



Summary of Consolidated Financial Statements for the First Half Ended June 30, 2022 [IFRS]

August 8, 2022

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 10, 2022
Start date of payment of dividend: September 5, 2022
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, 2022 (January 1, 2022 – June 30, 2022)

(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, 2022	185,195	6.9	14,267	0.6	15,749	(1.1)
Six months ended June 30, 2021	173,223	2.4	14,186	(45.4)	15,928	(41.1)

	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, 2022	11,400	(3.4)	11,055	2.2	17,243	20.0
Six months ended June 30, 2021	11,797	(39.7)	10,815	(41.9)	14,368	(3.7)

Note: Core operating income for the six months ended June 30, 2022 was ¥9,096 million (down 35.2% year on year). Core operating income for the six months ended June 30, 2021 was ¥14,032 (down 14.3% 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, 2022	38.75	38.68
Six months ended June 30, 2021	37.20	37.14

(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	%
June 30, 2022	412,901	267,717	253,400	61.4
December 31, 2021	428,025	265,014	251,572	58.8

2. Dividends

	Cash dividends per share				
	First Quarter	Second Quarter	Third Quarter	Year-End	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2021	—	12.00	—	12.00	24.00
Fiscal 2022	—	12.00			
Fiscal 2022 (forecast)			—	13.00	25.00

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

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2022 (January 1, 2022 – December 31, 2022)

(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 2022	375,000	2.4	27,500	(11.8)	20,000	(15.8)	68.79

Notes: 1. Core operating income forecast: Fiscal 2022: ¥23,000 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: No
 - 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, 2022:	292,536,446 shares
As of December 31, 2021:	299,115,346 shares
 - b. Number of treasury stocks on balance sheet date:

As of June 30, 2022:	8,303,496 shares
As of December 31, 2021:	8,382,512 shares
 - c. Average number of shares outstanding over period

Six months ended June 30, 2022:	285,294,727 shares
Six months ended June 30, 2021:	290,726,043 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. 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 2022 (January 1, 2022–June 30, 2022) are as follows. Net sales amounted to ¥185,195 million, a year-on-year increase of 6.9% (or a 4.6% increase at constant currency excluding exchange rate fluctuations). Core operating income came to ¥9,096 million, down 35.2% compared with the previous fiscal year, and operating profit to ¥14,267 million, up 0.6% year on year. Profit for the period attributable to owners of the parent totaled ¥11,055 million, up 2.2% compared with the previous fiscal year.

The Lion Group is advancing initiatives based on three growth strategies under Vision2030 1st STAGE, its medium-term management plan for the three years beginning 2022. These three strategies are “Accelerate growth in four fields of value creation,” “Transform our business foundations for growth” and “Generate dynamism to realize innovative change.”

The operating environment became more challenging, as the ongoing COVID-19 pandemic and increasingly grave situation with Ukraine contributed to an uncertain economic outlook. In particular, Lion was affected by rising raw material costs attributable to soaring resource prices and exchange rate fluctuations. Amid these circumstances, the entire Lion Group worked as one to achieve the targets of the first year of the medium-term management plan.

In its domestic operations, Lion focused on cultivating markets for such high-value-added products as toothpastes, toothbrushes, household cleaners and antipyretic analgesics. In its overseas operations, in addition to efforts to expand its business in the personal care field, which includes oral care and beauty care products, the Group focused on bolstering its competitiveness in the home care field, which includes such products as laundry detergents. Both in Japan and overseas, the Group worked to increase the efficiency of sales promotion efforts and further reduce costs to secure profitability.

Consolidated Results

(Millions of yen)

	Six months ended June 30, 2022	Ratio to net sales	Six months ended June 30, 2021	Ratio to net sales	Change	Change (%)
Net sales	185,195		173,223		11,971	6.9%
Core operating income	9,096	4.9%	14,032	8.1%	(4,935)	(35.2%)
Operating profit	14,267	7.7%	14,186	8.2%	81	0.6%
Profit for the period attributable to owners of the parent	11,055	6.0%	10,815	6.2%	239	2.2%

Notes: 1. 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.

2. Operating profit includes gain on transfer of land held by a consolidated subsidiary (transferred January 31, 2022).

Results by Business

(Millions of yen)

	Net sales				Segment profit (core operating income)			
	Six months ended June 30, 2022	Six months ended June 30, 2021	Change	Change (%)	Six months ended June 30, 2022	Six months ended June 30, 2021	Change	Change (%)
Consumer Products	125,538	121,061	4,477	3.7%	4,301	8,105	(3,804)	(46.9%)
Industrial Products	27,204	24,018	3,186	13.3%	1,550	1,558	(7)	(0.5%)
Overseas	61,189	53,594	7,595	14.2%	1,880	3,481	(1,601)	(46.0%)
Other	6,451	16,363	(9,912)	(60.6%)	486	1,014	(528)	(52.1%)
Subtotal	220,385	215,038	5,346	2.5%	8,218	14,159	(5,941)	(42.0%)
Adjustment	(35,190)	(41,815)	6,625	—	878	(127)	1,006	—
Total	185,195	173,223	11,971	6.9%	9,096	14,032	(4,935)	(35.2%)

Note: From the first quarter of the fiscal year under review, due to a change in the business structure of consolidated Group subsidiary Lion Chemical Co., Ltd., said company's business, which was previously concentrated in the Industrial Products segment, has been divided between the Industrial Products and Consumer Products segments.

Segment information for the first half of the previous fiscal year has been restated to reflect this change.

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 3.7% compared with the previous fiscal year. Segment profit decreased 46.9%.

(Millions of yen)

	Six months ended June 30, 2022	Ratio to net sales	Six months ended June 30, 2021	Ratio to net sales	Change	Change (%)
Net sales	125,538		121,061		4,477	3.7%
Segment profit	4,301	3.4%	8,105	6.7%	(3,804)	(46.9%)

Note: Net sales include internal sales within and among segments, which amounted to ¥17,025 million in the first half of fiscal 2022 and ¥13,893 million in the first half of fiscal 2021.

Net Sales by Product Segment

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2021	Change	Change (%)
Oral Care Products	33,652	32,150	1,502	4.7%
Beauty Care Products	12,553	11,650	902	7.7%
Fabric Care Products	28,901	28,592	308	1.1%
Living Care Products	11,400	11,596	(196)	(1.7%)
Pharmaceutical Products	11,171	11,415	(243)	(2.1%)
Other Products	27,859	25,656	2,203	8.6%

Oral Care Products

In toothpastes, sales of *CLINICA ADVANTAGE Toothpaste* were strong, and new *SYSTEMA Haguki (the Gums) Plus Premium Toothpaste Yokubari na BIHAKU (Whitening)* received favorable customer reviews. Overall sales increased year on year.

In toothbrushes, sales of *CLINICA ADVANTAGE Toothbrush* and *NONIO Toothbrush* were strong, and overall sales increased year on year.

In dental rinses, sales of *NONIO Plus Whitening Dental Rinse* were favorable, and sales of *SYSTEMA Haguki (the Gums) Plus Premium Dental Rinse*, launched in 2021, also contributed. Overall sales increased significantly year on year.

Beauty Care Products

In hand soaps, sales of *KireiKirei Medicated Foaming Hand Soap* were strong. Overall sales increased significantly year on year.

In body washes, sales of *hadakara Body Soap* were firm, and overall sales increased year on year.

Fabric Care Products

In fabric softeners, sales of *SOFLAN Premium Deodorizer* decreased year on year, but those of *SOFLAN Aroma Rich* were strong. Overall sales were up year on year.

In laundry detergents, sales of liquid laundry detergents *TOP Clear Liquid* and *Kaori Tsuzuku (Long-Lasting Fragrance) Top* fell year on year, but sales of highly concentrated liquid laundry detergent *TOP SUPER NANOX For Odors* were strong. Overall sales increased year on year.

Living Care Products

In dishwashing detergents, sales of *CHARMY Magica* fell year on year, and overall sales decreased year on year.

In household cleaners, sales of bath detergent *LOOK Plus Bath Cleansing* and *LOOK Plus Bath Antimold Fogger* were firm. Overall sales increased year on year.

Pharmaceutical Products

In antipyretic analgesics, amid a favorable market, sales of *BUFFERIN PREMIUM DX*, launched in 2021, received favorable customer reviews, and overall sales were up year on year.

In eye drops, sales of the *Smile 40EX* series were steady, and overall sales increased year on year.

In acne medicines, sales of *PAIR® Acne Cream W* decreased year on year, and overall sales fell year on year.

Other Products

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

In direct-to-consumer sales products, sales of *Intestinal Effect Nice rim essence Lactoferrin* were down year on year, and overall sales were down year on year.

Industrial Products Business

The Industrial Products Business segment includes the Mobility, 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 increased 13.3% compared with the previous fiscal year. Segment profit decreased 0.5%.

(Millions of yen)

	Six months ended June 30, 2022	Ratio to net sales	Six months ended June 30, 2021	Ratio to net sales	Change	Change (%)
Net sales	27,204		24,018		3,186	13.3%
Segment profit	1,550	5.7%	1,558	6.5%	(7)	(0.5%)

Note: Net sales include internal sales within and among segments, which amounted to ¥8,921 million in the first half of fiscal 2022 and ¥7,387 million in the first half of fiscal 2021.

In the Mobility field, sales of anti-sticking agents for tires and mold releasing agent for rubber were strong, and overall sales increased year on year.

In the Electronics field, sales of conductive carbon for vehicle batteries were strong, and overall sales were up substantially year on year.

In the Detergents for Institutional Use Products field, sales of hand soaps were down year on year, but sales of alcohol sanitizers for kitchen use were strong, and overall sales were up 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 increased 14.2% year on year (or a 6.0% increase at constant currency excluding exchange rate fluctuations). Due in part to the significant impact of rising raw material prices in Southeast Asia, segment profit decreased 46.0% year on year.

(Millions of yen)

	Six months ended June 30, 2022	Ratio to net sales	Six months ended June 30, 2021	Ratio to net sales	Change	Change (%)
Net sales	61,189		53,594		7,595	14.2%
Segment profit	1,880	3.1%	3,481	6.5%	(1,601)	(46.0%)

Note: Net sales include internal sales within and among segments, which amounted to ¥5,521 million in the first half of fiscal 2022 and ¥5,293 million in the first half of fiscal 2021.

Net Sales by Region

(Millions of yen)

		Six months ended June 30, 2022	Six months ended June 30, 2021	Change	Change (%)
Southeast Asia	Net sales	39,148	34,251	4,896	14.3%
	Segment profit	833	2,384	(1,550)	(65.0%)
Northeast Asia	Net sales	22,041	19,342	2,698	14.0%
	Segment profit	1,046	1,097	(50)	(4.6%)

Net Sales by Region

In Southeast Asia, overall sales were up 14.3% year on year (or up 7.1% at constant currency excluding exchange rate fluctuations), but segment profit was down 65.0%.

In Thailand, sales of laundry detergents were down year on year, but sales of body washes were strong. Overall sales after yen conversions were up year on year.

In Malaysia, sales of *TOP* laundry detergent were strong. Overall sales after yen conversions were up significantly year on year.

In Northeast Asia, overall sales were up 14.0% year on year (or up 4.2% at constant currency excluding exchange rate fluctuations), but segment profit was down 4.6%.

In South Korea, sales of laundry detergents were strong. Overall sales after yen conversions increased significantly year on year.

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

Other (Construction Contracting Business, etc.)

(Millions of yen)

	Six months ended June 30, 2022	Ratio to net sales	Six months ended June 30, 2021	Ratio to net sales	Change	Change (%)
Net sales	6,451		16,363		(9,912)	(60.6%)
Segment profit	486	7.5%	1,014	6.2%	(528)	(52.1%)

Note: Net sales include internal sales within and among segments, which amounted to ¥3,530 million in the first half of fiscal 2022 and ¥15,192 million in the first half of fiscal 2021.

(2) Financial Status

Status of Consolidated Assets, Liabilities and Equity

	June 30, 2022	December 31, 2021	Change
Total assets (millions of yen)	412,901	428,025	(15,124)
Total equity (millions of yen)	267,717	265,014	2,703
Ratio of equity attributable to owners of the parent to total assets (%)	61.4	58.8	2.6

Total assets fell ¥15,124 million compared with the previous consolidated fiscal year-end to ¥412,901 million. This was primarily attributable to a decrease in cash and cash equivalents. Total equity increased ¥2,703 million to ¥267,717 million. The ratio of equity attributable to owners of the parent to total assets stood at 61.4%.

(3) Forecast of Consolidated Financial Results

Lion has made no revisions to the consolidated financial results forecasts released on February 14, 2022 for the full fiscal year.

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

JPY110= USD1.00

JPY3.4 = THB1.00

2. Condensed Consolidated Financial Statements and Notes

(1) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	December 31, 2021	June 30, 2022
Assets		
Current assets		
Cash and cash equivalents	97,250	79,345
Trade and other receivables	70,115	66,848
Inventories	51,714	56,790
Other financial assets	6,656	7,170
Other current assets	6,413	4,727
Total current assets	232,150	214,882
Non-current assets		
Property, plant and equipment	120,673	124,065
Goodwill	182	327
Intangible assets	23,975	24,980
Right-of-use assets	5,416	5,189
Investments accounted for using the equity method	6,935	8,103
Deferred tax assets	6,005	4,439
Retirement benefit assets	9,768	7,549
Other financial assets	21,815	22,472
Other non-current assets	1,100	888
Total non-current assets	195,875	198,018
Total assets	428,025	412,901

Lion Corporation (Code 4912): Consolidated Financial Statements
for the First Half Ended June 30, 2022

(Millions of yen)

	December 31, 2021	June 30, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	123,146	107,930
Borrowings	1,411	1,432
Income tax payables	2,470	2,049
Provisions	1,673	1,806
Lease liabilities	1,483	1,393
Other financial liabilities	855	1,536
Other current liabilities	8,178	4,514
Total current liabilities	139,218	120,664
Non-current liabilities		
Borrowings	392	282
Deferred tax liabilities	1,270	1,530
Retirement benefit liabilities	12,684	13,655
Provisions	332	334
Lease liabilities	5,088	4,749
Other financial liabilities	2,469	2,373
Other non-current liabilities	1,554	1,592
Total non-current liabilities	23,792	24,518
Total liabilities	163,011	145,183
Equity		
Share capital	34,433	34,433
Capital surplus	35,189	30,939
Treasury stock	(4,731)	(8,055)
Other components of equity	9,311	14,789
Retained earnings	177,370	181,293
Equity attributable to owners of the parent	251,572	253,400
Non-controlling interests	13,442	14,317
Total equity	265,014	267,717
Total liabilities and equity	428,025	412,901

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

Condensed Consolidated Statement of Income

Six months ended June 30, 2021 and 2022

(Millions of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Net sales	173,223	185,195
Cost of sales	(86,830)	(102,418)
Gross profit	86,393	82,776
Selling, general and administrative expenses	(72,360)	(73,680)
Other income	647	5,893
Other expenses	(493)	(722)
Operating profit	14,186	14,267
Finance income	481	468
Finance costs	(69)	(63)
Share of profit of investments accounted for using the equity method	1,330	1,076
Profit before tax	15,928	15,749
Income taxes	(4,131)	(4,348)
Profit for the period	11,797	11,400
Profit for the period attributable to:		
Owners of the parent	10,815	11,055
Non-controlling interests	981	345
Profit for the period	11,797	11,400
Earnings per share		
Basic (Yen)	37.20	38.75
Diluted (Yen)	37.14	38.68

Condensed Consolidated Statement of Comprehensive Income

Six months ended June 30, 2021 and 2022

(Millions of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Profit for the period	11,797	11,400
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	(125)	512
Remeasurements of defined benefit plans	1,295	(1,435)
Share of other comprehensive income (loss) of investments accounted for using the equity method	14	(9)
Total items that will not be reclassified as profit or loss	1,184	(933)
Items that may be subsequently reclassified as profit or loss		
Net gain (loss) on derivatives designated as cash flow hedges	(1)	—
Exchange differences on translation of foreign operations	1,169	6,775
Share of other comprehensive income (loss) of investments accounted for using the equity method	218	—
Total items that may be subsequently reclassified as profit or loss	1,385	6,775
Total other comprehensive income, net of tax	2,570	5,842
Comprehensive income for the period	14,368	17,243
Comprehensive income for the period attributable to:		
Owners of the parent	13,319	15,274
Non-controlling interests	1,048	1,968
Comprehensive income for the period	14,368	17,243

(3) Condensed Consolidated Statement of Changes in Equity

Six months ended June 30, 2021

(Millions of yen)

	Equity attributable to owners of the parent					
	Share capital	Capital surplus	Treasury stock	Other components of equity		
				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, 2021	34,433	34,986	(4,739)	138	10,592	—
Profit for the period						
Other comprehensive income					(82)	1,295
Total comprehensive income for the period	—	—	—	—	(82)	1,295
Dividends						
Acquisition of treasury stock			(1)			
Disposal of treasury stock		1	10	(2)		
Share-based payments		44				
Transfer from other components of equity to retained earnings					(115)	(1,295)
Total transactions with owners	—	45	8	(2)	(115)	(1,295)
Balance at June 30, 2021	34,433	35,032	(4,730)	135	10,394	—

	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, 2021	(0)	(654)	10,076	156,965	231,723	13,133	244,856	
Profit for the period			—	10,815	10,815	981	11,797	
Other comprehensive income	(1)	1,292	2,503		2,503	66	2,570	
Total comprehensive income for the period	(1)	1,292	2,503	10,815	13,319	1,048	14,368	
Dividends			—	(3,488)	(3,488)	(1,040)	(4,528)	
Acquisition of treasury stock			—		(1)		(1)	
Disposal of treasury stock			(2)		8		8	
Share-based payments			—		44		44	
Transfer from other components of equity to retained earnings			(1,411)	1,411	—		—	
Total transactions with owners	—	—	(1,413)	(2,077)	(3,436)	(1,040)	(4,476)	
Balance at June 30, 2021	(1)	638	11,166	165,704	241,606	13,141	254,748	

Six months ended June 30, 2022

(Millions of yen)

	Equity attributable to owners of the parent					
	Share capital	Capital surplus	Treasury stock	Other components of equity		
				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, 2022	34,433	35,189	(4,731)	135	8,541	—
Profit for the period						
Other comprehensive income					477	(1,435)
Total comprehensive income for the period	—	—	—	—	477	(1,435)
Dividends						
Acquisition of treasury stock			(10,000)			
Disposal of treasury stock		1	46	(12)		
Cancellation of treasury stock		(4,259)	6,630			
Share-based payments		6				
Transfer from other components of equity to retained earnings					(164)	1,435
Total transactions with owners	—	(4,250)	(3,323)	(12)	(164)	1,435
Balance at June 30, 2022	34,433	30,939	(8,055)	123	8,854	—

	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, 2022	—	634	9,311	177,370	251,572	13,442	265,014	
Profit for the period			—	11,055	11,055	345	11,400	
Other comprehensive income	—	5,177	4,219		4,219	1,623	5,842	
Total comprehensive income for the period	—	5,177	4,219	11,055	15,274	1,968	17,243	
Dividends			—	(3,488)	(3,488)	(1,093)	(4,581)	
Acquisition of treasury stock			—		(10,000)		(10,000)	
Disposal of treasury stock			(12)		35		35	
Cancellation of treasury stock			—	(2,731)	—		—	
Share-based payments			—		6		6	
Transfer from other components of equity to retained earnings			1,271	(1,271)	—		—	
Total transactions with owners	—	—	1,259	(7,132)	(13,446)	(1,093)	(14,539)	
Balance at June 30, 2022	—	5,811	14,789	181,293	253,400	14,317	267,717	

(4) Notes to Condensed Consolidated Financial Statements
Notes relating to the assumption of a going concern

Not applicable.

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 and temporary staffing

(2) Net Sales and Performance of Reportable Segments

Six months ended June 30, 2021

(Millions of yen)

	Reportable Segment			Other	Total	Adjustment ²	Consolidated ³
	Consumer Products Business	Industrial Products Business	Overseas Business				
Net sales							
External	107,168	16,631	48,301	1,171	173,272	(48)	173,223
Intersegment ¹	13,893	7,387	5,293	15,192	41,766	(41,766)	—
Total	121,061	24,018	53,594	16,363	215,038	(41,815)	173,223
Core operating income	8,105	1,558	3,481	1,014	14,159	(127)	14,032
Other income							647
Other expenses							(493)
Operating profit							14,186
Finance income							481
Finance costs							(69)
Share of profit of investments accounted for using the equity method							1,330
Profit before tax							15,928

- Notes:
1. Includes intra-segment transactions within the reportable segments.
 2. A negative ¥127 million adjustment of core operating income mainly comprises intersegment eliminations and corporate expenses not allocated to any reportable segment.
 3. Core operating income is reconciled with gross profit as follows.

Gross profit	86,393
<u>Selling, general and administrative expenses</u>	<u>(72,360)</u>
Core operating income	14,032

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, 2022

(Millions of yen)

	Reportable Segment			Other	Total	Adjustment ²	Consolidated ³
	Consumer Products Business	Industrial Products Business	Overseas Business				
Net sales							
External	108,513	18,282	55,668	2,920	185,385	(189)	185,195
Intersegment ¹	17,025	8,921	5,521	3,530	35,000	(35,000)	—
Total	125,538	27,204	61,189	6,451	220,385	(35,190)	185,195
Core operating income	4,301	1,550	1,880	486	8,218	878	9,096
Other income							5,893
Other expenses							(722)
Operating profit							14,267
Finance income							468
Finance costs							(63)
Share of profit of investments accounted for using the equity method							1,076
Profit before tax							15,749

- Notes:
1. Includes intra-segment transactions within the reportable segments.
 2. A positive ¥878 million adjustment of core operating income mainly comprises intersegment eliminations and corporate expenses not allocated to any reportable segment.
 3. Core operating income is reconciled with gross profit as follows.

Gross profit	82,776
<u>Selling, general and administrative expenses</u>	<u>(73,680)</u>
Core operating income	9,096

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) Disclosure of Changes, etc. in Reportable Segments

From the first quarter of the fiscal year under review, due to a change in the business structure of consolidated Group subsidiary Lion Chemical Co., Ltd., said company's business, which was previously concentrated in the Industrial Products segment, has been divided between the Industrial Products and Consumer Products segments.

Segment information for the first half of the previous fiscal year has been restated to reflect this change.