Summary of Consolidated Financial Statements for the First Half Ended June 30, 2018 [IFRS]

August 3, 2018

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

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Scheduled date of filing of quarterly financial report: August 10, 2018
Start date of payment of dividend: September 4, 2018
Supplementary materials prepared for quarterly results: Yes
Quarterly results information meeting held: Yes (for institutional investors, analysts, etc.)

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

1. Consolidated Results for the First Half Ended June 30, 2018 (January 1, 2018 – June 30, 2018)

(1) Consolidated Results (cumulative)

(Percentage figures denote year-on-year change)

	Net sales		Operating profit		Profit before tax	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended June 30, 2018	168,484	3.4	17,872	43.7	18,532	40.0
Six months ended June 30, 2017	162,890	—	12,440	—	13,237	—

	Profit for the period		Profit for the period attributable to owners of the parent		Total comprehensive income for the period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended June 30, 2018	16,952	76.9	13,935	58.9	14,697	27.0
Six months ended June 30, 2017	9,585	—	8,768	—	11,573	—

Note: Core operating income for the six months ended June 30, 2018 was ¥12,552 million (up 0.1% year on year). Core operating income for the six months ended June 30, 2017 was ¥12,542.

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

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended June 30, 2018	47.95	47.89
Six months ended June 30, 2017	30.18	30.14

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets
	Millions of yen	Millions of yen	Millions of yen	%
June 30, 2018	344,131	199,676	187,634	54.5
December 31, 2017	338,855	188,793	178,439	52.7

2. Dividends

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

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

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

(Percentage figures denote year-on-year change)

	Net sales		Operating profit		Profit for the period attributable to owners of the parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal 2018	355,000	3.6	33,000	8.3	25,000	19.7	86.03

Notes: 1. Core operating income forecast: Fiscal 2018: ¥29,000 million
2. Note:Changes from the most recently published financial results forecast: No

4. Notes

(1) Significant Change in Scope of Consolidation during Period: Yes
Excluded: 1 company Lion Eco Chemicals Sdn. Bhd.

(2) Changes in accounting principles, procedures and presentation methods in connection with the preparation of quarterly consolidated financial statements:
a. Changes in accounting standards required under IFRS: No
b. Other changes: No
c. Changes in accounting estimates: No

(3) Number of outstanding shares (common stock)
a. Number of outstanding shares on balance sheet dates (including treasury stocks):
As of June 30, 2018: 299,115,346 shares
As of December 31, 2017: 299,115,346 shares
b. Number of treasury stocks on balance sheet date:
As of June 30, 2018: 8,476,227 shares
As of December 31, 2017: 8,535,633 shares
c. Average shares outstanding over period (cumulative; consolidated)
Six months ended June 30, 2018: 290,609,581 shares
Six months ended June 30, 2017: 290,579,535 shares

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

* Appropriate use of results forecasts; other special items

- Lion adopted the International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ending December 31, 2018. The Consolidated Financial Statements for the first quarter of the previous fiscal year and for the previous fiscal year are presented according to IFRS. For details on the differences between the consolidated financial results figures under IFRS and JGAAP, see 2. Condensed Consolidated Financial Statements and Notes (4) Notes to the Condensed Consolidated Financial Statements, First-Time Adoption of IFRS on page 18.
- The forecasts and projected operating results contained in this report are based on information available at the time of preparation and thus involve inherent risks and uncertainties. Accordingly, readers are cautioned that actual results may differ materially from those projected as a result of a variety of factors.

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

(1) Qualitative Information Concerning Consolidated Performance

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

To achieve the management vision, Lion is implementing measures based on the basic strategies “Expand and Evolve Our Business Domains through New Value Creation,” “Accelerate Growth in Overseas Businesses through Glocalization,”* “Reinforce Our Management Base through Business Structure Reform” and “Create Dynamism to Foster Innovative Change” and is implementing future-oriented growth initiatives in and outside Japan.

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

Reflecting these efforts, consolidated results for the first half of fiscal 2018 (January 1, 2018–June 30, 2018) are as follows. Net sales amounted to ¥168,484 million, a year-on-year increase of 3.4% (or an increase of 2.4% in terms of real net sales, which exclude the influence of exchange rate conversions). Core operating income came to ¥12,552 million, up 0.1% compared with the same period of the previous fiscal year, and operating profit to ¥17,872 million, up 43.7% year on year. Profit for the period attributable to owners of parent totaled ¥13,935 million, up 58.9% compared with the same period of the previous fiscal year.

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

* The combination of globalization and localization.

Consolidated Results (Millions of yen)

	Six months ended June 30, 2018	Ratio to net sales	Six months ended June 30, 2017	Ratio to net sales	Change	Change (%)
Net sales	168,484		162,890		5,593	3.4%
Core operating income	12,552	7.5%	12,542	7.7%	10	0.1%
Operating profit	17,872	10.6%	12,440	7.6%	5,432	43.7%
Profit for the period attributable to owners of the parent	13,935	8.3%	8,768	5.4%	5,167	58.9%

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

Results by Business

(Millions of yen)

	Net sales				Segment profit (core operating income)			
	Six months ended June 30, 2018	Six months ended June 30, 2017	Change	Change (%)	Six months ended June 30, 2018	Six months ended June 30, 2017	Change	Change (%)
Consumer Products	110,826	115,633	(4,807)	(4.2%)	8,046	7,507	538	7.2%
Industrial Products	28,313	25,934	2,379	9.2%	1,352	987	365	37.0%
Overseas	52,202	49,968	2,234	4.5%	2,892	2,551	340	13.3%
Other	15,433	14,241	1,191	8.4%	639	597	41	7.0%
Subtotal	206,776	205,778	997	0.5%	12,930	11,644	1,286	11.0%
Adjustment	(38,291)	(42,887)	4,595	—	(378)	898	(1,276)	—
Total	168,484	162,890	5,593	3.4%	12,552	12,542	10	0.1%

Results by business segment are as follows.

Consumer Products Business

The Consumer Products Business segment comprises the Oral Care Products, Beauty Care Products, Fabric Care Products, Living Care Products, Pharmaceutical Products and Other Products businesses. Segment net sales decreased 4.2% compared with the same period of the previous fiscal year due in part to a decrease in intra-Group transactions resulting from the reorganization of production sites. Segment profit increased 7.2% due in part to growth in high-value-added products.

(Millions of yen)

	Six months ended June 30, 2018	Ratio to net sales	Six months ended June 30, 2017	Ratio to net sales	Change	Change (%)
Net sales	110,826		115,633		(4,807)	(4.2%)
Segment profit	8,046	7.3%	7,507	6.5%	538	7.2%

Note: Net sales include internal sales within and among segments, which amounted to ¥8,134 million in the first half of fiscal 2018 and ¥13,680 million in the first half of fiscal 2017.

Net Sales by Product Segment

(Millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2017	Change	Change (%)
Oral Care Products	27,645	25,597	2,047	8.0%
Beauty Care Products	10,167	10,584	(416)	(3.9%)
Fabric Care Products	28,911	29,660	(749)	(2.5%)
Living Care Products	7,857	7,798	59	0.8%
Pharmaceutical Products	14,142	13,888	254	1.8%
Other products	22,101	28,104	(6,002)	(21.4%)

Oral Care Products

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

In toothbrushes, sales of the *CLINICA ADVANTAGE Toothbrush* and the *SYSTEMA Haguki (the Gums) Plus Toothbrush* were strong, and overall sales increased compared with the same period of the previous fiscal year.

In mouthwashes, sales of *CLINICA Kid's Dental Rinse* were strong, and *NONIO Mouthwash*, part of the *NONIO* bad breath prevention brand launched last year, received favorable consumer reviews. Overall sales substantially increased year on year.

Beauty Care Products

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

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

In antiperspirants and deodorants, sales of Ban Refresh Shower Sheets were strong. However, because Lion ended sales of spray-on antiperspirants and deodorants as part of product mix revisions, overall sales decreased year on year.

Fabric Care Products

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

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

Living Care Products

In dishwashing detergents, sales of *CHARMY Magica* were steady, but overall sales were down year on year.

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

In cooking-aid products, Lion released new *REED Petit Pressure Cooking Bags*, which make it easy to prepare fresh-made food in the microwave, and overall sales grew year on year.

Pharmaceutical Products

In antipyretic analgesics, sales of *BUFFERIN PREMIUM* and *BUFFERIN Luna i* were strong, and overall sales rose substantially year on year.

In eye drops, new *Smile Medical A*, formulated with deep-penetrating vitamin A to relieve eye fatigue due to dryness, received favorable consumer reviews, and Lion released new *Smile Contact EX Cornea Repair*, Japan's first eye drops with vitamin A for use with soft contact lenses. Overall sales increased year on year.

Other Products

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

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

Industrial Products Business

The Industrial Products Business segment includes the Automotive, Electrical and Electronics, and Detergents for Institutional Use Products fields. These businesses handle products that include anti-sticking agents for tires, electro-conductive carbon for secondary batteries, and detergents for institutional and kitchen use, respectively. Segment net sales increased 9.2% compared with the corresponding period of the previous fiscal year. Segment profit increased 37.0%.

(Millions of yen)

	Six months ended June 30, 2018	Ratio to net sales	Six months ended June 30, 2017	Ratio to net sales	Change	Change (%)
Net sales	28,313		25,934		2,379	9.2%
Segment profit	1,352	4.8%	987	3.8%	365	37.0%

Note: Net sales include internal sales within and among segments, which amounted to ¥12,153 million in the first half of fiscal 2018 and ¥10,544 million in the first half of fiscal 2017.

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

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

In Detergents for Institutional Use Products, sales of alcohol sanitizers for kitchens were favorable, and those of hand soap were firm. Overall sales increased year on year.

Overseas Business

The Overseas Business segment comprises business operations located in Southeast Asia, including Thailand and Malaysia, and Northeast Asia, including South Korea and China. Segment net sales increased 4.5% year on year (or in terms of real net sales, which exclude the influence of exchange rate conversions, increased 0.5%). Segment profit increased 13.3% year on year.

(Millions of yen)

	Six months ended June 30, 2018	Ratio to net sales	Six months ended June 30, 2017	Ratio to net sales	Change	Change (%)
Net sales	52,202		49,968		2,234	4.5%
Segment profit	2,892	5.5%	2,551	5.1%	340	13.3%

Note: Net sales include internal sales within and among segments, which amounted to ¥5,212 million in the first half of fiscal 2018 and ¥5,899 million in the first half of fiscal 2017.

Net Sales by Region (Millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2017	Change	Change (%)
Southeast Asia	35,431	32,629	2,801	8.6%
Northeast Asia	16,771	17,338	(567)	(3.3%)

Net Sales by Region

In Southeast Asia, overall sales were up 8.6% year on year.

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

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

In Northeast Asia, overall sales were down 3.3% year on year.

In South Korea, sales of *KireiKirei* hand soap were favorable. Overall sales after yen conversions were up year on year.

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

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

	Six months ended June 30, 2018	Ratio to net sales	Six months ended June 30, 2017	Ratio to net sales	Change	Change (%)
Net sales	15,433		14,241		1,191	8.4%
Segment profit	639	4.1%	597	4.2%	41	7.0%

Note: Net sales include internal sales within and among segments, which amounted to ¥12,759 million in the first half of fiscal 2018 and ¥12,835 million in the first half of fiscal 2017.

(2) Financial Status

Status of Consolidated Assets, Liabilities and Equity

	Six months ended June 30, 2018	Six months ended June 30, 2017	Change
Total assets (millions of yen)	344,131	338,855	5,275
Total equity (millions of yen)	199,676	188,793	10,883
Equity attributable to owners of the parent to total assets (%)	54.5	52.7	1.8

Total assets increased ¥5,275 million compared with the previous consolidated fiscal year-end to ¥344,131 million, due in part to an increase in inventories. Equity increased ¥10,883 million to ¥199,676 million. The ratio of equity attributable to owners of the parent to total assets stood at 54.5%.

(3) Forecast of Consolidated Financial Results

Lion has made no revisions to the consolidated financial results forecasts released on February 9, 2018 for the full fiscal year.

Lion utilized the following foreign exchange rates in the calculation of the aforementioned forecasts for the third fiscal quarter and onward:
¥112 = US$1.00
¥3.5 = 1.00 baht

2. Condensed Consolidated Financial Statements and Notes

(1) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	(At transition to IFRS) January 1, 2017	December 31, 2017	June 30, 2018
Assets			
Current assets			
Cash and cash equivalents	77,739	91,401	92,013
Trade and other receivables	60,946	64,871	64,629
Inventories	39,142	39,654	44,463
Other financial assets	1,315	1,996	1,837
Other current assets	1,555	1,367	2,668
Subtotal	180,699	199,291	205,611
Assets held for sale	—	228	—
Total current assets	180,699	199,520	205,611
Non-current assets			
Property, plant and equipment	73,245	79,539	76,963
Goodwill	182	182	182
Intangible assets	7,588	8,149	8,469
Investments accounted for using the equity method	4,907	5,585	8,032
Deferred tax assets	6,236	5,730	5,458
Retirement benefit assets	7,973	10,302	10,370
Other financial assets	21,055	29,399	28,854
Other non-current assets	418	446	187
Total non-current assets	121,608	139,335	138,519
Total assets	302,308	338,855	344,131

(Millions of yen)

	(At transition to IFRS) January 1, 2017	December 31, 2017	June 30, 2018
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	69,285	75,744	82,017
Borrowings	4,504	4,040	1,524
Accrued expenses	38,798	35,965	30,468
Income tax payables	4,677	4,528	1,983
Provisions	702	844	1,472
Other financial liabilities	893	890	1,030
Other current liabilities	6,754	7,388	4,563
Total current liabilities	125,617	129,400	123,059
Non-current liabilities			
Borrowings	1,690	1,569	1,327
Deferred tax liabilities	1,165	6,440	6,293
Retirement benefit liabilities	10,733	7,554	8,553
Provisions	337	375	374
Other financial liabilities	3,114	3,090	3,246
Other non-current liabilities	1,708	1,632	1,597
Total non-current liabilities	18,751	20,662	21,394
Total liabilities	144,368	150,062	144,454
Equity			
Share capital	34,433	34,433	34,433
Additional paid-in capital	34,508	34,687	34,676
Treasury stock	(4,778)	(4,805)	(4,775)
Other components of equity	8,371	15,498	13,616
Retained earnings	76,938	98,625	109,683
Equity attributable to owners of the parent	149,473	178,439	187,634
Non-controlling interests	8,466	10,353	12,042
Total equity	157,939	188,793	199,676
Total liabilities and equity	302,308	338,855	344,131

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

Condensed Consolidated Statement of Income

Six months ended June 30, 2017 and 2018

(Millions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018
Net sales	162,890	168,484
Cost of sales	(81,041)	(85,809)
Gross profit	81,849	82,674
Selling, general and administrative expenses	(69,307)	(70,121)
Other income	464	6,059
Other expenses	(566)	(738)
Operating profit	12,440	17,872
Finance income	419	407
Finance costs	(97)	(92)
Share of profit of investments accounted for using the equity method	474	344
Profit before tax	13,237	18,532
Income taxes	(3,652)	(1,580)
Profit for the period	9,585	16,952
Profit for the period attributable to:		
Owners of the parent	8,768	13,935
Non-controlling interests	816	3,016
Profit for the period	9,585	16,952
Earnings per share		
Basic (Yen)	30.18	47.95
Diluted (Yen)	30.14	47.89

Condensed Consolidated Statement of Comprehensive Income

Three months ended March 31, 2017 and 2018

(Millions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018
Profit for the period	9,585	16,952
Other comprehensive income		
Items that will not be reclassified as profit or loss		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	1,848	(304)
Share of other comprehensive income of investments accounted for using the equity method	(14)	26
Total items that will not be reclassified as profit or loss	1,834	(277)
Items that may be subsequently reclassified as profit or loss		
Net gain (loss) on derivatives designated as cash flow hedges	(14)	(22)
Exchange differences on translation of foreign operations	232	(1,664)
Share of other comprehensive income of investments accounted for using the equity method	(65)	(289)
Total items that may be subsequently reclassified as profit or loss	153	(1,977)
Total other comprehensive income, net of tax	1,987	(2,254)
Comprehensive income for the period	11,573	14,697
Comprehensive income for the period attributable to:		
Owners of the parent	10,610	12,113
Non-controlling interests	963	2,583
Comprehensive income for the period	11,573	14,697

(3) Condensed Consolidated Statement of Changes in Equity

Six months ended June 30, 2017

(Millions of yen)

	Equity attributable to owners of the parent					
				Other components of equity		
	Share capital	Additional paid-in capital	Treasury stock	Subscription rights to shares	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Net gain (loss) on derivatives designated as cash flow hedges
Balance at January 1, 2017	34,433	34,508	(4,778)	218	8,140	12
Profit for the period						
Other comprehensive income					1,807	(14)
Total comprehensive income for the period	—	—	—	—	1,807	(14)
Dividends						
Acquisition of treasury stock			(37)			
Disposal of treasury stock		(3)	22	(18)		
Share-based payments		38		10		
Transfer from other components of equity to retained earnings					(60)	
Total transactions with owners	—	34	(14)	(8)	(60)	—
Balance at June 30, 2017	34,433	34,542	(4,793)	210	9,886	(1)

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity		Retained earnings	Total		
	Exchange differences on translation of foreign operations	Total				
Balance at January 1, 2017	—	8,371	76,938	149,473	8,466	157,939
Profit for the period		—	8,768	8,768	816	9,585
Other comprehensive income	48	1,841		1,841	146	1,987
Total comprehensive income for the period	48	1,841	8,768	10,610	963	11,573
Dividends		—	(2,324)	(2,324)	(878)	(3,203)
Acquisition of treasury stock		—		(37)		(37)
Disposal of treasury stock		(18)		0		0
Share-based payments		10		48		48
Transfer from other components of equity to retained earnings		(60)	60	—		—
Total transactions with owners	—	(68)	(2,263)	(2,312)	(878)	(3,191)
Balance at June 30, 2017	48	10,144	83,443	157,770	8,550	166,321

Six months ended June 30, 2018

(Millions of yen)

	Equity attributable to owners of the parent					
				Other components of equity		
	Share capital	Additional paid-in capital	Treasury stock	Subscription rights to shares	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Net gain (loss) on derivatives designated as cash flow hedges
Balance at January 1, 2018	34,433	34,687	(4,805)	210	13,826	4
Profit for the period						
Other comprehensive income					(255)	(22)
Total comprehensive income for the period	—	—	—	—	(255)	(22)
Dividends						
Acquisition of treasury stock			(4)			
Disposal of treasury stock		19	34	(32)		
Share-based payments		17				
Changes in the ownership interest in a subsidiary without a loss of control		(48)				
Transfer from other components of equity to retained earnings					(27)	
Total transactions with owners	—	(11)	30	(32)	(27)	—
Balance at June 30, 2018	34,433	34,676	(4,775)	178	13,543	(18)

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity		Retained earnings	Total		
	Exchange differences on translation of foreign operations	Total				
Balance at January 1, 2018	1,456	15,498	98,625	178,439	10,353	188,793
Profit for the period		—	13,935	13,935	3,016	16,952
Other comprehensive income	(1,543)	(1,821)		(1,821)	(432)	(2,254)
Total comprehensive income for the period	(1,543)	(1,821)	13,935	12,113	2,583	14,697
Dividends		—	(2,905)	(2,905)	(1,547)	(4,453)
Acquisition of treasury stock		—		(4)		(4)
Disposal of treasury stock		(32)		21		21
Share-based payments		—		17		17
Changes in the ownership interest in a subsidiary without a loss of control		—		(48)	652	604
Transfer from other components of equity to retained earnings		(27)	27	—		—
Total transactions with owners	—	(60)	(2,877)	(2,918)	(895)	(3,814)
Balance at June 30, 2018	(87)	13,616	109,683	187,634	12,042	199,676

(4) Notes to Condensed Consolidated Financial Statements

Notes relating to the assumption of a going concern

Not applicable.

Segment Information

(1) Overview of reportable segments

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

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

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

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

The Group's reportable segments are as follows.

A. Consumer Products Business

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

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

B. Industrial Products Business

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

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

C. Overseas Business

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

D. Other Business

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

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

(2) Net Sales and Performance of Reportable Segments

Six months ended June 30, 2017

(Millions of yen)

	Reportable Segment			Other	Total	Adjustment[2]	Consolidated
	Consumer Products Business	Industrial Products Business	Overseas Business				
Net sales							
(1) External	101,953	15,390	44,068	1,405	162,817	72	162,890
(2) Intersegment[1]	13,680	10,544	5,899	12,835	42,960	(42,960)	—
Total	115,633	25,934	49,968	14,241	205,778	(42,887)	162,890
Core operating income	7,507	987	2,551	597	11,644	898	12,542
Other income							464
Other expenses							(566)
Operating profit							12,440
Finance income							419
Finance costs							(97)
Share of profit of investments accounted for using the equity method							474
Profit before tax							13,237

Notes: 1. Includes intra-segement transactions withing the reportable segments.

2. A ¥898 million adjustment of core operating income mainly comprises intersegment eliminations and corporate expenses not allocated to any reportable segment.

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

Gross profit	81,849
Selling, general and administrative expenses	(69,307)
Core operating income	12,542

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

Six months ended June 30, 2018

(Millions of yen)

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

Notes: 1. Includes intra-segement transactions withing the reportable segments.
2. A negative ¥378 million adjustment of core operating income mainly comprises intersegment eliminations and corporate expenses not allocated to any reportable segment.
3. Core operating income is reconciled with gross profit as follows.

Gross profit	82,674
Selling, general and administrative expenses	(70,121)
Core operating income	12,552

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

First-Time Application of IFRS

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

In principle, IFRS requires companies applying IFRS for the first time to also apply it retroactively. However, IFRS 1 "*First-time Adoption of International Financial Reporting Standards*" (hereinafter IFRS 1) provides optional exceptions to such retroactive application for certain matters while imposing mandatory exceptions forbidding the retroactive application of certain other standards. The Group applied mainly the following exemptions.

Exceptions under IFRS 1

(1) Business Combinations

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

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

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

(2) Deemed cost

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

(3) Exchange differences on translation of foreign operations

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

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

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

Mandatory Exceptions under IFRS 1

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

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

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

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

(Millions of yen)

JGAAP line item	JGAAP	Reclassifi-cation	Difference in recognition and measurement	IFRS	Notes	IFRS line item
Assets						Assets
Current assets						Current assets
Cash and deposits	17,879	59,860	—	77,739	(12)	Cash and cash equivalents
Notes and accounts receivable—trade	60,293	677	(24)	60,946	(1), (12)	Trade and other receivables
Short-term investment securities	61,007	(61,007)	—	—	(12)	
Inventories	39,726	—	(583)	39,142	(2)	Inventories
Deferred tax assets	4,161	(4,161)	—	—	(12)	
		1,315	—	1,315	(12)	Other financial assets
Other	2,465	(909)	—	1,555	(12)	Other current assets
Allowance for doubtful accounts	(64)	64	—	—		
Total current assets	185,469	(4,161)	(607)	180,699		Total current assets
Noncurrent assets						Non-current assets
Property, plant and equipment	74,402	—	(1,156)	73,245	(3)	Property, plant and equipment
Intangible assets						
Goodwill	182	—	—	182		Goodwill
Right of trademark	1,658	(1,658)	—	—	(12)	
Other	981	(981)	—	—	(12)	
		2,640	4,948	7,588	(4), (12)	Intangible assets
Investments and other assets						
Investment securities	24,025	(24,025)	—	—		
Long-term loans receivable	28	(28)	—	—		
		4,918	(10)	4,907	(12)	Investments accounted for using the equity method
Deferred tax assets	2,581	4,161	(505)	6,236	(5), (12)	Deferred tax assets
Net defined benefit asset	7,973	—	—	7,973		Retirement benefit assets
		19,924	1,130	21,055	(6), (12)	Other financial assets
Other	1,291	(873)	—	418	(12)	Other non-current assets
Allowance for doubtful accounts	(84)	84	—	—		
Total noncurrent assets	113,040	4,161	4,406	121,608		Total non-current assets
Total assets	298,510	—	3,798	302,308		Total assets

(Millions of yen)

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

(Millions of yen)

JGAAP line item	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	IFRS line item
Net assets						Equity
Capital stock	34,433	—	—	34,433		Share capital
Capital surplus	34,508	—	—	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 percentage-of-completion method under JGAAP are now, under IFRS, accounted for using the construction cost recovery method, and costs are recognized as they are incurred.

(2) Adjustments to inventories

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

(3) Adjustments to property, plant and equipment

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

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

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

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

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

(4) Adjustments to intangible assets

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

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

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

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

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

(8) Adjustments to other current liabilities

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

(9) Adjustments to other non-current liabilities

Special 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.

(10) Adjustments to other components of equity

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

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

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

(11) Adjustments to retained earnings

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

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

(12) Reclassifications

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

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

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

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

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

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

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

G. “Short-term loans payable” and “Current portion of long-term loans payable” listed 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 June 30, 2017

(Millions of yen)

JGAAP line item	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	IFRS line item
Assets						Assets
Current assets						Current assets
Cash and deposits	19,285	46,609	—	65,894	(15)	Cash and cash equivalents
Notes and accounts receivable—trade	55,276	514	11	55,802	(1), (15)	Trade and other receivables
Short-term investment securities	48,167	(48,167)	—	—	(15)	
Inventories	43,722	—	(757)	42,964	(2)	Inventories
		1,790	—	1,790	(15)	Other financial assets
Other	5,896	(4,064)	—	1,831	(15)	Other current assets
Allowance for doubtful accounts	(64)	64	—	—		
Total current assets	172,283	(3,253)	(745)	168,284		Total current assets
Noncurrent assets						Non-current assets
Property, plant and equipment	74,586	—	(1,134)	73,451	(3)	Property, plant and equipment
Intangible assets						
Right of trademark	274	(274)	—	—	(15)	
Other	1,209	(1,209)	—	—	(15)	
		142	40	182	(4)	Goodwill
		1,342	6,329	7,672	(5), (15)	Intangible assets
Investments and other assets						
Investment securities	26,435	(26,435)	—	—		
		5,115	39	5,155	(15)	Investments accounted for using the equity method
		4,942	502	5,444	(6), (15)	Deferred tax assets
		8,157	—	8,157	(15)	Retirement benefit assets
		22,385	1,325	23,711	(7), (15)	Other financial assets
Other	11,469	(10,999)	—	470	(15)	Other non-current assets
Allowance for doubtful accounts	(86)	86	—	—		
Total noncurrent assets	113,888	3,253	7,102	124,244		Total non-current assets
Total assets	286,172	—	6,356	292,529		Total assets

(Millions of yen)

JGAAP line item	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	IFRS line item
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable—trade	28,521	35,291	145	63,958	(8), (15)	Trade and other payables
Electronically recorded obligations—operating	14,599	(14,599)	—	—	(15)	
Short-term loans payable	4,639	(4,639)	—	—	(15)	
Current portion of long-term loans payable	263	(263)	—	—	(15)	
		4,903	—	4,903	(15)	Borrowings
Accounts payable—other and accrued expenses	41,295	(14,596)	—	26,699	(15)	Accrued expenses
Income taxes payable	2,622	—	—	2,622		Income tax payables
Provision for bonuses	1,908	(1,908)	—	—	(15)	
Provision for sales returns	376	(376)	—	—	(15)	
Provision for sales promotion expenses	3,305	(3,305)	—	—	(15)	
Provision for directors' bonuses	139	(139)	—	—	(15)	
		1,163	—	1,163	(15)	Provisions
		780	172	952	(3), (15)	Other financial liabilities
Other	4,911	(2,308)	2,244	4,848	(9), (15)	Other current liabilities
Total current liabilities	102,585	—	2,562	105,148		Total current liabilities
Noncurrent liabilities						Non-current liabilities
Long-term loans payable	1,581	—	—	1,581		Borrowings
		908	1,420	2,329	(6), (15)	Deferred tax liabilities
Provision for directors' retirement benefits	262	(262)	—	—	(15)	
Provision for directors' stock benefits	38	—	(38)	—	(10)	
Net defined benefit liability	11,023	262	546	11,831	(11), (15)	Retirement benefit liabilities
Asset retirement obligation	339	—	—	339	(15)	Provisions
		2,986	283	3,270	(3), (15)	Other financial liabilities
Other	4,565	(3,894)	1,036	1,706	(12), (15)	Other non-current liabilities
Total noncurrent liabilities	17,810	—	3,248	21,059		Total non-current liabilities
Total liabilities	120,396	—	5,811	126,207		Total liabilities

(Millions of yen)

JGAAP line item	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	IFRS line item
Net assets						Equity
Capital stock	34,433	—	—	34,433		Share capital
Capital surplus	35,291	—	(749)	34,542	(10), (16)	Additional paid-in capital
Treasury stock	(5,581)	—	787	(4,793)	(16)	Treasury stock
Subscription rights to shares	210	(210)	—	—		
Valuation difference on available-for-sale securities	9,043	(9,043)	—	—		
Deferred gains or losses on hedges	(1)	1	—	—		
Foreign currency translation adjustment	493	(493)	—	—		
Remeasurements of defined benefit plans	(4,985)	4,985	—	—		
		4,760	5,384	10,144	(13)	Other components of equity
Retained earnings	88,427	—	(4,983)	83,443	(14)	Retained earnings
				157,770		Equity attributable to owners of the parent
Non-controlling interests	8,443	—	106	8,550		Non-controlling interests
Total net assets	165,776	—	545	166,321		Total equity
Total liabilities and net assets	286,172	—	6,356	292,529		Total liabilities and equity

Notes Concerning Adjustments to Equity as of June 30, 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 percentage-of-completion method under JGAAP are now, under IFRS, accounted for using the construction cost recovery method, and costs are recognized as they are incurred.

(2) Adjustments to inventories

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

(3) Adjustments to property, plant and equipment

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

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

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

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

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

(4) Adjustments to goodwill

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

(5) Adjustments to intangible assets

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

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

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

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

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

(9) Adjustments to other current liabilities

The main adjustments to other current liabilities are as follows.

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

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

(10) Adjustments to additional paid-in capital

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

(11) Adjustments to retirement benefit liabilities

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

(12) Adjustments to other non-current liabilities

Special 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.

(13) Adjustments to other components of equity

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

B. As a result of the evaluation of the fair value of the non-marketable equity securities described in note (7), other components of equity increased ¥1,325 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 ¥4,870 million.

(14) Adjustments to retained earnings

(Millions of yen)

	At June 30, 2017
Adjustments to inventories (see (2), above)	(852)
Adjustments to property, plant and equipment (see (3), above)	(1,591)
Adjustments to intangible assets (see (5), above)	6,329
Adjustments to other current liabilities (see (9), above)	(2,256)
Adjustments to other non-current liabilities (see (12), above)	(1,036)
Adjustments to remeasurements of defined benefit plans (see (13), above)	(5,416)
Adjustments to cumulative exchange differences on translation of foreign operations (see (13), above)	445
Other	(605)
Total adjustments to retained earnings	(4,983)

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

(15) Reclassifications

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

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

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

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

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

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

F. “Deferred tax assets” and “Deferred tax liabilities” stated as current under JGAAP are now stated as non-current under IFRS.
G. Retirement benefit assets included in “Other” under investments and other assets under JGAAP are now stated separately under IFRS.
H. “Electronically recorded obligations-operating” stated separately under JGAAP are now reclassified as “Trade and other payables” under IFRS.
I. “Short-term loans payable” and “Current portion of long-term loans payable” listed as current liabilities under JGAAP are now reclassified and stated as “Borrowings” and listed as current liabilities under IFRS.
J. “Provision for sales promotion expenses,” “Provision for sales returns,” “Provision for bonuses” and other provisions listed separately under current liabilities under JGAAP are now stated as “Trade and other payables,” “Other current liabilities” or “Provisions” under IFRS.
K. “Asset retirement obligation,” which was listed separately under long-term liabilities under JGAAP, is now included in “Provisions” under IFRS.
L. “Provision for directors’ retirement benefits,” which was listed separately under long-term liabilities under JGAAP, is now included in “Retirement benefit liabilities” under IFRS.

(16) Differences in scope of consolidation

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

Adjustments to Equity as of December 31, 2017

(Millions of yen)

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

(Millions of yen)

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

(Millions of yen)

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

Notes Concerning Adjustments to Equity as of December 31, 2017

(1) Adjustments to trade and other receivables

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 percentage-of-completion method under JGAAP are now, under IFRS, accounted for using the construction cost recovery method, and costs are recognized as they are incurred.

(2) Adjustments to inventories

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

(3) Adjustments to property, plant and equipment

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

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

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

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

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

(4) Adjustments to goodwill

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

(5) Adjustments to intangible assets

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

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

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

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

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

(9) Adjustments to other current liabilities

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

(10) Adjustments to additional paid-in capital

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

(11) Adjustments to other non-current liabilities

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

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

C. Under JGAAP, actuarial differences related to retirement benefits are recognized under other comprehensive income when they are incurred. Under IFRS, such differences are recognized as other comprehensive income in their entirety when they are incurred and immediately transferred to retained earnings. In addition, under JGAAP, prior service cost is recognized under other comprehensive income when it is incurred and is amortized (recognized as net income or loss) beginning the fiscal year in which it is incurred using the straight-line method over a period not exceeding the estimated average remaining service years of employees. Under IFRS, prior service cost is recognized as net income or loss when it is incurred. Furthermore, 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)
	At December 31, 2017
Adjustments to inventories (see (2), above)	(630)
Adjustments to property, plant and equipment (see (3), above)	(1,591)
Adjustments to intangible assets (see (5), above)	6,559
Adjustments to other current liabilities (see (9), above)	(1,832)
Adjustments to other non-current liabilities (see (11), above)	(981)
Adjustments to remeasurements of defined benefit plans (see (12), above)	(507)
Adjustments to cumulative exchange differences on translation of foreign operations (see (12), above)	445
Other	(780)
Total adjustments to retained earnings	681

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

(14) Reclassifications

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

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

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

I. “Short-term loans payable” and “Current portion of long-term loans payable” listed 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, said trust is included in the scope of consolidation. Based on determinations made using these standards, the Group includes such trusts over which it has effective control in the scope of consolidation.

Adjustments to Profits (Losses) and Comprehensive Income in the Six Months Ended June 30, 2017

(Millions of yen)

JGAAP line item	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	IFRS line item
Net sales	194,567	—	(31,676)	162,890	(1)	Net sales
Cost of sales	(80,568)	—	(473)	(81,041)	(2), (5)	Cost of sales
Gross profit	113,999	—	(32,149)	81,849		Gross profit
Selling, general and administrative expenses	(102,206)	—	32,899	(69,307)	(1), (2), (3), (4), (5), (6)	Selling, general and administrative expenses
		464	—	464	(7)	Other income
		(566)	—	(566)	(7)	Other expenses
Operating income	11,792	(101)	750	12,440		Operating profit
Non-operating income	1,308	(1,308)	—	—	(7)	
Non-operating expenses	(238)	231	7	—	(7)	
Extraordinary income	87		(87)	—		
Extraordinary loss	(432)	432	—	—	(7)	
		419	—	419	(7)	Finance income
		(97)	—	(97)	(7)	Finance costs
		424	50	474	(7)	Share of profit of investments accounted for using the equity method
Income before income taxes	12,517	—	720	13,237		Profit before tax
Total income taxes	(3,449)	—	(202)	(3,652)		Income taxes
Profit	9,067	—	517	9,585		Profit for the period
						Profit for the period attributable to:
Profit attributable to non-controlling interests	(795)	—	(21)	(816)		Non-controlling interests
Profit attributable to owners of parent	8,272	—	496	8,768		Owners of the parent

(Millions of yen)

JGAAP line item	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	IFRS line item
Income before minority interests	9,067	—	517	9,585		Profit for the period
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified as profit or loss
Valuation difference on available-for-sale securities	1,659	—	189	1,848		Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of tax	260	—	(260)	—		
		(14)	—	(14)		Share of other comprehensive income of investments accounted for using the equity method
				1,834		Total items that will not be reclassified as profit or loss
						Items that may be subsequently reclassified as profit or loss
Deferred gains or losses on hedges	(14)	—	—	(14)		Net gain (loss) on derivatives designated as cash flow hedges
Foreign currency translation adjustment	23	—	209	232		Exchange differences on translation of foreign operations
Share of other comprehensive income of associates accounted for using equity method	(79)	14	—	(65)		Share of other comprehensive income of investments accounted for using the equity method
				153		Total items that may be subsequently reclassified as profit or loss
Total other comprehensive income	1,849	—	138	1,987		Total other comprehensive income, net of tax
Comprehensive income	10,917	—	655	11,573		Comprehensive income for the period

Notes Concerning Adjustments to Profits (Losses) and Comprehensive Income in the Six Months Ended June 30, 2017

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

(1) Adjustments to net sales

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

(2) Adjustments to taxes and levies

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

(3) Adjustments to the book value of goodwill

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

(4) Adjustments to intangible assets

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

(5) Methods of accounting for retirement benefit liabilities

Under JGAAP, actuarial differences are recognized under other comprehensive income when they are incurred. Under IFRS, such differences are recognized as other comprehensive income in their entirety when they are incurred and immediately transferred to retained earnings. In addition, under JGAAP, prior service cost is recognized under other comprehensive income when it is incurred and is amortized (recognized as net income or loss) beginning the fiscal year in which it is incurred using the straight-line method over a period not exceeding the estimated average remaining service years of employees. Under IFRS, prior service cost is recognized as net income or loss when it is incurred. Furthermore, 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 profits (losses) and comprehensive income. The main changes are as follows.

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

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

(Millions of yen)

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

(Millions of yen)

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

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

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

(1) Adjustments to net sales

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

(2) Adjustments to taxes and levies

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

(3) Adjustments to the book value of goodwill

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

(4) Adjustments to intangible assets

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

(5) Methods of accounting for retirement benefit liabilities

Under JGAAP, actuarial differences are recognized under other comprehensive income when they are incurred. Under IFRS, such differences are recognized as other comprehensive income in their entirety when they are incurred and immediately transferred to retained earnings. In addition, under JGAAP, prior service cost is recognized under other comprehensive income when it is incurred and is amortized (recognized as net income or loss) beginning the fiscal year in which it is incurred using the straight-line method over a period not exceeding the estimated average remaining service years of employees. Under IFRS, prior service cost is recognized as net income or loss when it is incurred. Furthermore, 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 profits (losses) and comprehensive income. The main changes are as follows.

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