To Shareholders:

Matters Subject to Measures for Electronic Provision When Convening the 164th Annual General Meeting of Shareholders for the Year Ended December 31, 2024

- Business Report
  - Matters Related to Subscription Rights to Shares
  - Basic Policy Regarding Control over the Company
  - Internal Control Systems
- Consolidated Financial Statements
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  - Individual Notes

Pursuant to the provisions of applicable laws and regulations and Article 14 of the Company's Articles of Incorporation, the items listed above shall be omitted from the paper copy(paper copy stating matters subject to measures for electronic provision)sent to shareholders who have requested it.

February 27, 2025

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, 2024)

	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 29, 2012 (Extraordinary Board of Directors’ meeting) (Note 1)	16,142 units	Common stock 16,142 shares	1 yen	2 persons	From April 17, 2012 to April 16, 2042 (Note 2)
(ii)	March 28, 2013 (Extraordinary Board of Directors’ meeting) (Note 1)	16,694 units	Common stock 16,694 shares	1 yen	2 persons	From April 15, 2013 to April 14, 2043 (Note 2)
(iii)	March 28, 2014 (Extraordinary Board of Directors’ meeting) (Note 1)	13,072 units	Common stock 13,072 shares	1 yen	2 persons	From April 15, 2014 to April 14, 2044 (Note 2)
(iv)	March 27, 2015 (Extraordinary Board of Directors’ meeting) (Note 1)	11,552 units	Common stock 11,552 shares	1 yen	2 persons	From April 13, 2015 to April 12, 2045 (Note 2)
(v)	March 30, 2016 (Extraordinary Board of Directors’ meeting) (Note 1)	7,767 units	Common stock 7,767 shares	1 yen	2 persons	From April 18, 2016 to April 17, 2046 (Note 2)

(Note 1) At the 146th Annual General 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 General 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) 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 corporate 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.

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 general manager responsible for corporate ethics who reports to the director responsible for corporate ethics. The general manager responsible for corporate ethics shall enhance and maintain the Group's compliance structure and collaborate with the Human Resources Development Center to implement necessary education and training for the Group. 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 Department as its internal auditing division.

(vi) Lion's Auditing Department 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 Department, the general manager responsible for 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 general manager responsible for 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 general manager 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 general manager 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 Executive Management Board shall strive to identify and assess management risks with the potential to significantly impact business activities, and the whole Group shall work to implement risk reduction measures. For management risks that arise during the fiscal year, the director responsible for the relevant risk shall consider appropriate risk management measures, which will be deliberated on by the Executive Management Board for risk management

(iii) 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 Management Board or the Executive Committee.

(iv) Each department shall strive to identify its own risks and implement appropriate risk reduction measures. In addition, each plant shall acquire ISO 9001 and ISO 14001 accreditation and actively pursue measures that promote quality assurance and environmental protection.

(v) The director responsible for risk management reports on the progress of risk management to the Executive Committee and the Board of Directors. The Auditing Department audits the status of risk management for each department in the Group and reports its findings to the Executive Committee and the Board of Directors.

(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 Management Board meetings shall be held three times a month, and Executive Committee meetings shall be held once a month. At each meeting the Executive Management Board and 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 Executive Management Board. 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 Management Board.

(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, the President, directors and general managers 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 Audit & Supervisory Board 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.

(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 Management Board, 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 Department 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 Department 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 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, the Executive Management Board identifies and assesses risks with the potential to significantly impact operating results and financial position as "management risks" and the whole Group works to implement risk reduction measures. Furthermore, each department periodically identifies and measures (probability of occurrence, influence on the business management) risks and assesses ways of dealing with such risks. The director responsible for risk management compiles these risk management measures and reports their progress to the Board of Directors annually.

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 Management Board.

With regard to internal audit of the Group, the Auditing Department 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
(Year ended December 31, 2024)

(Millions of yen)

	Equity attributable to owners of the parent					
				Other components of equity		
	Share capital	Capital surplus	Treasury stock	Subscription rights to shares	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasure-ments of defined benefit plans
Balance at January 1, 2024	34,433	31,118	(7,868)	50	10,227	-
Changes during the period						
Comprehensive income						
Profit for the period						
Other comprehensive income					1,084	3,275
Total comprehensive income for the period	-	-	-	-	1,084	3,275
Transactions with owners						
Dividends						
Acquisition of treasury stock			(10,002)			
Disposal of treasury stock			17			
Cancellation of treasury stock			9,122			
Share-based payments		208				
Changes in ownership interest in subsidiaries						
Transfer from other components of equity to retained earnings					(623)	(3,275)
Total transactions with owners	-	208	(862)	-	(623)	(3,275)
Balance at December 31, 2024	34,433	31,327	(8,730)	50	10,687	-

(Millions of yen)

	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, 2024	(21)	8,122	18,377	204,255	280,316	17,817	298,134
Changes during the period							
Comprehensive income							
Profit for the period			-	21,197	21,197	2,875	24,072
Other comprehensive income	23	4,887	9,270		9,270	2,308	11,579
Total comprehensive income for the period	23	4,887	9,270	21,197	30,467	5,183	35,651
Transactions with owners							
Dividends			-	(7,291)	(7,291)	(1,493)	(8,784)
Acquisition of treasury stock			-		(10,002)		(10,002)
Disposal of treasury stock			-		17		17
Cancellation of treasury stock			-	(9,122)	-		-
Share-based payments			-		208		208
Changes in ownership interest in subsidiaries			-		-	468	468
Transfer from other components of equity to retained earnings			(3,898)	3,898	-		-
Total transactions with owners	-	-	(3,898)	(12,514)	(17,067)	(1,024)	(18,091)
Balance at December 31, 2024	1	13,009	23,749	212,938	293,717	21,976	315,694

Notes to Consolidated Financial Statements

(Basis of Preparation of Consolidated Financial Statements)

1. Basis of Presenting Consolidated Financial Statements
   The consolidated financial statements of Lion Corporation (the “Company”) and its subsidiaries (collectively, the “Group”) are prepared in accordance with International Financial Reporting Standards (hereinafter “IFRS”) under the provision of Article 120, Paragraph 1 of the Regulations on Corporate Accounting. In these 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: 22
   Names of major consolidated subsidiaries:
   Lion Chemical Co., Ltd.
   Lion Expert Business Co., Ltd.
   Lion Specialty Chemicals Co., Ltd.
   Lion Hygiene Co., Ltd.
   Lion Pet Co., Ltd.
   Lion Engineering Co., Ltd.
   Kyuzitu Hack Co., Ltd.
   Lion Dental Products Co., Ltd.
   Lion Daily Necessities Chemicals (Qingdao) Co., Ltd.
   Lion Home Products (Taiwan) Co., Ltd.
   Lion Corporation (Korea)
   Lion Corporation (Singapore) Pte Ltd
   Lion Innovation Center (Shanghai) Co., Ltd.
   Lion Corporation (Hong Kong) Ltd.
   Lion Kallol Limited
   Lion Corporation (Thailand) Ltd.
   Southern Lion Sdn. Bhd.

3. Application of Equity Method
   Number of associates accounted for using equity method: 6
   Names of major associates accounted for using equity method
   PLANET,INC.
   PT. Lion Wings
   Merap Lion Holding Corporation
   Yihai Kerry Lion (Shanghai) Clean Technology Co., Ltd.

4. Changes in Scope of Consolidation and Application of Equity Method
   Yihai Kerry Lion (Shanghai) Clean Technology Co., Ltd. was newly established as a joint venture between the Company’s consolidated subsidiary Lion Hygiene Co., Ltd. and Wilmer International Limited’s subsidiary Yihai Kerry Arawana Holdings Co., Ltd. (hereinafter “Yihai Kerry”) and was therefore included in the scope of equity-method associate in the fiscal year under review.

5. Accounting Policies

The Group's accounting policies are prepared in accordance with IFRS for which application are mandatory as of December 31, 2024.

(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. Associates

Associates 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 associates are initially recognized at 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.

(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 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 year-end, and exchange differences resulting from such translation are recognized as profit 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 cost and 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 at the fiscal year-end. Income and expenses recorded by foreign operations are translated using the average exchange rate during the fiscal year, except for cases of significant exchange rate movements during the fiscal year.

(4) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

(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.

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

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 items of property, plant and equipment other than land, the depreciable amount, which is the cost of the asset less its residual value at the end of its useful life, is allocated on a systematic basis over the useful life of the asset using the straight-line method.

The useful life, residual value and depreciation method of items of property, plant and equipment are reviewed at the fiscal year-end, and if expectations differ from previous estimates, the change(s) shall be prospectively accounted for as a change in an accounting estimate.

The 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 measured at cost less accumulated impairment losses.

Goodwill is not amortized. It is allocated to a cash-generating unit or group of cash-generating units that are tested for impairment annually or whenever there is an indication of impairment. Impairment losses on goodwill are recognized in profit or loss, and are not reversed in a subsequent period.

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

(8) Intangible assets

The Group applies the cost model to measure intangible assets.

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses.

A separately acquired intangible asset is measured initially at cost. The cost of intangible assets acquired in a business combination is measured at its fair value at the acquisition date.

Expenditures on internally generated intangible assets are recognized as expenses when they are incurred, except for development expenditure that satisfies the criteria for recognition as an intangible asset.

Intangible assets with finite useful lives 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 amortization methods of intangible assets with finite useful lives are reviewed at the fiscal year-end, and any changes are accounted for as changes in accounting estimates prospectively.

The estimated useful lives of the main categories of intangible assets are as follows:

- Software 5-10 years

Intangible assets with indefinite useful lives 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. At the commencement date, the right-of-use asset is measured at cost comprising the amount of the initial measurement of the lease liability adjusted for any initial direct costs, and costs to be incurred in restoration and other obligations required by the lease contract. After the commencement date, the right-of-use asset is measured by applying a cost model, and measures the cost less any accumulated depreciation and any accumulated impairment losses. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, unless the Group is reasonably certain to acquire ownership of the leased asset at the end of the lease term. The Group determines the lease term as the non-cancellable period of the lease, together with periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option, and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

At the commencement date, lease liability is measured at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the lessee’s incremental borrowing rate. After the commencement date, the carrying amount of the lease liability is adjusted to reflect the interest 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 carrying amount of the right-of-use asset is decreased to reflect the partial or full termination of the lease, and any gain or loss relating to the termination is recognized in profit or loss. For all other lease modifications, the Group makes a corresponding adjustment to the right-of-use asset.

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 basis 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 incidental to ownership of an 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, assets held under finance leases are presented as receivables at 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 the fiscal year-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 carrying amount 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.

In principle, the business plans used to estimate future cash flows extend no longer than five years. Projections of cash flows beyond the period covered by the business plans are in principle measured using steady or declining growth rates.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value less costs of disposal.

B. Reversal of impairment losses

The Company assesses whether there is any indication that impairment losses recognized in prior years for assets other than goodwill have decreased or are extinguished at the fiscal year-end. If there is an indication that an impairment loss has reversed, then the Group estimates the recoverable amount of the previously impaired asset, cash-generating unit or group of cash-generating units. If the recoverable amount exceeds the carrying amount of the asset, cash-generating unit or group of cash-generating units, impairment losses are reversed up to the lower of the recoverable amount or the book value less the accumulated depreciation that would have been recognized had no impairment loss been recognized in prior years. The reversal of impairment losses is recognized in profit or loss.

(11) 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 measures the present value of its defined benefit obligations and the related current and prior service costs for each plan individually using the projected unit credit method.

The rate used to discount post-employment benefit obligations is determined by reference to market yields at the fiscal year-end on high quality corporate bonds. The term of the corporate bonds are consistent with the estimated term of the post-employment benefit obligations.

Assets and liabilities related to defined benefit plans are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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 arise 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.

(12) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) arising from past events, the settlement of which is expected to result in an outflow from the Group of resources embodying economic benefits, and a reliable estimate can be made of the amount of the obligation.

Where 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 Group 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 profit or loss or other comprehensive income; or (b) financial assets measured at amortized cost. This classification is made upon initial recognition.

Financial assets are classified as financial assets measured at amortized cost when 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 instruments are individually classified as either measured at fair value through profit or loss or measured at fair value through other comprehensive income, and this classification is continuously applied.

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

- The asset is held based on a business model business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- 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 profit or loss.

(ii) Subsequent measurement

After their initial recognition, financial assets are measured using the following methods in accordance with the measurement category.

(a) Financial assets measured at amortized cost

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

(b) Other financial assets

Financial assets other than those measured at amortized cost are measured at fair value.

Changes in the fair value of assets in this category are recognized either in profit of loss or in other comprehensive income.

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

Changes in the fair value of debt instruments that are classified as measured at fair value through other comprehensive income are recognized in other comprehensive income except for impairment gains or losses and foreign exchange gains or losses, until the financial asset is derecognized or reclassified. When these financial assets are derecognized, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

(iii) Derecognition

The Group derecognizes financial assets when the contractual rights to the cash flows from the financial assets expire or when the Group transfers the financial assets and substantially all the risks and rewards of ownership of the financial assets. When the Group retains control of the transferred financial assets, it recognizes assets and associated liabilities to the extent of its continuing involvement.

(iv) Impairment

At the fiscal year-end, the Group evaluates whether the credit risk of financial assets measured at amortized cost has increased significantly since initial recognition. If the risk has not increased significantly, the Group recognizes an allowance for doubtful accounts for that financial instrument at an amount equal to 12-month expected credit losses. If the credit risk on a financial instrument has increased significantly, the Group measures an allowance for doubtful accounts for that financial instrument at an amount equal to the lifetime expected credit losses. However, for trade receivables, the Group recognizes lifetime expected credit losses since initial recognition as an allowance for doubtful accounts.

When determining whether credit risk has increased significantly, the Group refers to past due information and other reasonable and supportable information that is available without undue cost or effort, such as internal and external ratings.

The Group measures the expected credit losses of financial instruments in a way that reflects 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 future economic conditions

Provisions to the allowance for doubtful accounts related to financial assets are recognized in profit or loss. When an event calls for a decrease in the allowance for doubtful accounts, reversals are recognized in profit or loss.

B. Financial liabilities (excluding derivatives)

(i) Initial recognition and measurement

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

The Group initially measures all financial liabilities at fair value, but financial liabilities measured at amortized cost are measured at fair value less transaction costs that are directly attributable to the financial liabilities.

(ii) Subsequent measurement

After initial recognition, financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method. Amortization determined by the effective interest method and gains or losses due to derecognition are recognized in profit and loss.

(iii) Derecognition
Financial liabilities are derecognized when extinguished—ie when the obligation specified in the contract is discharged or cancelled or expire and exchanged with substantially different terms or the terms of an existing financial liability are substantially modified.

C. Offsetting of financial instruments
Financial assets and liabilities are offset and recorded on a net basis in the consolidated statement of financial position only when the Group currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the financial assets and settle the financial liabilities simultaneously.

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

If a market for a financial instrument is not active, the Group establishes fair value by using an appropriate valuation technique or reference to prices presented by counterparty financial institutions.

E. Derivatives and hedge accounting
The Group designates some derivative transactions as hedging instruments, which are accounted for as cash flow hedges.

At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge.

That documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk (including analysis of the sources of the ineffective portion and the method of determining the hedge ratio).

The Group evaluates whether the derivative instruments used in hedge transactions are effective in offsetting changes in the fair value or cash flows of a hedged item, at the time when the hedging relationship is designated and thereafter on an ongoing basis.

These derivatives are initially recognized at fair value at the inception of the contract, and remeasured at fair value thereafter. Subsequent changes in their value are accounted for as follows.

(a) Cash flow hedges
The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income, while the ineffective portion is recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified to profit or loss when the hedged forecast cash flows affect profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the Group removes the associated gains and losses that were recognized in other comprehensive income and includes them in the initial carrying amount of the asset or liability.

If the forecast transaction is no longer expected to occur, any related cumulative gain or loss that has been recognized in other comprehensive income shall be reclassified from equity to profit or loss.

When a hedging instrument expires, is sold, terminated or exercised without a replacement or rollover of the hedging instrument into another hedging instrument, or when hedge accounting is discontinued due to changes made for risk management purposes, the cumulative gain or loss that has been recognized in other comprehensive income remains separately in equity until the forecast transaction occurs.

(b) Derivatives not designated as hedging instruments
Changes in fair value of these derivatives are recognized in profit or loss.

(14) Stock-based compensation system

A. Stock option system
Stock options are measured at fair value estimated at the grant date and recognized in profit or loss over the vesting period, with an equal amount recognized as equity.

B. Performance-linked stock-based compensation system
Consideration for services received is estimated based on the fair value of the Company's shares at the grant date and recognized in profit 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 title to and physical possession of the goods and the significant risks and rewards of ownership associated with the possession 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.

Revenue is measured at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the transfer of the promised goods to the customer adjusted for discounts, rebates and product returns. The expected amount of refunds to customers is recorded as refund liabilities. The amount of refund liabilities is estimated using the most likely amount method based on contract terms and past transactions. Contract liabilities are recognized for advances received 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 financing components.

For performance obligations satisfied over time, the Group recognizes revenue by measuring progress toward complete satisfaction of the performance obligation.

(16) 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 fiscal year-end.

Deferred taxes are recognized using the balance sheet liability approach (or 'temporary difference approach') where deferred tax liabilities and deferred tax assets are recognized for temporary differences between the carrying amount of an asset or liability and its tax base at the fiscal year-end.

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 profit will be available against which the 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/loss nor the taxable profit/loss, and that arise neither taxable temporary differences nor deductible temporary differences of the same amount at the time of transaction.
- Deductible temporary differences associated with investments in subsidiaries and associates when it is probable that such differences will not reverse in the foreseeable future, or it is improbable that taxable profits against which the differences can be utilized will be earned
- Taxable temporary differences associated with investments in subsidiaries and associates when the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future

The carrying amounts of deferred tax assets and liabilities (including unrecognized deferred tax assets) are reviewed at the fiscal year-end.

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates that have been enacted or substantively enacted by the fiscal year-end.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to set off 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 simultaneously.

The Group has applied the temporary exception under IAS 12 “Income Taxes” as amended on May 23, 2023 and neither recognizes nor discloses deferred tax assets and liabilities related to income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development (OECD).

(17) Assets held for sale

A non-current asset or disposal group whose carrying amount or fair value is expected to be recovered through sale and not continuing use are classified as assets held for sale, provided it is available for immediate sale in its present condition and the sale is highly probable, to be completed within one year. Assets held for sale are measured at the lower of the carrying amount and fair value less costs to sell, and depreciation of an asset ceases when it is held for sale.

(18) 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 directly attributable to the issue are deducted from capital surplus.

B. Treasury stock

Share buybacks are recognized at cost and accounted for as a deduction from equity. In addition, transaction costs directly attributable to the buybacks are deducted from equity. Sale of treasury stock is recognized as an increase in equity to the extent of consideration received, and the difference between the consideration received and the carrying amounts are included in capital surplus.

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. Trade and other payables of ¥117,129 million are recorded in the consolidated financial statements, which includes refund liabilities of ¥6,843 million to be paid to customers mainly in the form of discounts and rebates. Furthermore, provisions (current liabilities) of ¥3,054 million include sales-related provisions of ¥3,034 million.

   B. Other information to aid in understanding of estimates
      Refund liabilities and sales-related provisions are estimated using the most likely amount method based on contract terms and past transactions. If the estimated amount of sales ultimately differs from the actual amount due to unforeseeable events, it may materially affect the consolidated financial statements for the following fiscal year.

2. Impairment of non-current assets
   A. Amounts recorded in consolidated financial statements for the fiscal year under review
      The Group recognized an impairment loss totaling ¥6,678 million and posted it in “Other expenses” in the consolidated statement of income for the fiscal year under review. The impairment loss includes material impairment losses of ¥2,213 million due to the decision on retirement of production facilities of the home care products business and ¥4,034 million due to a decline in future profitability of that business. The carrying amount of assets of the home care products business after the impairment loss is ¥17,904 million as of December 31, 2024.

   B. Other Information to aid in understanding of estimates
      The Company engaged in reforming its business structure during the fiscal year under review, looking to strengthen its profitability amid the changing business environment. As part of these efforts, the Company explored ways to consolidate production items and streamline production operations, primarily in the domestic fabric care category in the Consumer Products Business. As a result, the Company decided on the retirement of a number of production facilities, and reported an impairment loss of ¥2,213 million.
      After carefully assessing future profitability based on the business structure reform, among property, plant and equipment and intangible assets in the Consumer Products Business, for the asset group of the cash-generating unit of the home care products business that includes the domestic fabric care category, the Company recognized indications of impairment of due to changes in future profitability, and conducted impairment tests. The Company consequently wrote down the carrying amount of the asset group to the recoverable amount, and recorded an impairment loss of ¥4,034 million.

      The recoverable amount of the asset group is measured based on the value in use. Value in use is expected future cash flows discounted to the present value using a discount rate of 5.9%, which is based on the pre-tax weighted average cost of capital of the cash-generating unit. Projections of future cash flows are based on the three-year business plans approved by management and those beyond the business plans are assumed using the terminal value, which is calculated using the growth rate of 2.0%. 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. Key assumptions used for the measurement of the value in use are sales projections included in the business plans, growth rates beyond the period of the future prospects for the businesses, and discount rates. Although these assumptions are determined by the best estimates and judgment by management, they may be impacted by future unpredictable changes in the business environment and other factors, which, may materially affect the consolidated financial statements for the following fiscal year if these assumptions need to be reviewed.

3. Assessment of intangible assets with an indefinite useful life

   A. Amounts recorded in consolidated financial statements for the fiscal year under review
      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 with an indefinite useful life, and therefore are tested for impairment annually.

      The pharmaceutical business is a single cash-generating unit, and the recoverable amount of this asset group is measured based on the value in use. Value in use is expected future cash flows, which are based on business plans approved by management, discounted to present value using a discount rate of 5.9%, which is based on the pretax weighted average cost of capital of the cash-generating unit. Projections of future cash flow are based on the three-year business plans approved by management and those beyond the business plans are assumed using the terminal value, which is calculated using the growth rate of 2.0%. 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. Key assumptions used for the measurement of the value in use are sales projections included in the business plans, growth rates beyond the period of the future prospects for the businesses, and discount rates. The Group determines that the cash-generating unit has a low sensitivity to change even in the event of a reasonably possible change in a key assumption used in impairment testing.

Notes to Consolidated Statement of Financial Position

1. Allowance for doubtful accounts directly deducted from assets

Trade and other receivables	¥81 million
Other financial assets	¥29 million

2. Details and amounts of assets pledged as collateral

Buildings and structures	¥1,873 million
Machinery and equipment	¥853 million

Debt obligations covered by collateral

Trade and other payables	¥96 million

3. Accumulated depreciation of property, plant and equipment (including accumulated impairment losses)
   ¥237,237 million
4. Accumulated amortization of intangible assets (including accumulated impairment losses)
   ¥48,081 million
5. Guarantee obligations ¥639million
   Guarantee obligations cover the borrowings of the guaranteed party.
   Of the total, ¥204 million of the Company's guarantee obligations are reassured by other parties.

Notes to Consolidated Statement of Changes in Equity

1. Number of shares issued

Share class	As of December 31, 2024
Common stock	284,432,746 shares

2. Dividends

(1) Dividends paid to shareholders

Resolution	Share class	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting February 14, 2024	Common stock	3,705	13.00	December 31, 2023	March 7, 2024
Board of Directors' meeting August 7, 2024	Common stock	3,600	13.00	June 30, 2024	September 4 2024

(Note) Total dividends resolved by the Board of Directors' meeting on February 14, 2024 includes ¥7 million of dividends for the Company's shares held in the executive compensation Board Incentive Plan (BIP) trust. Total dividends resolved by the Board of Directors' meeting on August 7, 2024 includes ¥7 million of dividends for the Company's shares held in the executive compensation BIP trust.

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

Resolution	Share class	Source of dividends	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting February 13, 2025	Common stock	Retained earnings	3,877	14.00	December 31, 2024	March 6, 2025

(Note) Total dividends resolved by the Board of Directors' meeting on February 13, 2025 includes ¥8 million of dividends for the Company's shares held in 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.

Year ended December 31, 2024

(Millions of yen)

	Japan	Asia		Other	Total
			Thailand		
Consumer Products	222,663	523	-	40	223,227
Industrial Products	35,020	2,706	736	434	38,161
Overseas	17	148,525	59,902	1,712	150,255
Other	1,298	-	-	-	1,298
Subtotal	259,001	151,755	60,639	2,186	412,943
Adjustment	-	-	-	-	-
Consolidated	259,001	151,755	60,639	2,186	412,943

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

The Industrial Products Business engages in the manufacture, marketing and trading of chemical raw materials, industrial and commercial products and others primarily in Japan 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 scope of such manufacture, marketing and trading operation extends to various overseas territories.

The Overseas Business engages mainly in the manufacture, marketing 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)

	As of December 31, 2024
Receivables from contracts with customers	
Notes and accounts receivable - trade	74,953
Contract assets	64
Total	75,017
Contract liabilities	306

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)

	Year ended December 31, 2024
Aggregate amount of transaction price allocated to unsatisfied performance obligations	172

The Group applies the practical expedient that allows an entity to omit disclosure of information on performance obligations with an original expected duration of one year or less. The Group recognizes revenue pertaining to the transaction price of construction contracts allocated to the remaining performance obligations as performance obligations are satisfied. For the fiscal year under review, the time frame the Company expects to recognize the total transaction price allocated to the remaining performance obligations as revenue is no more than one year.

Notes on Financial Instruments

1. Financial instruments

(1) Capital management

The Group uses return on equity (ROE) and return on invested capital (ROIC) as key metrics, under its basic policy of ensuring investment funds to sustain medium- to long-term growth and maintaining financial soundness.

	Year ended December 31, 2024
ROE	7.4%
ROIC	5.8%

ROIC is an indicator calculated from net operating profit after tax (NOPAT) divided by the average invested capital (total equity plus interest bearing liabilities) during the period, and measures the efficiency and profitability of the invested equity.

(2) Credit risk

Credit risk refers to the risk of the Group incurring financial losses as a result of the counterparty 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, while endeavoring to ensure early detection and mitigation of default risk resulting from factors such as deteriorating financial condition.

The Group enters into derivative transactions within the range of non-speculative operational demand in accordance with internal control standards, using financial institutions with superior credit ratings to minimize credit risk.

In the event 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 event 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 carrying amount of the financial assets.

The maximum exposure to credit risk as of the fiscal year-end is the carrying amount 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 borrowings. The Group grasps liquidity on hand through preparing cash flow plans, and mitigates liquidity risk by ensuring cash on hand as required at all times through efficient fund management, such as intra-Group adjustment of any surplus funds generated at a subsidiary.

(4) Foreign exchange risk

The Group engages in business activities worldwide, and therefore its transactions denominated in foreign currencies are exposed to foreign exchange risk. The Group mitigates the impact of such risks on its earnings by carrying out foreign currency denominated transactions settled in foreign currency accounts and using derivatives including forward exchange contracts.

(5) Interest rate risk

While the Group's interest-bearing liabilities using variable interest rates are exposed to interest rate risk, the impact of interest payments on the Group is immaterial as the Group maintains cash and cash equivalents that exceed the amount of interest-bearing liabilities, and therefore interest rate risk is minimal.

(6) Market risk

The Group holds marketable shares of business partners and other entities, which are exposed to market risk. The Group regularly monitors the fair value of such shares as well as the financial conditions of those business partners, to review whether the holdings are reasonable.

2. Information on fair value of financial instruments

(1) Fair value of financial instruments

The fair value of financial instruments is classified into the following levels according to inputs used to measure fair value.

Inputs include stock prices, foreign exchange rates and interest rates as well as financial instrument price indices and other factors.

- Level 1: Fair value measured using (unadjusted) quoted prices in active markets
- Level 2: Fair value measured using inputs other than those included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Fair value measured using a valuation technique including inputs not based on relevant observable market data

Assets and liabilities measured at fair value are as follows:

(Millions of yen)

	As of December 31, 2024			
	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Financial instruments measured at fair value through profit or loss	—	—	2,413	2,413
Revaluation of financial assets measured at fair value through other comprehensive income	18,128	—	4,031	22,160
Derivative assets to which hedge accounting is applied	—	2	—	2
Total	18,128	2	6,444	24,575
Financial liabilities				
Other financial liabilities				
Derivative liabilities to which hedge accounting is applied	—	—	—	—
Total	—	—	—	—

The Group reclassifies the levels of assets and liabilities in the fair value hierarchy when changes are recognized in the events or circumstances that caused the existing classifications. In the fiscal year under review, there were no transfers between levels 1, 2, and 3.

The fair value of the Group's major financial assets and liabilities are measured as follows:
(Derivative assets and liabilities)
The fair value of derivative assets and liabilities are measured based on the prices quoted by counterparty financial institutions.

(Equity instruments)
The fair value of equity instruments for which market value is available is measured using the market value. The fair value of equity instruments for which market value is unavailable is measured primarily based on the asset-based approach to valuation (calculating enterprise value based on the net asset value or the fair market value of the issuer).

The fair value of equity instruments categorized within Level 3 of the fair value hierarchy is not expected to change significantly, if one or more of the inputs not based on observable market data are changed to reflect reasonably possible alternative assumptions.

(Debt instruments)
Debt instruments (financial assets measured at fair value) are mainly comprised of investments in investment partnerships.

The fair value of investments in partnerships is measured based on the estimated fair value of partnership assets, and the Company's share in such fair value. As unobservable inputs are used for fair value measurement of investments in partnerships, the fair value of investments in partnerships is classified as level 3 fair value.

Notes on Per Share Information

Equity attributable to owners of the parent per share	¥1062.70
Basic earnings per share	¥76.51

Notes on Material Subsequent Events
Not applicable

Other Notes
Figures in the consolidated statement of financial position, consolidated statement of income, consolidated statement of changes in equity and these notes to consolidated financial statements are rounded down to the nearest million.

Non-consolidated Balance Sheet
(As of December 31, 2024)

(Millions of yen)

Item	Amount	(Reference) Amount for the previous fiscal year	Item	Amount	(Reference) Amount for the previous fiscal year
(Assets)			(Liabilities)		
Current assets	147,772	141,171	Current liabilities	106,727	102,378
Cash and deposits	74,844	65,357	Notes payable - trade	7,922	15,938
Notes receivable - trade	1,471	1,528	Accounts payable - trade	30,153	33,318
Accounts receivable - trade	34,658	36,111	Lease liabilities	55	64
Merchandise and finished goods	20,520	24,774	Accounts payable - other	27,652	29,128
Work in process	1,501	1,377	Accrued expenses	2,648	2,536
Raw materials and supplies	6,696	7,028	Income taxes payable	5,323	414
Prepaid expenses	1,248	1,365	Deposits received	23,868	12,457
Accrued revenue	1,268	1,082	Refund liabilities	5,259	5,002
Other current assets	5,568	2,550	Provision for bonuses	2,456	1,654
Allowance for doubtful accounts	(5)	(5)	Provision for sales promotion expenses	892	1,129
			Provision for bonuses for directors (and other officers)	141	93
Non-current assets	172,122	177,958	Other	352	641
Property, plant and equipment	84,393	91,664	Non-current liabilities	10,451	10,659
Buildings and structures	31,332	33,470	Lease liabilities	106	132
Machinery and equipment	28,946	38,233	Provision for share awards	761	601
Vehicles	121	188	Provision for retirement benefits	6,242	6,630
Tools, furniture and fixtures	4,311	5,015	Long-term deposits received	1,364	1,347
Land	7,833	7,833	Asset retirement obligations	1,976	1,948
Leased assets	161	196			
Construction in progress	11,686	6,725			
			Total liabilities	117,178	113,038
			(Net assets)		
Intangible assets	13,762	15,224	Shareholders' equity	193,761	197,743
Software	12,838	13,916	Share capital	34,433	34,433
Trademark right	23	233	Capital surplus	31,499	31,499
Other	901	1,074	Legal capital surplus	31,499	31,499
Investments and other assets	73,966	71,069	Retained earnings	137,442	140,609
Investment securities	18,894	17,826	Legal retained earnings	5,551	5,551
Shares of subsidiaries and associates	33,366	31,811	Other retained earnings	131,890	135,058
Investments in capital of subsidiaries and associates	3,964	3,964	Reserve for tax purpose reduction entry	493	548
Long-term loans receivable	1,440	4,235	Reserve for dividends	2,365	2,365
Long-term prepaid expenses	78	197	Reserve for research and development	830	830
Prepaid pension costs	7,829	7,404	General reserve	18,280	18,280
Deferred tax assets	6,322	3,551	Retained earnings brought forward	109,921	113,034
Other	2,097	2,107	Treasury stock	(9,613)	(8,800)
Allowance for doubtful accounts	(28)	(29)	Valuation and translation adjustments	8,904	8,297
			Valuation difference on available-for-sale securities	8,904	8,297
			Share acquisition rights	50	50
			Total net assets	202,716	206,091
Total assets	319,894	319,129	Total liabilities and net assets	319,894	319,129

Non-consolidated Statement of Income
(Year ended December 31, 2024)

(Millions of yen)

Item	Amount		(Reference) Amount for the previous fiscal year	
Net sales		224,430		230,801
Cost of sales		118,095		124,109
Gross profit		106,335		106,691
Selling, general and administrative expenses		96,546		104,424
Operating profit		9,789		2,267
Non-operating income				
Interest income	48		39	
Dividend income	7,005		4,389	
Royalty income	2,468		2,088	
Miscellaneous income	398	9,920	392	6,908
Non-operating expenses				
Interest expenses	129		108	
Loss on disposal of inventories	751		818	
Miscellaneous loss	152	1,033	168	1,094
Ordinary profit		18,675		8,081
Extraordinary income				
Gain on disposal of non-current assets	0		0	
Gain on sales of investment securities	585		637	
Gain on sales of businesses	3,425		664	
Other	326	4,336	-	1,302
Extraordinary losses				
Gain on disposal of non-current assets	638		525	
Impairment loss	6,473		187	
Other	35	7,146	-	712
Profit before income taxes		15,865		8,671
Income taxes - current	5,688		1,438	
Income taxes - deferred	(3,083)	2,604	(295)	1,142
Profit		13,260		7,528

Non-consolidated Statement of Changes in Shareholders' Equity
(Year ended December 31, 2024)

(Millions of yen)

		Shareholders' equity		
		Share capital	Capital surplus	
			Legal capital surplus	Total capital surplus
Balance at the start of current period		34,433	31,499	31,499
Changes of items during the period	Dividends from surplus			
	Profit			
	Acquisition of treasury stock			
	Disposal of treasury stock			
	Cancellation of treasury stock			
	Reversal of reserve for reduction entry			
	Net changes of items other than shareholders' equity			
Total changes of items during the period		-	-	-
Balance at the end of current period		34,433	31,499	31,499

		Shareholders' equity						
		Retained earnings						
		Legal retained earnings	Other retained earnings					Total retained earnings
			Reserve for reduction entry	Reserve for dividends	Reserve for research and develop-ment	General reserve	Retained earnings brought forward	
Balance at the start of current period		5,551	548	2,365	830	18,280	113,034	140,609
Changes of items during the period	Dividends from surplus						(7,306)	(7,306)
	Profit						13,260	13,260
	Acquisition of treasury stock							
	Disposal of treasury stock							
	Cancellation of treasury stock						(9,122)	(9,122)
	Reversal of reserve for reduction entry		(55)				55	-
	Net changes of items other than shareholders' equity							
Total changes of items during the period		-	(55)	-	-	-	(3,112)	(3,167)
Balance at the end of current period		5,551	493	2,365	830	18,280	109,921	137,442

(Millions of yen)

		Shareholders' equity		Valuation and translation adjustments		Subscrip-tion rights to shares	Total net assets
		Treasury stock	Total share-holders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at the start of current period		(8,800)	197,743	8,297	8,297	50	206,091
Changes of items during the period	Dividends from surplus		(7,306)				(7,306)
	Profit		13,260				13,260
	Acquisition of treasury stock	(10,002)	(10,002)				(10,002)
	Disposal of treasury stock	66	66				66
	Cancellation of treasury stock	9,122	-				-
	Reversal of reserve for reduction entry		-				-
	Net changes of items other than shareholders' equity			606	606		606
Total changes of items during the period		(813)	(3,981)	606	606	-	(3,375)
Balance at the end of current period		(9,613)	193,761	8,904	8,904	50	202,716

Notes to Non-consolidated Financial Statements

1. Notes on Material Accounting Policies

(1) Valuation of assets

- Valuation of securities

  Held-to-maturity debt securities
  Stated at amortized cost (straight-line method)

  Investments in subsidiaries and associates
  Stated at cost using the moving-average method

  Available-for-sale securities
  Securities with market price
  Stated at fair 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)

  Securities without market price
  Stated at cost using the moving-average method

- Valuation of inventories

  Stated at cost using the moving-average method
  (Balance sheet amounts are determined by writing down book value in accordance with decreased profitability)

(2) Depreciation of non-current assets

Property, plant and equipment (excluding leased assets)
Stated using the straight-line method

Intangible assets (excluding leased assets)
Stated using the straight-line method
Costs of software for internal use are amortized using the straight-line method over its useful life (5-10 years).

Leased assets
Leased assets related to finance lease transactions that do not transfer ownership
Depreciated using the straight-line method assuming the lease periods as their useful life without residual value

(3) Accounting standards for provisions

(i) Allowance for doubtful accounts
An allowance is provided at the amount estimated by using the historical rate of credit loss for general receivables, and at the estimated uncollectible amount based on individual consideration of collectability for specific receivables such as highly doubtful receivables.

(ii) Provision for sales promotion expenses
A provision is recorded at the amount expected to be paid related to sales promotion activities based on transaction contracts with agencies and stores.

(iii) Provision for bonuses
A provision is recorded at the amount expected to be paid to prepare for the payment of bonuses to employees.

(iv) Provision for bonuses for directors (and other officers)
A provision is recorded at the amount expected to be paid to prepare for the payment of bonuses to corporate officers.

(v) Provision for share awards
A provision is recorded at the amount corresponding to the estimated amount of Company shares to be granted to directors (excluding external directors) and executive officers based on the Company's rules on the payment and issue of shares.

(vi) Provision for retirement benefits
A provision is recorded at the estimated amount of retirement benefit obligations and pension assets at the end of the fiscal year to prepare for the employees' retirement benefits.

Prior service cost is amortized on a straight-line basis over a fixed number of years (5 years) within the average remaining years of service of the eligible employees, from the fiscal year it is accrued.

Actuarial differences are amortized on a straight-line basis over the average remaining years of service of the eligible employees at accrual, from the next fiscal year.

(4) Accounting standards for revenues and expenses

The Company 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 Company satisfies a performance obligation

Revenue is recognized at a point in time or over 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 title to and physical possession of the goods, and significant risks and rewards of ownership associated with the possession of the goods are transferred to the customer and the Company therefore recognizes the revenue at this point in time.

The Company has in place a distribution system in which, in principle, products are delivered to customers on the day they are shipped, and there is no significant time lag between shipping and delivery.

Revenue is measured at an amount that reflects the consideration to which the Company expects to be entitled in exchange for the transfer of the promised goods to the customer adjusted for discounts, rebates and product returns. The expected amount of refunds to customers is recorded as refund liabilities. The amount of refund liabilities is estimated using the most likely amount method based on contract terms and past transactions. Contract liabilities are recognized for advances received 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 financing components.

For performance obligations satisfied over time, the Company recognizes revenue by measuring progress toward complete satisfaction of the performance obligation.

(5) 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 spot exchange rates as of the closing date. Translation differences are recognized as profit or loss in the non-consolidated statement of income.

(6) Method of material hedge accounting

(i) Method of hedge accounting

In principle, hedge accounting is applied to hedges in which the profit or loss on hedging instruments are deferred until the profit or loss on the hedged item is recognized (deferred hedge accounting). However, provided certain conditions are met, practical expedients are applied to forward exchange contracts and currency swaps* and interest rate swaps*.

*Practical expedient for forward exchange contracts and currency swaps:

The forward element of a forward contract or currency swap is recognized as profit or loss by allocation to periods from the date of designation to the date of settlement.

*Practical expedient for interest rate swaps:

The fair value of the interest rate swap is not measured independently, but deemed as a financial instrument integrally with the hedged item.

(ii) Hedging instruments and hedged items

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

(iii) Hedging policy

In principle, the Company’s Finance Department manages the hedging of foreign exchange risks and interest rate risks in accordance with internal policies.

2 Notes on Accounting Estimates

(1) Assessment of refund liabilities and provision for sales promotion expenses

(i) Amount recorded in non-consolidated financial statements for the fiscal year under review

Refund liabilities (Note)	¥5,259 million
Provision for sales promotion expenses	¥892 million

(Note) This figure includes ¥4,871 million of refund liabilities which will be paid to customers mainly in the form of discounts and rebates.

(ii) Other information to aid in understanding of estimates

Statement has been omitted, as the same information is stated under “(Notes on Accounting Estimates) 1. Assessment of refund liabilities and sales-related provisions” in the notes to consolidated financial statements.

(2) Valuation of non-current assets

(i) Amount recorded in non-consolidated financial statements for the fiscal year under review

The Company recorded an impairment loss totaling ¥6,473 million in the fiscal year under review. The impairment loss includes material impairment losses of ¥2,213 million due to the decision on retirement of production facilities and ¥4,034 million due to a decline in future profitability. The carrying amount of assets of the home care products business after the impairment loss is ¥17,904 million.

(ii) Other information to aid in understanding of estimates

Statement has been omitted, as the same information is stated under “(Notes on Accounting Estimates) 2. Impairment of non-current assets” in the notes to consolidated financial statements.

3. Notes to Balance Sheet

(1) Accumulated depreciation of property, plant and equipment
¥148,039 million

(2) Guarantee obligations ¥613 million
Guarantee obligations cover the borrowings of the guaranteed party.
Of the total, ¥204 million of the Company's guarantee obligations are reassured by other parties.

(3) Monetary receivables from or payables to subsidiaries and associates

Short-term monetary receivables from subsidiaries and associates	¥13,500 million
Long-term monetary receivables from subsidiaries and associates	¥1,440 million
Short-term monetary payables to subsidiaries and associates	¥39,416 million

4. Notes to Statement of Income

(1) Operating transactions with subsidiaries and associates

Net sales	¥21,052 million
Purchases	¥34,997 million
Other operating transactions	¥19,140 million

(2) Non-operating transactions with subsidiaries and associates ¥17,988 million

5. Notes to Non-consolidated Statement of Changes in Shareholders' Equity

Number of shares of treasury stock as of the fiscal year-end
8,045,423 shares

(Note) The number of shares of treasury stock as of the fiscal year-end includes 579,055 shares of the Company held by the executive compensation BIP trust.

6. Notes on Tax Effect Accounting

(1) Deferred tax assets

Denial of allowance for doubtful accounts	¥9 million
Denial of refund liabilities	¥1,610 million
Denial of provision for sales promotion expenses	¥273 million
Denial of provision for retirement benefits	¥5,838 million
Denial of impairment loss	¥3,220 million
Accrued enterprise tax and business office taxes	¥360 million
Other	¥3,560 million
Subtotal of deferred tax assets	¥14,873 million
Valuation allowance	¥(2,532) million
Total deferred tax assets	¥12,340 million

(2) Deferred tax liabilities

Reserves under the Act on Special Measures Concerning Taxation	¥217 million
Denial of gain on contribution of securities to retirement benefit trust	¥1,351 million
Denial of asset retirement obligation	¥515 million
Valuation difference on available-for-sale securities	¥3,929million
Other	¥4 million
Total deferred tax liabilities	¥6,018 million

7. Notes on Related Party Transactions

Subsidiaries and associates

Attribute	Name of related party	Holdings of voting rights (Held) (%)	Description of the business relationship	Transactions	Trading amount (Millions of yen) (Note 1)	Accounts	Year-end balance (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)	26,919	Accounts payable - trade	10,248
Subsidiary	Lion Expert Business Co., Ltd.	Direct, 100.0%	Contractor of lease and management of real estate, etc.	Lending and borrowing of funds under CMS Payment of interest (Note 3)	21	Deposits received	11,694
Subsidiary	Lion Hygiene Co., Ltd.	Direct, 100.0%	Buyer of products and merchandise	Lending and borrowing of funds under CMS Payment of interest (Note 3)	15	Deposits received	3,840
Subsidiary	Lion Engineering Co., Ltd.	Direct, 100.0%	Contractor of equipment construction and maintenance	Purchase of equipment (Note 2)	8,354	Accounts payable - other	2,067
Subsidiary	Lion Corporation (Korea)	Direct, 100.0%	Supplier and buyer of products and merchandise	Guarantee of debt (Note 4)	204	-	-
Associate	PT. Lion Wings	Direct, 48.0%	Buyer of products and merchandise	Guarantee of debt (Note 4)	409	-	-

Terms of transaction and policy on decision-making thereof

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

(Note 2) The purchase price is determined upon negotiations, taking into account market prices.

(Note 3) The Group has introduced the Cash Management System (CMS). As it is practically difficult to aggregate trading amounts of each transaction under financial transactions using CMS, only the year-end amounts are disclosed. In addition, interest rates are reasonably determined by taking into account market rates.

(Note 4) The Company guarantees the borrowings of Lion Corporation (Korea) and PT. Lion Wings from financial institutions and receives guarantee fees based on amount. The trading amounts show the outstanding amounts guaranteed at the fiscal year-end.

8. Notes on Revenue Recognition

Basic information to aid in the understanding of revenue is omitted, as the same information is stated in the notes to consolidated financial statements.

9. Notes on Per Share Information

Net assets per share	¥733.26
Basic earnings per share	¥47.86

(Note) Shares of the Company remaining in the executive compensation BIP Trust which are recorded as treasury stock under shareholders' equity are part of the treasury stock deducted when calculating the average number of shares during the fiscal year and total number of shares outstanding at the fiscal year-end to determine basic earnings per share, and net assets per share, respectively.

The average number of shares of treasury stock during the fiscal year deducted when calculating basic earnings per share is 588,229 shares. The number of shares of treasury stock at the fiscal year-end deducted when calculating net assets per share is 579,055 shares.

10. Material Subsequent Events

Not applicable.

11. Other Notes

Figures in the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in shareholders' equity and these notes to non-consolidated financial statements are rounded down to the nearest million.