

ANNUAL REPORT 2020

Lion Corporation

Fiscal year ended December 31, 2020

This manuscript is for audit.

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

Notes to Consolidated Financial Statements

Lion Corporation and Consolidated Subsidiaries, December 31, 2020

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, 2020 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 Representative Director, President and Executive Officer and the Director, Senior Executive Officer (Responsible for Finance Department) on March 29, 2021.

(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 ¥103.50=U.S.\$1.00, the approximate rate of exchange in effect on December 31, 2020. 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:

- Impairment of non-financial assets (Note 3 "Significant Accounting Policies" (10))
- Recoverability of deferred tax assets (Note 3 "Significant Accounting Policies" (17))
- Measurements of defined benefit plan liabilities
(Note 3 "Significant Accounting Policies" (11))
- Accounting treatment and appraisals of provisions
(Note 3 "Significant Accounting Policies" (12))
- Fair value of financial instruments (Note 3 "Significant Accounting Policies" (13))

If the situation is prolonged or the infection spreads progresses due to the influence of COVID-19, business activities in Japan and overseas are expected to stagnate or be interrupted, which may affect the Group's business results and financial position.

At the moment, based on the business results for the current consolidated fiscal year, we have judged that it will not have a significant impact on the Group's business results, and we assume that it will not affect accounting estimates.

(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, 2020.

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 a 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 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 mode and are measured at acquisition cost less any accumulated depreciation and impairment losses. Right-of-use assets are depreciated using the straight-line method from the commencement to the earlier of the end of the useful life of the assets or the end of the lease term, unless it is reasonably certain that the Group will acquire ownership of the underlying asset by the end of the lease term. The Group determines the term of the lease to be the non-cancellable term of the lease, as well as any optional period for which the Group is reasonably certain to exercise an option to extend the lease or not exercise an option to terminate the lease.

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

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

(ii) Leases as a lessor

The Group classifies each of its leases as either an operating lease or a finance lease. If the

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

(a) Finance leases

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

(b) Subleases

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

(10) Impairment of assets

A. Impairment of non-financial assets

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

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

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

B. Reversal of impairment loss

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

have been recognized had no impairment loss been recognized. Reversal of impairment loss is recognized in profit or loss.

(11) Employee benefits

A. Post-retirement 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 (a) financial assets measured at fair value through profit or loss or other comprehensive income; or (b) 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 counterparty 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
- Deductible 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 or fair 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) Accounting methods for consumption taxes, etc.

The Company uses the tax-excluded method.

(23) Notes to Changes in Accounting Principles

The accounting policies applied in the consolidated financial statements of the Group are the same as those applied in the consolidated financial statements for the previous consolidated fiscal year, except for the following.

The main accounting standards that the Group applies from current consolidated fiscal year are as follows.

Standard	Title	Summary of new principles or amendments
IFRS 3	Business Combinations	Improved the definition of a business
IAS 1 IAS 8	Presentation of Financial Statements Accounting Policies, Changes in Accounting Estimates and Errors	Clarified the definition of “material”
IFRS 9 IFRS 7	Financial Instruments Financial Instruments: Recognition and Measurement Financial Instruments: Disclosures	Revised certain hedge accounting requirements to reduce the potential effects of uncertainty caused by the IBOR transition

The Group is applying the above accounting standards in accordance with their respective transitional provisions, and their application does not have a material impact on the Consolidated Financial Statements.

Note 4: Segment Information

1. Overview of Reportable Segments

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.

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

(d) Other Business

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, 2020 and 2019 was as follows:

	Millions of yen						
	2020						
	Reportable segments			Other	Total	Adjustments *2	Consolidated total*3
Consumer Products Business	Industrial Products Business	Overseas Business					
Net sales							
(1) External customers	¥229,746	¥31,563	¥91,210	¥2,827	¥355,348	¥3	¥355,352
(2) Intersegment*1	15,746	23,505	10,440	31,992	81,686	(81,686)	-
Total	¥245,493	¥55,069	¥101,651	¥34,820	¥437,034	¥(81,682)	¥355,352
Core operating income	24,647	2,171	7,144	2,315	36,278	(340)	35,937
Other income							12,248
Other expenses							(4,112)
Operating profit							¥44,074
Finance income							679
Finance costs							(146)
Share of loss of investments accounted for using the equity method							(112)
Profit before tax							¥44,494
Other							
Depreciation and amortization	¥6,098	¥1,417	¥2,444	¥104	¥10,064	¥1,668	¥11,732

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

*2. (1) A ¥(340) 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	¥179,872
Selling, general and administrative expenses	(143,934)
Core operating income	¥35,937

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						
	2019						
	Reportable segments			Other	Total	Adjustments *2	Consolidated total*3
Consumer Products Business	Industrial Products Business	Overseas Business					
Net sales							
(1) External customers	¥219,380	¥32,954	¥91,741	¥3,427	¥347,503	¥16	¥347,519
(2) Intersegment*1	14,977	22,210	9,354	31,909	78,451	(78,451)	-
Total	¥234,357	¥55,164	¥101,095	¥35,337	¥425,954	¥(78,435)	¥347,519
Core operating income	19,634	1,755	7,552	1,521	30,464	(416)	30,048
Other income							1,519
Other expenses							(1,735)
Operating profit							¥29,832
Finance income							752
Finance costs							(168)
Share of profit of investments accounted for using the equity method							986
Profit before tax							¥31,402
Other							
Depreciation and amortization	¥5,463	¥1,256	¥2,299	¥108	¥9,127	¥1,376	¥10,504

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

*2. (1) A ¥(416) 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	¥171,931
Selling, general and administrative expenses	(141,882)
Core operating income	¥30,048

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

	2020						
	Reportable segments			Other	Total	Adjustments* 2	Consolidated total*3
	Consumer Products Business	Industrial Products Business	Overseas Business				
Net sales							
(1) External customers	\$2,219,774	\$304,965	\$881,260	\$27,321	\$3,433,320	\$33	\$3,433,353
(2) Intersegment*1	152,145	227,110	100,877	309,105	789,237	(789,237)	-
Total	\$2,371,919	\$532,075	\$982,137	\$336,426	\$4,222,557	\$(789,204)	\$3,433,353
Core operating income	238,140	20,985	69,028	22,368	350,521	(3,294)	347,226
Other income							118,348
Other expenses							(39,735)
Operating profit							\$425,840
Finance income							6,567
Finance costs							(1,417)
Share of loss of investments accounted for using the equity method							(1,092)
Profit before tax							\$429,897
Other							
Depreciation and amortization	\$58,920	\$13,695	\$23,615	\$1,007	\$97,237	\$16,120	\$113,357

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

*2. (1) A \$(3,294) 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	\$1,737,902
Selling, general and administrative expenses	(1,390,675)
Core operating income	\$347,226

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. Information by product and service category

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net sales to external customers			
Health care	¥175,272	¥157,829	\$1,693,453
Household	156,726	163,672	1,514,269
Chemicals	20,377	22,455	196,888
Other	2,974	3,562	28,743
Total	¥355,352	¥347,519	\$3,433,353

5. Geographic Information

(1) Net sales	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Japan	¥260,786	¥252,461	\$2,519,672
Asia	93,263	93,765	901,092
Thailand	40,885	45,041	395,029
Other	1,302	1,291	12,588
Consolidated	¥355,352	¥347,519	\$3,433,353

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
	2020	2019	2020
Japan	¥117,836	¥88,026	\$1,138,517
Asia	25,506	23,319	246,442
Thailand	14,054	11,520	135,789
Total	¥143,343	¥111,345	\$1,384,959

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.

6. Information about major customers

Customer	Related segments	Millions of yen		Thousands of U.S. dollars
		2020	2019	2020
Net sales				
PALTAC Corporation	Consumer Products, Industrial Products	¥93,397	¥87,831	\$902,396
Arata Corporation	Consumer Products, Industrial Products	¥46,952	¥44,592	\$453,652

Note 5: Information on Cash Flows

(1) Cash and cash equivalents

Cash and cash equivalents at December 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash and time deposits	¥120,012	¥74,817	\$1,159,541
Short-term investments	1,521	35,588	14,704
Cash and cash equivalents at end of the year	¥121,534	¥110,406	\$1,174,245

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

(2) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities during the years ended December 31, 2020 and 2019 consisted of the following:

	Millions of yen						December 31, 2020
	January 1, 2020	Changes arising from cash flows	Non-cash changes				
			Foreign currency	New leases	other		
Short-term borrowings	¥1,150	¥ -	¥ -	¥ -	¥ -	¥ -	¥1,150
Long-term borrowings (include current portion)	1,144	(243)	(5)	-	-	-	895
Lease liabilities	7,005	(1,408)	9	849	(383)		6,072
Total	¥9,299	¥(1,651)	¥4	¥849	¥(383)		¥8,118

	Millions of yen						December 31, 2019
	January 1, 2019	Changes arising from cash flows	Non-cash changes				
			Foreign currency	New leases	other		
Short-term borrowings	¥1,150	¥ -	¥ -	¥ -	¥ -		¥1,150
Long-term borrowings (include current portion)	1,469	(252)	(72)	-	-		1,114
Lease liabilities	7,128	(1,376)	(5)	1,186	72		7,005
Total	¥9,747	¥(1,629)	¥(77)	¥1,186	¥72		¥9,299

A ¥7,128 million in January 1, 2019 of lease liabilities is in Lease liabilities recognized in Consolidated Statement of Financial Position at the date of initial application due to the transition to IFRS16.

	Thousands of U.S. dollars						December 31, 2020
	January 1, 2020	Changes arising from cash flows	Non-cash changes				
			Foreign currency	New leases	other		
Short-term borrowings	\$11,111	\$ -	\$ -	\$ -	\$ -		\$11,111
Long-term borrowings (include current portion)	11,054	(2,353)	(49)	-	-		8,652
Lease liabilities	67,689	(13,608)	90	8,209	(3,706)		58,673
Total	\$89,854	\$(15,961)	\$41	\$8,209	\$(3,706)		\$78,436

Note 6: Trade and Other Receivables

Trade and other receivables at December 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Trade receivables	¥61,555	¥61,110	\$594,743
Other receivables	893	688	8,629
Allowance for doubtful accounts	(27)	(39)	(262)
Total	¥62,421	¥61,759	\$603,109

Note 7: Inventories

Inventories at December 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Merchandise and finished goods	¥31,532	¥30,720	\$304,665
Work in progress	2,625	2,360	25,368
Raw materials and supplies	11,000	10,475	106,282
Total	¥45,158	¥43,555	\$436,315

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, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Financial assets measured at amortized cost			
Time Deposits due over three months	¥8,156	¥3,648	\$78,810
Other	2,715	1,576	26,238
Financial assets measured at fair value through other comprehensive income			
Securities	22,081	23,840	213,351
Other	498	476	4,813
Total	¥33,452	¥29,542	\$323,212
Current assets	8,592	4,024	83,022
Non- Current assets	24,859	25,517	240,189

Note 9: Other Assets

Other assets at December 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Prepaid expenses	¥2,849	¥2,639	\$27,534
Other	3,245	944	31,355
Total	¥6,094	¥3,584	\$58,889
Current assets	5,108	2,750	49,356
Non- current assets	986	833	9,533

Note 10: Assets Held For Sale

Assets held for sale at December 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Investments accounted for using the equity method	¥2,603	¥ -	\$25,159
Total	¥2,603	¥ -	\$25,159

The group classified the investment in Global Eco Chemicals Singapore Pte. Ltd. of ¥422 million(U.S. \$4,080 thousand) as the assets held for sale from investments accounted for using the equity method under the contract of share transfer (the group have already transferred the share at January 4, 2021). Impairment loss of ¥1,609 million(U.S. \$15,551 thousand) has been recorded in “Share of profit (loss) of investments accounted for using the equity method” due to the classification as assets for sale.

Also, the group classified the investment in Lion Idemitsu Composites Co., Ltd. of ¥2,181 million(U.S. \$21,079 thousand) as the assets held for sale from investments accounted for using the equity method under the contract of share transfer. The group have recognized no impairment loss for the investment, and the group is planning to transfer the share at April 4, 2021.

Note 11: 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
December 31, 2018	¥25,193	¥22,042	¥21,124	¥8,625	¥4,560	¥81,546
Adjustment due to application of IFRS 16	(353)	(360)	-	-	(173)	(886)
January 1, 2019 (adjusted)	¥24,840	¥21,682	¥21,124	¥8,625	¥4,387	¥80,660
Acquisition	93	268	-	19,519	178	20,060
Depreciation	(1,814)	(5,329)	-	-	(1,805)	(8,950)
Impairment loss	(78)	(30)	-	-	(1)	(110)
Sales and disposal	(14)	(107)	-	-	(10)	(131)
Exchange differences on foreign currencies	104	169	(76)	85	4	285
Reclassification and other	3,425	9,757	-	(15,753)	1,659	(910)
December 31, 2019	¥26,555	¥26,411	¥21,047	¥12,476	¥4,412	¥90,903
Acquisition	95	245	64	40,857	177	41,441
Depreciation	(1,817)	(6,265)	-	-	(1,895)	(9,978)
Impairment loss	(1,512)	(126)	(1,031)	-	(14)	(2,684)
Sales and disposal	(16)	(165)	(65)	(0)	(4)	(250)
Exchange differences on foreign currencies	(194)	(203)	(94)	(61)	(20)	(574)
Reclassification and other	4,221	11,236	-	(17,777)	1,841	(478)
December 31, 2020	¥27,332	¥31,132	¥19,922	¥35,494	¥4,497	¥118,379

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, 2020	¥81,450	¥137,222	¥27,042	¥35,494	¥26,533	¥307,742
December 31, 2019	78,591	128,987	27,523	12,476	25,450	273,029
January 1, 2019 (adjusted)	75,520	118,902	27,600	8,625	24,693	255,341
December 31, 2018	76,077	119,275	27,600	8,625	25,070	256,648

Accumulated depreciation and accumulated impairment loss	Millions of yen					
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
December 31, 2020	¥54,117	¥106,089	¥7,120	-	¥22,035	¥189,362
December 31, 2019	52,035	102,576	6,475	-	21,038	182,125
January 1, 2019 (adjusted)	50,680	97,219	6,475	-	20,306	174,681
December 31, 2018	50,884	97,232	6,475	-	20,509	175,102

Book value	Thousands of U.S. dollars					
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
December 31, 2019	\$256,579	\$255,184	\$203,361	\$120,543	\$42,632	\$878,299
Acquisition	919	2,375	627	394,759	1,717	400,397
Depreciation	(17,557)	(60,538)	-	-	(18,315)	(96,410)
Impairment loss	(14,612)	(1,217)	(9,965)	-	(142)	(25,937)
Sales and disposal	(155)	(1,601)	(628)	(1)	(40)	(2,424)
Exchange differences on foreign currencies	(1,877)	(1,966)	(912)	(596)	(196)	(5,547)
Reclassification and other	40,789	108,561	-	(171,762)	17,794	(4,619)
December 31, 2020	\$264,086	\$300,798	\$192,484	\$342,943	\$43,450	\$1,143,759

Acquisition cost	Thousands of U.S. dollars					
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
December 31, 2020	\$786,959	\$1,325,818	\$261,278	\$342,943	\$256,364	\$2,973,362

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, 2020	\$522,873	\$1,025,021	\$68,795	\$-	\$212,903	\$1,829,592

(2) Impairment loss

The company performs an impairment test to the some properties, plant and equipments if there is any indication that assets may be impaired. The grouping of the company's business assets are based from individual business units which are the lowest level of generating cash flows. 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 ¥2,684 million (U.S.\$25,937 thousand) and ¥110 million for the years ended December 31, 2020 and 2019, respectively.

The significant impairment losses are as following:

For the year ended December 31, 2020, the company reviewed the grouping of the head office building and facilities attached to buildings, which are corporate assets, in the wake of the sale of land at the head office, and performed an impairment test as an independent cash-generating unit. As a result, the carrying amount was reduced to the memorandum value, and impairment loss was recorded ¥1,292 million (U.S.\$12,490 thousand) . The recoverable amount of the asset group is measured based on the value in use, and the value in use is evaluated as zero because future cash flows are estimated to be negative.

In addition, due to the decline in market prices, the company have reduced the book value of the land of idle assets in Sakaide City, Kagawa Prefecture to the recoverable amount, and recorded an impairment loss of ¥849 million (U.S.\$8,211 thousand) .

The recoverable value of the asset group is measured based on the fair value after deducting disposal costs, which is calculated based on the real estate appraisal value. The fair value hierarchy is level 3.

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

Assets pledged as collateral and debt obligations covered by collateral at December 31, 2020 and 2019 consisted of the following:

Assets pledged as collateral

	Millions of yen		Thousands of
	2020	2019	2020
Buildings and structures	¥1,559	¥1,545	\$15,069
Machinery and vehicles	779	790	7,527
Total	¥2,338	¥2,335	\$22,597

Debt obligations covered by collateral

	Millions of yen		Thousands of
	2020	2019	2020
Trade and other payables	¥78	¥159	\$756
Total	¥78	¥159	\$756

(4) Commitments

See " Note 32. Commitments " .

Note 12: 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					
	Goodwill	Intangible assets				Total
		Trademarks	Software	Software - related temporary account	Other	
January 1, 2019	¥182	¥6,591	¥1,769	¥1,563	¥235	¥10,160
Acquisition	-	393	33	3,314	347	4,089
Amortization	-	(9)	(557)	-	(18)	(585)
Impairment loss	-	-	-	-	-	-
Sales and disposal	-	-	(2)	-	-	(2)
Exchange differences on foreign currencies	-	(0)	1	-	0	1
Reclassification and other	-	-	727	(685)	(219)	(177)
December 31, 2019	¥182	¥6,975	¥1,973	¥4,192	¥344	¥13,485
Acquisition	-	3	71	6,360	0	6,436
Amortization	-	(10)	(685)	-	(42)	(738)
Impairment loss	-	-	(80)	(250)	-	(330)
Sales and disposal	-	(0)	(0)	(18)	(22)	(40)
Exchange differences on foreign currencies	-	0	(2)	-	0	(2)
Reclassification and other	-	0	771	(704)	43	111
December 31, 2020	¥182	¥6,969	¥2,047	¥9,580	¥324	¥18,921

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					
	Goodwill	Intangible assets				Total
		Trademarks	Software	Software - related temporary account	Other	
December 31, 2020	¥ 182	¥ 39,673	¥ 8,563	¥ 9,830	¥ 1,350	¥ 59,417
December 31, 2019	182	39,671	7,753	4,192	1,328	52,945
January 1, 2019	182	39,277	7,117	1,563	1,198	49,158

Accumulated amortization and accumulated impairment loss

	Millions of yen					
	Goodwill	Intangible assets				Total
		Trademarks	Software	Software - related temporary account	Other	
December 31, 2020	¥ -	¥ 32,703	¥ 6,515	¥ 250	¥ 1,025	¥ 40,495
December 31, 2019	-	32,695	5,780	-	984	39,459
January 1, 2019	-	32,685	5,348	-	963	38,997

Book value

	Thousands of U.S. dollars					
	Goodwill	Intangible assets				Total
		Trademarks	Software	Software - related temporary account	Other	
December 31, 2019	\$ 1,765	\$ 67,400	\$ 19,066	\$ 40,504	\$ 3,327	\$ 130,297
Acquisition	-	33	693	61,457	7	62,190
Amortization	-	(98)	(6,626)	-	(407)	(7,130)
Impairment loss	-	-	(774)	(2,416)	-	(3,190)
Sales and disposal	-	(1)	(1)	(175)	(217)	(395)
Exchange differences on foreign currencies	-	1	(28)	-	0	(26)
Reclassification and other	-	4	7,453	(6,806)	424	1,075
December 31, 2020	\$ 1,765	\$ 67,340	\$ 19,783	\$ 92,564	\$ 3,134	\$ 182,820

Acquisition cost

	Thousands of U.S. dollars					
	Goodwill	Intangible assets				Total
		Trademarks	Software	Software - related temporary account	Other	
December 31, 2020	\$1,765	\$383,320	\$82,735	\$94,980	\$13,046	\$574,081

Accumulated amortization and accumulated impairment loss

	Thousands of U.S. dollars					
	Goodwill	Intangible assets				Total
		Trademarks	Software	Software - related temporary account	Other	
December 31, 2020	\$-	\$315,980	\$62,953	\$2,416	\$9,913	\$391,261

(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 ¥10,969 million (U.S. \$105,380 thousand) and ¥10,944 million for the years ended December 31, 2020 and 2019, 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 the some countries and regions, including China). The amounts of the trademarks at December 31, 2020 and 2019 are ¥6,560 million (U.S. \$63,382 thousand).

Intangible assets with indefinite useful lives are tested for impairment annually.

The company allocates the relevant business to the independent cash generating unit, determines recoverable amounts based on value in use, which are discounted estimated future cash flow with 11.2% (December 31, 2019 : 11.0%). Used discount rate are determined with using weighted average cost of capital. Growth rates used to extrapolate cash flows beyond the three-year forecast approved by management are determined 0%.

In addition, if key assumptions used in impairment test changes within a reasonable range, the company recognizes it is unlikely to occur the significant impairment.

The company doesn't recognize impairment loss from goodwill and intangible assets with indefinite useful lives at December 31, 2020 and 2019.

(5) Impairment loss

Impairment loss, which have been included in "Other expense" of consolidated statement of profit or loss amounted to ¥330 million (U.S.\$3,190 thousand) for the year ended December 31, 2020.

(6) Intangible assets pledged as collateral

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

(7) Commitments

See " Note 32. Commitments " .

Note 13: Investments Accounted for Using the Equity Method

Investments accounted for using the equity method at December 31, 2020 and 2019 consisted of the following:

(1) Affiliated companies

	Millions of yen		Thousands of
	2020	2019	U.S. dollars 2020
Investments accounted for using the equity method	¥6,310	¥7,019	\$60,966

For the year ended December 31, 2020, investments in Lion Idemitsu Composites Co., Ltd. were classified as assets held for sale.

The Group's share	Millions of yen		Thousands of
	2020	2019	U.S. dollars 2020
Profit	1,634	1,183	15,792
Other comprehensive income	(261)	43	(2,524)
Total	¥1,373	¥1,227	\$13,268

For the year ended December 31, 2020, profit and other comprehensive income include profit before the investment in Lion Idemitsu Composites Co., Ltd. was classified as assets held for sale.

(2) Joint ventures

	Millions of yen		Thousands of
	2020	2019	U.S. dollars 2020
Investments accounted for using the equity method	¥ -	¥2,145	\$ -

For the year ended December 31, 2020, investments in Global Eco Chemicals Singapore Pte. Ltd. are classified as assets held for sale.

The Group's share	Millions of yen		Thousands of
	2020	2019	U.S. dollars 2020
Profit	(1,747)	(197)	(16,884)
Other comprehensive income	(0)	(0)	(2)
Total	¥(1,747)	¥(197)	\$(16,886)

For the year ended December 31, 2020, profit and other comprehensive income include profit before the investment in Global Eco Chemicals Singapore Pte. Ltd. was classified as assets held for sale. Impairment loss of ¥1,609 million (U.S. \$15,551 thousand) has been recorded in "Profit" due to the classification as assets for sale.

There are no individually important affiliated companies and joint ventures in the companies accounted for by the equity method for the year ended December 31, 2020 and 2019.

Note 14: Income taxes

(1) Deferred tax assets and deferred tax liabilities

The major components of deferred tax assets and liabilities at December 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets			
Provisions, and Other current liabilities, etc.	¥4,496	¥3,806	\$43,440
Retirement benefit assets and liabilities	8,857	8,829	85,575
Excess depreciation	691	621	6,676
Accrued enterprise and office taxes	702	439	6,783
Valuation loss on inventories	663	604	6,406
Unrealized profit on inventories and non-current assets	740	617	7,150
Other	2,179	1,284	21,053
Total	¥18,331	¥16,201	\$177,111
Deferred tax liabilities			
Special depreciation of non-current assets	¥(843)	¥(959)	\$(8,145)
Valuation difference upon contribution of securities to retirement benefit trust	(4,283)	(4,816)	(41,382)
Temporary differences due to distribution of retained earnings at overseas affiliates	(2,045)	(1,741)	(19,758)
Net gain on revaluation of financial assets measured at fair value through other comprehensive income	(4,469)	(4,630)	(43,179)
Trademarks	(2,023)	(2,012)	(19,546)
Other	(311)	(337)	(3,005)
Total	¥(13,977)	¥(14,497)	\$(135,043)

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net deferred tax assets and (liabilities)			
Balance at beginning of the year	¥1,704	¥1,656	\$16,467
Adjustment due to application of IFRS 16	-	42	-
Balance at beginning of the year (adjusted)	1,704	1,699	16,467
Deferred income taxes	2,594	1,028	25,063
Deferred taxes related to other comprehensive income items			
Net gain (loss) on revaluation of financial assets measured at fair value	(226)	(536)	(2,186)
Net gain (loss) on derivatives designated as cash flow hedges	0	(3)	0
Remeasurements of defined benefit plans	(115)	(728)	(1,118)
Other	396	245	3,831
Balance at end of the year	¥4,353	¥1,704	\$42,066

(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
	2020	2019	2020
Deductible temporary differences	¥10,492	¥10,376	\$ 101,381

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

(3) Unrecognized deferred tax liabilities

There were no significant taxable temporary differences related to the investments in subsidiaries not recognized as deferred tax liabilities at December 31, 2020 and 2019.

(4) Income taxes

Income taxes recognized through profit or loss are as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Current income taxes	¥15,132	¥9,451	\$146,211
Deferred income taxes			
Origination and reversal of temporary differences	(2,646)	(661)	(25,566)
Adjustment and reversal of deferred tax assets	52	(367)	502
Total	¥12,538	¥8,422	\$121,148

(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.

	2020	2019
Applicable tax rate	30.6%	30.6%
Entertainment expenses and other non-deductible items	0.1%	0.3%
Dividend income and other items not recognizable as income for tax purposes	(0.0%)	(0.0%)
Unrecognized deferred tax assets	(0.1%)	(1.4%)
Differences in tax rates applicable to foreign subsidiaries	(1.7%)	(2.4%)
Tax credit for research and development costs and other	(1.3%)	(1.9%)
Foreign tax credits	0.1%	1.0%
Other	0.5%	0.6%
Average effective tax rate	28.2%	26.8%

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, 2019 and December 31, 2020 was 30.6%.

However, overseas subsidiaries are subject to the income and other taxes of their respective locations.

Note 15: Trade and Other Payables

Trade and other payables at December 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Accounts (Trade) payable and Notes payable	¥67,720	¥60,470	\$654,304
Accrued payables and accrued expenses	66,591	51,552	643,396
Refund liabilities and contract liabilities	6,947	4,245	67,124
Total	¥141,259	¥116,268	\$1,364,825

Note 16: Borrowings

Borrowings at December 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Short-term borrowings	¥1,150	¥1,150	\$11,111
Current portion of long-term borrowings	255	254	2,472
Long-term borrowings	639	889	6,180
Total	¥2,045	¥2,294	\$19,763
Current liabilities	1,405	1,404	13,583
Non-Current liabilities	639	889	6,180

Note 17: Other Financial Liabilities

Other financial liabilities at December 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Financial liabilities measured at amortized cost			
Long-term deposits	¥2,463	¥2,601	\$23,805
Other	917	785	8,861
Financial liabilities for which hedge accounting was applied			
Derivatives	0	-	0
Total	¥3,380	¥3,387	\$32,666
Current liabilities	893	739	8,629
Non-Current liabilities	2,487	2,648	24,037

Note 18: Other Liabilities

Other liabilities at December 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Accrued bonus	¥6,125	¥4,940	\$59,187
Accrued paid annual leave	2,427	2,382	23,451
Other accrued employee benefits	1,004	1,007	9,702
Other	711	740	6,879
Total	¥10,269	¥9,071	\$99,218
Current liabilities	8,710	7,659	84,161
Non-Current liabilities	1,558	1,411	15,057

Note 19: Provisions

The changes in provisions during the year ended December 31, 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	Provision for sales	Other	Provision for sales	Other
At beginning of year	¥1,574	¥365	\$15,213	\$3,528
Increase	1,394	18	13,476	176
Decrease (used)	(1,574)	(13)	(15,213)	(131)
Decrease (reversal)	-	(4)	-	(47)
At end of year	¥1,394	¥364	\$13,476	\$3,525

Provision for sales are mainly consisted of the expected expenditure for sales promotion within a year.
There are no important asset retirement obligations in 2020.

Note 20: Post-Retirement Benefits

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

The main retirement benefit plan in which the Company participates is the LION PENSION FUND.

Furthermore, the Company and 9 other companies maintain lump-sum retirement benefit 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
	2020	2019	2020
Present value of defined benefit obligation	¥66,558	¥67,831	\$643,076
Fair value of plan assets	(63,485)	(65,337)	(613,385)
Total	¥3,073	¥2,493	\$29,691
Retirement benefit liabilities	13,009	12,091	125,694
Retirement benefit assets	(9,936)	(9,597)	(96,003)
Net liabilities presented in the Consolidated Statement of Financial Position	¥3,073	¥2,493	\$29,691

A. Changes in the present value of defined benefit obligation

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance of defined benefit obligation at beginning of year	¥67,831	¥68,738	\$655,372
Current service costs	2,196	2,297	21,220
Interest expenses	221	310	2,135
Remeasurements			
Experience adjustments	194	219	1,881
Actuarial gains and losses arising from changes in demographic assumptions	304	-	2,937
Actuarial gains and losses arising from changes in financial assumptions	-	658	-
Retirement benefit payments	(4,090)	(4,467)	(39,519)
Other	(98)	74	(951)
Balance of defined benefit obligation at end of year	¥66,558	¥67,831	\$643,076

The weighted average duration of the defined benefit obligation was 10.9 years at December 31, 2019 and 10.7 years at December 31, 2020.

B. Changes in the fair value of plan assets

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance of plan assets at beginning of year	¥65,337	¥65,582	\$631,284
Interest revenue on plan assets	209	275	2,022
Remeasurements			
Return on plan assets(excluding interest income)	855	3,267	8,268
Employer	396	459	3,830
Retirement benefit payments	(3,322)	(4,216)	(32,106)
Other	8	(30)	86
Balance of plan assets at end of year	¥63,485	¥65,337	\$613,385

The Group's planned contribution to defined benefit plans in the consolidated fiscal year ending December 31, 2021 is ¥226 million (U.S. \$2,190 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	
	2020		2019		2020	
	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	¥ -	¥ 29,522	¥ -	¥ 30,959	\$ -	\$ 285,243
Stocks	19,855	-	22,542	-	191,841	-
Other	10,425	3,681	7,643	4,193	100,732	35,569
Total	¥ 30,281	¥ 33,204	¥ 30,185	¥ 35,152	\$ 292,573	\$ 320,812

D. Actuarial assumptions

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

	2020	2019
Discount rate(%)	0.3%	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
	2020	2019	2020
Discount rate(+0.5%)	¥(3,066)	¥(3,172)	\$ (29,630)
Discount rate(-0.5%)	¥ 1,984	¥2,050	\$ 19,169

(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
	2020	2019	2020
Expense related to defined contribution plans	¥ 3,282	¥3,061	\$ 31,715

Note 21: Stock-based Compensation

(1) Stock option system

① Details of stock options

Company name	Submitting Company	Submitting Company	Submitting Company	Submitting Company
Resolution date	March 30, 2006	March 28, 2008	March 27, 2009	March 30, 2010
Grantee information	11 Directors 4 Corporate auditors 10 Employees	9 Directors (excluding external directors) 9 Employees (Executive officer)	9 Directors (excluding external directors)	8 Directors (excluding external directors)
Stock information *1	Common stock 129,753	Common stock 143,771	Common stock 99,781	Common stock 103,778
Grant date	March 31, 2006	April 15, 2008	April 15, 2009	April 15, 2010
Settlement	Equity-settled	Equity-settled	Equity-settled	Equity-settled
Vesting conditions	*2	*3	*5	*5
Length of service	—	—	—	—
Exercise period	Decided by the board of directors during April 1, 2006 to March 31, 2036	From April 15, 2008 to April 14, 2038	From April 15, 2009 to April 14, 2039	From April 15, 2010 to April 14, 2040

Company name	Submitting Company	Submitting Company	Submitting Company	Submitting Company
Resolution date	March 30, 2011	December 27, 2011	March 29, 2012	March 28, 2013
Grantee information	8 Directors (excluding external directors)	1 Directors 10 Employees (Executive officer)	8 Directors (excluding external directors)	8 Directors (excluding external directors)
Stock information *1	Common stock 97,575	Common stock 71,392	Common stock 96,418	Common stock 99,716
Grant date	April 18, 2011	January 12, 2012	April 17, 2012	April 15, 2013
Settlement	Equity-settled	Equity-settled	Equity-settled	Equity-settled
Vesting conditions	*5	*3	*5	*5
Length of service	—	—	—	—
Exercise period	From April 18, 2011 to April 17, 2041	From January 12, 2012 to January 11, 2042	From April 17, 2012 to April 16, 2042	From April 15, 2013 to April 14, 2043

Company name	Submitting Company	Submitting Company	Submitting Company	Submitting Company
Resolution date	December 25, 2013	March 28, 2014	December 25, 2014	March 27, 2015
Grantee information	2 Directors 8 Employees (Executive officer)	8 Directors (excluding external directors)	7 Employees (Executive officer)	8 Directors (excluding external directors)
Stock information *1	Common stock 41,576	Common stock 82,672	Common stock 34,762	Common stock 73,062
Grant date	January 14, 2014	April 15, 2014	January 13, 2015	April 13, 2015
Settlement	Equity-settled	Equity-settled	Equity-settled	Equity-settled
Vesting conditions	*3	*5	*4	*5
Length of service	—	—	—	—
Exercise period	From January 14, 2014 to January 13, 2044	From April 15, 2014 to April 14, 2044	From January 13, 2015 to January 12, 2045	From April 13, 2015 to April 12, 2045

Company name	Submitting Company	Submitting Company
Resolution date	December 25, 2015	March 30, 2016
Grantee information	11 Employees (Executive officer)	6 Directors (excluding external directors)
Stock information*1	Common stock 29,447	Common stock 30,892
Grant date	January 12, 2016	April 18, 2016
Settlement	Equity-settled	Equity-settled
Vesting conditions	*4	*5
Length of service	—	—
Exercise period	From January 12, 2016 to January 11, 2046	From April 18, 2016 to April 17, 2046

*1:

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

*2:

Grantees 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. In case of executive officer, the term is ten days from the next day they are retire or the lose position (later one).

*3:

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 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. 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 board of directors.

*5:

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

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

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

② Numbers of stock options and weighted average exercise price

	2020		2019	
	Number of shares	Weighted average exercise price (yen)	Number of shares	Weighted average exercise price (yen)
Beginning balance of outstanding	242,273	1	278,285	1
Granted	-	-	-	-
Expired	-	-	-	-
Exercised	7,643	1	36,012	1
Expired at maturity	-	-	-	-
Ending balance of outstanding	234,630	1	242,273	1
Ending balance of exercisable	-	-	-	-
Range of exercise price	-	1	-	1
Weighted average remaining term of contract	22 years		23 years	

③ Numbers of Exercised during the period

	2020		2019	
	Number of shares	Weighted average exercise price (yen)	Number of shares	Weighted average exercise price (yen)
March 30, 2006	-	-	1,302	2,282
March 29, 2012	-	-	8,071	2,282
March 28, 2013	-	-	8,347	2,282
March 28, 2014	-	-	6,536	2,282
December 25, 2014	4,966	2,496	-	-
March 27, 2015	-	-	5,776	2,282
December 25, 2015	2,677	2,496	2,677	2,282
March 30, 2016	-	-	3,303	2,282

(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, 2020 and 2019 were ¥196 million (U.S. \$1,899 thousand) and ¥80 million, respectively. These are recognized in the consolidated statements of profit or loss as selling general and administrative expenses.

Note 22: Equity

(1) Share capital

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

	Thousands of shares	
	2020	2019
Number of authorized shares	1,185,600	1,185,600
Number of outstanding shares		
At beginning of period	299,115	299,115
Net change	-	-
At end of period	299,115	299,115

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

(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	
	2020	2019
At beginning of period	8,405	8,456
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	(7)	(36)
Decrease due to sales of ordinary shares to the BID Trust	-	(16)
At end of period	8,399	8,405

(5) Dividends

Dividends paid for each year are as following:

Fiscal year ended December 31, 2020

Resolution	Class of shares	Total dividends		Dividends per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(\$)		
February 13, 2020 Board of Directors	Ordinary shares	3,203	30,947	11.00	0.11	December 31, 2019	March 2, 2020
August 5, 2020 Board of Directors	Ordinary shares	3,203	30,947	11.00	0.11	June 30, 2020	September 4, 2020

The amount of total dividends approved by the board of directors on February 13, 2020 included dividends of ¥5 million (U.S. \$51 thousand) dividend on the company's stock which held by the BIP trust. The amount of total dividends approved by the board of directors on August 5, 2020 included dividends of ¥5 million (U.S. \$51 thousand) dividend on the company's stock which held by the BIP trust.

Fiscal year ended December 31, 2019

Resolution	Type of stock	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
February 13, 2019 Board of Directors	Ordinary shares	2,911	10.00	December 31, 2018	March 1, 2019
August 6, 2019 Board of Directors	Ordinary shares	2,911	10.00	June 30, 2019	September 3, 2019

The amount of total dividends approved by the board of directors on February 13, 2019 included dividends of ¥4 million dividend on the company's stock which held by the BIP trust. The amount of total dividends approved by the board of directors on August 6, 2019 included dividends of ¥4 million dividend on the company's stock which held by the BIP trust.

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

Fiscal year ended December 31, 2020

Resolution	Type of stock	Total dividends		Dividends per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(\$)		
February 12, 2021 Board of Directors	Ordinary shares	3,494	33,761	12.00	0.12	December 31, 2020	March 2, 2021

The amount of total dividends approved by the board of directors on February 12, 2021 included dividends of ¥5 million (U.S. \$55 thousand) dividend on the company's stock which held by the BIP trust.

Fiscal year ended December 31, 2019

Resolution	Type of stock	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
February 13, 2020 Board of Directors	Ordinary shares	3,203	11.00	December 31, 2019	March 2, 2020

The amount of total dividends approved by the board of directors on February 13, 2020 included dividends of ¥5 million dividend on the company's stock which held by the BIP trust.

Note 23: Other Comprehensive Income

Other comprehensive income during the years ended December 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
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	¥183	¥1,581	\$1,772
Gains/(losses) before tax effect	183	1,581	1,772
Amount of tax effect	(226)	(536)	(2,186)
Gains/(losses) after tax effect	¥(42)	¥1,045	\$(414)
Remeasurements of defined benefit plans			
Gains/(losses) during the year	¥358	¥2,389	\$3,467
Gains/(losses) before tax effect	358	2,389	3,467
Amount of tax effect	(115)	(728)	(1,118)
Gains/(losses) after tax effect	¥243	¥1,660	\$2,349
Share of other comprehensive income of investments accounted for using the equity method			
Gains/(losses) during the year	¥(33)	¥(48)	\$(327)
Gains/(losses) before tax effect	(33)	(48)	(327)
Amount of tax effect	-	-	-
Gains/(losses) after tax effect	¥(33)	¥(48)	\$(327)
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	¥(0)	¥12	\$0
Gains/(losses) before tax effect	(0)	12	(0)
Amount of tax effect	0	(3)	0
Gains/(losses) after tax effect	¥(0)	¥8	\$(0)
Exchange differences on translation of foreign operations			
Gains/(losses) during the year	¥(939)	¥568	\$(9,074)
Reclassification during the year to profit or loss	-	(117)	-
Gains/(losses) before tax effect	(939)	¥450	(9,074)
Amount of tax effect	-	-	-
Gains/(losses) after tax effect	¥(939)	¥450	\$(9,074)
Share of other comprehensive income of investments accounted for using the equity method			
Gains/(losses) during the year	¥(542)	¥91	\$(5,239)
Reclassification during the year to profit or loss	314	-	3,039
Gains/(losses) before tax effect	(227)	91	(2,199)
Amount of tax effect	-	-	-
Gains/(losses) after tax effect	¥(227)	¥91	\$(2,199)
Total			
Gains/(losses) during the year	¥(972)	¥4,595	\$(9,400)
Reclassification during the year to profit or loss	314	(117)	3,039
Gains/(losses) before tax effect	(658)	4,477	(6,361)
Amount of tax effect	(342)	(1,268)	(3,305)
Gains/(losses) after tax effect	¥(1,000)	¥3,208	\$(9,666)

Note 24: 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, 2020 and 2019 consisted of the following:

	Millions of yen				
	2020				
	Japan	Asia		Other	Total
		Thailand			
Consumer Products Business	¥229,066	¥670	¥1	¥9	¥229,746
Industrial Products Business	28,888	2,282	268	392	31,563
Overseas Business	-	90,309	40,615	900	91,210
Other	2,827	-	-	-	2,827
Total	260,782	93,263	40,885	1,302	355,348
Adjustment	3	-	-	-	3
Consolidated	¥260,786	¥93,263	¥40,885	¥1,302	¥355,352

	Millions of yen				
	2019				
	Japan	Asia		Other	Total
		Thailand			
Consumer Products Business	¥218,701	¥661	¥-	¥17	¥219,380
Industrial Products Business	30,317	2,329	289	307	32,954
Overseas Business	-	90,774	44,751	966	91,741
Other	3,427	-	-	-	3,427
Total	252,445	93,765	45,041	1,291	347,503
Adjustment	16	-	-	-	16
Consolidated	¥252,461	¥93,765	¥45,041	¥1,291	¥347,519

	Thousands of U.S. dollars				
	2020				
	Japan	Asia		Other	Total
		Thailand			
Consumer Products Business	\$2,213,199	\$6,480	\$12	\$95	\$2,219,774
Industrial Products Business	279,120	22,056	2,593	3,790	304,965
Overseas Business	-	872,556	392,424	8,704	881,260
Other	27,321	-	-	-	27,321
Total	2,519,639	901,092	395,029	12,588	3,433,320
Adjustment	33	-	-	-	33
Consolidated	\$2,519,672	\$901,092	\$395,029	\$12,588	\$3,433,353

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 when the group satisfies a performance obligation

and how to allocate the transaction price and to the performance obligations in the contract.

(2) Contract balances

Contract balances with customers at December 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Receivables from contracts with customers			
Notes and accounts receivable	¥61,555	¥61,110	\$594,743
Contract assets	484	131	4,681
Total	¥62,040	¥61,242	\$599,423
Contract liabilities	1,040	106	10,052
Total	¥1,040	¥106	\$10,052

The amount of revenue recognized during the fiscal years ended December 31, 2020 and 2019 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, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Amount allocated to the remaining performance obligations	¥3,655	¥518	\$35,319

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 is within 2 years.

(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 25: Classification of Selling, General and Administrative Expenses

Classification of selling, general and administrative expenses during the years ended December 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Personnel expenses	¥49,535	¥48,349	\$478,606
Depreciation and amortization	11,732	10,504	113,357
Sales promotion expenses	26,909	26,219	260,000
Transportation and warehousing expenses	18,851	19,785	182,136
Advertising expenses	24,943	25,119	241,000

Note 26: Other Income

Other income during the years ended December 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Royalty income	¥389	¥348	\$3,763
Gain on disposal of non-current assets *	11,029	-	106,560
Other	830	1,171	8,024
Total	¥12,248	¥1,519	\$118,348

* Gain on disposal of non-current assets in the current consolidated fiscal year are mainly due to the sale of land used as the head office of the Company. The property will be used as the base of our head office for the time being even after the sale.

Note 27: Other Expenses

Other expenses during the years ended December 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
			2020
Loss on disposal of inventories	¥400	¥373	\$3,874
Loss on disposal of non-current assets	408	362	3,946
Impairment loss	3,014	110	29,126
Other	288	888	2,789
Total	¥4,112	¥1,735	\$39,735

Note 28: Leases

Leases as a lessee

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

Some leases contain renewal or purchase options.

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

① Profit and cash flows recognized from lease transactions during the year ended December 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
			2020
Depreciation expense of Right-of-use assets			
Class of Underlying assets			
Buildings and structures	¥634	¥599	\$6,135
Machinery and vehicles	287	258	2,778
Land	29	30	284
Other tangible assets	64	80	622
Total	¥1,016	¥968	\$9,820
Interest expense on lease liabilities	73	72	712
Expense relating to short-term leases	480	296	4,643
Expense relating to leases of low-value assets	836	1,183	8,081
Total amount of lease cash-flows	2,724	2,855	26,323
Gains arising from sale and leaseback transactions	10,878	-	105,108

② Book value of right-of-use assets at December 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
			2020
Class of Underlying assets			
Buildings and structures	¥3,319	¥4,275	\$32,076
Machinery and vehicles	735	790	7,105
Land	638	684	6,168
Other tangible assets	179	189	1,734
Total	¥4,873	¥5,940	\$47,083

The amount of right-of-use assets increasing during the year ended December 31, 2020 and 2019 were ¥319 million (U.S. \$3,092 thousand) and ¥724 million, respectively.

③ Leases that have been signed but not yet commenced

The group is planning to relocate our head office and have entered into a lease reservation agreement for the new office building, but since the lease period has not commenced, the group has not recorded right-of-use assets or 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. The amount of uncollected lease investment are not significant.

Note 29: Finance Income and Finance Costs

Finance income and finance expenses during the years ended December 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
2020	2019	2020	
Finance income			
Interest income			
Financial assets measured at amortized cost	¥173	¥252	\$1,677
Dividend income			
Financial assets measured at fair value through other comprehensive income	445	499	4,307
Foreign exchange gains, net	60	-	583
Total	¥679	¥752	\$6,567

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
2020	2019	2020	
Finance costs			
Interest expenses			
Financial liabilities measured at amortized cost	¥142	¥152	\$1,380
Foreign exchange losses, net	-	15	-
Other	3	-	37
Total	¥146	¥168	\$1,417

Note 30: Earnings per Share

(1) Basic earnings per share

	2020	2019
Profit for the year attributable to owners of the parent (millions of yen)	¥29,870	¥20,559
Weighted average number of ordinary shares-basic (thousands of shares)	290,709	290,697
Basic earnings per share (yen)	¥102.75	¥70.72

2020

Profit for the year attributable to owners of the parent (thousands of U.S. dollars)	\$288,606
Weighted average number of ordinary shares-basic (thousands of shares)	290,709
Basic earnings per share (U.S. dollars)	0.99

(2) Diluted earnings per share

	2020	2019
Profit for the year attributable to owners of the parent (millions of yen)	¥29,870	¥20,559
Adjustments to profit for the year (millions of yen)	-	-
Profit for the year used to calculate diluted earnings per share (millions of yen)	29,870	20,559
Weighted average number of ordinary shares (thousands of shares)	290,709	290,697
Stock options (thousands of shares)	238	247
Executive compensation BIP trust (thousands of shares)	168	120
Weighted average number of ordinary shares-diluted (thousands of shares)	291,116	291,066
Diluted earnings per share (yen)	102.61	70.63

2020

Profit for the year attributable to owners of the parent (thousands of U.S. dollars)	\$288,606
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)	288,606
Weighted average number of ordinary shares (thousands of shares)	290,709
Stock options (thousands of shares)	247
Executive compensation BIP trust (thousands of shares)	120
Weighted average number of ordinary shares-diluted (thousands of shares)	291,066
Diluted earnings per share (U.S. dollars)	0.99

Note 31: Financial Instruments

(1) Capital management

The Group manages its capital using "Return On Equity"(ROE) as a key financial indicator, aiming for the growth of profit growth and capital efficiency.

	2020	2019
Return on equity attributable to owners of the parent (ROE)	13.6%	10.3%

(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.

① Aging analysis

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

② Allowance for doubtful receivables

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
At beginning of year	¥68	¥91	\$660
Increase during the year provision	7	11	70
Decrease (used)	(3)	(7)	(31)
Decrease (reversal)	(14)	(23)	(140)
Other	1	(2)	10
At end of year	¥58	¥68	\$568

(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			Maturity date
	2020			
	Carrying amount	Contract cash flow	Average interest rate	
Non-derivative financial liabilities				
Trade and other payables	¥141,259	¥141,259	-	
Borrowings	2,045	2,115	2.20%	June, 2024
Lease obligations	6,072	6,537	1.12%	January, 2052
Total	¥149,377	¥149,912	-	

	Millions of yen					
	2020					
	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	¥ 141,259	¥ -	¥ -	¥ -	¥ -	¥ -
Borrowings	1,441	276	267	130	-	-
Lease obligations	1,444	1,151	799	516	391	2,233
Total	¥ 144,146	¥ 1,427	¥ 1,066	¥ 646	¥ 391	¥ 2,233

	Millions of yen			Maturity date
	2019			
	Carrying amount	Contract cash flow	Average interest rate	
Non-derivative financial liabilities				
Trade and other payables	¥116,268	¥116,268	-	
Borrowings	2,294	2,402	2.21%	June, 2024
Lease obligations	7,005	7,759	1.07%	January, 2052
Total	¥125,568	¥126,431	-	

	Millions of yen					
	2019					
	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	¥ 116,268	¥ -	¥ -	¥ -	¥ -	¥ -
Borrowings	1,449	283	274	265	129	-
Lease obligations	1,549	1,268	873	553	426	3,089
Total	¥ 119,267	¥ 1,551	¥ 1,147	¥ 818	¥ 556	¥ 3,089

	Thousands of U.S. dollars			Maturity date
	2020			
	Carrying amount	Contract cash flow	Average interest rate	
Non-derivative financial liabilities				
Trade and other payables	\$1,364,824	\$1,364,824	-	-
Borrowings	19,763	20,441	2.20%	June, 2024
Lease obligations	58,673	63,162	1.12%	January, 2052
Total	\$1,443,260	\$1,448,429	-	-

	Thousands of U.S. dollars					
	2020					
	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	\$1,364,824	\$ -	\$ -	\$ -	\$ -	\$ -
Borrowings	13,931	2,670	2,582	1,258	-	-
Lease obligations	13,959	11,126	7,724	4,987	3,786	21,578
Total	\$1,392,715	\$13,796	\$10,306	\$6,245	\$3,786	\$21,578

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			
	2020		2019	
	Average exchange rate during the year	Closing rate	Average exchange rate during the year	Closing rate
U.S. dollar	106.4	103.5	109.2	109.6
Thai Baht	3.4	3.4	3.5	3.6

① Net Exposure to exchange rate risk is as follows.

	Millions of yen				Thousands of U.S. dollars	
	2020		2019		2020	
	U.S. dollar	Thai Baht	U.S. dollar	Thai Baht	U.S. dollar	Thai Baht
Financial instruments denominated in foreign currency	¥783	¥194	¥1,690	¥214	\$7,562	\$1,874

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	
	2020	2019	2020	
	¥78	¥169	\$756	
U.S. dollar				
Thai Baht	¥19	¥21	\$187	

(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 reclassified 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
	2020	2019	2020
	¥(1,951)	¥(2,102)	\$(18,851)
Other comprehensive income (before tax)			

(7) Fair Value

① Fair Value of Financial

Instruments

(1) Fair Value hierarchy level

The fair value hierarchy of financial instruments is categorized as follows, based on inputs used for fair value measurement. Inputs include the stock price, foreign exchange rate and interest rate as well as index of financial instruments price and others.

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

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

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

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

Millions of yen				
2020				
	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Financial assets measured at fair value through other comprehensive income	¥19,511	¥ -	¥3,068	¥22,579
Derivative assets applying for which hedge accounting	-	-	-	-
Total	¥19,511	¥ -	¥3,068	¥22,579
Financial liabilities				
Other financial liabilities				
Derivative liabilities applying for which hedge accounting	¥ -	¥ 0	¥ -	¥ 0
Total	¥ -	¥ 0	¥ -	¥ 0

Millions of yen				
2019				
	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Financial assets measured at fair value through other comprehensive income	¥21,027	¥ -	¥3,289	¥24,317
Derivative assets applying for which hedge accounting	-	-	-	-
Total	¥21,027	¥ -	¥3,289	¥24,317
Financial liabilities				
Other financial liabilities				
Derivative liabilities applying for which hedge accounting	¥ -	¥ -	¥ -	¥ -
Total	¥ -	¥ -	¥ -	¥ -

Thousands of U.S. dollars				
2020				
	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Financial assets measured at fair value through other comprehensive income	\$188,518	\$ -	\$29,645	\$218,164
Derivative assets applying for which hedge accounting	-	-	-	-
Total	\$188,518	\$ -	\$29,645	\$218,164
Financial liabilities				
Other financial liabilities				
Derivative liabilities applying for which hedge accounting	\$ -	\$ 0	\$ -	\$ 0
Total	\$ -	\$ 0	\$ -	\$ 0

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, 2019 or 2020.

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 included.

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Beginning balance	¥3,289	¥2,319	\$31,787
Gains (losses)*	(407)	354	(3,938)
Purchases	185	620	1,797
Sales	-	-	-
Others	-	(4)	-
Ending balance	¥3,068	¥3,289	\$29,645

*Gains and losses are associated with financial assets measured at fair value through other comprehensive income at the end of each reporting period.

These gains and losses 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. Unlisted equity securities are measured by the fair value calculated appropriately.

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			
		2020			
		Fair Value			
Book value		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Borrowings	¥2,045	¥ -	¥ 2,055	¥ -	¥ 2,055
		Millions of yen			
		2019			
		Fair Value			
Book value		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Borrowings	¥2,294	¥ -	¥2,306	¥ -	¥2,306
		Thousands of U.S. dollars			
		2020			
		Fair Value			
Book value		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Borrowings	\$19,763	\$ -	\$19,858	\$ -	\$19,858

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.

③ Equity 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.

Issuers names and fair values of these securities are as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Saha Pathanapibul Public Company Limited	¥7,141	¥6,543	\$69,004
Saha Pathana Inter Holding Public Company Limited	3,143	3,288	30,371
ARATA CORPORATION	2,357	2,179	22,773
Rengo Co., Ltd.	788	761	7,621
Maruzen Showa Unyu Co.,Ltd.	657	606	6,354

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
	2020	2019	2020
Fair value	¥2,060	¥1,915	\$19,910
Cumulative gains or losses	1,037	742	10,023

Dividend income from equity securities is as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Equity Securities derecognized in the period	¥24	¥14	\$239
Equity Securities held at the end of the period	421	485	4,068

(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 hedging a method and designates them as a cashflow hedge.

Details of the method of hedge accounting applied to the cash-flow hedge at December 31, 2020 are as follows.

There is no amount of hedge accounting at December 31, 2019.

		Millions of yen				
		2020				
		Book value				Account name on the Consolidated
Contract amount	More than 1 year	Assets	Liabilities			
Foreign exchange risk						
Forward foreign exchange contracts	¥1	¥ -	¥ -		Other financial liabilities	
		Thousands of U.S. dollars				
		2020				
Contract amount	More than 1 year	Assets	Liabilities		Account name on the Consolidated	
Foreign exchange risk						
Forward foreign exchange contracts	\$18	\$ -	\$ -		Other financial liabilities	

Note 32: Commitments

The significant commitments to purchase property, plant and equipment and intangible assets at December 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Property, plant and equipment and intangible assets	¥15,870	¥16,700	\$153,342

Note 33: Contingencies

Contingencies at December 31, 2020 and 2019 consisted of the following:

(1) Guarantees

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
P.T. Lion Wings	¥1,132	¥1,643	\$10,945
Global Eco Chemicals Malaysia SDN. BHD.	54	937	527
PT Global Eco Chemicals Indonesia	146	143	1,414
Employees	265	270	2,565
Total	¥1,599	¥2,995	\$15,451

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

Guarantees of ¥1,290 million included in the total guarantee of ¥2,995 million at December 31, 2019 were reguaranteed from others.

The Company reguaranteed the amount of ¥143 million for guaranteed by others.

Guarantees of ¥593 million(U.S. \$5,736 thousand) included in the total guarantee of ¥1,599 million(U.S. \$15,451 thousand)

at December 31, 2020 were reguaranteed from others. The Company reguaranteed the amount of ¥146 million(U.S. \$1,414 thousand) for guaranteed by others.

Note 34: 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 Company officers	company employees	Financial support	Transactions	Lease of facilities, etc.
(Note 1) Lion Chemical Co., Ltd.	Sumida-ku, Tokyo	JPY7,800 million	Industrial products	100.0	3	9	Loans	Purchase of raw materials and merchandise	Rental of part of office space 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	3	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
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	1	7	None	Design, construction, and maintenance of facilities	Lease of part of office space
issua Company, Ltd.	Minato-ku, Tokyo	JPY20 million	Consumer products	100.0	1	4	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	1	7	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	—	7	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	—	7	None	Sale of merchandise and finished products	—
Lion Corporation (Korea)	South Korea	KRW9,976,250 thousand	Overseas business	100.0	1	4	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	—	3	None	Sale of merchandise and finished products	—
Lion Advertising Ltd.	Hong Kong	HKD100 thousand	Overseas business	(Note 2) 100.0 (100.0)	—	3	None	—	—
Lion Corporation (Thailand) Ltd.	Thailand	THB500,000 thousand	Overseas business	51.0	4	6	None	Sale of merchandise and finished products and purchase of merchandise	—
(Note 5) Lion Service Co., Ltd.	Thailand	THB7,000 thousand	Other business	(Note 4) 100.0 (100.0)	—	—	None	—	—
Eastern Silicate Co., Ltd.	Thailand	THB500 thousand	Other business	(Note 4) 99.9 (99.9)	—	2	None	—	—
Southern Lion Sdn. Bhd.	Malaysia	MYR22,000 thousand	Overseas business	50.0	—	3	None	Sale of merchandise and finished products and purchase of merchandise	—
PT. Ipposha Indonesia	Indonesia	USD750 thousand	Overseas business	(Note 3) 100.0 (90.0)	—	3	None	—	—

Equity-method affiliates

Name	Location	Capitalization	Business	Voting shares held by the Company (%)	Nature of business relationship				
					Shared positions		Financial support	Transactions	Lease of facilities, etc.
					Company officers	company employees			
Lion Idemitsu Composites Co., Ltd.	Taito-ku, Tokyo	JPY 100 million	Industrial products	50.0	2	3	None	Purchase of special synthetic resin compounds	—
Japan Retail Innovation Co., Ltd.	Minato-ku, Tokyo	JPY 100 million	Consumer products	20.0	—	1	None	Sales promotion activities	—
Planet, Inc.	Minato-ku, Tokyo	JPY 436 million	Other	16.1	1	—	None	Utilization of VANs	—
P.T. Lion Wings	Indonesia	IDR 64,062 million	Overseas business	48.0	—	4	None	Sale of merchandise and finished products	—

Equity-method jointly controlled companies

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 6) Global Eco Chemicals Singapore Pte. Ltd.	Singapore	USD 39,538 thousand	Overseas business	50.0	2	1	None	Purchase of raw materials	—

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

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

3. 90% of PT. Ipposha Indonesia's voting shares are held by Lion Specialty Chemicals Co., Ltd.

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

5. Lion Service Co., Ltd. changed its name to Health Care Service Co., Ltd. in February 2021.

6. Global Eco Chemicals Singapore Pte. Ltd. is no longer an equity-method jointly controlled company due to the transfer of all shares of the company on January 4, 2020.

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, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Short-term benefits	¥422	¥379	\$4,086
Share-based payment	110	46	1,072
Past-employment benefits	-	-	-
Total	¥533	¥426	\$5,157

(3) Related party transactions

Fiscal year ended December 31, 2020

Type	Name	Contents of transactions	Millions of yen		
			Transaction amount of the transactions	Outstanding balances	Allowance for doubtful accounts
Affiliates	P.T. Lion Wings Global Eco	Loan guarantee	¥ 1,132	¥ -	¥ -
Joint venture's subsidiary	chemicals Malaysia SDN. BHD.	Loan guarantee	54	-	-
Joint venture's subsidiary	PT Global Eco Chemicals Indonesia	Loan guarantee	146	-	-

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	Millions of yen		
			Transaction amount of the transactions	Outstanding balances	Allowance for doubtful accounts
Affiliates	P.T. Lion Wings Global Eco	Loan guarantee	¥ 1,643	¥ -	¥ -
Joint venture's subsidiary	chemicals Malaysia SDN. BHD.	Loan guarantee	937	-	-
Joint venture's subsidiary	PT Global Eco Chemicals	Loan guarantee	143	-	-

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		
			Transaction amount of the transactions	Outstanding balances	Allowance for doubtful accounts
Affiliates	P.T. Lion Wings Global Eco	Loan guarantee	\$10,945	\$ -	\$ -
Joint venture's subsidiary	chemicals Malaysia SDN. BHD.	Loan guarantee	527	-	-
Joint venture's subsidiary	PT Global Eco Chemicals Indonesia	Loan guarantee	1,414	-	-

Note 35: Subsequent Event
None

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, 2020, 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, 2020, 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.

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 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.

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, 2020 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, 2021

田中 宏和 ㊞

Hirokazu Tanaka
Designated Engagement Partner
Certified Public Accountant

伊東 朋 ㊞

Tomo Ito
Designated Engagement Partner
Certified Public Accountant