

Financial Information

Consolidated Financial Statements and Notes

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Consolidated Statement of Financial Position

Lion Corporation and Consolidated Subsidiaries
December 31, 2018 and 2017

ASSETS	Millions of yen			Thousands of U.S. dollars [Note 2 (d)]
	2018	2017	Transition date January 1, 2017	2018
Current assets:				
Cash and cash equivalents [Notes 5, 31]	¥104,972	¥ 91,401	¥ 77,739	\$ 945,698
Trade and other receivables [Notes 6, 31]	64,695	64,871	60,946	582,844
Inventories [Note 7]	42,057	39,654	39,142	378,895
Other financial assets [Notes 8, 31]	2,582	1,996	1,315	23,265
Other current assets [Note 10]	1,626	1,367	1,555	14,657
Subtotal	215,934	199,291	180,699	1,945,359
Assets held for sale [Note 9]	—	228	—	—
Total current assets	215,934	199,520	180,699	1,945,359
Non-current assets:				
Property, plant and equipment, net [Note 11]	81,546	79,539	73,245	734,653
Goodwill [Note 12]	182	182	182	1,646
Intangible assets [Note 12]	10,160	8,149	7,588	91,538
Investments accounted for using the equity method [Note 13]	8,606	5,585	4,907	77,533
Deferred tax assets [Note 14]	5,889	5,730	6,236	53,057
Retirement benefit assets [Note 20]	7,799	10,302	7,973	70,263
Other financial assets [Notes 8, 31]	25,097	29,399	21,055	226,099
Other non-current assets [Note 10]	148	446	418	1,342
Total non-current assets	139,430	139,335	121,608	1,256,132
Total assets	¥355,365	¥338,855	¥302,308	\$3,201,490

See accompanying notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen			Thousands of U.S. dollars [Note 2 (d)]
	2018	2017	Transition date January 1, 2017	2018
Liabilities				
Current liabilities:				
Trade and other payables [Notes 15, 31]	¥116,980	¥111,709	¥108,084	\$1,053,883
Borrowings [Notes 16, 31]	1,417	4,040	4,504	12,767
Income tax payables	2,674	4,528	4,677	24,090
Provisions [Note 19]	710	844	702	6,404
Other financial liabilities [Notes 17, 31]	907	890	893	8,180
Other current liabilities [Note 18]	7,051	7,388	6,754	63,528
Total current liabilities	129,742	129,400	125,617	1,168,852
Non-current liabilities:				
Borrowings [Notes 16, 31]	1,202	1,569	1,690	10,830
Deferred tax liabilities [Note 14]	4,232	6,440	1,165	38,134
Retirement benefit liabilities [Note 20]	10,955	7,554	10,733	98,698
Provisions [Note 19]	355	375	337	3,201
Other financial liabilities [Notes 17, 31]	3,183	3,090	3,114	28,682
Other non-current liabilities [Note 18]	1,421	1,632	1,708	12,806
Total Non-current liabilities	21,350	20,662	18,751	192,351
Total liabilities	151,093	150,062	144,368	1,361,203
Equity :				
Share capital [Note 22]	34,433	34,433	34,433	310,214
Additional paid-in capital [Note 22]	34,715	34,687	34,508	312,753
Treasury stock [Note 22]	(4,766)	(4,805)	(4,778)	(42,942)
Other components of equity	10,920	15,498	8,371	98,379
Retained earnings [Note 22]	115,806	98,625	76,938	1,043,297
Equity attributable to owners of the parent	191,108	178,439	149,473	1,721,701
Non-controlling interests	13,163	10,353	8,466	118,586
Total equity	204,271	188,793	157,939	1,840,287
Total liabilities and equity	¥355,365	¥338,855	¥302,308	\$3,201,490

Consolidated Statement of Profit or Loss

Lion Corporation and Consolidated Subsidiaries
Years ended December 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars [Note 2 (d)]
	2018	2017	2018
Net sales [Notes 4, 24]	¥349,403	¥342,703	\$3,147,778
Cost of sales [Notes 7, 25]	(177,673)	(171,713)	(1,600,666)
Gross profit	171,729	170,990	1,547,111
Selling, general and administrative expenses [Note 25]	(143,353)	(142,182)	(1,291,476)
Other income [Note 26, 34]	7,431	3,142	66,954
Other expenses [Note 27]	(1,610)	(1,470)	(14,510)
Operating profit [Note 4]	34,196	30,479	308,080
Finance income [Note 29]	789	808	7,116
Finance costs [Note 29]	(137)	(205)	(1,243)
Share of profit of investments accounted for using the equity method [Note 13]	809	915	7,295
Profit before income taxes	35,658	31,998	321,248
Income tax expense [Note 14]	(5,875)	(8,607)	(52,932)
Profit for the year [Note 9]	29,783	23,390	268,315
Profit for the year attributable to:			
Owners of the parent	25,606	20,883	230,691
Non-controlling interests	4,176	2,507	37,624
Profit for the year	¥ 29,783	¥ 23,390	\$ 268,315
		Yen	U.S. dollars [Note 2 (d)]
Earnings per share:			
Basic [Note 30]	¥88.11	¥71.87	\$0.79
Diluted [Note 30]	87.99	71.77	0.79

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Lion Corporation and Consolidated Subsidiaries
Years ended December 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars [Note 2 (d)]
	2018	2017	2018
Profit for the year	¥29,783	¥23,390	\$268,315
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income [Notes 23, 31]	(2,875)	6,097	(25,904)
Remeasurements of defined benefit plans [Note 23]	(2,902)	5,001	(26,150)
Share of other comprehensive income of investments accounted for using the equity method [Note 23]	153	(91)	1,384
Total items that will not be reclassified to profit or loss	(5,624)	11,007	(50,670)
Items that may be subsequently reclassified to profit or loss			
Net gain (loss) on derivatives at designated as cash flow hedges [Note 23]	(13)	(8)	(118)
Exchange differences on translation of foreign operations [Note 23]	(1,494)	2,043	(13,465)
Share of other comprehensive income of investments accounted for using the equity method [Note 23]	(290)	19	(2,617)
Total items that may be subsequently reclassified to profit or loss	(1,798)	2,055	(16,200)
Total other comprehensive income, net of tax	(7,422)	13,063	(66,870)
Comprehensive income for the year	22,360	36,453	201,445
Comprehensive income for the year attributable to:			
Owners of the parent	18,459	33,180	166,304
Non-controlling interests	3,900	3,273	35,141
Comprehensive income for the year	22,360	36,453	201,445

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Lion Corporation and Consolidated Subsidiaries
Years ended December 31, 2018 and 2017

	Millions of yen												
	Equity attributable to owners of the parent				Other components of equity								
	Share capital	Additional paid-in capital	Treasury stock	Sub- scription rights to shares	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasure- ments of defined benefit plans	Net gain (loss) on derivatives designated as cash flow hedges	Exchange differences on translation of foreign operations	Total	Retained earnings	Total	Non- controlling interests	Total equity
Balance at January 1, 2018	¥34,433	¥34,687	¥(4,805)	¥210	¥13,826	¥ —	¥ 4	¥1,456	¥15,498	¥ 98,625	¥178,439	¥10,353	¥188,793
Profit for the year									—	25,606	25,606	4,176	29,783
Other comprehensive income					(2,834)	(2,805)	(13)	(1,493)	(7,146)		(7,146)	(275)	(7,422)
Total comprehensive income for the year					(2,834)	(2,805)	(13)	(1,493)	(7,146)	25,606	18,459	3,900	22,360
Dividends [Note 22]									—	(5,812)	(5,812)	(1,681)	(7,493)
Purchase of treasury stock [Note 22]			(6)	—					—	—	(6)		(6)
Disposal of treasury stock [Note 22]		20	46	(45)					(45)	—	21		21
Share-based payments [Note 21]		84							—	—	84		84
Changes in the ownership interest in a subsidiary without a loss of control		(77)							—	—	(77)	590	512
Transfer from other components of equity to retained earnings					(191)	2,805			2,614	(2,614)	—		—
Total transactions with owners	—	28	39	(45)	(191)	2,805	—	—	2,568	(8,426)	(5,790)	(1,091)	(6,881)
Balance at December 31, 2018	¥34,433	¥34,715	¥(4,766)	¥165	¥10,800	¥ —	¥ (8)	¥ (36)	¥10,920	¥115,806	¥191,108	¥13,163	¥204,271
Balance at January 1, 2017	¥34,433	¥34,508	¥(4,778)	¥218	¥ 8,140	¥ —	¥12	¥ —	¥ 8,371	¥76,938	¥149,473	¥ 8,466	¥157,939
Profit for the year									—	20,883	20,883	2,507	23,390
Other comprehensive income					5,929	4,919	(8)	1,456	12,297		12,297	765	13,063
Total comprehensive income for the year					5,929	4,919	(8)	1,456	12,297	20,883	33,180	3,273	36,453
Dividends [Note 22]									—	(4,358)	(4,358)	(1,312)	(5,671)
Purchase of treasury stock [Note 22]			(49)	—					—	—	(49)		(49)
Disposal of treasury stock [Note 22]		(3)	22	(18)					(18)	—	0		0
Share-based payments [Note 21]		155		10					10	—	165		165
Changes in the ownership interest in a subsidiary without a loss of control		26							—	—	26	(73)	(46)
Transfer from other components of equity to retained earnings					(242)	(4,919)			(5,162)	5,162	—		—
Total transactions with owners	—	179	(26)	(8)	(242)	(4,919)	—	—	(5,170)	803	(4,214)	(1,386)	(5,600)
Balance at December 31, 2017	¥34,433	¥34,687	¥(4,805)	¥210	¥13,826	¥ —	¥ 4	¥1,456	¥15,498	¥98,625	¥178,439	¥10,353	¥188,793

	Millions of yen												
	Equity attributable to owners of the parent				Other components of equity								
	Share capital	Additional paid-in capital	Treasury stock	Sub- scription rights to shares	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasure- ments of defined benefit plans	Net gain (loss) on derivatives designated as cash flow hedges	Exchange differences on translation of foreign operations	Total	Retained earnings	Total	Non- controlling interests	Total equity
Balance at January 1, 2018	\$310,214	\$312,499	\$ (43,295)	\$1,898	\$124,563	\$ —	\$ 41	\$13,121	\$139,623	\$ 888,520	\$1,607,561	\$ 93,279	\$1,700,840
Profit for the year									—	230,691	230,691	37,624	268,315
Other comprehensive income					(25,539)	(25,279)	(118)	(13,452)	(64,387)		(64,387)	(2,484)	(66,870)
Total comprehensive income for the year					(25,539)	(25,279)	(118)	(13,452)	(64,387)	230,691	166,304	35,141	201,445
Dividends [Note 22]									—	(52,362)	(52,362)	(15,150)	(67,512)
Purchase of treasury stock [Note 22]			(62)	—					—	—	(62)		(62)
Disposal of treasury stock [Note 22]		188	415	(409)					(409)	—	195		195
Share-based payments [Note 21]		764							—	—	764		764
Changes in the ownership interest in a subsidiary without a loss of control		(699)							—	—	(699)	5,317	4,618
Transfer from other components of equity to retained earnings					(1,727)	25,279			23,552	(23,552)	—		—
Total transactions with owners	—	254	353	(409)	(1,727)	25,279	—	—	23,143	(75,914)	(52,164)	(9,833)	(61,997)
Balance at December 31, 2018	\$310,214	\$312,753	\$ (42,942)	\$1,489	\$ 97,297	\$ —	\$ (77)	\$ (331)	\$ 98,379	\$1,043,297	\$1,721,701	\$118,586	\$1,840,287

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Lion Corporation and Consolidated Subsidiaries
Years ended December 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars [Note 2 (d)]
	2018	2017	2018
Net cash flows from operating activities:			
Profit before income taxes	¥ 35,658	¥31,998	\$321,248
Depreciation and amortization	8,707	7,775	78,442
Impairment loss	68	683	615
Interest and dividend income	(744)	(722)	(6,709)
Interest expenses	137	205	1,243
Share of profit (loss) of investments accounted for using the equity method	(809)	(915)	(7,295)
Loss (gain) on disposal of non-current assets	(4,890)	(1,752)	(44,060)
Decrease (increase) in trade and other receivables	(1,285)	(2,792)	(11,578)
Decrease (increase) in inventories	(3,882)	109	(34,980)
Decrease (increase) in trade and other payables	5,129	(1,254)	46,208
Increase in net retirement benefit liabilities	1,791	1,589	16,142
Other	(1,398)	1,085	(12,598)
Subtotal	38,481	36,009	346,678
Interest and dividends received	956	831	8,618
Interest paid	(122)	(192)	(1,108)
Income taxes paid	(7,435)	(8,089)	(66,983)
Net cash flows from operating activities	31,879	28,559	287,205
Net cash flows used in investing activities:			
Net decrease (increase) in time deposits	(797)	(350)	(7,188)
Purchases of property, plant and equipment	(14,999)	(10,814)	(135,130)
Proceeds from sales of property, plant and equipment	6,805	2,800	61,308
Purchases of intangible assets	(1,087)	(714)	(9,801)
Purchases of other financial assets	(135)	(247)	(1,223)
Proceeds from sales of other financial assets	410	927	3,697
Proceeds from transfer of business [Note 34]	1,300	-	11,719
Other [Note 34]	(484)	(350)	(4,365)
Net cash flows used in investing activities	(8,989)	(8,750)	(80,983)
Net cash flows used in financing activities:			
Proceeds from short-term borrowings	2,428	5,973	21,878
Repayment of short-term borrowings	(3,933)	(6,646)	(35,435)
Repayment of long-term borrowings	(269)	(268)	(2,431)
Acquisition of non-controlling interests	327	-	2,948
Cash dividends paid	(5,808)	(4,355)	(52,331)
Cash dividends paid to non-controlling interests	(1,681)	(1,312)	(15,150)
Other	183	(140)	1,649
Net cash flows used in financing activities	(8,754)	(6,751)	(78,872)
Effect of exchange rate changes on cash and cash equivalents	(564)	603	(5,090)
Net Increase in cash and cash equivalents	13,570	13,661	122,261
Cash and cash equivalents at beginning of the period [Note 5]	91,401	77,739	823,437
Cash and cash equivalents at end of the period [Note 5]	104,972	91,401	945,698

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Lion Corporation and Consolidated Subsidiaries, December 31, 2018

Note 1 Reporting Entity

Lion Corporation (hereinafter the “Company”) is a company, as defined by Japan’s Companies Act, and is based in Japan. The consolidated financial statements of the Company and its subsidiaries (hereinafter the “Group”) presented herein comprise the results for the year ended December 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 Note 4 “Segment Information.”

Note 2 Basis of Preparation

(a) Compliance with IFRS and first-time adoption of IFRS

The Group’s consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The Group meets the requirements for a “designated international accounting standards specified company” as specified in Article 1-2 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements. As such, the provisions of Article 93 of said ordinance apply.

The Group has applied IFRS for the first time from the first quarter of the fiscal year ended 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 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 note 37 “First-Time Application of IFRS.”

(b) Approval of consolidated financial statements

The consolidated financial statements have been approved by the board of directors on March 27, 2019.

(c) Basis of measurement

Except for specific financial instruments stated in Note 3 “Significant Accounting Policies” that are measured at fair value, the consolidated financial statements have been prepared based on acquisition cost.

(d) Functional currency and presentation currency

The Company and its domestic consolidated subsidiaries maintain their accounting records in Japanese yen, and its foreign consolidated subsidiaries maintain their accounting records in the currencies of their respective countries of domicile. The U.S. dollar amounts included in the accompanying consolidated financial statements, solely for the convenience of the reader, represent the arithmetic results of translating yen amounts into U.S. dollar amounts at ¥111.00 = U.S.\$1.00, the approximate rate of exchange in effect on December 31, 2018. This translation into U.S. dollars should not be construed as a representation that the yen amounts have been or could be converted into U.S. dollars at the above or any other rate.

As permitted under the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sum of the individual amounts.

(e) Accounting judgments, estimates and assumptions

In preparing the Group’s 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 judgments, estimates and assumptions are as follows:

- Impairment of non-financial assets (Note 3 “Significant Accounting Policies” (10))
- Recoverability of deferred tax assets (Note 3 “Significant Accounting Policies” (17))
- Measurements of defined benefit plan liabilities (Note 3 “Significant Accounting Policies” (11))
- Accounting treatment and appraisals of provisions (Note 3 “Significant Accounting Policies” (12))
- Fair value of financial instruments (Note 3 “Significant Accounting Policies” (13))

(f) Standards issued but not yet effective

At the approval date of the consolidated financial statements, the main standards and interpretations already issued but not yet effective are as follows.

IFRS	Title	Effective date	Planned Application date by the group	Information about new standards or amendments
IFRS 16	Leases	January 1, 2019	January 1, 2019	Amendments of lease accounting

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model. The standard includes two recognition exemptions for lessees – leases of ‘low-value’ assets and short-term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments (the lease liability) and an asset representing the right to use the underlying asset during the lease term (the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The standard will be applied using the modified retrospective approach.

For applying IFRS16, the Company estimates assets will increase ¥6.5 billion (U.S. \$58 million) and liabilities will increase almost the same amount. In addition, the Company recognizes there is no significant impact on profit or loss.

**Note 3
Significant Accounting
Policies**

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

Unless otherwise noted, the significant accounting policies applied to these 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 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 the non-controlling interest having a deficit balance.

B. Affiliates

Affiliates are entities over which the investor 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 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.

C. Jointly Controlled Companies

A jointly controlled company is a company over which two or more parties, including the Group, share control per a contractual arrangement and for which important decisions require the unanimous consent of the parties sharing control.

The Group accounts for its investments in jointly controlled companies by the equity method.

(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 retrospectively 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 gains or losses. However, if gains or losses associated with such assets and liabilities are recognized in other comprehensive income, exchange differences on such gains or losses are recognized in 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 acquisition cost or net realizable value. The cost of inventories 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 sell.

(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 the 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 amortization 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 amortization 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 on a prospective basis as changes in accounting estimates.

The estimated useful lives of the main category 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 may no longer exist. 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 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 benefit 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 a liability.

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 a liability.

(12) Provisions

Provisions are recognized when the Group comes to have 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

Equity instruments 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.

Debt instruments are classified as measured at fair value through other comprehensive income when the conditions listed below are met or they are classified as measured at fair value through profit or loss when said conditions are not met.

- The financial asset is held based on a business model that has an objective that is achieved when contractual cash flows are collected and the asset is sold
- 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

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 instruments 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.

Changes in the fair value of debt instruments that are classified as financial assets measured at fair value through other comprehensive income are recognized in other comprehensive income, excluding impairment and gains and losses on foreign exchange until the derecognition or reclassification of the financial assets in question. In cases where the Group derecognizes said assets, previously recognized other comprehensive income is transferred to profit or loss.

(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 each asset's 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, transaction costs that are directly attributable to the financial liabilities in question are deducted from such fair value.

(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 counterpart financial institutions.

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, gains or losses on the effective portion of cash flow hedges and hedges of net investments in foreign operations are recognized in other comprehensive income.

(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.

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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, transaction costs that are directly attributable to the financial liabilities in question are deducted from fair value.

(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 or 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.

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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, gains or losses on the effective portion of cashflow hedges and hedges of net investments in foreign operations are recognized in 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 in other comprehensive income, while the ineffective portion is recognized immediately in profit or loss.

The amount related to hedging instruments thus recorded in 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 in 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 in 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 in equity through other comprehensive income remains in equity until the forecast transaction occurs.

(c) Hedges of net investments in foreign operations

Translation differences resulting from the hedge of net investments in foreign operations are accounted for similarly to a cash flow hedge. The effective portion of gains or losses on hedging instruments is recognized in 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 in 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 in 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 goods are delivered, as the legal ownership, physical ownership, and significant risk and economic value of ownership of the goods are transferred to the customer upon said goods' delivery.

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.

Revenue is measured at the monetary amount of consideration to which the Group gains a right in exchange for the transfer of the promised goods to the customer, factoring in discounts, rebates and returns. The consideration that the Group expects to refund to customers is recorded as refund liabilities. Said refund liabilities are estimated using a modal value based on the terms of the relevant contracts, past performance and other factors. Furthermore, advances received from customers are recorded as contract liabilities.

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 carrying amount of an asset or liability of financial position and its taxable base.

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 carry forwards 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 probable 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 profit or loss on a systematic basis over the useful lives of the related assets.

Note 4 Segment Information

1. Overview of Reportable Segments

The Company's reportable segments are components for which separate financial information is available, and whose operating results are reviewed regularly by the board of directors in order to determine the allocation of resources and assess segment performance.

The Company classifies business divisions by product category. Each division undertakes business activities in line with the comprehensive strategy planned for each category. The Company's subsidiaries in Japan are engaged in business activities based on the characteristics of their respective products and services.

The Company's subsidiaries located overseas are independent management units and they are engaged in business activities based on the characteristics of their respective regions.

Therefore, the Company and its consolidated subsidiaries are made up of the following three reportable segments distinguished by products, services and regions:

Consumer Products Business, Industrial Products Business and Overseas Business

The Company's reportable segments are as follows.

(a) Consumer Products Business

Manufacture and sale of commodities, OTC drugs and functional food products in Japan

Main products: toothpaste, toothbrushes, hand soaps, analgesics, eyedrop solutions, health tonic drinks, insecticides, laundry detergents, dishwashing detergents, fabric softeners, household cleaners, bleaches and pet supplies

(b) Industrial Products Business

Manufacture and sale of chemical raw materials, industrial products and other items in Japan and overseas

Main products: activators, electro-conductive carbon and industrial cleaners

(c) Overseas Business

Manufacture and sale of commodities by the Company's subsidiaries located overseas

(d) Other Business

The Company's subsidiaries located in Japan conducting operations to support the reportable segments

Main products and services: construction contractor business, real estate management, transportation and storage and temporary staffing services

2. Methods of Calculating Net Sales, Profit (Loss), Assets, Liabilities and Other Items for Reportable Segments

The methods of accounting for the reportable segments are the same as those stated in "3. Significant Accounting Policies".

Reportable segment profit is stated on an operating profit basis.

The prices of inter-segment transactions and transfers are principally determined by price negotiations based on market prices, total supplier costs and Company notification of preferred prices.

3. Net Sales, Profit (loss), and other items by reportable segment

Segment information for the years ended December 31, 2018 and 2017 was as follows:

	Millions of yen							
	2018							
	Reportable segments				Other	Total	Adjustments*2	Consolidated total*3
Consumer Products Business	Industrial Products Business	Overseas Business						
Net sales								
(1) External customers	¥215,392	¥34,050	¥ 94,763	¥ 5,276	¥349,482	¥ (79)	¥349,403	
(2) Intersegment*1	16,202	23,908	10,279	28,790	79,181	(79,181)	—	
Total	¥231,594	¥57,958	¥105,043	¥34,067	¥428,663	¥(79,260)	¥349,403	
Core operating income	17,834	2,357	6,875	1,717	28,785	(409)	28,375	
Other income							7,431	
Other expenses							(1,610)	
Operating profit							¥ 34,196	
Finance income							789	
Finance costs							(137)	
Share of profit of investments accounted for using the equity method							809	
Profit before tax							¥ 35,658	
Other								
Depreciation and amortization	¥ 4,958	¥ 976	¥ 2,107	¥ 108	¥ 8,150	¥ 556	¥ 8,707	

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

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

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

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

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

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

Notes to Consolidated Financial Statements

	Millions of yen							Consolidated total ^{*3}
	2017							
	Reportable segments				Other	Total	Adjustments ^{*2}	
Consumer Products Business	Industrial Products Business	Overseas Business						
Net sales								
(1) External customers	¥215,125	¥32,606	¥ 90,725	¥ 4,096	¥342,554	¥ 149	¥342,703	
(2) Intersegment ^{*1}	26,077	22,441	11,842	26,469	86,830	(86,830)	—	
Total	¥241,203	¥55,047	¥102,567	¥30,565	¥429,384	¥(86,680)	¥342,703	
Core operating income	18,934	2,316	4,413	1,336	27,001	1,805	28,807	
Other income							3,142	
Other expenses							(1,470)	
Operating profit							¥ 30,479	
Finance income							808	
Finance costs							(205)	
Share of profit of investments accounted for using the equity method							915	
Profit before tax							¥ 31,998	
Other								
Depreciation and amortization	¥ 4,480	¥ 987	¥ 1,904	¥ 122	¥ 7,494	¥ 280	¥ 7,775	

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

*2. (1) A ¥1,805 million adjustment of core operating income mainly comprises intersegment eliminations and corporate expenses not allocated to any reportable segment.

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

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

Gross profit	¥170,990
Selling, general and administrative expenses	(142,182)
Core operating income	¥ 28,807

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.

	Thousands of U.S. dollars						
	2018						
	Reportable segments				Total	Adjustments ^{*2}	Consolidated total ^{*3}
	Consumer Products Business	Industrial Products Business	Overseas Business	Other			
Net sales							
(1) External customers	\$1,940,472	\$306,759	\$853,725	\$ 47,535	\$3,148,492	\$ (715)	\$3,147,778
(2) Intersegment ^{*1}	145,969	215,390	92,612	259,375	713,345	(713,345)	—
Total	\$2,086,441	\$522,149	\$946,338	\$306,910	\$3,861,838	\$(714,060)	\$3,147,778
Core operating income	160,669	21,238	61,946	15,475	259,327	(3,691)	255,636
Other income							66,954
Other expenses							(14,510)
Operating profit							\$ 308,080
Finance income							7,116
Finance costs							(1,243)
Share of profit of investments accounted for using the equity method							7,295
Profit before tax							\$ 321,248
Other							
Depreciation and amortization	\$ 44,672	\$ 8,794	\$ 18,987	\$ 973	\$ 73,426	\$ 5,016	\$ 78,442

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

*2. (1) A \$(3,691) million adjustment of core operating income mainly comprises intersegment eliminations and corporate expenses not allocated to any reportable segment.

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

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

Gross profit	\$1,547,111
Selling, general and administrative expenses	(1,291,476)
Core operating income	\$ 255,636

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.

Notes to Consolidated Financial Statements

4. Information by product and service category

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Net sales to external customers			
Health care	¥154,842	¥152,004	\$1,394,976
Household	163,729	160,687	1,475,037
Chemicals	25,431	25,258	229,114
Other	5,400	4,753	48,651
Total	¥349,403	¥342,703	\$3,147,778

5. Geographic Information

(1) Net Sales

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Japan	¥252,025	¥249,381	\$2,270,499
Asia	95,537	90,792	860,700
Thailand	43,401	39,559	391,002
Other	1,840	2,530	16,579
Consolidated	¥349,403	¥342,703	\$3,147,778

* Net sales to external customers, classified by country or geographic region based on customer location.

(2) Non-current assets

	Millions of yen			Thousands of U.S. dollars
	2018	2017	Transition date January 1, 2017	2018
Japan	¥69,805	¥63,292	¥58,892	\$628,879
Asia	22,233	25,025	22,542	200,299
Thailand	10,619	10,352	8,532	95,668
Total	¥92,038	¥88,318	¥81,435	\$829,179

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

6. Information about major customers

	Related segments	Millions of yen		Thousands of U.S. dollars
		2018	2017	2018
Net sales				
PALTAC Corporation	Consumer Products, Industrial Products	¥80,219	¥74,654	\$722,702
Arata Corporation	Consumer Products, Industrial Products	43,516	43,646	392,042

Note 5
Information on Cash
Flows

(1) Cash and cash equivalents

Cash and cash equivalents at December 31, 2018 and 2017 and the date of transition to IFRS consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2018	2017	Transition date January 1, 2017	2018
Cash and time deposits	¥ 38,504	¥22,190	¥16,732	\$346,884
Short-term investments	66,468	69,211	61,007	598,814
Cash and cash equivalents at end of the year	¥104,972	¥91,401	¥77,739	\$945,698

The balance of cash and cash equivalents presented in the consolidated statement of Financial Position is equal to the balance of cash and cash equivalents presented in the consolidated statement of cash flows.

(2) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities during the years ended December 31, 2018 and 2017 consisted of the following:

	Millions of yen				December 31, 2018
	January 1, 2018	Changes arising from cash flows	Non-cash changes		
			Foreign currency	Other	
Short-term borrowings	¥3,754	¥(1,504)	¥ (46)	¥(1,053)	¥1,150
Long-term borrowings (include current portion)	1,855	(269)	(116)	—	1,469
Total	¥5,610	¥(1,774)	¥(162)	¥(1,053)	¥2,619

	Millions of yen				December 31, 2017
	January 1, 2017	Changes arising from cash flows	Non-cash changes		
			Foreign currency	Other	
Short-term borrowings	¥4,244	¥(673)	¥183	¥—	¥3,754
Long-term borrowings (include current portion)	1,951	(268)	172	—	1,855
Total	¥6,195	¥(941)	¥356	¥—	¥5,610

	Thousands of U.S. dollars				December 31, 2018
	January 1, 2018	Changes arising from cash flows	Non-cash changes		
			Foreign currency	Other	
Short-term borrowings	\$33,828	\$(13,557)	\$ (421)	\$(9,490)	\$10,360
Long-term borrowings (include current portion)	16,713	(2,431)	(1,046)	—	13,237
Total	\$50,541	\$(15,988)	\$(1,467)	\$(9,490)	\$23,597

Other amount included in short-term borrowings are due to sales shares of subsidiaries.

Notes to Consolidated Financial Statements

Note 6 Trade and Other Receivables

Trade and other receivables at December 31, 2018 and 2017 and the date of transition to IFRS consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2018	2017	Transition date January 1, 2017	2018
Trade receivables	¥62,363	¥63,030	¥59,704	\$561,833
Other receivables	2,391	1,925	1,306	21,546
Allowance for doubtful accounts	(59)	(84)	(64)	(535)
Total	¥64,695	¥64,871	¥60,946	\$582,844

Note 7 Inventories

Inventories at December 31, 2018 and 2017 and the date of transition to IFRS consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2018	2017	Transition date January 1, 2017	2018
Merchandise and finished goods	¥29,443	¥26,580	¥26,367	\$265,258
Work in progress	2,581	3,335	2,756	23,259
Raw materials and supplies	10,032	9,738	10,018	90,378
Total	¥42,057	¥39,654	¥39,142	\$378,895

The above amounts are measured at the lower of acquisition cost or net realizable value.

The acquisition cost recognized as expenses are mainly included in cost of sales.

The amount of write-downs of inventories or reversals of write-downs recognized in profit or loss are not significant.

Note 8 Other Financial Assets

Other financial assets at December 31, 2018 and 2017 and the date of transition to IFRS consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2018	2017	Transition date January 1, 2017	2018
Financial assets measured at amortized cost				
Time Deposits due over three months	¥ 2,348	¥ 1,591	¥ 1,147	\$ 21,158
Other	1,328	1,478	966	11,969
Financial assets measured at fair value through other comprehensive income				
Securities	23,720	28,039	20,187	213,694
Other	282	278	50	2,543
Financial assets for which hedge accounting was applied				
Derivatives	—	6	18	—
Total	¥27,679	¥31,395	¥22,370	\$249,364
Current assets	2,582	1,996	1,315	23,265
Non- Current assets	25,097	29,399	21,055	226,099

Note 9
Assets held for sale

Assets held for sale at December 31, 2018 and 2017 and the date of transition to IFRS consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2018	2017	Transition date January 1, 2017	2018
Property, plant and equipment	¥—	¥228	¥—	\$—
Total	¥—	¥228	¥—	\$—

Land and buildings under transfer agreements were classified as assets held for sale in the fiscal year ended December 31, 2017.

These assets were sold on February 14, 2018.

Note 10
Other Assets

Other assets at December 31, 2018 and 2017 and the date of transition to IFRS consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2018	2017	Transition date January 1, 2017	2018
Prepaid expenses	¥1,414	¥1,433	¥1,470	\$12,746
Other	361	380	503	3,254
Total	¥1,775	¥1,814	¥1,973	\$15,999
Current assets	1,626	1,367	1,555	14,657
Non-current assets	148	446	418	1,342

Note 11 Property, Plant and Equipment

(1) Changes in property, plant and equipment

The following tables present changes in book value, acquisition costs and accumulated depreciation and accumulated impairment losses of property, plant and equipment.

Book value	Millions of yen					
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
January 1, 2017	¥24,774	¥19,583	¥22,358	¥ 2,705	¥3,822	¥73,245
Acquisition	124	432	4	13,498	301	14,361
Depreciation	(1,652)	(4,317)	—	—	(1,429)	(7,400)
Impairment loss	(218)	(420)	(10)	—	(34)	(683)
Sales and disposal	(130)	(300)	(316)	—	(18)	(766)
Exchange differences on foreign currencies	464	356	568	176	52	1,617
Reclassification and other	1,308	5,104	(228)	(8,519)	1,500	(835)
December 31, 2017	¥24,670	¥20,438	¥22,375	¥ 7,861	¥4,193	¥79,539
Acquisition	214	370	237	14,742	238	15,803
Depreciation	(1,713)	(5,016)	—	—	(1,689)	(8,418)
Impairment loss	(0)	(29)	(12)	(11)	(14)	(68)
Sales and disposal	(134)	(272)	(805)	—	(31)	(1,244)
Loss of control	(1,191)	(1,002)	(342)	—	(43)	(2,579)
Exchange differences on foreign currencies	(275)	(163)	(328)	(46)	(32)	(847)
Reclassification and other	3,623	7,717	—	(13,919)	1,939	(638)
December 31, 2018	¥25,193	¥22,042	¥21,124	¥ 8,625	¥4,560	¥81,546

Depreciation is recognized in cost of sales and selling and administrative expenses on the consolidated statement of profit or loss.

Acquisition cost	Millions of yen					
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
December 31, 2018	¥76,077	¥119,275	¥27,600	¥8,625	¥25,070	¥256,648
December 31, 2017	75,758	120,259	27,371	7,861	24,732	255,982
January 1, 2017	76,158	124,371	27,343	2,705	24,239	254,818

Accumulated depreciation and accumulated impairment loss	Millions of yen					
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
December 31, 2018	¥50,884	¥ 97,232	¥6,475	¥—	¥20,509	¥175,102
December 31, 2017	51,087	99,820	4,995	—	20,539	176,443
January 1, 2017	51,383	104,787	4,984	—	20,416	181,572

Book value	Thousands of U.S. dollars					
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
December 31, 2017	\$222,257	\$184,133	\$201,584	\$ 70,821	\$37,780	\$716,574
Acquisition	1,934	3,341	2,139	132,812	2,151	142,377
Depreciation	(15,433)	(45,191)	—	—	(15,221)	(75,846)
Impairment loss	(7)	(263)	(108)	(108)	(130)	(615)
Sales and disposal	(1,213)	(2,451)	(7,259)	—	(287)	(11,211)
Loss of control	(10,734)	(9,028)	(3,085)	—	(387)	(23,235)
Exchange differences on foreign currencies	(2,484)	(1,477)	(2,959)	(422)	(294)	(7,636)
Reclassification and other	32,647	69,523	—	(125,399)	17,474	(5,755)
December 31, 2018	\$226,967	\$198,584	\$190,312	\$ 77,704	\$41,086	\$734,653

Acquisition cost	Thousands of U.S. dollars					
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
December 31, 2018	\$685,382	\$1,074,557	\$248,651	\$77,704	\$225,858	\$2,312,152

Accumulated depreciation and accumulated impairment loss	Thousands of U.S. dollars					
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
December 31, 2018	\$458,415	\$875,973	\$58,339	\$—	\$184,772	\$1,577,499

(2) Impairment loss

The Company performs an impairment test to the some properties, plant and equipments if there is any indication that assets may be impaired. The grouping of the Company's business assets are based from individual business units which are the lowest level of generating cash flows. Idle assets that are not prospected to use in the future are individually assessed for impairment test.

Impairment loss, which have been included in "Other expense" of consolidated statement of income amounted to ¥68 million (U.S.\$615 thousand) and ¥683 million for the years ended December 31, 2018 and 2017, respectively.

The significant impairment loss are as follows.

Lion Packaging Co., Ltd. recognized impairment of corresponding assets included in the segment of Consumer Products Business and wrote down ¥407 million to the recoverable amount due to close of Ichihara factory.

The recoverable amount of corresponding assets are measured at the fair value less cost to dispose. The fair value hierarchy is Level 3.

Lion Chemical Co., Ltd. recognized impairment of corresponding assets included in the segment of Industrial Products Business and wrote down ¥177 million to the recoverable amount due to withdrawal of some business.

The recoverable amount of corresponding assets are measured at the value in use, which is estimated ¥0 because future cash flows are negative.

Place	Utility	Type	Millions of yen
			Amount of impairment loss
Chiba, Ichihara city	Business assets	Machinery and vehicles etc.	¥407
Kagawa, Sakaide city	Business assets	Buildings and structures etc.	177

Notes to Consolidated Financial Statements

(3) Lease assets

The Company leases some equipments and vehicles and accounted in accordance with the lease agreements.

The book value of lease assets after accumulated depreciation and accumulated impairment loss at December 31, 2018 and 2017 and the date of transition to IFRS consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2018	2017	Transition date January 1, 2017	2018
Buildings and structures	¥232	¥254	¥254	\$2,096
Machinery and vehicles	360	392	449	3,244
Other	173	143	167	1,559
Total	¥765	¥790	¥872	\$6,900

(4) Assets pledged as collateral and debt obligations covered by collateral

Assets pledged as collateral and debt obligations covered by collateral at December 31, 2018 and 2017 and the date of transition to IFRS consisted of the following:

Assets pledged as collateral

	Millions of yen			Thousands of U.S. dollars
	2018	2017	Transition date January 1, 2017	2018
Cash and cash equivalents	¥ —	¥ —	¥ 47	\$ —
Buildings and structures	1,617	1,590	1,403	14,568
Machinery and vehicles	860	882	676	7,754
Total	¥2,477	¥2,473	¥2,127	\$22,322

Debt obligations covered by collateral

	Millions of yen			Thousands of U.S. dollars
	2018	2017	Transition date January 1, 2017	2018
Trade and other payables	¥229	¥171	¥251	\$2,065
Total	¥229	¥171	¥251	\$2,065

(5) Commitments

See "Note 32. Commitments."

Note 12
Goodwill and Intangible
Assets

(1) Changes in goodwill and intangible assets

The following tables present changes in book value, acquisition costs, accumulated amortization and accumulated impairment losses, of goodwill and intangible assets.

Book value	Millions of yen					
	Intangible assets					
	Goodwill	Trademarks	Software	Software-related temporary account	Other	Total
January 1, 2017	¥182	¥6,607	¥ 523	¥ 212	¥245	¥ 7,588
Acquisition	—	—	52	785	—	838
Amortization	—	(9)	(356)	—	(9)	(375)
Impairment loss	—	—	—	—	—	—
Sales and disposal	—	—	(0)	—	—	(0)
Exchange differences on foreign currencies	—	0	16	—	7	23
Reclassification and other	—	2	766	(693)	—	74
December 31, 2017	¥182	¥6,600	¥1,001	¥ 303	¥243	¥ 8,149
Acquisition	—	0	38	2,283	24	2,347
Amortization	—	(8)	(279)	—	(0)	(289)
Impairment loss	—	—	—	—	—	—
Sales and disposal	—	—	(0)	—	—	(0)
Exchange differences on foreign currencies	—	(0)	(12)	—	(19)	(31)
Reclassification and other	—	—	1,022	(1,023)	(12)	(14)
December 31, 2018	¥182	¥6,591	¥1,769	¥1,563	¥235	¥10,160

The main contents of acquisition is due to individual acquisition.

Amortization is recognized in cost of sales and selling, general and administrative expenses on the consolidated statement of profit or loss.

Acquisition cost	Millions of yen					
	Intangible assets					
	Goodwill	Trademarks	Software	Software-related temporary account	Other	Total
December 31, 2018	¥182	¥39,277	¥7,117	¥1,563	¥1,198	¥49,158
December 31, 2017	182	39,277	6,079	303	1,201	46,863
January 1, 2017	182	39,275	5,215	212	1,211	45,914

Accumulated amortization and accumulated impairment loss	Millions of yen					
	Intangible assets					
	Goodwill	Trademarks	Software	Software-related temporary account	Other	Total
December 31, 2018	¥—	¥32,685	¥5,348	¥—	¥963	¥38,997
December 31, 2017	—	32,677	5,078	—	958	38,714
January 1, 2017	—	32,668	4,691	—	966	38,326

Notes to Consolidated Financial Statements

Book value	Thousands of U.S. dollars					
	Intangible assets					
	Goodwill	Trademarks	Software	Software-related temporary account	Other	Total
December 31, 2017	\$1,646	\$59,464	\$ 9,023	\$ 2,739	\$2,192	\$73,417
Acquisition	—	3	350	20,571	222	21,147
Amortization	—	(79)	(2,521)	—	(7)	(2,608)
Impairment loss	—	—	—	—	—	—
Sales and disposal	—	—	(2)	—	—	(2)
Exchange differences on foreign currencies	—	(1)	(114)	—	(172)	(287)
Reclassification and other	—	—	9,207	(9,222)	(115)	(129)
December 31, 2018	\$1,646	\$59,387	\$15,943	\$14,088	\$2,119	\$91,538

Acquisition cost	Thousands of U.S. dollars					
	Intangible assets					
	Goodwill	Trademarks	Software	Software-related temporary account	Other	Total
December 31, 2018	\$1,646	\$353,855	\$64,126	\$14,088	\$10,797	\$442,866

Accumulated amortization and accumulated impairment loss	Thousands of U.S. dollars					
	Intangible assets					
	Goodwill	Trademarks	Software	Software-related temporary account	Other	Total
December 31, 2018	\$—	\$294,468	\$48,183	\$—	\$8,677	\$351,328

(2) Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are some trademarks. The Company classified them to the intangible assets with indefinite useful lives because they will continue as long as the Company continues the business.

(3) Research and development costs recognized as expenses

Research and development costs that are not eligible for capitalization are expensed as incurred. See “Note 25 Classification of Selling, General and Administrative Expenses” for the information of research and development costs recognized as expenses. In addition, the Company didn’t recognize significant internally generated intangible assets.

(4) Significant intangible assets and impairment tests

Significant intangible assets recognized in the consolidated statement of financial position are the trademarks of antipyretic analgesics “BUFFERIN “ in the Asia-Oceania region (except for the some countries and regions, including China). The amounts of the trademarks at December 31, 2018 and 2017 and the date of transition to IFRS are ¥6,560 million (U.S. \$59,099 thousand).

Intangible assets with indefinite useful lives are tested for impairment every term. The Company allocates the relevant business to the independent cash generating unit, determines recoverable amounts based on value in use, which are discounted estimated future cash flow with 9.8% (December 31, 2017 : 10.0%). Used discount rate are determined with using weighted average cost of capital. Growth rates used to extrapolate cash flows beyond the three-year forecast approved by management are determined 0%. In addition, if key assumptions used in impairment test changes within a reasonable range, the Company recognizes it is unlikely to occur the significant impairment.

The Company doesn't recognize impairment loss from goodwill and intangible assets with indefinite useful lives at December 31, 2018 and 2017.

(5) Intangible assets pledged as collateral

No intangible assets has been pledged as collateral to secure the debt.

(6) Commitments

See " Note 32. Commitments."

Note 13 Investments Accounted for Using the Equity Method

Investments accounted for using the equity method at December 31, 2018 and 2017 and the date of transition to IFRS consisted of the following:

(1) Affiliated companies

	Millions of yen			Thousands of U.S. dollars
	2018	2017	Transition date January 1, 2017	2018
Investments accounted for using the equity method	¥6,263	¥5,585	¥4,907	\$56,426

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
The Group's share			
Profit	¥984	¥915	\$8,867
Other comprehensive income	(136)	(72)	(1,233)
Total	¥847	¥843	\$7,634

(2) Joint ventures

	Millions of yen			Thousands of U.S. dollars
	2018	2017	Transition date January 1, 2017	2018
Investments accounted for using the equity method	¥2,342	¥—	¥—	\$21,107

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
The Group's share			
Profit	¥(174)	¥—	\$(1,572)
Other comprehensive income	—	—	—
Total	¥(174)	¥—	\$(1,572)

There are no individually important affiliated companies and joint ventures in the companies accounted for by the equity method for the years ended December 31, 2018 and 2017.

Notes to Consolidated Financial Statements

Note 14 Income taxes

(1) Deferred tax assets and deferred tax liabilities

The major components of deferred tax assets and liabilities at December 31, 2018 and 2017 and the date of transition to IFRS consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2018	2017	Transition date January 1, 2017	2018
Deferred tax assets				
Provisions, and Other current liabilities	¥ 3,213	¥ 3,007	¥ 2,958	\$ 28,946
Retirement benefit assets and liabilities	9,452	8,020	9,995	85,153
Excess depreciation	560	614	600	5,045
Accrued enterprise and office taxes	262	373	379	2,360
Appraisal value of inventories	551	456	590	4,964
Unrealized profit on inventories and non-current assets	572	437	514	5,153
Other	1,244	1,532	2,048	11,207
Total	¥ 15,856	¥ 14,440	¥ 17,088	\$ 142,846
Deferred tax liabilities				
Special depreciation of non-current assets	¥ (976)	¥ (1,108)	¥ (1,128)	\$ (8,793)
Valuation difference upon contribution of securities to retirement benefit trust	(4,833)	(4,848)	(4,868)	(43,541)
Temporary differences due to distribution of retained earnings at overseas affiliates	(1,677)	(1,315)	(1,049)	(15,108)
Net gain on revaluation of financial assets measured at fair value through other comprehensive income	(4,315)	(5,510)	(3,113)	(38,874)
Trademarks	(2,007)	(2,007)	(1,514)	(18,081)
Other	(389)	(359)	(342)	(3,505)
Total	¥(14,199)	¥(15,150)	¥(12,016)	\$(127,922)

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Net deferred tax assets and (liabilities)			
Balance at beginning of the year	¥ (709)	¥5,070	\$ (6,395)
Deferred income taxes	(30)	(1,114)	(276)
Deferred taxes related to other comprehensive income items			
Net gain (loss) on revaluation of financial assets measured at fair value	1,136	(2,596)	10,234
Net gain (loss) on derivatives designated as cash flow hedges	5	3	52
Remeasurements of defined benefit plans	1,273	(1,991)	11,476
Other	(19)	(81)	(176)
Balance at end of the year	¥1,656	¥ (709)	\$14,924

(2) Unrecognized deferred tax assets

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

	Millions of yen			Thousands of U.S. dollars
	2018	2017	Transition date January 1, 2017	2018
Deductible temporary differences	¥11,323	¥22,052	¥21,559	\$102,016
Net loss carryforwards	398	427	261	3,593

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

	Millions of yen			Thousands of U.S. dollars
	2018	2017	Transition date January 1, 2017	2018
First year	¥ —	¥ —	¥ —	\$ —
Second year	—	—	—	—
Third year	—	—	—	—
Fourth year	398	—	—	3,586
Fifth year or later	—	427	261	—
Total	¥398	¥427	¥261	\$3,586

(3) Unrecognized deferred tax liabilities

There were no significant taxable temporary differences related to the investments in subsidiaries not recognized as deferred tax liabilities at the date at December 31, 2018 and 2017 the date of transition to IFRS.

(4) Income taxes

Income taxes recognized through profit or loss are as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Current income taxes	¥5,844	¥7,493	\$52,649
Deferred income taxes			
Origination and reversal of temporary differences	3,176	964	28,610
Adjustment and reversal of deferred tax assets	(3,145)	150	(28,331)
Total	¥5,875	¥8,607	\$52,928

(5) Reconciliation of the applicable tax rate and average effective tax rate

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

	2018	2017
Applicable tax rate	30.9%	30.9%
Entertainment expenses and other non-deductible items	0.3	0.4
Dividend income and other items not recognizable as income for tax purposes	(2.2)	(1.1)
Unrecognized deferred tax assets	(6.7)	1.1
Differences in tax rates applicable to foreign subsidiaries	(3.3)	(2.5)
Tax credit for research and development costs and other	(2.7)	(2.3)
Other	0.2	0.4
Average effective tax rate	16.5%	26.9%

Notes to Consolidated Financial Statements

The Company and subsidiaries are subject to taxes mainly comprising income taxes, residence taxes and business taxes. Calculated based on these taxes, the applicable tax rate for the fiscal years ended December 31, 2018 and 2017 was 30.9%. However, overseas subsidiaries are subject to the income and other taxes of their locations respectively.

Note 15 Trade and Other Payables

Trade and other payables at December 31, 2018 and 2017 and the date of transition to IFRS consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2018	2017	Transition date January 1, 2017	2018
Trade payables	¥ 61,136	¥ 57,976	¥ 53,402	\$ 550,780
Accrued payables and accrued expenses	49,873	49,998	51,816	449,313
Refund liabilities and contract liabilities	5,970	3,735	2,864	53,790
Total	¥116,980	¥111,709	¥108,084	\$1,053,883

Note 16 Borrowings

Borrowings at December 31, 2018 and 2017 and the date of transition to IFRS consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2018	2017	Transition date January 1, 2017	2018
Short-term borrowings	¥1,150	¥3,754	¥4,244	\$10,360
Current portion of long-term borrowings	267	285	260	2,407
Long-term borrowings	1,202	1,569	1,690	10,830
Total	¥2,619	¥5,610	¥6,195	\$23,597
Current liabilities	1,417	4,040	4,504	12,767
Non-Current liabilities	1,202	1,569	1,690	10,830

Note 17 Other Financial Liabilities

Other financial liabilities at December 31, 2018 and 2017 and the date of transition to IFRS consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2018	2017	Transition date January 1, 2017	2018
Financial liabilities measured at amortized cost				
Lease liabilities	¥ 533	¥ 536	¥ 617	\$ 4,804
Long-term deposits	2,824	2,774	2,725	25,446
Other	721	670	665	6,504
Financial liabilities for which hedge accounting was applied				
Derivatives	12	—	—	108
Total	¥4,091	¥3,980	¥4,008	\$36,862
Current liabilities	907	890	893	8,180
Non-Current liabilities	3,183	3,090	3,114	28,682

Note 18
Other Liabilities

Other liabilities at December 31, 2018 and 2017 and the date of transition to IFRS consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2018	2017	Transition date January 1, 2017	2018
Accrued bonus	¥4,746	¥4,179	¥4,180	\$42,760
Accrued paid annual leave	2,013	1,832	1,861	18,137
Other accrued employee benefits	980	981	1,036	8,831
Other	733	2,026	1,384	6,607
Total	¥8,473	¥9,020	¥8,462	\$76,334
Current liabilities	7,051	7,388	6,754	63,528
Non-Current liabilities	1,421	1,632	1,708	12,806

Note 19
Provisions

The changes in provisions during the year ended December 31, 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	Provision for sales	Other	Provision for sales	Other
At beginning of year	¥839	¥380	\$7,559	\$3,426
Increase	705	16	6,355	152
Decrease (used)	(839)	(7)	(7,559)	(68)
Decrease (reversal)	—	(6)	—	(56)
Loss of control	—	(22)	—	(205)
At end of year	¥705	¥360	\$6,355	\$3,250

Provision for sales are mainly consisted of the expected expenditure for sales promotion within a year. There are no important asset retirement obligations in 2018.

Note 20
Post-Retirement Benefits

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

The main retirement benefit plan in which the Company participates is the LION PENSION FUND. Furthermore, the Company and 11 other companies maintain lump-sum retirement benefit plans. Furthermore, the Company has established a retirement benefit trust.

(1) Defined benefit plans

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

	Millions of yen			Thousands of U.S. dollars
	2018	2017	Transition date January 1, 2017	2018
Present value of defined benefit obligation	¥68,738	¥70,400	¥72,013	\$619,266
Fair value of plan assets	(65,582)	(73,148)	(69,253)	(590,831)
Total	¥ 3,155	¥ (2,748)	¥ 2,760	\$ 28,426
Retirement benefit liabilities	10,955	7,554	10,733	98,698
Retirement benefit assets	(7,799)	(10,302)	(7,973)	(70,263)
Net liabilities presented in the Consolidated	¥ 3,155	¥ (2,748)	¥ 2,760	\$ 28,426

Notes to Consolidated Financial Statements

A. Changes in the present value of defined benefit obligation

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance of retirement benefit obligation at beginning of year	¥70,400	¥72,013	\$634,243
Current service cost	2,248	2,216	20,257
Interest expense	262	203	2,366
Remeasurements			
Experience adjustments	41	411	369
Actuarial gains and losses arising from changes in demographic assumptions"	(241)	—	(2,171)
Actuarial gains and losses arising from changes in financial assumptions"	421	(723)	3,797
Retirement benefit payments	(4,264)	(3,970)	(38,415)
Other	(131)	250	(1,181)
Balance of retirement benefit obligation at end of year	¥68,738	¥70,400	\$619,266

The weighted average duration of the defined benefit obligation was 11.5 years at December 31, 2018 and 11.2 years at December 31, 2017.

B. Changes in the fair value of plan assets

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance of plan assets at beginning of year	¥73,148	¥69,253	\$659,000
Interest revenue on plan assets	305	205	2,752
Remeasurements income			
Return on plan assets(excluding interest income)	(3,956)	6,681	(35,641)
Employer contributions	234	550	2,111
Retirement benefit payments	(4,073)	(3,541)	(36,694)
Other	(77)	—	(696)
Balance of retirement benefit obligation at end of year	¥65,582	¥73,148	\$590,831

The Group's planned contribution to defined benefit plans in the consolidated fiscal year ending December 31, 2019 is ¥525 million (U.S. \$4,734 thousand).

Plan asset management policy

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

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

C. Components of plan assets

The components of plan assets are as follows.

	Millions of yen						Thousands of U.S. dollars	
	2018		2017		Transition date January 1, 2017		2018	
	Plan assets with quoted prices in active markets	Plan assets without quoted prices in active markets	Plan assets with quoted prices in active markets	Plan assets without quoted prices in active markets	Plan assets with quoted prices in active markets	Plan assets without quoted prices in active markets	Plan assets with quoted prices in active markets	Plan assets without quoted prices in active markets
Bonds	¥ —	¥11,940	¥ —	¥11,587	¥ —	¥21,475	\$ —	\$107,575
Stocks	29,826	—	36,216	—	30,010	—	268,708	—
Other	7,732	16,082	8,491	16,852	2,398	15,369	69,659	144,889
Total	¥37,558	¥28,023	¥44,708	¥28,440	¥32,408	¥36,844	\$338,367	\$252,464

D. Actuarial assumptions

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

	2018	2017	Transition date January 1, 2017
Discount rate (%)	0.4%	0.4%	0.3%

E. Sensitivity analysis of actuarial assumptions

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

This analysis assumes that other relevant variables are fixed.

	Millions of yen		Thousands of U.S. dollars
	2018	2017	Transition date January 1, 2017
Discount rate (+0.5%)	(3,259)	(3,422)	(29,362)
Discount rate (-0.5%)	2,833	2,976	25,526

(2) Defined contribution plans

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	Transition date January 1, 2017
Expenses related to defined contribution plans	3,041	2,877	27,402

Notes to Consolidated Financial Statements

Note 21 Stock-based Compensation

(1) Stock option system

1. Details of stock options

Company name	Submitting Company	Submitting Company	Submitting Company	Submitting Company
Resolution date	March 30, 2006	March 28, 2008	March 27, 2009	March 30, 2010
Grantee information	11 Directors 4 Corporate auditors 10 Employees	9 Directors (excluding external directors) 9 Employees (Executive officer)	9 Directors (excluding external directors)	8 Directors (excluding external directors)
Stock information*1	Common stock 129,753	Common stock 143,771	Common stock 99,781	Common stock 103,778
Grant date	March 31, 2006	April 15, 2008	April 15, 2009	April 15, 2010
Settlement	Equity-settled	Equity-settled	Equity-settled	Equity-settled
Vesting conditions	*2	*3	*5	*5
Length of service	—	—	—	—
Exercise period	Decided by the board of directors during April 1, 2006 to March 31, 2036	From April 15, 2008 to April 14, 2038	From April 15, 2009 to April 14, 2039	From April 15, 2010 to April 14, 2040

Company name	Submitting Company	Submitting Company	Submitting Company	Submitting Company
Resolution date	March 30, 2011	December 27, 2011	March 29, 2012	March 28, 2013
Grantee information	8 Directors (excluding external directors)	1 Directors 1 Employees (Executive officer)	8 Directors (excluding external directors)	8 Directors (excluding external directors)
Stock information *1	Common stock 97,575	Common stock 71,392	Common stock 96,418	Common stock 99,716
Grant date	April 18, 2011	January 12, 2012	April 17, 2012	April 15, 2013
Settlement	Equity-settled	Equity-settled	Equity-settled	Equity-settled
Vesting conditions	*5	*5	*5	*5
Length of service	—	—	—	—
Exercise period	From April 18, 2011 to April 17, 2041	From January 12, 2012 to January 11, 2042	From April 17, 2012 to April 16, 2042	From April 15, 2013 to April 14, 2043

Company name	Submitting Company	Submitting Company	Submitting Company	Submitting Company
Resolution date	December 25, 2013	March 28, 2014	December 25, 2014	March 27, 2015
Grantee information	2 Directors 8 Employees (Executive officer)	8 Directors (excluding external directors)	7 Employees (Executive officer)	8 Directors (excluding external directors)
Stock information *1	Common stock 41,576	Common stock 82,672	Common stock 34,762	Common stock 73,062
Grant date	January 14, 2014	April 15, 2014	January 13, 2015	April 13, 2015
Settlement	Equity-settled	Equity-settled	Equity-settled	Equity-settled
Vesting conditions	*3	*5	*4	*5
Length of service	—	—	—	—
Exercise period	From January 14, 2014 to January 13, 2044	From April 15, 2014 to April 14, 2044	From January 13, 2015 to January 12, 2045	From April 13, 2015 to April 12, 2045

Company name	Submitting Company	Submitting Company
Resolution date	December 25, 2015	March 30, 2016
Grantee information	8 Employees (Executive officer)	6 Directors (excluding external directors)
Stock information*1	Common stock 29,447	Common stock 30,892
Grant date	January 12, 2016	April 18, 2016
Settlement	Equity-settled	Equity-settled
Vesting conditions	*4	*5
Length of service	—	—
Exercise period	From January 12, 2016 to January 11, 2046	From April 18, 2016 to April 17, 2046

*1:

The number of stock options granted are converted to the number of stock options.

*2:

Grantees can exercise the stock options warrant within ten days from the next day they are retired after their term of 1 year (exclude death), or lose their positions. In case of executive officer, the term is ten days from the next day they are retire or the lose position (later one).

*3:

i) Directors

Directors can exercise the stock options warrant within ten days from the next day they are retired after their term of 1 year (exclude death), or lose their positions. They have to exercise the stock options warrant in a lump.

ii) Executive officer

Executive officer can exercise the stock options warrant within ten days from the next day they are retired after their term of 1 year (exclude death), or lose their positions. They have to exercise the stock options warrant in a lump. However, the board of directors can determine that certain directors can exercise their stock options warrant (not later than 1 year) divided proportionally to the term they are qualified, when their terms in office are no more than 1 year or they lose their positions because they are retired during their tenure no more than 1 year. Fractional of divided stock options warrants are rounded off.

iii) Board of directors can determine the term to exercise stock options warrant, during the period mentioned above.

iv) Other conditions are fixed under the contract between the Company and guarantees based on the determination of board of directors.

*4:

i) Executive officer can exercise the stock options warrant within ten days from the next day they are retired after their term of 1 year (exclude death), or lose their positions. They have to exercise the stock options warrant in a lump. However, the board of directors can determine that certain directors can exercise their stock options warrant (not later than 1 year) divided proportionally to the term they are qualified, when their terms in office are no more than 1 year or they lose their positions because they are retired during their tenure no more than 1 year or they are retired from employees or being directors. Fractional of divided stock options warrants are rounded off.

ii) Board of directors can determine the term to exercise stock options warrant, within the period mentioned above.

iii) Other conditions are fixed under the contract between the Company and guarantees based on the determination of board of directors.

*5:

i) Executive officer can exercise the stock options warrant within ten days from the next day they are retired after their term of 1 year (exclude death), or lose their positions. They have to exercise the stock options warrant in a lump.

ii) Board of directors can determine the term to exercise stock options warrant, within the period mentioned above.

iii) Other conditions are fixed under the contract between the Company and guarantees based on the determination of the board of directors.

2. Numbers of stock options and weighted average exercise price

	2018		2017	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Beginning balance of outstanding	349,947	1	389,594	1
Granted	—	—	—	—
Expired	—	—	—	—
Exercised	71,662	1	39,647	1
Expired at maturity	—	—	—	—
Ending balance of outstanding	278,285	1	349,947	1
Ending balance of exercisable	—	—	—	—
Range of exercise price	—	1	—	1
Weighted average remaining term of contract	22 years		24 years	

3. Numbers of Exercised during the period

	2018		2017	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
December 27, 2010	—	—	6,749	2,009
March 30, 2011	8,338	2,281	—	—
December 27, 2011	—	—	6,693	2,009
March 29, 2012	8,071	2,281	—	—
December 26, 2012	—	—	13,502	1,963
March 28, 2013	8,347	2,281	—	—
December 25, 2013	5,608	2,128	5,060	1,916
March 28, 2014	8,832	2,281	—	—
December 25, 2017	9,932	2,145	4,966	1,916
March 27, 2015	7,806	2,281	—	—
December 25, 2015	8,031	2,190	2,677	1,916
March 30, 2016	6,697	2,281	—	—

(2) Performance Share Plan

The Company introduced a performance share plan (hereinafter the "Plan") for the members of the board of directors (excluding outside directors) and executive officers (collectively, "Directors, etc.") for the aim of raising medium and long term performance and enhancing the value of the Company.

The Company has introduced the Plan using a structure called a Board Incentive Plan (hereinafter "BIP Trust"). A BIP Trust is designed as an executive incentive plan based on the performance share plans and restricted stock plans in the U.S. The Company's shares that are acquired through the BIP Trust and amount equivalent to the converted value of such shares will be vested or paid to directors, etc. depending on the level of achievement of performance targets.

(3) Share-based Payment Expenses

Share-based Payment Expense for the fiscal year ended December 31, 2018 and 2017 were ¥106 million (U.S. \$958 thousand) and ¥165 million, respectively. These are recognized in the consolidated statements of profit or loss as selling general and administrative expenses.

Note 22 Equity

(1) Share capital

The following table presents changes in the number of outstanding shares and authorized shares.

	Thousands of U.S. dollars	
	2018	2018
Number of authorized shares	1,185,600	1,185,600
Number of outstanding shares		
At beginning of period	299,115	299,115
Net change	—	—
At end of period	299,115	299,115

All shares issued by the Company are ordinary shares which have no par value and no limitations on rights.

(2) Additional paid-in capital

The Companies Act of Japan provides that more than one-half amount of contribution to the Company shall be recorded as share capital and the amount not recorded as share capital shall be recorded as additional paid-in capital. The Companies Act of Japan also provides that additional paid-in capital may be appropriated to the share capital by resolution of the shareholders meeting.

(3) Retained earnings

The Companies Act of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of additional paid-in capital (other than the capital reserve) and retained earnings (other than the earned reserve) be transferred to the capital reserve and the earned reserve, respectively, until the legal reserve equals 25% of the capital stock account.

Transferred earned reserves can be appropriated to reserve for future loss. The reversal of earned reserves is determined in the shareholders meeting.

(4) Treasury stock

	Thousands of U.S. dollars	
	2018	2018
At beginning of period	8,535	8,551
Increase due to requests of shareholders owning odd lot shares of ordinary shares	3	24
Decrease due to request of shareholders owning odd lot shares of ordinary shares	(0)	(0)
Decrease due to exercise of stock options	(71)	(39)
Decrease due to sales of ordinary shares to the BID Trust	(10)	—
At end of period	8,456	8,535

Notes to Consolidated Financial Statements

(5) Dividends

Dividends paid for each year are as following:

Fiscal year ended December 31, 2018

Resolution	Class of shares	Total dividends		Dividends per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(\$)		
February 9, 2018 Board of Directors	Ordinary shares	2,910	26,224	10.00	0.09	December 31, 2017	March 1, 2018
August 3, 2018 Board of Directors"	Ordinary shares	2,911	26,228	10.00	0.09	June 30, 2018	September 4, 2018

The amount of total dividends approved by the board of directors on February 9, 2018 included dividends of ¥5 million (U.S. \$45 thousand) dividend on the Company's stock which is held by the BIP trust.

The amount of total dividends approved by the board of directors on August 3, 2018 included dividends of ¥4 million (U.S. \$44 thousand) dividend on the Company's stock which is held by the BIP trust.

Fiscal year ended December 31, 2017

Resolution	Type of stock	Total dividends (Millions of yen)	Dividends per share	Record date	Effective date
February 10, 2017 Board of Directors	Ordinary shares	2,324	8.00	December 31, 2016	March 2, 2017
August 3, 2017 Board of Directors	Ordinary shares	2,037	7.00	June 30, 2017	September 5, 2017

The amount of total dividends approved by the board of directors on August 3, 2017 included a dividend of ¥3 million dividend on the Company's stock which is held by the BIP trust.

Dividends for which the effective date is in the following fiscal are as follows:

Resolution	Type of stock	Total dividends		Dividends per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(\$)		
February 9, 2018 Board of Directors	Ordinary shares	2,911	26,230	10.00	0.09	December 31, 2017	March 1, 2018

The amount of total dividends approved by the board of directors on August 3, 2018 included dividends of ¥4 million (U.S.\$44 thousand) dividend on the Company's stock which is held by the BIP trust.

Fiscal year ended December 31, 2017

Resolution	Type of stock	Total dividends (Millions of yen)	Dividends per share	Record date	Effective date
February 9, 2018 Board of Directors	Ordinary shares	2,910	10.00	December 31, 2017	March 1, 2018

The amount of total dividends approved by the board of directors on February 9, 2018 included a dividends of ¥5 million dividend on the Company's stock which is held by the BIP trust.

Note 23
Other Comprehensive
Income

Other comprehensive income during the years ended December 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Items that will not be reclassified to profit or loss			
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income			
Gains/(losses) during the year	¥(4,011)	¥ 8,694	\$(36,139)
Gains/(losses) before tax effect	(4,011)	8,694	(36,139)
Amount of tax effect	1,136	(2,596)	10,234
Gains/(losses) after tax effect	¥(2,875)	¥ 6,097	\$(25,904)
Remeasurements of defined benefit plans			
Gains/(losses) during the year	¥(4,176)	¥ 6,993	\$(37,626)
Gains/(losses) before tax effect	(4,176)	6,993	(37,626)
Amount of tax effect	1,273	(1,991)	11,476
Gains/(losses) after tax effect	¥(2,902)	¥ 5,001	\$(26,150)
Share of other comprehensive income of investments accounted for using the equity method			
Gains/(losses) during the year	¥ 153	¥ (91)	\$ 1,384
Gains/(losses) before tax effect	153	(91)	1,384
Amount of tax effect	—	—	—
Gains/(losses) after tax effect	¥ 153	¥ (91)	\$ 1,384
Items that may be subsequently reclassified to profit or loss			
Net gain (loss) on derivatives designated as cash flow hedges			
Gains/(losses) during the year	¥ (18)	¥ (11)	\$ (170)
Gains/(losses) before tax effect	(18)	(11)	(170)
Amount of tax effect	5	3	52
Gains/(losses) after tax effect	¥ (13)	¥ (8)	\$ (118)
Exchange differences on translation of foreign operations			
Gains/(losses) during the year	¥(1,476)	¥ 2,043	\$(13,299)
Reclassification during the year to profit or loss	(18)	—	(166)
Gains/(losses) before tax effect	(1,494)	2,043	(13,465)
Amount of tax effect	—	—	—
Gains/(losses) after tax effect	¥(1,494)	¥ 2,043	\$(13,465)
Share of other comprehensive income of investments accounted for using the equity method			
Gains/(losses) during the year	¥ (290)	¥ 19	\$ (2,617)
Gains/(losses) before tax effect	(290)	19	(2,617)
Amount of tax effect	—	—	—
Gains/(losses) after tax effect	¥ (290)	¥ 19	\$ (2,617)
Total			
Gains/(losses) during the year	¥(9,819)	¥17,648	\$(88,466)
Reclassification during the year to profit or loss	(18)	—	(166)
Gains/(losses) before tax effect	(9,838)	17,841	(88,632)
Amount of tax effect	2,415	(4,585)	21,762
Gains/(losses) after tax effect	¥(7,422)	¥13,063	\$(66,870)

Note 24 Revenue from contracts with customers

The Group comprises three reportable segments divided by product and service type and by region, which are in turn based on business divisions and companies; namely, the reportable segments are Consumer Products Business, Industrial Products Business and Overseas Business. The Group's reportable segments are 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. Therefore, the revenue recognized at reportable segments and relevant business are represented as net sales. Moreover, net sales are classified by country or geographic region based on customer location.

(1) Disaggregation of revenue

Disaggregation of revenue during the year ended December 31, 2018 and 2017 consisted of the following:

	Millions of yen				
	2018				
	Japan	Asia		Other	Total
Thailand					
Consumer Products Business	¥214,941	¥ 418	¥ —	¥ 31	¥215,392
Industrial Products Business	31,886	1,458	352	705	34,050
Overseas Business	—	93,660	43,048	1,102	94,763
Other	5,276	—	—	—	5,276
Total	252,104	95,537	43,401	1,840	349,482
Adjustment	(79)	—	—	—	(79)
Consolidated	¥252,025	¥95,537	¥43,401	¥1,840	¥349,403

	Millions of yen				
	2017				
	Japan	Asia		Other	Total
Thailand					
Consumer Products Business	¥214,636	¥ 450	¥ —	¥ 39	¥215,125
Industrial Products Business	30,498	1,458	248	648	32,606
Overseas Business	—	88,883	39,310	1,841	90,725
Other	4,096	—	—	—	4,096
Total	249,231	90,792	39,559	2,530	342,554
Adjustment	149	—	—	—	149
Consolidated	¥249,381	¥90,792	¥39,559	¥2,530	¥342,703

	Thousands of U.S. dollars				
	2018				
	Japan	Asia		Other	Total
Thailand					
Consumer Products Business	\$1,936,414	\$ 3,774	\$ —	\$ 285	\$1,940,472
Industrial Products Business	287,265	13,136	3,178	6,359	306,759
Overseas Business	—	843,790	387,824	9,936	853,725
Other	47,535	—	—	—	47,535
Total	2,271,213	860,700	391,002	16,579	3,148,492
Adjustment	(715)	—	—	—	(715)
Consolidated	\$2,270,499	\$860,700	\$391,002	\$16,579	\$3,147,778

The Consumer Products Business engages in the manufacture and sale of commodities, over-the-counter drugs and foods with function claims, primarily in Japan. Its customers are primarily corporate customers and private customers in Japan who engage in the wholesale or retail 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. Its customers are primarily chemical manufacturers, hotels, restaurants, hospitals, nursing homes, schools, governments, companies, food factories, linen supply factories and laundry shops and so on. The Overseas Business engages mainly in the manufacture and sale of commodities by affiliated overseas businesses. Its customers are primarily corporate customers overseas who engage in the wholesale or retail business. Other Business includes subsidiaries located in Japan primarily undertake operations like construction contracting and so on, related to Group businesses. See Note 3 “Significant Accounting Policies (15) Revenue” regarding when the group satisfies a performance obligation and how to allocate the transaction price and to the performance obligations in the contract.

(2) Contract balances

Contract balances with customers at December 31, 2018 and 2017 and the date of transition to IFRS consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2018	2017	Transition date January 1, 2017	2018
Receivables from contracts with customers				
Notes and accounts receivable	¥62,363	¥63,030	¥59,704	\$561,833
Contract assets	1,178	1,167	565	10,619
Total	¥63,542	¥64,198	¥60,269	\$572,452
Contract liabilities	578	217	367	5,215
Total	¥ 578	¥ 217	¥ 367	\$ 5,215

The amount of revenue recognized during the fiscal years ended December 31, 2018 and 2017 included in contract liabilities at the beginning of the year is not significant. The amount of revenue recognized from performance obligations satisfied or partially-satisfied during the past year is not significant. Receivables from contracts with customers, contract assets are included in “Trade and other receivables”. Contract liabilities are included in “Trade and other payables”.

(3) Transaction price allocated to the remaining performance obligations

The construction contract amount allocated to the remaining performance obligations during the years ended December 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Amount allocated to the remaining performance obligations	¥348	¥2,398	\$3,144

The Group applies the practical expedient under IFRS 15.121. The information on contracts that have an original expected duration of one year or less is not disclosed. As of the transaction price allocated to the remaining performance obligations, the Group recognizes revenue in accordance with the progress of contract. Expected term for the recognition of the total amount and revenue of transaction price allocated to the remaining performance obligations is 1 year.

(4) Assets recognized from the costs to obtain or fulfill a contract with a customer

Closing balance of assets recognized from the costs incurred to obtain or fulfill a contract with a customer is not significant.

Notes to Consolidated Financial Statements

Note 25 Classification of Selling, General and Administrative Expenses

Classification of selling, general and administrative expenses during the years ended December 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Personnel expenses	¥47,273	¥46,030	\$425,889
Depreciation and amortization	8,707	7,775	78,442
Sales promotion expenses	25,933	25,411	233,635
Transportation and warehousing expenses	19,104	18,653	172,111
Advertising expenses	28,787	29,935	259,344
Research and development expenses	10,969	10,474	98,824

Note 26 Other Income

Other income during the years ended December 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Royalty income	¥ 294	¥ 274	\$ 2,654
Gain on disposal of non-current assets*	5,427	2,070	48,893
Gain on transfer of business	609	—	5,492
Other	1,100	796	9,914
Total	¥7,431	¥3,142	\$66,954

* Gain on disposal of non-current assets includes assets held for sale.

Note 27 Other Expenses

Other expenses during the years ended December 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Loss on disposal of inventories	¥ 275	¥ 232	\$ 2,482
Loss on disposal of non-current assets	536	317	4,833
Impairment loss	68	683	615
Other	730	235	6,580
Total	¥1,610	¥1,470	\$14,510

Note 28 Leases

The Group has entered into operating leases on certain buildings and other assets as a lessee. Some leases contain renewal or purchase options. In addition, lease arrangements do not have escalation clauses or restrictions. There are no subleases, escalation clauses or restrictions.

Future minimum lease payable under non-cancellable operating leases as at December 31, 2018 and 2017 and the date of transition to IFRS consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2018	2017	Transition date January 1, 2017	2018
Not later than 1 year	¥ 347	¥ 379	¥ 171	\$ 3,132
Later than 1 year and not later than 5 years	1,088	1,193	428	9,802
Later than 5 years	1,181	1,482	471	10,643
Total	¥2,617	¥3,055	¥1,071	\$23,577

Lease payments of operation leases recognized as an expense in 2018 and 2017 amounted to ¥3,025 million (U.S.\$27,254 thousand) and ¥2,794 million, respectively.

Note 29
Finance Income and
Finance Costs

Finance income and finance expenses during the years ended December 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Finance income			
Interest income			
Financial assets measured at amortized cost	¥217	¥142	\$1,958
Dividend income			
Financial assets measured at fair value through other comprehensive income	527	579	4,752
Foreign exchange gains, net	45	86	407
Total	¥789	¥808	\$7,116

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Finance income			
Interest income			
Financial liabilities measured at amortized cost	¥137	¥205	\$1,243
Total	¥137	¥205	\$1,243

Note 30
Earnings per Share

(1) Basic earnings per share

	2018	2017
Profit for the year attributable to ordinary equity holders of the parent (millions of yen)	¥ 25,606	¥ 20,883
Weighted average number of ordinary shares-basic (thousands of shares)	290,627	290,581
Basic earnings per share (yen)	88.11	71.87

	2018
Profit for the year attributable to ordinary equity holders of the parent (thousands of U.S. dollars)	\$230,691
Weighted average number of ordinary shares-basic (thousands of shares)	290,627
Basic earnings per share (U.S. dollars)	0.79

	2018	2017
Profit for the year attributable to ordinary equity holders of the parent (millions of yen)	¥ 25,606	¥20,883
Adjustments to profit for the year (millions of yen)	—	—
Profit for the year used to calculate diluted earnings per share (millions of yen)	25,606	20,883
Weighted average number of ordinary shares (thousands of shares)	290,627	290,581
Stock options (thousands of shares)	303	348
Executive compensation BIP trust (thousands of shares)	85	22
Weighted average number of ordinary shares—diluted (thousands of shares)	291,016	290,952
Diluted earnings per share (yen)	87.99	71.77

Notes to Consolidated Financial Statements

	2018
Profit for the year attributable to ordinary equity holders of the parent (thousands of U.S. dollars)	\$230,691
Adjustments to profit for the year (thousands of U.S. dollars)	—
Profit for the year used to calculate diluted earnings per share (thousands of U.S. dollars)	230,691
Weighted average number of ordinary shares (thousands of shares)	290,627
Stock options (thousands of shares)	303
Executive compensation BIP trust (thousands of shares)	85
Weighted average number of ordinary shares—diluted (thousands of shares)	291,016
Diluted earnings per share (U.S. dollars)	0.79

Note 31 Financial Instruments

(1) Capital management

The Group manages its capital using “Return On Equity”(ROE) as a key financial indicator, aiming for the growth of profit growth and capital efficiency.

	2018	2017
Return on equity attributable to owners of the parent (ROE)	13.9%	12.7%

(2) Credit risk management

The Group is exposed to credit risks such as a counterparty’s default on its contractual obligations resulting in a financial loss of the group. Notes and accounts receivable are trade receivables that expose the Group to customer credit risk. The Group manages that risk with an internal process for investigating and approving customer credit on initial transactions, and by obtaining deposits, collateral or other guarantees as necessary. The Group also manages due dates and outstanding balances by customer. The Group limits the use of derivatives to actual risk mitigation needs, and does not use derivatives for trading or other speculative purposes, and reduces credit risk by limiting transactions to highly creditworthy financial institutions. In the events that these financial assets are deemed as default, including cases where the assets are still significantly past due, they are considered to be credit-impaired financial assets. In the events that all or part of the financial assets are evaluated as uncollectable and the Group considers it is appropriate to write off the assets based on the results of credit checks, the Group directly writes off the book value of financial assets. The carrying amount of financial assets in the consolidated statement of financial position represents the Group’s maximum exposure to the credit risk of financial assets.

1. Aging analysis

Aging analysis is not disclosed here because the Group does not have any long overdue accounts receivable.

2. Allowance for doubtful receivables

Changes in the allowance for doubtful receivables of trade and other receivables and other financial assets are as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
At beginning of year	¥169	¥149	\$1,527
Increase during the year provision	10	20	96
Decrease (used)	(9)	(2)	(90)
Decrease (reversal)	(76)	0	(692)
Other	(2)	2	(19)
At end of year	¥ 91	¥169	\$ 821

(3) Liquidity risk management

Liquidity risk is the risk that the Group may not be able to fulfill its obligation to pay financial liabilities, such as trade payables and loans. The Group manages its funds effectively using scheduled financing plans and by operating a cash providing system within the Group.

Financial liabilities by maturity date consist of the following.

	Millions of yen			
	Carrying amount	Contract cash flow	Average interest rate	Maturity date
2018				
Non-derivative financial liabilities				
Trade and other payables	¥116,980	¥116,980	—	
Borrowings	2,619	2,726	2.69%	June, 2024
Lease obligations	533	533	—	February, 2025
Total	¥120,133	¥120,240	—	—

	Millions of yen					
	2018					
	Not later than 1 year	Later than 1 year but not later than 2 years	Later than 2 years but not later than 3 years	Later than 3 years but not later than 4 years	Later than 4 years but not later than 5 years	Later than 5 years
Non-derivative financial liabilities						
Trade and other payables	¥116,980	¥ —	¥ —	¥ —	¥ —	¥ —
Borrowings	1,417	307	298	288	279	135
Lease obligations	242	146	88	48	6	1
Total	¥118,640	¥454	¥386	¥336	¥285	¥137

Notes to Consolidated Financial Statements

	Millions of yen			
	2017			
	Carrying amount	Contract cash flow	Average interest rate	Maturity date
Non-derivative financial liabilities				
Trade and other payables	¥111,709	¥111,709	—	—
Borrowings	5,610	5,778	2.89%	June, 2024
Lease obligations	536	536	—	August, 2022
Total	¥117,856	¥118,024	—	—

	Millions of yen					
	2017					
	Not later than 1 year	Later than 1 year but not later than 2 years	Later than 2 years but not later than 3 years	Later than 3 years but not later than 4 years	Later than 4 years but not later than 5 years	Later than 5 years
Non-derivative financial liabilities						
Trade and other payables	¥111,709	¥ —	¥ —	¥ —	¥ —	¥ —
Borrowings	4,040	338	328	318	308	443
Lease obligations	220	184	88	35	7	0
Total	¥115,970	¥523	¥417	¥353	¥315	¥443

	Millions of yen			
	Transition date January 1, 2017			
	Carrying amount	Contract cash flow	Average interest rate	Maturity date
Non-derivative financial liabilities				
Trade and other payables	¥108,084	¥108,084	—	—
Borrowings	6,195	6,407	2.72%	June, 2024
Lease obligations	617	617	—	February, 2022
Total	¥114,897	¥115,109	—	—

	Millions of yen					
	Transition date January 1, 2017					
	Not later than 1 year	Later than 1 year but not later than 2 years	Later than 2 years but not later than 3 years	Later than 3 years but not later than 4 years	Later than 4 years but not later than 5 years	Later than 5 years
Non-derivative financial liabilities						
Trade and other payables	¥108,084	¥ —	¥ —	¥ —	¥ —	¥ —
Borrowings	4,504	318	308	299	290	685
Lease obligations	230	183	145	49	7	0
Total	¥112,819	¥501	¥454	¥349	¥297	¥686

	Thousands of U.S. dollars			
	2018			
	Carrying amount	Contract cash flow	Average interest rate	Maturity date
Non-derivative financial liabilities				
Trade and other payables	\$1,053,882	\$1,053,882	—	—
Borrowings	23,596	24,564	2.69%	June, 2024
Lease obligations	4,803	4,803	—	February, 2025
Total	\$1,082,283	\$1,083,250	—	—

	Thousands of U.S. dollars					
	2018					
	Not later than 1 year	Later than 1 year but not later than 2 years	Later than 2 years but not later than 3 years	Later than 3 years but not later than 4 years	Later than 4 years but not later than 5 years	Later than 5 years
Non-derivative financial liabilities						
Trade and other payables	\$1,053,882	\$ —	\$ —	\$ —	\$ —	\$ —
Borrowings	12,767	2,773	2,685	2,599	2,513	1,224
Lease obligations	2,184	1,317	794	434	62	10
Total	\$1,068,834	\$4,090	\$3,479	\$3,033	\$2,576	\$1,235

Average interest rate is a weighted average rate for the ending balance. In addition, long-term deposits payable is not included above because it is operating guarantee to be returned when business is closed

(4) Exchange rate risk

The Group is engaged in business activities worldwide and is exposed to the risk of exchange rate fluctuations arising out of transactions entered into currencies other than its functional currency. The Group is hedging the risk using derivative instruments, such as foreign exchange contract and currency swaps.

Major exchange rates are as follows.

	Yen					
	2018		2017		Transition date January 1, 2017	
	Average exchange rate during the year	Closing rate	Average exchange rate during the year	Closing rate	Transition date average exchange rate during the year	Closing rate
U.S. dollar	110.4	111.0	112.0	113.0	—	116.5
Thai Baht	3.4	3.4	3.3	3.5	—	3.2

Notes to Consolidated Financial Statements

1. Net Exposure to exchange rate risk is as follows.

	Millions of yen						Thousands of U.S. dollars	
	2018		2017		Transition date January 1, 2017		2018	
	U.S. dollar	Thai Baht	U.S. dollar	Thai Baht	U.S. dollar	Thai Baht	U.S. dollar	Thai Baht
Financial instruments denominated in foreign currency	¥882	¥181	¥(1,547)	¥557	¥(2,176)	¥164	\$7,952	\$1,631

2. Foreign currency sensitivity analysis

The impact on the profit before income taxes of a 10% appreciation of the yen is as follows.

This analysis is assuming that the other factors are constant and there is no significant impact of the net exposure of currencies other than U.S. dollar and Thai Baht.

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
U.S. dollar	¥88	¥(154)	\$795
Thai Baht	¥18	¥ 55	\$163

(5) Interest rate risk

Interest-bearing liabilities the Group holds are exposed to the risk of fluctuations in interest rates. The Group maintains a balance between variable and fixed interest rates of loans and uses currency swaps as needed. Interest rate sensitivity analysis is not disclosed here, because the impact of the fluctuation of market interest rate on profit or loss is limited.

(6) Price fluctuation risk

The Group is holding stock of counterparties and these are exposed to the risk of the fluctuation of market price. The Group manages the risk by reviewing the fair values of the shares and financial conditions of the issuers periodically.

1. Sensitivity analysis

The impact to the Net gain (loss) on revaluation of financial assets measured at fair value through other reclassified comprehensive income (before tax) on the Consolidated Statement of comprehensive Income of decreasing by 10% of the listed shares the Group holds is following.

This analysis is assuming that the other factors are constant.

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Other comprehensive income (before tax)	¥(2,167)	¥(2,606)	\$(19,529)

(7) Fair Value

1. Fair Value of Financial

(1) Fair Value hierarchy level

The fair value hierarchy of financial instruments is categorized as follows, based on inputs used for fair value measurement. Inputs include the stock price, foreign exchange rate and interest rate as well as index of financial instruments price and others.

Level 1: Fair value measured using quoted prices in active markets

Level 2: Fair value measured using inputs other than quoted prices categorized within Level 1 that are observable either directly or indirectly

Level 3: Fair value measured using inputs that are not based observable market data

The fair value hierarchy of financial instruments measured at fair value is shown below.

	Millions of yen			
	2018			
	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Financial assets measured at fair value through other comprehensive income	¥21,682	¥—	¥2,319	¥24,002
Derivative assets for which hedge accounting applied	—	—	—	—
Total	¥21,682	¥—	¥2,319	¥24,002
Financial liabilities				
Other financial liabilities				
Derivative assets for which hedge accounting applied	¥ —	¥12	¥ —	¥ 12
Total	¥ —	¥12	¥ —	¥ 12

	Millions of yen			
	2017			
	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Financial assets measured at fair value through other comprehensive income	¥26,061	¥—	¥2,257	¥28,318
Derivative assets for which hedge accounting applied	—	6	—	6
Total	¥26,061	¥ 6	¥2,257	¥28,325
Financial liabilities				
Other financial liabilities				
Derivative assets for which hedge accounting applied	¥ —	¥—	¥ —	¥ —
Total	¥ —	¥—	¥ —	¥ —

	Millions of yen			
	Transition date January 1, 2017			
	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Financial assets measured at fair value through other comprehensive income	¥18,426	¥—	¥1,811	¥20,238
Derivative assets for which hedge accounting applied	—	18	—	18
Total	¥18,426	¥18	¥1,811	¥20,256
Financial liabilities				
Other financial liabilities				
Derivative assets for which hedge accounting applied	¥ —	¥—	¥ —	¥ —
Total	¥ —	¥—	¥ —	¥ —

Notes to Consolidated Financial Statements

	Thousands of U.S. dollars			
	2018			
	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Financial assets measured at fair value through other comprehensive income	\$195,342	\$ —	\$20,896	\$216,238
Derivative assets for which hedge accounting applied	—	—	—	—
Total	\$195,342	\$ —	\$20,896	\$216,238
Financial liabilities				
Other financial liabilities				
Derivative assets for which hedge accounting applied	\$ —	\$110	\$ —	\$ 110
Total	\$ —	\$110	\$ —	\$ 110

The Group processes transfers between levels of fair value hierarchy when there is an event or a change in circumstances that caused the transfer. No financial instruments were transferred between levels of the fair value hierarchy for the fiscal years ended December 31, 2017 or 2018.

The measurement methods for the fair value of the main financial assets and liabilities are as follows.

(Derivative assets and liabilities)

Derivative assets and liabilities are measured based on prices provided by financial institution.

(Equity financial instruments)

A market value is used when it is available. A fair value of financial instrument having no market value available is estimated primarily based on the net asset-based evaluation model (a method to calculate corporate value based on net asset of a company issuing the shares or based on a revised amount if any matter requiring revision for the market evaluation). Any fluctuation on fair value of financial instruments classified in level 3 that would be important in case of any change to unobservable inputs that reflect reasonably possible alternative assumptions are not included.

Changes in financial instruments categorized within Level 3 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Beginning balance	¥2,257	¥1,811	\$20,338
Gains (losses)*	9	221	84
Purchases	125	239	1,127
Sales	(2)	(15)	(23)
Others	(69)	—	(630)
Ending balance	¥2,319	¥2,257	\$20,896

*Gains and losses are associated with financial assets measured at fair value through other comprehensive income at the end of each reporting period. These gains and losses are recognized in net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income in the consolidated statement of comprehensive income.

Financial instruments categorized within Level 3 are primarily unlisted equity securities. Each responsible department of the Group measures the fair value based on the evaluation policy and procedures. The calculated Measurement results are approved by appropriate person in charge. Unlisted equity securities are measured by the fair value calculated appropriately.

2. Financial instruments measured at amortized cost

The following tables present the fair value of major financial instruments measured at amortized cost. Book values of those that mostly are settled in a short while, or those using a variable rate by which a short-term market rate is being reflected are rational approximations of their fair values and therefore they are not included in the table below (primary cash and cash equivalents, trade and other receivables, trade and other payables).

	Millions of yen				
	2018				
	Fair Value				
	Book value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Borrowings	¥2,619	¥—	¥2,628	¥—	¥2,628

	Millions of yen				
	2017				
	Fair Value				
	Book value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Borrowings	¥5,610	¥—	¥5,605	¥—	¥5,605

	Millions of yen				
	Transition date January 1, 2017				
	Fair Value				
	Book value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Borrowings	¥6,195	¥—	¥6,227	¥—	¥6,227

	Millions of yen				
	2018				
	Fair Value				
	Book value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Borrowings	\$23,597	\$—	\$23,676	\$—	\$23,676

The measurement method for the fair value is as follows.

(i) Borrowings

The fair values of borrowings are measured by discounting the future cash flows of principals and interests at an interest rate that would apply for a new loan borrowed under similar conditions.

Notes to Consolidated Financial Statements

3. Equity financial instruments

Equity Securities are held by the Group for maintaining and strengthening the long-medium term relationship with companies. The Group has designated such equity securities as financial assets measured at fair value.

Issuers names and fair values of these securities are as follows.

	Millions of yen			Thousands of U.S. dollars
	2018	2017	Transition date January 1, 2017	2018
SAHAPATHANAPIBUL PUBLIC COMPANY LIMITED	¥5,680	¥5,830	¥4,640	\$51,172
ARATA CORPORATION	3,145	4,430	1,910	28,341
Sahapathana Interholding	3,263	3,230	1,330	29,402
RENGO	792	751	580	7,139
Takasago International Corporation	677	734	621	6,102

The Group sells these equity financial instruments considering its fair values (market prices) and the necessity for business.

The total amounts of the fair value of such financial assets at the time of sale and the cumulative gains or losses on sales are as follows.

The cumulative gains or losses (after tax) recognized as other component of equity are transferred to the retained earnings at the time of sale.

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Fair value	¥387	¥928	\$3,489
Cumulative gains or losses	257	352	2,317

Dividend income from equity securities is as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Equity Securities derecognized in the period	¥ 1	¥ 26	\$ 14
Equity Securities held at the end of the period	525	552	4,737

(8) Derivative and Hedge accounting

In order to hedge cash flow fluctuation risks caused by the foreign exchange fluctuations, the Group uses forward foreign exchange contracts as hedging a method and designates them as a cashflow hedge.

Details of the method of hedge accounting applied to the cashflow hedge are as follows.

	Millions of yen				Account name on the Consolidated Statement of Financial Position*
	2018				
	Contract amount	More than 1 year	Book value		
Assets			Liabilities		
Foreign exchange risk					
Forward foreign exchange contracts	¥403	¥—	¥—	¥12	Other financial liabilities

	Millions of yen				Account name on the Consolidated Statement of Financial Position*
	2017				
	Contract amount	More than 1 year	Book value		
Assets			Liabilities		
Foreign exchange risk					
Forward foreign exchange contracts	¥759	¥83	¥6	¥—	Other financial assets

	Millions of yen				Account name on the Consolidated Statement of Financial Position*
	Transition date January 1, 2017				
	Contract amount	More than 1 year	Book value		
Assets			Liabilities		
Foreign exchange risk					
Forward foreign exchange contracts	¥205	¥—	¥18	¥—	Other financial assets

	Millions of yen				Account name on the Consolidated Statement of Financial Position*
	2018				
	Contract amount	More than 1 year	Book value		
Assets			Liabilities		
Foreign exchange risk					
Forward foreign exchange contracts	\$3,631	\$—	\$—	\$110	Other financial liabilities

Notes to Consolidated Financial Statements

Note 32 Commitments

The significant commitments to purchase property, plant and equipment and intangible assets at December 31, 2018 and 2017 and the date of transition to IFRS consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2018	2017	Transition date January 1, 2017	2018
Property, plant and equipment and intangible assets	¥6,186	¥4,704	¥1,505	\$55,739

Note 33 Commitments

Contingencies at December 31, 2018 and 2017 and the date of transition to IFRS consisted of the following:

(1) Guarantees

	Millions of yen			Thousands of U.S. dollars
	2018	2017	Transition date January 1, 2017	2018
P.T. Lion Wings	¥1,978	¥2,327	¥2,587	\$17,828
Global Eco Chemicals Malaysia SDN. BHD.	1,075	—	—	9,693
Employees	244	146	150	2,199
Total	¥3,298	¥2,473	¥2,738	\$29,721

The Group has provided the above guarantee total and the guarantee borrowings. Guarantees of ¥1,293 million included in the total guarantee of ¥2,738 million at the transition date to IFRS were reguaranteed from others. Guarantees of ¥1,163 million included in the total guarantee of ¥2,473 million at December 31, 2017 were reguaranteed from others. Guarantees of ¥1,527 million (U.S. \$13,761 thousand) included in the total guarantee of ¥3,298 million (U.S. \$29,721 thousand) at December 31, 2018 were reguaranteed from others.

(2) Discounted trade notes receivable and trade notes receivables transferred by endorsement

	Millions of yen			Thousands of U.S. dollars
	2018	2017	Transition date January 1, 2017	2018
Negotiation of export bills under letter of credit	¥—	¥4	¥13	\$—

Note 34
Sales of Shares of
Subsidiaries and
Transfer of Businesses

The reference between total consideration received and the amount of the assets and liabilities transferred as a result of sales of shares of the subsidiaries and transfer of businesses during the year ended December, 31 2018 are as follows. The major component is the signing of a contract, dated August 3, 2018, for the transfer of said business and shares and the transfer, dated December 28, 2018 related to certain assets and liabilities including all shares of Lion Packaging Co., Ltd., which was a wholly owned subsidiary of the Company. In addition, the difference between the net amount of transferred assets and liabilities and the total consideration received was recognized as gain on transfer of business.

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Total consideration for sales of shares of the subsidiaries and transfer of businesses	¥3,732	\$33,625
Assets and liabilities at the time of loss of control		
Current assets	1,999	18,013
Non-current assets	2,903	26,154
Current liabilities	(2,235)	(20,139)
Non-current liabilities	(58)	(529)
Other related to transfer of businesses	271	2,444
Gain on sales of shares of the subsidiaries and transfer of businesses	¥ 852	\$ 7,683

Gain on sales of shares of subsidiaries and transfer of businesses is included in "Other income" of the Consolidated Statement of Profit or Loss.

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Portion of the consideration consisting of cash and cash equivalents	¥1,400	\$12,613
Amount of cash and cash equivalents held by the subsidiaries and businesses at the time of loss of control was lost	(155)	(1,402)
Other related to transfer of businesses	(16)	(152)
Net of cash acquired as a result of the sales of shares of the subsidiaries and transfer of businesses	¥1,227	\$11,058

Net of cash acquired as a result the sales of shares of the subsidiaries and transfer of businesses is included in "Proceeds from transfer of business " and "Other" of the cash flows used in investing activities in the Consolidated Statement of Cash Flows.

Note 35
Related Party

(1) Information about subsidiaries and affiliates

Consolidated Subsidiaries

Name	Location	Capitalization	Business	Voting shares held by the Company (%)	Nature of business relationship				
					Shared positions		Financial support	Transactions	Lease of facilities, etc.
					Company officers	Company employees			
Lion Engineering Co., Ltd.	Sumida-ku, Tokyo	JPY100 million	Other	100.0	1	8	None	Design, construction, and maintenance of facilities	Lease of part of office space
(Note 1) Lion Chemical Co., Ltd.	Sumida-ku, Tokyo	JPY7,800 million	Industrial products	100.0	3	9	Loans	Purchase of raw materials and merchandise	Rental of part of office space and land
Lion Cordial Support Co., Ltd.	Sumida-ku, Tokyo	JPY20 million	Other	100.0	—	4	None	Human resources services	Lease of office space
Lion Dental Products Co., Ltd.	Sumida-ku, Tokyo	JPY10 million	Consumer products	100.0	1	8	None	Sale of merchandise and finished products	Lease of office space
Lion Trading Co., Ltd.	Sumida-ku, Tokyo	JPY240 million	Consumer products	100.0	1	8	None	—	Lease of part of office space
Lion Specialty Chemicals Co., Ltd.	Sumida-ku, Tokyo	JPY400 million	Industrial products	100.0	3	9	Loans	Sale of merchandise and finished products and purchase of raw materials and merchandise	Lease of part of office space
Lion Hygiene Co., Ltd.	Sumida-ku, Tokyo	JPY300 million	Industrial products	100.0	1	8	None	Sales and purchase of merchandise	Lease of part of office and warehouse space
Lion Business Service Co., Ltd.	Sumida-ku, Tokyo	JPY490 million	Other	100.0	—	5	None	Rental, dealing, and brokerage of real estate, and insuring	Rental of part of office space and land
Lion Logistics Service Company, Ltd.	Sumida-ku, Tokyo	JPY40 million	Other	100.0	2	6	None	Transport and storage of merchandise and finished products	Lease of part of office space
issua Company, Ltd.	Minato-ku, Tokyo	JPY20 million	Consumer products	100.0	1	4	None	Sale of merchandise and finished products	—
Lion Corporation (Hong Kong) Ltd.	China (Hong Kong)	HKD12,000 thousand	Overseas business	100.0	—	3	None	Sale of merchandise and finished products	—
Lion Corporation (Singapore) Pte. Ltd.	Singapore	SGD9,000 thousand	Overseas business	100.0	—	3	None	Sale of merchandise and finished products	—
Lion Advertising Ltd.	China (Hong Kong)	HKD100 thousand	Overseas business	(Note 2) 100.0 (100.0)	—	2	None	—	—
Lion Daily Necessities Chemicals (Qingdao) Co., Ltd.	China	USD39,065 thousand	Overseas business	100.0	—	7	None	Sale of merchandise and finished products and purchase of merchandise	—
PT. IPPOSHA INDONESIA	Indonesia	USD750 thousand	Overseas business	(Note 3) 100.0 (90.0)	—	4	None	—	—
Lion Corporation (Korea)	South Korea	KRW9,976,250 thousand	Overseas business	100.0	1	4	None	Sale of merchandise and finished products and purchase of merchandise	—
Lion Chemical Industry (Taiwan) Co., Ltd.	Taiwan	TWD218,150 thousand	Overseas business	53.8	—	1	None	—	—
Lion Home Products (Taiwan) Co., Ltd.	Taiwan	TWD530,000 thousand	Overseas business	100.0	—	6	None	Sale of merchandise and finished products	—

Name	Location	Capitalization	Business	Voting shares held by the Company (%)	Nature of business relationship				
					Shared positions		Financial support	Transactions	Lease of facilities, etc.
					Company officers	Company employees			
Lion Corporation (Thailand) Ltd.	Thailand	THB500,000 thousand	Overseas business	51.0	3	7	None	Sale of merchandise and finished products and purchase of merchandise	—
Lion Service Co., Ltd.	Thailand	THB7,000 thousand	Other business	(Note 4) 100.0 (100.0)	—	—	None	—	—
Eastern Silicate Company Limited	Thailand	THB500 thousand	Other business	(Note 4) 99.9 (99.9)	—	2	None	—	—
Southern Lion Sdn. Bhd.	Malaysia	MYR22,000 thousand	Overseas business	50.0	—	3	None	Sale of merchandise and finished products and purchase of merchandise	—

Equity-method affiliates

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

Equity-method jointly controlled companies

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

Notes: 1. Lion Chemical Co., Ltd. and Lion Daily Necessities Chemicals (Qingdao) Co., are specified subsidiaries.

2. The voting shares of Lion Advertising Ltd. are held by Lion Corporation (Hong Kong) Ltd.

3. 90% of PT. IPPOSHA INDONESIA's voting shares are held by Lion Specialty Chemicals Co., Ltd.

4. The voting shares of Lion Service Co., Ltd. and Eastern Silicate Company Limited are held by Lion Corporation (Thailand) Ltd.

5. The figures in parentheses in the "Voting shares held by the Company" column are the percentages of total voting shares held indirectly by the Company.

6. In addition to the companies listed above, there is one small-scale, non-consolidated equity-method company.

Notes to Consolidated Financial Statements

(2) Key management personnel compensation

Key management personnel compensation during the years ended December 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Short-term benefits	¥382	¥368	\$3,443
Share-based payment	60	89	548
Past-employment benefits	—	—	—
Total	¥442	¥458	\$3,991

(3) Related party transactions

Fiscal year ended December 31, 2018

Type	Name	Contents of transactions	Millions of yen		
			Transaction amount of the transactions	Outstanding balances	Allowance for doubtful accounts
Affiliates	P.T. Lion Wings	Loan guarantee	¥1,978	¥—	¥—
Joint venture's subsidiary	Global Eco chemicals Malaysia SDN. BHD.	Loan guarantee	1,075	—	—

Type	Name	Contents of transactions	Thousands of U.S. dollars		
			Transaction amount of the transactions	Outstanding balances	Allowance for doubtful accounts
Affiliates	P.T. Lion Wings	Loan guarantee	\$17,828	\$—	\$—
Joint venture's subsidiary	Global Eco chemicals Malaysia SDN. BHD.	Loan guarantee	9,693	—	—

Type	Name	Contents of transactions	Millions of yen		
			Transaction amount of the transactions	Outstanding balances	Allowance for doubtful accounts
Affiliates	P.T. Lion Wings	Loan guarantee	¥2,327	¥—	¥—

The Group has provided the above guarantees for the borrowings of an affiliate and joint venture. The transaction amount of the transaction is the balance at the end of the year.

Note 36 Subsequent Event

None

34. First-Time Application of IFRS

Commencing with the fiscal year ended December 31, 2018, the Group discloses 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 IFRS retrospectively. However, IFRS 1 “First-time Adoption of International Financial Reporting Standards” (hereinafter “IFRS 1”) provides optional exemptions to such retroactive application for certain matters while imposing mandatory exemptions forbidding from retrospective application of retrospective other standards. The Group applied mainly the requiring certain following exemptions.

Exemptions under IFRS 1

(1) Business Combinations

Under IFRS 1, companies may choose to apply IFRS 3 “Business Combinations” either retrospectively or prospectively. The Group has chosen to not retrospectively 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 retrospectively 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) Cumulative translation differences for foreign operations

Under IFRS 1, entities can elect either to deem accumulated cumulative translation differences for foreign operations as zero as of the transition date, or to retrospectively calculate the accumulated 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 as 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 designated financial instruments in accordance with IFRS 9 on the basis of facts and circumstances that existed as of the transaction date.

Mandatory Exemptions under IFRS 1

IFRS 1 prohibits the retrospective 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, while “Difference in recognition and measurement” includes items that do affect retained earnings and comprehensive income.

Notes to Consolidated Financial Statements

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

JGAAP line item	Millions of yen				Notes	IFRS line item
	JGAAP	Reclassifi- cation	Difference in recognition and measurement	IFRS		
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)	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 or 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, net
Intangible assets						
Goodwill	182	—	—	182		Goodwill
Right of trademark	1,658	(1,658)	—	—		
Other	981	(981)	—	—	(12)	
		2,640	4,948	7,588	(4), (12)	Intangible assets
Investment and other assets						
Investment securities	24,025	(24,025)	—	—		
Longterm loans receivable	28	(28)	—	—		Investments accounted for using the equity method"
		4,918	(10)	4,907	(12)	Deferred tax assets
Deferred tax assets	2,581	4,161	(505)	6,236	(5), (12)	Retirement benefit assets
Net defined benefit asset	7,973	—	—	7,973		
		19,924	1,130	21,055	(6), (12)	Other financial assets
Other	1,291	(873)	—	418	(12)	Other non-current assets
Allowance or 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	¥302,308		Total assets

JGAAP line item	Millions of yen				Notes	IFRS line item
	JGAAP	Reclassifi- cation	Difference in recognition and measurement	IFRS		
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable-trade	¥ 50,947	¥56,958	¥ 178	¥108,084	(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 accrued expenses	51,979	(51,979)	—	—		
Income tax payables						
Provision for bonuses	4,677	—	—	4,677		Income tax payables
Provision for sales returns	3,792	(3,792)	—	—	(12)	
Provision for sales	382	(382)	—	—	(12)	
Promotion expenses	2,974	(2,974)	—	—	(12)	
Provision 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

Notes to Consolidated Financial Statements

JGAAP line item	Millions of yen				Notes	IFRS line item
	JGAAP	Reclassification	Difference in recognition and measurement	IFRS		
Net assets						Liabilities
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

The main adjustments to trade and other receivables are as follows. The standards for recognizing revenue for certain transactions changed and retained earnings have been adjusted accordingly. In addition, construction contracts accounted for using the completed-contract 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 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

The main adjustments to deferred tax assets and deferred tax liabilities are as follows. 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 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 accordance with 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 recognized as a liability under IFRS. Retained earnings have been adjusted accordingly.

(9) Adjustments to other non-current liabilities

Special vacations and bonuses granted based on number of years of employment not recognized as liabilities under JGAAP are 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 exemption provided for in IFRS 1, and, as such, has transferred the entire balance of cumulative translation differences for 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.

Notes to Consolidated Financial Statements

(11) Adjustments to retained earnings.

	Millions of yen
	Transition date 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 (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 having a contractual maturity date in excess of 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 financial assets" under current assets 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—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 separately 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 December 31, 2017

JGAAP line item	Millions of yen				Notes	IFRS line item
	JGAAP	Reclassifi- cation	Difference in recognition and measurement	IFRS		
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		Assets held for sale
Total current assets	203,495	(3,475)	(499)	199,520		Total current assets
Noncurrent assets						Noncurrent 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
Investment 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 noncurrent assets
Allowance or doubtful accounts	(84)	84	—	—		
Total noncurrent assets	128,256	3,475	7,603	139,335		Total noncurrent assets
Total assets	¥331,751	¥ —	¥7,103	¥338,855		Total assets

Notes to Consolidated Financial Statements

JGAAP line item	Millions of yen				Notes	IFRS line item
	JGAAP	Reclassifi- cation	Difference in recognition and measurement	IFRS		
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable-trade	¥ 35,247	¥76,262	¥ 200	¥111,709	(8), (14)	Trade and other payables
Electronically recorded obligations-opererating	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	(50,163)	—	—		Accrued expenses
Income tax payables	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 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

JGAAP line item	Millions of yen				Notes	IFRS line item
	JGAAP	Reclassification	Difference in recognition and measurement	IFRS		
Net assets						Liabilities
Capital stock	¥ 34,433	¥ —	¥ —	¥ 34,433		Capital stock
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	—	—		
Retained earnings	97,944	—	681	98,625	(13)	Other components of equity
		14,666	832	15,498	(12)	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

The main adjustments to trade and other receivables are as follows. The standards for recognizing revenue for certain transactions changed and retained earnings have been adjusted accordingly. In addition, construction contracts accounted for using the completed-contract 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 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.

Notes to Consolidated Financial Statements

(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

The main adjustments to deferred tax assets and deferred tax liabilities are as follows. 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 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 accordance with 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 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, etc., 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 vacations 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 exemption provided for in IFRS 1, and, as such, has transferred the entire balance of cumulative translation differences for 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 in 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 in 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 in profit or loss when it is incurred. Furthermore, 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. As a result, other components of equity increased ¥507 million.

(13) Adjustments to retained earnings

	Millions of yen
	Transition date January 1, 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 (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 having a contractual maturity date in excess of 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 financial assets” under current assets 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—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” and “Deferred tax liabilities” stated as current under JGAAP are now stated as non-current under IFRS.

Notes to Consolidated Financial Statements

- 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 separately 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, 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 Profit or loss and Comprehensive income for the Year ended December 31, 2017

JGAAP line item	Millions of yen				Notes	IFRS line item
	JGAAP	Reclassifi- cation	Difference in recognition and measurement	IFRS		
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
Profit before income taxes	30,560	—	1,438	31,998		Profit before income taxes
Total income taxes	(8,239)	—	(368)	(8,607)		Income taxes
Profit	22,320	—	1,070	23,390		Profit for the year
						Profit for the year 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

Notes to Consolidated Financial Statements

Adjustments to Profit or loss and Comprehensive income for the Year ended December 31, 2017

JGAAP line item	Millions of yen				Notes	IFRS line item
	JGAAP	Reclassifi- cation	Difference in recognition and measurement	IFRS		
Profit	¥22,320	¥—	¥1,070	¥23,390		Profit for the year
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to 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 to profit or loss
						Items that may be subsequently reclassified to profit or loss
Deferred gains or losses on hedges	(8)	—	—	(8)		Net gain (loss) on derivatives designated as cash flow hedges
Foreign currency translation adjustments	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 to 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 year

Notes Concerning Adjustments to Profit or loss and Comprehensive Income for the Year Ended December 31, 2017

The main adjustments to profit or loss 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 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 the 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 in profit or loss when it is incurred. Furthermore, 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.

(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 profit or loss 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.

Notes Concerning Adjustments to Cash Flows for the Year Ended December 31, 2017

There were no material differences between the previously disclosed Consolidated Statements of Cash Flows prepared according to JGAAP and the Consolidated Statement of Cash Flows prepared according to IFRS.

Independent Auditor's Report



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Independent Auditor's Report

The Board of Directors
Lion Corporation

We have audited the accompanying consolidated financial statements of Lion Corporation and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lion Corporation and its consolidated subsidiaries as at December 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with International Financial Reporting Standards.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2(d).

Ernst & Young ShinNihon LLC

March 27, 2019

A member firm of Ernst & Young Global Limited

