Summary of Consolidated Financial Statements for the First Quarter Ended March 31, 2018 [IFRS]

May 8, 2018

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

Representative: Itsuo Hama, Representative Director, President Executive Officer
Contact: Yoshiaki Kamao, Director of Finance Department
Telephone: +81-3-3621-6211

Scheduled date of filing of quarterly financial report: May 14, 2018
Start date of payment of dividend: —
Supplementary materials prepared for quarterly results: Yes
Quarterly results information meeting held: Yes (for institutional investors, analysts, etc.)

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

1. Consolidated Results for the First Quarter Ended March 31, 2018 (January 1, 2018 – March 31, 2018)

(1) Consolidated Results (cumulative)

(Percentage figures denote year-on-year change)

	Net sales		Operating profit		Profit before tax	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended March 31, 2018	79,373	1.7	11,210	69.5	11,440	66.8
Three months ended March 31, 2017	78,008	—	6,613	—	6,858	—

	Profit for the period		Profit for the period attributable to owners of the parent		Total comprehensive income for the period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended March 31, 2018	11,705	137.9	9,251	104.2	9,458	57.1
Three months ended March 31, 2017	4,919	—	4,530	—	6,021	—

Note: Core operating income for the three months ended March 31, 2018 was ¥5,967 million (down 7.7% year on year). Core operating income for the three months ended March 31, 2017 was ¥6,464.

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

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended March 31, 2018	31.84	31.79
Three months ended March 31, 2017	15.59	15.57

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets
	Millions of yen	Millions of yen	Millions of yen	%
Three months ended March 31, 2018	334,956	195,975	182,720	54.6
Three months ended March 31, 2017	338,855	188,793	178,439	52.7

2. Dividends

	Cash dividends per share (Yen)				
	First Quarter	Second Quarter	Third Quarter	Year-End	Total
Fiscal 2017	—	7.00	—	10.00	17.00
Fiscal 2018	—				
Fiscal 2018 (forecast)		10.00	—	10.00	20.00

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

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2018 (January 1, 2018 – December 31, 2018)

(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 2018	167,000	2.5	15,000	20.6	12,500	42.6	43.02
Fiscal 2018	355,000	3.6	33,000	8.3	25,000	19.7	86.03

Notes: 1. Core operating income forecast: First half 2018: ¥11,000 million
Fiscal 2018: ¥29,000 million

2. Note:Changes from the most recently published financial results forecast: No
The fiscal 2017 and fiscal 2017 first half results in the Summary of Consolidated Financial Statements published in February 2018 were estimates and differ from the amounts used to calculate the year-on-year change figures above.

4. 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 March 31, 2018: 299,115,346 shares

As of December 31, 2017: 299,115,346 shares

b. Number of treasury stocks on balance sheet date:

As of March 31, 2018: 8,533,664 shares

As of December 31, 2017: 8,535,633 shares

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

As of March 31, 2018: 290,579,808 shares

As of December 31, 2017: 290,573,335 shares

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

* Appropriate use of results forecasts; other special items

- Lion adopted the International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ending December 31, 2018. The Consolidated Financial Statements for the first quarter of the previous fiscal year and for the previous fiscal year are presented according to IFRS. For details on the differences between the consolidated financial results figures under IFRS and JGAAP, see 2. Condensed Consolidated Financial Statements and Notes (4) Notes to the Condensed Consolidated Financial Statements, First-Time Adoption of IFRS on page 28.
- 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. Accordingly, readers are cautioned that actual results may differ materially from those projected as a result of a variety of factors.

Contents

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

(1) Qualitative Information Concerning Consolidated Performance

Under its new management vision, “Becoming an advanced daily healthcare company,” the Lion Group has launched the LION Value Evolution Plan (LIVE Plan) for the three years beginning fiscal 2018.

To achieve the management vision, Lion is advancing measures based on the basic strategies “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,” and has launched future-oriented growth initiatives in and outside Japan.

In the first quarter of fiscal 2018, in its domestic operations, Lion introduced such new products as laundry detergents, fabric softeners and eye drops and worked to cultivate markets for these products through aggressive marketing. At the same time, in the Living Care field, we launched new products that offer new living habits. In its overseas operations, the Group sought to expand its business, focusing mainly on the personal care field, including oral care and beauty care products

Reflecting these efforts, consolidated results for the first quarter of fiscal 2018 (January 1, 2018–March 31, 2018) are as follows. Net sales amounted to ¥79,373 million, a year-on-year increase of 1.7% (or an increase of 0.5% in terms of real net sales, which exclude the influence of exchange rate conversions). Core operating income came to ¥5,967 million, down 7.7% compared with the same period of previous fiscal year, and operating profit to ¥11,210 million, up 69.5% year on year. Profit for the period attributable to owners of parent totaled ¥9,251 million, up 104.2% compared with the same period of the previous fiscal year.

In addition, Lion adopted the International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year under review. Figures herein for the first quarter of the previous fiscal year are presented according to IFRS.

* The combination of globalization and localization.

Consolidated Results (Millions of yen)

	Three months ended March 31, 2018	Ratio to net sales	Three months ended March 31, 2017	Ratio to net sales	Change	Change (%)
Net sales	79,373		78,008		1,364	1.7%
Core operating income	5,967	7.5%	6,464	8.3%	(496)	(7.7%)
Operating profit	11,210	14.1%	6,613	8.5%	4,597	69.5%
Profit for the period attributable to owners of the parent	9,251	11.7%	4,530	5.8%	4,721	104.2%

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

Results by Business

(Millions of yen)

	Net sales				Segment profit (core operating income)			
	Three months ended March 31, 2018	Three months ended March 31, 2017	Change	Change (%)	Three months ended March 31, 2018	Three months ended March 31, 2017	Change	Change (%)
Consumer Products	51,210	55,313	(4,102)	(7.4%)	4,393	4,603	(209)	(4.6%)
Industrial Products	13,638	12,624	1,013	8.0%	743	616	126	20.5%
Overseas	25,857	24,698	1,159	4.7%	1,170	1,454	(283)	(19.5%)
Other	7,110	6,401	708	11.1%	285	203	81	40.3%
Subtotal	97,816	99,037	(1,221)	(1.2%)	6,592	6,877	(285)	(4.1%)
Adjustment	(18,443)	(21,029)	2,585	—	(624)	(413)	(211)	—
Total	79,373	78,008	1,364	1.7%	5,967	6,464	(496)	(7.7%)

Results by business segment are as follows.

Consumer Products Business

The Consumer Products Business segment comprises the Oral Care Products, Beauty Care Products, Fabric Care Products, Living Care Products, Pharmaceutical Products and Other Products businesses. Segment net sales decreased 7.4% compared with the same period of the previous fiscal year due to a decrease in intra-Group transactions resulting from the reorganization of production sites. Despite growth in sales of high-value-added products, segment profit decreased 4.6% due in part to rising raw material costs.

(Millions of yen)

	Three months ended March 31, 2018	Ratio to net sales	Three months ended March 31, 2017	Ratio to net sales	Change	Change (%)
Net sales	51,210		55,313		(4,102)	(7.4%)
Segment profit	4,393	8.6%	4,603	8.3%	(209)	(4.6%)

Note: Net sales include internal sales within and among segments, which amounted to ¥3,830 million in the first quarter of fiscal 2018 and ¥7,012 million in the first quarter of fiscal 2017.

Net Sales by Product Segment

(Millions of yen)

	Three months ended March 31, 2018	Three months ended March 31, 2017	Change	Change (%)
Oral Care Products	12,067	11,860	206	1.7%
Beauty Care Products	4,962	5,393	(431)	(8.0%)
Fabric Care Products	14,060	14,333	(273)	(1.9%)
Living Care Products	3,443	3,495	(51)	(1.5%)
Pharmaceutical Products	6,282	6,470	(188)	(2.9%)
Other products	10,394	13,758	(3,364)	(24.5%)

Oral Care Products

In toothpastes, *SYSTEMA Haguki (the Gums) Plus*, a toothpaste that helps repair gum tissue to prevent gum disease (gingival and periodontal inflammation), saw favorable sales, and *NONIO Toothpaste*, released last year, received favorable consumer reviews. Overall sales increased year on year.

In toothbrushes, sales of the *CLINICA ADVANTAGE Toothbrush* were strong, but those of the *Between Zeitaku Care* were down year on year, and overall sales decreased compared with the same period of the previous fiscal year.

In mouthwashes, sales of *SYSTEMA Haguki (the Gums) Plus Dental Rinse* were steady. *NONIO Mouthwash*, part of the *NONIO* bad breath prevention brand, received favorable consumer reviews. Overall sales substantially increased year on year.

Beauty Care Products

In hand soaps, sales of *KireiKirei Medicated Foaming Hand Soap*, which saw the addition of a new large-size pump bottle twice the size of the original to reduce the hassle of refilling, were strong. Overall sales increased year on year.

In body washes, sales of the *hadakara Body Soap* series, which introduced a new fragrance, were strong, and overall sales increased significantly year on year.

In antiperspirants and deodorants, the new *Ban Sweat-Blocking Roll-On Premium Label for Men* received favorable consumer reviews. However, because Lion ended sales of spray-on antiperspirants and deodorants as part of product mix revisions, overall sales decreased year on year.

Fabric Care Products

In fabric softeners, sales of *SOFLAN Aroma Rich*, new and improved to better reflect consumer tastes, were favorable. Overall sales were up substantially year on year.

In laundry detergents, Lion released new and improved *TOP SUPER NANOX* super-concentrated liquid laundry detergent, but sales of *TOP HYGIA* fell year on year, as did sales of powder detergents, reflecting continued market contraction. Overall sales were down year on year.

Living Care Products

In dishwashing detergents, sales of *CHARMY Magica* declined year on year, and overall sales were down year on year.

In household cleaners, sales of bathroom fungicide *LOOK Plus Bath Antimold Fogger* were favorable, and new *LOOK Plus Cleanliness Reset, Total Drain Cleaner for Kitchens,* a detergent that removes slime from kitchen drains without requiring the user to touch it, received favorable consumer reviews. Overall sales increased year on year.

In addition, Lion released new *REED Petit Pressure Cooking Bags*, which make it easy to prepare fresh-made food in the microwave, to favorable consumer reviews.

Pharmaceutical Products

In antipyretic analgesics, sales of *BUFFERIN PREMIUM* were firm, and overall sales rose year on year.

In eye drops, Lion released new products to favorable consumer reviews, including *Smile Medical A*, formulated with deep-penetrating vitamin A to relieve eye fatigue due to dryness, and *Smile Contact EX Cornea Repair*, Japan’s first eye drops with vitamin A for use with soft contact lenses. Overall sales increased significantly 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)* and oral care products were strong. Overall sales were up significantly 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 increased 8.0% compared with the previous fiscal year. Segment profit increased 20.5%.

(Millions of yen)

	Three months ended March 31, 2018	Ratio to net sales	Three months ended March 31, 2017	Ratio to net sales	Change	Change (%)
Net sales	13,638		12,624		1,013	8.0%
Segment profit	743	5.5%	616	4.9%	126	20.5%

Note: Net sales include internal sales within and among segments, which amounted to ¥5,998 million in the first quarter of fiscal 2018 and ¥5,386 million in the first quarter of fiscal 2017.

In Automotive, sales of carbon for auto parts were firm, but those of anti-sticking agents for tires decreased year on year, and overall sales edged down year on year.

In Electrical and Electronics, sales of electro-conductive carbon for secondary batteries for overseas markets and electro-conductive compounds for semiconductor carrier materials were favorable, and overall sales increased year on year.

In Detergents for Institutional Use Products, sales of alcohol sanitizers for kitchens were favorable, and those of hand soap were steady. Overall sales edged down 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 4.7% year on year (or in terms of real net sales, which exclude the influence of exchange rate conversions, increased 0.2%). Segment profit decreased 19.5% year on year, due in part to rising raw material costs.

(Millions of yen)

	Three months ended March 31, 2018	Ratio to net sales	Three months ended March 31, 2017	Ratio to net sales	Change	Change (%)
Net sales	25,857		24,698		1,159	4.7%
Segment profit	1,170	4.5%	1,454	5.9%	(283)	(19.5%)

Note: Net sales include internal sales within and among segments, which amounted to ¥2,835 million in the first quarter of fiscal 2018 and ¥2,905 million in the first quarter of fiscal 2017.

Net Sales by Region (Millions of yen)

	Three months ended March 31, 2018	Three months ended March 31, 2017	Change	Change (%)
Southeast Asia	17,784	15,873	1,911	12.0%
Northeast Asia	8,073	8,825	(751)	(8.5%)

Net Sales by Region

In Southeast Asia, overall sales were up 12.0% year on year.

In Thailand, sales of *SYSTEMA* toothbrushes were favorable. Overall sales after yen conversions were up year on year.

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

In Northeast Asia, overall sales were down 8.5% year on year.

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

In China, sales of *SYSTEMA* toothpastes fell year on year. Overall sales after yen conversions were down year on year.

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

	Three months ended March 31, 2018	Ratio to net sales	Three months ended March 31, 2017	Ratio to net sales	Change	Change (%)
Net sales	7,110		6,401		708	11.1%
Segment profit	285	4.0%	203	3.2%	81	40.3%

Note: Net sales include internal sales within and among segments, which amounted to ¥5,775 million in the first quarter of fiscal 2018 and ¥5,757 million in the first quarter of fiscal 2017.

(2) Financial Status

Status of Consolidated Assets, Liabilities and Equity

	Three months ended March 31, 2018	Three months ended March 31, 2017	Change
Total assets (millions of yen)	334,956	338,855	(3,899)
Total equity (millions of yen)	195,975	188,793	7,182
Equity attributable to owners of the parent to total assets (%)	54.6	52.7	1.9

Total assets fell ¥3,899 million compared with the previous consolidated fiscal year-end to ¥334,956 million. This was primarily attributable to a decrease in trade and other receivables. Equity increased ¥7,182 million to ¥195,975 million. The ratio of equity attributable to owners of the parent to total assets stood at 54.6%.

(3) Forecast of Consolidated Financial Results

Lion has made no revisions to the consolidated financial results forecasts released on February 9, 2018 for the first half of the fiscal year under review and for the full fiscal year.

Assumptions Underlying the Forecast of Consolidated Financial Results for Fiscal 2018

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

¥112 = US$1.00

¥3.5 = 1.00 baht

2. Condensed Consolidated Financial Statements and Notes

(1) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	(At transition to IFRS) January 1, 2017	December 31, 2017	March 31, 2018
Assets			
Current assets			
Cash and cash equivalents	77,739	91,401	88,549
Trade and other receivables	60,946	64,871	61,696
Inventories	39,142	39,654	44,877
Other financial assets	1,315	1,996	2,007
Other current assets	1,555	1,367	1,881
Subtotal	180,699	199,291	199,012
Assets held for sale	—	228	—
Total current assets	180,699	199,520	199,012
Non-current assets			
Property, plant and equipment	73,245	79,539	77,712
Goodwill	182	182	182
Intangible assets	7,588	8,149	8,278
Investments accounted for using the equity method	4,907	5,585	5,526
Deferred tax assets	6,236	5,730	5,336
Retirement benefit assets	7,973	10,302	10,336
Other financial assets	21,055	29,399	28,159
Other non-current assets	418	446	412
Total non-current assets	121,608	139,335	135,944
Total assets	302,308	338,855	334,956

(Millions of yen)

	(At transition to IFRS) January 1, 2017	December 31, 2017	March 31, 2018
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	69,285	75,744	75,043
Borrowings	4,504	4,040	4,512
Accrued expenses	38,798	35,965	31,209
Income tax payables	4,677	4,528	1,819
Provisions	702	844	1,430
Other financial liabilities	893	890	1,349
Other current liabilities	6,754	7,388	4,902
Total current liabilities	125,617	129,400	120,266
Non-current liabilities			
Borrowings	1,690	1,569	1,476
Deferred tax liabilities	1,165	6,440	3,931
Retirement benefit liabilities	10,733	7,554	8,078
Provisions	337	375	376
Other financial liabilities	3,114	3,090	3,240
Other non-current liabilities	1,708	1,632	1,610
Total non-current liabilities	18,751	20,662	18,714
Total liabilities	144,368	150,062	138,981
Equity			
Share capital	34,433	34,433	34,433
Additional paid-in capital	34,508	34,687	34,664
Treasury stock	(4,778)	(4,805)	(4,806)
Other components of equity	8,371	15,498	13,415
Retained earnings	76,938	98,625	105,012
Equity attributable to owners of the parent	149,473	178,439	182,720
Non-controlling interests	8,466	10,353	13,255
Total equity	157,939	188,793	195,975
Total liabilities and equity	302,308	338,855	334,956

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

Condensed Consolidated Statement of Income

Three months ended March 31, 2017 and 2018

(Millions of yen)

	Three months ended March 31, 2017	Three months ended March 31, 2018
Net sales	78,008	79,373
Cost of sales	(38,247)	(40,633)
Gross profit	39,760	38,739
Selling, general and administrative expenses	(33,296)	(32,772)
Other income	262	5,620
Other expenses	(113)	(377)
Operating profit	6,613	11,210
Finance income	43	52
Finance costs	(78)	(52)
Share of profit of investments accounted for using the equity method	280	229
Profit before tax	6,858	11,440
Income taxes	(1,938)	265
Profit for the period	4,919	11,705
Profit for the period attributable to:		
Owners of the parent	4,530	9,251
Non-controlling interests	388	2,454
Profit for the period	4,919	11,705
Earnings per share		
Basic (Yen)	15.59	31.84
Diluted (Yen)	15.57	31.79

Condensed Consolidated Statement of Comprehensive Income

Three months ended March 31, 2017 and 2018

(Millions of yen)

	Three months ended March 31, 2017	Three months ended March 31, 2018
Profit for the period	4,919	11,705
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	1,083	(780)
Share of other comprehensive income of investments accounted for using the equity method	(9)	4
Total items that will not be reclassified as profit or loss	1,074	(775)
Items that may be subsequently reclassified as profit or loss		
Net gain (loss) on derivatives designated as cash flow hedges	(22)	(34)
Exchange differences on translation of foreign operations	118	(1,182)
Share of other comprehensive income of investments accounted for using the equity method	(67)	(254)
Total items that may be subsequently reclassified as profit or loss	27	(1,471)
Total other comprehensive income, net of tax	1,101	(2,247)
Comprehensive income for the period	6,021	9,458
Comprehensive income for the period attributable to:		
Owners of the parent	5,589	7,209
Non-controlling interests	431	2,248
Comprehensive income for the period	6,021	9,458

(3) Condensed Consolidated Statement of Changes in Equity

Three months ended March 31, 2017

(Millions of yen)

	Equity attributable to owners of the parent					
				Other components of equity		
	Share capital	Additional paid-in capital	Treasury stock	Subscription rights to shares	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Net gain (loss) on derivatives designated as cash flow hedges
Balance at January 1, 2017	34,433	34,508	(4,778)	218	8,140	12
Profit for the period	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	1,044	(22)
Total comprehensive income for the period	—	—	—	—	1,044	(22)
Dividends	—	—	—	—	—	—
Acquisition of treasury stock	—	—	(31)	—	—	—
Disposal of treasury stock	—	(0)	10	(10)	—	—
Share-based payments	—	19	—	10	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	(21)	—
Total transactions with owners	—	19	(20)	(0)	(21)	—
Balance at March 31, 2017	34,433	34,527	(4,798)	218	9,163	(9)

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity					
	Exchange differences on translation of foreign operations	Total	Retained earnings	Total		
Balance at January 1, 2017	—	8,371	76,938	149,473	8,466	157,939
Profit for the period	—	—	4,530	4,530	388	4,919
Other comprehensive income	36	1,058	—	1,058	42	1,101
Total comprehensive income for the period	36	1,058	4,530	5,589	431	6,021
Dividends	—	—	(2,324)	(2,324)	—	(2,324)
Acquisition of treasury stock	—	—	—	(31)	—	(31)
Disposal of treasury stock	—	(10)	—	0	—	0
Share-based payments	—	10	—	29	—	29
Transfer from other components of equity to retained earnings	—	(21)	21	—	—	—
Total transactions with owners	—	(21)	(2,303)	(2,325)	—	(2,325)
Balance at March 31, 2017	36	9,409	79,165	152,736	8,898	161,635

Three months ended March 31, 2018

(Millions of yen)

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

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

(4) Notes to Condensed Consolidated Financial Statements

Notes relating to the assumption of a going concern

Not applicable.

Reporting Company

Lion Corporation (hereinafter the "Company") is a company, as defined by Japan's Corporation Law, that is based in Japan. The condensed consolidated financial statements of the Company and its subsidiaries (hereinafter the "Group") presented herein comprise the results for the fiscal quarter ended March 31, 2018 recorded by the Company, its subsidiaries and the Group's interests in its equity-method affiliates.

Information about the Group's primary business activities can be found in the note "Segment Information."

Basis of Preparation

(1) Compliance with IFRS and first time application of IFRS Ordinance on Quarterly Consolidated Financial Statements

The Group meets the requirements for a "designated international accounting standards specified company" specified in Article 1-2 of the Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements. As such, in accordance with Article 93 of said ordinance, the Group's condensed consolidated financial statements have been prepared in conformity with International Accounting Standard 34 "*Interim Financial Reporting*."

The Group has applied IFRS for the first time from the first quarter of the fiscal year ending December 31, 2018. Accordingly, the consolidated financial statements for the fiscal year under review are the Company's first IFRS-compliant consolidated financial statements.

The date of transition to IFRS was January 1, 2017. Regarding the transition, the Group has applied the provisions of the IFRS 1 "*First-time Adoption of International Financial Reporting Standards"* (hereinafter "IFRS 1"). The impacts of the transition to IFRS on the Group's financial position, business performance and cash flows are presented in the note "First-Time Adoption of IFRS."

(2) Basis of measurement

Except for specific financial instruments stated in the note "Significant Accounting Policies" that are measured at fair value, the condensed consolidated financial statements have been prepared based on acquisition cost.

(3) Functional currency and presentation currency

The condensed consolidated financial statements are presented in Japanese yen, which is the Company's functional currency. Amounts presented in Japanese yen are truncated at the nearest million.

(4) Accounting estimates, judgments and assumptions

In preparing the Group's condensed consolidated financial statements, management makes estimates, judgments and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Management reviews such estimates and their underlying assumptions on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the future periods affected by such revisions.

Key items for which management made estimates, judgments and assumptions are as follows:

・Impairment of non-financial assets
・Recoverability of deferred tax assets
・Measurements of defined benefit plan liabilities
・Accounting treatment and appraisals of provisions
・Fair value of financial instruments

Significant Accounting Policies

Other than optional and mandatory exemptions provided for under IFRS 1, the Group's accounting policies are based on the mandatory provisions of IFRS as of March 31, 2018.

Unless otherwise noted, the significant accounting policies applied to these condensed consolidated financial statements have been consistently applied to each fiscal period presented herein.

(1) Basis of consolidation

A. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group is deemed to control an entity when, through its involvement with the entity, it has exposure to or holds rights to variable returns from the entity and has the authority to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date that the Group's control commences until the date that said control ceases. Balances and internal transactions existing between the Company and subsidiaries or between subsidiaries as well as any unrealized income and expenses arising from such transactions are eliminated when preparing the consolidated financial statements. Non-controlling interests in subsidiaries are recognized separately from the Group's interests.

The comprehensive income of subsidiaries is attributed to the owners of the parent and any non-controlling interests even if doing so results in a negative non-controlling interest balance.

B. Affiliates

Associates are companies over whose financial and operating policies the Group has significant influence but neither control nor joint control. The Group is assumed to have significant influence over a company if it directly or indirectly owns between 20% and 50% of said company's voting rights. Investments in affiliates are initially recognized at acquisition cost and accounted for by the equity method from the date that significant influence commences until the date said significant influence ceases.

(2) Business combinations

Business combinations are accounted for using the acquisition method.

The identifiable assets and liabilities of acquirees are measured at fair value on the acquisition date.

In the event that the total of the consideration transferred for the business combination, the non-controlling interests in the acquiree and the fair value of the equity in the acquiree already held by the acquirer exceeds the net amount of the acquiree's identifiable assets and liabilities on the acquisition date as measured in accordance with IFRS 3 "*Business Combinations*" (hereinafter "IFRS 3"), this excess is recognized as goodwill. The consideration transferred for the business combination is calculated as the sum of the fair value at the acquisition date of assets transferred by the acquirer, liabilities to the acquiree's former owners incurred by the acquirer and equity interests issued by the acquirer.

Whether the Group measures non-controlling interests at fair value or as the amount of the acquiree's identifiable net assets proportionate to the non-controlling interests is determined individually for each business combination. Acquisition-related costs are accounted for as expenses in the period in which they are incurred.

Additional acquisitions of non-controlling interests after the acquisition of control are accounted for as equity transactions, and the Group does not recognize goodwill from such transactions.

As the Group applies the optional exemption under IFRS 1, it does not apply IFRS 3 retroactively to business combinations prior to the transition date.

(3) Foreign currency translation

A. Foreign currency denominated transactions

Transactions denominated in foreign currencies are translated into the Group's relevant functional currencies using the exchange rates at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates at the fiscal period-end, and exchange differences resulting from such translation are recognized as net gain or loss. However, if gains or losses associated with such assets and liabilities are recognized as other comprehensive income, exchange differences on such gains or losses are recognized as other comprehensive income.

Non-monetary assets and liabilities measured at acquisition cost that are denominated in foreign currencies are translated using the exchange rates at the date of transaction.

B. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments resulting from the acquisition of foreign operations, are translated at the exchange rates as of the fiscal period-end date. Income and expenses recorded by foreign operations are translated using the average exchange rate during the fiscal period, except for cases of significant exchange rate movements during the fiscal period.

As the Group applies the exemptions under IFRS 1, the cumulative exchange differences on translation of foreign operations as of the transition date are deemed zero by transferring any such differences to retained earnings.

(4) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, readily available deposits and short-term, highly liquid investments with original maturities of three months or less that entail insignificant price fluctuation risk.

(5) Inventories

Inventories are measured at the lower of cost or net realizable value. Cost is calculated based on the moving-average method and includes purchase cost, processing costs and other expenses incurred in bringing the inventories to their present location and state. Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and estimated costs necessary to make the sale.

(6) Property, plant and equipment

The Group applies the cost model to measure property, plant and equipment.

Property, plant and equipment is stated at acquisition cost less accumulated depreciation and accumulated impairment loss.

Such acquisition cost includes expenses directly attributable to the acquisition of assets; the costs of dismantling and removing such assets as well as restoring the site on which they are located; and borrowing costs that meet the requirements for capitalization.

For all property, plant and equipment other than land, the depreciable amount, calculated as acquisition cost less the residual value at the end of estimated useful life, is depreciated evenly over each asset's estimated useful life using the straight-line method.

Estimated useful lives, residual value and method of depreciation of property, plant and equipment are reviewed at the fiscal year-end, and the effect of any changes is accounted for on a prospective basis as changes in accounting estimates.

The estimated useful lives of the main categories of property, plant and equipment are as follows:

- Buildings and structures 3–50 years
- Machinery and equipment 8–20 years

(7) Goodwill

Goodwill arising from business combinations is stated at acquisition cost less accumulated impairment loss.

Goodwill is not amortized. It is allocated to a cash-generating unit or group of cash-generating units that are tested for impairment annually or whenever there is an indication of impairment. Impairment losses on goodwill are recognized in profit or loss, and no subsequent reversal is made.

The measurement of goodwill upon initial recognition is described in (2) Business combinations.

(8) Intangible assets

The Group applies the cost model to measure intangible assets.

Intangible assets are stated at acquisition cost less accumulated depreciation and accumulated impairment loss.

Intangible assets acquired individually are measured at acquisition cost at initial recognition. Intangible assets acquired through business combinations are measured at fair value at the acquisition date.

Expenditures on internally generated intangible assets are recognized as expenses in the period when incurred, except for those that satisfy the criteria for capitalization.

Intangible assets for which useful lives can be determined are amortized over their respective estimated useful lives using the straight-line method and tested for impairment whenever there is an indication of impairment.

The estimated useful life and depreciation method of intangible assets for which useful lives can be determined are reviewed at the fiscal year-end, and the effect of any changes is accounted for as changes in accounting estimates on a prospective basis.

The estimated useful lives of the main categories of intangible assets are as follows:

- Software 5 years

Intangible assets for which useful lives cannot be determined are not amortized but are tested for impairment annually and whenever there is an indication of impairment individually or as part of their respective cash-generating units.

(9) Leases

The Group classifies leases as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership.

Lease assets under finance leases are recognized at the lower of the fair value or the present value of the minimum lease payments.

After initial recognition, such assets are depreciated using the straight-line method over the shorter of their estimated useful lives or terms of lease, in accordance with applicable accounting policies.

Leases other than finance leases are classified as operating leases and are not recorded on the Consolidated Statement of Financial Position. Lease payments for operating leases are recognized as expenses using the straight-line method over the lease terms.

Whether or not a contract includes a lease is determined based on the substance of the contract, even if the contract does not take the legal form of a lease.

(10) Impairment of assets

A. Impairment of non-financial assets

The Group assesses whether there is any indication that assets may be impaired at each reporting period-end. If any such indication is found or the asset requires an annual impairment test, the Group estimates the asset’s recoverable amount. The recoverable amount of an asset is estimated as the higher of fair value less disposal cost or value in use. If the recoverable amount of an individual asset cannot be determined, the recoverable amount of the cash-generating unit or group of cash-generating units to which the asset belongs is estimated. If the book value of a cash-generating unit or group of cash-generating units exceeds its recoverable amount, impairment of the corresponding assets is recognized, and their value is written down to the recoverable amount. In determining the value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Note that, in principle, the business plans used to estimate future cash flows extend no longer than five years. Future cash flows beyond the estimates of the business plans are in principle calculated based on steady or declining rates of growth.

Fair value less disposal cost is calculated using appropriate valuation models backed by available indicators of fair value.

B. Reversal of impairment loss

At the end of each reporting period, the Company evaluates whether there is any indication that impairment losses recognized in prior years for assets other than goodwill have decreased or extinguished. If such indication of a reversal of an impairment loss exists, the recoverable amount of the asset, cash-generating unit or group of cash-generating units in question is estimated. If this recoverable amount exceeds the book value of the asset, cash-generating unit or group of cash-generating units, a reversal of impairment loss is recognized up to the lower of the recoverable amount or the book value less the depreciation and amortization that would have been recognized had no impairment loss been recognized. Reversal of impairment loss is recognized in profit or loss.

(11) Employee benefits

A. Post-retirement benefits

The Group operates defined benefit plans and defined contribution plans as retirement plans for its employees.

(i) Defined benefit plans

The Group calculates the present value of defined benefit obligation as well as related current and prior service costs for each plan individually using the projected unit credit method.

The discount rate is calculated based on market yields on high-quality corporate bonds that have terms corresponding to the residual terms until the estimated date of future payment as of the end of the corresponding reporting period.

Assets and liabilities related to defined benefit plans are calculated by deducting the fair value of plan assets from the present value of the defined benefit obligation.

Remeasurements of assets and liabilities related to defined benefit plans are recognized in their entirety in other comprehensive income for the period in which they occur and are immediately reflected in retained earnings.

Prior service costs are recognized as expenses for the period in which they are incurred.

(ii) Defined contribution plans

Costs related to defined contribution plans are recognized as expenses in the period in which the contributions are made.

B. Other employee benefits

Short-term employee benefits are not subject to discount and are recognized as expenses when the relevant services are provided.

The Group has legal or constructive obligations to pay bonuses. When a reliable estimate of such bonuses can be made, the estimated amount of bonuses to be paid is recognized as liabilities.

The Group has legal or constructive obligations related to its cumulative paid vacation systems. When a reliable estimate of such cost of paid vacation can be made, the estimated amount to be paid based on such systems is recognized as liabilities.

(12) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past events, it is likely that the settlement of said obligation will require an outflow of resources that carry economic benefits, and the amount of the obligation can be reliably estimated.

If the effect of the time value of money is material, the amount of a provision is measured at the present value of expenditures expected to be required to settle the obligation.

Present value is calculated using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the liability.

(13) Financial Instruments

I. Financial assets (excluding derivatives)

(i) Initial recognition and measurement

The Group initially recognizes trade and other receivables on the date that they arise. The Group initially recognizes all other financial assets at the trade date on which the Company becomes a party to the relevant contract.

Financial assets are classified as either (a) financial assets measured at fair value through profit or loss or other comprehensive income; or (b) financial assets measured at amortized cost. This classification is made upon initial recognition.

Financial assets are classified as financial assets measured at amortized cost when the following conditions are met:

・ The financial asset is held based on a business model that has the objective of holding financial assets in order to collect contractual cash flows

・ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal

Debt equivalents other than financial assets measured at amortized cost are classified as financial assets measured at fair value.

Equity equivalents are individually classified as either measured at fair value through profit or loss or measured at fair value through other comprehensive income, and this classification is continuously applied.

With the exception of financial assets measured at fair value through profit or loss, financial assets are measured at the sum of fair value and transaction costs that are directly attributable to the financial assets in question.

(ii) Subsequent measurement

After their initial recognition, financial assets are measured using the following methods applied by financial asset category.

(a) Financial assets measured at amortized cost

Assets in this category are measured at amortized cost based on the effective interest method.

(b) Other financial assets

Financial assets other than those measured at amortized cost are measured at fair value.

Changes in the fair value of assets in this category are recognized either in profit or loss or in other comprehensive income.

Changes in the fair value of equity equivalents that are classified as financial assets measured at fair value through other comprehensive income are recognized in other comprehensive income. In cases where the Group derecognizes said assets or the fair value of said assets drops significantly, such changes are transferred to retained earnings.

(iii) Derecognition of financial assets

The Company derecognizes financial assets only when the contractual rights to the cash flows from the financial assets expire or when the financial assets and substantially all the risks and rewards of ownership are transferred.

(iv) Impairment of financial assets

At every fiscal period-end, the Group evaluates whether the credit risk of financial assets measured at amortized cost has increased significantly since their initial recognition. If said risk is not found to have increased significantly, the asset's 12-month expected credit loss is recognized under allowance for doubtful accounts. If said risk has increased significantly, the asset's lifetime expected credit loss is recognized under allowance for doubtful accounts. However, for trade receivables, the lifetime expected credit loss is recognized from the time of initial asset recognition.

To determine whether the credit risk has increased significantly, the Group refers to delinquency rate data and supported information that the Group can reasonably obtain, such as internal and external ratings.

Estimates of the expected credit loss on financial assets reflect the following factors.

- An unbiased and probability-weighted amount determined by evaluating a range of possible outcomes
- The time value of money
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of economic conditions

Increases in the allowance for doubtful accounts related to financial assets are recognized in profit or loss. When the allowance for doubtful accounts decreases, the reversal of said allowance is recognized in profit or loss.

B. Financial liabilities (excluding derivatives)

(i) Initial recognition and measurement

Financial liabilities other than derivatives are categorized as financial liabilities measured at amortized cost.

The Group initially measures all financial liabilities at fair value. In the case of financial liabilities measured at amortized cost, such fair value is less transaction costs that are directly attributable to the financial liabilities in question.

(ii) Subsequent measurement

After their initial recognition, financial liabilities measured at amortized cost are remeasured at amortized cost based on the effective interest method. Amortization determined by the effective interest method and gain or loss due to derecognition are recognized in profit and loss.

(iii) Derecognition of financial liabilities

Financial liabilities are derecognized when the relevant obligations are discharged; cancelled; expired and replaced by significantly different conditions; or changed to significantly different conditions.

C. Offset of financial instruments

Financial assets and liabilities are offset only when the Group currently has a legally enforceable right to offset the transactions and intends either to settle on a net basis or to simultaneously realize the financial assets and settle the financial liabilities. The net outcome of such offset is recorded on the Consolidated Statement of Financial Position.

D. Fair Value of Financial Instruments

The fair value of financial instruments being traded in active markets as of the end of the fiscal period is determined with reference to quoted market prices or dealer prices.

The fair value of financial instruments without active markets is calculated using appropriate valuation techniques or calculated with reference to prices stated by financial institutions with which the Group works.

E. Derivatives and Hedge Accounting

The Group utilizes such derivatives as forward exchange contracts and interest rate swaps as hedges against foreign exchange risk and interest rate risk, respectively. These derivatives are initially measured at fair value as of the contract date and subsequently remeasured at fair value.

Changes in the fair value of derivatives are recognized in profit or loss. However, the effective portion of cash flow hedges and hedges of net investment in foreign operations is recognized as other comprehensive income.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it is applying hedge accounting as well as its risk management objectives and strategy for undertaking the hedge.

This documentation includes the specific hedging instrument, the hedged items, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the fair values of the hedging instruments to offset exposure to changes in the fair value or cash flows of the hedged items due to the risks hedged against (including analysis of the sources of hedge ineffectiveness and the method of determining the hedging ratio).

Upon the designation of the hedge relationship and on an ongoing basis, the Group evaluates whether the derivative used in the hedge effectively offsets changes in the fair value or cash flows of the hedged item.

Specifically, a hedge is deemed effective if the economic relationship between the hedged items and hedging instruments will result in an offset.

Hedges that meet the criteria for hedge accounting are classified and accounted for as follows.

(a) Fair value hedges

Changes in the fair value of derivatives are recognized in profit or loss. When the fair value of hedged items changes (due to the hedged risks), the book values of such items are adjusted and the change is recognized in profit or loss.

(b) Cash flow hedges

The effective portion of gain or loss on hedging instruments is recognized as other comprehensive income, while the ineffective portion is recognized immediately in profit or loss.

The amount related to hedging instruments thus recorded as other comprehensive income is transferred to profit or loss when the hedged transaction affects profit or loss.

If hedged items result in the recognition of non-financial assets or liabilities, the amounts recognized as other comprehensive income are accounted for as adjustments to the initial book value of the non-financial assets or liabilities.

If the forecast transaction is no longer expected to occur, any related cumulative gain or loss that has been recognized as equity through other comprehensive income is transferred to profit or loss.

When a hedging instrument expires, is sold or is terminated or exercised without being replaced with another hedging instrument or renewed, or when hedge accounting is discontinued due to a change of risk management purpose, any related cumulative gain or loss that has been recognized as equity through other comprehensive income remains recorded as equity until the forecast transaction occurs.

(c) Hedges of net investment in foreign operations

Translation differences resulting from the hedge of net investment in foreign operations are accounted for similarly to a cash flow hedge. The effective portion of gains or losses on hedging instruments is recognized as other comprehensive income, while the ineffective portion is recognized in profit or loss. When foreign operations are disposed of, any related cumulative gain or loss that has been recognized as equity through other comprehensive income is transferred to profit or loss.

(14) Stock-based compensation

A. Stock option system

The Company grants Group directors and executive officers stock options that can be exercised to purchase shares of the Company. Stock options are measured at fair value estimated at the grant date and recognized in profit or loss over the vesting period, with an equal amount recognized as equity.

B. Performance-linked stock-based compensation system

The Company grants shares of the Company to directors (excluding external directors) and executive officers through a trust. Consideration for services received is estimated based on the fair value of Company shares at the grant date and recognized in profit or loss over the vesting period, with an equal amount recognized as equity.

(15) Revenue

The Group applies the following steps to recognize revenue.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the Group satisfies a performance obligation

Revenue is recognized at a point in time or over a period of time when a performance obligation in a contract with a customer is satisfied. Revenues from the sale of goods in the course of normal business activities are recorded when said goods are delivered, as the performance obligation is satisfied upon the transfer of control of the goods to the customer. Specifically, revenue is recognized when the significant risk and economic value of ownership of the goods have been transferred to the customer; the Group has no ongoing involvement in the management of the goods nor substantial control over them; economic benefits associated with the transaction are highly likely to be collected by the Group; and the amounts of costs and revenues related to the transaction can be reliably measured.

The Group has in place a distribution system in which, in principle, products are delivered to customers on the day they are shipped, and there is no significant time lag between shipping and delivery.

Revenues are measured at the transaction price, determined by deducting discounts, rebates and returns from the fair value of consideration or receivables.

Consideration for goods under sales contracts is mainly collected within 12 months of the transfer of control over said goods to the customer. This consideration includes no significant financial elements.

For performance obligations satisfied over time, the Group recognizes revenue over time based on estimates of its progress toward the complete satisfaction of the obligation.

(16) Finance income and finance costs

Finance income is composed mainly of interest income and dividend income. Interest income is recognized by the effective interest method when it arises. Dividend income is recognized when the Group’s right to receive it is established.

Finance costs are composed mainly of interest expenses.

(17) Income taxes

Current income taxes for the current period and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities using the tax rates and tax laws that have been enacted or substantively enacted at the end of the fiscal period.

Deferred taxes are recognized using the asset and liability method on temporary differences arising between the tax bases of said assets or liabilities and their accounting book values.

In principle, deferred tax liabilities are recognized for all taxable temporary differences, and deferred tax assets are recognized for deductible temporary differences and tax loss carryforwards to the extent that it is probable that taxable profits will be available against which said deductible temporary differences and tax loss carryforwards can be utilized.

However, as exceptions to the above, the following temporary differences are not recorded as deferred tax assets or liabilities.

- Temporary differences arising from the initial recognition of goodwill
- Temporary differences arising from the initial recognition of assets and liabilities in transactions other than business combinations that affect neither the accounting profit nor the taxable profit
- Deductible temporary differences associated with investments in subsidiaries and affiliates or interests in joint-control agreements when it is probable that such differences will not reverse in the foreseeable future, or it is improbable that taxable profits against which the differences can be utilized will be earned
- Deductible temporary differences associated with investments in subsidiaries and affiliates or interests in joint-control agreements when the timing of the reversal of the temporary differences can be controlled by the Group

and it is probable that the temporary differences will not reverse in the foreseeable future

The book values of deferred tax assets and liabilities (including unrecognized deferred tax assets) are reviewed at the end of each fiscal period.

Deferred tax assets and liabilities are measured using the estimated tax rates for the periods in which the deferred tax assets are realized or deferred tax liabilities are settled based on tax rates and tax laws that have been enacted or substantively enacted as of the end of the fiscal period.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to offset a current tax asset against a current tax liability and the same taxation authority levies income taxes either on the same taxable entity or different entities that intend to realize the asset and settle the liability at the same time.

(18) Assets held for sale

Non-current assets or disposal groups whose book value or fair value is expected to be recovered through sale and not continuing use are classified as assets held for sale. However, to be classified as assets held for sale, said non-current assets or disposal groups must be available for immediate sale and highly likely to be sold within 12 months. Assets held for sale are measured at the lower of book value or fair value less selling cost. Assets categorized as held for sale are not subject to depreciation or amortization.

(19) Equity

A. Share capital and additional paid-in capital

The issue price of equity instruments issued by the Company is recognized in share capital and additional paid-in capital. Transaction costs arising directly from such issuance are deducted from additional paid-in capital.

B. Treasury stock

When the Company acquires treasury stock, said treasury stock is recognized at acquisition cost and stated as a deduction from equity. In addition, transaction costs arising directly from such acquisition are deducted from equity. When the Company sells treasury stock, the consideration received is recognized as an increase in equity, and any difference between the book value and the consideration received is included in additional paid-in capital.

(20) Earnings per share

Basic earnings per share are calculated by dividing profit for the period attributable to common stock of the Company by the weighted-average number of outstanding common shares adjusted for treasury stock. Diluted earnings per share are calculated by adjusting for the effect of all potentially dilutive shares.

(21) Government grants

Income from government grants is measured at fair value and recognized when there is reasonable assurance that the requirements for the issue of the grant will be met and the grant will be received. Grants for expenses are recorded as revenue in the same fiscal year as the relevant expenses. Grants for the acquisition of assets are recognized under liabilities as deferred income that is then recognized in other income on a systematic basis over the useful lives of the related assets.

Segment Information

(1) Overview of reportable segments

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

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

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

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

The Company's reportable segments are as follows.

A. Consumer Products Business

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

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

B. Industrial Products Business

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

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

C. Overseas Business

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

D. Other Business

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

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

(2) Net Sales and Performance of Reportable Segments

Three months ended March 31, 2017

(Millions of yen)

	Reportable Segment			Other	Total	Adjustment[2]	Consolidated
	Consumer Products Business	Industrial Products Business	Overseas Business				
Net sales							
(1) External	48,300	7,238	21,792	643	77,974	33	78,008
(2) Intersegment[1]	7,012	5,386	2,905	5,757	21,062	(21,062)	—
Total	55,313	12,624	24,698	6,401	99,037	(21,029)	78,008
Core operating income	4,603	616	1,454	203	6,877	(413)	6,464
Other income	—	—	—	—	—	—	262
Other expenses	—	—	—	—	—	—	(113)
Operating profit	—	—	—	—	—	—	6,613
Finance income	—	—	—	—	—	—	43
Finance costs	—	—	—	—	—	—	(78)
Share of profit of investments accounted for using the equity method	—	—	—	—	—	—	280
Profit before tax	—	—	—	—	—	—	6,858

Notes: 1. Includes intra-segement transactions withing the reportable segments.
2. A negative ¥413 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	39,760
Selling, general and administrative expenses	(33,296)
Core operating income	6,464

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

Three months ended March 31, 2018

(Millions of yen)

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

Notes:
1. Includes intra-segement transactions withing the reportable segments.
2. A negative ¥624 million adjustment of core operating income mainly comprises intersegment eliminations and corporate expenses not allocated to any reportable segment.
3. Core operating income is reconciled with gross profit as follows.

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

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

First-Time Application of IFRS

Commencing with the first quarter of the fiscal year ending December 31, 2018, the Group discloses condensed consolidated financial statements that have been prepared in conformity with IFRS. The most recent consolidated financial statements the Group has prepared according to Japanese GAAP (JGAAP) are those for the fiscal year ended December 31, 2017, and the date of transition to IFRS is January 1, 2017.

In principle, IFRS requires companies applying IFRS for the first time to also apply it retroactively. However, IFRS 1 provides optional exceptions to such retroactive application for certain matters while imposing mandatory exceptions forbidding the retroactive application of certain other standards. The Group applied mainly the following exemptions.

Exceptions under IFRS 1

(1) Business Combinations

Under IFRS 1, companies may choose to apply IFRS 3 either retroactively or prospectively. The Group has chosen not to retroactively apply IFRS 3 to business combinations carried out prior to the transition date. As a result, business combinations carried out prior to the transition date are accounted for using JGAAP and have not been restated.

In principle, the book value of goodwill arising from business combinations according to JGAAP, the standard used before the transition date, is unchanged. However, because the Group is retroactively applying IAS 21 "*The Effects of Changes in Foreign Exchange Rates,*" all extant foreign-currency denominated goodwill is translated at the exchange rates as of the fiscal period-end date.

Goodwill is tested for impairment as of the transition date regardless of the presence of indications of impairment.

(2) Deemed cost

Under IFRS 1, the fair value of property, plant and equipment at the transition date can be used as deemed cost. The Group uses the fair value at the date of transition as the deemed cost for certain items of property, plant and equipment.

(3) Exchange differences on translation of foreign operations

Under IFRS 1, entities can elect either to deem accumulated exchange differences on translation of foreign operations zero as of the transition date, or to retroactively calculate the exchange differences to the date of the founding or acquisition of the relevant subsidiary or affiliate. The Group has opted to deem accumulated exchange differences on translation of foreign operations zero at the date of transition.

(4) Designation of financial instruments recognized prior to transition date

Under IFRS 1, financial assets recognized prior to the transition date can be designated appropriately in accordance with IFRS 9 "Financial Instruments" (hereinafter IFRS 9) based on facts and circumstances that exist as of the transition date. The Group has elected to use facts and circumstances that existed as of the transition date to designate financial instruments in accordance with IFRS 9.

Mandatory Exceptions under IFRS 1

IFRS 1 prohibits the retroactive application of IFRS with respect to accounting estimates, the derecognition of financial assets and liabilities, hedge accounting, non-controlling interests, the classification and measurement of financial assets, and the impairment of financial assets. The Company is applying IFRS to these items prospectively as of the transition date.

The reconciliations required upon first-time application of IFRS are as follows.

Note that "Reclassification" includes items that do not affect retained earnings and comprehensive income, and "Difference in recognition and measurement" includes items that do affect retained earnings and comprehensive income.

Adjustments to Equity as of the Date of Transiton to IFRS (Janary 1, 20I7)

(Millions of yen)

JGAAP line item	JGAAP	Reclassifi-cation	Difference in recognition and measurement	IFRS	Notes	IFRS line item
Assets						Assets
Current assets						Current assets
Cash and deposits	17,879	59,860	—	77,739	(12)	Cash and cash equivalents
Notes and accounts receivable—trade	60,293	677	(24)	60,946	(1), (12)	Trade and other receivables
Short-term investment securities	61,007	(61,007)	—	—	(12)	
Inventories	39,726	—	(583)	39,142	(2)	Inventories
Deferred tax assets	4,161	(4,161)	—	—	(12)	
		1,315	—	1,315	(12)	Other financial assets
Other	2,465	(909)	—	1,555	(12)	Other current assets
Allowance for doubtful accounts	(64)	64	—	—		
Total current assets	185,469	(4,161)	(607)	180,699		Total current assets
Noncurrent assets						Non-current assets
Property, plant and equipment	74,402	—	(1,156)	73,245	(3)	Property, plant and equipment
Intangible assets						
Goodwill	182	—	—	182		Goodwill
Right of trademark	1,658	(1,658)	—	—	(12)	
Other	981	(981)	—	—	(12)	
		2,640	4,948	7,588	(4), (12)	Intangible assets
Investments and other assets						
Investment securities	24,025	(24,025)	—	—		
Long-term loans receivable	28	(28)	—	—		
		4,918	(10)	4,907	(12)	Investments accounted for using the equity method
Deferred tax assets	2,581	4,161	(505)	6,236	(5), (12)	Deferred tax assets
Net defined benefit asset	7,973	—	—	7,973		Retirement benefit assets
		19,924	1,130	21,055	(6), (12)	Other financial assets
Other	1,291	(873)	—	418	(12)	Other non-current assets
Allowance for doubtful accounts	(84)	84	—	—		
Total noncurrent assets	113,040	4,161	4,406	121,608		Total non-current assets
Total assets	298,510	—	3,798	302,382		Total assets

(Millions of yen)

JGAAP line item	JGAAP	Reclassifi-cation	Difference in recognition and measurement	IFRS	Notes	IFRS line item
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable—trade	50,947	18,160	178	69,285	(7), (12)	Trade and other payables
Short-term loans payable	4,244	(4,244)	—	—	(12)	
Current portion of long-term loans payable	260	(260)	—	—	(12)	
		4,504	—	4,504	(12)	Borrowings
Accounts payable—other and accrued expenses	51,979	(13,181)	—	38,798	(12)	Accrued expenses
Income taxes payable	4,677	—	—	4,677		Income tax payables
Provision for bonuses	3,792	(3,792)	—	—	(12)	
Provision for sales returns	382	(382)	—	—	(12)	
Provision for sales promotion expenses	2,974	(2,974)	—	—	(12)	
Provision for directors' bonuses	387	(387)	—	—	(12)	
		702	—	702	(12)	Provisions
		727	165	893	(3), (12)	Other financial liabilities
Other	3,793	1,111	1,849	6,754	(8), (12)	Other current liabilities
Total current liabilities	123,440	(16)	2,193	125,617		Total current liabilities
Noncurrent liabilities						Non-current liabilities
Long-term loans payable	1,690	—	—	1,690		Borrowings
		926	239	1,165	(5), (12)	Deferred tax liabilities
Provision for directors' retirement benefits	287	(287)	—	—	(12)	
Net defined benefit liability	10,446	287	—	10,733	(12)	Retirement benefit liabilities
Asset retirement obligation	337	—	—	337	(12)	Provisions
		2,846	268	3,114	(3), (12)	Other financial liabilities
Other	4,428	(3,756)	1,036	1,708	(9), (12)	Other non-current liabilities
Total noncurrent liabilities	17,190	16	1,543	18,751		Total non-current liabilities
Total liabilities	140,630	—	3,737	144,368		Total liabilities

(Millions of yen)

JGAAP line item	JGAAP	Reclassifi-cation	Difference in recognition and measurement	IFRS	Notes	IFRS line item
Net assets						Equity
Capital stock	34,433	—	—	34,433		Share capital
Capital surplus	34,508	—	—	34,508		Additional paid-in capital
Treasury stock	(4,778)	—	—	(4,778)		Treasury stock
Subscription rights to shares	218	(218)	—	—		
Valuation difference on available-for-sale securities	7,429	(7,429)	—	—		
Deferred gains or losses on hedges	12	(12)	—	—		
Foreign currency translation adjustment	445	(445)	—	—		
Remeasurements of defined benefit plans	(5,246)	5,246	—	—		
		2,859	5,512	8,371	(10)	Other components of equity
Retained earnings	82,479	—	(5,540)	76,938	(11)	Retained earnings
				149,473		Equity attributable to owners of the parent
Non-controlling interests	8,377	—	89	8,466		Non-controlling interests
Total net assets	157,879	—	60	157,939		Total equity
Total liabilities and net assets	298,510	—	3,798	302,308		Total liabilities and equity

Notes Concerning Adjustments to Equity as of the Date of Transition to IFRS (January 1, 2017)

(1) Adjustments to trade and other receivables

Mainly, the standards for recognizing revenue for certain transactions changed and retained earnings have been adjusted accordingly. In addition, construction contracts accounted for using the percentage-of-completion method under JGAAP are now, under IFRS, accounted for using the construction cost recovery method, and costs are recognized as they are incurred.

(2) Adjustments to inventories

This consists mainly of certain supplies for sales promotions and other purposes that are recognized as assets under JGAAP but do not meet the definition of assets under IFRS. Retained earnings have been adjusted accordingly.

(3) Adjustments to property, plant and equipment

Adjustments to property, plant and equipment are mainly due to the following applications of deemed costs.

For certain items of property, plant and equipment, the Group uses fair value at the transition date as deemed cost. At the transition date, the JGAAP book value of the property, plant and equipment for which deemed cost was used was ¥3,796 million, and its JGAAP fair value was ¥2,205 million.

As a result of the above, property, plant and equipment at the transition date decreased ¥1,591 million. Retained earnings have been adjusted accordingly.

The fair value of these assets is based in part on the evaluations of independent appraisers with appropriate expert qualifications, which are categorized as level 3 inputs.

Furthermore, finance leases amortized as low-value lease assets under JGAAP are recorded as assets under IFRS.

(4) Adjustments to intangible assets

Under JGAAP, intangible assets for which a useful life cannot be determined are amortized using the straight-line method over an estimated useful life of 10 years. Under IFRS, these assets are not amortized. Retained earnings have been adjusted accordingly.

(5) Adjustments to deferred tax assets and deferred tax liabilities

Mainly, due to temporary differences arising as a result of adjustments from JGAAP to IFRS, the Group has adjusted the amounts of deferred tax assets and deferred tax liabilities. In addition, under JGAAP, tax effects arising from the elimination of unrealized profit are calculated using the effective tax rate of the seller, but under IFRS, these are calculated using the effective tax rate of the buyer.

(6) Adjustments to other financial assets (non-current assets)

Under JGAAP, non-marketable equity securities are valued at cost and amortized, and impairment is recognized as needed in response to any decline in the financial condition of the issuing company. Under IFRS, non-marketable equity securities are designated as financial assets measured at fair value through other comprehensive income. Their fair value is measured regardless of the presence of an active market, and changes in such fair value are recognized as other comprehensive income and transferred to retained earnings if such securities are derecognized or their fair value drops significantly.

(7) Adjustments to trade and other payables (current liabilities)

The Group has adjusted refund liabilities in light of the IFRS requirements for the recognition of income. Retained earnings have been adjusted accordingly.

(8) Adjustments to other current liabilities

This consists mainly of unused paid vacation that is not recognized as a liability under JGAAP but is now recognized as a liability under IFRS. Retained earnings have been adjusted accordingly.

(9) Adjustments to other non-current liabilities

Special vacation and bonuses granted based on number of years of employment not recognized as liabilities under JGAAP are now recognized as liabilities under IFRS. Retained earnings have been adjusted accordingly.

(10) Adjustments to other components of equity

A. The Group has opted to apply the exception provided for in IFRS 1, and, as such, has transferred the entire balance of cumulative exchange differences on translation of foreign operations to retained earnings as of the transition date, January 1, 2017. As a result, other components of equity decreased ¥445 million.

B. As a result of the evaluation of the fair value of the non-marketable equity securities described in note (6), other components of equity increased ¥1,130 million.

C. Under JGAAP, actuarial differences related to retirement benefits are recognized under other comprehensive income when they are incurred. Under IFRS, such differences are recognized as other comprehensive income in their entirety when they are incurred and immediately transferred to retained earnings. As a result, other components of equity increased ¥5,246 million.

(11) Adjustments to retained earnings

	(Millions of yen) At transition to IFRS (January 1, 2017)
Adjustments to inventories (see (2), above)	(723)
Adjustments to property, plant and equipment (see (3), above)	(1,591)
Adjustments to intangible assets (see (4), above)	4,948
Adjustments to other current liabilities (see (8), above)	(1,861)
Adjustments to other non-current liabilities (see (9), above)	(1,036)
Adjustments to remeasurements of defined benefit plans (see (10), above)	(5,246)
Adjustments to cumulative exchange differences on translation of foreign operations (see (10), above)	445
Other	(475)
Total adjustments to retained earnings	(5,540)

The above adjustments are before tax. The effect of taxes is included in “Other.”

(12) Reclassifications

To comply with IFRS, the Group has reclassified certain elements of equity. The main changes are as follows.

A. Time deposits of more than three months included in “Cash and deposits” under JGAAP are now stated as “Other financial assets” under current assets under IFRS. Short-term investments with original maturities of less than three months included in “Marketable securities” and “Other (current assets)” under JGAAP are now stated as “Cash and cash equivalents” under IFRS.

B. Accounts receivable included in “Other” under current assets under JGAAP are now transferred to and stated as “Trade and other receivables” under IFRS. Accounts payable included in “Accounts payable—other and accrued expenses” listed as current liabilities under JGAAP are now transferred to and stated as “Trade and other payables” under IFRS.

C. Based on the requirements of IFRS, “Other financial assets” and “Other financial liabilities” are now stated separately.

D. “Right of trademark” and “Other (intangible assets)” listed under intangible assets under JGAAP are now stated as “Intangible assets” under IFRS.

E. Investments accounted for using the equity method included in “Investment securities” under JGAAP are now stated as “Investments accounted for using the equity method” under IFRS.

F. “Deferred tax assets” and “Deferred tax liabilities” stated as current under JGAAP are now stated as non-current under IFRS.

G. “Short-term loans payable” and “Current portion of long-term loans payable” listed as current liabilities under JGAAP are now reclassified and stated as “Borrowings” and listed as current liabilities under IFRS.

H. “Provision for sales promotion expenses,” “Provision for sales returns,” “Provision for bonuses” and other provisions listed separately under current liabilities under JGAAP are now stated as “Trade and other payables,” “Other current liabilities” or “Provisions” under IFRS.

I. “Asset retirement obligation,” which was listed separately under long-term liabilities under JGAAP, is now included in “Provisions” under IFRS.

J. “Provision for directors’ retirement benefits,” which was listed separately under long-term liabilities under JGAAP, is now included in “Retirement benefit liabilities” under IFRS.

Adjustments to Equity as of March 31, 2017

(Millions of yen)

JGAAP line item	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	IFRS line item
Assets						Assets
Current assets						Current assets
Cash and deposits	26,017	33,809	—	59,827	(15)	Cash and cash equivalents
Notes and accounts receivable—trade	54,110	653	(28)	54,735	(1), (15)	Trade and other receivables
Short-term investment securities	35,165	(35,165)	—	—	(15)	
Inventories	44,739	—	(940)	43,798	(2)	Inventories
		1,442	—	1,442	(15)	Other financial assets
Other	6,360	(4,524)	—	1,836	(15)	Other current assets
Allowance for doubtful accounts	(61)	61	—	—		
Total current assets	166,332	(3,722)	(969)	161,640		Total current assets
Noncurrent assets						Non-current assets
Property, plant and equipment	74,245	—	(1,081)	73,164	(3)	Property, plant and equipment
Intangible assets						
Right of trademark	965	(965)	—	—	(15)	
Other	1,256	(1,256)	—	—	(15)	
		162	20	182	(4)	Goodwill
		2,059	5,639	7,698	(5), (15)	Intangible assets
Investments and other assets						
Investment securities	25,638	(25,638)	—	—		
		5,069	17	5,087	(15)	Investments accounted for using the equity method
Deferred tax assets	—	5,642	364	6,007	(6), (15)	Deferred tax assets
	—	7,989	—	7,989	(15)	Retirement benefit assets
		21,642	1,122	22,765	(7), (15)	Other financial assets
Other	11,554	(11,069)	—	484	(15)	Other non-current assets
Allowance for doubtful accounts	(86)	86	—	—		
Total noncurrent assets	113,573	3,722	6,083	123,379		Total non-current assets
Total assets	279,905	—	5,114	285,020		Total assets

(Millions of yen)

JGAAP line item	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	IFRS line item
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable—trade	29,901	29,776	141	59,818	(8), (15)	Trade and other payables
Electronically recorded obligations—operating	14,250	(14,250)	—	—	(15)	
Short-term loans payable	4,251	(4,251)	—	—	(15)	
Current portion of long-term loans payable	269	(269)	—	—	(15)	
		4,521	—	4,521	(15)	Borrowings
Accounts payable—other and accrued expenses	38,886	(9,768)	—	29,118	(15)	Accrued expenses
Income taxes payable	1,864	—	—	1,864		Income tax payables
Provision for bonuses	2,370	(2,370)	—	—	(15)	
Provision for sales returns	381	(381)	—	—	(15)	
Provision for sales promotion expenses	3,696	(3,696)	—	—	(15)	
Provision for directors' bonuses	91	(91)	—	—	(15)	
		1,593	—	1,593	(15)	Provisions
		1,121	182	1,303	(3), (15)	Other financial liabilities
Other	4,385	(1,933)	2,442	4,894	(9), (15)	Other current liabilities
Total current liabilities	100,348	—	2,766	103,115		Total current liabilities
Noncurrent liabilities						Non-current liabilities
Long-term loans payable	1,753	—	—	1,753		Borrowings
		905	981	1,887	(6), (15)	Deferred tax liabilities
Provision for directors' retirement benefits	291	(291)	—	—	(15)	
Provision for directors' stock benefits	19	—	(19)	—	(10)	
Net defined benefit liability	10,725	291	273	11,290	(11), (15)	Retirement benefit liabilities
Asset retirement obligation	336	—	—	336	(15)	Provisions
		2,977	326	3,304	(3), (15)	Other financial liabilities
Other	4,543	(3,882)	1,036	1,697	(12), (15)	Other non-current liabilities
Total noncurrent liabilities	17,670	—	2,599	20,269		Total non-current liabilities
Total liabilities	118,019	—	5,366	123,385		Total liabilities

(Millions of yen)

JGAAP line item	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	IFRS line item
Net assets						Equity
Capital stock	34,433	—	—	34,433		Share capital
Capital surplus	34,507	—	19	34,527	(10)	Additional paid-in capital
Treasury stock	(4,798)	—	—	(4,798)		Treasury stock
Subscription rights to shares	218	(218)	—	—		
Valuation difference on available-for-sale securities	8,457	(8,457)	—	—		
Deferred gains or losses on hedges	(9)	9	—	—		
Foreign currency translation adjustment	481	(481)	—	—		
Remeasurements of defined benefit plans	(5,138)	5,138	—	—		
		4,009	5,399	9,409	(13)	Other components of equity
Retained earnings	84,928	—	(5,762)	79,165	(14)	Retained earnings
				152,736		Equity attributable to owners of the parent
Non-controlling interests	8,805	—	92	8,898		Non-controlling interests
Total net assets	161,886	—	(251)	161,635		Total equity
Total liabilities and net assets	279,905	—	5,114	285,020		Total liabilities and equity

Notes Concerning Adjustments to Equity as of March 31, 2017

(1) Adjustments to trade and other receivables

Mainly, the standards for recognizing revenue for certain transactions changed and retained earnings have been adjusted accordingly. In addition, construction contracts accounted for using the percentage-of-completion method under JGAAP are now, under IFRS, accounted for using the construction cost recovery method, and costs are recognized as they are incurred.

(2) Adjustments to inventories

This consists mainly of certain supplies for sales promotions and other purposes that are recognized as assets under JGAAP but do not meet the definition of assets under IFRS. Retained earnings have been adjusted accordingly.

(3) Adjustments to property, plant and equipment

Adjustments to property, plant and equipment are mainly due to the following applications of deemed costs.

For certain items of property, plant and equipment, the Group uses fair value at the transition date as deemed cost. At the transition date, the JGAAP book value of the property, plant and equipment for which deemed cost was used was ¥3,796 million, and its JGAAP fair value was ¥2,205 million.

The fair value of these assets is based in part on the evaluations of independent appraisers with appropriate expert qualifications, which are categorized as level 3 inputs.

Furthermore, finance leases amortized as low-value lease assets under JGAAP are recorded as assets under IFRS.

(4) Adjustments to goodwill

Under JGAAP, goodwill was amortized over reasonably estimated amortization periods. Under IFRS, from the transition date onward, goodwill is no longer amortized.

(5) Adjustments to intangible assets

Under JGAAP, intangible assets for which a useful life cannot be determined are amortized using the straight-line method over an estimated useful life of 10 years. Under IFRS, these assets are not amortized. Retained earnings have been adjusted accordingly.

(6) Adjustments to deferred tax assets and deferred tax liabilities

Mainly, due to temporary differences arising as a result of adjustments from JGAAP to IFRS, the Group has adjusted the amounts of deferred tax assets and deferred tax liabilities. In addition, under JGAAP, tax effects arising from the elimination of unrealized profit are calculated using the effective tax rate of the seller, but under IFRS, these are calculated using the effective tax rate of the buyer.

(7) Adjustments to other financial assets (non-current assets)

Under JGAAP, non-marketable equity securities are valued at cost and amortized, and impairment is recognized as needed in response to any decline in the financial condition of the issuing company. Under IFRS, non-marketable equity securities are designated as financial assets measured at fair value through other comprehensive income. Their fair value is measured regardless of the presence of an active market, and changes in such fair value are recognized as other comprehensive income and transferred to retained earnings if such securities are derecognized or their fair value drops significantly.

(8) Adjustments to trade and other payables (current liabilities)

The Group has adjusted refund liabilities in light of the IFRS requirements for the recognition of income. Retained earnings have been adjusted accordingly.

(9) Adjustments to other current liabilities

The main adjustments to other current liabilities are as follows.

A. Unused paid vacation is not recognized as a liability under JGAAP but is now recognized as a liability under IFRS. Retained earnings have been adjusted accordingly.

B. Under JGAAP, property taxes and other taxes and levies are recognized when they are paid. Under IFRS, such items are recognized when the event that triggers the incurrence of obligation occurs. The amount of other current liabilities has been adjusted accordingly.

(10) Adjustments to additional paid-in capital

Under JGAAP, to prepare for the grant of stock to directors (excluding external directors) and executive officers based on the Company's rules on the payment and issue of stock, a provision is recorded in an amount corresponding to the estimated value of Company stock to be granted. Under IFRS, such grants are accounted for as equity-settled share-based compensation. Additional paid-in capital has been adjusted accordingly.

(11) Adjustments to retirement benefit liabilities

Under JGAAP, the Group recognized interest expenses determined by applying an interest rate to the defined benefit obligations as well as expected return on plan assets determined by applying the expected rate of return to the plan assets. Under IFRS, the Company recognizes a net interest amount determined by applying a discount rate to the net total of retirement benefit obligation and pension assets.

(12) Adjustments to other non-current liabilities

Special vacation and bonuses granted based on number of years of employment not recognized as liabilities under JGAAP are now recognized as liabilities under IFRS. Retained earnings have been adjusted accordingly.

(13) Adjustments to other components of equity

A. The Group has opted to apply the exception provided for in IFRS 1, and, as such, has transferred the entire balance of cumulative exchange differences on translation of foreign operations to retained earnings as of the transition date, January 1, 2017. As a result, other components of equity decreased ¥445 million.

B. As a result of the evaluation of the fair value of the non-marketable equity securities described in note (7), other components of equity increased ¥1,122 million.

C. Under JGAAP, actuarial differences related to retirement benefits are recognized under other comprehensive income when they are incurred. Under IFRS, such differences are recognized as other comprehensive income in their entirety when they are incurred and immediately transferred to retained earnings. As a result, other components of equity increased ¥5,090 million.

(14) Adjustments to retained earnings

(Millions of yen)

	At March 31, 2017
Adjustments to inventories (see (2), above)	(1,077)
Adjustments to property, plant and equipment (see (3), above)	(1,591)
Adjustments to intangible assets (see (5), above)	5,639
Adjustments to other current liabilities (see (9), above)	(2,454)
Adjustments to other non-current liabilities (see (12), above)	(1,036)
Adjustments to remeasurements of defined benefit plans (see (13), above)	(5,364)
Adjustments to cumulative exchange differences on translation of foreign operations (see (13), above)	445
Other	(322)
Total adjustments to retained earnings	(5,762)

The above adjustments are before tax. The effect of taxes is included in “Other.”

(15) Reclassifications

To comply with IFRS, the Group has reclassified certain elements of equity. The main changes are as follows.

A. Time deposits of more than three months included in “Cash and deposits” under JGAAP are now stated as “Other financial assets” under current assets under IFRS. Short-term investments with original maturities of less than three months included in “Marketable securities” and “Other (current assets)” under JGAAP are now stated as “Cash and cash equivalents” under IFRS.

B. Accounts receivable included in “Other” under current assets under JGAAP are now transferred to and stated as “Trade and other receivables” under IFRS. Accounts payable included in “Accounts payable—other and accrued expenses” listed as current liabilities under JGAAP are now transferred to and stated as “Trade and other payables” under IFRS.

C. Based on the requirements of IFRS, “Other financial assets” and “Other financial liabilities” are now stated separately.

D. “Right of trademark” and “Other (intangible assets)” listed under intangible assets under JGAAP are now stated as “Intangible assets” under IFRS.

E. Investments accounted for using the equity method included in “Investment securities” under JGAAP are now stated as “Investments accounted for using the equity method” under IFRS.

F. “Deferred tax assets” and “Deferred tax liabilities” stated as current under JGAAP are now stated as non-current under IFRS.

G. Retirement benefit assets included in “Other” under investments and other assets under JGAAP are now stated separately under IFRS.

H. “Electronically recorded obligations-operating” stated separately under JGAAP are now reclassified as “Trade and other payables” under IFRS.

I. “Short-term loans payable” and “Current portion of long-term loans payable” listed as current liabilities under JGAAP are now reclassified and stated as “Borrowings” and listed as current liabilities under IFRS.

J. “Provision for sales promotion expenses,” “Provision for sales returns,” “Provision for bonuses” and other provisions listed separately under current liabilities under JGAAP are now stated as “Trade and other payables,” “Other current liabilities” or “Provisions” under IFRS.

K. “Asset retirement obligation,” which was listed separately under long-term liabilities under JGAAP, is now included in “Provisions” under IFRS.

L. “Provision for directors’ retirement benefits,” which was listed separately under long-term liabilities under JGAAP, is now included in “Retirement benefit liabilities” under IFRS.

Adjustments to Equity as of December 31, 2017

(Millions of yen)

JGAAP line item	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	IFRS line item
Assets						Assets
Current assets						Current assets
Cash and deposits	23,781	67,619	—	91,401	(14)	Cash and cash equivalents
Notes and accounts receivable—trade	64,141	673	56	64,871	(1), (14)	Trade and other receivables
Short-term investment securities	69,211	(69,211)	—	—	(14)	
Inventories	40,209	—	(555)	39,654	(2)	Inventories
Deferred tax assets	3,704	(3,704)	—	—	(14)	
		1,996	—	1,996	(14)	Other financial assets
Other	2,530	(1,162)	—	1,367	(14)	Other current assets
Allowance for doubtful accounts	(84)	84	—	—		
	203,495	(3,704)	(499)	199,291		Subtotal
	—	228	—	228	(14)	Assets held for sale
Total current assets	203,495	(3,475)	(499)	199,520		Total current assets
Noncurrent assets						Non-current assets
Property, plant and equipment	80,981	(228)	(1,212)	79,539	(3)	Property, plant and equipment
Intangible assets						
Goodwill	101	—	81	182	(4)	Goodwill
Right of trademark	40	(40)	—	—	(14)	
Other	1,548	(1,548)	—	—	(14)	
		1,589	6,559	8,149	(5), (14)	Intangible assets
Investments and other assets						
Investment securities	32,464	(32,464)	—	—		
Long-term loans receivable	36	(36)	—	—		
		5,499	85	5,585	(14)	Investments accounted for using the equity method
Deferred tax assets	1,291	3,704	734	5,730	(6), (14)	Deferred tax assets
Net defined benefit asset	10,302	—	—	10,302		Retirement benefit assets
		28,045	1,354	29,399	(7), (14)	Other financial assets
Other	1,575	(1,129)	—	446	(14)	Other non-current assets
Allowance for doubtful accounts	(84)	84	—	—		
Total noncurrent assets	128,256	3,475	7,603	139,335		Total non-current assets
Total assets	331,751	—	7,103	338,855		Total assets

(Millions of yen)

JGAAP line item	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	IFRS line item
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable—trade	35,247	40,296	200	75,744	(8), (14)	Trade and other payables
Electronically recorded obligations—operating	19,127	(19,127)	—	—	(14)	
Short-term loans payable	3,754	(3,754)	—	—	(14)	
Current portion of long-term loans payable	285	(285)	—	—	(14)	
		4,040	—	4,040	(14)	Borrowings
Accounts payable—other and accrued expenses	50,163	(14,198)	—	35,965	(14)	Accrued expenses
Income taxes payable	4,528	—	—	4,528		Income tax payables
Provision for bonuses	3,889	(3,889)	—	—	(14)	
Provision for sales returns	382	(382)	—	—	(14)	
Provision for sales promotion expenses	3,964	(3,964)	—	—	(14)	
Provision for directors' bonuses	289	(289)	—	—	(14)	
		844	—	844	(14)	Provisions
		733	157	890	(3), (14)	Other financial liabilities
Other	5,591	(20)	1,817	7,388	(9), (14)	Other current liabilities
Total current liabilities	127,225	—	2,175	129,400		Total current liabilities
Noncurrent liabilities						Non-current liabilities
Long-term loans payable	1,569	—	—	1,569		Borrowings
Deferred tax liabilities	4,336	—	2,104	6,440	(6)	Deferred tax liabilities
Provision for directors' retirement benefits	273	(273)	—	—	(14)	
Provision for directors' stock benefits	155	—	(155)	—	(10)	
Net defined benefit liability	7,280	273	—	7,554	(14)	Retirement benefit liabilities
Asset retirement obligation	375	—	—	375	(14)	Provisions
		2,868	221	3,090	(3), (14)	Other financial liabilities
Other	3,519	(2,868)	981	1,632	(11), (14)	Other non-current liabilities
Total noncurrent liabilities	17,511	—	3,150	20,662		Total non-current liabilities
Total liabilities	144,736	—	5,326	150,062		Total liabilities

(Millions of yen)

JGAAP line item	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	IFRS line item
Net assets						
Shareholders' equity						Equity
Capital stock	34,433	—	—	34,433		Share capital
Capital surplus	35,319	—	(631)	34,687	(10), (15)	Additional paid-in capital
Treasury stock	(5,593)	—	787	(4,805)	(15)	Treasury stock
Subscription rights to shares	210	(210)	—	—		
Valuation difference on available-for-sale securities	12,973	(12,973)	—	—		
Deferred gains or losses on hedges	4	(4)	—	—		
Foreign currency translation adjustment	1,901	(1,901)	—	—		
Remeasurements of defined benefit plans	(424)	424	—	—		
		14,666	832	15,498	(12)	Other components of equity
Retained earnings	97,944	—	681	98,625	(13)	Retained earnings
				178,439		Equity attributable to owners of the parent
Non-controlling interests	10,245	—	108	10,353		Non-controlling interests
Total net assets	187,015	—	1,777	188,793		Total equity
Total liabilities and net assets	331,751	—	7,103	338,855		Total liabilities and equity

Notes Concerning Adjustments to Equity as of December 31, 2017

(1) Adjustments to trade and other receivables

Mainly, the standards for recognizing revenue for certain transactions changed and retained earnings have been adjusted accordingly. In addition, construction contracts accounted for using the percentage-of-completion method under JGAAP are now, under IFRS, accounted for using the construction cost recovery method, and costs are recognized as they are incurred.

(2) Adjustments to inventories

This consists mainly of certain supplies for sales promotions and other purposes that are recognized as assets under JGAAP but do not meet the definition of assets under IFRS. Retained earnings have been adjusted accordingly.

(3) Adjustments to property, plant and equipment

Adjustments to property, plant and equipment are mainly due to the following applications of deemed costs.

For certain items of property, plant and equipment, the Group uses fair value at the transition date as deemed cost. At the transition date, the JGAAP book value of the property, plant and equipment for which deemed cost was used was ¥3,796 million, and its JGAAP fair value was ¥2,205 million.

As a result of the above, property, plant and equipment at the transition date decreased ¥1,591 million. Retained earnings have been adjusted accordingly.

The fair value of these assets is based in part on the evaluations of independent appraisers with appropriate expert qualifications, which are categorized as level 3 inputs.

Furthermore, finance leases amortized as low-value lease assets under JGAAP are recorded as assets under IFRS.

(4) Adjustments to goodwill

Under JGAAP, goodwill was amortized over reasonably estimated amortization periods. Under IFRS, from the transition date onward, goodwill is no longer amortized.

(5) Adjustments to intangible assets

Under JGAAP, intangible assets for which a useful life cannot be determined are amortized using the straight-line method over an estimated useful life of 10 years. Under IFRS, these assets are not amortized. Retained earnings have been adjusted accordingly.

(6) Adjustments to deferred tax assets and deferred tax liabilities

Mainly, due to temporary differences arising as a result of adjustments from JGAAP to IFRS, the Group has adjusted the amounts of deferred tax assets and deferred tax liabilities. In addition, under JGAAP, tax effects arising from the elimination of unrealized profit are calculated using the effective tax rate of the seller, but under IFRS, these are calculated using the effective tax rate of the buyer.

(7) Adjustments to other financial assets (non-current assets)

Under JGAAP, non-marketable equity securities are valued at cost and amortized, and impairment is recognized as needed in response to any decline in the financial condition of the issuing company. Under IFRS, non-marketable equity securities are designated as financial assets measured at fair value through other comprehensive income. Their fair value is measured regardless of the presence of an active market, and changes in such fair value are recognized as other comprehensive income and transferred to retained earnings if such securities are derecognized or their fair value drops significantly.

(8) Adjustments to trade and other payables (current liabilities)

The Group has adjusted refund liabilities in light of the IFRS requirements for the recognition of income. Retained earnings have been adjusted accordingly.

(9) Adjustments to other current liabilities

This consists mainly of unused paid vacation that is not recognized as a liability under JGAAP but is now recognized as a liability under IFRS. Retained earnings have been adjusted accordingly.

(10) Adjustments to additional paid-in capital

Under JGAAP, to prepare for the grant of stock to directors (excluding external directors) and executive officers based on the Company's rules on the payment and issue of stock, a provision is recorded in an amount corresponding to the estimated value of Company stock to be granted. Under IFRS, such grants are accounted for as equity-settled share-based compensation. Additional paid-in capital has been adjusted accordingly.

(11) Adjustments to other non-current liabilities

Special vacation and bonuses granted based on number of years of employment not recognized as liabilities under JGAAP are now recognized as liabilities under IFRS. Retained earnings have been adjusted accordingly.

(12) Adjustments to other components of equity

A. The Group has opted to apply the exception provided for in IFRS 1, and, as such, has transferred the entire balance of cumulative exchange differences on translation of foreign operations to retained earnings as of the transition date, January 1, 2017. As a result, other components of equity decreased ¥445 million.

B. As a result of the evaluation of the fair value of the non-marketable equity securities described in note (7), other components of equity increased ¥1,354 million.

C. Under JGAAP, actuarial differences related to retirement benefits are recognized under other comprehensive income when they are incurred. Under IFRS, such differences are recognized as other comprehensive income in their entirety when they are incurred and immediately transferred to retained earnings. In addition, under JGAAP, prior service cost is recognized under other comprehensive income when it is incurred and is amortized (recognized as net income or loss) beginning the fiscal year in which it is incurred using the straight-line method over a period not exceeding the estimated average remaining service years of employees. Under IFRS, prior service cost is recognized as net income or loss when it is incurred. Furthermore, in place of the discount rate and expected rate of return used under JGAAP, under IFRS, an amount determined by applying a discount rate to the total of defined benefit liabilities and defined benefit assets is recognized as net income or loss. As a result, other components of equity increased ¥507 million.

(13) Adjustments to retained earnings

(Millions of yen)

	At December 31, 2017
Adjustments to inventories (see (2), above)	(630)
Adjustments to property, plant and equipment (see (3), above)	(1,591)
Adjustments to intangible assets (see (5), above)	6,559
Adjustments to other current liabilities (see (9), above)	(1,832)
Adjustments to other non-current liabilities (see (11), above)	(981)
Adjustments to remeasurements of defined benefit plans (see (12), above)	(507)
Adjustments to cumulative exchange differences on translation of foreign operations (see (12), above)	445
Other	(780)
Total adjustments to retained earnings	681

The above adjustments are before tax. The effect of taxes is included in “Other.”

(14) Reclassifications

To comply with IFRS, the Group has reclassified certain elements of equity. The main changes are as follows.

A. Time deposits of more than three months included in “Cash and deposits” under JGAAP are now stated as “Other financial assets” under current assets under IFRS. Short-term investments with original maturities of less than three months included in “Marketable securities” and “Other (current assets)” under JGAAP are now stated as “Cash and cash equivalents” under IFRS.
B. Accounts receivable included in “Other” under current assets under JGAAP are now transferred to and stated as “Trade and other receivables” under IFRS. Accounts payable included in “Accounts payable—other and accrued expenses” listed as current liabilities under JGAAP are now transferred to and stated as “Trade and other payables” under IFRS.
C. Based on the requirements of IFRS, “Other financial assets” and “Other financial liabilities” are now stated separately.
D. Assets that are highly likely to be sold and be available for immediate sale that are included in “Property, plant and equipment” under JGAAP are now stated separately as “Assets held for sale” under IFRS.
E. “Right of trademark” and “Other (intangible assets)” listed under intangible assets under JGAAP are now stated as “Intangible assets” under IFRS.
F. Investments accounted for using the equity method included in “Investment securities” under JGAAP are now stated as “Investments accounted for using the equity method” under IFRS.
G. “Deferred tax assets” listed as current assets under JGAAP are now listed as non-current assets under IFRS.
H. “Electronically recorded obligations-operating” stated separately under JGAAP are now reclassified as “Trade and other payables” under IFRS.
I. “Short-term loans payable” and “Current portion of long-term loans payable” listed as current liabilities under

JGAAP are now reclassified and stated as “Borrowings” and listed as current liabilities under IFRS.

J. “Provision for sales promotion expenses,” “Provision for sales returns,” “Provision for bonuses” and other provisions listed separately under current liabilities under JGAAP are now stated as “Trade and other payables,” “Other current liabilities” or “Provisions” under IFRS.

K. “Asset retirement obligation,” which was listed separately under long-term liabilities under JGAAP, is now included in “Provisions” under IFRS.

L. “Provision for directors’ retirement benefits,” which was listed separately under long-term liabilities under JGAAP, is now included in “Retirement benefit liabilities” under IFRS.

(15) Differences in scope of consolidation

Under IFRS, the parent is judged to have effective control over a trust if the parent has power over activities that cause variability in the investee’s returns. If the parent is judged to have such control, said trust is included in the scope of consolidation. Based on determinations made using these standards, the Group includes such trusts over which it has effective control in the scope of consolidation.

Adjustments to Profits (Losses) and Comprehensive Income in the Three Months Ended March 31, 2017

(Millions of yen)

JGAAP line item	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	IFRS line item
Net sales	92,217	—	(14,208)	78,008	(1)	Net sales
Cost of sales	(37,687)	—	(560)	(38,247)	(2), (5)	Cost of sales
Gross profit	54,529	—	(14,768)	39,760		Gross profit
Selling, general and administrative expenses	(47,741)	—	14,444	(33,296)	(1), (2), (3), (4), (5), (6)	Selling, general and administrative expenses
	—	262	—	262	(7)	Other income
	—	(113)	—	(113)	(7)	Other expenses
Operating income	6,788	149	(324)	6,613		Operating profit
Non-operating income	557	(557)	—	—	(7)	
Non-operating expenses	(173)	169	4	—	(7)	
Extraordinary income	30	—	(30)	—		
Extraordinary loss	(21)	21	—	—	(7)	
	—	43	—	43	(7)	Finance income
	—	(78)	—	(78)	(7)	Finance costs
	—	251	28	280	(7)	Share of profit of investments accounted for using the equity method
Income before income taxes	7,179	—	(321)	6,858		Profit before tax
Total income taxes	(2,026)	—	87	(1,938)		Income taxes
Profit	5,153	—	(234)	4,919		Profit for the period
						Profit for the period attributable to:
Profit attributable to non-controlling interests	(380)	—	(8)	(388)		Non-controlling interests
Profit attributable to owners of parent	4,773	—	(242)	4,530		Owners of the parent

(Millions of yen)

JGAAP line item	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	IFRS line item
Income before minority interests	5,153	—	(234)	4,919		Profit for the period
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified as profit or loss
Valuation difference on available-for-sale securities	1,072	—	11	1,083		Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of tax	107	—	(107)	—		
	—	(9)	—	(9)		Share of other comprehensive income of investments accounted for using the equity method
				1,074		Total items that will not be reclassified as profit or loss
						Items that may be subsequently reclassified as profit or loss
Deferred gains or losses on hedges	(22)	—	—	(22)		Net gain (loss) on derivatives designated as cash flow hedges
Foreign currency translation adjustment	(91)	—	209	118		Exchange differences on translation of foreign operations
Share of other comprehensive income of associates accounted for using equity method	(77)	9	—	(67)		Share of other comprehensive income of investments accounted for using the equity method
				27		Total items that may be subsequently reclassified as profit or loss
Total other comprehensive income	988	—	112	1,101		Total other comprehensive income, net of tax
Comprehensive income	6,142	—	(121)	6,021		Comprehensive income for the period

Notes Concerning Adjustments to Profits (Losses) and Comprehensive Income in the Three Months Ended March 31, 2017

The main adjustments to profits (losses) and comprehensive income are as follows.

(1) Adjustments to net sales

This consists mainly of sales rebates related to certain sales that are recorded as selling, general and administrative expenses under JGAAP but are now recognized as deductions from net sales under IFRS.

(2) Adjustments to taxes and levies

Under JGAAP, property taxes and other taxes and levies are recognized when they are paid. Under IFRS, such items are recognized when the event that triggers the incurrence of obligation occurs.

(3) Adjustments to the book value of goodwill

Under JGAAP, goodwill is amortized over reasonably estimated amortization periods. Under IFRS, goodwill is no longer amortized.

(4) Adjustments to intangible assets

Under JGAAP, intangible assets for which a useful life cannot be determined are amortized using the straight-line method over an estimated useful life of 10 years. Under IFRS, these assets are no longer amortized.

(5) Methods of accounting for retirement benefit liabilities

Under JGAAP, actuarial differences are recognized under other comprehensive income when they are incurred. Under IFRS, such differences are recognized as other comprehensive income in their entirety when they are incurred and immediately transferred to retained earnings. In addition, under JGAAP, prior service cost is recognized under other comprehensive income when it is incurred and is amortized (recognized as net income or loss) beginning the fiscal year in which it is incurred using the straight-line method over a period not exceeding the estimated average remaining service years of employees. Under IFRS, prior service cost is recognized as net income or loss when it is incurred. Furthermore, in place of the discount rate and expected rate of return used under JGAAP, under IFRS, an amount determined by applying a discount rate to the total of defined benefit liabilities and defined benefit assets is recognized as net income or loss.

(6) Transfer of supplies

Certain items for sales promotions and other purposes that were included as supplies in “Inventories” under JGAAP do not meet the definition of assets under IFRS and are therefore recorded under “Selling, general and administrative expenses” as they arise.

(7) Reclassifications

To comply with IFRS, the Group has reclassified certain elements of profits (losses) and comprehensive income. The main changes are as follows.

Among items that were stated under JGAAP as “Non-operating income,” “Non-operating expenses,” “Extraordinary income” and “Extraordinary loss,” those related to finance or to gains and losses on foreign exchange are now stated as “Finance income” or “Finance costs,” while other items are now stated as “Other income,” “Other expenses” or “Share of profit of investments accounted for using the equity method” under IFRS.

Adjustments to Profits (Losses) and Comprehensive Income in the Year Ended December 31, 2017

(Millions of yen)

JGAAP line item	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	IFRS line item
Net sales	410,484	—	(67,781)	342,703	(1)	Net sales
Cost of sales	(171,209)	—	(504)	(171,713)	(2),(5)	Cost of sales
Gross profit	239,275	—	(68,285)	170,990		Gross profit
Selling, general and administrative expenses	(212,068)	—	69,885	(142,182)	(1), (2), (3), (4), (5), (6)	Selling, general and administrative expenses
	—	3,142	—	3,142	(7)	Other income
	—	(1,470)	—	(1,470)	(7)	Other expenses
Operating income	27,206	1,672	1,600	30,479		Operating profit
Non-operating income	2,618	(2,618)	—	—	(7)	
Non-operating expenses	(698)	673	24	—	(7)	
Extraordinary income	2,434	(2,070)	(364)	—	(7)	
Extraordinary loss	(1,001)	1,001	—	—	(7)	
	—	808	—	808	(7)	Finance income
	—	(205)	—	(205)	(7)	Finance costs
	—	737	177	915	(7)	Share of profit of investments accounted for using the equity method
Income before income taxes	30,560	—	1,438	31,998		Profit before tax
Total income taxes	(8,239)	—	(368)	(8,607)		Income taxes
Profit	22,320	—	1,070	23,390		Profit for the period
						Profit for the period attributable to:
Profit attributable to non-controlling interests	(2,493)	—	(14)	(2,507)		Non-controlling interests
Profit attributable to owners of parent	19,827	—	1,055	20,883		Owners of the parent

(Millions of yen)

JGAAP line item	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	IFRS line item
Income before minority interests	22,320	—	1,070	23,390		Profit for the period
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified as profit or loss
Valuation difference on available-for-sale securities	5,707	—	389	6,097		Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of tax	4,822	—	179	5,001		Remeasurements of defined benefit plans
	—	(10)	(81)	(91)		Share of other comprehensive income of investments accounted for using the equity method
				11,007		Total items that will not be reclassified as profit or loss
						Items that may be subsequently reclassified as profit or loss
Deferred gains or losses on hedges	(8)	—	—	(8)		Net gain (loss) on derivatives designated as cash flow hedges
Foreign currency translation adjustment	1,651	—	391	2,043		Exchange differences on translation of foreign operations
Share of other comprehensive income of associates accounted for using equity method	(73)	10	83	19		Share of other comprehensive income of investments accounted for using the equity method
				2,055		Total items that may be subsequently reclassified as profit or loss
Total other comprehensive income	12,100	—	962	13,063		Total other comprehensive income, net of tax
Comprehensive income	34,420	—	2,033	36,453		Comprehensive income for the period

Notes Concerning Adjustments to Profits (Losses) and Comprehensive Income in the Year Ended December 31, 2017

The main adjustments to profits (losses) and comprehensive income are as follows.

(1) Adjustments to net sales

This consists mainly of sales rebates related to certain sales that are recorded as selling, general and administrative expenses under JGAAP but are now recognized as deductions from net sales under IFRS.

(2) Adjustments to taxes and levies

Under JGAAP, property taxes and other taxes and levies are recognized when they are paid. Under IFRS, such items are recognized when the event that triggers the incurrence of obligation occurs.

(3) Adjustments to the book value of goodwill

Under JGAAP, goodwill is amortized over reasonably estimated amortization periods. Under IFRS, goodwill is no longer amortized.

(4) Adjustments to intangible assets

Under JGAAP, intangible assets for which a useful life cannot be determined are amortized using the straight-line method over an estimated useful life of 10 years. Under IFRS, these assets are no longer amortized.

(5) Methods of accounting for retirement benefit liabilities

Under JGAAP, actuarial differences are recognized under other comprehensive income when they are incurred. Under IFRS, such differences are recognized as other comprehensive income in their entirety when they are incurred and immediately transferred to retained earnings. In addition, under JGAAP, prior service cost is recognized under other comprehensive income when it is incurred and is amortized (recognized as net income or loss) beginning the fiscal year in which it is incurred using the straight-line method over a period not exceeding the estimated average remaining service years of employees. Under IFRS, prior service cost is recognized as net income or loss when it is incurred. Furthermore, in place of the discount rate and expected rate of return used under JGAAP, under IFRS, an amount determined by applying a discount rate to the total of defined benefit liabilities and defined benefit assets is recognized as net income or loss.

(6) Transfer of supplies

Certain items for sales promotions and other purposes that were included as supplies in “Inventories” under JGAAP do not meet the definition of assets under IFRS and are therefore recorded under “Selling, general and administrative expenses” as they arise.

(7) Reclassifications

To comply with IFRS, the Group has reclassified certain elements of profits (losses) and comprehensive income. The main changes are as follows.

Among items that were stated under JGAAP as “Non-operating income,” “Non-operating expenses,” “Extraordinary income” and “Extraordinary loss,” those related to finance or to gains and losses on foreign exchange are now stated as “Finance income” or “Finance costs,” while other items are now stated as “Other income,” “Other expenses” or “Share of profit of investments accounted for using the equity method” under IFRS.