Summary of Consolidated Financial Statements for the Year Ended December 31, 2019 [IFRS]

February 13, 2020

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

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Annual meeting of shareholders: March 27, 2020
Start date of payment of dividend: March 2, 2020
Scheduled date of filing of financial report: March 30, 2020
Supplementary materials prepared for quarterly results: Yes
Quarterly results information meeting held: Yes (for institutional investors, analysts, etc.)

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

1. Consolidated Results for the Year Ended December 31, 2019 (January 1, 2019 – December 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	%
Year ended December 31, 2019	347,519	(0.5)	29,832	(12.8)	31,402	(11.9)
Year ended December 31, 2018	349,403	2.0	34,196	12.2	35,658	11.4

	Profit for the period		Profit for the period attributable to owners of the parent		Total comprehensive income for the period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended December 31, 2019	22,980	(22.8)	20,559	(19.7)	26,189	17.1
Year ended December 31, 2018	29,783	27.3	25,606	22.6	22,360	(38.7)

Note: Core operating income for the year ended December 31, 2019 was ¥30,048 million (up 5.9% year on year). Core operating income for the year ended December 31, 2018 was ¥28,375 (down 1.5% year on year).

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

	Basic earnings per share	Diluted earnings per share	Ratio of equity attributable to owners of the parent to profit for the period	Ratio of profit before tax to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Year ended December 31, 2019	70.72	70.63	10.3	8.5	8.6
Year ended December 31, 2018	88.11	87.99	13.9	10.3	9.8

Note: Share of profit of investments accounted for using the equity method: December 31, 2019: ¥986 million
December 31, 2018: ¥809 million

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets	Equity attributable to owners of the parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
Year ended December 31, 2019	380,701	221,201	208,421	54.7	716.94
Year ended December 31, 2018	355,365	204,271	191,108	53.8	657.50

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended December 31, 2019	36,762	(20,754)	(10,561)	110,406
Year ended December 31, 2018	31,879	(8,989)	(8,754)	104,972

2. Dividends

	Cash dividends per share					Total dividend paid (annual)	Payout ratio (consolidated)	Ratio of dividends to equity attributable to owners of the parent (consolidated)
	First Quarter	Second Quarter	Third Quarter	Year-End	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal 2018	—	10.00	—	10.00	20.00	5,822	22.7	3.1
Fiscal 2019	—	10.00	—	11.00	21.00	6,114	29.7	3.1
Fiscal 2020 (forecast)	—	11.00	—	11.00	22.00		30.5	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2020 (January 1, 2020 – December 31, 2020)

(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 2020	168,000	0.4	13,000	0.9	9,000	3.6	30.96
Fiscal 2020	355,000	2.2	31,000	3.9	21,000	2.1	72.24

Note: Core operating income forecast: First half 2020: ¥12,500 million
Fiscal 2020: ¥30,500 million

Notes

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

(2) Changes in accounting principles, procedures and presentation methods in connection with the preparation of quarterly consolidated financial statements:
   a. Changes in accounting standards required under IFRS: 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 December 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 December 31, 2019: 8,405,440 shares
      As of December 31, 2018: 8,456,995 shares
   c. Average number of shares outstanding over period (cumulative; consolidated)
      Fiscal year ended December 31, 2019: 290,697,920 shares
      Fiscal year ended December 31, 2018: 290,627,039 shares

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

* Appropriate use of results forecasts; other special items

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

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I. Consolidated Performance and Financial Status

1. Consolidated Performance

(1) Performance Overview of the Consolidated Fiscal Year under Review (January 1, 2019–December 31, 2019)

During fiscal 2019 (January 1, 2019–December 31, 2019), despite some weakness in production and exports, the Japanese economy as a whole continued to gradually improve, backed by improvement in personal consumption and continued steady recovery in employment,

The market in the Lion Group's main business domain, the domestic consumer products industry, saw demand fluctuate due to the consumption tax hike but remained steady, as unit prices continued to rise.

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" while introducing future-oriented growth initiatives in and outside Japan.

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. However, geopolitical factors negatively impacted results in certain regions.

Reflecting these efforts, consolidated results for fiscal 2019 are as follows. Net sales amounted to ¥347,519 million, a year-on-year decrease of 0.5% (or a decrease of 0.4% in terms of real net sales, which exclude the influence of exchange rate conversions). Core operating income came to ¥30,048 million, up 5.9% compared with the previous fiscal year, and operating profit to ¥29,832 million, down 12.8% year on year.* Profit for the period attributable to owners of parent totaled ¥20,559 million, down 19.7% compared with the previous fiscal year.*

*Operating profit and profit for the period attributable to owners of the parent for 2018 include gains on sales of land in and outside Japan and other extraordinary factors.

Consolidated Results

(Millions of yen)

	Fiscal 2019	Ratio to net sales	Fiscal 2018	Ratio to net sales	Change	Change (%)
Net sales	347,519		349,403		(1,883)	(0.5%)
Core operating income	30,048	8.6%	28,375	8.1%	1,672	5.9%
Operating profit	29,832	8.6%	34,196	9.8%	(4,364)	(12.8%)
Profit for the period attributable to owners of the parent	20,559	5.9%	25,606	7.3%	(5,047)	(19.7%)

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

Results by Business

(Millions of yen)

	Net sales				Segment profit (core operating income)			
	Fiscal 2019	Fiscal 2018	Change	Change (%)	Fiscal 2019	Fiscal 2018	Change	Change (%)
Consumer Products	234,357	231,594	2,763	1.2%	19,634	17,834	1,800	10.1%
Industrial Products	55,164	57,958	(2,794)	(4.8%)	1,755	2,357	(601)	(25.5%)
Overseas	101,095	105,043	(3,948)	(3.8%)	7,552	6,875	676	9.8%
Other	35,337	34,067	1,270	3.7%	1,521	1,717	(196)	(11.4%)
Subtotal	425,954	428,663	(2,709)	(0.6%)	30,464	28,785	1,679	5.8%
Adjustment	(78,435)	(79,260)	825	—	(416)	(409)	(6)	—
Total	347,519	349,403	(1,883)	(0.5%)	30,048	28,375	1,672	5.9%

Results by business segment are as follows.

Consumer Products Business

The Consumer Products Business segment comprises the Oral Care Products, Beauty Care Products, Fabric Care Products, Living Care Products, Pharmaceutical Products and Other Products businesses. Segment net sales increased 1.2% compared with the previous fiscal year. Segment profit increased 10.1%.

(Millions of yen)

	Year ended December 31, 2019	Ratio to net sales	Year ended December 31, 2018	Ratio to net sales	Change	Change (%)
Net sales	234,357		231,594		2,763	1.2%
Segment profit	19,634	8.4%	17,834	7.7%	1,800	10.1%

Note: Net sales include internal sales within and among segments, which amounted to ¥14,977 million in fiscal 2019 and ¥16,202 million in fiscal 2018.

Net Sales by Product Segment (Millions of yen)

	Year ended December 31, 2019	Year ended December 31, 2018	Change	Change (%)
Oral Care Products	64,555	59,503	5,051	8.5%
Beauty Care Products	22,350	21,024	1,326	6.3%
Fabric Care Products	60,780	59,790	990	1.7%
Living Care Products	19,766	17,891	1,874	10.5%
Pharmaceutical Products	26,222	29,228	(3,005)	(10.3%)
Other products	40,682	44,156	(3,474)	(7.9%)

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 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 compared with 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 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 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 down year on 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 year on year, and overall sales were down year on year.

In pet supplies, sales of *Nioi wo Toru Suna (Deodorizing Cat Litter)* were firm, and those of oral care products were 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 4.8% compared with the previous fiscal year. Segment profit decreased 25.5%.

(Millions of yen)

	Year ended December 31, 2019	Ratio to net sales	Year ended December 31, 2018	Ratio to net sales	Change	Change (%)
Net sales	55,164		57,958		(2,794)	(4.8%)
Segment profit	1,755	3.2%	2,357	4.1%	(601)	(25.5%)

Note: Net sales include internal sales within and among segments, which amounted to ¥22,210 million in fiscal 2019 and ¥23,908 million in 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 the 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 were firm, and sales of 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 3.2%). Segment profit increased 9.8% year on year.

(Millions of yen)

	Year ended December 31, 2019	Ratio to net sales	Year ended December 31, 2018	Ratio to net sales	Change	Change (%)
Net sales	101,095		105,043		(3,948)	(3.8%)
Segment profit	7,552	7.5%	6,875	6.5%	676	9.8%

Note: Net sales include internal sales within and among segments, which amounted to ¥9,354 million in fiscal 2019 and ¥10,279 million in fiscal 2018.

Net Sales by Region (Millions of yen)

	Year ended December 31, 2019	Year ended December 31, 2018	Change	Change (%)
Southeast Asia	69,557	70,205	(647)	(0.9%)
Northeast Asia	31,537	34,838	(3,300)	(9.5%)

Net Sales by Region

In Southeast Asia, overall sales were down 0.9% year on year.

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

In Malaysia, sales of *TOP* laundry detergent were stagnant. Furthermore, 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 9.5% year on year.

In South Korea, sales of laundry detergents and hand soaps were down due to a worsening business environment. Overall sales after yen conversions were down year on year.

In China, although sales of SYSTEMA toothbrushes were stagnant, those of SYSTEMA toothpastes were strong, 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)

	Year ended December 31, 2019	Ratio to net sales	Year ended December 31, 2018	Ratio to net sales	Change	Change (%)
Net sales	35,337		34,067		1,270	3.7%
Segment profit	1,521	4.3%	1,717	5.0%	(196)	(11.4%)

Note: Net sales include internal sales within and among segments, which amounted to ¥31,909 million in fiscal 2019 and ¥28,790 million in fiscal 2018.

(2) Forecast of Consolidated Financial Results for the Fiscal Year Ending December 2020

Consolidated (Millions of yen)

	Fiscal 2020 forecast	Fiscal 2019	Change	Change (%)
Net sales	355,000	347,519	7,480	2.2%
Core operating Income	30,500	30,048	451	1.5%
Operating profit	31,000	29,832	1,167	3.9%
Profit attributable to owners of parent	21,000	20,559	440	2.1%
Basic earnings per share (yen)	72.24	70.72	1.52	2.1%

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

During fiscal 2020 (the year ending December 31, 2020), although gradual continued recovery is forecast for the Japanese economy, the outlook going forward is expected to remain unclear, reflecting shifts in raw material prices and currency exchange rates, geopolitical risks and other factors.

In the domestic consumer products industry, the Lion Group's main business domain, despite anticipated expansion in the market for high-value-added products, competition is expected to remain fierce.

Amid these circumstances, the Lion Group will rapidly implement the strategies outlined in the LION Value Evolution Plan (LIVE Plan) medium-term management plan. In particular, in 2020, Lion will reinforce future-oriented growth investment aimed at improving corporate value.

In the Consumer Products Business segment, the Lion Group will cultivate markets for high-value-added products in its mainstay businesses, working to improve its market position and strengthen profitability while offering new value to customers. The Group will also work to expand production capacity, especially in the oral care field, and make its production system more efficient.

In the Industrial Products Business segment, Lion will focus management resources on such key fields as automotive and electrical and electronic products, to reinforce its business foundation. Furthermore, Lion will continue efforts to cultivate new customers in its vegetable washing system business.

With regard to the Overseas Business segment, the Lion Group will continue its aggressive marketing activities, primarily in the area of personal care, and strengthen sales through e-commerce channels, seeking to expand its business.

As a result of the above, consolidated results forecasts for fiscal 2020 are as follows: net sales of ¥355,000 million (up 2.2%) year on year), core operating income of ¥30,500 million (up 1.5% year on year), operating profit of ¥31,000 million (up 3.9% year on year) and profit for the period attributable to owners of parent of ¥21,000 million (up 2.1% year on year).

Assumptions Underlying the Forecast of Consolidated Financial Results for Fiscal 2020
Lion utilized the following foreign exchange rates in the calculation of the aforementioned forecasts.

¥110= US$1.00
¥3.6 = 1.00 baht

2. Financial Status

(1) Assets, Liabilities and Equity

Consolidated Financial Status

	2019	2018	Change
Total assets (millions of yen)	380,701	355,365	25,336
Total equity (millions of yen)	221,201	204,271	16,929
Ratio of equity attributable to owners of the parent to total assets[1] (%)	54.7	53.8	0.9
Equity attributable to owners of the parent to total assets per share[2] (yen)	716.94	657.50	59.44

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

Total assets rose ¥25,336 million compared with the previous consolidated fiscal year-end to ¥380,701 million. This was primarily attributable to an increase in property, plant and equipment. Total equity increased ¥16,929 million to ¥221,201 million. The ratio of equity attributable to owners of the parent to total assets stood at 54.7%

(2) Cash Flows

Consolidated Cash Flows (Millions of yen)

	2019	2018	Change
Cash flows from operating activities	36,762	31,879	4,882
Cash flows from investing activities	(20,754)	(8,989)	(11,765)
Cash flows from financing activities	(10,561)	(8,754)	(1,806)
Effect of exchange rate change on cash and cash equivalents	(12)	(564)	552
Net increase (decrease) in cash and cash equivalents	5,433	13,570	(8,136)
Cash and cash equivalents at end of period	110,406	104,972	5,433

Net cash provided by operating activities totaled ¥36,762 million, due mainly to profit before tax.

Net cash used in investing activities totaled ¥20,754 million, due in part to the purchase of property, plant and equipment.

Net cash used in financing activities totaled ¥10,561 million. Major components of this outflow included cash dividends paid.

As a result of the above, cash and cash equivalents as of December 31, 2019 increased ¥5,433 million compared with the consolidated fiscal year ended December 31, 2018, to ¥110,406 million.

(3) Forecast of Fiscal 2020 Consolidated Cash Flows

In cash flows from operating activities, Lion projects profit before tax of approximately ¥33,000 million. Depreciation and amortization is estimated to total about ¥11,000 million.

In cash flows from investment activities, Lion plans to undertake capital expenditures of around ¥48,000 million during fiscal 2020.

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

Based on these projections, Lion estimates that cash and cash equivalents at the end of fiscal 2020 will be down approximately ¥14,000 million year on year.

(4) Cash Flow Indicators

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

Notes:

1. Ratio of equity attributable to owners of the parent to total assets = Equity attributable to owners of the parent / Total assets
2. Ratio of equity attributable to owners of the parent to total assets on a market value basis = Market value of shares / Total assets
3. Debt redemption (years): Interest-bearing liabilities / Cash flows from operating activities
4. Interest coverage ratio: Cash flows from operating activities / Interest payments
5. All the above indicators are calculated based on consolidated financial data.
6. Market value of shares is calculated as the closing stock price as of the end of the term multiplied by the number of outstanding stocks as of the end of the term (after the deduction of treasury stocks).
7. Cash flows from operating activities are those stated in the Consolidated Statement of Cash Flows.
8. Interest-bearing liabilities" means all those liabilities that bear interest among the liabilities in the Consolidated Statement of Financial Position. Figures in the Consolidated Statement of Cash Flows are used for the amount of interest paid,.
9. The date of transition to IFRS was January 1, 2017, and the Company has applied IFRS since fiscal 2018. As such, the indicators for fiscal 2016 and before are not provided.

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

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

Taking into consideration the Company's cash dividend payment record, as well as its dividend payout ratio target, Lion's Board of Directors resolved to pay an interim dividend of ¥10 per share (payment date: September 3, 2019) and a year-end dividend of ¥11 per share (payment date: March 2, 2020) for fiscal 2019.

With regard to dividends for fiscal 2020, in accordance with its basic policy on the distribution of earnings and cash dividends, Lion plans to pay an interim dividend of ¥11 per share and a year-end dividend of ¥11 per share, for a total annual dividend of ¥22 per share.

4. Business Risks

The Lion Group's management performance and financial status may be adversely affected by various risks as business activities are pursued in the future. Of these risks, the following items, in particular, may have a material impact on the decisions of investors.

Forward-looking statements are based on decisions made by the Lion Group as of February 13, 2020.

Business risks are not limited to the items listed below.

(1) Product quality and value

The Lion Group plans, develops, produces, and sells products under management based on international quality standards while strictly following related laws and regulations, such as the Pharmaceutical and Medical Device Act, to provide worry-free, safe, convenient, and environmentally conscious products to consumers. In addition, we use consumers' opinions received through our Consumer Service Office to improve our products and packaging as well as respective displays and text.

In the event of an unforeseen and serious problem with product quality, however, the affected product and all products made by the Lion Group may lose their perceived value. This may adversely affect the Lion Group's management performance and financial status.

(2) Changes in raw material prices

The Lion Group's products use petrochemical and vegetable oils and fats as basic materials. Since these materials are easily affected by international market prices, we have measures in place to reduce costs and diversify the range of materials used. However, an increase in raw material prices may adversely affect the Lion Group's management performance and financial status.

(3) Exchange rate fluctuations

The Lion Group translates into yen the financial statements of overseas subsidiaries when preparing consolidated financial statements. For items denominated in foreign currency, their yen values may be affected by prevailing foreign exchange rates when translated into yen. The Lion Group has taken steps to minimize the risk of an increase in raw material costs by hedging against exchange rate fluctuations. However, short-, medium-, and long-term changes in foreign exchange rates may adversely affect the Lion Group's management performance and financial status.

(4) Major lawsuits

During fiscal 2019, Lion is not involved in any lawsuits that may have significant impact on its business. However, if the Lion Group were to be sued and found liable for significant damages, these could adversely affect the Lion Group's management performance and financial status.

(5) Earthquakes and other natural disasters

In the product manufacturing process, the Lion Group has put in place safety measures against earthquakes and other natural disasters. In the event of a major disaster, however, our production

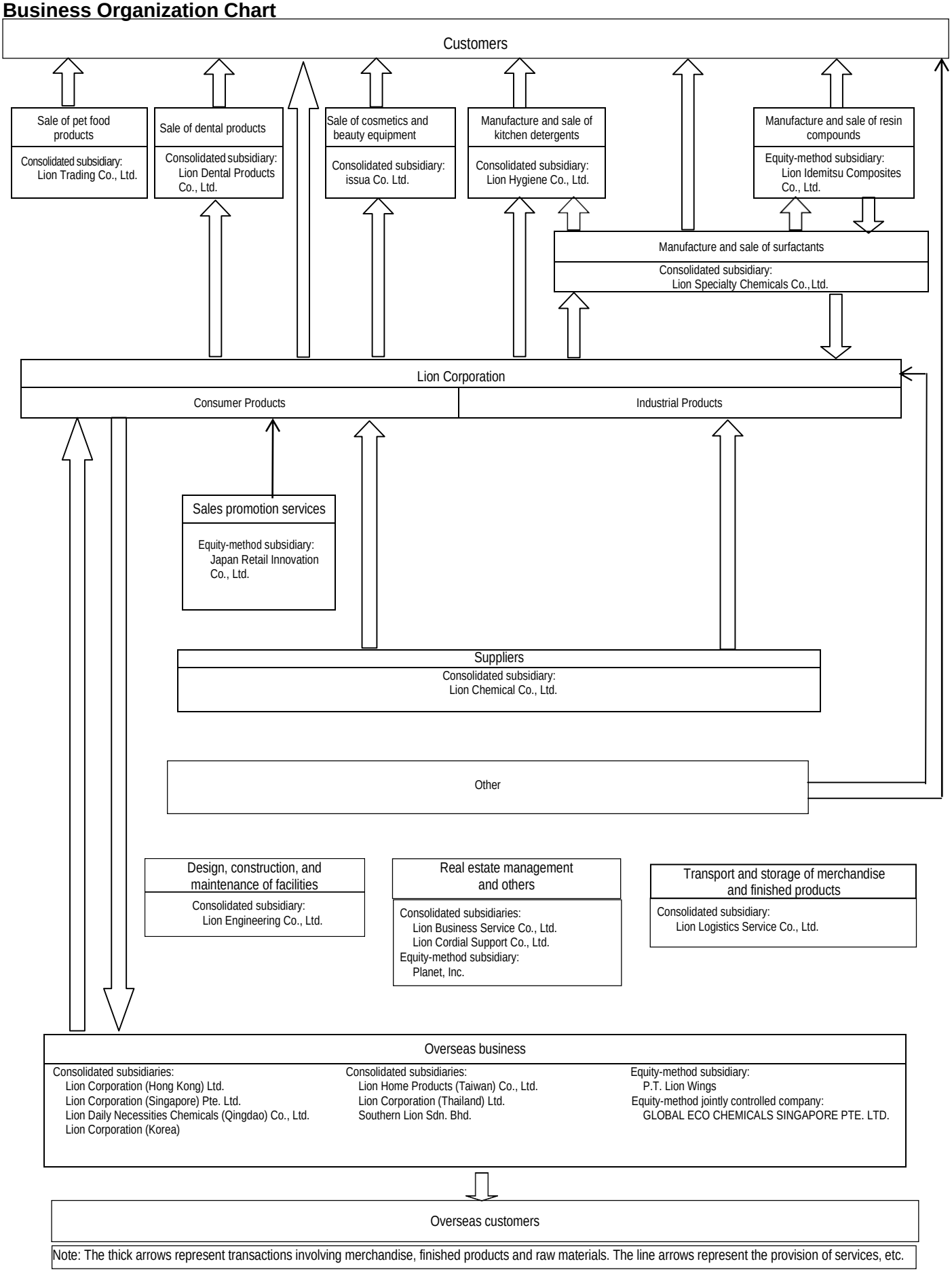
equipment may be damaged, or a suspension of raw materials procurement or distribution activities may cause business activities to cease, adversely affecting the Lion Group's management performance and financial status.

II. Corporate Group

The Lion Group consists of Lion Corporation, 22 consolidated subsidiaries, 4 equity-method affiliates and 1 equity-method jointly controlled companies. The Group's principle businesses are the Consumer Products Business, Industrial Products Business, and Overseas Business. Other business activities involve distribution related to the above businesses and other services.
The relationship between Group business activities and business segments is shown below, which is based on the categorization used for business segments.

Business segment	Main activities	Main companies	
Consumer Products Business	Manufacture and sale of domestic commodities, OTC drugs and functional food products in Japan	Domestic affiliates	Lion Corporation Lion Dental Products Co., Ltd. Lion Trading Co., Ltd. issua Co. Ltd. Japan Retail Innovation Co., Ltd.
Industrial Products Business	Manufacture and sale of chemical raw materials, industrial products and other items in Japan and overseas	Domestic affiliates	Lion Corporation Lion Chemical Co., Ltd. Lion Hygiene Co., Ltd. Lion Specialty Chemicals Co., Ltd. Lion Idemitsu Composites Co., Ltd.
Overseas Business	Manufacture and sale of commodities and chemical raw materials overseas	Overseas affiliates	Lion Corporation (Hong Kong) Ltd. Lion Corporation (Singapore) Pte. Ltd. Lion Advertising Ltd. Lion Daily Necessities Chemicals (Qingdao) Co., Ltd. PT. IPPOSHA INDONESIA Lion Corporation (Korea) Lion Home Products (Taiwan) Co., Ltd. Lion Corporation (Thailand) Ltd. Lion Service Co., Ltd. Eastern Silicate Company Limited Southern Lion Sdn. Bhd. GLOBAL ECO CHEMICALS SINGAPORE PTE. LTD. P.T. Lion Wings
Other	Transport and storage of merchandise and finished products; design, construction, and maintenance of storage facilities; real estate management; human resource services, etc.	Domestic affiliates	Lion Engineering Co., Ltd. Lion Cordial Support Co., Ltd. Lion Business Service Co., Ltd. Lion Logistics Service Company, Ltd. Planet, Inc.

Business Organization Chart



Note: The thick arrows represent transactions involving merchandise, finished products and raw materials. The line arrows represent the provision of services, etc.

Subsidiaries and Affiliates

Consolidated Subsidiaries

Name	Location	Capitalization	Business	Voting shares held by Lion (%)	Nature of business relationship				
					Shared positions		Financial support	Business dealings	Lease of facilities, etc.
					Lion officers	Lion employees			
Lion Engineering Co., Ltd.	Sumida-ku, Tokyo	JPY100 million	Other	100.0	2	8	None	Design, construction, and maintenance of facilities	Lease of part of office space
(Note 1) Lion Chemical Co., Ltd.	Sumida-ku, Tokyo	JPY7,800 million	Industrial products	100.0	3	9	Loans	Purchase of raw materials and merchandise	Rental of part of office space and land
Lion Cordial Support Co., Ltd.	Sumida-ku, Tokyo	JPY20 million	Other	100.0	—	4	None	Human resources services	Lease of office space
Lion Dental Products Co., Ltd.	Sumida-ku, Tokyo	JPY10 million	Consumer products	100.0	1	7	None	Sale of merchandise and finished products	Lease of office space
Lion Trading Co., Ltd.	Sumida-ku, Tokyo	JPY240 million	Consumer products	100.0	2	6	None	—	Lease of part of office space
Lion Specialty Chemicals Co., Ltd.	Sumida-ku, Tokyo	JPY400 million	Industrial products	100.0	3	9	Loans	Sale of merchandise and finished products and purchase of raw materials and merchandise	Lease of part of office space
Lion Hygiene Co., Ltd.	Sumida-ku, Tokyo	JPY300 million	Industrial products	100.0	2	7	None	Sales and purchase of merchandise	Lease of part of office and warehouse space
Lion Business Service Co., Ltd.	Sumida-ku, Tokyo	JPY490 million	Other	100.0	—	5	None	Rental, dealing, and brokerage of real estate, and insuring	Rental of part of office space and land
Lion Logistics Service Company, Ltd.	Sumida-ku, Tokyo	JPY40 million	Other	100.0	2	6	None	Transport and storage of merchandise and finished products	Lease of part of office space
issua Company, Ltd.	Minato-ku, Tokyo	JPY20 million	Consumer products	100.0	1	4	None	Sale of merchandise and finished products	—

Name	Location	Capitalization	Business	Voting shares held by Lion (%)	Nature of business relationship				
					Shared positions		Financial support	Business dealings	Lease of facilities, etc.
					Lion officers	Lion employees			
Lion Corporation (Hong Kong) Ltd.	China (Hong Kong)	HKD12,000 thousand	Overseas business	100.0	—	3	None	Sale of merchandise and finished products	—
Lion Corporation (Singapore) Pte. Ltd.	Singapore	SGD9,000 thousand	Overseas business	100.0	—	3	None	Sale of merchandise and finished products	—
Lion Advertising Ltd.	China (Hong Kong)	HKD100 thousand	Overseas business	(Note 2) 100.0 (100.0)	—	2	None	—	—
Lion Daily Necessities Chemicals (Qingdao) Co., Ltd.	China	USD39,065 thousand	Overseas business	100.0	—	6	None	Sale of merchandise and finished products and purchase of merchandise	—
PT. IPPOSHA INDONESIA	Indonesia	USD750 thousand	Overseas business	(Note 3) 100.0 (90.0)	—	4	None	—	—
Lion Corporation (Korea)	South Korea	KRW9,976,250 thousand	Overseas business	100.0	1	4	None	Sale of merchandise and finished products and purchase of merchandise	—
Lion Home Products (Taiwan) Co., Ltd.	Taiwan	TWD530,000 thousand	Overseas business	100.0	—	7	None	Sale of merchandise and finished products	—
Lion Corporation (Thailand) Ltd.	Thailand	THB500,000 thousand	Overseas business	51.0	4	6	None	Sale of merchandise and finished products and purchase of merchandise	—
Lion Service Co., Ltd.	Thailand	THB7,000 thousand	Other business	(Note 4) 100.0 (100.0)	—	—	None	—	—
Eastern Silicate Company Limited	Thailand	THB500 thousand	Other business	(Note 4) 99.9 (99.9)	—	2	None	—	—
Southern Lion Sdn. Bhd.	Malaysia	MYR22,000 thousand	Overseas business	50.0	—	3	None	Sale of merchandise and finished products and purchase of merchandise	—

Equity-method affiliates

Name	Location	Capitalization	Business	Voting shares held by Lion (%)	Nature of business relationship				
					Shared positions		Financial support	Business dealings	Lease of facilities, etc.
					Lion officers	Lion employees			
Lion Idemitsu Composites Co., Ltd.	Taito-ku, Tokyo	JPY100 million	Industrial products	50.0	2	3	None	Purchase of special synthetic resin com-pounds	—
Planet, Inc.	Minato-ku, Tokyo	JPY436 million	Other	16.1	1	—	None	Utilization of VANs	—
Japan Retail Innovation Co., Ltd.	Minato-ku, Tokyo	JPY100 million	Consumer products	20.0	—	1	None	Sales promotion activities	—
P.T. Lion Wings	Indonesia	IDR64,062 million	Overseas business	48.0	—	4	None	Sale of merchandise and finished products	—

Equity-method jointly controlled companies

Name	Location	Capitalization	Business	Voting shares held by Lion (%)	Nature of business relationship				
					Shared positions		Financial support	Business dealings	Lease of facilities, etc.
					Lion officers	Lion employees			
GLOBAL ECO CHEMICALS SINGAPORE PTE. LTD.	Singapore	USD39,538 thousand	Overseas business	50.0	2	1	None	Purchase of raw materials	—

Notes: 1. Lion Chemical Co., Ltd. and Lion Daily Necessities Chemicals (Qingdao) Co., are specified subsidiaries.
2. The voting shares of Lion Advertising Ltd. are held by Lion Corporation (Hong Kong) Ltd.
3. 90% of PT. IPPOSHA INDONESIA's voting shares are held by Lion Specialty Chemicals Co., Ltd.
4. The voting shares of Lion Service Co., Ltd. and Eastern Silicate Company Limited are held by Lion Corporation (Thailand) Ltd.
5. The figures in parentheses in the "Voting shares held by Lion" column are the percentages of total voting shares held indirectly by Lion Corporation.
6. In addition to the companies listed above, there is one small-scale, non-consolidated equity-method company.

III. Management Policies

1. Basic Management Policies

The Lion Group positions “Fulfilling a Spirit of Love” as fundamental to its management, and thus contributes to the enrichment of the happiness and lives of people. Based on this motto, the Lion Group provides customers with superior products and services that are useful in securing the healthy, clean and comfortable lifestyles of people. The Group fully recognizes its mission to make an active contribution to society through such efforts.

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

2. Performance Targets

Through the thorough selection and concentration of investment in management initiatives, efforts to reform its business structure and reinforce its earnings structure, and aggressive acquisitions and the development of new businesses, Lion is striving to increase its corporate value with the goal of reaching a consolidated ROE of 12%.

3. Medium and Long-term Management Strategies

In order to continue to create new value, consistently meet the needs of society and customers and sustainably increase its corporate value, the Lion Group believes that it must clarify the orientation of its businesses and accelerate efforts aimed at innovation. To this end, we have established a new corporate vision for 2030 and are advancing a medium-term management plan to help realize that vision.

“New Management Vision for 2030”

“Becoming an advanced daily healthcare company”

New Medium-Term Management Plan (2018–2020)

LION Value Evolution Plan (LIVE Plan)

Under the theme of evolving into a leading advanced daily healthcare company, we will advance long-term, future-oriented growth initiatives and framework-building efforts in and outside Japan while further accelerating improvements to management efficiency to reinforce the earnings structure.

Framework to Achieve the Vision

1. Expand and Evolve Our Business Domains through New Value Creation
2. Accelerate Growth in Overseas Businesses through Glocalization
3. Reinforce Our Management Base through Business Structure Reform
4. Create Dynamism to Foster Innovative Change

4. Management Issues

To achieve the goals of its new vision, the Lion Group recognizes that it must rapidly implement the strategies of the LIVE Plan, see them through to fruition, and steadily advance the following preparations for further growth.

(1) Expand and Evolve Our Business Domains through New Value Creation

Creating new combinations of various technologies and services, we will create new business value that realizes “healthy minds and bodies for all”.

(2) Accelerate Growth in Overseas Businesses through Glocalization

Focusing on growing markets in Asia, we will integrate globalization and localization approaches to create unique competitive advantages and thereby expand the scale of our businesses and the areas in which we operate.

(3) Reinforce Our Management Base through Business Structure Reform

By improving management infrastructure and revising the business portfolio to stay ahead of changes in the environment, we will reinforce our management base to enable sustainable business growth.

(4) Create Dynamism to Foster Innovative Change

We aim to foster corporate strength that will win out over global competition by promoting diversity and openness in our human resources, organizations and corporate culture.

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

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

IV. Basic Approach Regarding the Selection of Accounting Standards

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

V. Consolidated Financial Statements and Notes

(1) Consolidated Statement of Financial Position

(Millions of yen)

	December 31, 2018	December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	104,972	110,406
Trade and other receivables	64,695	61,759
Inventories	42,057	43,555
Other financial assets	2,582	4,024
Other current assets	1,626	2,750
Total current assets	215,934	222,497
Non-current assets		
Property, plant and equipment	81,546	90,903
Goodwill	182	182
Intangible assets	10,160	13,485
Right-of-use assets	—	5,940
Investments accounted for using the equity method	8,606	9,165
Deferred tax assets	5,889	2,577
Retirement benefit assets	7,799	9,597
Other financial assets	25,097	25,517
Other non-current assets	148	833
Total non-current assets	139,430	158,204
Total assets	355,365	380,701

(Millions of yen)

	December 31, 2018	December 31, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	116,980	116,268
Borrowings	1,417	1,404
Income tax payables	2,674	6,568
Provisions	710	1,582
Lease liabilities	—	1,495
Other financial liabilities	907	739
Other current liabilities	7,051	7,659
Total current liabilities	129,742	135,718
Non-current liabilities		
Borrowings	1,202	889
Deferred tax liabilities	4,232	873
Retirement benefit liabilities	10,955	12,091
Provisions	355	357
Lease liabilities	—	5,510
Other financial liabilities	3,183	2,648
Other non-current liabilities	1,421	1,411
Total non-current liabilities	21,350	23,781
Total liabilities	151,093	159,499
Equity		
Share capital	34,433	34,433
Capital surplus	34,715	34,788
Treasury stock	(4,766)	(4,739)
Other components of equity	10,920	11,320
Retained earnings	115,806	132,619
Equity attributable to owners of the parent	191,108	208,421
Non-controlling interests	13,163	12,780
Total equity	204,271	221,201
Total liabilities and equity	355,365	380,701

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

Consolidated Statement of Income

(Millions of yen)

	Year Ended December 31, 2018	Year Ended December 31, 2019
Net sales	349,403	347,519
Cost of sales	(177,673)	(175,588)
Gross profit	171,729	171,931
Selling, general and administrative expenses	(143,353)	(141,882)
Other income	7,431	1,519
Other expenses	(1,610)	(1,735)
Operating profit	34,196	29,832
Finance income	789	752
Finance costs	(137)	(168)
Share of profit of investments accounted for using the equity method	809	986
Profit before tax	35,658	31,402
Income taxes	(5,875)	(8,422)
Profit for the period	29,783	22,980
Profit for the period attributable to:		
Owners of the parent	25,606	20,559
Non-controlling interests	4,176	2,420
Profit for the period	29,783	22,980
Earnings per share		
Basic (Yen)	88.11	70.72
Diluted (Yen)	87.99	70.63

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Year Ended December 31, 2018	Year Ended December 31, 2019
Profit for the period	29,783	22,980
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	(2,875)	1,045
Remeasurements of defined benefit plans	(2,902)	1,660
Share of other comprehensive income of investments accounted for using the equity method	153	(48)
Total items that will not be reclassified as profit or loss	(5,624)	2,658
Items that may be subsequently reclassified as profit or loss		
Net gain (loss) on derivatives designated as cash flow hedges	(13)	8
Exchange differences on translation of foreign operations	(1,494)	450
Share of other comprehensive income of investments accounted for using the equity method	(290)	91
Total items that may be subsequently reclassified as profit or loss	(1,798)	550
Total other comprehensive income, net of tax	(7,422)	3,208
Comprehensive income for the period	22,360	26,189
Comprehensive income for the period attributable to:		
Owners of the parent	18,459	23,142
Non-controlling interests	3,900	3,046
Comprehensive income for the period	22,360	26,189

(3) Consolidated Statement of Changes in Equity

Fiscal 2018 (January 1 to December 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	Remeasurements of defined benefit plans
Balance at January 1, 2018	34,433	34,687	(4,805)	210	13,826	—
Changes during the period						
Comprehensive income						
Profit for the period						
Other comprehensive income					(2,834)	(2,805)
Total comprehensive income for the period	—	—	—	—	(2,834)	(2,805)
Transactions with owners						
Dividends						
Acquisition of treasury stock			(6)			
Disposal of treasury stock		20	46	(45)		
Share-based payments		84				
Changes in the ownership interest in a subsidiary without a loss of control		(77)				
Transfer from other components of equity to retained earnings					(191)	2,805
Total transactions with owners	—	28	39	(45)	(191)	2,805
Balance at December 31, 2018	34,433	34,715	(4,766)	165	10,800	—

	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, 2018	4	1,456	15,498	98,625	178,439	10,353	188,793
Changes during the period							
Comprehensive income							
Profit for the period			—	25,606	25,606	4,176	29,783
Other comprehensive income	(13)	(1,493)	(7,146)		(7,146)	(275)	(7,422)
Total comprehensive income for the period	(13)	(1,493)	(7,146)	25,606	18,459	3,900	22,360
Transactions with owners							
Dividends			—	(5,812)	(5,812)	(1,681)	(7,493)
Acquisition of treasury stock			—		(6)		(6)
Disposal of treasury stock			(45)		21		21
Share-based payments			—		84		84
Changes in the ownership interest in a subsidiary without a loss of control			—		(77)	590	512
Transfer from other components of equity to retained earnings			2,614	(2,614)	—		—
Total transactions with owners	—	—	2,568	(8,426)	(5,790)	(1,091)	(6,881)
Balance at December 31, 2018	(8)	(36)	10,920	115,806	191,108	13,163	204,271

Fiscal 2019 (January 1 to December 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	—
Changes during the period						
Comprehensive income						
Profit for the period						
Other comprehensive income					1,004	1,646
Total comprehensive income for the period	—	—	—	—	1,004	1,646
Transactions with owners						
Dividends						
Acquisition of treasury stock			(2)			
Disposal of treasury stock		(7)	29	(21)		
Share-based payments		80				
Transfer from other components of equity to retained earnings					(515)	(1,646)
Total transactions with owners	—	72	26	(21)	(515)	(1,646)
Balance at December 31, 2019	34,433	34,788	(4,739)	143	11,289	—

	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
Changes during the period							
Comprehensive income							
Profit for the period			—	20,559	20,559	2,420	22,980
Other comprehensive income	8	(76)	2,582		2,582	626	3,208
Total comprehensive income for the period	8	(76)	2,582	20,559	23,142	3,046	26,189
Transactions with owners							
Dividends			—	(5,813)	(5,813)	(3,429)	(9,243)
Acquisition of treasury stock			—		(2)		(2)
Disposal of treasury stock			(21)		0		0
Share-based payments			—		80		80
Transfer from other components of equity to retained earnings			(2,161)	2,161	—		—
Total transactions with owners	—	—	(2,182)	(3,652)	(5,735)	(3,429)	(9,165)
Balance at December 31, 2019	—	(113)	11,320	132,619	208,421	12,780	221,201

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Year Ended December 31, 2018	Year Ended December 31, 2019
Cash flows from operating activities		
Profit before tax	35,658	31,402
Depreciation and amortization	8,707	10,504
Impairment loss	68	110
Interest and dividend income	(744)	(752)
Interest expenses	137	152
Share of profit (loss) of investments accounted for using the equity method	(809)	(986)
Loss (gain) on disposal of non-current assets	(4,890)	362
Decrease (increase) in trade and other receivables	(1,285)	3,520
Decrease (increase) in inventories	(3,882)	(1,557)
Increase (decrease) in trade and other payables	5,129	(3,744)
Increase in net defined benefit liability	1,791	1,572
Other	(1,398)	1,390
Subtotal	38,481	41,976
Interest and dividends received	956	939
Interest paid	(122)	(85)
Income taxes paid	(7,435)	(6,067)
Cash flows from operating activities	31,879	36,762
Cash flows from investing activities		
Net decrease (increase) in time deposits	(797)	(1,164)
Purchase of property, plant and equipment	(14,999)	(16,743)
Proceeds from sales of property, plant and equipment	6,805	15
Purchase of intangible assets	(1,087)	(4,151)
Purchase of other financial assets	(135)	(628)
Proceeds from sales of other financial assets	410	1,915
Proceeds from transfer of business	1,300	—
Other	(484)	3
Cash flows from investing activities	(8,989)	(20,754)
Cash flows from financing activities		
Proceeds from short-term borrowings	2,428	—
Repayment of short-term borrowings	(3,933)	—
Repayment of long-term borrowings	(269)	(252)
Capital contribution from non-controlling interests	327	—
Cash dividends paid	(5,808)	(5,809)
Cash dividends paid to non-controlling interests	(1,681)	(3,119)
Repayment of lease liabilities	—	(1,376)
Other	183	(2)
Cash flows from financing activities	(8,754)	(10,561)
Effect of exchange rate changes on cash and cash equivalents	(564)	(12)
Increase (decrease) in cash and cash	13,570	5,433

equivalents		
Cash and cash equivalents at beginning of period	91,401	104,972
Cash and cash equivalents at end of period	104,972	110,406

(5) Notes to 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 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

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

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

Fiscal 2018 (January 1 to December 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	215,392	34,050	94,763	5,276	349,482	(79)	349,403
(2) Intersegment[1]	16,202	23,908	10,279	28,790	79,181	(79,181)	—
Total	231,594	57,958	105,043	34,067	428,663	(79,260)	349,403
Core operating income	17,834	2,357	6,875	1,717	28,785	(409)	28,375
Other income							7,431
Other expenses							(1,610)
Operating profit							34,196
Finance income							789
Finance costs							(137)
Share of profit of investments accounted for using the equity method							809
Profit before tax							35,658
Other monetary items							
Depreciation and amortization	4,958	976	2,107	108	8,150	556	8,707

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

2. (1) A ¥409 million adjustment of core operating income mainly comprises intersegment eliminations and corporate expenses not allocated to any reportable segment.

(2) The depreciation and amortization adjustment is depreciation and amortization of corporate assets and intersegment eliminations.

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

Gross profit	171,729
Selling, general and administrative expenses	(143,353)
Core operating income	28,375

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

Fiscal 2019 (January 1 to December 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	219,380	32,954	91,741	3,427	347,503	16	347,519
(2) Intersegment[1]	14,977	22,210	9,354	31,909	78,451	(78,451)	—
Total	234,357	55,164	101,095	35,337	425,954	(78,435)	347,519
Core operating income	19,634	1,755	7,552	1,521	30,464	(416)	30,048
Other income							1,519
Other expenses							(1,735)
Operating profit							29,832
Finance income							752
Finance costs							(168)
Share of profit of investments accounted for using the equity method							986
Profit before tax							31,402
Other monetary items							
Depreciation and amortization	5,463	1,256	2,299	108	9,127	1,376	10,504

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

2. (1) A (¥416) million adjustment of core operating income mainly comprises intersegment eliminations and corporate expenses not allocated to any reportable segment.

(2) The depreciation adjustment is depreciation of corporate assets and intersegment eliminations.

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

Gross profit	171,931
Selling, general and administrative expenses	(141,882)
Core operating income	30,048

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

3) Information by product and service category

Fiscal 2018 (January 1 to December 31, 2018)

(Millions of yen)

	Health care	Household	Chemicals	Other	Total
Sales to external customers	154,842	163,729	25,431	5,400	349,403

Fiscal 2019 (January 1 to December 31, 2019)

(Millions of yen)

	Health care	Household	Chemicals	Other	Total
Sales to external customers	157,829	163,672	22,455	3,562	347,519

4) Information by region

A. Net sales

Fiscal 2018 (January 1 to December 31, 2018)

(Millions of yen)

Japan	Asia		Other	Total
		Thailand		
252,025	95,537	43,401	1,840	349,403

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

Fiscal 2019 (January 1 to December 31, 2019)

(Millions of yen)

Japan	Asia		Other	Total
		Thailand		
252,461	93,765	45,041	1,291	347,519

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

B. Non-current assets

Fiscal 2018 (January 1 to December 31, 2018)

(Millions of yen)

Japan	Asia		Total
		Thailand	
69,805	22,233	10,619	92,038

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

Fiscal 2019 (January 1 to December 31, 2019)

(Millions of yen)

Japan	Asia		Total
		Thailand	
88,026	23,319	11,520	111,345

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

5) Major customers

Fiscal 2018 (January 1 to December 31, 2018)

(Millions of yen)

Customer	Net sales	Related segments
PALTAC Corporation	80,219	Consumer Products, Industrial Products
Arata Corporation	43,516	Consumer Products, Industrial Products

Fiscal 2019 (January 1 to December 31, 2019)

(Millions of yen)

Customer	Net sales	Related segments
PALTAC Corporation	87,831	Consumer Products, Industrial Products
Arata Corporation	44,592	Consumer Products, Industrial Products

Income Taxes

(1) Deferred tax assets and deferred tax liabilities

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

(Millions of yen)

	December 31, 2018	December 31, 2019
Deferred tax assets		
Provisions, other current liabilities, etc.	3,213	3,806
Retirement benefit assets and liabilities	9,452	8,829
Excess depreciation	560	621
Accrued enterprise and office taxes	262	439
Appraisal value of inventories	551	604
Unrealized profit on inventories and non-current assets	572	617
Other	1,244	1,284
Total	15,856	16,201
Deferred tax liabilities		
Special depreciation of non-current assets	(976)	(959)
Valuation difference upon contribution of securities to retirement benefit trust	(4,833)	(4,816)
Temporary differences due to distribution of retained earnings at overseas affiliates	(1,677)	(1,741)
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	(4,315)	(4,630)
Right of trademark	(2,007)	(2,012)
Other	(389)	(337)
Total	(14,199)	(14,497)

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

(Millions of yen)

	Year ended December 31, 2018	Year ended December 31, 2019
Net deferred tax assets and (liabilities)		
Balance at beginning of the year	(709)	1,656
Adjustment due to application of IFRS 16	—	42
Balance at beginning of the year (adjusted)	(709)	1,699
Deferred income taxes	(30)	1,028
Deferred taxes related to other comprehensive income items		
Net gain (loss) on revaluation of financial assets measured at fair value	1,136	(536)
Net gain (loss) on derivatives designated as cash flow hedges	5	(3)
Remeasurements of defined benefit plans	1,273	(728)
Other	(19)	245
Balance at end of the year	1,656	1,704

(2) Unrecognized deferred tax assets

Deductible temporary differences, net loss carryforwards and tax credit carryforwards for which deferred tax assets are not recognized are as follows.

(Millions of yen)

	December 31, 2018	December 31, 2019
Deductible temporary differences	11,323	10,376
Net loss carryforwards	398	—

The amounts and expiry dates of net loss carryforwards for which deferred tax assets are not recognized are as follows.

(Millions of yen)

	December 31, 2018	December 31, 2019
First year	—	—
Second year	—	—
Third year	—	—
Fourth year	398	—
Fifth year or later	—	—
Total	398	—

(3) Unrecognized deferred tax liabilities

There were no significant taxable temporary differences related to the investments of subsidiaries not recognized as deferred tax liabilities at December 31, 2018 or December 31, 2019.

(4) Income taxes

Income taxes recognized through profit or loss are as follows.

(Millions of yen)

	Year ended December 31, 2018	Year ended December 31, 2019
Current income taxes	5,844	9,451
Deferred income taxes		
Origination and reversal of temporary differences	3,176	(661)
Adjustments and reversals of deferred tax assets	(3,145)	(367)
Total	5,875	8,422

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

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

	Year ended December 31, 2018	Year ended December 31, 2019
Statutory tax rate	30.9%	30.6%
Entertainment expenses and other non-deductable items	0.3%	0.3%
Dividend income and other items not recognizable as income for tax purposes	(2.2%)	(0.0%)
Unrecognized deferred tax assets	(6.7%)	(1.4%)
Differences in tax rates applicable to foreign subsidiaries	(3.3%)	(2.4%)
Research and development expenses and other special deductions	(2.7%)	(1.9%)
Foreign tax credits	0.5%	1.0%
Other	(0.3%)	0.6%
Effective tax rate	16.5%	26.8%

Note: The Company is subject to taxes mainly comprising income taxes, residence taxes and enterprise taxes. Calculated based on these taxes, the statutory tax rate for the fiscal year ended December 31, 2018 was 30.9%, and that for the fiscal year ended December 31, 2019 was 30.6%. However, overseas subsidiaries are subject to the income and other taxes of their respective locations.

Post-Retirement Benefits

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

The main retirement benefit plan in which the Company participates is the LION PENSION FUND. Furthermore, the Company and 10 other companies maintain lump-sum retirement benefit payment plans. Furthermore, the Company has established a retirement benefit trust.

(1) Defined benefit plans

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

(Millions of yen)

	December 31, 2018	December 31, 2019
Present value of defined benefit obligation	68,738	67,831
Fair value of plan assets	(65,582)	(65,337)
Total	3,155	2,493
Retirement benefit liabilities	10,955	12,091
Retirement benefit assets	(7,799)	(9,597)
Net liabilities presented in the Consolidated Statement of Financial Position	3,155	2,493

A. Changes in the present value of retirement benefit obligation

(Millions of yen)

	Year ended December 31, 2018	Year ended December 31, 2019
Balance of retirement benefit obligation at beginning of year	70,400	68,738
Current service costs	2,248	2,297
Interest expenses	262	310
Remeasurements		
Experience adjustments	41	219
Actuarial differences arising from changes in demographic assumptions	(241)	—
Actuarial differences arising from changes in financial assumptions	421	658
Retirement benefit payments	(4,264)	(4,467)
Other	(131)	74
Balance of retirement benefit obligation at end of year	68,738	67,831

The weighted average duration of the defined benefit obligation was 11.2 years at December 31 2018 and 10.9 years at December 31, 2019.

B. Changes in the fair value of plan assets

(Millions of yen)

	Year ended December 31, 2018	Year ended December 31, 2019
Balance of plan assets at beginning of year	73,148	65,582
Interest revenue on plan assets	305	275
Remeasurements		
Return on plan assets (excluding interest revenue)	(3,956)	3,267
Employer contributions	234	459
Retirement benefit payments	(4,073)	(4,216)
Other	(77)	(30)
Balance of plan assets at end of year	65,582	65,337

The Group's planned contribution to defined benefit plans in the consolidated fiscal year ending December 31, 2020 is ¥589 million.

C. Plan asset management policy

The pension assets held by the LION PENSION FUND account for approximately 60% of the Group's plan assets. Management of the LION PENSION FUND's pension assets is aimed at securing the necessary total returns over the long term to ensure the payment of the defined benefit obligation going forward. Specifically, the Group manages such assets by considering factors that include the expected rates of return, risk and combinations of investment assets to determine an investment asset mix that will be optimal into the future and then maintaining this mix. Every year, the asset mix is evaluated, and if the conditions upon which it was formulated have changed, it is revised as needed. In addition, in the event of unforeseen market conditions, risk asset weights may be temporarily adjusted.

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

D. Components of plan assets

The components of plan assets are as follows.

(Millions of yen)

	December 31, 2018		December 31, 2019	
	Assets with quoted prices in active markets	Assets without quoted prices in active markets	Assets with quoted prices in active markets	Assets without quoted prices in active markets
Bonds	—	11,940	—	30,959
Stocks	29,826	—	22,542	—
Other	7,732	16,082	7,643	4,193
Total	37,558	28,023	30,185	35,152

E. Actuarial assumptions

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

	December 31, 2018	December 31, 2019
Discount rate	0.4%	0.3%

F. Sensitivity analysis of actuarial assumptions

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

This analysis assumes that other relevant variables are fixed.

(Millions of yen)

	Year ended December 31, 2018	Year ended December 31, 2019
Discount rate up to 0.5%	(3,259)	(3,172)
Discount rate down to 0.5%	2,833	2,050

(2) Defined contribution plans

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

(Millions of yen)

	Year ended December 31, 2018	Year ended December 31, 2019
Expenses related to defined contribution plans	3,041	3,061

Earnings per Share

(1) Basic earnings per share

	Year ended December 31, 2018	Year ended December 31, 2019
Profit for the period attributable to owners of the parent (millions of yen)	25,606	20,559
Average common shares during the period (thousands of shares)	290,627	290,697
Basic earnings per share (yen)	88.11	70.72

(2) Diluted earnings per share

	Year ended December 31, 2018	Year ended December 31, 2019
Profit for the period attributable to owners of the parent (millions of yen)	25,606	20,559
Adjustments to profit for the period (millions of yen)	—	—
Profit for the period used to calculate diluted earnings per share (millions of yen)	25,606	20,559
Average common shares during the period (thousands of shares)	290,627	290,697
Stock options (thousands of shares)	303	247
Executive compensation BIP trust (thousands of shares)	85	120
Diluted average common shares during the period (thousands of shares)	291,016	291,066
Diluted earnings per share (yen)	87.99	70.63

Important Subsequent Events

None.

VI. Other

Personnel Changes

1. Change of Representative

None.

2. Other Personnel Changes

None.

The following management team is scheduled to assume office upon the conclusion of the March 27, 2020 Annual Meeting of Shareholders and the immediately following Board of Directors meeting.

(1) Directors

Name	Position or assignment at Lion or main profession
Itsuo Hama	Representative Director Chairman of the Board of Directors, Chief Executive Officer
Masazumi Kikukawa	Representative Director President and Executive Officer, Chief Operating Officer
Kenjiro Kobayashi	Director Senior Executive Officer
Takeo Sakakibara	Director Senior Executive Officer
Yugo Kume	Director Executive Officer
Fumitomo Noritake	Director Executive Officer
Kazunari Uchida	External director University professor
Takashi Shiraishi	External Director University professor
Takako Sugaya	External Director Attorney at law

Note: The Company has notified the Tokyo Stock Exchange of the appointment of Kazunari Uchida, Takashi Shiraishi and Takako Sugaya as independent directors.

(2) Audit & Supervisory Board Members

Name	Position at Lion or main profession
Toshiyuki Nikkawa	Standing Audit & Supervisory Board Member
Yoshiaki Kamao	Standing Audit & Supervisory Board Member
Takao Yamaguchi	External Audit & Supervisory Board Member Certified public accountant, certified tax accountant
Setsuko Takemoto	External Audit & Supervisory Board Member Certified tax accountant

Note: The Company has notified the Tokyo Stock Exchange of the appointment of Takao Yamaguchi and Setsuko Takemoto as independent Audit & Supervisory Board members.

(3) Alternate Corporate Auditor

Name	Position at Lion or main profession
Akemi Sunaga	Alternate Corporate Auditor Certified public accountant, certified tax accountant

(4) Executive Officers Not Concurrently Serving as Directors

Name
Masaharu Mikuni
Hitoshi Suzuki
Tomomichi Okano
Hiroyuki Chiba
Shinichiro Hiraoka
Jiro Nagasawa
Kengo Fukuda
Yasutsugu Shimizu
Takashi Nagai
Yoko Koike
Kosuke Tanaka