

# Summary of Consolidated Financial Statements for the Year Ended December 31, 2021 [IFRS]

February 14, 2022

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

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Annual meeting of shareholders: March 30, 2022  
Start date of payment of dividend: March 2, 2022  
Scheduled date of filing of financial report: March 31, 2022  
Supplementary materials prepared for quarterly results: Yes  
Quarterly results information meeting held: Yes (for institutional investors, analysts, etc.)

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

## 1. Consolidated Results for the Year Ended December 31, 2021 (January 1, 2021 – December 31, 2021)

### (1) Consolidated Results (cumulative)

(Percentage figures denote year-on-year change)

	Net sales		Operating profit		Profit before tax	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended December 31, 2021	366,234	3.1	31,178	(29.3)	34,089	(23.4)
Year ended December 31, 2020	355,352	2.3	44,074	47.7	44,494	41.7

	Profit for the period		Profit for the period attributable to owners of the parent		Total comprehensive income for the period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended December 31, 2021	25,431	(20.4)	23,759	(20.5)	28,467	(8.0)
Year ended December 31, 2020	31,955	39.1	29,870	45.3	30,955	18.2

Note: Core operating income for the year ended December 31, 2021 was ¥30,923 million (down 14.0% year on year).  
Core operating income for the year ended December 31, 2020 was ¥35,937 million (up 19.6% year on year).  
Core operating income is an earnings indicator the Company uses to measure regular business performance and is calculated by subtracting selling, general and administrative expenses from gross profit.

	Basic earnings per share	Diluted earnings per share	Ratio of equity attributable to owners of the parent to profit for the period	Ratio of profit before tax to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Year ended December 31, 2021	81.73	81.59	9.8	7.9	8.5
Year ended December 31, 2020	102.75	102.61	13.6	10.9	12.4

Note: Share of profit (loss) of investments accounted for using the equity method: December 31, 2021: ¥2,229 million  
December 31, 2020: (¥112) million

## (2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets	Equity attributable to owners of the parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
Year ended December 31, 2021	428,025	265,014	251,572	58.8	865.31
Year ended December 31, 2020	435,501	244,856	231,723	53.2	797.08

## (3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended December 31, 2021	19,296	(34,177)	(10,225)	97,250
Year ended December 31, 2020	40,729	(19,868)	(9,140)	121,534

## 2. Dividends

	Cash dividends per share					Total dividend paid (annual)	Payout ratio (consolidated)	Ratio of dividends to equity attributable to owners of the parent (consolidated)
	First Quarter	Second Quarter	Third Quarter	Year-End	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal 2020	—	11.00	—	12.00	23.00	6,697	22.4	3.0
Fiscal 2021	—	12.00	—	12.00	24.00	6,996	29.4	2.9
Fiscal 2022 (forecast)	—	12.00	—	13.00	25.00		36.3	

### 3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2022 (January 1, 2022 – December 31, 2022)

(Percentage figures denote year-on-year change)

(Percentage figures denote year-on-year change)							
	Net sales		Operating profit		Profit for the period attributable to owners of the parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half 2022	179,000	3.3	12,300	(13.3)	9,000	(16.8)	30.96
Fiscal 2022	375,000	2.4	27,500	(11.8)	20,000	(15.8)	68.79

Note: Core operating income forecast: First half 2022: ¥7,600 million  
Fiscal 2022: ¥23,000 million

## Notes

- (1) Significant Change in Scope of Consolidation during Period: No
- (2) Changes in accounting principles, procedures and presentation methods in connection with the preparation of quarterly consolidated financial statements:
  - a. Changes in accounting standards required under IFRS: No
  - b. Other changes: No
  - c. Changes in accounting estimates: No
- (3) Number of outstanding shares (common stock)
  - a. Number of outstanding shares on balance sheet dates (including treasury stocks):

As of December 31, 2021:	299,115,346 shares
As of December 31, 2020:	299,115,346 shares
  - b. Number of treasury stocks on balance sheet date:

As of December 31, 2021:	8,382,512 shares
As of December 31, 2020:	8,399,357 shares
  - c. Average number of shares outstanding over period

Fiscal year ended December 31, 2021:	290,729,628 shares
Fiscal year ended December 31, 2020:	290,709,761 shares

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

\* Appropriate use of results forecasts; other special items

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

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## **I. Consolidated Performance and Financial Status**

### **1. Consolidated Performance**

#### **(1) Performance Overview of the Consolidated Fiscal Year under Review (January 1, 2021–December 31, 2021)**

In fiscal 2021 (January 1, 2021–December 31, 2021), as the effects of the novel coronavirus (COVID-19) pandemic stretched on, despite signs of recovery in corporate profits, conditions in the Japanese economy remained harsh overall, with continued stagnation in employment and personal consumption.

In domestic consumer products, the Lion Group's main business, while unit prices continued to rise, the overall market shrank, due partly to recoil from an expansion in sales of hygiene-related products and certain other products in the previous year.

Under Vision2030, its long-term strategic framework, the Lion Group advanced initiatives to address its Sustainability Material Issues as well as measures based on three growth strategies. These strategies are "Accelerate growth in four fields of value creation," "Transform our business foundations for growth" and "Generate dynamism to realize innovative change." At the same time, with no end to the novel coronavirus (COVID-19) pandemic in sight, the Lion Group made every effort to prevent the spread of the virus and ensure the safety of its employees while focusing efforts on promoting the establishment of good hygienic habits.

In its domestic operations, Lion introduced such new products as toothpastes, dental rinses, hygiene-related products, fabric softeners, dishwashing detergents, household cleaners and antipyretic analgesics, focusing on high-added-value products, and worked to cultivate markets for these products through efficient marketing.

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

Reflecting these efforts, consolidated results for fiscal 2021 are as follows. Net sales amounted to ¥366,234 million, a year-on-year increase of 3.1% (or a 1.9% increase at constant currency excluding exchange rate fluctuations). Core operating income came to ¥30,923 million, down 14.0% compared with the previous fiscal year, and operating profit to ¥31,178 million, down 29.3% year on year. Profit for the period attributable to owners of parent totaled ¥23,759 million, down 20.5% compared with the previous fiscal year.

## Consolidated Results

(Millions of yen)

	Fiscal 2021	Ratio to net sales	Fiscal 2020	Ratio to net sales	Change	Change (%)
Net sales	366,234		355,352		10,881	3.1%
Core operating income	30,923	8.4%	35,937	10.1%	(5,014)	(14.0%)
Operating profit	31,178	8.5%	44,074	12.4%	(12,896)	(29.3%)
Profit for the period attributable to owners of the parent	23,759	6.5%	29,870	8.4%	(6,110)	(20.5%)

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

## Results by Business

(Millions of yen)

	Net sales				Segment profit (core operating income)			
	Fiscal 2021	Fiscal 2020	Change	Change (%)	Fiscal 2021	Fiscal 2020	Change	Change (%)
Consumer Products	247,068	245,493	1,574	0.6%	19,039	24,647	(5,607)	(22.8%)
Industrial Products	61,271	55,069	6,201	11.3%	2,650	2,171	478	22.0%
Overseas	109,253	101,651	7,602	7.5%	6,005	7,144	(1,138)	(15.9%)
Other	27,881	34,820	(6,938)	(19.9%)	2,145	2,315	(169)	(7.3%)
Subtotal	445,474	437,034	8,439	1.9%	29,841	36,278	(6,436)	(17.7%)
Adjustment	(79,240)	(81,682)	2,442	—	1,081	(340)	1,422	—
Total	366,234	355,352	10,881	3.1%	30,923	35,937	(5,014)	(14.0%)

Results by business segment are as follows.

### Consumer Products Business

The Consumer Products Business segment comprises the Oral Care Products, Beauty Care Products, Fabric Care Products, Living Care Products, Pharmaceutical Products and Other Products businesses. Segment net sales increased 0.6% compared with the previous fiscal year. Segment profit decreased 22.8%, reflecting increases in raw material prices and competition-related expenses.

(Millions of yen)

	Year ended December 31, 2021	Ratio to net sales	Year ended December 31, 2020	Ratio to net sales	Change	Change (%)
Net sales	247,068		245,493		1,574	0.6%
Segment profit	19,039	7.7%	24,647	10.0%	(5,607)	(22.8%)

Note: Net sales include internal sales within and among segments, which amounted to ¥17,473 million in fiscal 2021 and ¥15,746 million in fiscal 2020.

## Net Sales by Product Segment

(Millions of yen)

	Year ended December 31, 2021	Year ended December 31, 2020	Change	Change (%)
Oral Care Products	69,418	66,407	3,010	4.5%
Beauty Care Products	24,729	31,489	(6,760)	(21.5%)
Fabric Care Products	60,660	59,119	1,540	2.6%
Living Care Products	25,158	24,063	1,094	4.5%
Pharmaceutical Products	25,381	23,897	1,484	6.2%
Other products	41,720	40,515	1,204	3.0%

### Oral Care Products

In toothpastes, although sales of *SYSTEMA EX Toothpaste* decreased year on year, those of *CLINICA ADVANTAGE Toothpaste* were favorable, and new *Lightee Toothpaste*, a whitening toothpaste that thoroughly removes grime from even micro-level imperfections in the dental surface, received favorable customer reviews. Overall sales increased year on year.

In toothbrushes, sales of *CLINICA ADVANTAGE Toothbrush* were strong, and sales of *Systema Toothbrush* were firm. Overall sales increased year on year.

In dental rinses, sales of *NONIO Plus Whitening Dental Rinse* were strong, and the product lineup saw the addition of new *SYSTEMA Haguki (the Gums) Plus Premium Dental Rinse*, featuring a unique premium formula with eight effects that revitalizes gums and helps prevent gum disease (gum and periodontal inflammation). Overall sales increased year on year.

### Beauty Care Products

In hand soaps, sales of *KireiKirei Medicated Foaming Hand Soap* decreased year on year, reflecting recoil from a demand boom in the previous year. Overall sales decreased year on year.

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

In antiperspirants and deodorants, sales of the *Ban Sweat-Blocking Roll-On* series decreased year on year. Overall sales fell year on year.

### Fabric Care Products

In fabric softeners, sales of *SOFLAN Aroma Rich* and *SOFLAN Premium Deodorizer* were firm. Overall sales were up year on year.

In laundry detergents, sales of highly concentrated liquid laundry detergent *TOP SUPER NANOX For Odors* were strong, but sales of liquid laundry detergent *TOP Clear Liquid* fell year on year. Overall sales decreased slightly year on year.

### Living Care Products

In dishwashing detergents, sales of *CHARMY Magica* were steady, and sales of *CHARMY Crysta* for



dishwashers were strong. Overall sales increased year on year.

In household cleaners, sales of bath detergent *LOOK Plus Bath Cleansing* and bathroom fungicide *LOOK Plus Bath Antimold Fogger* were strong, and *LOOK Plus Awa-Pita Toilet Cleaning Spray*, a new type of product that easily cleans even the hard-to-clean space under the toilet bowl rim, received favorable consumer reviews. Overall sales increased significantly year on year.

In food preparation products, sales of *REED Healthy-Cooking Paper* decreased year on year, and overall sales decreased year on year.

#### Pharmaceutical Products

In antipyretic analgesics, sales of the *BUFFERIN* series, which saw the launch of *BUFFERIN PREMIUM DX*, a new product for painful headaches that is formulated for maximum effect and speed, were up substantially year on year, and overall sales increased significantly year on year.

In eye drops, sales of the *Smile 40EX* series decreased year on year, but sales of *Smile 40 Mediclear DX* were strong, and overall sales increased year on year.

#### Other Products

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

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

### **Industrial Products Business**

The Industrial Products Business segment includes the Mobility, Electronics and Detergents for Institutional Use Products fields. These businesses handle products that include anti-sticking agents for tires, electro-conductive carbon for secondary batteries, and detergents for institutional and kitchen use, respectively. Segment net sales increased 11.3% compared with the previous fiscal year. Segment profit increased 22.0%.

(Millions of yen)

	Year ended December 31, 2021	Ratio to net sales	Year ended December 31, 2020	Ratio to net sales	Change	Change (%)
Net sales	61,271		55,069		6,201	11.3%
Segment profit	2,650	4.3%	2,171	3.9%	478	22.0%

Note: Net sales include internal sales within and among segments, which amounted to ¥26,491 million in fiscal 2021 and ¥23,505 million in fiscal 2020.

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

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

In the Detergents for Institutional Use Products field, sales of hand soaps were favorable, and overall sales were up year on year.

### **Overseas Business**

The Overseas Business segment comprises business operations located in Southeast Asia, including Thailand and Malaysia, and Northeast Asia, including South Korea and China. Segment net sales increased 7.5% year on year (or a 3.1% increase at constant currency excluding exchange rate fluctuations). Segment profit decreased 15.9% year on year, reflecting increased raw material prices.

(Millions of yen)

	Year ended December 31, 2021	Ratio to net sales	Year ended December 31, 2020	Ratio to net sales	Change	Change (%)
Net sales	109,253		101,651		7,602	7.5%
Segment profit	6,005	5.5%	7,144	7.0%	(1,138)	(15.9%)

Note: Net sales include internal sales within and among segments, which amounted to ¥10,525 million in fiscal 2021 and ¥10,440 million in fiscal 2020.

### **Net Sales by Region**

(Millions of yen)

	Year ended December 31, 2021	Year ended December 31, 2020	Change	Change (%)
Southeast Asia	68,795	66,494	2,300	3.5%
Northeast Asia	40,458	35,156	5,301	15.1%

### Net Sales by Region

In Southeast Asia, overall sales were up 3.5% year on year.

In Thailand, sales of dishwashing detergents decreased year on year, but sales of laundry detergents were steady. Overall sales after yen conversions were up year on year.

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

In Northeast Asia, overall sales were up 15.1% year on year.

In South Korea, sales of hand soaps decreased year on year, but due to exchange rate fluctuations, overall sales after yen conversions increased year on year.

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

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

(Millions of yen)

	Year ended December 31, 2021	Ratio to net sales	Year ended December 31, 2020	Ratio to net sales	Change	Change (%)
Net sales	27,881		34,820		(6,938)	(19.9%)
Segment profit	2,145	7.7%	2,315	6.6%	(169)	(7.3%)

Note: Net sales include internal sales within and among segments, which amounted to ¥24,687 million in fiscal 2021 and ¥31,992 million in fiscal 2020.

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

### Consolidated

(Millions of yen)

	Fiscal 2022 forecast	Fiscal 2021	Change	Change (%)
Net sales	375,000	366,234	8,765	2.4%
Core operating Income	23,000	30,923	(7,923)	(25.6%)
Operating profit	27,500	31,178	(3,678)	(11.8%)
Profit attributable to owners of parent	20,000	23,759	(3,759)	(15.8%)
Basic earnings per share (yen)	68.79	81.73	(12.94)	(15.8%)

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

During fiscal 2022 (the year ending December 31, 2022), despite anticipated recovery from the harsh conditions created by the COVID-19 pandemic, the outlook is expected to remain unclear.

In domestic consumer products, the Lion Group's main business, although steady demand is expected, intense competition is forecast to continue.

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

In the Consumer Products Business segment, the Lion Group will introduce and cultivate new, high-value-added and environmentally friendly products in its mainstay businesses, working to accelerate new value creation initiatives in its four fields of value creation.

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

With regard to the Overseas Business segment, the Lion Group will work to increase profitability in the home care field. The Group will also implement marketing activities focused mainly on its business in the personal care field, which includes oral care and beauty care products, with particular emphasis on the Chinese market, which continues to grow. At the same time, the Group will proactively advance deliberations related to entry into new countries and areas.

As a result of the above, net sales in fiscal 2022 are expected to increase, but profit is expected to decrease, reflecting rising raw material costs and increased depreciation and amortization due to investments for growth.

Consolidated results forecasts for fiscal 2022 are as follows: net sales of ¥375,000 million (up 2.4% year on year), core operating income of ¥23,000 million (down 25.6% year on year), operating profit of ¥27,500 million (down 11.8% year on year) and profit for the period attributable to owners of parent of ¥20,000 million (down 15.8% year on year).

### Assumptions Underlying the Forecast of Consolidated Financial Results for Fiscal 2022

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

¥110= US\$1.00

¥3.4 = 1.00 baht

## 2. Financial Status

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

	2021	2020	Change
Total assets (millions of yen)	428,025	435,501	(7,475)
Total equity (millions of yen)	265,014	244,856	20,158
Ratio of equity attributable to owners of the parent to total assets <sup>1</sup> (%)	58.8	53.2	5.6
Equity attributable to owners of the parent to total assets per share <sup>2</sup> (yen)	865.31	797.08	68.23

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

Total assets fell ¥7,475 million compared with the previous consolidated fiscal year-end to ¥428,025 million. This was primarily attributable to a decrease in cash and cash equivalents. Total equity increased ¥20,158 million to ¥265,014 million. The ratio of equity attributable to owners of the parent to total assets stood at 58.8%

### (2) Cash Flows

#### Consolidated Cash Flows

(Millions of yen)

	2021	2020	Change
Cash flows from operating activities	19,296	40,729	(21,433)
Cash flows from investing activities	(34,177)	(19,868)	(14,308)
Cash flows from financing activities	(10,225)	(9,140)	(1,085)
Effect of exchange rate change on cash and cash equivalents	822	(593)	1,415
Net increase (decrease) in cash and cash equivalents	(24,283)	11,127	(35,411)
Cash and cash equivalents at end of period	97,250	121,534	(24,283)

Net cash provided by operating activities totaled ¥19,296 million, due mainly to profit before tax.

Net cash used in investing activities totaled ¥34,177 million, due in part to the purchase of property, plant and equipment.

Net cash used in financing activities totaled ¥10,225 million. Major components of this outflow included cash dividends paid.

As a result of the above, cash and cash equivalents as of December 31, 2021 decreased ¥24,283 million compared with December 31, 2020, to ¥97,250 million.

### (3) Forecast of Fiscal 2022 Consolidated Cash Flows

In cash flows from operating activities, Lion projects profit before tax of approximately ¥28,000 million. Depreciation and amortization is estimated to total about ¥18,000 million.

In cash flows from investment activities, Lion plans to undertake capital expenditures of around ¥29,000 million during fiscal 2022.

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

Based on these projections, Lion estimates that cash and cash equivalents at the end of fiscal 2022 will

be up approximately ¥7,000 million year on year.

#### (4) Cash Flow Indicators

	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021
Ratio of equity attributable to owners of the parent to total assets (%)	52.7	53.8	54.7	53.2	58.8
Ratio of equity attributable to owners of the parent to total assets on a market value basis (%)	183.1	185.7	162.3	166.8	104.4
Debt redemption (years)	0.3	0.2	0.3	0.3	0.6
Interest coverage ratio	148.7	259.3	431.9	719.4	564.8

#### Notes:

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

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

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

Taking into consideration the Company's cash dividend payment record, as well as its dividend payout ratio target, Lion's Board of Directors resolved to pay an interim dividend of ¥12 per share (payment date: September 3, 2021) and a year-end dividend of ¥12 per share (payment date: March 2, 2022) for fiscal 2021.

With regard to dividends for fiscal 2022, in accordance with its basic policy on the distribution of earnings and cash dividends, Lion plans to pay an interim dividend of ¥12 per share and a year-end dividend of ¥13 per share, for a total annual dividend of ¥25 per share.

## II. Corporate Group

The Lion Group consists of Lion Corporation, 21 consolidated subsidiaries and 3 equity-method affiliates. The Group's principal businesses are the Consumer Products Business, Industrial Products Business and Overseas Business. Other business activities involve distribution related to the above businesses and other services.

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

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



### III. Management Policies

#### 1. Basic Management Policies

The Lion Group has maintained a commitment to “Fulfilling a Spirit of Love” since its founding. With this motto and its purpose, “Make a difference in everyday lives by redesigning habits: ReDesign,” as the foundation of the Group management, the Lion Group provides customers with superior products and services that are useful in realizing health, comfort and cleanliness in daily living. The Group sees contributing to the realization of a sustainable society through such efforts as its mission.

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

#### 2. Long-Term Management Strategies

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

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

#### Vision 2030 Long-Term Strategic Framework

##### Management Vision

Becoming an advanced daily healthcare company

#### Advancing Three Growth Strategies

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

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

#### Initiatives to Address the Sustainability Material Issues

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

#### Envisioned Financial Performance in 2030

• Consolidated net sales	Approx. ¥600 billion (approx. 50% from the Overseas Business)
• EBITDA <sup>1</sup>	Approx. ¥80 billion
• Core operating income <sup>2</sup>	Approx. ¥50 billion
• Return on invested capital (ROIC)	8–12%
• Return on equity (ROE)	10–14%

##### Notes:

1 EBITDA is an indicator of profitability on a cash basis calculated as the sum of core operating income and depreciation and amortization (excluding depreciation and amortization of right-of-use assets).

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

### 3. Management Issues

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

#### ◇Management Strategies for Realizing the Management Vision

##### The Three Growth Strategies

- (1) Accelerate Growth in four fields of value creation  
Focusing on the four fields of value creation, we will reinforce existing businesses and create new value to secure profit opportunities and further accelerate growth in Japan and overseas.
- (2) Transform Our Business Foundations for Growth  
We will reinforce strategic investment (in M&A, supply chain management, manufacturing infrastructure, digital technologies, sustainability, etc.) necessary for future growth and transform our business base into one that promotes growth.
- (3) Generate Dynamism to Realize Innovative Change  
We will create dynamism to transform into a company that can grow sustainably by improving employee engagement through professional fulfillment reforms and diversity and inclusion initiatives.

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

We will contribute to the realization of a decarbonized, resource-circulating society by promoting the formation of environmentally friendly living habits together with consumers. In addition to further developing our environmental technologies, products and services, we will work with other industry actors and companies to develop water-saving habits, power-saving habits, refill habits and waste-free habits\*<sup>3</sup> that reduce environmental impact in the home, both in Japan and the rest of Asia.

\*<sup>3</sup> Creating habits to realize resource recycling through advanced recycling initiatives (infrastructure development, recycling technology, etc.)

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

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

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

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

## V. Consolidated Financial Statements and Notes

### (1) Consolidated Statement of Financial Position

	(Millions of yen)	
	December 31, 2020	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	121,534	97,250
Trade and other receivables	62,421	70,115
Inventories	45,158	51,714
Other financial assets	8,592	6,656
Other current assets	5,108	6,413
Subtotal	242,815	232,150
Assets held for sale	2,603	—
Total current assets	245,419	232,150
Non-current assets		
Property, plant and equipment	118,379	120,673
Goodwill	182	182
Intangible assets	18,921	23,975
Right-of-use assets	4,873	5,416
Investments accounted for using the equity method	6,310	6,935
Deferred tax assets	5,632	6,005
Retirement benefit assets	9,936	9,768
Other financial assets	24,859	21,815
Other non-current assets	986	1,100
Total non-current assets	190,081	195,875
Total assets	435,501	428,025

(Millions of yen)

	December 31, 2020	December 31, 2021
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	141,259	123,146
Borrowings	1,405	1,411
Income tax payables	11,569	2,470
Provisions	1,401	1,673
Lease liabilities	1,387	1,483
Other financial liabilities	893	855
Other current liabilities	8,710	8,175
Total current liabilities	166,628	139,218
Non-current liabilities		
Borrowings	639	392
Deferred tax liabilities	1,278	1,270
Retirement benefit liabilities	13,009	12,684
Provisions	357	332
Lease liabilities	4,685	5,088
Other financial liabilities	2,487	2,469
Other non-current liabilities	1,558	1,554
Total non-current liabilities	24,016	23,792
Total liabilities	190,644	163,011
Equity		
Share capital	34,433	34,433
Capital surplus	34,986	35,189
Treasury stock	(4,739)	(4,731)
Other components of equity	10,076	9,311
Retained earnings	156,965	177,370
Equity attributable to owners of the parent	231,723	251,572
Non-controlling interests	13,133	13,442
Total equity	244,856	265,014
Total liabilities and equity	435,501	428,025

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

### Consolidated Statement of Income

	(Millions of yen)	
	Year Ended December 31, 2020	Year Ended December 31, 2021
Net sales	355,352	366,234
Cost of sales	(175,479)	(187,129)
Gross profit	179,872	179,104
Selling, general and administrative expenses	(143,934)	(148,181)
Other income	12,248	1,208
Other expenses	(4,112)	(953)
Operating profit	44,074	31,178
Finance income	679	817
Finance costs	(146)	(136)
Share of profit (loss) of investments accounted for using the equity method	(112)	2,229
Profit before tax	44,494	34,089
Income taxes	(12,538)	(8,657)
Profit for the period	31,955	25,431
Profit for the period attributable to:		
Owners of the parent	29,870	23,759
Non-controlling interests	2,084	1,671
Profit for the period	31,955	25,431
Earnings per share		
Basic (Yen)	102.75	81.73
Diluted (Yen)	102.61	81.59

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Year Ended December 31, 2020	Year Ended December 31, 2021
Profit for the period	31,955	25,431
Other comprehensive income		
Items that will not be reclassified as profit or loss		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	(42)	85
Remeasurements of defined benefit plans	243	1,457
Share of other comprehensive income (loss) of investments accounted for using the equity method	(33)	30
Total items that will not be reclassified as profit or loss	166	1,573
Items that may be subsequently reclassified as profit or loss		
Net gain (loss) on derivatives designated as cash flow hedges	(0)	0
Exchange differences on translation of foreign operations	(939)	1,824
Share of other comprehensive income (loss) of investments accounted for using the equity method	(227)	(362)
Total items that may be subsequently reclassified as profit or loss	(1,166)	1,462
Total other comprehensive income, net of tax	(1,000)	3,035
Comprehensive income for the period	30,955	28,467
Comprehensive income for the period attributable to:		
Owners of the parent	29,504	26,618
Non-controlling interests	1,450	1,848
Comprehensive income for the period	30,955	28,467

### (3) Consolidated Statement of Changes in Equity

Fiscal 2020 (January 1 to December 31, 2020)

(Millions of yen)

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



Lion Corporation (Code 4912): Summary of Consolidated  
Financial Statements for the Year Ended December 31, 2021

	Equity attributable to owners of the parent					Non- controlling interests	Total equity
	Other components of equity			Retained earnings	Total		
	Net gain (loss) on derivatives designated as cash flow hedges	Exchange differences on translation of foreign operations	Total				
Balance at January 1, 2020	—	(113)	11,320	132,619	208,421	12,780	221,201
Changes during the period							
Comprehensive income							
Profit for the period			—	29,870	29,870	2,084	31,955
Other comprehensive income	(0)	(540)	(366)		(366)	(634)	(1,000)
Total comprehensive income for the period	(0)	(540)	(366)	29,870	29,504	1,450	30,955
Transactions with owners							
Dividends			—	(6,395)	(6,395)	(1,097)	(7,493)
Acquisition of treasury stock			—		(4)		(4)
Disposal of treasury stock			(5)		0		0
Share-based payments			—		196		196
Transfer from other components of equity to retained earnings			(871)	871	—		—
Total transactions with owners	—	—	(876)	(5,524)	(6,202)	(1,097)	(7,300)
Balance at December 31, 2020	(0)	(654)	10,076	156,965	231,723	13,133	24,856

Fiscal 2021 (January 1 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	—

Lion Corporation (Code 4912): Summary of Consolidated  
Financial Statements for the Year Ended December 31, 2021

	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

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

(Millions of yen)

	Year Ended December 31, 2020	Year Ended December 31, 2021
Cash flows from operating activities		
Profit before tax	44,494	34,089
Depreciation and amortization	11,732	14,252
Impairment loss	3,014	15
Interest and dividend income	(619)	(699)
Interest expenses	142	136
Share of loss (profit)s of investments accounted for using the equity method	112	(2,229)
Loss (gain) on disposal of non-current assets	(10,620)	373
Decrease (increase) in trade and other receivables	(1,368)	(7,106)
Decrease (increase) in inventories	(1,887)	(5,839)
Increase (decrease) in trade and other payables	5,680	3,936
Increase in net defined benefit liability	1,043	1,801
Other	(1,087)	(876)
Subtotal	50,638	37,853
Interest and dividends received	804	1,490
Interest paid	(56)	(34)
Income taxes paid	(10,656)	(20,013)
Cash flows from operating activities	40,729	19,296
Cash flows from investing activities		
Net decrease (increase) in time deposits	(4,659)	2,837
Purchase of property, plant and equipment	(22,262)	(37,282)
Proceeds from sales of property, plant and equipment	11,247	56
Purchase of intangible assets	(4,670)	(5,639)
Purchase of other financial assets	(1,523)	(901)
Proceeds from sales of other financial assets	2,060	4,023
Proceeds from sales of affiliates	—	3,077
Other	(59)	(347)
Cash flows from investing activities	(19,868)	(34,177)
Cash flows from financing activities		
Repayment of long-term borrowings	(243)	(259)
Cash dividends paid	(6,391)	(6,974)
Cash dividends paid to non-controlling interests	(1,097)	(1,539)
Repayment of lease liabilities	(1,408)	(1,456)
Other	0	5
Cash flows from financing activities	(9,140)	(10,225)
Effect of exchange rate changes on cash and cash equivalents	(593)	822
Increase (decrease) in cash and cash equivalents	11,127	(24,283)
Cash and cash equivalents at beginning of period	110,406	121,534
Cash and cash equivalents at end of period	121,534	97,250

## **(5) Notes to Consolidated Financial Statements**

### **Notes Relating to the Assumption of a Going Concern**

Not applicable.

### **Segment Information**

#### **1) Overview of reportable segments**

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

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

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

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

The Group's reportable segments are as follows.

#### **A. Consumer Products Business**

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

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

#### **B. Industrial Products Business**

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

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

#### **C. Overseas Business**

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

#### **D. Other Business**

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

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

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

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

Fiscal 2020 (January 1 to December 31, 2020)

(Millions of yen)

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

- Notes:
1. Includes intra-segment transactions within the reportable segments.
  2. (1) A negative ¥340 million adjustment of core operating income mainly comprises intersegment eliminations and corporate expenses not allocated to any reportable segment.  
(2) The depreciation adjustment is depreciation of corporate assets and intersegment eliminations.
  3. Core operating income is reconciled with gross profit as follows.

Gross profit	179,872
Selling, general and administrative expenses	(143,934)
Core operating income	35,937

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

Fiscal 2021 (January 1 to December 31, 2021)

(Millions of yen)

	Reportable Segment			Other	Total	Adjustment <sup>2</sup>	Consolidated <sup>3</sup>
	Consumer Products Business	Industrial Products Business	Overseas Business				
Net sales							
(1) External	229,595	34,779	98,727	3,193	366,296	(62)	366,234
(2) Intersegment <sup>1</sup>	17,473	26,491	10,525	24,687	79,178	(79,178)	—
Total	247,068	61,271	109,253	27,881	445,474	(79,240)	366,234
Core operating income	19,039	2,650	6,005	2,145	29,841	1,081	30,923
Other income							1,208
Other expenses							(953)
Operating profit							31,178
Finance income							817
Finance costs							(136)
Share of loss of investments accounted for using the equity method							2,229
Profit before tax							34,089
Other monetary items							
Depreciation and amortization	7,947	1,657	3,009	104	12,719	1,533	14,252

- Notes:
1. Includes intra-segment transactions within the reportable segments.
  2. (1) A ¥1,081 million adjustment of core operating income mainly comprises intersegment eliminations and corporate expenses not allocated to any reportable segment.  
(2) The depreciation adjustment is depreciation of corporate assets and intersegment eliminations.
  3. Core operating income is reconciled with gross profit as follows.

Gross profit	179,104
Selling, general and administrative expenses	(148,181)
Core operating income	30,923

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

3) Information by product and service category

Fiscal 2020 (January 1 to December 31, 2020)

(Millions of yen)

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

Fiscal 2021 (January 1 to December 31, 2021)

(Millions of yen)

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

4) Information by region

A. Net sales

Fiscal 2020 (January 1 to December 31, 2020)

(Millions of yen)

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

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

Fiscal 2021 (January 1 to December 31, 2021)

(Millions of yen)

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

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

B. Non-current assets

Fiscal 2020 (January 1 to December 31, 2020)

(Millions of yen)

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

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

Fiscal 2021 (January 1 to December 31, 2021)

(Millions of yen)

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

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



5) Major customers

Fiscal 2020 (January 1 to December 31, 2020)

(Millions of yen)

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

Fiscal 2021 (January 1 to December 31, 2021)

(Millions of yen)

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

## Income Taxes

### (1) Deferred tax assets and deferred tax liabilities

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

(Millions of yen)

	December 31, 2020	December 31, 2021
Deferred tax assets		
Provisions, other current liabilities, etc.	4,496	4,679
Retirement benefit assets and liabilities	8,857	8,323
Excess depreciation	691	660
Accrued enterprise and office taxes	702	278
Appraisal value of inventories	663	561
Unrealized profit on inventories and non-current assets	740	1,279
Other	2,179	1,842
Total	18,331	17,626
Deferred tax liabilities		
Special depreciation of non-current assets	(843)	(827)
Valuation difference upon contribution of securities to retirement benefit trust	(4,283)	(3,902)
Temporary differences due to distribution of retained earnings at overseas affiliates	(2,045)	(2,384)
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	(4,469)	(3,406)
Right of trademark	(2,023)	(2,035)
Other	(311)	(335)
Total	(13,977)	(12,891)

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

(Millions of yen)

	Year ended December 31, 2020	Year ended December 31, 2021
Net deferred tax assets and (liabilities)		
Balance at beginning of the year	1,704	4,353
Deferred income taxes	2,594	(124)
Deferred taxes related to other comprehensive income items		
Net gain (loss) on revaluation of financial assets measured at fair value	(226)	(116)
Net gain (loss) on derivatives designated as cash flow hedges	0	0
Remeasurements of defined benefit plans	(115)	585
Other	396	37
Balance at end of the year	4,353	4,735

(2) Unrecognized deferred tax assets

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

(Millions of yen)

	December 31, 2020	December 31, 2021
Deductible temporary differences	10,492	8,602

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

(3) Unrecognized deferred tax liabilities

There were no significant taxable temporary differences related to the investments of subsidiaries not recognized as deferred tax liabilities at December 31, 2020 or December 31, 2021.

(4) Income taxes

Income taxes recognized through profit or loss are as follows.

(Millions of yen)

	Year ended December 31, 2020	Year ended December 31, 2021
Current income taxes	15,132	8,533
Deferred income taxes		
Origination and reversal of temporary differences	(2,646)	665
Adjustments and reversals of deferred tax assets	52	(541)
Total	12,538	8,657

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

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

	Year ended December 31, 2020	Year ended December 31, 2021
Statutory tax rate	30.6%	30.6%
Entertainment expenses and other non-deductible items	0.1%	0.2%
Dividend income and other items not recognizable as income for tax purposes	(0.0%)	0.2%
Unrecognized deferred tax assets	(0.1%)	(0.0%)
Differences in tax rates applicable to foreign subsidiaries	(1.7%)	(2.2%)
Research and development expenses and other special deductions	(1.3%)	(3.1%)
Foreign tax credits	0.1%	0.5%
Other	0.5%	(0.8%)
Effective tax rate	28.2%	25.4%

Note: The Company is subject to taxes mainly comprising income taxes, residence taxes and enterprise taxes. Calculated based on these taxes, the statutory tax rate for the fiscal years ended December 31, 2020 and December 31, 2021 was 30.6%. However, overseas subsidiaries are subject to the income and other taxes of their respective locations.

## Post-Retirement Benefits

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

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

### (1) Defined benefit plans

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

	(Millions of yen)	
	December 31, 2020	December 31, 2021
Present value of defined benefit obligation	66,558	64,428
Fair value of plan assets	(63,485)	(61,512)
Total	3,073	2,916
Retirement benefit liabilities	13,009	12,684
Retirement benefit assets	(9,936)	(9,768)
Net liabilities presented in the Consolidated Statement of Financial Position	3,073	2,916

### A. Changes in the present value of retirement benefit obligation

	(Millions of yen)	
	Year ended December 31, 2020	Year ended December 31, 2021
Balance of retirement benefit obligation at beginning of year	67,831	66,558
Current service costs	2,196	2,315
Interest expenses	221	212
Remeasurements		
Experience adjustments	194	(237)
Actuarial differences arising from changes in demographic assumptions	304	—
Actuarial differences arising from changes in financial assumptions	—	—
Retirement benefit payments	(4,090)	(4,424)
Other	(98)	4
Balance of retirement benefit obligation at end of year	66,558	64,428

The weighted average duration of the defined benefit obligation was 10.7 years at December 31 2020 and 10.6 years at December 31, 2021.

B. Changes in the fair value of plan assets

(Millions of yen)

	Year ended December 31, 2020	Year ended December 31, 2021
Balance of plan assets at beginning of year	65,337	63,485
Interest revenue on plan assets	209	206
Remeasurements		
Return on plan assets (excluding interest revenue)	855	1,792
Employer contributions	396	320
Retirement benefit payments	(3,322)	(4,312)
Other	8	19
Balance of plan assets at end of year	63,485	61,512

The Group's planned contribution to defined benefit plans in the consolidated fiscal year ending December 31, 2022 is ¥277 million.

C. Plan asset management policy

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

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

D. Components of plan assets

The components of plan assets are as follows.

(Millions of yen)

	December 31, 2020		December 31, 2021	
	Assets with quoted prices in active markets	Assets without quoted prices in active markets	Assets with quoted prices in active markets	Assets without quoted prices in active markets
Bonds	—	29,522	—	28,438
Stocks	19,855	—	19,874	—
Other	10,425	3,681	8,376	4,822
Total	30,281	33,204	28,251	33,261

E. Actuarial assumptions

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

	December 31, 2020	December 31, 2021
Discount rate	0.3%	0.3%

F. Sensitivity analysis of actuarial assumptions

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

This analysis assumes that other relevant variables are fixed.

(Millions of yen)

	Year ended December 31, 2020	Year ended December 31, 2021
Discount rate up to 0.5%	(3,066)	(2,930)
Discount rate down to 0.5%	1,984	1,897

(2) Defined contribution plans

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

(Millions of yen)

	Year ended December 31, 2020	Year ended December 31, 2021
Expenses related to defined contribution plans	3,282	3,074

**Earnings per Share**

(1) Basic earnings per share

	Year ended December 31, 2020	Year ended December 31, 2021
Profit for the period attributable to owners of the parent (millions of yen)	29,870	23,759
Average common shares during the period (thousands of shares)	290,709	290,729
Basic earnings per share (yen)	102.75	81.73

(2) Diluted earnings per share

	Year ended December 31, 2020	Year ended December 31, 2020
Profit for the period attributable to owners of the parent (millions of yen)	29,870	23,759
Adjustments to profit for the period (millions of yen)	—	—
Profit for the period used to calculate diluted earnings per share (millions of yen)	29,870	23,759
Average common shares during the period (thousands of shares)	290,709	290,729
Stock options (thousands of shares)	238	231
Executive compensation BIP trust (thousands of shares)	168	245
Diluted average common shares during the period (thousands of shares)	291,116	291,206
Diluted earnings per share (yen)	102.61	81.59

## Important Subsequent Events

### Transfer of important assets

The Company resolved at the January 31, 2022 Board of Directors meeting to transfer non-current assets as described below and concluded a transfer agreement on the same date.

#### 1. Purpose of the transfer

In tandem with moving its head office in spring 2023, Lion has decided to transfer a property held by Lion Business Service Co., Ltd., which is a consolidated subsidiary of Lion (100% share of voting rights), as shown below.

Note that, while a transfer agreement has been concluded, Lion will continue to use the property as its Tokyo office until the head office is moved.

#### 2. Recipient

Per an agreement with the recipient, Lion is not publishing information on the recipient. Lion and the Lion Group have no notable capital, personal or business relationships with the recipient, and the recipient is not a related party of Lion or the Lion Group.

#### 3. Assets to Be Transferred

Asset name and location	Gain on transfer	Status
Land: 2,134.06 m <sup>2</sup> Building: 8,573.53 m <sup>2</sup> 2-22, Yokoami 1-chome, Sumida-ku, Tokyo	¥5.3 billion*	Land and building in use as Lion's Tokyo office

Per an agreement with the recipient, Lion is not publishing the transfer price of the assets to be transferred.

\* Gain on transfer presented here is an estimate calculated by deducting the book value of the assets to be transferred and the expenses associated with the transfer from the transfer price. The amount presented includes ¥1.1 billion in unrealized gains.

#### 4. Transfer dates

Land: January 1, 2022

Building: Spring 2023 (tentative)