2,779	**25,302**
Raw materials and supplies	**13,368**	12,403	**100,742**
Total	**¥53,909**	¥51,714	**$406,254**

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, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Financial assets measured at amortized cost			
Time Deposits due over three months	**¥7,323**	¥5,361	**$55,188**
Other	**3,079**	3,593	**23,204**
Financial assets measured at fair value through profit or loss	**1,561**	**-**	**11,767**
Financial assets measured at fair value through other comprehensive income			
Securities	**18,869**	18,437	**142,196**
Other	-	1,080	-
Total	**¥30,833**	¥28,472	**$232,356**
Current assets	**7,977**	6,656	**60,116**
Non- Current assets	**22,856**	21,815	**172,239**

Note 9: Other Assets

Other assets at December 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Prepaid expenses	**¥3,254**	¥3,432	**$24,522**
Other	**1,039**	4,081	**7,833**
Total	**¥4,293**	¥7,514	**$32,355**
Current assets	**3,462**	6,413	**26,092**
Non- current assets	**831**	1,100	**6,262**

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, 2021	¥27,332	¥31,132	¥19,922	¥35,494	¥4,497	¥118,379
Acquisition	75	279	-	14,408	204	14,968
Depreciation	(2,381)	(7,771)	-	-	(2,028)	(12,181)
Impairment loss	(2)	(13)	-	-	-	(15)
Sales and disposal	(32)	(119)	-	-	(10)	(163)
Exchange differences on foreign currencies	210	91	97	3	26	429
Reclassification and other	17,591	24,835	-	(45,638)	2,469	(743)
December 31, 2021	¥42,792	¥48,433	¥20,019	¥4,268	¥5,159	¥120,673
Acquisition	**129**	**278**	**4,035**	**18,135**	**134**	**22,714**
Depreciation	**(2,849)**	**(9,611)**	**-**	**-**	**(2,056)**	**(14,517)**
Impairment loss	**(352)**	**(121)**	**-**	**-**	**(27)**	**(501)**
Sales and disposal	**(15)**	**(193)**	**(180)**	**-**	**(20)**	**(410)**
Exchange differences on foreign currencies	**790**	**697**	**599**	**117**	**88**	**2,293**
Reclassification and other	**3,089**	**8,142**	**-**	**(13,877)**	**2,530**	**(115)**
December 31, 2022	**¥43,586**	**¥47,625**	**¥24,473**	**¥8,643**	**¥5,807**	**¥130,137**

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, 2022	**¥103,059**	**¥166,726**	**¥31,593**	**¥8,643**	**¥30,429**	**¥340,452**
December 31, 2021	99,011	160,379	27,139	4,268	28,543	319,342
January 1, 2021	81,450	137,222	27,042	35,494	26,533	307,742

Accumulated depreciation and accumulated impairment loss			Millions of yen			
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
December 31, 2022	**¥59,472**	**¥119,100**	**¥7,120**	**-**	**¥24,621**	**¥210,314**
December 31, 2021	56,218	111,946	7,120	-	23,383	198,668
January 1, 2021	54,117	106,089	7,120	-	22,035	189,362

Book value			Thousands of U.S. dollars			
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
December 31, 2021	**$322,479**	**$364,984**	**$150,861**	**$32,170**	**$38,879**	**$909,372**
Acquisition	**978**	**2,102**	**30,411**	**136,663**	**1,015**	**171,169**
Depreciation	**(21,472)**	**(72,429)**	**-**	**-**	**(15,500)**	**(109,400)**
Impairment loss	**(2,654)**	**(918)**	**-**	**-**	**(205)**	**(3,777)**
Sales and disposal	**(113)**	**(1,460)**	**(1,363)**	**-**	**(158)**	**(3,093)**
Exchange differences on foreign currencies	**5,960**	**5,257**	**4,518**	**885**	**666**	**17,285**
Reclassification and other	**23,282**	**61,362**	**-**	**(104,579)**	**19,066**	**(869)**
December 31, 2022	**$328,460**	**$358,900**	**$184,427**	**$65,138**	**$43,763**	**$980,687**

Acquisition cost			Thousands of U.S. dollars			
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
December 31, 2022	**$776,632**	**$1,256,418**	**$238,083**	**$65,138**	**$229,312**	**$2,565,583**

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, 2022	**$448,173**	**$897,518**	**$53,657**	**$-**	**$185,540**	**$1,584,887**

(2) Impairment loss
The company performs an impairment test to some property, plant and equipment if there is any indication that assets may be impaired.
The grouping of the company's business assets are based on individual business units which are the lowest level of generating cash inflows.
Idle assets that are not prospected to use in the future are individually assessed for impairment test.

Impairment loss, which have been included in "Other expense" of consolidated statement of income amounted to ¥501 million (U.S.$3,777 thousand) and ¥15 million for the years ended December 31, 2022 and 2021, respectively.
The significant impairment losses are as following:

For the year ended December 31, 2022, the Group reviewed the grouping of the buildings and structures of the Tokyo office, which were company-wide assets owned by the Group, due to the contract for the transfer of the land and buildings of the Tokyo office.
Then, the Group conducted an impairment test of the Tokyo office as an independent cash-generating unit.
As a result, the carrying amount was reduced to the memorandum value, and impairment loss was recorded ¥337 million (U.S.$2,544 thousand).
The recoverable amount of this asset group was calculated based on value in use, and the value in use was evaluated at zero.

(3) Assets pledged as collateral and debt obligations covered by collateral
Assets pledged as collateral and debt obligations covered by collateral at December 31, 2022 and 2021 consisted of the following:

Assets pledged as collateral

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Buildings and structures	**¥1,776**	¥1,578	**$13,390**
Machinery and vehicles	**899**	732	**6,781**
Total	**¥2,676**	¥2,311	**$20,172**

Debt obligations covered by collateral

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Trade and other payables	**¥177**	¥311	**$1,337**
Total	**¥177**	¥311	**$1,337**

(4) Commitments
See " Note 31. 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, 2021	¥182	¥6,969	¥2,047	¥9,580	¥324	¥18,921
Acquisition	-	6	58	5,730	0	5,795
Amortization	-	(11)	(767)	-	(42)	(821)
Impairment loss	-	-	-	-	-	-
Sales and disposal	-	-	(2)	-	-	(2)
Exchange differences on foreign currencies	-	0	4	0	0	4
Reclassification and other	-	-	436	(359)	0	77
December 31, 2021	**¥182**	**¥6,964**	**¥1,778**	**¥14,950**	**¥282**	**¥23,975**
Acquisition	**145**	**3**	**51**	**1,607**	**0**	**1,663**
Amortization	**-**	**(8)**	**(1,821)**	**-**	**(43)**	**(1,873)**
Impairment loss	**-**	**-**	**-**	**-**	**-**	**-**
Sales and disposal	**-**	**-**	**(0)**	**-**	**-**	**(0)**
Exchange differences on foreign currencies	**-**	**0**	**27**	**2**	**0**	**31**
Reclassification and other	**-**	**7**	**15,968**	**(15,859)**	**4**	**121**
December 31, 2022	**¥327**	**¥6,967**	**¥16,003**	**¥701**	**¥244**	**¥23,917**

The main contents of acquisition is due to individual acquisition.

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, 2022	**¥327**	**¥39,692**	**¥25,491**	**¥701**	**¥906**	**¥66,791**
December 31, 2021	182	39,679	9,084	15,200	1,380	65,346
January 1, 2021	182	39,673	8,563	9,830	1,350	59,417

Accumulated amortization and accumulated impairment loss

	Millions of yen					
		Intangible assets				
	Goodwill	Trademarks	Software	Software - related temporary account	Other	Total
December 31, 2022	**¥ -**	**¥32,724**	**¥9,488**	**¥ -**	**¥662**	**¥42,874**
December 31, 2021	-	32,715	7,306	250	1,098	41,370
January 1, 2021	-	32,703	6,515	250	1,025	40,495

Book value

	Thousands of U.S. dollars					
		Intangible assets				
	Goodwill	Trademarks	Software	Software - related temporary account	Other	Total
December 31, 2021	**$1,376**	**$52,483**	**$13,399**	**$112,667**	**$2,128**	**$180,676**
Acquisition	**1,095**	**26**	**387**	**12,116**	**3**	**12,532**
Amortization	**-**	**(64)**	**(13,729)**	**-**	**(324)**	**(14,117)**
Impairment loss	**-**	**-**	**-**	**-**	**-**	**-**
Sales and disposal	**-**	**-**	**(3)**	**-**	**-**	**(3)**
Exchange differences on foreign currencies	**-**	**6**	**206**	**23**	**1**	**235**
Reclassification and other	**-**	**57**	**120,337**	**(119,516)**	**34**	**912**
December 31, 2022	**$2,471**	**$52,507**	**$120,596**	**$5,290**	**$1,842**	**$180,235**

Acquisition cost

	Thousands of U.S. dollars					
		Intangible assets				
	Goodwill	Trademarks	Software	Software - related temporary account	Other	Total
December 31, 2022	**$2,471**	**$299,112**	**$192,098**	**$5,290**	**$6,831**	**$503,330**

Accumulated amortization and accumulated impairment loss

	Thousands of U.S. dollars					
		Intangible assets				
	Goodwill	Trademarks	Software	Software - related temporary account	Other	Total
December 31, 2022	**$-**	**$246,605**	**$71,501**	**$-**	**$4,989**	**$323,095**

(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 ¥11,077 million(U.S.$83,480 thousand) and ¥11,180 million for the years ended December 31, 2022 and 2021, respectively.
In addition, the company didn't recognize significant internally generated intangible assets.

(4) Significant intangible assets and impairment tests
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, 2022 and 2021 are ¥6,560 million(U.S.$49,435 thousand).

These trademarks classified as intangible assets with indefinite useful lives are tested for impairment annually.
This testing involves aggregating related businesses in a single cash-generating unit, and measuring the recoverable amount based on the value in use.
The value in use is calculated by discounting to present value of the estimated future cash flow, which in turn is based on business plans that have been approved by management.
The discount rate applied is 5.7%(December 31, 2021 : 5.6%), which is based on the pre-tax weighted average cost of capital of the cash-generating unit.
The business plans are based on past experience and external information, and are prepared to reflect management's assessment of the future prospects for the businesses concerned.
In addition, future cash flow beyond the period forecast in the business plans is assumed to have a growth rate of 0%.
The significant assumptions in estimating the value in use are sales projections, growth rate and the discount rate.
It is judged that the likelihood of recognizing a significant impairment loss for the cash-generating unit is low, and that this would be the case even if any of the key assumptions used for determining impairment were to change within a reasonably foreseeable range.

The company doesn't recognize impairment loss from goodwill and intangible assets with indefinite useful lives at December 31, 2022 and 2021.

(5) Impairment loss
There are no impairment losses on goodwill and intangible assets.

(6) Intangible assets pledged as collateral
No intangible assets has been pledged as collateral to secure the debt.

(7) Commitments
See " Note 31. Commitments " .

Note 12: Investments Accounted for Using the Equity Method
Investments accounted for using the equity method at December 31, 2022 and 2021 consisted of the following:

Affiliated companies

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Investments accounted for using the equity method	**¥8,939**	¥6,935	**$67,369**

	Millions of yen		Thousands of U.S. dollars
The Group's share	**2022**	2021	**2022**
Profit	**¥1,824**	¥2,229	**$13,747**
Other comprehensive income	**24**	(331)	**187**
Total	**¥1,849**	¥1,898	**$13,934**

There are no individually important affiliated companies accounted for by the equity method for the years ended December 31, 2022 and 2021.

Note 13: Income taxes

(1)Deferred tax assets and deferred tax liabilities

The major components of deferred tax assets and liabilities at December 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Deferred tax assets			
Provisions, and Other current liabilities,etc.	**¥4,435**	¥4,679	**$33,443**
Retirement benefit assets and liabilities	**7,234**	8,323	**54,520**
Excess depreciation	**711**	660	**5,360**
Accrued enterprise and office taxes	**172**	278	**1,299**
Valuation loss on inventories	**528**	561	**3,981**
Unrealized profit on inventories and non-current assets	**1,173**	1,279	**8,842**
Other	**2,182**	1,842	**16,431**
Total	**¥16,438**	¥17,626	**$123,877**
Deferred tax liabilities			
Special depreciation of non-current assets	**¥(1,929)**	¥(827)	**$(14,537)**
Valuation difference upon contribution of securities to retirement benefit trust	**(3,862)**	(3,902)	**(29,108)**
Temporary differences due to distribution of retained earnings at overseas affiliates	**(2,891)**	(2,384)	**(21,787)**
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	**(3,625)**	(3,406)	**(27,319)**
Trademarks	**(2,046)**	(2,035)	**(15,426)**
Other	**(873)**	(335)	**(6,575)**
Total	**¥(15,227)**	¥(12,891)	**$(114,751)**

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Net deferred tax assets and (liabilities)			
Balance at beginning of the year	**4,735**	4,353	**$35,682**
Deferred income taxes	**(2,528)**	(124)	**(19,057)**
Deferred taxes related to other comprehensive income items			
Net gain (loss) on revaluation of financial assets measured at fair value	**(367)**	(116)	**(2,772)**
Net gain (loss) on derivatives designated as cash flow hedges	**18**	0	**140**
Remeasurements of defined benefit plans	**(1,021)**	585	**(7,700)**
Other	**373**	37	**2,832**
Balance at end of the year	**¥1,210**	¥4,735	**$9,126**

(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
	2022	2021	2022
Deductible temporary differences	**¥8,620**	¥8,602	**$ 64,962**

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 Dcember 31, 2022 and 2021.

(4) Income taxes

Income taxes recognized through profit or loss are as follows.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Current income taxes	**¥5,653**	¥8,533	**$42,605**
Deferred income taxes			
Origination and reversal of temporary differences	**2,524**	665	**19,014**
Adjustment and reversal of deferred tax assets	**5**	(541)	**43**
Total	**¥8,182**	¥8,657	**$61,662**

(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.

	2022	2021
Applicable 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	**(1.0%)**	0.2%
Unrecognized deferred tax assets	**0.1%**	(0.0%)
Differences in tax rates applicable to foreign subsidiaries	**(1.8%)**	(2.2%)
Research and development expenses and other special deductions	**(2.1%)**	(3.1%)
Foreign tax credits	**0.5%**	0.5%
Other	**(0.4%)**	(0.8%)
Average effective tax rate	**26.1%**	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, 2022 and December 31, 2021 was 30.6%.
However, overseas subsidiaries are subject to the income and other taxes of their respective locations.

Note 14: Trade and Other Payables
Trade and other payables at December 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Accounts（Trade） payable and Notes payable	**¥67,887**	¥64,151	**$511,583**
Accrued payables and accrued expenses	**51,858**	51,569	**390,798**
Refund liabilities and contract liabilities*	**6,278**	7,426	**47,314**
Total	**¥126,024**	¥123,146	**$949,695**

* This figure for the fiscal year ended December 31, 2022 and 2021 includes ¥5,444 million(U.S.$41,026 thousand) and ¥5,826 million of refund liabilities in the form of discounts, rebates, etc.

Note 15: Borrowings
Borrowings at December 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Short-term borrowings	**¥1,150**	¥1,150	**$8,666**
Current portion of long-term borrowings	**283**	261	**2,137**
Long-term borrowings	**141**	392	**1,068**
Total	**¥1,575**	¥1,803	**$11,871**
Current liabilities	**1,433**	1,411	**10,803**
Non-Current liabilities	**141**	392	**1,068**

Note 16: Other Financial Liabilities

Other financial liabilities at December 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Financial liabilities measured at amortized cost			
Long-term deposits	**¥2,378**	¥2,468	**$17,925**
Other	**1,621**	856	**12,219**
Financial liabilities for which hedge accounting was applied			
Derivatives	**59**	-	**449**
Total	**¥4,059**	¥3,325	**$30,593**
Current liabilities	**1,681**	855	**12,668**
Non-Current liabilities	**2,378**	2,469	**17,925**

Note 17: Other Liabilities

Other liabilities at December 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Accrued bonus	**¥4,256**	¥5,334	**$32,073**
Accrued paid annual leave	**2,418**	2,431	**18,223**
Other accrued employee benefits	**1,024**	1,034	**7,719**
Other	**1,338**	931	**10,083**
Total	**¥9,036**	¥9,732	**$68,098**
Current liabilities	**7,061**	8,178	**53,216**
Non-Current liabilities	**1,974**	1,554	**14,883**

Note 18: Provisions

The changes in provisions during the year ended December 31, 2022 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	**¥1,665**	**¥340**	**$12,550**	**$2,563**
Increase	**1,436**	**2,033**	**10,825**	**15,322**
Decrease (used)	**(1,665)**	**(9)**	**(12,550)**	**(74)**
Decrease (reversal)	**-**	**(296)**	**-**	**(2,236)**
At end of year	**¥1,436**	**¥2,066**	**$10,825**	**$15,574**

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 19: 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
	2022	2021	**2022**
Present value of defined benefit obligation	**¥57,287**	¥64,428	**$431,709**
Fair value of plan assets	**(56,003)**	(61,512)	**(422,033)**
Total	**¥1,284**	¥2,916	**$9,676**
Retirement benefit liabilities	**10,431**	12,684	**78,611**
Retirement benefit assets	**(9,147)**	(9,768)	**(68,935)**
Net liabilities presented in the Consolidated Statement of Financial Position	**¥1,284**	¥2,916	**$9,676**

A. Changes in the present value of defined benefit obligation

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Balance of defined benefit obligation at beginning of year	**¥64,428**	¥66,558	**$485,523**
Current service costs	**2,188**	2,315	**16,492**
Interest expenses	**215**	212	**1,622**
Remeasurements			
Experience adjustments	**(678)**	(237)	**(5,113)**
Actuarial gains and losses arising from changes in demographic assumptions	**-**	-	**-**
Actuarial gains and losses arising from changes in financial assumptions	**(3,836)**	-	**(28,912)**
Retirement benefit payments	**(5,306)**	(4,424)	**(39,987)**
Other	**276**	4	**2,084**
Balance of defined benefit obligation at end of year	**¥57,287**	¥64,428	**$431,709**

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

B. Changes in the fair value of plan assets

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Balance of plan assets at beginning of year	**¥61,512**	¥63,485	**$463,548**
Interest income	**210**	206	**1,584**
Remeasurements			
Return on plan assets(excluding interest income)	**(984)**	1,792	**(7,417)**
Contribution by the employer	**384**	320	**2,899**
Retirement benefit payments	**(5,202)**	(4,312)	**(39,203)**
Other	**82**	19	**621**
Balance of plan assets at end of year	**¥56,003**	¥61,512	**$422,033**

The Group's planned contribution to defined benefit plans in the consolidated fiscal year ending December 31, 2023 is ¥426 million (U.S.$3,216 thousand).

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.

C. Components of plan assets
The components of plan assets are as follow.

	Millions of yen				Thousands of U.S. dollars	
	2022		2021		**2022**	
	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	**¥ -**	**¥22,336**	¥ -	¥28,438	**$ -**	**$168,322**
Stocks	**20,205**	**-**	19,874	-	**152,263**	**-**
Other	**9,555**	**3,907**	8,376	4,822	**72,006**	**29,443**
Total	**¥29,760**	**¥26,243**	¥28,251	¥33,261	**$224,268**	**$197,765**

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

	2022	2021
Discount rate(%)	**1.0%**	0.3%

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
	2022	2021	**2022**
Discount rate(+0.5%)	**¥(2,448)**	¥(2,930)	**$(18,453)**
Discount rate(-0.5%)	**¥2,687**	¥1,897	**$20,253**

(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
	2022	2021	**2022**
Expense related to defined contribution plans	**¥3,062**	¥3,074	**$23,075**

Note 20: 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 28, 2008	March 27, 2009	March 30, 2010	March 30, 2011
Grantee information	9 Directors (excluding external directors) 9 Employees (Executive officer)	9 Directors (excluding external directors)	8 Directors (excluding external directors)	8 Directors (excluding external directors)
Stock information *1	Common stock 143,771	Common stock 99,781	Common stock 103,778	Common stock 97,575
Grant date	April 15, 2008	April 15, 2009	April 15, 2010	April 18, 2011
Settlement	Equity-settled	Equity-settled	Equity-settled	Equity-settled
Vesting conditions	*2	*4	*4	*4
Length of service	—	—	—	—
Exercise period	From April 15, 2008 to April 14, 2038	From April 15, 2009 to April 14, 2039	From April 15, 2010 to April 14, 2040	From April 18, 2011 to April 17, 2041

Company name	Submitting Company	Submitting Company	Submitting Company	Submitting Company
Resolution date	December 27, 2011	March 29, 2012	March 28, 2013	December 25, 2013
Grantee information	1 Directors 10 Employees (Executive officer)	8 Directors (excluding external directors)	8 Directors (excluding external directors)	2 Directors 8 Employees (Executive officer)
Stock information *1	Common stock 71,392	Common stock 96,418	Common stock 99,716	Common stock 41,576
Grant date	January 12, 2012	April 17, 2012	April 15, 2013	January 14, 2014
Settlement	Equity-settled	Equity-settled	Equity-settled	Equity-settled
Vesting conditions	*2	*4	*4	*2
Length of service	—	—	—	—
Exercise period	From January 12, 2012 to January 11, 2042	From April 17, 2012 to April 16, 2042	From April 15, 2013 to April 14, 2043	From January 14, 2014 to January 13, 2044

Company name	Submitting Company	Submitting Company	Submitting Company	Submitting Company
Resolution date	March 28, 2014	December 25, 2014	March 27, 2015	December 25, 2015
Grantee information	8 Directors (excluding external directors)	7 Employees (Executive officer)	8 Directors (excluding external directors)	11 Employees (Executive officer)
Stock information *1	Common stock 82,672	Common stock 34,762	Common stock 73,062	Common stock 29,447
Grant date	April 15, 2014	January 13, 2015	April 13, 2015	January 12, 2016
Settlement	Equity-settled	Equity-settled	Equity-settled	Equity-settled
Vesting conditions	*4	*3	*4	*3
Length of service	—	—	—	—
Exercise period	From April 15, 2014 to April 14, 2044	From January 13, 2015 to January 12, 2045	From April 13, 2015 to April 12, 2045	From January 12, 2016 to January 11, 2046

Company name	Submitting Company
Resolution date	March 30, 2016
Grantee information	6 Directors (excluding external directors)
Stock information*1	Common stock 30,892
Grant date	April 18, 2016
Settlement	Equity-settled
Vesting conditions	*4
Length of service	—
Exercise period	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 qualificated, 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 qualificated, 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.

②Numbers of stock options and weighted average exercise price

	2022		2021	
	Number of shares	Weighted average exercise price (yen)	Number of shares	Weighted average exercise price (yen)
Beginning balance of outstandi	**231,953**	**1**	234,630	1
Granted	**－**	**－**	－	－
Expired	**－**	**－**	－	－
Exercised	**16,006**	**1**	2,677	1
Expired at maturity	**－**	**－**	－	－
Ending balance of outstanding	**215,947**	**1**	231,953	1
Ending balance of exercisable	**－**	**－**	－	－
Range of exercise price	**－**	**1**	－	1
Weighted average remaining term of contract	**20 years**		21 years	

③Numbers of Exercised during the period

	2022		2021	
	Number of shares	Weighted average exercise price (yen)	Number of shares	Weighted average exercise price (yen)
December 25, 2013	**5,060**	**1,526**	-	-
December 25, 2014	**4,966**	**1,526**	-	-
December 25, 2015	**2,677**	**1,526**	2,677	2,142
March 30, 2016	**3,303**	**1,315**	-	-

(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's shares that are acquired through the BIP Trust and amount equivalent to the converted value of such shares will be vested or paid to directors, etc. depending on the level of achievement of performance targets.

(3) Share-based Payment Expenses
Share-based Payment Expense for the fiscal year ended December 31, 2022 and 2021 were ¥172 million (U.S.$1,302 thousand) and ¥211 million , respectively.
These are recognized in the consolidated statements of profit or loss as selling general and administrative expenses.

Note 21: Equity

(1) Share capital
The following table presents changes in the number of outstanding shares and authorized shares.

	Thousands of shares	
	2022	2021
Number of authorized shares	**1,185,600**	1,185,600
Number of outstanding shares		
At beginning of period	**299,115**	299,115
Net change	**(6,578)**	-
At end of period	**292,536**	299,115

*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	
	2022	2021
At beginning of period	**8,382**	8,399
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)**	-
Decrease due to exercise of stock options	**(16)**	(2)
Decrease due to sales of ordinary shares to the BIP Trust	**(63)**	(15)
Purchases	**6,578**	-
Retirement	**(6,578)**	-
At end of period	**8,304**	8,382

The increase in the number of shares due to purchases of treasury stock 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, 2022

Resolution	Class of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share ($)	Record date	Effective date
February 14, 2022 Board of Directors	Ordinary shares	**3,498**	**26,360**	**12.00**	**0.09**	December 31, 2021	March 2, 2022
August 8, 2022 Board of Directors	Ordinary shares	**3,419**	**25,767**	**12.00**	**0.09**	June 30, 2022	September 5, 2022

The amount of total dividends approved by the board of directors on February 14, 2022 included dividends of ¥9 million(U.S.$70 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 8, 2022 included dividends of ¥8 million(U.S.$64 thousand) dividend on the company's stock held by the BIP trust.

Fiscal year ended December 31, 2021

Resolution	Type of stock	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
February 12, 2021 Board of Directors	Ordinary shares	3,494	12.00	December 31, 2020	March 2, 2021
August 4, 2021 Board of Directors	Ordinary shares	3,498	12.00	June 30, 2021	September 3, 2021

The amount of total dividends approved by the board of directors on February 12, 2021 included dividends of ¥5 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 4, 2021 included dividends of ¥9 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, 2022

Resolution	Type of stock	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share ($)	Record date	Effective date
February 13, 2023 Board of Directors	Ordinary shares	**3,704**	**27,914**	**13.00**	**0.10**	December 31, 2022	March 2, 2023

The amount of total dividends approved by the board of directors on February 13, 2023 included dividends of ¥9 million(U.S.$69 thousand) dividend on the company's stock held by the BIP trust.

Fiscal year ended December 31, 2021

Resolution	Type of stock	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
February 14, 2022 Board of Directors	Ordinary shares	3,498	12.00	December 31, 2021	March 2, 2022

The amount of total dividends approved by the board of directors on February 14, 2022 included dividends of ¥9 million dividend on the company's stock held by the BIP trust.

Note 22: Other Comprehensive Income

Other comprehensive income during the years ended December 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
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	**¥1,097**	¥(30)	**$8,268**
Gains/(losses) before tax effect	**1,097**	(30)	**8,268**
Amount of tax effect	**(367)**	116	**(2,772)**
Gains/(losses) after tax effect	**¥729**	¥85	**$5,496**
Remeasurements of defined benefit plans			
Gains/(losses) during the year	**¥3,545**	¥2,042	**$26,715**
Gains/(losses) before tax effect	**3,545**	2,042	**26,715**
Amount of tax effect	**(1,021)**	(585)	**(7,700)**
Gains/(losses) after tax effect	**¥2,523**	¥1,457	**$19,015**
Share of other comprehensive income of investments accounted for using the equity method			
Gains/(losses) during the year	**¥24**	¥30	**$187**
Gains/(losses) before tax effect	**24**	30	**187**
Amount of tax effect	**-**	-	**-**
Gains/(losses) after tax effect	**¥24**	¥30	**$187**
Items that may be subsequently reclassified to profit or loss			
Net gain (loss) on derivatives designated as cash flow hedges			
Gains/(losses) during the year	**¥(60)**	¥0	**$(457)**
Gains/(losses) before tax effect	**(60)**	0	**(457)**
Amount of tax effect	**18**	(0)	**140**
Gains/(losses) after tax effect	**¥(42)**	¥0	**$(317)**
Exchange differences on translation of foreign operations			
Gains/(losses) during the year	**¥5,680**	¥1,824	**$42,806**
Reclassification during the year to profit or loss	**-**	-	**-**
Gains/(losses) before tax effect	**5,680**	¥1,824	**42,806**
Amount of tax effect	**-**	-	**-**
Gains/(losses) after tax effect	**¥5,680**	¥1,824	**$42,806**
Share of other comprehensive income of investments accounted for using the equity method			
Gains/(losses) during the year	**¥ -**	¥(362)	**$ -**
Reclassification during the year to profit or loss	**-**	-	**-**
Gains/(losses) before tax effect	**-**	(362)	**-**
Amount of tax effect	**-**	-	**-**
Gains/(losses) after tax effect	**¥ -**	¥(362)	**$ -**
Total			
Gains/(losses) during the year	**¥10,286**	¥3,504	**$77,520**
Reclassification during the year to profit or loss	**-**	-	**-**
Gains/(losses) before tax effect	**10,286**	3,504	**77,520**
Amount of tax effect	**(1,370)**	(468)	**(10,332)**
Gains/(losses) after tax effect	**¥8,915**	¥3,035	**$67,188**

Note 23: 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, 2022 and 2021 consisted of the following:

	Millions of yen				
	2022				
	Japan	Asia		Other	Total
			Thailand		
Consumer Products Business	¥230,037	¥454	¥ -	¥28	¥230,520
Industrial Products Business	33,151	3,986	618	711	37,849
Overseas Business	-	116,600	48,239	1,442	118,042
Other	3,475	-	-	-	3,475
Total	266,664	121,041	48,857	2,181	389,887
Adjustment	(18)	-	-	-	(18)
Consolidated	¥266,646	¥121,041	¥48,857	¥2,181	¥389,869

	Millions of yen				
	2021				
	Japan	Asia		Other	Total
			Thailand		
Consumer Products Business	¥229,131	¥454	¥ -	¥10	¥229,595
Industrial Products Business	31,694	2,840	452	244	34,779
Overseas Business	-	97,776	41,878	951	98,727
Other	3,193	-	-	-	3,193
Total	264,019	101,070	42,331	1,205	366,296
Adjustment	(62)	-	-	-	(62)
Consolidated	¥263,957	¥101,070	¥42,331	¥1,205	¥366,234

	Thousands of U.S. dollars				
	2022				
	Japan	Asia		Other	Total
			Thailand		
Consumer Products Business	$1,733,515	$3,424	$ -	$215	$1,737,154
Industrial Products Business	249,826	30,040	4,661	5,361	285,227
Overseas Business	-	878,679	363,520	10,867	889,546
Other	26,189	-	-	-	26,189
Total	2,009,530	912,142	368,181	16,443	2,938,115
Adjustment	(138)	-	-	-	(138)
Consolidated	$2,009,393	$912,142	$368,181	$16,443	$2,937,978

The Consumer Products Business engages in the manufacture and sale of commodities, over-the-counter drugs and foods with function claims, 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 and overseas.
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.
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 "Significant 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, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Receivables from contracts with customers			
Notes and accounts receivable	¥69,382	¥69,215	$522,856
Contract assets	184	316	1,393
Total	¥69,567	¥69,531	$524,248
Contract liabilities	261	950	1,969
Total	¥261	¥950	$1,969

The amount of revenue recognized during the fiscal years ended December 31, 2022 and 2021 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, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Amount allocated to the remaining performance obligations	¥339	¥2,035	$2,555

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, 2022 and 2021 is 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 24: Classification of Selling, General and Administrative Expenses
Classification of selling, general and administrative expenses during the years ended December 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Personnel expenses	**¥50,061**	¥49,916	**$377,251**
Depreciation and amortization	**17,665**	14,252	**133,126**
Sales promotion expenses	**31,794**	28,466	**239,597**
Transportation and warehousing expenses	**20,744**	20,169	**156,323**
Advertising expenses	**21,143**	24,908	**159,331**

Note 25: Other Income

Other income during the years ended December 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Royalty income	**¥628**	¥562	**$4,739**
Gain on disposal of non-current assets *	**5,312**	26	**40,031**
Other	**797**	618	**6,007**
Total	**¥6,738**	¥1,208	**$50,778**

* Gain on disposal of non-current assets in the current consolidated fiscal year are mainly due to the sale of land used as the Tokyo office owned by Lion Business Service Co., Ltd..

Even after the transfer, the property will be used as the base of our Tokyo office.

Note 26: Other Expenses

Other expenses during the years ended December 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Loss on disposal of inventories	**¥349**	¥242	**$2,631**
Loss on disposal of non-current assets	**355**	400	**2,679**
Impairment loss	**501**	15	**3,777**
Other	**247**	294	**1,866**
Total	**¥1,453**	¥953	**$10,954**

Note 27: 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.

①Income or expenses and cash flows recognized form lease transactions during the year ended December 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Depreciation expense of Right-of-use assets			
Class of Underlying assets			
Buildings and structures	**¥700**	¥655	**$5,280**
Machinery and vehicles	**487**	500	**3,676**
Land	**31**	26	**236**
Other tangible assets	**55**	65	**418**
Total	**¥1,275**	¥1,248	**$9,609**
Interest expense on lease liabilities	**126**	77	**955**
Expense relating to short-term leases	**609**	444	**4,591**
Expense relating to leases of low-value assets	**931**	942	**7,018**
Total amount of lease cash-flows	**3,045**	2,843	**22,951**
Gains arising from sale and leaseback transactions	**5,305**	-	**39,979**

②Book value of right-of-use assets at December 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Class of Underlying assets			
Buildings and structures	**¥29,176**	¥3,188	**$219,865**
Machinery and vehicles	**1,200**	1,418	**9,046**
Land	**720**	672	**5,432**
Other tangible assets	**421**	136	**3,173**
Total	**¥31,518**	¥5,416	**$237,515**

The amount of Right-of-Use assets increased in the fiscal years ended December 31,2022 and December 31,2021 was ¥27,226 million (U.S$205,171 thousand) and ¥1,911 million, respectively.The increase in the year ended December 31, 2022 is mainly due to the commencement of lease contracts in connection with the relocation of the Company's head office.

③Lease liabilities

See " Note 30. 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 28: Finance Income and Finance Costs

Finance income and finance expenses during the years ended December 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Finance income			
Interest income			
Financial assets measured at amortized cost	**¥163**	¥104	**$1,229**
Dividend income			
Financial assets measured at fair value through other comprehensive income	**508**	594	**3,833**
Other Finance income			
Financial assets measured at fair value through profit or loss	**85**	-	**642**
Foreign exchange gains, net	**47**	118	**357**
Total	**¥804**	¥817	**$6,060**

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Finance costs			
Interest expenses			
Financial liabilities measured at amortized cost	**¥179**	¥136	**$1,353**
Total	**¥179**	¥136	**$1,353**

Note 29: Earnings per Share

(1) Basic earnings per share

	2022	2021
Profit for the year attributable to owners of the parent (millions of yen)	**¥21,939**	¥23,759
Weighted average number of ordinary shares-basic (thousands of shares)	**284,763**	290,729
Basic earnings per share (yen)	**¥77.04**	¥81.73

	2022
Profit for the year attributable to owners of the parent (thousands of U.S. dollars)	**$165,329**
Weighted average number of ordinary shares-basic (thousands of shares)	**284,763**
Basic earnings per share (U.S. dollars)	**0.58**

(2) Diluted earnings per share

	2022	2021
Profit for the year attributable to owners of the parent (millions of yen)	**¥21,939**	¥23,759
Adjustments to profit for the year (millions of yen)	**-**	-
Profit for the year used to calculate diluted earnings per share (millions of yen)	**21,939**	23,759
Weighted average number of ordinary shares (thousands of shares)	**284,763**	290,729
Stock options (thousands of shares)	**218**	231
Executive compensation BIP trust (thousands of shares)	**290**	245
Weighted average number of ordinary shares-diluted (thousands of shares)	**285,272**	291,206
Diluted earnings per share (yen)	**76.91**	81.59

	2022
Profit for the year attributable to owners of the parent (thousands of U.S. dollars)	**$165,329**
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)	**165,329**
Weighted average number of ordinary shares (thousands of shares)	**284,763**
Stock options (thousands of shares)	**218**
Executive compensation BIP trust (thousands of shares)	**290**
Weighted average number of ordinary shares-diluted (thousands of shares)	**285,272**
Diluted earnings per share (U.S. dollars)	**0.58**

Note 30: 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.

	2022	2021
Return on equity attributable to owners of the parent (ROE)	8.5%	9.8%
Return on invested capital (ROIC)	6.0%	8.8%

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.
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.

①Aging analysis
Aging analysis is not disclosed here because the Group does not have any long overdue accounts receivable.

②Allowance 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
	2022	2021	2022
At beginning of year	¥63	¥58	$476
Increase during the year provision	3	9	24
Decrease (used)	(2)	(7)	(16)
Decrease (reversal)	(3)	(0)	(23)
Other	2	2	16
At end of year	¥63	¥63	$477

(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 manages its funds effectively using scheduled financing plans and by operating a cash providing system within the Group.
Financial liabilities by maturity date consist of the following.

	Millions of yen 2022			
	Carrying amount	Contract cash flow	Average interest rate	Maturity date
Non-derivative financial liabilities				
Trade and other payables	¥126,024	¥126,024	-	-
Borrowings	1,575	1,597	2.28%	June, 2024
Lease liabilities	30,596	42,047	0.63%	October, 2052
Total	¥158,196	¥169,668	-	-

	Millions of yen 2022					
	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	¥126,024	¥ -	¥ -	¥ -	¥ -	¥ -
Borrowings	1,452	144	-	-	-	-
Lease liabilities	2,618	2,371	2,118	1,809	1,556	31,572
Total	¥130,096	¥2,516	¥2,118	¥1,809	¥1,556	¥31,572

	Millions of yen 2021			
	Carrying amount	Contract cash flow	Average interest rate	Maturity date
Non-derivative financial liabilities				
Trade and other payables	¥123,146	¥123,146	-	-
Borrowings	1,803	1,845	2.45%	June, 2024
Lease liabilities	6,571	7,094	1.04%	February, 2046
Total	¥131,521	¥132,086	-	-

	Millions of yen 2021					
	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	¥123,146	¥ -	¥ -	¥ -	¥ -	¥ -
Borrowings	1,439	273	133	-	-	-
Lease liabilities	1,649	1,215	861	608	482	2,276
Total	¥126,235	¥1,489	¥995	¥608	¥482	¥2,276

	Thousands of U.S. dollars 2022			
	Carrying amount	Contract cash flow	Average interest rate	Maturity date
Non-derivative financial liabilities				
Trade and other payables	$949,694	$949,694	-	-
Borrowings	11,871	12,035	2.28%	June, 2024
Lease liabilities	230,567	316,858	0.63%	October, 2052
Total	$1,192,133	$1,278,589	-	-

	Thousands of U.S. dollars					
	2022					
	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	$949,694	$ -	$ -	$ -	$ -	$ -
Borrowings	10,948	1,087	-	-	-	-
Lease liabilities	19,735	17,874	15,962	13,638	11,725	237,922
Total	$980,378	$18,961	$15,962	$13,638	$11,725	$237,922

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 is hedging the risk using derivative instruments, such as foreign exchange contract and currency swaps.
Major exchange rates are as follows.

	Yen			
	2022		2021	
	Average exchange rate during the year	Closing rate	Average exchange rate during the year	Closing rate
U.S. dollar	132.1	132.7	110.4	115.0
Thai Baht	3.7	3.8	3.4	3.4

①Net Exposure to exchange rate risk is as follows.

	Millions of yen				Thousands of U.S. dollars	
	2022		2021		2022	
	U.S. dollar	Thai Baht	U.S. dollar	Thai Baht	U.S. dollar	Thai Baht
Financial instruments denominated in foreign currency	¥1,931	¥277	¥1,267	¥210	$14,551	$2,091

② 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
	2022	2021	2022
U.S. dollar	¥(193)	¥(126)	$(1,455)
Thai Baht	¥(27)	¥(21)	$(209)

*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.
The Group maintains a balance between variable and fixed interest rates of loans and uses currency swaps as needed.
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 stock of counterparties and these are exposed to the risk of the fluctuation of market price.
The Group manages the risk by reviewing the fair values of the shares and financial conditions of the issuers periodically.

① 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
	2022	2021	2022
Other comprehensive income (before tax)	¥(1,583)	¥(1,559)	$(11,931)

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

(7) Fair Value
①Fair 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			
	2022			
	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Financial assets measured at fair value through profit or loss	¥ -	¥ -	¥1,561	¥1,561
Financial assets measured at fair value through other comprehensive income	15,833	-	3,035	18,869
Derivative assets for which hedge aoounting is applied	-	-	-	-
Total	¥15,833	¥ -	¥4,596	¥20,430
Financial liabilities				
Other financial liabilities				
Derivative liabilities for which hedge accounting is applied	¥ -	¥ 59	¥ -	¥ 59
Total	¥ -	¥ 59	¥ -	¥ 59

	Millions of yen			
	2021			
	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Financial assets measured at fair value through other comprehensive income	¥15,596	¥ -	¥3,921	¥19,517
Derivative assets for which hedge aoounting is applied	-	-	-	-
Total	¥15,596	¥ -	¥3,921	¥19,517
Financial liabilities				
Other financial liabilities				
Derivative liabilities for which hedge accounting is applied	¥ -	¥ -	¥ -	¥ -
Total	¥ -	¥ -	¥ -	¥ -

	Thousands of U.S. dollars			
	2022			
	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Financial assets measured at fair value through profit or loss	**$ -**	**$ -**	**$ 11,767**	**$ 11,767**
Financial assets measured at fair value through other comprehensive income	**119,319**	**-**	**22,877**	**142,196**
Derivative assets for which hedge aoounting is applied	**-**	**-**	**-**	**-**
Total	**$119,319**	**$ -**	**$34,636**	**$153,963**
Financial liabilities				
Other financial liabilities				
Derivative liabilities for which hedge accounting is applied	**$ -**	**$ 452**	**$ -**	**$ 452**
Total	**$ -**	**$ 452**	**$ -**	**$ 452**

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, 2022 or 2021.

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.

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Beginning balance	**¥3,921**	¥3,068	**$29,549**
Gains (losses)*			
profit or loss	**¥168**	¥ -	**$1,273**
other comprehensive income	**195**	12	**1,470**
Purchases	**353**	890	**2,661**
Sales	**-**	(12)	**-**
Others	**(41)**	(38)	**(310)**
Ending balance	**¥4,596**	¥3,921	**$34,636**

*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.

② Financial instruments measured at amortized cost
The following tables present the fair value of major financial instruments measured at amortized cost.
Book values of those that mostly are settled in a short while, or those using a variable rate by which a short-term market rate is being reflected are rational approximations of their fair values and therefore they are not included in the table below (primary cash and cash equivalents, trade and other receivables, trade and other payables).

		Millions of yen			
		2022			
	Book value	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Borrowings	**¥1,575**	**¥ -**	**¥ 1,576**	**¥ -**	**¥ 1,576**

		Millions of yen			
		2021			
	Book value	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Borrowings	¥1,803	¥ -	¥1,817	¥ -	¥1,817

		Thousands of U.S. dollars			
		2022			
	Book value	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Borrowings	**$11,871**	**$ -**	**$11,881**	**$ -**	**$11,881**

The measurement method for the fair value is as follows.
(i) Borrowings
The fair values of borrowings are measured by discounting the future cash flows of principals and interests at an interest rate that would apply for a new loan borrowed under similar conditions.

③Equity 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
	2022	2021	**2022**
Saha Pathanapibul Public Company Limited	**¥4,115**	¥3,615	**$31,010**
Saha Pathana Inter Holding Public Company Limited	**3,486**	3,081	**26,272**
ARATA CORPORATION	**2,017**	2,118	**15,206**
Rengo Co., Ltd.	**829**	794	**6,247**
Inabata & Co., Ltd.	**598**	497	**4,511**

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
	2022	2021	**2022**
Fair value	**¥677**	¥4,023	**$5,103**
Cumulative gains or losses	**405**	3,119	**3,056**

Dividend income from equity securities is as follows.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Equity Securities derecognized in the period	**¥6**	¥100	**$50**
Equity Securities held at the end of the period	**501**	494	**3,783**

(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 hedege at December 31, 2022 are as follows.
There is no amount of hedge accounting at December 31, 2021.

	Millions of yen 2022				
	Contract amount	More than 1 year	Book value		Account name on the Consolidated Statement of
			Assets	Liabilities	
Foreign exchange risk					
Forward foreign exchange contracts	**¥818**	**¥ -**	**¥ -**	**¥59**	Other financial liabilities

	Thousands of U.S. dollars 2022				
	Contract amount	More than 1 year	Book value		Account name on the Consolidated
			Assets	Liabilities	
Foreign exchange risk					
Forward foreign exchange contracts	**$6,170**	**$ -**	**$ -**	**$452**	Other financial liabilities

Note 31: Commitments

The significant commitments to purchase property, plant and equipment and intangible assets at December 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Property, plant and equipment and intangible assets	**¥19,087**	¥7,365	**$143,838**

Note 32: Contingencies

Contingencies at December 31, 2022 and 2021 consisted of the following:

Guarantees

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
PT. Lion Wings	**¥381**	¥652	**$2,876**
Employees	**223**	252	**1,685**
Total	**¥605**	¥905	**$4,561**

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

Guarantees of ¥190 million(U.S. $1,438 thousand) included in the total guarantee of ¥605 million(U.S.$4,561 thousand) at December 31, 2022 were reguaranteed from others.

Guarantees of ¥326 million included in the total guarantee of ¥905 million at December 31, 2021 were reguaranteed from others.

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.	Sumida-ku, Tokyo	JPY7,800 million	Industrial products and Consumer products	100.0	2	10	Loans	Purchase of raw materials and merchandise	Rental of part of office space, facilities and land
Lion Business Service Co., Ltd.	Sumida-ku, Tokyo	JPY490 million	Other	100.0	—	5	None	Rental, dealing, and brokerage of real estate, and insuring	Rental of part of office space and land
Lion Specialty Chemicals Co., Ltd.	Sumida-ku, Tokyo	JPY400 million	Industrial products	100.0	2	10	Loans	Sale of merchandise and finished products and purchase of raw materials and merchandise	Lease of part of office space
Lion Hygiene Co., Ltd.	Sumida-ku, Tokyo	JPY300 million	Industrial products	100.0	2	7	None	Sales and purchase of merchandise	Lease of part of office and warehouse space
(Note 2) Lion Trading Co., Ltd.	Sumida-ku, Tokyo	JPY240 million	Consumer products	100.0	2	6	None	—	Lease of part of office space
Lion Engineering Co., Ltd.	Sumida-ku, Tokyo	JPY100 million	Other	100.0	2	9	None	Design, construction, and maintenance of facilities	Lease of part of office space
Kyuzituhack Company, Ltd.	Sumida-ku, Tokyo	JPY80 million	Other	100.0	—	4	None	—	Lease of part of office space
issua Company, Ltd.	Minato-ku, Tokyo	JPY20 million	Consumer products	100.0	—	5	None	Sale of merchandise and finished products	—
Lion Cordial Support Co., Ltd.	Sumida-ku, Tokyo	JPY20 million	Other	100.0	—	4	None	Human resources services	Lease of office space
Lion Dental Products Co., Ltd.	Sumida-ku, Tokyo	JPY10 million	Consumer products	100.0	—	9	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	6	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	—	5	None	Sale of merchandise and finished products	—
Lion Corporation (Korea)	South Korea	KRW9,976,250 thousand	Overseas business	100.0	—	5	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	—
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	—	—
Lion Kallol Limited	Bangladesh	BDT70,000 thousand	Overseas business	75.0	—	2	None	—	—
Lion Corporation (Thailand) Ltd.	Thailand	THB500,000 thousand	Overseas business	51.0	3	7	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)	—	4	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			
Japan Retail Innovation Co., Ltd.	Minato-ku, Tokyo	JPY100 million	Consumer products	20.0	—	1	None	Sales promotion activities	—
Planet, Inc.	Minato-ku, Tokyo	JPY436 million	Other	15.6	1	—	None	Utilization of VANs	—
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. and Lion Daily Necessities Chemicals (Qingdao) Co., are specified subsidiaries.
2. Lion Trading Co., Ltd. changed its name to Lion Pet Co., Ltd. changed in January 1, 2023.
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. On March 1, 2023, Lion Corporation acquired 36% of the outstanding shares of MERAP and included it in the scope of equity-method affiliates.
Details are provided in "Note 34. Subsequent Event".
7. 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.
8. In addition to the companies listed above, there is one small-scale, non-consolidated equity-method company.

(2) Key management personnel compensation

Key management personnel compensation during the years ended December 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Short-term benefits	**¥380**	¥421	**$2,871**
Share-based payment	**109**	113	**826**
Total	**¥490**	¥535	**$3,697**

(3) Related party transactions

Type	Name	Contents of transactions	Millions of yen		
			2022		
			Transaction amount of the transactions	Outstanding balances	Allowance for doubtful accounts
Affiliates	PT. Lion Wings	Loan guarantee	**¥381**	**¥ -**	**¥ -**

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		
			2021		
			Transaction amount of the transactions	Outstanding balances	Allowance for doubtful accounts
Affiliates	PT. Lion Wings	Loan guarantee	¥652	¥ -	¥ -

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

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		
			2022		
			Transaction amount of the transactions	Outstanding balances	Allowance for doubtful accounts
Affiliates	PT. Lion Wings	Loan guarantee	**$2,876**	**$ -**	**$ -**

Note 34: Subsequent Event

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.

Lion Corporation made MERAP an equity-method affiliate following the acquisition of its shares on March 1, 2023.

(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 is 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 acquiree

(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
(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	March 1, 2023

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

Independent Auditor's Report

The Board of Directors
Lion Corporation

Opinion

We have audited the accompanying consolidated financial statements of Lion Corporation and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2022, 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, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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**
As described in "Note 3: Significant 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	The audit procedures we performed for calculation of the refund liabilities at the end of the current fiscal year include the following, among others: ・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.

outcome method based on the terms of the relevant contracts, past performance, and other factors. The Group recorded refund liabilities of ¥5,444 million at the end of the current consolidated fiscal year, as described in “Note 14: Trade and Other Payables”. 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.	・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.

Valuation of intangible assets with indefinite useful lives related to the BUFFERIN brand of antipyretic analgesics	
Description of Key Audit Matter	**Auditor’s Response**
As described in “Note 11: Goodwill and Intangible Assets (4)”, 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 trademark right at the end of the previous and current fiscal years was 6,560 million yen. The Group tests the trademark right every fiscal year for impairment as an intangible asset with an indefinite useful life. As a result, no impairment loss was recognized as the value in use exceeded the carrying amount in the current fiscal year. In performing the impairment test, the Group measures the recoverable amount of the related business as a single cash-generating unit using value in use. The value in use is calculated by discounting the estimated future cash flows, assuming growth after the period of the business plan and business plan approved by management, to present value using a discount rate based on the weighted	The audit procedures we performed to evaluate the valuation of intangible assets with indefinite useful lives include the following, among others: ・We reviewed the method of estimating value in use and calculating the discount rate used for consistency with the applicable accounting standards. ・We discussed with management and responsible department head regarding the performance and future plans of the business related to antipyretic analgesics, and reviewed the materials reported to the board of directors. ・With respect to future sales projections, We compared historical future sales projections to historical experience and considered the need for changes in management's assumptions, as well as the impact of current economic conditions and other relevant factors on management's assumptions. In addition, we performed sensitivity analyses to assess the likelihood that reasonably possible changes in future

average cost of capital. The business to which the trademark is related is affected by market trends in antipyretic analgesics and other factors. Considering that demand for antipyretic analgesics has also been affected by infectious disease outbreaks and other factors in recent years, future sales projections in the business plan and growth rate after the term of the business plan are particularly subject to uncertainty. The selection of input information for the discount rate is based on management's judgment and has a significant impact on the calculation of value in use. Based on the above, we determined that the valuation of intangible assets with indefinite useful lives related to the BUFFERIN brand of antipyretic analgesics to be a key audit matter.	sales projections and growth rate would cause the recoverable amount of the intangible assets to be less than the carrying amount. ・We considered the consistency of the discount rate with the input information used and available external information.

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 IFRSs, 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 IFRSs, 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 IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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, related safeguards.

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.

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.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2022 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.

Ernst & Young ShinNihon LLC
Tokyo, Japan

March 29, 2023

/s/ Hirokazu Tanaka
Designated Engagement Partner
Certified Public Accountant

/s/ Masayuki Tada
Designated Engagement Partner
Certified Public Accountant