

Summary of Consolidated Financial Statements for the Year Ended December 31, 2020 [IFRS]

February 12, 2021

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

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Annual meeting of shareholders: March 30, 2021
Start date of payment of dividend: March 2, 2021
Scheduled date of filing of financial report: March 31, 2021
Supplementary materials prepared for quarterly results: Yes
Quarterly results information meeting held: Yes (for institutional investors, analysts, etc.)

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

1. Consolidated Results for the Year Ended December 31, 2020 (January 1, 2020 – December 31, 2020)

(1) Consolidated Results (cumulative)

(Percentage figures denote year-on-year change)

	Net sales		Operating profit		Profit before tax	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended December 31, 2020	355,352	2.3	44,074	47.7	44,494	41.7
Year ended December 31, 2019	347,519	(0.5)	29,832	(12.8)	31,402	(11.9)

	Profit for the period		Profit for the period attributable to owners of the parent		Total comprehensive income for the period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended December 31, 2020	31,955	39.1	29,870	45.3	30,955	18.2
Year ended December 31, 2019	22,980	(22.8)	20,559	(19.7)	26,189	17.1

Note: Core operating income for the year ended December 31, 2020 was ¥35,937 million (up 19.6% year on year).
Core operating income for the year ended December 31, 2019 was ¥30,048 (up 5.9% year on year).

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

	Basic earnings per share	Diluted earnings per share	Ratio of equity attributable to owners of the parent to profit for the period	Ratio of profit before tax to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Year ended December 31, 2020	102.75	102.61	13.6	10.9	12.4
Year ended December 31, 2019	70.72	70.63	10.3	8.5	8.6

Note: Share of profit (loss) of investments accounted for using the equity method: December 31, 2020: (¥112) million
December 31, 2019: ¥986 million

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets	Equity attributable to owners of the parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
Year ended December 31, 2020	435,501	244,856	231,723	53.2	797.08
Year ended December 31, 2019	380,701	221,201	208,421	54.7	716.94

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended December 31, 2020	40,729	(19,868)	(9,140)	121,534
Year ended December 31, 2019	36,762	(20,754)	(10,561)	110,406

2. Dividends

	Cash dividends per share					Total dividend paid (annual)	Payout ratio (consolidated)	Ratio of dividends to equity attributable to owners of the parent (consolidated)
	First Quarter	Second Quarter	Third Quarter	Year-End	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal 2019	—	10.00	—	11.00	21.00	6,114	29.7	3.1
Fiscal 2020	—	11.00	—	12.00	23.00	6,697	22.4	3.0
Fiscal 2021 (forecast)	—	12.00	—	12.00	24.00		33.2	

Notes

- (1) Significant Change in Scope of Consolidation during Period: No
- (2) Changes in accounting principles, procedures and presentation methods in connection with the preparation of quarterly consolidated financial statements:
- Changes in accounting standards required under IFRS: Yes
 - Other changes: No
 - Changes in accounting estimates: No
- (3) Number of outstanding shares (common stock)
- Number of outstanding shares on balance sheet dates (including treasury stocks):
As of December 31, 2020: 299,115,346 shares
As of December 31, 2019: 299,115,346 shares
 - Number of treasury stocks on balance sheet date:
As of December 31, 2020: 8,399,357 shares
As of December 31, 2019: 8,405,440 shares
 - Average number of shares outstanding over period
Fiscal year ended December 31, 2020: 290,709,761 shares
Fiscal year ended December 31, 2019: 290,697,920 shares

Reference: Summary Non-Consolidated Results (JGAAP basis)

1. Non-consolidated Results for the Year Ended December 31, 2020

(January 1, 2020 – December 31, 2020)

(1) Non-consolidated Results

(Percentage figures denote year-on-year change)

	Net sales		Operating income		Ordinary income		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2020	281,999	4.6	21,760	28.8	27,261	21.3	25,844	32.6
Fiscal 2019	269,478	1.9	16,894	11.9	22,471	(5.4)	19,491	(14.8)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal 2020	88.90	88.77
Fiscal 2019	67.05	66.96

(2) Non-consolidated Financial Position

	Total assets	Net assets	Shareholders' equity to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2020	338,598	189,326	55.9	650.76
December 31, 2019	290,110	170,588	58.8	586.30

Reference: Shareholders' equity: December 31, 2020: ¥189,188 million
December 31, 2019: ¥170,444 million

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

* Appropriate use of results forecasts; other special items

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

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I. Consolidated Performance and Financial Status

1. Consolidated Performance

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

(January 1, 2020–December 31, 2020)

In fiscal 2020 (January 1, 2020–December 31, 2020), the Japanese economy remained harsh due to the spread of the novel coronavirus, which led to a substantial decline in corporate profits, deterioration in employment conditions and other negative developments.

In domestic consumer products, the Lion Group's main business, demand associated with inbound tourism decreased due to a decline in the number of overseas visitors to Japan. However, the overall market expanded due mainly to growing demand for hygiene-related products.

Lion advanced measures based on the basic strategies of its medium-term management plan, the LION Value Evolution Plan (LIVE Plan). These basic strategies are "Expand and Evolve Our Business Domains through New Value Creation," "Accelerate Growth in Overseas Businesses through Glocalization," "Reinforce Our Management Base through Business Structure Reform" and "Create Dynamism to Foster Innovative Change." At the same time, the spread of the novel coronavirus (COVID-19) impacted Lion's domestic and overseas businesses. To meet its social responsibility, the Lion Group strived to maintain its product supply while making every effort to prevent the spread of the virus and ensure the safety of its employees.

In its domestic operations, Lion introduced new, high-value-added products in its mainstay brands and worked to cultivate markets for these products through efficient marketing initiatives.

In its overseas operations, in addition to efforts to increase profitability in the home care field, which includes such products as laundry detergents, the Group sought to expand its business in the personal care field, which includes oral care and beauty care products.

Reflecting these efforts, consolidated results for fiscal 2020 are as follows. Net sales amounted to ¥355,352 million, a year-on-year increase of 2.3% (or 3.2% at constant currency excluding exchange rate fluctuations). Core operating income came to ¥35,937 million, up 19.6% compared with the previous fiscal year, and operating profit to ¥44,074 million, up 47.7% year on year. Profit for the period attributable to owners of parent totaled ¥29,870 million, up 45.3% compared with the previous fiscal year.

Consolidated Results

(Millions of yen)

	Fiscal 2020	Ratio to net sales	Fiscal 2019	Ratio to net sales	Change	Change (%)
Net sales	355,352		347,519		7,832	2.3%
Core operating income	35,937	10.1%	30,048	8.6%	5,889	19.6%
Operating profit	44,074	12.4%	29,832	8.6%	14,242	47.7%
Profit for the period attributable to owners of the parent	29,870	8.4%	20,559	5.9%	9,311	45.3%

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

Results by Business

(Millions of yen)

	Net sales				Segment profit (core operating income)			
	Fiscal 2020	Fiscal 2019	Change	Change (%)	Fiscal 2020	Fiscal 2019	Change	Change (%)
Consumer Products	245,493	234,357	11,135	4.8%	24,647	19,634	5,012	25.5%
Industrial Products	55,069	55,164	(94)	(0.2%)	2,171	1,755	416	23.7%
Overseas	101,651	101,095	555	0.5%	7,144	7,552	(407)	(5.4%)
Other	34,820	35,337	(516)	(1.5%)	2,315	1,521	793	52.2%
Subtotal	437,034	425,954	11,080	2.6%	36,278	30,464	5,814	19.1%
Adjustment	(81,682)	(78,435)	(3,247)	—	(340)	(416)	75	—
Total	355,352	347,519	7,832	2.3%	35,937	30,048	5,889	19.6%

Results by business segment are as follows.

Consumer Products Business

The Consumer Products Business segment comprises the Oral Care Products, Beauty Care Products, Fabric Care Products, Living Care Products, Pharmaceutical Products and Other Products businesses. Segment net sales increased 4.8% compared with the previous fiscal year. Segment profit increased 25.5%.

(Millions of yen)

	Year ended December 31, 2020	Ratio to net sales	Year ended December 31, 2019	Ratio to net sales	Change	Change (%)
Net sales	245,493		234,357		11,135	4.8%
Segment profit	24,647	10.0%	19,634	8.4%	5,012	25.5%

Note: Net sales include internal sales within and among segments, which amounted to ¥15,746 million in fiscal 2020 and ¥14,977 million in fiscal 2019.

Net Sales by Product Segment

(Millions of yen)

	Year ended December 31, 2020	Year ended December 31, 2019	Change	Change (%)
Oral Care Products	66,407	64,555	1,852	2.9%
Beauty Care Products	31,489	22,350	9,139	40.9%
Fabric Care Products	59,119	60,780	(1,661)	(2.7%)
Living Care Products	24,063	19,766	4,297	21.7%
Pharmaceutical Products	23,897	26,222	(2,325)	(8.9%)
Other products	40,515	40,682	(166)	(0.4%)

Oral Care Products

In toothpastes, *SYSTEMA Haguki (the Gums) Plus Premium Toothpaste*, released in 2019, received favorable consumer reviews, and sales of the *SYSTEMA EX Toothpaste* series, including the newly released *SYSTEMA EX W Toothpaste*, which effectively cleans away dullness due to staining, were strong. Overall sales increased year on year.

In toothbrushes, *NONIO Toothbrush*, released in 2019, received favorable customer review, but sales of the *Between* toothbrush fell year on year. Overall sales edged down from the previous fiscal year.

In dental rinses, sales of *NONIO Mouthwash* were favorable. Overall sales increased year on year.

Beauty Care Products

In hand soaps, sales of *KireiKirei Medicated Foaming Hand Soap* increased substantially year on year, and the newly released *KireiKirei Medicated Hand Conditioning Soap*, which not only effectively disinfects, but creates a moisture barrier to protect the skin, received favorable consumer reviews. Overall sales increased substantially year on year.

In body washes, sales of *hadakara Body Soap*, which saw the addition of a new product formulated with oil, were firm. Overall sales increased year on year.

In antiperspirants and deodorants, new *Ban Sweat-Blocking Platinum Roll-On*, featuring a new formula with a high-adhesion ingredient (sodium sulfate) that resists friction and adheres effectively to the skin, received favorable consumer reviews, but sales of *Ban Sweat-Blocking Foot Gel* fell year on year. Overall sales decreased year on year.

Fabric Care Products

In fabric softeners, sales of *SOFLAN Premium Deodorizer* stagnated, while those of *SOFLAN Aroma Rich* fell year on year due to intensifying competition. Overall sales edged down year on year.

In laundry detergents, highly concentrated liquid laundry detergent *TOP SUPER NANOX For Odors*, released in 2019, received favorable consumer reviews, but sales of liquid laundry detergent *TOP Clear Liquid* fell year on year. Overall sales slightly decreased year on year.

Living Care Products

In dishwashing detergents, sales of *CHARMY Magica* and *CHARMY Crysta* for dishwashers were strong. Overall sales increased substantially year on year.

In household cleaners, sales of bath detergent *LOOK Plus Bath Cleansing*, which saw the addition of a new product formulated with silver ions, and those of bathroom fungicide *LOOK Plus Bath Antimold Fogger* were favorable. Overall sales increased significantly year on year.

Pharmaceutical Products

In antipyretic analgesics, sales of *BUFFERIN PREMIUM* were firm, and overall sales rose year on year.

In eye drops, sales of *Smile 40 Premium DX* were strong, and those of *Smile 40 Mediclear DX* were firm. Overall sales were up year on year.

In dermatologic agents, Lion released the new *Method* series, which makes it easy for itchiness sufferers to choose the right product for their specific symptoms and area affected, and overall sales increased significantly year on year.

Sales of acne medicines and cooling sheets for feet decreased year on year, reflecting decreased demand associated with inbound tourism due to a decline in the number of overseas visitors to Japan.

Other Products

In direct-to-consumer sales products, sales of *Nice rim essence Lactoferrin* decreased from the previous fiscal year, and overall sales were down year on year.

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

Industrial Products Business

The Industrial Products Business segment includes the Automotive, Electrical and Electronics, and Detergents for Institutional Use Products fields. These businesses handle products that include anti-sticking agents for tires, electro-conductive carbon for secondary batteries, and detergents for institutional and kitchen use, respectively. Segment net sales decreased 0.2% compared with the previous fiscal year. Segment profit increased 23.7%.

(Millions of yen)

	Year ended December 31, 2020	Ratio to net sales	Year ended December 31, 2019	Ratio to net sales	Change	Change (%)
Net sales	55,069		55,164		(94)	(0.2%)
Segment profit	2,171	3.9%	1,755	3.2%	416	23.7%

Note: Net sales include internal sales within and among segments, which amounted to ¥23,505 million in fiscal 2020 and ¥22,210 million in fiscal 2019.

In the Automotive field, sales of anti-sticking agents for tires and carbon for auto parts decreased year on year, and overall sales decreased year on year.

In the Electrical and Electronics field, demand for performance materials and electroconductive resins decreased, and overall sales were down on year.

In the Detergents for Institutional Use Products field, sales of dishwashing detergents for dishwashers and others were down year on year, but sales of alcohol sanitizers for kitchens and hand soaps increased substantially year on year, and overall sales rose year on year.

Overseas Business

The Overseas Business segment comprises business operations located in Southeast Asia, including Thailand and Malaysia, and Northeast Asia, including South Korea and China. Segment net sales increased 0.5% year on year (or 4.0% at constant currency excluding exchange rate fluctuations). Segment profit decreased 5.4% year on year.

(Millions of yen)

	Year ended December 31, 2020	Ratio to net sales	Year ended December 31, 2019	Ratio to net sales	Change	Change (%)
Net sales	101,651		101,095		555	0.5%
Segment profit	7,144	7.0%	7,552	7.5%	(407)	(5.4%)

Note: Net sales include internal sales within and among segments, which amounted to ¥10,440 million in fiscal 2020 and ¥9,354 million in fiscal 2019.

Net Sales by Region

(Millions of yen)

	Year ended December 31, 2020	Year ended December 31, 2019	Change	Change (%)
Southeast Asia	66,494	69,557	(3,063)	(4.4%)
Northeast Asia	35,156	31,537	3,618	11.5%

Net Sales by Region

In Southeast Asia, overall sales were down 4.4% year on year.

In Thailand, sales of hand soaps were strong, but sales of laundry detergents decreased year on year. Overall sales after yen conversions were down year on year.

In Malaysia, sales of laundry detergents were up year on year, but overall sales after yen conversions were down year on year due to exchange rate fluctuations.

In Northeast Asia, overall sales were up 11.5% year on year.

In South Korea, sales of hand soaps increased substantially year on year. Overall sales after yen conversions were up year on year.

In China, sales of *SYSTEMA* toothbrushes were favorable, and sales of hand soaps and products imported from Japan increased substantially. Overall sales after yen conversions were up substantially year on year.

Other (Construction Contracting Business, etc.)

(Millions of yen)

	Year ended December 31, 2020	Ratio to net sales	Year ended December 31, 2019	Ratio to net sales	Change	Change (%)
Net sales	34,820		35,337		(516)	(1.5%)
Segment profit	2,315	6.6%	1,521	4.3%	793	52.2%

Note: Net sales include internal sales within and among segments, which amounted to ¥31,992 million in fiscal 2020 and ¥31,909 million in fiscal 2019.

(2) Forecast of Consolidated Financial Results for the Fiscal Year Ending December 2021

Consolidated

(Millions of yen)

	Fiscal 2021 forecast	Fiscal 2020	Change	Change (%)
Net sales	365,000	355,352	9,647	2.7%
Core operating Income	30,000	35,937	(5,937)	(16.5%)
Operating profit	30,000	44,074	(14,074)	(31.9%)
Profit attributable to owners of parent	21,000	29,870	(8,870)	(29.7%)
Basic earnings per share (yen)	72.24	102.75	(30.51)	(29.7%)

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

During fiscal 2021 (the year ending December 31, 2021), the Japanese economy is expected to see an upturn due measures to prevent the spread of COVID-19 and government-led stimulus policies. However, the outlook going forward is likely to remain harsh, with no end to the pandemic in sight.

In domestic consumer products, the Lion Group's main business, although strong demand for hygiene-related products is expected to continue, the overall market outlook remains unclear.

Amid these circumstances, the Lion Group will push ahead with the implementation of Vision 2030, a newly established long-term strategic framework, under which the Group will synergistically address its sustainability material issues and advance growth strategies. By doing so, Lion will accelerate its efforts to transform itself into a company that can continuously contribute to solving social issues through its businesses.

In the Consumer Products Business segment, the Lion Group will introduce and cultivate new, high-value-added products in its mainstay businesses, working to improve its market position and strengthen profitability. At the same time, the Group will focus on initiatives that contribute to establishing cleanliness and hygiene habits. The Group will also work to expand production capacity, especially in the oral care field.

In the Industrial Products Business segment, the Lion Group will steadily promote its priority measures in such key areas as the Automotive and, Electrical and Electronics fields to reinforce its business foundation. Furthermore, Lion will step up marketing efforts to reach out to key customer groups in the Detergents for Institutional Use Products field while striving to expand sales of hygiene-related products.

With regard to the Overseas Business segment, the Lion Group will work to increase profitability in the home care field. The Group will also implement marketing activities focused mainly on its business in the personal care field, which includes oral care and beauty care products, with particular emphasis on the Chinese market, which continues to grow. By doing so, the Group aims to achieve business growth.

As a result of the above, consolidated results forecasts for fiscal 2021 are as follows: net sales of ¥365,000 million (up 2.7% year on year), core operating income of ¥30,000 million (down 16.5% year on year), operating profit of ¥30,000 million (down 31.9% year on year) and profit for the period attributable to owners of parent of ¥21,000 million (down 29.7% year on year).

Assumptions Underlying the Forecast of Consolidated Financial Results for Fiscal 2021

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

¥104= US\$1.00

¥3.4 = 1.00 baht

2. Financial Status

(1) Assets, Liabilities and Equity Consolidated Financial Status

	2020	2019	Change
Total assets (millions of yen)	435,501	380,701	54,799
Total equity (millions of yen)	244,856	221,201	23,654
Ratio of equity attributable to owners of the parent to total assets ¹ (%)	53.2	54.7	(1.5)
Equity attributable to owners of the parent to total assets per share ² (yen)	797.08	716.94	80.14

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

Total assets rose ¥54,799 million compared with the previous consolidated fiscal year-end to ¥435,501 million. This was primarily attributable to an increase in property, plant and equipment. Total equity increased ¥23,654 million to ¥244,856 million. The ratio of equity attributable to owners of the parent to total assets stood at 53.2%

(2) Cash Flows

Consolidated Cash Flows

(Millions of yen)

	2020	2019	Change
Cash flows from operating activities	40,729	36,762	3,967
Cash flows from investing activities	(19,868)	(20,754)	886
Cash flows from financing activities	(9,140)	(10,561)	1,420
Effect of exchange rate change on cash and cash equivalents	(593)	(12)	(580)
Net increase (decrease) in cash and cash equivalents	11,127	5,433	5,693
Cash and cash equivalents at end of period	121,534	110,406	11,127

Net cash provided by operating activities totaled ¥40,729 million, due mainly to profit before tax.

Net cash used in investing activities totaled ¥19,868 million, due in part to the purchase of property, plant and equipment.

Net cash used in financing activities totaled ¥9,140 million. Major components of this outflow included cash dividends paid.

As a result of the above, cash and cash equivalents as of December 31, 2020 increased ¥11,127 million compared with the consolidated fiscal year ended December 31, 2019, to ¥121,534 million.

(3) Forecast of Fiscal 2021 Consolidated Cash Flows

In cash flows from operating activities, Lion projects profit before tax of approximately ¥31,500 million. Depreciation and amortization is estimated to total about ¥13,500 million.

In cash flows from investment activities, Lion plans to undertake capital expenditures of around ¥35,500 million during fiscal 2021.

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

Based on these projections, Lion estimates that cash and cash equivalents at the end of fiscal 2021 will

be down approximately ¥500 million year on year.

(4) Cash Flow Indicators

	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
Ratio of equity attributable to owners of the parent to total assets (%)	52.7	53.8	54.7	53.2
Ratio of equity attributable to owners of the parent to total assets on a market value basis (%)	183.1	185.7	162.3	166.8
Debt redemption (years)	0.3	0.2	0.3	0.3
Interest coverage ratio	148.7	259.3	431.9	719.4

Notes:

1. Ratio of equity attributable to owners of the parent to total assets = Equity attributable to owners of the parent / Total assets
2. Ratio of equity attributable to owners of the parent to total assets on a market value basis = Market value of shares / Total assets
3. Debt redemption (years): Interest-bearing liabilities / Cash flows from operating activities
4. Interest coverage ratio: Cash flows from operating activities / Interest payments
5. All the above indicators are calculated based on consolidated financial data.
6. Market value of shares is calculated as the closing stock price as of the end of the term multiplied by the number of outstanding stocks as of the end of the term (after the deduction of treasury stocks).
7. Cash flows from operating activities are those stated in the Consolidated Statement of Cash Flows.
8. Interest-bearing liabilities" means all those liabilities that bear interest among the liabilities in the Consolidated Statement of Financial Position. Figures in the Consolidated Statement of Cash Flows are used for the amount of interest paid.
9. The date of transition to IFRS was January 1, 2017, and the Company has applied IFRS since fiscal 2018. As such, the indicators for fiscal 2016 and before are not provided.

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

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

Taking into consideration the Company's cash dividend payment record, as well as its dividend payout ratio target, Lion's Board of Directors resolved to pay an interim dividend of ¥11 per share (payment date: September 4, 2020) and a year-end dividend of ¥12 per share (payment date: March 2, 2021) for fiscal 2020.

With regard to dividends for fiscal 2021, in accordance with its basic policy on the distribution of earnings and cash dividends, Lion plans to pay an interim dividend of ¥12 per share and a year-end dividend of ¥12 per share, for a total annual dividend of ¥24 per share.

II. Corporate Group

The Lion Group consists of Lion Corporation, 21 consolidated subsidiaries, 4 equity-method affiliates and 1 equity-method jointly controlled companies. The Group's principal businesses are the Consumer Products Business, Industrial Products Business, and Overseas Business. Other business activities involve distribution related to the above businesses and other services.

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

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

III. Management Policies

1. Basic Management Policies

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

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

2. Long-Term Management Strategies

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

Reflecting major changes in the business environment and the growth of Lion’s role and responsibility in society, Lion has now formulated a new long-term strategic framework, Vision 2030, aiming to accelerate its transformation into a company that will continue to contribute to solving social issues through its businesses into the future.

Vision 2030 Long-Term Strategic Framework

Management Vision

Becoming an advanced daily healthcare company

Advancing Three Growth Strategies

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

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

Initiatives to Address the Sustainability Material Issues

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

Envisioned Financial Performance in 2030

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

Notes:

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

2 The EBITDA margin is the ratio of EBITDA (basically the sum of core operating income and depreciation expenses) to net sales. The Company uses this ratio as an indicator of profitability on a cash basis.

3. Management Issues

To achieve its management vision, the Lion Group will further reinforce management driven by its purpose, “Make a difference in everyday lives by redesigning habits,” while synergistically addressing its sustainability material issues and advancing growth strategies in order to achieve steady growth.

◇ Management Strategies for Realizing the Management Vision

The Three Growth Strategies

- (1) Accelerate Growth in four fields of value creation
Focusing on four fields in which we create value (Oral Health, Infection Control, Smart Housework and Well-Being) as growth drivers for the Lion Group, we aim to evolve our businesses and create new value, thereby further accelerating growth in Japan and overseas.
- (2) Transform Our Business Foundations for Growth
We will promote business foundation transformation that will spur growth by continuing and reinforcing strategic investment.
- (3) Generate Dynamism to Realize Innovative Change
We aim to transform to realize sustainable growth through corporate branding, professional fulfillment reforms and the promotion of diversity and open innovation.

Reinforce Initiatives to Address the Sustainability Material Issues

- (1) Creating Healthy Living Habits
Through inclusive oral care* and other approaches, we will contribute to health, comfort and cleanliness in daily living and longer healthy life expectancy.

* Activities aimed at reducing health disparities through oral care.
- (2) Promoting Environmental Initiatives for a Sustainable Planet
To address global-scale environmental problems, we will work with all stakeholders as we accelerate initiatives aimed at the realization of a decarbonized, resource-circulating society.

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

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

IV. Basic Approach Regarding the Selection of Accounting Standards

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

V. Consolidated Financial Statements and Notes
(1) Consolidated Statement of Financial Position

(Millions of yen)

	December 31, 2019	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	110,406	121,534
Trade and other receivables	61,759	62,421
Inventories	43,555	45,158
Other financial assets	4,024	8,592
Other current assets	2,750	5,108
Subtotal	222,497	242,815
Assets held for sale	—	2,603
Total current assets	222,497	245,419
Non-current assets		
Property, plant and equipment	90,903	118,379
Goodwill	182	182
Intangible assets	13,485	18,921
Right-of-use assets	5,940	4,873
Investments accounted for using the equity method	9,165	6,310
Deferred tax assets	2,577	5,632
Retirement benefit assets	9,597	9,936
Other financial assets	25,517	24,859
Other non-current assets	833	986
Total non-current assets	158,204	190,081
Total assets	380,701	435,501

(Millions of yen)

	December 31, 2019	December 31, 2020
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	116,268	141,259
Borrowings	1,404	1,405
Income tax payables	6,568	11,569
Provisions	1,582	1,401
Lease liabilities	1,495	1,387
Other financial liabilities	739	893
Other current liabilities	7,659	8,710
Total current liabilities	135,718	166,628
Non-current liabilities		
Borrowings	889	639
Deferred tax liabilities	873	1,278
Retirement benefit liabilities	12,091	13,009
Provisions	357	357
Lease liabilities	5,510	4,685
Other financial liabilities	2,648	2,487
Other non-current liabilities	1,411	1,558
Total non-current liabilities	23,781	24,016
Total liabilities	159,499	190,644
Equity		
Share capital	34,433	34,433
Capital surplus	34,788	34,986
Treasury stock	(4,739)	(4,739)
Other components of equity	11,320	10,076
Retained earnings	132,619	156,965
Equity attributable to owners of the parent	208,421	231,723
Non-controlling interests	12,780	13,133
Total equity	221,201	244,856
Total liabilities and equity	380,701	435,501

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

Consolidated Statement of Income

(Millions of yen)

	Year Ended December 31, 2019	Year Ended December 31, 2020
Net sales	347,519	355,352
Cost of sales	(175,588)	(175,479)
Gross profit	171,931	179,872
Selling, general and administrative expenses	(141,882)	(143,934)
Other income	1,519	12,248
Other expenses	(1,735)	(4,112)
Operating profit	29,832	44,074
Finance income	752	679
Finance costs	(168)	(146)
Share of profit (loss) of investments accounted for using the equity method	986	(112)
Profit before tax	31,402	44,494
Income taxes	(8,422)	(12,538)
Profit for the period	22,980	31,955
Profit for the period attributable to:		
Owners of the parent	20,559	29,870
Non-controlling interests	2,420	2,084
Profit for the period	22,980	31,955
Earnings per share		
Basic (Yen)	70.72	102.75
Diluted (Yen)	70.63	102.61

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Year Ended December 31, 2019	Year Ended December 31, 2020
Profit for the period	22,980	31,955
Other comprehensive income		
Items that will not be reclassified as profit or loss		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	1,045	(42)
Remeasurements of defined benefit plans	1,660	243
Share of other comprehensive income (loss) of investments accounted for using the equity method	(48)	(33)
Total items that will not be reclassified as profit or loss	2,658	166
Items that may be subsequently reclassified as profit or loss		
Net gain (loss) on derivatives designated as cash flow hedges	8	(0)
Exchange differences on translation of foreign operations	450	(939)
Share of other comprehensive income (loss) of investments accounted for using the equity method	91	(227)
Total items that may be subsequently reclassified as profit or loss	550	(1,166)
Total other comprehensive income, net of tax	3,208	(1,000)
Comprehensive income for the period	26,189	30,955
Comprehensive income for the period attributable to:		
Owners of the parent	23,142	29,504
Non-controlling interests	3,046	1,450
Comprehensive income for the period	26,189	30,955

(3) Consolidated Statement of Changes in Equity

Fiscal 2019 (January 1 to December 31, 2019)

(Millions of yen)

	Equity attributable to owners of the parent					
	Share capital	Capital surplus	Treasury stock	Other components of equity		
				Subscription rights to shares	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance at January 1, 2019	34,433	34,715	(4,766)	165	10,800	—
Cumulative effect of changes in accounting principles						
Balance at January 1, 2019 (adjusted)	34,433	34,715	(4,766)	165	10,800	—
Changes during the period						
Comprehensive income						
Profit for the period						
Other comprehensive income					1,004	1,646
Total comprehensive income for the period	—	—	—	—	1,004	1,646
Transactions with owners						
Dividends						
Acquisition of treasury stock			(2)			
Disposal of treasury stock		(7)	29	(21)		
Share-based payments		80				
Transfer from other components of equity to retained earnings					(515)	(1,646)
Total transactions with owners	—	72	26	(21)	(515)	(1,646)
Balance at December 31, 2019	34,433	34,788	(4,739)	143	11,289	—

Lion Corporation (Code 4912): Summary of Consolidated Financial Statements for the Year Ended December 31, 2020

	Equity attributable to owners of the parent					Non-controlling interests	Total equity
	Other components of equity			Retained earnings	Total		
	Net gain (loss) on derivatives designated as cash flow hedges	Exchange differences on translation of foreign operations	Total				
Balance at January 1, 2019	(8)	(36)	10,920	115,806	191,108	13,163	204,271
Cumulative effect of changes in accounting principles				(94)	(94)	(0)	(94)
Balance at January 1, 2019 (adjusted)	(8)	(36)	10,920	115,711	191,014	13,162	204,177
Changes during the period							
Comprehensive income							
Profit for the period			—	20,559	20,559	2,420	22,980
Other comprehensive income	8	(76)	2,582		2,582	626	3,208
Total comprehensive income for the period	8	(76)	2,582	20,559	23,142	3,046	26,189
Transactions with owners							
Dividends			—	(5,813)	(5,813)	(3,429)	(9,243)
Acquisition of treasury stock			—		(2)		(2)
Disposal of treasury stock			(21)		0		0
Share-based payments			—		80		80
Transfer from other components of equity to retained earnings			(2,161)	2,161	—		—
Total transactions with owners	—	—	(2,182)	(3,652)	(5,735)	(3,429)	(9,165)
Balance at December 31, 2019	—	(113)	11,320	132,619	208,421	12,780	221,201

Fiscal 2020 (January 1 to December 31, 2020)

(Millions of yen)

	Equity attributable to owners of the parent					
	Share capital	Capital surplus	Treasury stock	Other components of equity		
				Subscription rights to shares	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance at January 1, 2020	34,433	34,788	(4,739)	143	11,289	—
Changes during the period						
Comprehensive income						
Profit for the period						
Other comprehensive income					(68)	243
Total comprehensive income for the period	—	—	—	—	(68)	243
Transactions with owners						
Dividends						
Acquisition of treasury stock			(4)			
Disposal of treasury stock		1	4	(5)		
Share-based payments		196				
Transfer from other components of equity to retained earnings					(628)	(243)
Total transactions with owners	—	197	0	(5)	(628)	(243)
Balance at December 31, 2020	34,433	34,986	(4,739)	138	10,592	—

Lion Corporation (Code 4912): Summary of Consolidated
Financial Statements for the Year Ended December 31, 2020

	Equity attributable to owners of the parent					Non- controlling interests	Total equity
	Other components of equity			Retained earnings	Total		
	Net gain (loss) on derivatives designated as cash flow hedges	Exchange differences on translation of foreign operations	Total				
Balance at January 1, 2020	—	(113)	11,320	132,619	208,421	12,780	221,201
Changes during the period							
Comprehensive income							
Profit for the period			—	29,870	29,870	2,084	31,955
Other comprehensive income	(0)	(540)	(366)		(366)	(634)	(1,000)
Total comprehensive income for the period	(0)	(540)	(366)	29,870	29,504	1,450	30,955
Transactions with owners							
Dividends			—	(6,395)	(6,395)	(1,097)	(7,493)
Acquisition of treasury stock			—		(4)		(4)
Disposal of treasury stock			(5)		0		0
Share-based payments			—		196		196
Transfer from other components of equity to retained earnings			(871)	871	—		—
Total transactions with owners	—	—	(876)	(5,524)	(6,202)	(1,097)	(7,300)
Balance at December 31, 2020	(0)	(654)	10,076	156,965	231,723	13,133	244,856

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Year Ended December 31, 2019	Year Ended December 31, 2020
Cash flows from operating activities		
Profit before tax	31,402	44,494
Depreciation and amortization	10,504	11,732
Impairment loss	110	3,014
Interest and dividend income	(752)	(619)
Interest expenses	152	142
Share of loss (profit)s of investments accounted for using the equity method	(986)	112
Loss (gain) on disposal of non-current assets	362	(10,620)
Decrease (increase) in trade and other receivables	3,520	(1,368)
Decrease (increase) in inventories	(1,557)	(1,887)
Increase (decrease) in trade and other payables	(3,744)	5,680
Increase in net defined benefit liability	1,572	1,043
Other	1,390	(1,087)
Subtotal	41,976	50,638
Interest and dividends received	939	804
Interest paid	(85)	(56)
Income taxes paid	(6,067)	(10,656)
Cash flows from operating activities	36,762	40,729
Cash flows from investing activities		
Net decrease (increase) in time deposits	(1,164)	(4,659)
Purchase of property, plant and equipment	(16,743)	(22,262)
Proceeds from sales of property, plant and equipment	15	11,247
Purchase of intangible assets	(4,151)	(4,670)
Purchase of other financial assets	(628)	(1,523)
Proceeds from sales of other financial assets	1,915	2,060
Other	3	(59)
Cash flows from investing activities	(20,754)	(19,868)
Cash flows from financing activities		
Repayment of long-term borrowings	(252)	(243)
Cash dividends paid	(5,809)	(6,391)
Cash dividends paid to non-controlling interests	(3,119)	(1,097)
Repayment of lease liabilities	(1,376)	(1,408)
Other	(2)	0
Cash flows from financing activities	(10,561)	(9,140)
Effect of exchange rate changes on cash and cash equivalents	(12)	(593)
Increase (decrease) in cash and cash equivalents	5,433	11,127
Cash and cash equivalents at beginning of period	104,972	110,406
Cash and cash equivalents at end of period	110,406	121,534

(5) Notes to Consolidated Financial Statements

Notes Relating to the Assumption of a Going Concern

Not applicable.

Changes in Accounting Principles

The main accounting standards that the Group applies from the fiscal year under review 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.

Segment Information

1) Overview of reportable segments

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

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

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

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

The Group's reportable segments are as follows.

A. Consumer Products Business

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

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

B. Industrial Products Business

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

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

C. Overseas Business

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

D. Other Business

The Other Business primarily consists of operations related to Group businesses in Japan.

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

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

2) Net sales, profit and loss, and other monetary items by reportable segment

Fiscal 2019 (January 1 to December 31, 2019)

(Millions of yen)

	Reportable Segment			Other	Total	Adjustment ²	Consolidated ³
	Consumer Products Business	Industrial Products Business	Overseas Business				
Net sales							
(1) External	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 monetary items							
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 adjustment is depreciation 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.

Fiscal 2020 (January 1 to December 31, 2020)

(Millions of yen)

	Reportable Segment			Other	Total	Adjustment ²	Consolidated ³
	Consumer Products Business	Industrial Products Business	Overseas Business				
Net sales							
(1) External	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 monetary items							
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 adjustment is depreciation 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.

3) Information by product and service category

Fiscal 2019 (January 1 to December 31, 2019)

(Millions of yen)

	Healthcare	Household	Chemicals	Other	Total
Sales to external customers	157,829	163,672	22,455	3,562	347,519

Fiscal 2020 (January 1 to December 31, 2020)

(Millions of yen)

	Healthcare	Household	Chemicals	Other	Total
Sales to external customers	175,272	156,726	20,377	2,974	355,352

4) Information by region

A. Net sales

Fiscal 2019 (January 1 to December 31, 2019)

(Millions of yen)

Japan	Asia		Other	Total
		Thailand		
252,461	93,765	45,041	1,291	347,519

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

Fiscal 2020 (January 1 to December 31, 2020)

(Millions of yen)

Japan	Asia		Other	Total
		Thailand		
260,786	93,263	40,885	1,302	355,352

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

B. Non-current assets

Fiscal 2019 (January 1 to December 31, 2019)

(Millions of yen)

Japan	Asia		Total
		Thailand	
88,026	23,319	11,520	111,345

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

Fiscal 2020 (January 1 to December 31, 2020)

(Millions of yen)

Japan	Asia		Total
		Thailand	
117,836	25,506	14,054	143,343

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

5) Major customers

Fiscal 2019 (January 1 to December 31, 2019)

(Millions of yen)

Customer	Net sales	Related segments
PALTAC Corporation	87,831	Consumer Products, Industrial Products
Arata Corporation	44,592	Consumer Products, Industrial Products

Fiscal 2020 (January 1 to December 31, 2020)

(Millions of yen)

Customer	Net sales	Related segments
PALTAC Corporation	93,397	Consumer Products, Industrial Products
Arata Corporation	46,952	Consumer Products, Industrial Products

Income Taxes

(1) Deferred tax assets and deferred tax liabilities

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

(Millions of yen)

	December 31, 2019	December 31, 2020
Deferred tax assets		
Provisions, other current liabilities, etc.	3,806	4,496
Retirement benefit assets and liabilities	8,829	8,857
Excess depreciation	621	691
Accrued enterprise and office taxes	439	702
Appraisal value of inventories	604	663
Unrealized profit on inventories and non-current assets	617	740
Other	1,284	2,179
Total	16,201	18,331
Deferred tax liabilities		
Special depreciation of non-current assets	(959)	(843)
Valuation difference upon contribution of securities to retirement benefit trust	(4,816)	(4,283)
Temporary differences due to distribution of retained earnings at overseas affiliates	(1,741)	(2,045)
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	(4,630)	(4,469)
Right of trademark	(2,012)	(2,023)
Other	(337)	(311)
Total	(14,497)	(13,977)

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

(Millions of yen)

	Year ended December 31, 2019	Year ended December 31, 2020
Net deferred tax assets and (liabilities)		
Balance at beginning of the year	1,656	1,704
Adjustment due to application of IFRS 16	42	—
Balance at beginning of the year (adjusted)	1,699	1,704
Deferred income taxes	1,028	2,594
Deferred taxes related to other comprehensive income items		
Net gain (loss) on revaluation of financial assets measured at fair value	(536)	(226)
Net gain (loss) on derivatives designated as cash flow hedges	(3)	0
Remeasurements of defined benefit plans	(728)	(115)
Other	245	396
Balance at end of the year	1,704	4,353

(2) Unrecognized deferred tax assets

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

(Millions of yen)

	December 31, 2019	December 31, 2020
Deductible temporary differences	10,376	10,492

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

(3) Unrecognized deferred tax liabilities

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

(4) Income taxes

Income taxes recognized through profit or loss are as follows.

(Millions of yen)

	Year ended December 31, 2019	Year ended December 31, 2020
Current income taxes	9,451	15,132
Deferred income taxes		
Origination and reversal of temporary differences	(661)	(2,646)
Adjustments and reversals of deferred tax assets	(367)	52
Total	8,422	12,538

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

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

	Year ended December 31, 2019	Year ended December 31, 2020
Statutory tax rate	30.6%	30.6%
Entertainment expenses and other non-deductible items	0.3%	0.1%
Dividend income and other items not recognizable as income for tax purposes	(0.0%)	(0.0%)
Unrecognized deferred tax assets	(1.4%)	(0.1%)
Differences in tax rates applicable to foreign subsidiaries	(2.4%)	(1.7%)
Research and development expenses and other special deductions	(1.9%)	(1.3%)
Foreign tax credits	1.0%	0.1%
Other	0.6%	0.5%
Effective tax rate	26.8%	28.2%

Note: The Company is subject to taxes mainly comprising income taxes, residence taxes and enterprise taxes. Calculated based on these taxes, the statutory tax rate for the fiscal years ended December 31, 2019 and December 31, 2020 was 30.6%. However, overseas subsidiaries are subject to the income and other taxes of their respective locations.

Post-Retirement Benefits

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

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

(1) Defined benefit plans

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

(Millions of yen)

	December 31, 2019	December 31, 2020
Present value of defined benefit obligation	67,831	66,558
Fair value of plan assets	(65,337)	(63,485)
Total	2,493	3,073
Retirement benefit liabilities	12,091	13,009
Retirement benefit assets	(9,597)	(9,936)
Net liabilities presented in the Consolidated Statement of Financial Position	2,493	3,073

A. Changes in the present value of retirement benefit obligation

(Millions of yen)

	Year ended December 31, 2019	Year ended December 31, 2020
Balance of retirement benefit obligation at beginning of year	68,738	67,831
Current service costs	2,297	2,196
Interest expenses	310	221
Remeasurements		
Experience adjustments	219	194
Actuarial differences arising from changes in demographic assumptions	—	304
Actuarial differences arising from changes in financial assumptions	658	—
Retirement benefit payments	(4,467)	(4,090)
Other	74	(98)
Balance of retirement benefit obligation at end of year	67,831	66,558

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)

	Year ended December 31, 2019	Year ended December 31, 2020
Balance of plan assets at beginning of year	65,582	65,337
Interest revenue on plan assets	275	209
Remeasurements		
Return on plan assets (excluding interest revenue)	3,267	855
Employer contributions	459	396
Retirement benefit payments	(4,216)	(3,322)
Other	(30)	8
Balance of plan assets at end of year	65,337	63,485

The Group's planned contribution to defined benefit plans in the consolidated fiscal year ending December 31, 2021 is ¥226 million.

C. Plan asset management policy

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

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

D. Components of plan assets

The components of plan assets are as follows.

(Millions of yen)

	December 31, 2019		December 31, 2020	
	Assets with quoted prices in active markets	Assets without quoted prices in active markets	Assets with quoted prices in active markets	Assets without quoted prices in active markets
Bonds	—	30,959	—	29,522
Stocks	22,542	—	19,855	—
Other	7,643	4,193	10,425	3,681
Total	30,185	35,152	30,281	33,204

E. Actuarial assumptions

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

	December 31, 2019	December 31, 2020
Discount rate	0.3%	0.3%

F. Sensitivity analysis of actuarial assumptions

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

This analysis assumes that other relevant variables are fixed.

(Millions of yen)

	Year ended December 31, 2019	Year ended December 31, 2020
Discount rate up to 0.5%	(3,172)	(3,066)
Discount rate down to 0.5%	2,050	1,984

(2) Defined contribution plans

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

(Millions of yen)

	Year ended December 31, 2019	Year ended December 31, 2020
Expenses related to defined contribution plans	3,061	3,282

Earnings per Share

(1) Basic earnings per share

	Year ended December 31, 2019	Year ended December 31, 2020
Profit for the period attributable to owners of the parent (millions of yen)	20,559	29,870
Average common shares during the period (thousands of shares)	290,697	290,709
Basic earnings per share (yen)	70.72	102.75

(2) Diluted earnings per share

	Year ended December 31, 2019	Year ended December 31, 2020
Profit for the period attributable to owners of the parent (millions of yen)	20,559	29,870
Adjustments to profit for the period (millions of yen)	—	—
Profit for the period used to calculate diluted earnings per share (millions of yen)	20,559	29,870
Average common shares during the period (thousands of shares)	290,697	290,709
Stock options (thousands of shares)	247	238
Executive compensation BIP trust (thousands of shares)	120	168
Diluted average common shares during the period (thousands of shares)	291,066	291,116
Diluted earnings per share (yen)	70.63	102.61

Important Subsequent Events

None.