

To Shareholders:

Items Disclosed on Internet Concerning Convocation of the Annual Meeting of Shareholders for the Year Ended December 31, 2021

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"Matters Related to Subscription Rights to Shares," "Basic Policy regarding Control over the Company" and "Internal Control Systems" of the business report, "Consolidated Statement of Changes in Equity" and "Consolidated Notes" of consolidated financial statements and "Non-consolidated Statement of Changes in Shareholders' Equity" and "Individual Notes" of financial statements are provided to shareholders by posting such information on the Company website (<https://www.lion.co.jp/en/ir/shareholders/meeting/>) in accordance with the provisions of relevant laws and regulations and Article 14 of the Articles of Incorporation.

March 1, 2022

Lion Corporation

Matters Related to Subscription Rights to Shares

Overview of Subscription Rights to Shares Held by the Company's Directors/Audit & Supervisory Board Members (as of December 31, 2021)

	Date of Resolution for Issue	Subscription Rights to Shares	Type and No. of Stock as Objects of Subscription Rights to Shares	Exercise Price	Number of People	Exercise Period
(i)	March 28, 2008 (Extraordinary Board of Directors' meeting) (Note 1)	7,203 units	Common stock 7,203 shares	1 yen	1 person	From April 15, 2008 to April 14, 2038 (Note 2)
(ii)	March 27, 2009 (Extraordinary Board of Directors' meeting) (Note 1)	7,267 units	Common stock 7,267 shares	1 yen	1 person	From April 15, 2009 to April 14, 2039 (Note 2)
(iii)	March 30, 2010 (Extraordinary Board of Directors' meeting) (Note 1)	11,017 units	Common stock 11,017 shares	1 yen	1 person	From April 15, 2010 to April 14, 2040 (Note 2)
(iv)	March 30, 2011 (Extraordinary Board of Directors' meeting) (Note 1)	11,267 units	Common stock 11,267 shares	1 yen	1 person	From April 18, 2011 to April 17, 2041 (Note 2)
(v)	December 27, 2011 (Board of Directors' meeting) (Note 3)	3,346 units	Common stock 3,346 shares	1 yen	1 person	From January 12, 2012 to January 11, 2042 (Note 2)
(vi)	March 29, 2012 (Extraordinary Board of Directors' meeting) (Note 1)	40,138 units	Common stock 40,138 shares	1 yen	3 persons	From April 17, 2012 to April 16, 2042 (Note 2)
(vii)	March 28, 2013 (Extraordinary Board of Directors' meeting) (Note 1)	41,511 units	Common stock 41,511 shares	1 yen	3 persons	From April 15, 2013 to April 14, 2043 (Note 2)
(viii)	March 28, 2014 (Extraordinary Board of Directors' meeting) (Note 1)	32,504 units	Common stock 32,504 shares	1 yen	3 persons	From April 15, 2014 to April 14, 2044 (Note 2)
(ix)	March 27, 2015 (Extraordinary Board of Directors' meeting) (Note 1)	28,725 units	Common stock 28,725 shares	1 yen	3 persons	From April 13, 2015 to April 12, 2045 (Note 2)
(x)	March 30, 2016 (Extraordinary Board of Directors' meeting) (Note 1)	20,892 units	Common stock 20,892 shares	1 yen	4 persons	From April 18, 2016 to April 17, 2046 (Note 2)

(Note 1) At the 146th Annual Meeting of Shareholders held on March 29, 2007, it was approved that subscription rights to shares shall be issued to Lion's directors (excluding external directors) with the upper limit of the compensation amount (¥70 million per fiscal year) for stock options as stock-based compensation by resolution of Lion's Board of Directors, as a plan replacing retirement benefits. Based on this approval, it is resolved, at the extraordinary meeting of the Board of Directors held after the end of the Annual Meeting of Shareholders for each fiscal year, to issue subscription rights to shares for stock options as stock-based compensation to Lion's directors (excluding external directors) with the exercise price of ¥1 per share.

(Note 2) The exercise period shall be within the stated period and determined by Lion's Board of Directors. When one year has passed since a director assumed the position of director of Lion (except for cases of retirement by death), the director may exercise his or her subscription rights to shares only during the period up to the day on which 10 days pass from the day following the date when he or she loses that position.

(Note 3) To Itsuo Hama, a director, who took office as president as of January 1, 2012, 3,346 units of subscription rights to shares for stock options as stock-based compensation, which are equivalent to the difference with the amount equivalent to the option value of subscription rights to shares of which the issuance was resolved at the extraordinary meeting of the Board of Directors held on March 30, 2011, were additionally issued on January 12, 2012 by the resolution at the Board of Directors' meeting held on December 27, 2011. The amount of compensation to Lion's directors (excluding external directors) including the additionally issued portion is within the limit of ¥70 million per fiscal year.

(Note) In the exercise of each of the above subscription rights to shares, Lion plans to appropriate treasury stock, and the total number of outstanding shares is not expected to increase.

Basic Policy Regarding Control over the Company

1. Basic Policy and Overview of Special Initiatives to Contribute to Its Implementation

Lion believes that persons who control the Company's decision making over financial matters and business policies should fully understand Lion's management philosophy, sources of corporate value and the relationship of trust it has with stakeholders who support the Company in order to secure and improve corporate value and to act in the common interests of shareholders in a continuous and sustainable manner.

At the same time, Lion holds that final decisions concerning any proposal of acquisition that would involve a transfer of control of the Company must ultimately be based on the collective will of its shareholders. This is not meant to imply opposition to a large-scale acquisition of Lion's shares if such acquisition is to be to the benefit of corporate value and the common interests of shareholders.

Nevertheless, in some cases large-scale acquisitions are undertaken clearly for the purpose of undermining Lion's corporate value and the common interests of shareholders; are intended to force shareholders to sell their shares; or are pushed forward without provision of sufficient time and/or information to Lion's Board of Directors and shareholders so that they may examine suggestions regarding the acquisition proposal and alternatives. Thus, such cases can impair Lion's corporate value and the common interests of shareholders.

The Company resolved not to continue the anti-takeover measures against large-scale purchases of the Company's shares (anti-takeover measures) at the Board of Directors held on January 29, 2021. However, in the event of the emergence of a large-scale purchaser who may damage the corporate value or the common interests of shareholders, the Company will consult with the Corporate Governance Committee, which is composed solely of external directors and external Audit & Supervisory Board members, in order to eliminate any arbitrariness and to enhance the objectivity and rationality of the Board of Directors. The Board of Directors will respect the recommendations of the Committee to the maximum extent possible and, after thorough deliberation, will take necessary and appropriate measures in accordance with the Companies Act, Financial Instruments and Exchange Act, and other relevant laws and regulations. If a decision by the shareholders is necessary to ensure the corporate value of the Company and the common interests of the shareholders, the Company will hold a Shareholders Meeting as soon as possible.

To contribute to the implementation of the above Basic Policy, the Company will vigorously execute strategies aimed at achieving the management vision outlined in "I. Current Conditions of the Lion Group 5. Management Issues" of the Business Report, and will endeavor to enhance the corporate value and the common interests of shareholders.

Internal Control Systems

Matters that Lion resolved as the internal control system are as follows.

I. Basic Approach to and Status of the Internal Control System

<Basic Approach to the Internal Control System>

1. Structure to Ensure that the Execution of Duties of the Lion Group's Directors and Employees Complies with Legal Requirements and the Company's Articles of Incorporation

(1) Basic Stance

- (i) The Lion Group Charter for Corporate Behavior and Behavioral Guidelines shall provide the platform for the Company's compliance structure.
- (ii) The president shall provide constant reinforcement regarding the basic spirit and essence of the Lion Group Charter for Corporate Behavior among directors, executive officers, Audit & Supervisory Board members and employees with the aim of increasing

awareness and understanding of corporate ethics. Each and every member of the Lion Group shall adopt and pursue the credo that compliance underpins every facet of the Group's business activities.

(2) Compliance Structure

- (i) The Company shall maintain a Corporate Ethics Committee chaired by the director responsible for corporate ethics, an appointee from the Board of Directors. Covering the entire Group, this committee shall formulate and implement specific initiatives to ensure greater awareness of and compliance with corporate ethics. In the event of a violation of the Lion Group Charter for Corporate Behavior or Behavioral Guidelines, if deemed necessary by the Corporate Ethics Committee, an Ethics Investigation Committee shall be established to work toward the resolution of the issue. The Ethics Investigation Committee shall comprise specialists from outside the Group, including lawyers and certified public accountants.
- (ii) The Group shall designate a director of corporate ethics who reports to the director responsible for corporate ethics. The director of corporate ethics shall enhance and maintain the Group's compliance structure and identify and implement necessary education and training for each Group department. Complementing these measures, the Human Resources Development Center shall conduct necessary education and training as part of level-specific education. Each department shall also formulate its own rules and manuals in line with relevant laws and regulations and operate in accordance with said rules and manuals.
- (iii) In an effort to reinforce the supervisory function of Lion's Board of Directors, external directors who do not engage in any executive function within the Group shall be appointed to the Board.
- (iv) The Group shall maintain an Advisory Committee, comprising experts from outside the Company, to provide third-party opinions and advice on matters relating to legal compliance and management policy.
- (v) The Group shall maintain an Auditing Office as its internal auditing division.
- (vi) Lion's Auditing Office shall conduct internal audits of Group companies.
- (vii) Lion shall dispatch Audit & Supervisory Board members to Group companies. Audit & Supervisory Board members shall conduct audits in accordance with regulatory requirements.
- (viii) Members of the Auditing Office, the director of corporate ethics, members of the Corporate Planning Department and the Legal Department, and the Audit & Supervisory Board members shall maintain close communications with each other. In this manner, Lion shall promptly identify issues and problems relating to compliance and the compliance structure.
- (ix) Lion shall refer to its work regulations to determine the course of action in the event an employee contravenes any law or the Company's Articles of Incorporation. The Corporate Ethics Committee shall prepare and submit its final decision to the Board of Directors in the event a director contravenes any law or the Company's Articles of Incorporation.
- (x) Besides items (2) (i) through (ix) above, a "AL Heart Hotline" has been established to provide direct contact with the director of corporate ethics and external lawyers. This hotline forms a part of the Group's internal reporting system designed to address any legal breach or matter concerning compliance. In addition, the "Quality Information Hotline" has been established. In cases of doubt about product quality, personnel responsible for product development may utilize this internal reporting system to report directly to the director of the Reliability Assurance Department. These hotlines shall be managed based on separately prepared guidelines.

(xi) In the event Audit & Supervisory Board members uncover an issue relating to the Group's compliance structure or the management of its internal reporting system (identified in item (2) (x) above), they shall provide opinions to the director responsible for corporate ethics and call for the necessary corrective measures to be formulated.

(3) Response in the Event of Emergency

(i) The Emergency Response System shall apply to any emergency relating to legal requirements and corporate social responsibility (CSR). Under the system, the director of the General Affairs Department shall report such incident to the president, the director responsible for corporate ethics and the Audit & Supervisory Board members. The director of the relevant department or the Emergency Response Committee, chaired by the president, shall implement appropriate measures to resolve the situation, formulate measures to prevent recurrences and submit a report to the Executive Committee and the Board of Directors.

(ii) The procedures outlined above in item (3) (i) shall be adopted in the event a director or employee of a Group company uncovers a serious breach of any legal requirement or any significant matter relating to compliance by a Group company.

(iii) In the event that Group companies recognize that management guidelines or instructions from Lion contravene the law or raise issues relating to compliance, the matter shall be immediately reported to the Company's president, director responsible for corporate ethics and Audit & Supervisory Board members. The director responsible for corporate ethics, in collaboration with the Audit & Supervisory Board members, shall resolve the situation and formulate measures to prevent recurrences.

2. Management Structure for Maintenance and Storage of Information Concerning the Execution of the Duties of Lion's Directors

(1) Representative directors and executive directors shall report on the status of their own executive duties to the Board of Directors in accordance with legal requirements.

(2) The representative director shall formulate information preparation, maintenance and storage rules relating to the execution of directors' duties as a part of the Company's information management rules.

(3) Directors shall maintain and store information pertaining to the execution of their duties in accordance with the information management rules.

(4) Directors and Audit & Supervisory Board members may view and copy this information at any time.

3. The Lion Group's Rules and Other Structures Relating to the Management of Risk

(1) Response under Normal Conditions

(i) The director responsible for the Corporate Planning Department shall have overall responsibility for risk management for the Group. The Corporate Planning Department shall exhaustively and comprehensively manage the Group's risk.

(ii) The Auditing Office shall audit the status of risk management for each department within the Group and report its findings to the Executive Committee and the Board of Directors.

(iii) Under normal conditions, each department shall strive to identify its own risks and implement appropriate risk reduction measures. For management risks with the potential to significantly impact business activities, the director of the Board responsible for the relevant department shall consider appropriate risk management measures, which will be deliberated on by the Senior Executive and Executive Committees for implementation.

- (iv) To control risks associated with the environment, quality assurance, accidents and disasters, appropriate countermeasures shall be formulated in advance by the Sustainability Promotion Council, Customer Satisfaction/Product Liability Committee, and Safety, Hygiene and Disaster Prevention Meeting, and, when necessary, deliberated by the Executive Committee.
 - (v) Each plant shall acquire ISO 14001 accreditation and actively pursue measures that promote quality assurance and environmental protection.
- (2) Response in the Event of Emergency
 In the event of an incident occurring due to a natural disaster or accident, in accordance with the Emergency Response System (the respective manuals for countermeasures against earthquakes or influenza and other infectious diseases), details of said incident shall be reported to the president and Audit & Supervisory Board members. At the same time, the director of the relevant department shall collect all relevant information, formulate response measures, clarify causes and determine countermeasures, submitting a report on these actions to the Executive Committee and the Board of Directors.

4. Structure to Ensure that Directors' Duties are Executed Efficiently

- (1) Decision-Making Rules
- (i) Board of Directors' meetings shall be held regularly once a month, with extraordinary meetings convened as and when necessary, as the foundation for ensuring the efficient execution of directors' duties. With the exception of the regular Board of Directors meetings, the written approval of each director shall be deemed to constitute a resolution of the Board of Directors, pursuant to regulatory requirements.
 - (ii) Executive Committee meetings shall be held once a month. At each meeting the Executive Committee shall make decisions on fundamental and other important matters related to business operations in an agile manner. Through these means, Lion shall strive to promote speedy operations and strengthen the Board of Directors' functions.
 - (iii) Matters of importance relating to the management policies and strategies of the overall Group shall be deliberated on in advance by the Senior Executive Committee. Thereafter, recommendations shall be ratified by the Board of Directors.
 - (iv) The autonomy of each company within the Group shall be respected; however, each Group company shall regularly report on its business activities to Lion and discuss important matters with Lion before taking action. In addition, matters of significance that may substantially impact the assets and earnings of Group companies are subject to approval by Lion's Board of Directors or Executive Committee.
- (2) The Board of Directors
- (i) The Board of Directors shall determine Companywide objectives and targets common to all directors and employees and promote understanding and awareness of and formulate management plans based on said objectives and targets.
 - (ii) In order to make management plans more concrete, the Board of Directors shall establish business plans and set operating budgets on the basis of said management plans. Investments for marketing, research and development, capital expenditure and new businesses are also allocated on the basis of management plans.
 - (iii) The Board of Directors shall determine the delegation of authority regarding important matters to organizations, executive general managers and directors of each division or department.
 - (iv) The Board of Directors shall review monthly business results. In the event of a discrepancy between established targets and actual performance, the director responsible for each division shall provide an analysis of the discrepancy and recommend

measures to reduce or eliminate negative factors to the Board of Directors. When necessary, targets may be revised.

(3) Business Operation Structure

- (i) The directors responsible for each department shall establish efficient business operation structures for their departments, including concrete measures to be implemented.
- (ii) Monthly business results shall be collated for management accounting purposes in a timely fashion utilizing the Group's IT systems and submitted to the director responsible for the relevant department and the Board of Directors.
- (iii) Subject to item (2) (iv) above, each director responsible for a department shall implement improvements to increase the efficiency of the department's business operation structure as needed.

5. Matters Relating to Employees Assigned to Support Audit & Supervisory Board Members and the Independence of Such Employees from Directors in the Case that Audit & Supervisory Board Members Request Such Employees (Including Items Related to Ensuring the Effectiveness of Audit & Supervisory Board Members' Directions)

- (1) At least one employee shall be allocated to the Auditing Office to support the duties and functions of the Audit & Supervisory Board.
- (2) Employees allocated for this purpose to the Auditing Office are subject to the instructions of the Audit & Supervisory Board and not to the instructions of directors of the Board or the director of the Auditing Office.
- (3) The aforementioned employees are independent of directors of the Board. The personnel evaluation, transfer and disciplining of these employees are determined after agreement by the Audit & Supervisory Board.

6. Structure for Reporting to Audit & Supervisory Board Members by Directors and Employees and Other Matters Relating to Procedures for Reporting to Audit & Supervisory Board Members as well as Structure for Ensuring that Such Reporting Will Not Result in Disadvantage to the Reporter

- (1) Lion Group Directors and employees shall quickly report to the Audit & Supervisory Board members any matters that may significantly impact the Group as well as any significant violations of legal statutes or the Articles of Incorporation. In addition, the directors shall report the following matters to the Audit & Supervisory Board.
 - (i) Significant breaches of the law and other important compliance matters.
 - (ii) Emergencies relating to natural disasters or accidents as well as emergencies concerning legal requirements or corporate social responsibility.
 - (iii) The implementation status of Group internal audits.
 - (iv) The status and details of communications reported through the Group's internal reporting hotline.
 - (v) Matters determined by the Executive Committee and the Product Planning Executive Committee.
 - (vi) Matters determined by directors and executive officers based on designated delegated authorities.
 - (vii) The status of Group company activities and the status of Group company Audit & Supervisory Board member activities.

(viii) The details and impact of any change in important accounting policies or standards adopted by the Company and its Group companies.

- (2) The reporting methods for the matters described above in (1) (i) through (viii) (the reporter, recipient, timing and other matters) are determined through deliberations involving directors and Audit & Supervisory Board members.
- (3) Notwithstanding item 6. (1) above, Audit & Supervisory Board members may request information from directors and employees as and when necessary.
- (4) The Lion Group shall establish Behavioral Guidelines such that those who report to the Audit & Supervisory Board Members shall not suffer any disadvantage as a result of such reporting and organizationally ensure that this is enforced.

7. Procedure for Pre-Payment and Reimbursement of Costs Arising in the Execution of Audit & Supervisory Board Members' Duties and Policy for Processing Other Costs or Liabilities Arising from the Execution of Such Duties

- (1) Costs and liabilities necessary for the execution of Audit & Supervisory Board members' duties shall be promptly paid or otherwise processed in accordance with the request of the Audit & Supervisory Board member.
- (2) In addition, Audit & Supervisory Board members may receive the advice of outside specialists as required to execute their duties. Related payments or other processing shall be handled in accordance with 7. (1) above.

8. Structure to Ensure Effective Auditing by Lion's Audit & Supervisory Board Members

- (1) At the request of the Audit & Supervisory Board, the Board of Directors shall ensure that the Audit & Supervisory Board is able to appoint legal, accounting or taxation specialists to receive advice relating to audit activities.
- (2) Audit & Supervisory Board members may attend management meetings and discussions of the Company and Group companies as necessary.
- (3) Audit & Supervisory Board members may review and copy important information concerning Group companies as necessary.
- (4) Audit & Supervisory Board members may conduct individual interviews with the directors responsible for business execution and important employees regarding the status of the execution of their duties in accordance with audit plans formulated by the Audit & Supervisory Board.
- (5) The Audit & Supervisory Board shall periodically convene meetings with the representative directors and accounting auditors to promote the exchange of information, opinions and views.

9. Structure to Ensure the Reliability and Appropriateness of Financial Reporting

- (1) For the purpose of ensuring the reliability of the financial reporting of Lion, its subsidiaries and affiliated companies that forms the Group's consolidated financial statements, the president shall develop, operate and evaluate internal control regarding financial reporting based on the "Internal Control Policies Regarding Financial Reporting" set forth by the Board of Directors. The president shall also report the status of internal control and submit an internal control report to the Board of Directors on a regular basis.
- (2) The Auditing Office shall, through its internal auditing, understand and evaluate the status of the development and operation of the Company's internal control system (including any

problems and the status of improvements made to address problems) regarding the financial reporting and report its findings to the president and Audit & Supervisory Board members.

- (3) As a part of their performance audits, Audit & Supervisory Board members shall audit the execution of directors' duties related to the development and operation of internal control regarding financial reporting. In addition, Audit & Supervisory Board members shall audit the status of development and operation of internal control regarding financial reporting through audits of the appropriateness of the methods and results of accounting audits conducted by accounting auditors.

<Development Status of the Internal Control System>

Lion has established the Lion Group Charter for Corporate Behavior and Behavioral Guidelines, centered on the reinforcement of legal compliance and a sense of ethics. To ensure strict compliance with the charter and guidelines on the part of all directors, Audit & Supervisory Board members and employees, the Group has established a Corporate Ethics Committee chaired by the director responsible for corporate ethics. The committee promotes concrete initiatives to ensure the penetration and entrenchment of corporate ethics awareness. In the event of a violation of the Lion Group Charter for Corporate Behavior or Behavioral Guidelines, the committee develops proposals to resolve the issue and prevent recurrences. The committee also works to strengthen the Group's compliance structure, including the internal reporting systems. In addition, the Group maintains various rules and procedures to ensure the efficiency and effectiveness of operations, including standards for delegating decision-making authority to the president or the responsible executive, operating processes for each stage of product development, and product management systems that specify quality assurance procedures.

The Audit & Supervisory Board members and Auditing Office conduct regular audits to monitor whether these systems are functioning appropriately.

Regarding the timely disclosure of corporate information, Lion seeks out the opinions of the standing Audit & Supervisory Board members regarding the necessity of disclosure, endeavoring to ensure appropriate disclosure.

With regard to the development status of internal control related to financial reporting, Lion has established the "Internal Control Policies Regarding Financial Reporting" and standards for determining the scope of evaluation and targets of evaluations. Furthermore, the Group has assigned responsible staff to take charge of each operational process.

<Operational Status of the Internal Control System>

Lion holds a meeting of the Corporate Ethics Committee periodically and develops a plan to promote concrete initiatives for the reinforcement of legal compliance and a sense of ethics for the entire Group. In addition, Lion ensures the penetration of the Lion Group Charter for Corporate Behavior and strict compliance with the charter through provision of level-specific training and e-learning experience in accordance with the plan. Moreover, Lion regularly conducts a questionnaire survey to examine to what extent compliance awareness has taken hold and been entrenched among employees and others, and endeavors to recognize problems in the workplace.

With regard to risk management, each department periodically identifies and measures (probability of occurrence, influence on the business management) risks and assesses ways of dealing with such risks, while risks of the entire Group identified by compiling those risks are assessed by the Board of Directors.

Each Group company periodically reports operating results, business plan and other matters to Lion's Board of Directors, and any matters that have significant impact on the entire Group's assets and earnings are discussed by Lion's Board of Directors and Executive Committee.

With regard to internal audit of the Group, the Auditing Office conducts audit for internal control on “legality, appropriateness, efficiency, etc.” and audit of the status of promoting compliance in accordance with the annual internal audit plan.

Audit & Supervisory Board members attend meetings of the Board of Directors and other important meetings and conduct audits of Lion’s headquarters, other important operating sites and subsidiaries, and other works, in accordance with auditing standards for Audit & Supervisory Board members, standards for performing audits for the internal control system and other standards established by the Audit & Supervisory Board.

II. Basic Approach to Eliminating Antisocial Forces and Status of Related Efforts

<Basic Approach>

In accordance with the Lion Group Charter for Corporate Behavior, the Company shall maintain a stance of staunch opposition to any antisocial forces that pose a threat to public order and safety.

<Status of Related Efforts>

Having positioned its General Affairs Department as its office for handling issues relating to antisocial forces, Lion has appointed a person responsible for the prevention of undue claims against the Company and strives to coordinate efforts between each operational site of the Group as well as external institutions. To facilitate coordination with the police and relevant authorities, Lion participates in and shares information through specialized outside institutions, such as The Federation for Prevention of Special Violence.

To define and ensure compliance with procedures for handling antisocial forces, Lion has established an Undue Claim Prevention Manual.

The person responsible for the prevention of undue claims implements the necessary training at each operating site of the Group. The person responsible for the prevention of undue claims and the persons in charge of the prevention of undue claims at each operating site shall execute their duties in accordance with the Undue Claim Prevention Manual.

Consolidated Statement of Changes in Equity (January 1, 2021 to December 31, 2021)

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

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

Consolidated Notes

(Basis of Preparation of Consolidated Financial Statements)

1. Basis of Presenting Consolidated Financial Statements
The consolidated financial statements of the Company and its subsidiaries (hereinafter the "Group") are prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS") under the provision of Article 120, Paragraph 1 of the Ordinance on Accounting of Companies. In this consolidated financial statements, some items required to be disclosed in IFRS are omitted under the provision of the second sentence of the same Paragraph.
 2. Scope of Consolidation
Number of consolidated subsidiaries: 21
Names of major consolidated subsidiaries:
Lion Chemical Co., Ltd.
Lion Business Service Co., Ltd.
Lion Specialty Chemicals Co., Ltd.
Lion Hygiene Co., Ltd.
Lion Trading Co., Ltd.
Lion Engineering Co., Ltd.
Lion Dental Products Company Limited
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 Corporation (Thailand) Ltd.
Southern Lion Sdn. Bhd.
 3. Application of Equity Method
Number of associates accounted for using equity method: 4
Name of major associates accounted for using equity method
PLANET,INC.
PT. Lion Wings
 4. Changes in Scope of Consolidation and Application of Equity Method
For the fiscal year under review, the following companies were excluded from the scope of application of the equity method due to the transfer of their shares:
Global Eco Chemicals Singapore Pte. Ltd.
Lion Idemitsu Composites Co., Ltd.
 5. Accounting Policies
The Group's accounting policies are prepared in accordance with IFRS for which application are mandatory as of December 31, 2021.
- (1) Basis of consolidation
- A. Subsidiaries
Subsidiaries are all 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 said control ceases. Balances of receivables and payables and internal transactions existing between the Company 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 identified 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 a negative non-controlling interest balance.

B. Affiliates

Affiliates are companies 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 company'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 entities

Jointly controlled entities are entities which are jointly controlled by multiple parties including the Group under a contractual agreement and require agreements of all the jointly controlling parties over any important decision-making.

At the Group, investments in jointly controlled entities are accounted for using 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 gain or loss. However, if gains or losses associated with such assets and liabilities are recognized as other comprehensive income, exchange differences on such gains or losses are recognized as 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 cost or net realizable value. Cost 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 make the sale.

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

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 net gain 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 depreciation and accumulated impairment loss.

Intangible assets acquired individually are measured at acquisition cost at initial recognition. Acquisition cost of intangible assets acquired through business combinations are measured at fair value at the acquisition date.

Expenditures on internally generated intangible assets are all recognized as expenses in the period when incurred, except for development expenses 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.

Estimated useful lives and depreciation 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 as changes in accounting estimates on a prospective basis.

The estimated useful lives of the main categories 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 lessee

The Group recognizes a right-of-use asset and a lease liability at the commencement date of the lease contract. The initial value of the right-of-use asset is measured as the initial measured value of the lease liability at the commencement date adjusted for initial direct costs, etc., plus the cost of any restoration obligation, etc., required under the lease contract. After the commencement date, a cost model is adopted and right-of-use assets are measured at acquisition cost less accumulated depreciation and accumulated impairment losses. Right-of-use assets are depreciated using the straight-line method from the commencement of the lease over the shorter of either the useful life of the asset or the lease term, unless it is reasonably certain that the Group will acquire ownership of the leased asset at 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.

Lease liability is measured at the present value of remaining lease payments as of the commencement 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 treated as a separate lease and that decrease the scope of the lease, the book value of the right-of-use asset is 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 corresponding to the changes in the lease terms.

The Group recognizes the lease payments associated with short-term leases or leases for which the underlying asset is of low value as an expense on a straight-line method over the lease term.

(ii) Leases as lessor

The Group classifies leases into operating leases or finance leases. If the lease transfers substantially all the risks and rewards of 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 recorded as receivables in an amount equal to the net investment in the lease.

(b) Subleases

Subleases are classified by the intermediate lessor with reference to the right-of-use asset that arises 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 and 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 extinguished. 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 in question 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 calculated recoverable amount or the book value less the accumulated depreciation that would have been recognized had no impairment loss been recognized in prior years. Reversal of impairment loss is recognized in net gain or loss.

(11) Employee benefits

A. Post-retirement benefits

The Group operates defined benefit plans and defined contribution plans as retirement 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 liabilities.

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 liabilities.

(12) Provisions

Provisions are recognized when the Group has 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 of such financial asset.

Financial assets are classified as either (a) financial assets measured at fair value through net gain 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 both of 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 principal amount outstanding.

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

Debt instruments that meet the following conditions are classified as financial assets measured at fair value through other comprehensive income, and those that do not meet are classified as financial assets measured at fair value through net gain or loss.

- The asset is held based on a business model where the objective is to be achieved by both collecting and selling 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 principal amount outstanding.

Financial assets are measured at fair value plus transaction costs that are directly attributable to the financial assets, except for financial assets measured at fair value through net gain or loss.

(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 net gain or loss or in other comprehensive income.

Changes in the fair value of equity equivalents 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 specified as financial assets measured at fair value through other comprehensive income are recognized in other comprehensive income except impairment of financial assets and gains and losses on foreign exchange, until the financial assets are derecognized or reclassified. In cases where the Group derecognizes said assets, other comprehensive income previously recognized are transferred to net gain or loss.

(iii) Derecognition of financial assets

The Group 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 their 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 instruments 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 net gain or loss. When the allowance for doubtful accounts decreases, the reversal of said allowance is recognized in net gain 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, such fair value is less transaction costs that are directly attributable to the financial liabilities in question.

(ii) Subsequent measurement

After their initial recognition, financial liabilities measured at amortized cost are measured 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 financial institutions with which the Group works.

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 net gain or loss. However, the effective portion of cash flow hedges and hedges of net investment in foreign operations is recognized as 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 net gain 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 net gain or loss.

(b) Cash flow hedges

The effective portion of gain or loss on hedging instruments is recognized as other comprehensive income, while the ineffective portion is recognized immediately in net gain or loss.

The amount related to hedging instruments thus recorded as other comprehensive income is transferred to net gain or loss when the hedged transaction affects net gain or loss.

If hedged items result in the recognition of non-financial assets or liabilities, the amounts recognized as 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 as equity through other comprehensive income is transferred to net gain 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 as equity through other comprehensive income remains recorded as equity until the forecast transaction occurs.

(c) Hedges of net investment in foreign operations

Translation differences resulting from the hedge of net investment in foreign operations are accounted for similarly to a cash flow hedge. The effective portion of gains or losses on hedging instruments is recognized as other comprehensive income, while the ineffective portion is recognized in net gain or loss. When foreign operations are disposed of, any related cumulative gain or loss that has been recognized as equity through other comprehensive income is transferred to net gain 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 net gain 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 the Company shares at the grant date and recognized in net gain or loss over the vesting period, with an equal amount recognized as 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, at a point in time when the goods are provided to the customer, the legal ownership and physical possession of the goods, and significant risk and economic value associated with the ownership of the goods are transferred to the customer and the Group therefore recognizes the revenue at this point in time.

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.

Revenues are measured at the price, determined by deducting discounts, rebates and returns from value of consideration to be entitled in exchange for committed transfer of the goods to the customer, and the amount estimated to be refunded to the customer is recognized as refund liabilities. In estimating the refund liabilities, the mode method is used based on contractual terms and past results. Contractual liabilities are recognized for advance from the customer.

Consideration for goods under sales contracts is mainly collected within one year 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 calculated 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 as of the end of the fiscal period.

Deferred taxes are recognized using the asset and liability method on differences (temporary differences) arising between the tax bases of said assets or liabilities and their accounting book values as of the end of the fiscal period.

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 carryforwards 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/loss
- Deductible temporary differences associated with investments in subsidiaries and affiliates and 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 and 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 calculated 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 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 likely to be sold within one year. 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 shares adjusted for treasury stock during the period. 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 net gain 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.

6. Additional Information

(Accounting estimates pertaining to the spread of COVID-19 infections)

COVID-19 may adversely affect the Group's operating results and financial position as we expect business activities at home and abroad to stagnate or suspend if the current situation prolongs or infections are further spread out. At the time of preparation of this document, however, we believe that, given the business performance and other factors for the fiscal year under review, COVID-19 will not materially impact the Group's operating results and thus, we assume that it will not either affect the accounting estimates.

Notes on Accounting Estimates

1. Assessment of refund liabilities and sales-related provisions
 - A. Amounts recorded in consolidated financial statements for the fiscal year under review
Based on contracts with customers, the Company offers rebates and sales discounts. In the consolidated financial statements, trade and other payables amount to ¥123,146 million, and this figure includes ¥5,826 million of refund liabilities which will be paid to customers in the form of discounts, rebates, etc. Furthermore, the figure of ¥1,673 million for provisions (current liabilities) includes sales-related provisions of ¥1,665 million.
 - B. Other information to aid in understanding of estimates
Refund liabilities and sales-related provisions are calculated by using the most likely outcome method based on contract provisions, past sales performance, etc. If the estimated amount of sales ultimately differs from the actual amount of sales due to unforeseeable events, there is a possibility that this will have a material impact on the consolidated financial statements for the following fiscal year.
2. Assessment of intangible assets for which useful life cannot be determined
 - A. Amounts recorded in consolidated financial statements for the fiscal year under review
The intangible assets recorded in the consolidated financial statements include trademark rights worth ¥6,560 million for brands such as BUFFERIN, an antipyretic analgesics, in the Asia/Oceania region (excluding China and certain other countries/territories).
 - B. Other Information to aid in understanding of estimates
These trademark rights are classified as intangible assets for which useful life cannot be determined, therefore, an impairment test is performed each fiscal year.
This testing involves aggregating related businesses in a single cash-generating unit, and computing the recoverable amount based on the value in use. The value in use is calculated by discounting to present value of the estimated future cash flow, which in turn is based on business plans that have been approved by management. The discount rate applied is 5.6%, which is based on the pretax weighted average cost of capital of the cash-generating unit. The business plans are based on past experience and external information, and are prepared to reflect management's assessment of the future prospects for the businesses concerned. In addition, future cash flow beyond the period forecast in the business plans is assumed to have a growth rate of 0%. When performing the above estimates, a variety of assumptions are made with respect to sales projections, growth rates, the discount rate, etc. It is judged that the likelihood of the cash-generating unit suffering serious impairment is low, and that this would be the case even if any of the key assumptions used for determining impairment were to change within a reasonably foreseeable range.

Notes to Consolidated Statements of Financial Position

1. Allowance for doubtful accounts directly deducted from assets

Trade and other receivables	¥32 million
Other financial assets	¥30 million
2. Details and amounts of assets pledged as collateral

Buildings and structures	¥1,578 million
Machinery and equipment	¥732 million
Debt obligations covered by collateral	
Trade and other payables	¥311 million
3. Accumulated depreciation of property, plant and equipment (including accumulated impairment loss)

¥198,668 million

4. Accumulated amortization of intangible assets (including accumulated impairment loss)

¥41,370 million

5. Guarantee obligations ¥905 million
 Guarantee obligations are for loans payable of a party requiring guarantee.
 Of this total, ¥326 million of the Company's guarantee obligations are reassured by other parties.

Notes to Consolidated Statement of Changes in Equity

1. Matters related to number of issued shares

Share class	Fiscal year ended December 31, 2021 (As of December 31, 2021)
Common stock	299,115,346 shares

2. Matters related to dividends

(1) Dividends paid to shareholders

Resolution	Share class	Aggregate amount of dividends (Millions of yen)	Dividend per share (Yen)	Entitlement date	Effective date
Board of Directors' meeting February 12, 2021	Common stock	3,494	12.00	December 31, 2020	March 2, 2021
Board of Directors' meeting August 4, 2021	Common stock	3,498	12.00	June 30, 2021	September 3, 2021

(Note) Aggregate amount of dividends by the resolution of the Board of Directors' meeting on February 12, 2021 includes ¥5 million of dividends for the Company's shares held by the executive compensation BIP trust. Aggregate amount of dividends by the resolution of the Board of Directors' meeting on August 4, 2021, includes ¥9 million of dividends for the Company's shares held by the executive compensation BIP trust.

(2) Dividends for which the entitlement date is in the fiscal year under review, and the effective date is in the following fiscal year

Resolution	Share class	Source of dividends	Aggregate amount of dividends (Millions of yen)	Dividend per share (Yen)	Entitlement date	Effective date
Board of Directors' meeting February 14, 2022	Common stock	Retained earnings	3,498	12.00	December 31, 2021	March 2, 2022

(Note) Aggregate amount of dividends by the resolution of the Board of Directors' meeting on February 14, 2022 includes ¥9 million of dividends for the Company's shares held by the executive compensation BIP trust.

Notes on Revenue Recognition

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, Consumer Products Business, Industrial Products Business and Overseas Business. The reportable segments are components of the Group for which discrete financial information is available and that are regularly reviewed by the Board of Directors to make decisions about the allocation of management resources and assess their business performance. As such, the Group presents revenues earned from the reportable segments as well as businesses related to each business of the reportable segments as net sales. Net sales are classified by country/region based on customer location.

(1) Disaggregation of revenue

The relationship between the disaggregated sales and segment sales is as follows.

Fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)

(Millions of yen)

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

The Consumer Products Business engages in the manufacture and trading of commodities, over-the-counter drugs and foods with function claims primarily in Japan chiefly for domestic customers including firms engaging in retailing and wholesaling and individuals.

The Industrial Products Business engages in the manufacture and trading of chemical raw materials, industrial products and other items primarily in Japan and overseas mainly for domestic customers including chemicals manufacturers, hotels, restaurants, hospitals, nursing care facilities, schools, government agencies, food processing plants, linen supply plants, and dry cleaners.

The Overseas Business engages mainly in the manufacture and trading of commodities undertaken by our overseas subsidiaries and associates primarily for overseas customers including firms engaging retailing and wholesaling overseas.

In the Other Business, the Company's subsidiaries engage in construction contracting and other operations related primarily to the Group's businesses in Japan.

The Group's performance obligation based on contracts with customers and the timing of revenue recognition thereabout in the Group's major businesses are described in 5. Accounting Policies, (15) Revenue above.

(2) Contract balances

The major components of contract balances from contracts with customers are as follows.

(Millions of yen)

	December 31, 2021
Receivables from contracts with customers	
Notes and accounts receivable - trade	69,215
Contract assets	316
Total	69,531
Contract liabilities	950

Revenue recognized in the fiscal year under review that was included in the contract liability balance at the beginning of the period is immaterial. Also, revenue recognized in the fiscal year under review from performance obligations satisfied (or partially satisfied) in previous periods is immaterial.

In the consolidated statement of financial position, receivables and contract assets from contracts with customers are included in "Trade and other receivables," whereas contract liabilities are included in "Trade and other payables."

- (3) Transaction price allocated to the remaining performance obligations
The aggregate amount of the transaction price allocated to the unsatisfied performance obligations is as follows.

(Millions of yen)

	Fiscal year ended December 31, 2021 (From January 1, 2021 to December 31, 2021)
Aggregate amount of transaction price allocated to unsatisfied performance obligations	2,035

The Group applies the practical expedient that allows an entity to omit disclosure of the information on the performance obligation with an original expected duration of one year or less. The Group recognizes revenue pertaining to the transaction price for construction contracts allocated to the remaining performance obligations based on the progress of the contracts. For the fiscal year under review, the period during which forecasts can be made for the aggregate amount of transaction price allocated to the remaining performance obligations and for the recognition of revenue is deemed to be no more than one year.

Notes on Financial Instruments

1. Matters related to status of financial instruments

- (1) Capital management

The Group sets forth financial goals such as Return on equity (ROE), aiming to achieve them by not only improving profits but also an asset turnover ratio.

	Fiscal year ended December 31, 2021 (From January 1, 2021 to December 31, 2021)
Return on equity (ROE)	9.8%

- (2) Credit risk

Credit risk refers to the risk of the Group incurring financial losses by the other contractual party not being able to perform its obligation.

Notes and accounts receivable - trade, which are trade receivables, are exposed to credit risk deriving from customers. Measures are taken against the risk such as rigid internal deliberation and approval processes over credit status of the customers at the time of initiating a new transaction, and securing guarantee money or collateral if necessary. The Group also performs due date and credit balance management for each customer.

Derivative transactions are conducted only in the scope of practical purposes according to the internal control standards and when engaging in the derivative transactions, the Group enters into derivative contracts only with high credit rated financial institutions to mitigate the credit risk.

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 the financial assets.

The maximum exposure toward the credit risk as of the fiscal period-end is the amount of book value shown in the Consolidated Statement of Financial Position.

- (3) Liquidity risk

Liquidity risk refers to the risk of the Group not being able to fulfill obligations associated with financial liabilities such as trade payables and loans payable. The Group ensures efficient

financial management by preparing cash flow plans and also adjusting any surplus funds at a subsidiary among the companies of the Group.

(4) Foreign exchange 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 in currencies other than its functional currency. To manage the foreign exchange risk, the Group uses forward exchange contracts and currency swaps as hedges against foreign exchange risks.

(5) Interest rate risk

Of the interest-bearing liabilities of the Group, those with floating interest rates are exposed to interest rate fluctuation risk.

The Group maintains an appropriate balance of fixed and floating interest rates for loans payable, and uses interest rate swaps when necessary.

(6) Price fluctuation risk

The Group owns shares of business partner companies, etc., and is exposed to market price fluctuation risk.

The Group manages the risk by regularly monitoring fair values and financial situations of the business partner companies and regularly reviewing the shareholding status.

2. Matters related to fair value of financial instruments

(1) Fair value of financial instruments

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

Inputs includes stock prices, foreign exchange rate and interest rate as well as index of financial instrument price and others.

- Level 1: Fair value measured at the quoted price in active markets
- Level 2: Fair value other than Level 1, that is determined by directly or indirectly using the observable price
- Level 3: Fair value that is calculated using a valuation technique including inputs not based on observable market data

Assets and liabilities measured at fair value by the Group are as follows:

	(Millions of yen)			
	Fiscal year ended December 31, 2021 (As of December 31, 2021)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Revaluation of financial assets measured at fair value through other comprehensive income	15,596	—	3,921	19,517
Derivative assets to which hedge accounting is applied	—	—	—	—
Total	15,596	—	3,921	19,517
Financial liabilities				
Other financial liabilities				
Derivative liabilities to which hedge accounting is applied	—	—	—	—
Total	—	—	—	—

The Group processes transfers between levels of fair value hierarchy when there is an event or a change in circumstances that caused the transfer. In the fiscal year under review, there is no transfer between levels 1, 2, and 3.

Fair values of the Group's major financial assets and liabilities are calculated as follows:
(Derivative assets and liabilities)

Derivative assets and liabilities are calculated based on the prices presented by financial institutions.

(Equity instrument)

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 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.

(2) Financial instruments measured at amortized cost

Fair values of major financial instruments measured at amortized cost are as follows:

Book values of those that mostly are settled in a short while, or those using a floating 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 (primarily cash and cash equivalents, trade and other receivables, trade and other liabilities).

Fiscal year ended December 31, 2021 (As of December 31, 2021)

(Millions of yen)

	Book value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Borrowings	1,803	—	1,817	—	1,817

Fair values are calculated 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.

Notes on Per Share Information

Equity attributable to owners of the parent per share ¥865.31

Basic earnings per share ¥81.73

Notes on Material Subsequent Events

(Material asset transfer)

On January 31, 2022, the Board of Directors resolved to transfer non-current assets as follows, and the transfer contract was concluded on the same day.

1. Reason for transfer

It was decided to transfer the following property, which was owned by Lion Business Service Co., Ltd., a consolidated subsidiary of the Company with 100% of voting rights held, in connection with the relocation of the Company's head office in spring 2023.

Although the transfer contract has been concluded, the property will continue to be used as the Company's Tokyo office until the relocation.

2. Transferee

Agreements made with the transferee prohibit the public disclosure of their identity. However, neither the Company nor the Group has any capital, personnel, business, or other relationship of note with the transferee.

3. Description of transferred assets

Types and location of asset	Gain on transfer	Use prior to transfer
Land total 2,134.06 m ² Building total 8,573.53 m ² 2-22 Yokoami 1-chome, Sumida-ku, Tokyo	¥5.3 billion*	Land and building used as the Company's Tokyo office

Agreements made with the transferee prohibit the public disclosure of the transfer price.

* The gain on transfer is an estimate calculated by deducting from the transfer price the book value and the expenses, etc. associated with the transfer. It includes ¥1.1 billion in realization of unrealized gains.

4. Timing of transfer

Land January 31, 2022

Building Spring, 2023 (planned)

Other Notes

Figures in the Consolidated Statement of Financial Position, Consolidated Statement of Income, Consolidated Statement of Changes in Equity and Consolidated Notes are rounded down to the nearest million.

Non-consolidated Statement of Changes in Shareholders' Equity (January 1, 2021 to December 31, 2021)

(Millions of yen)

		Shareholders' equity			
		Share capital	Capital surplus		
			Legal capital surplus	Other capital surplus	Total capital surplus
Balance at the start of current period		34,433	31,499	3,800	35,300
Changes of items during the period	Dividends from surplus				
	Profit				
	Purchase of treasury stock				
	Disposal of treasury stock			456	456
	Reversal of reserve for reduction entry				
	Net changes of items other than shareholders' equity				
Total changes of items during the period		-	-	456	456
Balance at the end of current period		34,433	31,499	4,257	35,757

		Shareholders' equity						
		Retained earnings						
		Legal retained earnings	Other retained earnings					Retained earnings brought forward
Reserve for reduction entry	Reserve for dividends		Reserve for research and development	General reserve				
Balance at the start of current period		5,551	291	2,365	830	18,280	88,686	116,005
Changes of items during the period	Dividends from surplus						(6,992)	(6,992)
	Profit						26,956	26,956
	Purchase of treasury stock							
	Disposal of treasury stock							
	Reversal of reserve for reduction entry		(11)				11	-
	Net changes of items other than shareholders' equity							
Total changes of items during the period		-	(11)	-	-	-	19,975	19,963
Balance at the end of current period		5,551	280	2,365	830	18,280	108,662	135,968

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at the start of current period	(5,484)	180,254	8,933	8,933	138	189,326
Changes of items during the period	Dividends from surplus	(6,992)				(6,992)
	Profit	26,956				26,956
	Purchase of treasury stock	(633)	(633)			(633)
	Disposal of treasury stock	209	666			666
	Reversal of reserve for reduction entry		-			-
	Net changes of items other than shareholders' equity			(2,394)	(2,394)	(2)
Total changes of items during the period	(424)	19,996	(2,394)	(2,394)	(2)	17,599
Balance at the end of current period	(5,908)	200,251	6,539	6,539	135	206,925

Individual Notes

1. Notes on Significant Accounting Policies

- (1) Valuation standards and methods for assets
- Valuation standards and methods for securities
 - Held-to-maturity debt securities
Stated at amortized cost (straight-line method)
 - Investments in subsidiaries and affiliates
Stated at cost using the moving-average method
 - Available-for-sale securities with market value
Stated at market value, based on market price at the closing date
(Valuation differences are included directly in net assets; the cost of securities sold is stated using the moving-average method)
 - Available-for-sale securities without market value
Stated at cost using the moving-average method
 - Valuation standards and methods for inventories
Stated at cost using the moving-average method
(Balance sheet amounts are determined by the method of writing down book value in accordance with decreased profitability)
 - Translation standards of assets and liabilities denominated in foreign currencies
Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates as of the closing date. The exchange differences on translation are recognized as profit and loss in the non-consolidated statement of income.
- (2) Method of depreciation of noncurrent assets
- Property, plant and equipment (excluding lease assets)
Straight-line method
 - Intangible assets (excluding lease assets)
Straight-line method
Costs of software for internal use are amortized using the straight-line method over the period for which said software can be used internally (5 years).
 - Lease assets
Lease assets related to finance lease transactions that do not transfer ownership
Depreciated by the straight-line method assuming the lease periods as useful lives without residual value
- (3) Accounting standards for provisions
- (i) Allowance for doubtful accounts
An estimated uncollectible amount is provided at the amount estimated by using the historical rate of credit loss for general receivables, and based on individual consideration of collectability in the case of specific receivables such as highly doubtful receivables.
 - (ii) Provision for sales returns
To prepare for returns of merchandise and products after a balance sheet date, an estimated amount of loss due to sales returns is provided.
 - (iii) Provision for sales promotion expenses
To prepare for future payment of rebates for sales of the fiscal year under review, the amount expected to be paid as, among others, rebates based on the transaction contracts over sales of the fiscal year under review payable to agencies and stores, is provided.

- (iv) Provision for bonuses
To prepare for the payment of bonuses to employees, the amount expected to be paid is provided.
- (v) Provision for directors' bonuses
To prepare for the payment of bonuses to corporate officers, the amount expected to be paid is provided.
- (vi) Provision for directors' stock benefits
To prepare for the grant of Company stock to directors (excluding external directors) and executive officers based on the Company's rules on the payment and issue of stock, etc., an amount corresponding to the estimated value of Company stock is provided.
- (vii) Provision for retirement benefits
To prepare for the employees' retirement benefits, the amount for retirement benefits is provided based on the estimations of liability of retirement benefit obligation and pension assets as of the end of the fiscal year under review.

Prior service cost is amortized on a straight-line basis over a fixed number of years (5 years) which is shorter than the average remaining years of service of the eligible employees, from the fiscal year in which the differences arise.

Unrecognized actuarial differences are amortized on a straight-line basis over a period of the average remaining years of service of the eligible employees, from the fiscal year following the fiscal year in which the differences arise.

(4) Method of significant hedge accounting

- (i) Method of hedge accounting
Primarily the deferred hedge accounting method is adopted. Appropriation accounting is applied to forward foreign exchange contracts and currency swap transactions that meet the requirements for appropriation accounting, and special accounting is applied to the interest-rate swap transactions that meet the requirements for special accounting.

- (ii) Hedging instruments and hedged items

Hedging instruments	Hedged items
Forward exchange contracts	Planned transactions denominated in foreign currencies

- (iii) Hedging policy
In principle, the Company's Finance Department manages hedging of risks associated with fluctuations in foreign currencies exchange rates and interest rates in accordance with internal policies.

- (5) Accounting methods for consumption taxes, etc.
The Company uses the tax-excluded method.

2. Notes on Changes in Presentation Methods

(Application of Accounting Standard for Disclosure of Accounting Estimates)

Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020) has been applied from the fiscal year under review, and notes on significant accounting estimates are presented in the non-consolidated financial statements.

3. Notes on Accounting Estimates

(1) Assessment of provision for sales promotion expenses

- (i) Amount recorded in non-consolidated financial statements for the fiscal year under review
¥5,330 million
- (ii) Other Information to aid in understanding of estimates
For details, please refer to “1. Notes on Significant Accounting Policies (3) Accounting standards for provisions (iii) Provision for sales promotion expenses.”

If the estimated amount of sales ultimately differs from the actual amount of sales due to unforeseeable events, there is a possibility that this will have a material impact on the non-consolidated financial statements for the following fiscal year.

4. Additional Information

(Accounting estimates pertaining to the spread of COVID-19 infections)

COVID-19 may adversely affect the Company’s operating results and financial position as we expect business activities at home and abroad to stagnate or suspend if the current situation prolongs or infections are further spread out. At the time of preparation of this document, however, we believe that, given the operating results and other factors for the fiscal year under review, COVID-19 will not materially impact the Company’s operating results and thus, we assume that it will not either affect the accounting estimates.

5. Notes to Balance Sheet

- (1) Accumulated depreciation of property, plant and equipment
¥131,076 million
- (2) Guarantee obligations
¥1,341 million
Guarantee obligations are for loans payable of a party requiring guarantee.
Of this total, ¥326 million of the Company’s guarantee obligations are reassured by other parties.
- (3) Monetary claims or liabilities against subsidiaries and affiliates
 - Short-term monetary claims from subsidiaries and affiliates
¥10,453 million
 - Long-term monetary claims from subsidiaries and affiliates
¥3,455 million
 - Short-term monetary liabilities to subsidiaries and affiliates
¥31,372 million

6. Notes to Statement of Income

- (1) Operating transaction with subsidiaries and affiliates
 - Net sales
¥17,668 million
 - Purchases
¥24,725 million
 - Other operating transactions
¥9,658 million
- (2) Non-operating transaction with subsidiaries and affiliates
¥19,354 million

7. Notes to Non-consolidated Statement of Changes in Shareholders’ Equity

Number of treasury stock as of the end of the fiscal year under review
8,382,512 shares

(Note) Number of treasury stock as of the end of the fiscal year under review includes 768,785 shares of the Company’s shares held by the executive compensation BIP trust.

8. Notes on Tax Effect Accounting

(1) Deferred tax assets	
Denial of allowance for doubtful accounts	¥10 million
Denial of provision for sales returns	¥91 million
Denial of provision for sales promotion expenses	¥1,632 million
Denial of provision for retirement benefits	¥6,915 million
Denial of impairment loss	¥2,175 million
Accrued enterprise tax and business office taxes	¥154 million
Other	¥3,406 million
Subtotal deferred tax assets	¥14,386 million
Valuation allowance	¥(2,602) million
Total deferred tax assets	¥11,783 million
(2) Deferred tax liabilities	
Reserves under the Special Taxation Measures Law	¥123 million
Denial of gain on contribution of securities to retirement benefit trust	¥3,902 million
Denial of asset retirement obligation	¥31 million
Valuation difference on available-for-sale securities	¥2,823 million
Total deferred tax liabilities	¥6,880 million

9. Notes on Related Party Transactions

Subsidiaries and affiliates

Attribute	Name of related party	Equity ownership (possession) ratio (%)	Description of the business relationship	Transactions	Trading amount (Millions of yen) (Note 1)	Accounts	Balance at year-end (Millions of yen) (Note 1)
Subsidiary	Lion Chemical Co., Ltd.	Direct, 100.0%	Supplier of raw materials and merchandise	Procurement of raw materials and merchandise (Note 2)	18,733	Accounts payable - trade	8,997
				Lending of funds (Note 3)	1,000	Long-term loans receivable	3,455
				Receipt of interest	18		
Subsidiary	Lion Engineering Co., Ltd.	Direct, 100.0%	Equipment construction and maintenance	Purchase of equipment (Note 2)	6,812	Accounts payable - other	5,423
				Deposit by CMS	Payment of interest (Note 4)	70	Deposits received
Subsidiary	Lion Dental Products Co., Ltd.	Direct, 100.0%	Buyer of products and merchandise	Sale of products and merchandise (Note 5)	6,684	Accounts receivable - trade	3,848
Subsidiary	Lion Corporation (Korea)	Direct, 100.0%	Guarantee of short-term loans payable, etc.	Guarantee of obligations (Note 6)	688	-	-
Affiliate	P.T. Lion Wings	Direct, 48.0%	Guarantee of short-term loans payable, etc.	Guarantee of obligations (Note 6)	652	-	-

Terms of transaction and policy of decision-making thereof

(Note 1) Of the above amounts the transaction amounts do not include consumption tax, while the year-end balance includes consumption tax.

(Note 2) Purchase price is determined by negotiations, taking market prices into consideration.

(Note 3) For lending of funds, interest rates are reasonably determined by taking market interest rates into consideration.

In addition, the lending is not secured by collateral.

(Note 4) For payments of interests payable on deposit, interest rates are reasonably determined by taking market rates into consideration.

(Note 5) Sales price is determined by negotiations, taking market prices into consideration.

(Note 6) There are guarantee obligations for Lion Corporation (Korea) and P.T. Lion Wings over borrowing from financial institutions and the Company receives guarantee fees calculated based on the amounts of guarantee. The transaction amounts shown are outstanding guarantee obligations as of the end of the fiscal year.

10. Notes on Per Share Information

Net assets per share	¥711.27
Basic earnings per share	¥92.71

(Note) Shares of the Company remaining in the executive compensation BIP Trust which is recorded as treasury stock under Shareholders' equity are included in treasury stock to be deducted from the total number of issued shares when calculating the average number of shares during the fiscal year for the purpose of calculating basic earnings per share, and included in treasury stock to be deducted from the total number of

issued shares as of the end of the fiscal year for the purpose of calculating net assets per share.

The average number of shares of the treasury stock deducted during the fiscal year for the purpose of calculating basic earnings per share for the fiscal year under review is 643,204 shares. The number of shares of the treasury stock at the end of the period deducted for the purpose of calculating net assets per share for the fiscal year under review is 768,785 shares.

11. Other Notes

Figures in the Balance Sheet, Statement of Income, Non-consolidated Statement of Changes in Shareholders' Equity and Individual Notes are rounded down to the nearest million.