Summary of Consolidated Financial Statements for the First Half Ended June 30, 2019 [IFRS]

August 6, 2019

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

Code: 4912

URL: http://www.lion.co.jp/

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Scheduled date of filing of quarterly financial report: August 9, 2019
Start date of payment of dividend: September 3, 2019
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 Half Ended June 30, 2019 (January 1, 2019 – June 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	%
Six months ended June 30, 2019	167,334	(0.7)	12,889	(27.9)	13,638	(26.4)
Six months ended June 30, 2018	168,484	3.4	17,872	43.7	18,532	40.0

	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	%
Six months ended June 30, 2019	9,824	(42.0)	8,689	(37.6)	10,127	(31.1)
Six months ended June 30, 2018	16,952	76.9	13,935	58.9	14,697	27.0

Note: Core operating income for the six months ended June 30, 2019 was ¥12,459 million (down 0.7% year on year). Core operating income for the six months ended June 30, 2018 was ¥12,552 million (up 0.1% 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
Six months ended June 30, 2019	29.89	29.86
Six months ended June 30, 2018	47.95	47.89

(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	%
Six months ended June 30, 2019	358,925	208,478	197,027	54.9
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 June 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 June 30, 2019:	8,404,918 shares
As of December 31, 2018:	8,456,995 shares

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

Six months ended June 30, 2019:	290,685,703 shares
Six months ended June 30, 2018:	290,609,581 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 Half of the Current Fiscal Year (3) Forecast of Consolidated Financial Results on page 8.

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

(1) Consolidated Performance

Consolidated results for the first half of fiscal 2019 (January 1, 2019–June 30, 2019) are as follows. Net sales amounted to ¥167,334 million, a year-on-year decrease of 0.7% (or a decrease of 0.5% in terms of real net sales, which exclude the influence of exchange rate conversions). Core operating income came to ¥12,459 million, down 0.7% compared with the same period of the previous fiscal year, and operating profit was ¥12,889 million, down 27.9% year on year. Profit for the period attributable to owners of parent totaled ¥8,689 million, down 37.6% 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 half of fiscal 2019, in its domestic operations, Lion introduced such new products as toothpastes, laundry detergents, 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)

	Six months ended June 30, 2019	Ratio to net sales	Six months ended June 30, 2018	Ratio to net sales	Change	Change (%)
Net sales	167,334		168,484		(1,150)	(0.7%)
Core operating income	12,459	7.4%	12,552	7.5%	(93)	(0.7%)
Operating profit	12,889	7.7%	17,872	10.6%	(4,983)	(27.9%)
Profit for the period attributable to owners of the parent	8,689	5.2%	13,935	8.3%	(5,245)	(37.6%)

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)			
	Six months ended June 30, 2019	Six months ended June 30, 2018	Change	Change (%)	Six months ended June 30, 2019	Six months ended June 30, 2018	Change	Change (%)
Consumer Products	110,273	110,826	(553)	(0.5%)	7,755	8,046	(290)	(3.6%)
Industrial Products	27,008	28,313	(1,304)	(4.6%)	779	1,352	(573)	(42.4%)
Overseas	51,474	52,202	(727)	(1.4%)	3,669	2,892	776	26.9%
Other	15,574	15,433	141	0.9%	570	639	(68)	(10.8%)
Subtotal	204,331	206,776	(2,444)	(1.2%)	12,775	12,930	(155)	(1.2%)
Adjustment	(36,997)	(38,291)	1,293	—	(316)	(378)	62	—
Total	167,334	168,484	(1,150)	(0.7%)	12,459	12,552	(93)	(0.7%)

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 0.5% compared with the same period of the previous fiscal year. Segment profit decreased 3.6%.

(Millions of yen)

	Six months ended June 30, 2019	Ratio to net sales	Six months ended June 30, 2018	Ratio to net sales	Change	Change (%)
Net sales	110,273		110,826		(553)	(0.5%)
Segment profit	7,755	7.0%	8,046	7.3%	(290)	(3.6%)

Note: Net sales include internal sales within and among segments amounting to ¥7,379 million in the first half of fiscal 2019 and ¥8,134 million in the first half of fiscal 2018.

Net Sales by Product Segment

(Millions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2018	Change	Change (%)
Oral Care Products	29,859	27,645	2,213	8.0%
Beauty Care Products	11,017	10,167	849	8.4%
Fabric Care Products	28,622	28,911	(288)	(1.0%)
Living Care Products	9,095	7,857	1,237	15.8%)
Pharmaceutical Products	12,060	14,142	(2,082)	(14.7%)
Other Products	19,618	22,101	(2,483)	(11.2%)

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 Haguki (the Gums) Plus* were firm, and overall sales increased year on year.

In toothbrushes, sales of *CLINICA ADVANTAGE Toothbrush* and *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* 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, *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 the improved *SOFLAN Premium Deodorizer,* featuring deodorizing ingredients that penetrate deep into and adsorb on clothing fibers, to favorable customer reviews. However, sales of *SOFLAN Aroma Rich* declined compared with the same period of the previous year, and overall sales edged down year on year.

In laundry detergents, sales of super-concentrated liquid laundry detergent TOP SUPER NANOX were firm, and the newly released liquid laundry detergent *TOP Clear Liquid Antibacterial* 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 sound, 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 steady, and Lion launched new *BUFFERIN Light*. 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 steady, 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 4.6% compared with the previous fiscal year. Segment profit decreased 42.4%.

(Millions of yen)

	Six months ended June 30, 2019	Ratio to net sales	Six months ended June 30, 2018	Ratio to net sales	Change	Change (%)
Net sales	27,008		28,313		(1,304)	(4.6%)
Segment profit	779	2.9%	1,352	4.8%	(573)	(42.4%)

Note: Net sales include internal sales within and among segments amounting to ¥10,981 million in the first half of fiscal 2019 and ¥12,153 million in the first half of fiscal 2018.

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

In the Electrical and Electronics field, 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 1.4% year on year (or in terms of real net sales, which exclude the influence of exchange rate conversions, decreased 0.7%). Segment profit increased 26.9% year on year.

(Millions of yen)

	Six months ended June 30, 2019	Ratio to net sales	Six months ended June 30, 2018	Ratio to net sales	Change	Change (%)
Net sales	51,474		52,202		(727)	(1.4%)
Segment profit	3,669	7.1%	2,892	5.5%	776	26.9%

Note: Net sales include internal sales within and among segments amounting to ¥4,760 million in the first half of fiscal 2019 and ¥5,212 million in the first half of fiscal 2018.

Net Sales by Region

(Millions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2018	Change	Change (%)
Southeast Asia	34,569	35,431	(861)	(2.4%)
Northeast Asia	16,904	16,771	133	0.8%

Net Sales by Region

In Southeast Asia, overall sales were down 2.4% 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 strong. 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 0.8% year on year.

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

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

	Six months ended June 30, 2019	Ratio to net sales	Six months ended June 30, 2018	Ratio to net sales	Change	Change (%)
Net sales	15,574		15,433		141	0.9%
Segment profit	570	3.7%	639	4.1%	(68)	(10.8%)

Note: Net sales include internal sales within and among segments amounting to ¥13,924 million in the first half of fiscal 2019 and ¥12,759 million in the first half of fiscal 2018.

(2) Financial Status

Status of Consolidated Assets, Liabilities and Equity

	Six months ended June 30, 2019	Six months ended June 30, 2018	Change
Total assets (millions of yen)	358,925	355,365	3,559
Total equity (millions of yen)	208,478	204,271	4,207
Ratio of equity attributable to owners of the parent to total assets (%)	54.9	53.8	1.1

Total assets increased ¥3,559 million compared with the previous consolidated fiscal year-end to ¥358,925 million. This was primarily attributable to an increase in property, plant and equipment. Equity increased ¥427 million to ¥208,478 million. The ratio of equity attributable to owners of the parent to total assets stood at 54.9%.

(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.

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 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	June 30, 2019
Assets		
Current assets		
Cash and cash equivalents	104,972	99,652
Trade and other receivables	64,695	62,169
Inventories	42,057	44,644
Other financial assets	2,582	3,022
Other current assets	1,626	2,821
Total current assets	215,934	212,310
Non-current assets		
Property, plant and equipment	81,546	83,798
Goodwill	182	182
Intangible assets	10,160	11,138
Right-of-use assets	—	6,168
Investments accounted for using the equity method	8,606	8,850
Deferred tax assets	5,889	2,269
Retirement benefit assets	7,799	8,958
Other financial assets	25,097	24,283
Other non-current assets	148	964
Total non-current assets	139,430	146,614
Total assets	355,365	358,925

(Millions of yen)

	December 31, 2018	June 30, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	116,980	112,440
Borrowings	1,417	1,400
Income tax payables	2,674	3,352
Provisions	710	1,901
Lease liabilities	—	1,495
Other financial liabilities	907	731
Other current liabilities	7,051	4,936
Total current liabilities	129,742	126,258
Non-current liabilities		
Borrowings	1,202	1,002
Deferred tax liabilities	4,232	1,012
Retirement benefit liabilities	10,955	11,892
Provisions	355	354
Lease liabilities	—	5,795
Other financial liabilities	3,183	2,720
Other non-current liabilities	1,421	1,409
Total non-current liabilities	21,350	24,188
Total liabilities	151,093	150,446
Equity		
Share capital	34,433	34,433
Capital surplus	34,715	34,748
Treasury stock	(4,766)	(4,738)
Other components of equity	10,920	9,867
Retained earnings	115,806	122,715
Equity attributable to owners of the parent	191,108	197,027
Non-controlling interests	13,163	11,451
Total equity	204,271	208,478
Total liabilities and equity	355,365	358,925

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

Condensed Consolidated Statement of Income

Six months ended June 30, 2018 and 2019

(Millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Net sales	168,484	167,334
Cost of sales	(85,809)	(84,815)
Gross profit	82,674	82,518
Selling, general and administrative expenses	(70,121)	(70,059)
Other income	6,059	1,011
Other expenses	(738)	(581)
Operating profit	17,872	12,889
Finance income	407	426
Finance costs	(92)	(114)
Share of profit of investments accounted for using the equity method	344	437
Profit before tax	18,532	13,638
Income taxes	(1,580)	(3,813)
Profit for the period	16,952	9,824
Profit for the period attributable to:		
Owners of the parent	13,935	8,689
Non-controlling interests	3,016	1,134
Profit for the period	16,952	9,824
Earnings per share		
Basic (Yen)	47.95	29.89
Diluted (Yen)	47.89	29.86

Condensed Consolidated Statement of Comprehensive Income

Six months ended June 30, 2018 and 2019

(Millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Profit for the period	16,952	9,824
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	(304)	(4)
Remeasurements of defined benefit plans	—	813
Share of other comprehensive income of investments accounted for using the equity method	26	(43)
Total items that will not be reclassified as profit or loss	(277)	765
Items that may be subsequently reclassified as profit or loss		
Net gain (loss) on derivatives designated as cash flow hedges	(22)	6
Exchange differences on translation of foreign operations	(1,664)	(471)
Share of other comprehensive income of investments accounted for using the equity method	(289)	3
Total items that may be subsequently reclassified as profit or loss	(1,977)	(462)
Total other comprehensive income, net of tax	(2,254)	303
Comprehensive income for the period	14,697	10,127
Comprehensive income for the period attributable to:		
Owners of the parent	12,113	8,879
Non-controlling interests	2,583	1,247
Comprehensive income for the period	14,697	10,127

(3) Condensed Consolidated Statement of Changes in Equity

Six months ended June 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	—	—	—	—	(255)	(22)
Total comprehensive income for the period	—	—	—	—	(255)	(22)
Dividends	—	—	—	—	—	—
Acquisition of treasury stock	—	—	(4)	—	—	—
Disposal of treasury stock	—	19	34	(32)	—	—
Share-based payments	—	17	—	—	—	—
Changes in the ownership interest in a subsidiary without a loss of control	—	(48)	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	(27)	—
Total transactions with owners	—	(11)	30	(32)	(27)	—
Balance at June 30, 2018	34,433	34,676	(4,775)	178	13,543	(18)

	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	—	—	13,935	13,935	3,016	16,952
Other comprehensive income	(1,543)	(1,821)	—	(1,821)	(432)	(2,254)
Total comprehensive income for the period	(1,543)	(1,821)	13,935	12,113	2,583	14,697
Dividends	—	—	(2,905)	(2,905)	(1,547)	(4,453)
Acquisition of treasury stock	—	—	—	(4)	—	(4)
Disposal of treasury stock	—	(32)	—	21	—	21
Share-based payments	—	—	—	17	—	17
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	—	(27)	27	—	—	—
Total transactions with owners	—	(60)	(2,877)	(2,918)	(895)	(3,814)
Balance at June 30, 2018	(87)	13,616	109,683	187,634	12,042	199,676

Six months ended June 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					(30)	813
Total comprehensive income for the period	—	—	—	—	(30)	813
Dividends						
Acquisition of treasury stock			(1)			
Disposal of treasury stock		(7)	29	(21)		
Share-based payments		41				
Transfer from other components of equity to retained earnings					(407)	(813)
Total transactions with owners	—	33	28	(21)	(407)	(813)
Balance at June 30, 2019	34,433	34,748	(4,738)	143	10,362	—

	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			—	8,689	8,689	1,134	9,824
Other comprehensive income	6	(598)	190		190	112	303
Total comprehensive income for the period	6	(598)	190	8,689	8,879	1,247	10,127
Dividends			—	(2,906)	(2,906)	(2,958)	(5,865)
Acquisition of treasury stock			—		(1)		(1)
Disposal of treasury stock			(21)		0		0
Share-based payments			—		41		41
Transfer from other components of equity to retained earnings			(1,220)	1,220	—		—
Total transactions with owners	—	—	(1,242)	(1,686)	(2,867)	(2,958)	(5,825)
Balance at June 30, 2019	(2)	(635)	9,867	122,715	197,027	11,451	208,478

(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

Six months ended June 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	102,692	16,160	46,990	2,674	168,517	(32)	168,484
(2) Intersegment[1]	8,134	12,153	5,212	12,759	38,258	(38,258)	—
Total	110,826	28,313	52,202	15,433	206,776	(38,291)	168,484
Core operating income	8,046	1,352	2,892	639	12,930	(378)	12,552
Other income							6,059
Other expenses							(738)
Operating profit							17,872
Finance income							407
Finance costs							(92)
Share of profit of investments accounted for using the equity method							344
Profit before tax							18,532

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

2. A negative ¥378 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	82,674
Selling, general and administrative expenses	(70,121)
Core operating income	12,552

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.

Six months ended June 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	102,893	16,027	46,714	1,650	167,285	48	167,334
(2) Intersegment[1]	7,379	10,981	4,760	13,924	37,046	(37,046)	—
Total	110,273	27,008	51,474	15,574	204,331	(36,997)	167,334
Core operating income	7,755	779	3,669	570	12,775	(316)	12,459
Other income							1,011
Other expenses							(581)
Operating profit							12,889
Finance income							426
Finance costs							(114)
Share of profit of investments accounted for using the equity method							437
Profit before tax							13,638

Notes: 1. Includes intra-segment transactions within the reportable segments.
2. A negative ¥316 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	82,518
Selling, general and administrative expenses	(70,059)
Core operating income	12,459

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.