Summary of Consolidated Financial Statements for the Nine Months Ended September 30, 2019 [IFRS]

November 6, 2019

Company name: Lion Corporation
Listed stock exchanges: Tokyo Stock Exchange

Code: 4912

URL: http://www.lion.co.jp/ (English site: https://www.lion.co.jp/en/)

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: November 13, 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 Nine Months Ended September 30, 2019 (January 1, 2019 – September 30, 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	%
Nine months ended September 30, 2019	261,962	1.3	23,830	(9.1)	24,862	(8.8)
Nine months ended September 30, 2018	258,713	2.9	26,207	21.3	27,250	19.9

	Profit for the period		Profit for the period attributable to owners of the parent		Total comprehensive income for the period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended September 30, 2019	18,690	(20.7)	16,950	(15.0)	18,723	(16.8)
Nine months ended September 30, 2018	23,579	40.8	19,936	28.0	22,509	7.1

Note: Core operating income for the nine months ended September 30, 2019 was ¥23,583 million (up 12.8% year on year). Core operating income for the nine months ended September 30, 2018 was ¥20,913 million (down 3.9% year on year).

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

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended September 30, 2019	58.31	58.24
Nine months ended September 30, 2018	68.60	68.51

(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	%
Nine months ended September 30, 2019	358,337	213,914	202,082	56.4
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	—	10.00	—		
Fiscal 2019 (forecast)				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
Fiscal 2019	360,000	3.0	31,000	(9.3)	21,000	(18.0)	72.25

Notes: 1. Core operating income forecast: 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 September 30, 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 September 30, 2019:	8,405,146 shares
As of December 31, 2018:	8,456,995 shares

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

Nine months ended September 30, 2019:	290,693,899 shares
Nine months ended September 30, 2018:	290,619,357 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 Nine Months 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 Nine Months of the Current Fiscal Year

(1) Consolidated Performance

Consolidated results for the first nine months of fiscal 2019 (January 1, 2019–September 30, 2019) are as follows. Net sales amounted to ¥261,962 million, a year-on-year increase of 1.3% (or an increase of 1.6% in terms of real net sales, which exclude the influence of exchange rate conversions). Core operating income came to ¥23,583 million, up 12.8% compared with the same period of the previous fiscal year, and operating profit was ¥23,830 million, down 9.1% year on year. Profit for the period attributable to owners of the parent totaled ¥16,950 million, down 15.0% 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 nine months of fiscal 2019, in its domestic operations, Lion introduced such new products as toothpastes, toothbrushes, laundry detergents, fabric softeners, dishwashing detergents and eye drops and worked to cultivate markets for these products through marketing initiatives designed to elicit an empathetic response in consumers while taking steps to address the demand surge ahead of the consumption tax hike.

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)

	Nine months ended September 30, 2019	Ratio to net sales	Nine months ended September 30, 2018	Ratio to net sales	Change	Change (%)
Net sales	261,962		258,713		3,249	1.3%
Core operating income	23,583	9.0%	20,913	8.1%	2,670	12.8%
Operating profit	23,830	9.1%	26,207	10.1%	(2,376)	(9.1%)
Profit for the period attributable to owners of the parent	16,950	6.5%	19,936	7.7%	(2,985)	(15.0%)

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)			
	Nine months ended September 30, 2019	Nine months ended September 30, 2018	Change	Change (%)	Nine months ended September 30, 2019	Nine months ended September 30, 2018	Change	Change (%)
Consumer Products	176,046	169,539	6,506	3.8%	15,968	13,194	2,774	21.0%
Industrial Products	40,959	42,365	(1,406)	(3.3%)	1,177	1,899	(721)	(38.0%)
Overseas	77,506	80,555	(3,048)	(3.8%)	5,636	5,218	418	8.0%
Other	24,891	24,665	225	0.9%	949	1,108	(158)	(14.3%)
Subtotal	319,404	317,126	2,277	0.7%	23,732	21,419	2,312	10.8%
Adjustment	(57,441)	(58,413)	971	—	(148)	(506)	358	—
Total	261,962	258,713	3,249	1.3%	23,583	20,913	2,670	12.8%

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. Buoyed by the pre-tax hike demand surge, segment net sales increased 3.8% compared with the same period of the previous fiscal year. Segment profit increased 21.0%.

(Millions of yen)

	Nine months ended September 30, 2019	Ratio to net sales	Nine months ended September 30, 2018	Ratio to net sales	Change	Change (%)
Net sales	176,046		169,539		6,506	3.8%
Segment profit	15,968	9.1%	13,194	7.8%	2,774	21.0%

Note: Net sales include internal sales within and among segments amounting to ¥11,458 million in the first nine months of fiscal 2019 and ¥12,005 million in the first nine months of fiscal 2018.

Net Sales by Product Segment

(Millions of yen)

	Nine months ended September 30, 2019	Nine months ended September 30, 2018	Change	Change (%)
Oral Care Products	47,558	41,890	5,667	13.5%
Beauty Care Products	17,218	15,840	1,378	8.7%
Fabric Care Products	46,355	44,766	1,589	3.6%
Living Care Products	14,565	12,633	1,932	15.3%
Pharmaceutical Products	19,727	21,839	(2,111)	(9.7%)
Other Products	30,620	32,569	(1,949)	(6.0%)

Oral Care Products

In toothpastes, Lion released new *CLINICA ADVANTAGE NEXT STAGE Toothpaste*, a preventive dentistry toothpaste for adults that provides care extending all the way to the delicate, sensitive dental roots. New *SYSTEMA Haguki (the Gums) Plus Premium Toothpaste,* featuring eight effects, including preventing gum disease (gum and periodontal inflammation) and whitening, received favorable consumer reviews. Overall sales increased substantially year on year.

In toothbrushes, sales of *SYSTEMA Toothbrush* were strong, and Lion released *CLINICA Advantage NEXT STAGE Toothbrush,* which helps users avoid brushing too hard by making a sound when excessive force is applied. Overall sales increased substantially 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* 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 strong, and overall sales increased significantly year on year.

In antiperspirants and deodorants, Lion released *Ban Sweat-Blocking Foot Gel,* a new product with a nano-ion antiperspirant ingredient that seals up sweat from the feet before it emerges. 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 the improved *SOFLAN Premium Deodorizer,* featuring deodorizing ingredients that penetrate deep into and adsorb on clothing fibers, as well as the improved *SOFLAN Aroma Rich,* featuring a new Fresh Bloom Aroma Formula that provides long-lasting, unchanging fragrances, from the moment you pour it into the wash to the moment you undress at the end of the day. Both of these products received favorable consumer reviews. Overall sales increased year on year.

In laundry detergents, sales of super-concentrated liquid laundry detergent TOP SUPER NANOX were strong, and the newly released *TOP SUPER NANOX For Odors*, created based on deodorizing science, received favorable consumer reviews. However, sales of *ACRON* detergent for delicates fell, and overall sales edged down year on year.

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. However, overall sales decreased slightly year on year.

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

Pharmaceutical Products

In antipyretic analgesics, sales of *BUFFERIN PREMIUM* were firm, and Lion launched new *BUFFERIN Light*. Overall sales rose year on year.

In eye drops, new products, including *Smile 40 Premium DX* and *Smile 40 Mediclear DX*, received favorable consumer reviews, and overall sales were up 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 3.3% compared with the previous fiscal year. Segment profit decreased 38.0%.

(Millions of yen)

	Nine months ended September 30, 2019	Ratio to net sales	Nine months ended September 30, 2018	Ratio to net sales	Change	Change (%)
Net sales	40,959		42,365		(1,406)	(3.3%)
Segment profit	1,177	2.9%	1,899	4.5%	(721)	(38.0%)

Note: Net sales include internal sales within and among segments amounting to ¥16,605 million in the first nine months of fiscal 2019 and ¥17,672 million in the first nine months 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, due to worsening of the market, sales of electro-conductive compounds for semiconductor carrier materials decreased year on year, and overall sales were down year 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 3.8% year on year (or in terms of real net sales, which exclude the influence of exchange rate conversions, decreased 2.5%). Segment profit increased 8.0% year on year.

(Millions of yen)

	Nine months ended September 30, 2019	Ratio to net sales	Nine months ended September 30, 2018	Ratio to net sales	Change	Change (%)
Net sales	77,506		80,555		(3,048)	(3.8%)
Segment profit	5,636	7,3%	5,218	6.5%	418	8.0%

Note: Net sales include internal sales within and among segments amounting to ¥6,987 million in the first nine months of fiscal 2019 and ¥7,914 million in the first nine months of fiscal 2018.

Net Sales by Region (Millions of yen)

	Nine months ended September 30, 2019	Nine months ended September 30, 2018	Change	Change (%)
Southeast Asia	52,498	54,181	(1,682)	(3.1%)
Northeast Asia	25,008	26,373	(1,365)	(5.2%)

Net Sales by Region

In Southeast Asia, overall sales were down 3.1% year on year.

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

In Malaysia, sales of *TOP* laundry detergent were steady. 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 down 5.2% year on year.

In South Korea, sales of *KireiKirei* hand soap were steady, but, due to a worsening business environment, overall sales after yen conversions were down year on year.

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

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

	Nine months ended September 30, 2019	Ratio to net sales	Nine months ended September 30, 2018	Ratio to net sales	Change	Change (%)
Net sales	24,891		24,665		225	0.9%
Segment profit	949	3.8%	1,108	4.5%	(158)	(14.3%)

Note: Net sales include internal sales within and among segments amounting to ¥22,416 million in the first nine months of fiscal 2019 and ¥20,837 million in the first nine months of fiscal 2018.

(2) Financial Status

Status of Consolidated Assets, Liabilities and Equity

	Nine months ended September 30, 2019	Nine months ended September 30, 2018	Change
Total assets (millions of yen)	358,337	355,365	2,972
Total equity (millions of yen)	213,914	204,271	9,642
Ratio of equity attributable to owners of the parent to total assets (%)	56.4	53.8	2.6

Total assets increased ¥2,972 million compared with the previous consolidated fiscal year-end to ¥358,337 million. This was primarily attributable to an increase in property, plant and equipment. Equity increased ¥9,642 million to ¥213,914 million. The ratio of equity attributable to owners of the parent to total assets stood at 56.4%.

(3) Forecast of Consolidated Financial Results

Lion has made no revisions to the consolidated financial results forecasts released on February 13, 2019 for the full fiscal year.

<u>Assumptions Underlying the Forecast of Consolidated Financial Results for Fiscal 2019</u>

Lion utilized the following foreign exchange rates in the calculation of the aforementioned forecasts for the third quarter and onward:

¥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	September 30, 2019
Assets		
Current assets		
Cash and cash equivalents	104,972	97,037
Trade and other receivables	64,695	59,855
Inventories	42,057	43,635
Other financial assets	2,582	3,375
Other current assets	1,626	2,791
Total current assets	215,934	206,694
Non-current assets		
Property, plant and equipment	81,546	86,267
Goodwill	182	182
Intangible assets	10,160	12,716
Right-of-use assets	—	6,019
Investments accounted for using the equity method	8,606	9,058
Deferred tax assets	5,889	3,143
Retirement benefit assets	7,799	9,234
Other financial assets	25,097	24,023
Other non-current assets	148	997
Total non-current assets	139,430	151,643
Total assets	355,365	358,337

(Millions of yen)

	December 31, 2018	September 30, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	116,980	101,725
Borrowings	1,417	1,391
Income tax payables	2,674	4,488
Provisions	710	2,207
Lease liabilities	—	1,541
Other financial liabilities	907	359
Other current liabilities	7,051	8,109
Total current liabilities	129,742	119,823
Non-current liabilities		
Borrowings	1,202	966
Deferred tax liabilities	4,232	720
Retirement benefit liabilities	10,955	12,744
Provisions	355	356
Lease liabilities	—	5,760
Other financial liabilities	3,183	2,653
Other non-current liabilities	1,421	1,397
Total non-current liabilities	21,350	24,599
Total liabilities	151,093	144,423
Equity		
Share capital	34,433	34,433
Capital surplus	34,715	34,768
Treasury stock	(4,766)	(4,738)
Other components of equity	10,920	9,569
Retained earnings	115,806	128,049
Equity attributable to owners of the parent	191,108	202,082
Non-controlling interests	13,163	11,831
Total equity	204,271	213,914
Total liabilities and equity	355,365	358,337

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

Condensed Consolidated Statement of Income

Nine months ended September 30, 2018 and 2019

(Millions of yen)

	Nine months ended September 30, 2018	Nine months ended September 30, 2019
Net sales	258,713	261,962
Cost of sales	(131,714)	(132,448)
Gross profit	126,998	129,513
Selling, general and administrative expenses	(106,085)	(105,929)
Other income	6,412	1,121
Other expenses	(1,118)	(875)
Operating profit	26,207	23,830
Finance income	552	506
Finance costs	(115)	(152)
Share of profit of investments accounted for using the equity method	607	677
Profit before tax	27,250	24,862
Income taxes	(3,670)	(6,171)
Profit for the period	23,579	18,690
Profit for the period attributable to:		
Owners of the parent	19,936	16,950
Non-controlling interests	3,643	1,740
Profit for the period	23,579	18,690
Earnings per share		
Basic (Yen)	68.60	58.31
Diluted (Yen)	68.51	58.24

Condensed Consolidated Statement of Comprehensive Income

Nine months ended September 30, 2018 and 2019

(Millions of yen)

	Nine months ended September 30, 2018	Nine months ended September 30, 2019
Profit for the period	23,579	18,690
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	(442)	91
Remeasurements of defined benefit plans	—	766
Share of other comprehensive income of investments accounted for using the equity method	52	(43)
Total items that will not be reclassified as profit or loss	(389)	814
Items that may be subsequently reclassified as profit or loss		
Net gain (loss) on derivatives designated as cash flow hedges	(7)	8
Exchange differences on translation of foreign operations	(352)	(761)
Share of other comprehensive income of investments accounted for using the equity method	(320)	(28)
Total items that may be subsequently reclassified as profit or loss	(680)	(781)
Total other comprehensive income, net of tax	(1,069)	32
Comprehensive income for the period	22,509	18,723
Comprehensive income for the period attributable to:		
Owners of the parent	18,787	16,822
Non-controlling interests	3,721	1,900
Comprehensive income for the period	22,509	18,723

(3) Condensed Consolidated Statement of Changes in Equity

Nine months ended September 30, 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					(405)	(7)
Total comprehensive income for the period	—	—	—	—	(405)	(7)
Dividends						
Acquisition of treasury stock			(5)			
Disposal of treasury stock		19	34	(32)		
Share-based payments		29				
Changes in the ownership interest in a subsidiary without a loss of control		(48)				
Transfer from other components of equity to retained earnings					(177)	
Total transactions with owners	—	0	29	(32)	(177)	—
Balance at September 30, 2018	34,433	34,687	(4,776)	178	13,242	(2)

	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		—	19,936	19,936	3,643	23,579
Other comprehensive income	(735)	(1,148)		(1,148)	78	(1,069)
Total comprehensive income for the period	(735)	(1,148)	19,936	18,787	3,721	22,509
Dividends		—	(5,812)	(5,812)	(1,547)	(7,360)
Acquisition of treasury stock		—		(5)		(5)
Disposal of treasury stock		(32)		21		21
Share-based payments		—		29		29
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		(177)	177	—		—
Total transactions with owners	—	(209)	(5,634)	(5,814)	(895)	(6,709)
Balance at September 30, 2018	721	14,140	112,927	191,412	13,180	204,593

Nine months ended September 30, 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					78	766
Total comprehensive income for the period	—	—	—	—	78	766
Dividends						
Acquisition of treasury stock			(2)			
Disposal of treasury stock		(7)	29	(21)		
Share-based payments		61				
Transfer from other components of equity to retained earnings					(434)	(766)
Total transactions with owners	—	53	27	(21)	(434)	(766)
Balance at September 30, 2019	34,433	34,768	(4,738)	143	10,444	—

	Equity attributable to owners of the parent					Non-controlling interests	Total equity
	Other components of equity						
	Net gain (loss) on derivatives designated as cash flow hedges	Exchange differences on translation of foreign operations	Total	Retained earnings	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			—	16,950	16,950	1,740	18,690
Other comprehensive income	8	(981)	(127)		(127)	160	32
Total comprehensive income for the period	8	(981)	(127)	16,950	16,822	1,900	18,723
Dividends			—	(5,813)	(5,813)	(3,232)	(9,045)
Acquisition of treasury stock			—		(2)		(2)
Disposal of treasury stock			(21)		0		0
Share-based payments			—		61		61
Transfer from other components of equity to retained earnings			(1,200)	1,200	—		—
Total transactions with owners	—	—	(1,222)	(4,612)	(5,754)	(3,232)	(8,986)
Balance at September 30, 2019	(0)	(1,017)	9,569	128,049	202,082	11,831	213,914

(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 Group's reportable segments are as follows.

A. Consumer Products Business

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

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

B. Industrial Products Business

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

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

C. Overseas Business

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

D. Other Business

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

Nine months ended September 30, 2018

(Millions of yen)

	Reportable Segment			Other	Total	Adjustment[2]	Consolidated[3]
	Consumer Products Business	Industrial Products Business	Overseas Business				
Net sales							
(1) External	157,534	24,693	72,640	3,827	258,696	16	258,713
(2) Intersegment[1]	12,005	17,672	7,914	20,837	58,430	(58,430)	—
Total	169,539	42,365	80,555	24,665	317,126	(58,413)	258,713
Core operating income	13,194	1,899	5,218	1,108	21,419	(506)	20,913
Other income							6,412
Other expenses							(1,118)
Operating profit							26,207
Finance income							552
Finance costs							(115)
Share of profit of investments accounted for using the equity method							607
Profit before tax							27,250

Notes:
1. Includes intra-segment transactions within the reportable segments.
2. A negative ¥506 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.

	(Millions of yen)
Gross profit	126,998
Selling, general and administrative expenses	(106,085)
Core operating income	20,913

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.

Nine months ended September 30, 2019

(Millions of yen)

	Reportable Segment			Other	Total	Adjustment[2]	Consolidated[3]
	Consumer Products Business	Industrial Products Business	Overseas Business				
Net sales							
(1) External	164,588	24,353	70,519	2,475	261,936	25	261,962
(2) Intersegment[1]	11,458	16,605	6,987	22,416	57,467	(57,467)	—
Total	176,046	40,959	77,506	24,891	319,404	(57,441)	261,962
Core operating income	15,968	1,177	5,636	949	23,732	(148)	23,583
Other income							1,121
Other expenses							(875)
Operating profit							23,830
Finance income							506
Finance costs							(152)
Share of profit of investments accounted for using the equity method							677
Profit before tax							24,862

Notes:
1. Includes intra-segment transactions within the reportable segments.
2. A negative ¥148 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.

	(Millions of yen)
Gross profit	129,513
Selling, general and administrative expenses	(105,929)
Core operating income	23,583

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.