Summary of Consolidated Financial Statements for the First Quarter Ended March 31, 2019 [IFRS]

May 9, 2019

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

Representative: Masazumi Kikukawa, Representative Director, President and Executive Officer
Contact: Akihiko Takeo, Director of Finance Department
Telephone: +81-3-3621-6211

Scheduled date of filing of quarterly financial report: May 14, 2019
Start date of payment of dividend: —
Supplementary materials prepared for quarterly results: Yes
Quarterly results information meeting held: Yes (for institutional investors, analysts, etc.)

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

1. Consolidated Results for the First Quarter Ended March 31, 2019 (January 1, 2019 – March 31, 2019)

(1) Consolidated Results (cumulative)

(Percentage figures denote year-on-year change)

	Net sales		Operating profit		Profit before tax	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended March 31, 2019	78,937	(0.5)	5,953	(46.9)	6,103	(46.7)
Three months ended March 31, 2018	79,373	1.7	11,210	69.5	11,440	66.8

	Profit for the period		Profit for the period attributable to owners of the parent		Total comprehensive income for the period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended March 31, 2019	4,007	(65.8)	3,441	(62.8)	5,909	(37.5)
Three months ended March 31, 2018	11,705	137.9	9,251	104.2	9,458	57.1

Note: Core operating income for the three months ended March 31, 2019 was ¥5,560 million (down 6.8% year on year). Core operating income for the three months ended March 31, 2018 was ¥5,967 million (down 7.7% year on year).

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

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended March 31, 2019	11.84	11.82
Three months ended March 31, 2018	31.84	31.79

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets
	Millions of yen	Millions of yen	Millions of yen	%
Three months ended March 31, 2019	349,290	205,246	193,278	55.3
Year ended December 31, 2018	355,365	204,271	191,108	53.8

2. Dividends

	Cash dividends per share (Yen)				
	First Quarter	Second Quarter	Third Quarter	Year-End	Total
Fiscal 2018	—	10.00	—	10.00	20.00
Fiscal 2019	—				
Fiscal 2019 (forecast)		10.00	—	11.00	21.00

Note: Changes from the most recently published forecast of dividends: No

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2019 (January 1, 2019 – December 31, 2019)

(Percentage figures denote year-on-year change)

	Net sales		Operating profit		Profit for the period attributable to owners of the parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half 2019	172,000	2.1	12,500	(30.1)	8,500	(39.0)	29.24
Fiscal 2019	360,000	3.0	31,000	(9.3)	21,000	(18.0)	72.25

Notes: 1. Core operating income forecast: First half 2019: ¥13,000 million
Fiscal 2019: ¥31,500 million
2. Changes from the most recently published financial results forecast: No

Notes

(1) Significant Change in Scope of Consolidation during Period: No

(2) Changes in accounting principles, procedures and presentation methods in connection with the preparation of quarterly consolidated financial statements:
   a. Changes in accounting standards required under IFRS: Yes
   b. Other changes: No
   c. Changes in accounting estimates: No

(3) Number of outstanding shares (common stock)
   a. Number of outstanding shares on balance sheet dates (including treasury stocks):

As of March 31, 2019:	299,115,346 shares
As of December 31, 2018:	299,115,346 shares

   b. Number of treasury stocks on balance sheet date:

As of March 31, 2019:	8,449,978 shares
As of December 31, 2018:	8,456,995 shares

   c. Average shares outstanding over period (cumulative; consolidated)

Three months ended March 31, 2019:	290,660,930 shares
Three months ended March 31, 2018:	290, 579,808 shares

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

* Appropriate use of results forecasts; other special items

The forecasts and projected operating results contained in this report are based on information available at the time of preparation and thus involve inherent risks and uncertainties, including those related to economic conditions, the competitive environment and exchange rate fluctuations. Accordingly, readers are cautioned that actual results may differ materially from those projected as a result of a variety of factors. For information on forecasts of operating results, see 1. Qualitative Information Concerning the Results of Operations for the First Quarter of the Current Fiscal Year (3) Forecast of Consolidated Financial Results on page 8.

Contents

1. Qualitative Information Concerning the Results of Operations for the First Quarter of the Current Fiscal Year

(1) Qualitative Information Concerning Consolidated Performance

Consolidated results for the first quarter of fiscal 2019 (January 1, 2019–March 31, 2019) are as follows. Net sales amounted to ¥78,937 million, a year-on-year decrease of 0.5% (or a decrease of 0.6% in terms of real net sales, which exclude the influence of exchange rate conversions). Core operating income came to ¥5,560 million, down 6.8% compared with the same period of the previous fiscal year, and operating profit was ¥5,953 million, down 46.9% year on year. Profit for the period attributable to owners of parent totaled ¥3,441 million, down 62.8% compared with the same period of the previous fiscal year.

Lion is advancing measures based on the basic strategies of its medium-term management plan, the LION Value Evolution Plan (LIVE Plan). These basic strategies are “Expand and Evolve Our Business Domains through New Value Creation,” “Accelerate Growth in Overseas Businesses through Glocalization,” “Reinforce Our Management Base through Business Structure Reform” and “Create Dynamism to Foster Innovative Change.”

In the first quarter of fiscal 2019, in its domestic operations, Lion introduced such new products as toothpastes, fabric softeners, dishwashing detergents and antipyretic analgesics and worked to cultivate markets for these products through marketing initiatives designed to elicit an empathetic response in consumers.

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

Consolidated Results (Millions of yen)

	Three months ended March 31, 2019	Ratio to net sales	Three months ended March 31, 2018	Ratio to net sales	Change	Change (%)
Net sales	78,937		79,373		(436)	(0.5%)
Core operating income	5,560	7.0%	5,967	7.5%	(406)	(6.8%)
Operating profit	5,953	7.5%	11,210	14.1%	(5,257)	(46.9%)
Profit for the period attributable to owners of the parent	3,441	4.4%	9,251	11.7%	(5,809)	(62.8%)

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

Results by Business

(Millions of yen)

	Net sales				Segment profit (core operating income)			
	Three months ended March 31, 2019	Three months ended March 31, 2018	Change	Change (%)	Three months ended March 31, 2019	Three months ended March 31, 2018	Change	Change (%)
Consumer Products	50,189	51,210	(1,020)	(2.0%)	3,617	4,393	(775)	(17.6%)
Industrial Products	13,080	13,638	(557)	(4.1%)	382	743	(360)	(48.5%)
Overseas	25,718	25,857	(139)	(0.5%)	1,844	1,170	674	57.6%
Other	7,075	7,110	(34)	(0.5%)	246	285	(38)	(13.6%)
Subtotal	96,064	97,816	(1,752)	(1.8%)	6,091	6,592	(500)	(7.6%)
Adjustment	(17,127)	(18,443)	1,316	—	(531)	(624)	93	—
Total	78,937	79,373	(436)	(0.5%)	5,560	5,967	(406)	(6.8%)

Results by business segment are as follows.

Consumer Products Business

The Consumer Products Business segment comprises the Oral Care Products, Beauty Care Products, Fabric Care Products, Living Care Products, Pharmaceutical Products and Other Products businesses. Segment net sales decreased 2.0% compared with the same period of the previous fiscal year. Segment profit decreased 17.6%.

(Millions of yen)

	Three months ended March 31, 2019	Ratio to net sales	Three months ended March 31, 2018	Ratio to net sales	Change	Change (%)
Net sales	50,189		51,210		(1,020)	(2.0%)
Segment profit	3,617	7.2%	4,393	8.6%	(775)	(17.6%)

Note: Net sales include internal sales within and among segments amounting to ¥3,353million in the first quarter of fiscal 2019 and ¥3,830 million in the first quarter of fiscal 2018.

Net Sales by Product Segment

(Millions of yen)

	Three months ended March 31, 2019	Three months ended March 31, 2018	Change	Change (%)
Oral Care Products	13,506	12,067	1,438	11.9%
Beauty Care Products	5,224	4,962	261	5.3%
Fabric Care Products	13,046	14,060	(1,013)	(7.2%)
Living Care Products	4,169	3,443	725	21.1%
Pharmaceutical Products	5,308	6,282	(973)	(15.5%)
Other Products	8,935	10,394	(1,459)	(14.0%)

Oral Care Products

In toothpastes, *CLINICA ADVANTAGE NEXT STAGE Toothpaste*, a newly launched preventive dentistry toothpaste for adults that provides care extending all the way to the delicate, sensitive dental roots, received favorable consumer reviews. Sales of *SYSTEMA EX Toothpaste* were strong, and overall sales increased significantly year on year.

In toothbrushes, sales of the *CLINICA ADVANTAGE Toothbrush* were firm, and those of the *SYSTEMA Toothbrush* were strong. Overall sales increased from the same period of the previous fiscal year.

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

Beauty Care Products

In hand soaps, sales of *KireiKirei Medicated Foaming Hand Soap*, which saw the addition of a new extra-large refill pack for the new bottle size, were strong. Overall sales increased substantially year on year.

In body washes, sales of the *hadakara Body Soap* series, which saw the introduction of a new foam type in 2018, were up compared with the same period of the previous year, and overall sales increased year on year.

In antiperspirants and deodorants, *Ban Sweat-Blocking Foot Gel,* a new product with a nano-ion antiperspirant ingredient that seals up sweat from the feet before it emerges, received favorable consumer reviews. However, sales of the *Ban Sweat-Blocking Roll-On* series were down year on year, and overall sales were lower than in the same period of the previous fiscal year.

Fabric Care Products

In fabric softeners, Lion released new and improved *SOFLAN Premium Deodorizer,* featuring deodorizing ingredients that penetrate deep into and adsorb on clothing fibers. However, sales of *SOFLAN Aroma Rich* declined compared with the same period of the previous year, and overall sales were down year on year.

In laundry detergents, sales of super-concentrated liquid laundry detergent TOP SUPER NANOX were strong, but overall sales were down year on year, reflecting intensifying competition in liquid laundry detergents.

Living Care Products

In dishwashing detergents, new *CHARMY Magica Enzyme + ("Plus")*, featuring a new formula with enzymes that break down grime on dishes as they soak, making washing away even tough grime easy, received favorable consumer reviews. Overall sales increased substantially year on year.

In household cleaners, sales of bathroom fungicide *LOOK Plus Bath Antimold Fogger* were favorable, and *LOOK Plus Bath Cleansing*, released in 2018, received favorable consumer reviews. Overall sales increased significantly year on year.

Pharmaceutical Products

In antipyretic analgesics, sales of *BUFFERIN PREMIUM* were steady, and new *BUFFERIN Light* received favorable consumer reviews. Overall sales rose year on year.

In eye drops, sales of *Smile 40* and *Smile Medical A* fell compared with the same period of the previous fiscal year, and overall sales were down year on year.

Other Products

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

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

Industrial Products Business

The Industrial Products Business segment includes the Automotive, Electrical and Electronics, and Detergents for Institutional Use Products fields. These businesses handle products that include anti-sticking agents for tires, electro-conductive carbon for secondary batteries, and detergents for institutional and kitchen use, respectively. Segment net sales decreased 4.1% compared with the previous fiscal year. Segment profit decreased 48.5%.

(Millions of yen)

	Three months ended March 31, 2019	Ratio to net sales	Three months ended March 31, 2018	Ratio to net sales	Change	Change (%)
Net sales	13,080		13,638		(557)	(4.1%)
Segment profit	382	2.9%	743	5.5%	(360)	(48.5%)

Note: Net sales include internal sales within and among segments amounting to ¥5,367 million in the first quarter of fiscal 2019 and ¥5,998 million in the first quarter of fiscal 2018.

In the Automotive field, sales of carbon for auto parts were firm, and overall sales increased year on year.

In the Electrical and Electronics field, sales of adhesives and other performance materials were sluggish, and overall sales edged down on year.

In the Detergents for Institutional Use Products field, sales of alcohol sanitizers for kitchens and hand soaps were favorable. Overall sales increased year on year.

Overseas Business

The Overseas Business segment comprises business operations located in Southeast Asia, including Thailand and Malaysia, and Northeast Asia, including South Korea and China. Segment net sales decreased 0.5% year on year (or in terms of real net sales, which exclude the influence of exchange rate conversions, decreased 0.5%). Segment profit increased 57.6% year on year.

(Millions of yen)

	Three months ended March 31, 2019	Ratio to net sales	Three months ended March 31, 2018	Ratio to net sales	Change	Change (%)
Net sales	25,718		25,857		(139)	(0.5%)
Segment profit	1,844	7.2%	1,170	4.5%	674	57.6%

Note: Net sales include internal sales within and among segments amounting to ¥2,252 million in the first quarter of fiscal 2019 and ¥2,835 million in the first quarter of fiscal 2018.

Net Sales by Region

(Millions of yen)

	Three months ended March 31, 2019	Three months ended March 31, 2018	Change	Change (%)
Southeast Asia	17,330	17,784	(454)	(2.6%)
Northeast Asia	8,388	8,073	314	3.9%

Net Sales by Region

In Southeast Asia, overall sales were down 2.6% year on year.

In Thailand, sales of *Shokubutsu-Monogatari* body washes were favorable. Overall sales after yen conversions were up year on year.

In Malaysia, sales of *TOP* laundry detergent were firm. However, in 2018, a detergent raw material manufacturing subsidiary transitioned to a joint venture structure, resulting in its exclusion from the scope of consolidation. Overall sales after yen conversions were down year on year.

In Northeast Asia, overall sales were up 3.9% year on year.

In South Korea, sales of *KireiKirei* hand soap were favorable, but sales of *Beat* laundry detergent were sluggish. Overall sales after yen conversions were down year on year.

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

Other (Construction Contracting Business, etc.) (Millions of yen)

	Three months ended March 31, 2019	Ratio to net sales	Three months ended March 31, 2018	Ratio to net sales	Change	Change (%)
Net sales	7,075		7,110		(34)	(0.5%)
Segment profit	246	3.5%	285	4.0%	(38)	(13.6%)

Note: Net sales include internal sales within and among segments amounting to ¥6,227 million in the first quarter of fiscal 2019 and ¥5,775 million in the first quarter of fiscal 2018.

(2) Financial Status

Status of Consolidated Assets, Liabilities and Equity

	Three months ended March 31, 2019	Three months ended December 31, 2018	Change
Total assets (millions of yen)	349,290	355,365	(6,075)
Total equity (millions of yen)	205,246	204,271	974
Ratio of equity attributable to owners of the parent to total assets (%)	55.3	53.8	1.5

Total assets fell ¥6,075million compared with the previous consolidated fiscal year-end to ¥349,290 million. This was primarily attributable to a decrease in cash and cash equivalents. Equity increased ¥974million to ¥205,246 million. The ratio of equity attributable to owners of the parent to total assets stood at 55.3%.

(3) Forecast of Consolidated Financial Results

Lion has made no revisions to the consolidated financial results forecasts released on February 13, 2019 for the first half of the fiscal year under review and for the full fiscal year.

Assumptions Underlying the Forecast of Consolidated Financial Results for Fiscal 2019

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

¥110 = US$1.00

¥3.4 = 1.00 baht

2. Condensed Consolidated Financial Statements and Notes

(1) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	December 31, 2018	March 31, 2019
Assets		
Current assets		
Cash and cash equivalents	104,972	92,122
Trade and other receivables	64,695	60,887
Inventories	42,057	45,709
Other financial assets	2,582	2,829
Other current assets	1,626	3,793
Total current assets	215,934	205,341
Non-current assets		
Property, plant and equipment	81,546	79,991
Goodwill	182	182
Intangible assets	10,160	10,586
Right-of-use assets	—	6,041
Investments accounted for using the equity method	8,606	8,613
Deferred tax assets	5,889	3,159
Retirement benefit assets	7,799	8,979
Other financial assets	25,097	25,416
Other non-current assets	148	976
Total non-current assets	139,430	143,948
Total assets	355,365	349,290

(Millions of yen)

	December 31, 2018	March 31, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	116,980	106,754
Borrowings	1,417	1,413
Income tax payables	2,674	1,833
Provisions	710	1,717
Lease liabilities	—	1,456
Other financial liabilities	907	998
Other current liabilities	7,051	4,918
Total current liabilities	129,742	119,092
Non-current liabilities		
Borrowings	1,202	1,185
Deferred tax liabilities	4,232	2,773
Retirement benefit liabilities	10,955	10,645
Provisions	355	352
Lease liabilities	—	5,751
Other financial liabilities	3,183	2,817
Other non-current liabilities	1,421	1,424
Total non-current liabilities	21,350	24,950
Total liabilities	151,093	144,043
Equity		
Share capital	34,433	34,433
Capital surplus	34,715	34,742
Treasury stock	(4,766)	(4,763)
Other components of equity	10,920	11,187
Retained earnings	115,806	117,677
Equity attributable to owners of the parent	191,108	193,278
Non-controlling interests	13,163	11,968
Total equity	204,271	205,246
Total liabilities and equity	355,365	349,290

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

Condensed Consolidated Statement of Income

Three months ended March 31, 2018 and 2019

(Millions of yen)

	Three months ended March 31, 2018	Three months ended March 31, 2019
Net sales	79,373	78,937
Cost of sales	(40,633)	(40,075)
Gross profit	38,739	38,861
Selling, general and administrative expenses	(32,772)	(33,300)
Other income	5,620	789
Other expenses	(377)	(397)
Operating profit	11,210	5,953
Finance income	52	77
Finance costs	(52)	(40)
Share of profit of investments accounted for using the equity method	229	113
Profit before tax	11,440	6,103
Income taxes	265	(2,095)
Profit for the period	11,705	4,007
Profit for the period attributable to:		
Owners of the parent	9,251	3,441
Non-controlling interests	2,454	566
Profit for the period	11,705	4,007
Earnings per share		
Basic (Yen)	31.84	11.84
Diluted (Yen)	31.79	11.82

Condensed Consolidated Statement of Comprehensive Income

Three months ended March 31, 2018 and 2019

(Millions of yen)

	Three months ended March 31, 2018	Three months ended March 31, 2019
Profit for the period	11,705	4,007
Other comprehensive income		
Items that will not be reclassified as profit or loss		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	(780)	164
Remeasurements of defined benefit plans	—	1,430
Share of other comprehensive income of investments accounted for using the equity method	4	(30)
Total items that will not be reclassified as profit or loss	(775)	1,564
Items that may be subsequently reclassified as profit or loss		
Net gain (loss) on derivatives designated as cash flow hedges	(34)	9
Exchange differences on translation of foreign operations	(1,182)	291
Share of other comprehensive income of investments accounted for using the equity method	(254)	35
Total items that may be subsequently reclassified as profit or loss	(1,471)	336
Total other comprehensive income, net of tax	(2,247)	1,901
Comprehensive income for the period	9,458	5,909
Comprehensive income for the period attributable to:		
Owners of the parent	7,209	5,139
Non-controlling interests	2,248	769
Comprehensive income for the period	9,458	5,909

(3) Condensed Consolidated Statement of Changes in Equity

Three months ended March 31, 2018

(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	Net gain (loss) on derivatives designated as cash flow hedges
Balance at January 1, 2018	34,433	34,687	(4,805)	210	13,826	4
Profit for the period	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	(776)	(34)
Total comprehensive income for the period	—	—	—	—	(776)	(34)
Dividends	—	—	—	—	—	—
Acquisition of treasury stock	—	—	(2)	—	—	—
Disposal of treasury stock	—	4	1	—	—	—
Share-based payments	—	20	—	—	—	—
Changes in the ownership interest in a subsidiary without a loss of control	—	(48)	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	(40)	—
Total transactions with owners	—	(22)	(0)	—	(40)	—
Balance at March 31, 2018	34,433	34,664	(4,806)	210	13,008	(29)

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity					
	Exchange differences on translation of foreign operations	Total	Retained earnings	Total		
Balance at January 1, 2018	1,456	15,498	98,625	178,439	10,353	188,793
Profit for the period	—	—	9,251	9,251	2,454	11,705
Other comprehensive income	(1,230)	(2,041)	—	(2,041)	(205)	(2,247)
Total comprehensive income for the period	(1,230)	(2,041)	9,251	7,209	2,248	9,458
Dividends	—	—	(2,905)	(2,905)	—	(2,905)
Acquisition of treasury stock	—	—	—	(2)	—	(2)
Disposal of treasury stock	—	—	—	6	—	6
Share-based payments	—	—	—	20	—	20
Changes in the ownership interest in a subsidiary without a loss of control	—	—	—	(48)	652	604
Transfer from other components of equity to retained earnings	—	(40)	40	—	—	—
Total transactions with owners	—	(40)	(2,865)	(2,929)	652	(2,276)
Balance at March 31, 2018	226	13,415	105,012	182,720	13,255	195,975

Three months ended March 31, 2019

(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	Remeasurements of defined benefit plans
Balance at January 1, 2019	34,433	34,715	(4,766)	165	10,800	—
Cumulative effect of changes in accounting principles						
Balance at January 1, 2019 (adjusted)	34,433	34,715	(4,766)	165	10,800	—
Profit for the period						
Other comprehensive income					146	1,430
Total comprehensive income for the period	—	—	—	—	146	1,430
Dividends						
Acquisition of treasury stock			(0)			
Disposal of treasury stock		5	4			
Share-based payments		21				
Transfer from other components of equity to retained earnings						(1,430)
Total transactions with owners	—	26	3	—	—	(1,430)
Balance at March 31, 2019	34,433	34,742	(4,763)	165	10,946	—

	Equity attributable to owners of the parent					Non-controlling interests	Total equity
	Other components of equity			Retained earnings	Total		
	Net gain (loss) on derivatives designated as cash flow hedges	Exchange differences on translation of foreign operations	Total				
Balance at January 1, 2019	(8)	(36)	10,920	115,806	191,108	13,163	204,271
Cumulative effect of changes in accounting principles			—	(94)	(94)	(0)	(94)
Balance at January 1, 2019 (adjusted)	(8)	(36)	10,920	115,711	191,014	13,162	204,177
Profit for the period			—	3,441	3,441	566	4,007
Other comprehensive income	9	111	1,698		1,698	203	1,901
Total comprehensive income for the period	9	111	1,698	3,441	5,139	769	5,909
Dividends			—	(2,906)	(2,906)	(1,963)	(4,870)
Acquisition of treasury stock			—		(0)		(0)
Disposal of treasury stock			—		9		9
Share-based payments			—		21		21
Transfer from other components of equity to retained earnings			(1,430)	1,430	—		—
Total transactions with owners	—	—	(1,430)	(1,475)	(2,876)	(1,963)	(4,840)
Balance at March 31, 2019	0	74	11,187	117,677	193,278	11,968	205,246

(4) Notes to Condensed Consolidated Financial Statements

Notes relating to the assumption of a going concern

Not applicable.

Changes in Accounting Principles

The Group applies IFRS 16 "*Leases*" (published June 1, 2016; hereinafter "IFRS 16") from the first quarter of the fiscal year under review. Upon applying IFRS 16, Lion has recognized the cumulative effect of the standard's application at the date of the initial application (January 1, 2019) as a transitional measure permitted under the standard.

In accordance with the application of IFRS 16, upon the initiation of a contract, the Company determines whether the contract is or contains a lease. If a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, then the contract is or contains a lease.

(i) Leases as lessee

At the commencement of a lease, a right-of-use asset and a lease liability are recognized. The initial value of the right-of-use asset is measured as the initial measured value of the lease liability at the commencement date adjusted for initial direct costs, etc., plus the cost of any restoration obligation, etc., required under the lease. Subsequently, a cost model is applied, in which the value of the asset is measured as the acquisition cost less accumulated depreciation and accumulated impairment. The right-of-use asset is depreciated from the commencement of the lease over the shorter of the useful life of the asset and the lease term, unless it is reasonably certain that the Group will acquire the title to the lease assets at the end of the lease term. The lease term is determined as the lease's non-cancellable period, including any optional period for which the Group is reasonably certain to exercise an option to extend the lease or not exercise an option to terminate the lease.

The lease liability is measured at the present value of remaining lease payments at the date of the lease's commencement discounted using the lessee's incremental borrowing rate at the date of the lease's commencement. Subsequently, the book value of the lease liability is adjusted to reflect the rate of 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 book value of the right-of-use asset is decreased to reflect the partial or full termination of the lease, and any gain or loss resulting from such termination is recognized in profit or loss. For other lease modifications, an adjustment to the right-of-use asset is made corresponding to the changes in the lease terms.

Lease payments for short-term leases and leases of low-value assets are recognized as expenses using the straight-line method over the term of the lease.

(ii) Leases as lessor

Leases are classified as either operating leases or finance leases. If the lease transfers substantially all the risks and rewards of the ownership of the underlying asset, it is classified as a finance lease; otherwise, it is classified as an operating lease. The classification of a lease as either a finance lease or operating lease is made based on the actual content of the transaction, not on the form of the lease agreement.

(a) Finance leases

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

(b) Subleases

Subleases are classified by the intermediate lessor with respect to the right-to-use asset that arises from the head lease.

Due to the transition to IFRS 16, the Group recognized an additional ¥5,194 million in right-of-use assets, ¥111 million in other financial assets (current assets), ¥473 million in other current assets, ¥679 million in other non-current assets, ¥42 million in deferred tax assets, and ¥6,595 million in lease liabilities, as well as decreases of ¥94 million in retained earnings and ¥0 million in equity attributable to non-controlling interests. Due to the cost of restoration obligations, etc., required under leases, ¥120 million in property, plant and equipment has been reclassified as right-of-use assets. The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized at the date of initial application of IFRS 16 is 1.1%.

The book values of right-of-use assets and lease liabilities as of the date of initial application for leases classified as finance leases under IAS 17 "*Leases*" (hereinafter "IAS 17") are the book values of the lease assets and lease liabilities immediately before that date measured applying IAS 17. As such, ¥765 million in property, plant and equipment has been reclassified as right-of-use assets, and ¥533 million in other financial liabilities has been reclassified as lease liabilities.

Operating lease commitments disclosed applying IAS 17 at the end of the previous consolidated fiscal year discounted using the incremental borrowing rate at the date of initial application is reconciled with the lease liabilities recognized in the Consolidated Statement of Financial Position at the date of initial application as follows.

(Millions of yen)

Operating lease commitments disclosed applying IAS 17 at the end of the previous consolidated fiscal year discounted using the incremental borrowing rate at the date of initial application	2,473
(a) Short-term leases and leases of low-value assets	(6)
(b) Finance lease obligations recognized as of the end of the previous consolidated fiscal year	533
(c) Operating lease obligations that are not non-cancelable recognized on the Consolidated Statement of Financial Position as of the date of initial application	4,128
Lease liabilities recognized on the Consolidated Statement of Financial Position as of the date of initial application	7,128

The method of classifying subleases for leases in which the Group is the lessor has been changed to classification with respect to the right-to-use asset that arises from the head lease.

Segment Information

1) Overview of reportable segments

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

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

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

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

The Company's reportable segments are as follows.

A. Consumer Products Business

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

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

B. Industrial Products Business

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

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

C. Overseas Business

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

D. Other Business

Lion subsidiaries located in Japan primarily undertake operations related to Group businesses.

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

(2) Net Sales and Performance of Reportable Segments

Three months ended March 31, 2018

(Millions of yen)

	Reportable Segment			Other	Total	Adjustment[2]	Consolidated[3]
	Consumer Products Business	Industrial Products Business	Overseas Business				
Net sales							
(1) External	47,380	7,639	23,022	1,334	79,376	(3)	79,373
(2) Intersegment[1]	3,830	5,998	2,835	5,775	18,439	(18,439)	—
Total	51,210	13,638	25,857	7,110	97,816	(18,443)	79,373
Core operating income	4,393	743	1,170	285	6,592	(624)	5,967
Other income							5,620
Other expenses							(377)
Operating profit							11,210
Finance income							52
Finance costs							(52)
Share of profit of investments accounted for using the equity method							229
Profit before tax							11,440

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

2. A negative ¥624 million adjustment of core operating income mainly comprises intersegment eliminations and corporate expenses not allocated to any reportable segment.

3. Core operating income is reconciled with gross profit as follows.

Gross profit	38,739
Selling, general and administrative expenses	(32,772)
Core operating income	5,967

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

Three months ended March 31, 2019

(Millions of yen)

	Reportable Segment			Other	Total	Adjustment[2]	Consolidated[3]
	Consumer Products Business	Industrial Products Business	Overseas Business				
Net sales							
(1) External	46,835	7,713	23,465	848	78,863	73	78,937
(2) Intersegment[1]	3,353	5,367	2,252	6,227	17,200	(17,200)	—
Total	50,189	13,080	25,718	7,075	96,064	(17,127)	78,937
Core operating income	3,617	382	1,844	246	6,091	(531)	5,560
Other income							789
Other expenses							(397)
Operating profit							5,953
Finance income							77
Finance costs							(40)
Share of profit of investments accounted for using the equity method							113
Profit before tax							6,103

Notes: 1. Includes intra-segment transactions within the reportable segments.
2. A negative ¥531 million adjustment of core operating income mainly comprises intersegment eliminations and corporate expenses not allocated to any reportable segment.
3. Core operating income is reconciled with gross profit as follows.

Gross profit	38,861
Selling, general and administrative expenses	(33,300)
Core operating income	5,560

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