Summary of Consolidated Financial Statements for the Year Ended December 31, 2018 [IFRS]

February 13, 2019

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

Representative: Masazumi Kikukawa, Representative Director, President and Executive Officer
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Annual meeting of shareholders: March 28, 2019
Start date of payment of dividend: March 1, 2019
Scheduled date of filing of financial report: March 29, 2019
Supplementary materials prepared for quarterly results: Yes
Quarterly results information meeting held: Yes (for institutional investors, analysts, etc.)

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

1. Consolidated Results for the Year Ended December 31, 2018 (January 1, 2018 – December 31, 2018)

(1) Consolidated Results (cumulative)

(Percentage figures denote year-on-year change)

	Net sales		Operating profit		Profit before tax	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended December 31, 2018	349,403	2.0	34,196	12.2	35,658	11.4
Year ended December 31, 2017	342,703	—	30,479	—	31,998	—

	Profit for the period		Profit for the period attributable to owners of the parent		Total comprehensive income for the period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended December 31, 2018	29,783	27.3	25,606	22.6	22,360	(38.7)
Year ended December 31, 2017	23,390	—	20,883	—	36,453	—

Note: Core operating income for the year ended December 31, 2018 was ¥28,375 million (down 1.5% year on year). Core operating income for the year ended December 31, 2017 was ¥28,807.

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

	Basic earnings per share	Diluted earnings per share	Ratio of equity attributable to owners of the parent to profit for the period	Ratio of profit before tax to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Year ended December 31, 2018	88.11	87.99	13.9	10.3	9.8
Year ended December 31, 2017	71.87	71.77	12.7	10.0	8.9

Note: Share of profit of investments accounted for using the equity method: December 31, 2018: ¥809 million
December 31, 2017: ¥915 million

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets	Equity attributable to owners of the parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
December 31, 2018	355,365	204,271	191,108	53.8	657.50
December 31, 2017	338,855	188,793	178,439	52.7	614.08

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended December 31, 2018	31,879	(8,989)	(8,754)	104,972
Year ended December 31, 2017	28,559	(8,750)	(6,751)	91,401

2. Dividends

	Cash dividends per share					Total dividend paid (annual)	Payout ratio (consolidated)	Ratio of dividends to equity attributable to owners of the parent (consolidated)
	First Quarter	Second Quarter	Third Quarter	Year-End	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal 2017	—	7.00	—	10.00	17.00	4,948	24.9	3.0
Fiscal 2018	—	10.00	—	10.00	20.00	5,822	22.7	3.1
Fiscal 2019 (forecast)	—	10.00	—	11.00	21.00		29.1	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2019 (January 1, 2019 – December 31, 2019)

(Percentage figures denote year-on-year change)

	Net sales		Operating profit		Profit for the period attributable to owners of the parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half 2019	172,000	2.1	12,500	(30.1)	8,500	(39.0)	29.24
Fiscal 2019	360,000	3.0	31,000	(9.3)	21,000	(18.0)	72.25

Note: Core operating income forecast: First half 2019: ¥13,000 million
Fiscal 2019: ¥31,500 million

Notes

(1) Significant Change in Scope of Consolidation during Period: Yes
Excluded: 2 companies Lion Packaging Co., Ltd., 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 December 31, 2018: 299,115,346 shares
As of December 31, 2017: 299,115,346 shares
b. Number of treasury stocks on balance sheet date:
As of December 31, 2018: 8,456,995 shares
As of December 31, 2017: 8,535,633 shares
c. Average number of shares outstanding over period (cumulative; consolidated)
Fiscal year ended December 31, 2018: 290,627,039 shares
Fiscal year ended December 31, 2017: 290,581,351 shares

Reference: Summary Non-Consolidated Results (JGAAP basis)

1. Non-consolidated Results for the Year Ended December 31, 2018
(January 1, 2018 – December 31, 2018)

(1) Non-consolidated Results

(Percentage figures denote year-on-year change)

	Net sales		Operating income		Ordinary income		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2018	264,505	0.1	15,098	(5.6)	23,744	16.0	22,873	48.5
Fiscal 2017	264,280	1.3	15,988	21.5	20,473	22.2	15,399	28.4

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal 2018	78.70	78.59
Fiscal 2017	52.99	52.93

(2) Non-consolidated Financial Position

	Total assets	Net assets	Shareholders' equity to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2018	265,692	156,482	58.8	537.80
December 31, 2017	252,967	142,306	56.2	489.00

Reference: Shareholders' equity: December 31, 2018: ¥156,317 million
December 31, 2017: ¥142,096 million

* 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 ended December 31, 2018. The Consolidated Financial Statements 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 V. Consolidated Financial Statements and Notes (5) Notes to Consolidated Financial Statements, First-Time Adoption of IFRS on page 53.
- The forecasts and projected operating results contained in this report are based on information available at the time of preparation and thus involve inherent risks and uncertainties, including those related to economic conditions, the competitive environment and exchange rate fluctuations. Accordingly, readers are cautioned that actual results may

differ materially from those projected as a result of a variety of factors. For information on forecasts of operating results, see I. Consolidated Performance and Financial Status on page 2.

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I. Consolidated Performance and Financial Status

1. Consolidated Performance

(1) Performance Overview of the Consolidated Fiscal Year under Review (January 1, 2018–December 31, 2018)

During fiscal 2018 (January 1, 2018–December 31, 2018), the Japanese economy as a whole continued to gradually improve, backed by ongoing recovery in personal consumption and corporate profits amid steady improvement in employment.

The market in the Lion Group's main business domain, the domestic consumer products industry, was steady, as unit prices continued to rise.

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

In its domestic operations, Lion introduced such new products as toothpastes, toothbrushes, mouthwashes, body washes, 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, the Company 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 fiscal 2018 are as follows. Net sales amounted to ¥349,403 million, a year-on-year increase of 2.0% (or an increase of 1.4% in terms of real net sales, which exclude the influence of exchange rate conversions). Core operating income came to ¥28,375 million, down 1.5% compared with the previous fiscal year, and operating profit to ¥34,196 million, up 12.2% year on year. Profit for the period attributable to owners of parent totaled ¥25,606 million, up 22.6% compared with the previous fiscal year.

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

* The combination of globalization and localization.

Consolidated Results

(Millions of yen)

	Fiscal 2018	Ratio to net sales	Fiscal 2017	Ratio to net sales	Change	Change (%)
Net sales	349,403		342,703		6,699	2.0%
Core operating income	28,375	8.1%	28,807	8.4%	(431)	(1.5%)
Operating profit	34,196	9.8%	30,479	8.9%	3,717	12.2%
Profit for the period attributable to owners of the parent	25,606	7.3%	20,883	6.1%	4,723	22.6%

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

Results by Business

(Millions of yen)

	Net sales				Segment profit (core operating income)			
	Fiscal 2018	Fiscal 2017	Change	Change (%)	Fiscal 2018	Fiscal 2017	Change	Change (%)
Consumer Products	231,594	241,203	(9,608)	(4.0%)	17,834	18,934	(1,100)	(5.8%)
Industrial Products	57,958	55,047	2,910	5.3%	2,357	2,316	40	1.7%
Overseas	105,043	102,567	2,475	2.4%	6,875	4,413	2,462	55.8%
Other	34,067	30,565	3,501	11.5%	1,717	1,336	381	28.5%
Subtotal	428,663	429,384	(720)	(0.2%)	28,785	27,001	1,784	6.6%
Adjustment	(79,260)	(86,680)	7,420	—	(409)	1,805	(2,215)	—
Total	349,403	342,703	6,699	2.0%	28,375	28,807	(431)	(1.5%)

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 4.0% compared with the previous fiscal year. Segment profit decreased 5.8%.

(Millions of yen)

	Year ended December 31, 2018	Ratio to net sales	Year ended December 31, 2017	Ratio to net sales	Change	Change (%)
Net sales	231,594		241,203		(9,608)	(4.0%)
Segment profit	17,834	7.7%	18,934	7.8%	(1,100)	(5.8%)

Note: Net sales include internal sales within and among segments, which amounted to ¥16,202 million in fiscal 2018 and ¥26,077 million in fiscal 2017.

Net Sales by Product Segment (Millions of yen)

	Year ended December 31, 2018	Year ended December 31, 2017	Change	Change (%)
Oral Care Products	59,503	56,486	3,017	5.3%
Beauty Care Products	21,024	20,307	716	3.5%
Fabric Care Products	59,790	61,521	(1,730)	(2.8%)
Living Care Products	17,891	16,949	942	5.6%
Pharmaceutical Products	29,228	29,407	(178)	(0.6%)
Other products	44,156	56,531	(12,374)	(21.9%)

Oral Care Products

In toothpastes, sales of *CLINICA ADVANTAGE Toothpaste* were strong, and *NONIO Toothpaste*, released in 2017, received favorable consumer reviews. Overall sales increased year on year.

In toothbrushes, sales of the *SYSTEMA Haguki (the Gums) Plus Toothbrush* and *CLINICA ADVANTAGE Toothbrush* were strong, but sales of the *SYSTEMA Toothbrush* were down year on year, and overall sales edged down compared with the previous fiscal year.

In dental rinses, *NONIO Mouthwash*, part of the *NONIO* bad breath prevention brand launched in 2017, received favorable consumer reviews. Overall sales 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 to reduce the hassle of refilling, were favorable. Overall sales increased year on year.

In body washes, the *hadakara Body Soap* series saw strong sales and the introduction of a new foam type that received favorable consumer reviews, and overall sales increased significantly year on year.

In antiperspirants and deodorants, sales of *Ban Refresh Shower Sheets* were firm. 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 *TOP Hareta,* a super-concentrated liquid laundry detergent that always leaves clothing feeling like it has been air dried on a clear day, even when hung up to dry indoors. However, sales of *TOP Clear Liquid* were impacted by intensifying competition, and sales of powder detergents fell year on year, reflecting continued market contraction. Overall sales were down year on year.

Living Care Products

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

In household cleaners, sales of bathroom fungicide *LOOK Plus Bath Antimold Fogger* were favorable, and *LOOK Plus Bath Cleansing*, a new type of bath detergent that removes grime from the tub without scrubbing, received favorable consumer reviews. Overall sales increased substantially year on year.

Pharmaceutical Products

In antipyretic analgesics, sales of *BUFFERIN PREMIUM* and *BUFFERIN Luna i* were strong, and overall sales rose 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)* were firm, and those of oral care products were strong. Overall sales were up year on year.

Industrial Products Business

The Industrial Products Business segment includes the Automotive, Electrical and Electronics, and Detergents for Institutional Use Products fields. These businesses handle products that include anti-sticking agents for tires, electro-conductive carbon for secondary batteries, and detergents for institutional and kitchen use, respectively. Segment net sales increased 5.3% compared with the previous fiscal year. Segment profit increased 1.7%.

(Millions of yen)

	Year ended December 31, 2018	Ratio to net sales	Year ended December 31, 2017	Ratio to net sales	Change	Change (%)
Net sales	57,958		55,047		2,910	5.3%
Segment profit	2,357	4.1%	2,316	4.2%	40	1.7%

Note: Net sales include internal sales within and among segments, which amounted to ¥23,908 million in fiscal 2018 and ¥22,441 million in 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, but overall sales edged down year on year.

Overseas Business

The Overseas Business segment comprises business operations located in Southeast Asia, including Thailand and Malaysia, and Northeast Asia, including South Korea and China. Segment net sales increased 2.4% year on year (or in terms of real net sales, which exclude the influence of exchange rate conversions, increased 0.5%). Segment profit increased 55.8% year on year.

(Millions of yen)

	Year ended December 31, 2018	Ratio to net sales	Year ended December 31, 2017	Ratio to net sales	Change	Change (%)
Net sales	105,043		102,567		2,475	2.4%
Segment profit	6,875	6.5%	4,413	4.3%	2,462	55.8%

Note: Net sales include internal sales within and among segments, which amounted to ¥10,279 million in fiscal 2018 and ¥11,842 million in fiscal 2017.

Net Sales by Region (Millions of yen)

	Year ended December 31, 2018	Year ended December 31, 2017	Change	Change (%)
Southeast Asia	70,205	67,666	2,539	3.8%
Northeast Asia	34,838	34,901	(63)	(0.2%)

Net Sales by Region

In Southeast Asia, overall sales were up 3.8% year on year.

In Thailand, sales of *Shokubutsu-Monogatari Body Soap* were strong, and sales of toothbrushes and laundry detergents were up year on year. Overall sales after yen conversions were up year on year.

In Malaysia, sales of *TOP* laundry detergent were favorable, but because of the merger of a detergent ingredient manufacturing subsidiary that caused said subsidiary to be excluded from the scope of consolidation during the fiscal year, overall sales after yen conversions were down year on year.

In Northeast Asia, overall sales were down 0.2% 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* toothbrushes fell year on year. Overall sales after yen conversions were down year on year.

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

	Year ended December 31, 2018	Ratio to net sales	Year ended December 31, 2017	Ratio to net sales	Change	Change (%)
Net sales	34,067		30,565		3,501	11.5%
Segment profit	1,717	5.0%	1,336	4.4%	381	28.5%

Note: Net sales include internal sales within and among segments, which amounted to ¥28,790 million in fiscal 2018 and ¥26,469 million in fiscal 2017.

(2) Forecast of Consolidated Financial Results for the Fiscal Year Ending December 2019

Consolidated (Millions of yen)

	Fiscal 2019 forecast	Fiscal 2018	Change	Change (%)
Net sales	360,000	349,403	10,597	3.0%
Core operating Income	31,500	28,375	3,124	11.0%
Operating profit	31,000	34,196	(3,197)	(9.3%)
Profit attributable to owners of parent	21,000	25,606	(4,607)	(18.0%)
Basic earnings per share (yen)	72.25	88.11	(15.86)	(18.0%)

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

During fiscal 2019 (the year ending December 31, 2019), although gradual continued recovery is forecast for the Japanese economy, the outlook going forward is expected to remain unclear, reflecting the impact of the scheduled consumption tax hike, shifts in raw material prices and currency exchange rates, geopolitical risks and other factors.

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

Amid these circumstances, the Lion Group will aim to improve corporate value as it rapidly implements the strategies outlined in the LION Value Evolution Plan (LIVE Plan) medium-term management plan.

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

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

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

As a result of the above, consolidated results forecasts for fiscal 2019 are as follows: net sales of ¥360,000 million (up 3.0%) year on year), core operating income of ¥31,500 million (up 11.0% year on year), operating profit of ¥31,000 million (down 9.3% year on year) and profit attributable to owners of parent of ¥21,000 billion (down 18.0% year on year).

Assumptions Underlying the Forecast of Consolidated Financial Results for Fiscal 2019

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

¥110= US$1.00
¥3.4 = 1.00 baht

2. Financial Status

(1) Assets, Liabilities and Equity

Consolidated Financial Status

	2018	2017	Change
Total assets (millions of yen)	355,365	338,855	16,509
Total equity (millions of yen)	204,271	188,793	15,478
Ratio of equity attributable to owners of the parent to total assets[1] (%)	53.8	52.7	1.1
Equity attributable to owners of the parent to total assets per share[2] (yen)	657.50	614.08	43.42

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

Total assets rose ¥16,509 million compared with the previous consolidated fiscal year-end to ¥355,365 million. This was primarily attributable to an increase in cash and cash equivalents. Total equity increased ¥15,478 million to ¥204,271 million. The ratio of equity attributable to owners of the parent to total assets stood at 53.8%

(2) Cash Flows

Consolidated Cash Flows (Millions of yen)

	2018	2017	Change
Cash flows from operating activities	31,879	28,559	3,320
Cash flows from investing activities	(8,989)	(8,750)	(238)
Cash flows from financing activities	(8,754)	(6,751)	(2,003)
Effect of exchange rate change on cash and cash equivalents	(564)	603	(1,168)
Net increase (decrease) in cash and cash equivalents	13,570	13,661	(90)
Cash and cash equivalents at end of period	104,972	91,401	13,570

Net cash provided by operating activities totaled ¥31,879 million, due mainly to profit before tax.

Net cash used in investing activities totaled ¥8,989 million, due in part to the purchase of property, plant and equipment.

Net cash used in financing activities totaled ¥8,754 million. Major components of this outflow included cash dividends paid.

As a result of the above, cash and cash equivalents as of December 31, 2018 increased ¥13,570 million compared with the consolidated fiscal year ended December 31, 2017, to ¥104,972 million.

(3) Forecast of Fiscal 2019 Consolidated Cash Flows

In cash flows from operating activities, Lion projects profit before tax of approximately ¥32,500 million. Depreciation and amortization is estimated to total about ¥10,000 million.

In cash flows from investment activities, Lion plans to undertake capital expenditures of around ¥33,000 million during fiscal 2019.

The cash flows from financing activities are expected to yield an outflow of about ¥7,000 million mainly due to cash dividends paid and the repayment of borrowings.

Based on these projections, Lion estimates that cash and cash equivalents at the end of fiscal 2019 will be up approximately ¥2,500 million year on year.

(4) Cash Flow Indicators

	Fiscal 2017	Fiscal 2018
Ratio of equity attributable to owners of the parent to total assets (%)	52.7	53.8
Ratio of equity attributable to owners of the parent to total assets on a market value basis (%)	183.1	185.7
Debt redemption (years)	0.3	0.2
Interest coverage ratio	148.6	259.3

Notes:

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

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

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

Taking into consideration the Company's cash dividend payment record, as well as its dividend payout ratio target, Lion's Board of Directors resolved to pay an interim dividend of ¥10 per share (payment date: September 4, 2018) and a year-end dividend of ¥10 per share (payment date: March 1, 2019) for fiscal 2017.

With regard to dividends for fiscal 2019, in accordance with its basic policy on the distribution of earnings and cash dividends, Lion plans to pay an interim dividend of ¥10 per share and a year-end dividend of ¥11 per share, for a total annual dividend of ¥21 per share.

4. Business Risks

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

Forward-looking statements are based on decisions made by the Lion Group as of February 13, 2019.

Business risks are not limited to the items listed below.

(1) Product quality and value

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

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

(2) Changes in raw material prices

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

(3) Exchange rate fluctuations

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

(4) Major lawsuits

As of February 13, 2019, Lion is not involved in any lawsuits that may have significant impact on its business. However, if the Lion Group were to be sued and found liable for significant damages, these could adversely affect the Lion Group's management performance and financial status.

(5) Earthquakes and other natural disasters

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

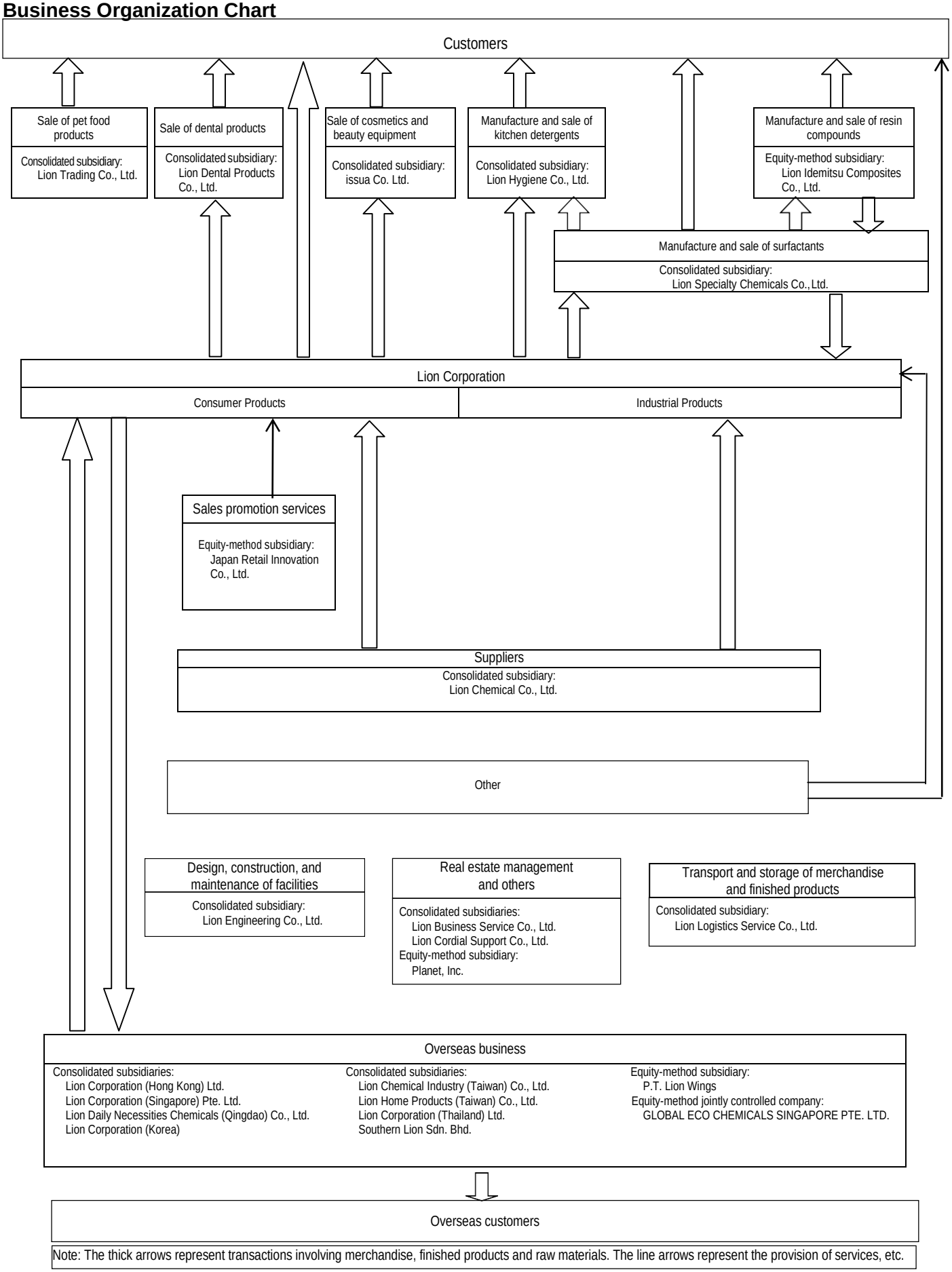
equipment may be damaged, or a suspension of raw materials procurement or distribution activities may cause business activities to cease, adversely affecting the Lion Group's management performance and financial status.

II. Corporate Group

The Lion Group consists of Lion Corporation, 23 consolidated subsidiaries, 4 equity-method affiliates and 1 equity-method jointly controlled companies. The Group's principle businesses are the Consumer Products Business, Industrial Products Business, and Overseas Business. Other business activities involve distribution related to the above businesses and other services.
The relationship between Group business activities and business segments is shown below, which is based on the categorization used for business segments.

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

Business Organization Chart



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

Subsidiaries and Affiliates

Consolidated Subsidiaries

Name	Location	Capitalization	Business	Voting shares held by Lion (%)	Nature of business relationship				
					Shared positions		Financial support	Business dealings	Lease of facilities, etc.
					Lion officers	Lion employees			
Lion Engineering Co., Ltd.	Sumida-ku, Tokyo	JPY100 million	Other	100.0	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	—

Name	Location	Capitalization	Business	Voting shares held by Lion (%)	Nature of business relationship				
					Shared positions		Financial support	Business dealings	Lease of facilities, etc.
					Lion officers	Lion employees			
Lion Corporation (Hong Kong) Ltd.	China (Hong Kong)	HKD12,000 thousand	Overseas business	100.0	—	3	None	Sale of merchandise and finished products	—
Lion Corporation (Singapore) Pte. Ltd.	Singapore	SGD9,000 thousand	Overseas business	100.0	—	3	None	Sale of merchandise and finished products	—
Lion Advertising Ltd.	China (Hong Kong)	HKD100 thousand	Overseas business	(Note 2) 100.0 (100.0)	—	2	None	—	—
Lion Daily Necessities Chemicals (Qingdao) Co., Ltd.	China	USD39,065 thousand	Overseas business	100.0	—	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	—
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 Lion (%)	Nature of business relationship				
					Shared positions		Financial support	Business dealings	Lease of facilities, etc.
					Lion officers	Lion employees			
Lion Idemitsu Composites Co., Ltd.	Taito-ku, Tokyo	JPY100 million	Industrial products	50.0	2	3	None	Purchase of special synthetic resin com-pounds	—
Planet, Inc.	Minato-ku, Tokyo	JPY436 million	Other	16.1	1	—	None	Utilization of VANs	—
Japan Retail Innovation Co., Ltd.	Minato-ku, Tokyo	JPY100 million	Consumer products	20.0	—	1	None	Sales promotion activities	—
P.T. Lion Wings	Indonesia	IDR64,062 million	Overseas business	48.0	—	4	None	Sale of merchandise and finished products	—

Equity-method jointly controlled companies

Name	Location	Capitalization	Business	Voting shares held by Lion (%)	Nature of business relationship				
					Shared positions		Financial support	Business dealings	Lease of facilities, etc.
					Lion officers	Lion employees			
GLOBAL ECO CHEMICALS SINGAPORE PTE. LTD.	Singapore	USD39,538 thousand	Overseas business	50.0	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 Lion" column are the percentages of total voting shares held indirectly by Lion Corporation.
6. In addition to the companies listed above, there is one small-scale, non-consolidated equity-method company.

III. Management Policies

1. Basic Management Policies

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

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

2. Performance Targets

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

3. Medium and Long-term Management Strategies

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

“New Management Vision for 2030”

“Becoming an advanced daily healthcare company”

New Medium-Term Management Plan (2018–2020)

LION Value Evolution Plan (LIVE Plan)

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

Framework to Achieve the Vision

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

4. Management Issues

To achieve the goals of its new vision, the Lion Group recognizes that it must rapidly implement the strategies of the LIVE Plan and see them through to fruition.

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

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

(2) Accelerate Growth in Overseas Businesses through Glocalization

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

(3) Reinforce Our Management Base through Business Structure Reform

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

(4) Create Dynamism to Foster Innovative Change

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

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

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

IV. Basic Approach Regarding the Selection of Accounting Standards

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

V. Consolidated Financial Statements and Notes

(1) Consolidated Statement of Financial Position

(Millions of yen)

	(At transition to IFRS) January 1, 2017	December 31, 2017	December 31, 2018
Assets			
Current assets			
Cash and cash equivalents	77,739	91,401	104,972
Trade and other receivables	60,946	64,871	64,695
Inventories	39,142	39,654	42,057
Other financial assets	1,315	1,996	2,582
Other current assets	1,555	1,367	1,626
Subtotal	180,699	199,291	215,934
Assets held for sale	—	228	—
Total current assets	180,699	199,520	215,934
Non-current assets			
Property, plant and equipment	73,245	79,539	81,546
Goodwill	182	182	182
Intangible assets	7,588	8,149	10,160
Investments accounted for using the equity method	4,907	5,585	8,606
Deferred tax assets	6,236	5,730	5,889
Retirement benefit assets	7,973	10,302	7,799
Other financial assets	21,055	29,399	25,097
Other non-current assets	418	446	148
Total non-current assets	121,608	139,335	139,430
Total assets	302,308	338,855	355,365

(Millions of yen)

	(At transition to IFRS) January 1, 2017	December 31, 2017	December 31, 2018
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	108,084	111,709	116,980
Borrowings	4,504	4,040	1,417
Income tax payables	4,677	4,528	2,674
Provisions	702	844	710
Other financial liabilities	893	890	907
Other current liabilities	6,754	7,388	7,051
Total current liabilities	125,617	129,400	129,742
Non-current liabilities			
Borrowings	1,690	1,569	1,202
Deferred tax liabilities	1,165	6,440	4,232
Retirement benefit liabilities	10,733	7,554	10,955
Provisions	337	375	355
Other financial liabilities	3,114	3,090	3,183
Other non-current liabilities	1,708	1,632	1,421
Total non-current liabilities	18,751	20,662	21,350
Total liabilities	144,368	150,062	151,093
Equity			
Share capital	34,433	34,433	34,433
Capital surplus	34,508	34,687	34,715
Treasury stock	(4,778)	(4,805)	(4,766)
Other components of equity	8,371	15,498	10,920
Retained earnings	76,938	98,625	115,806
Equity attributable to owners of the parent	149,473	178,439	191,108
Non-controlling interests	8,466	10,353	13,163
Total equity	157,939	188,793	204,271
Total liabilities and equity	302,308	338,855	355,365

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

Consolidated Statement of Income

(Millions of yen)

	Year Ended December 31, 2017	Year Ended December 31, 2018
Net sales	342,703	349,403
Cost of sales	(171,713)	(177,673)
Gross profit	170,990	171,729
Selling, general and administrative expenses	(142,182)	(143,353)
Other income	3,142	7,431
Other expenses	(1,470)	(1,610)
Operating profit	30,479	34,196
Finance income	808	789
Finance costs	(205)	(137)
Share of profit of investments accounted for using the equity method	915	809
Profit before tax	31,998	35,658
Income taxes	(8,607)	(5,875)
Profit for the period	23,390	29,783
Profit for the period attributable to:		
Owners of the parent	20,883	25,606
Non-controlling interests	2,507	4,176
Profit for the period	23,390	29,783
Earnings per share		
Basic (Yen)	71.87	88.11
Diluted (Yen)	71.77	87.99

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Year Ended December 31, 2017	Year Ended December 31, 2018
Profit for the period	23,390	29,783
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	6,097	(2,875)
Remeasurements of defined benefit plans	5,001	(2,902)
Share of other comprehensive income of investments accounted for using the equity method	(91)	153
Total items that will not be reclassified as profit or loss	11,007	(5,624)
Items that may be subsequently reclassified as profit or loss		
Net gain (loss) on derivatives designated as cash flow hedges	(8)	(13)
Exchange differences on translation of foreign operations	2,043	(1,494)
Share of other comprehensive income of investments accounted for using the equity method	19	(290)
Total items that may be subsequently reclassified as profit or loss	2,055	(1,798)
Total other comprehensive income, net of tax	13,063	(7,422)
Comprehensive income for the period	36,453	22,360
Comprehensive income for the period attributable to:		
Owners of the parent	33,180	18,459
Non-controlling interests	3,273	3,900
Comprehensive income for the period	36,453	22,360

(3) Consolidated Statement of Changes in Equity

Fiscal 2017 (January 1 to December 31, 2017)

(Millions of yen)

	Equity attributable to owners of the parent					
				Other components of equity		
	Share capital	Capital surplus	Treasury stock	Subscription rights to shares	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance at January 1, 2017	34,433	34,508	(4,778)	218	8,140	—
Changes during the period						
Comprehensive income						
Profit for the period						
Other comprehensive income					5,929	4,919
Total comprehensive income for the period	—	—	—	—	5,929	4,919
Transactions with owners						
Dividends						
Acquisition of treasury stock			(49)			
Disposal of treasury stock		(3)	22	(18)		
Share-based payments		155		10		
Changes in the ownership interest in a subsidiary without a loss of control		26				
Transfer from other components of equity to retained earnings					(242)	(4,919)
Total transactions with owners	—	179	(26)	(8)	(242)	(4,919)
Balance at December 31, 2017	34,433	34,687	(4,805)	210	13,826	—

	Equity attributable to owners of the parent					Non-controlling interests	Total equity
	Other components of equity			Retained earnings	Total		
	Net gain (loss) on derivatives designated as cash flow hedges	Exchange differences on translation of foreign operations	Total				
Balance at January 1, 2017	12	—	8,371	76,938	149,473	8,466	157,939
Changes during the period							
Comprehensive income							
Profit for the period			—	20,883	20,883	2,507	23,390
Other comprehensive income	(8)	1,456	12,297		12,297	765	13,063
Total comprehensive income for the period	(8)	1,456	12,297	20,883	33,180	3,273	36,453
Transactions with owners							
Dividends			—	(4,358)	(4,358)	(1,312)	(5,671)
Acquisition of treasury stock			—		(49)		(49)
Disposal of treasury stock			(18)		0		0
Share-based payments			10		165		165
Changes in the ownership interest in a subsidiary without a loss of control			—		26	(73)	(46)

Transfer from other components of equity to retained earnings			(5,162)	5,162	—		—
Total transactions with owners	—	—	(5,170)	803	(4,214)	(1,386)	(5,600)
Balance at December 31, 2017	4	1,456	15,498	98,625	178,439	10,353	188,793

Fiscal 2018 (January 1 to December 31, 2018)

(Millions of yen)

	Equity attributable to owners of the parent					
				Other components of equity		
	Share capital	Capital surplus	Treasury stock	Subscription rights to shares	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance at January 1, 2018	34,433	34,687	(4,805)	210	13,826	—
Changes during the period						
Comprehensive income						
Profit for the period						
Other comprehensive income					(2,834)	(2,805)
Total comprehensive income for the period	—	—	—	—	(2,834)	(2,805)
Transactions with owners						
Dividends						
Acquisition of treasury stock			(6)			
Disposal of treasury stock		20	46	(45)		
Share-based payments		84				
Changes in the ownership interest in a subsidiary without a loss of control		(77)				
Transfer from other components of equity to retained earnings					(191)	2,805
Total transactions with owners	—	28	39	(45)	(191)	2,805
Balance at December 31, 2018	34,433	34,715	(4,766)	165	10,800	—

	Equity attributable to owners of the parent					Non-controlling interests	Total equity
	Other components of equity						
	Net gain (loss) on derivatives designated as cash flow hedges	Exchange differences on translation of foreign operations	Total	Retained earnings	Total		
Balance at January 1, 2018	4	1,456	15,498	98,625	178,439	10,353	188,793
Changes during the period							
Comprehensive income							
Profit for the period			—	25,606	25,606	4,176	29,783
Other comprehensive income	(13)	(1,493)	(7,146)		(7,146)	(275)	(7,422)
Total comprehensive income for the period	(13)	(1,493)	(7,146)	25,606	18,459	3,900	22,360
Transactions with owners							
Dividends			—	(5,812)	(5,812)	(1,681)	(7,493)
Acquisition of treasury stock			—		(6)		(6)
Disposal of treasury stock			(45)		21		21
Share-based payments			—		84		84
Changes in the ownership interest in a subsidiary without a loss of control			—		(77)	590	512
Transfer from other components of equity			2,614	(2,614)	—		—

to retained earnings							
Total transactions with owners	—	—	2,568	(8,426)	(5,790)	(1,091)	(6,881)
Balance at December 31, 2018	(8)	(36)	10,920	115,806	191,108	13,163	204,271

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Year Ended December 31, 2017	Year Ended December 31, 2018
Cash flows from operating activities		
Profit before tax	31,998	35,658
Depreciation and amortization	7,775	8,707
Impairment loss	683	68
Interest and dividend income	(722)	(744)
Interest expenses	205	137
Share of profit (loss) of investments accounted for using the equity method	(915)	(809)
Loss (gain) on disposal of non-current assets	(1,752)	(4,890)
Decrease (increase) in trade and other receivables	(2,792)	(1,285)
Decrease (increase) in inventories	109	(3,882)
Increase (decrease) in trade and other payables	(1,254)	5,129
Increase in net defined benefit liability	1,589	1,791
Other	1,085	(1,398)
Subtotal	36,009	38,481
Interest and dividends received	831	956
Interest paid	(192)	(122)
Income taxes paid	(8,089)	(7,435)
Cash flows from operating activities	28,559	31,879
Cash flows from investing activities		
Net decrease (increase) in time deposits	(350)	(797)
Purchase of property, plant and equipment	(10,814)	(14,999)
Proceeds from sales of property, plant and equipment	2,800	6,805
Purchase of intangible assets	(714)	(1,087)
Purchase of other financial assets	(247)	(135)
Proceeds from sales of other financial assets	927	410
Proceeds from transfer of business	—	1,300
Other	(350)	(484)
Cash flows from investing activities	(8,750)	(8,989)
Cash flows from financing activities		
Proceeds from short-term borrowings	5,973	2,428
Repayment of short-term borrowings	(6,646)	(3,933)
Repayment of long-term borrowings	(268)	(269)
Capital contribution from non-controlling interests	—	327
Cash dividends paid	(4,355)	(5,808)
Cash dividends paid to non-controlling interests	(1,312)	(1,681)
Other	(140)	183
Cash flows from financing activities	(6,751)	(8,754)
Effect of exchange rate changes on cash and cash equivalents	603	(564)
Increase (decrease) in cash and cash equivalents	13,661	13,570
Cash and cash equivalents at beginning of period	77,739	91,401
Cash and cash equivalents at end of period	91,401	104,972

(5) Notes to Consolidated Financial Statements

Notes Relating to the Assumption of a Going Concern

Not applicable.

Reporting Company

Lion Corporation (hereinafter "the Company") is a company, as defined by Japan's Corporation Law, that is based in Japan. The consolidated financial statements of the Company and its subsidiaries (hereinafter the "Group") presented herein comprise the results for the fiscal 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 the note "Segment Information."

Basis of Preparation

(1) Compliance with 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 (IAS) Board.

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

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

(4) Accounting judgments, estimates and assumptions

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

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

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

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

Significant Accounting Policies

Other than optional and mandatory exemptions provided for under IFRS 1, the Group's accounting policies are based on the mandatory provisions of IFRS as of 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 said control ceases. Balances and internal transactions existing between the Company and subsidiaries or between subsidiaries as well as any unrealized income and expenses arising from such transactions are eliminated when preparing the consolidated financial statements. Non-controlling interests in subsidiaries are recognized separately from the Group's interests.

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

B. Affiliates

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

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 retroactively to business combinations prior to the transition date.

(3) Foreign currency translation

A. Foreign currency denominated transactions

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

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

B. Foreign operations

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

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

(4) Cash and cash equivalents

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

(5) Inventories

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

(6) Property, plant and equipment

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

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

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

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

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

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

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

(7) Goodwill

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

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

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

(8) Intangible assets

The Group applies the cost model to measure intangible assets.

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

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

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

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

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

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

- Software 5 years

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

(9) Leases

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

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

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

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

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

(10) Impairment of assets

A. Impairment of non-financial assets

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

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

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

B. Reversal of impairment loss

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

(11) Employee benefits

A. Post-retirement benefits

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

(i) Defined benefit plans

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

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

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

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

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

(ii) Defined contribution plans

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

B. Other employee benefits

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

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

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

(12) Provisions

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

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

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

(13) Financial Instruments

I. Financial assets (excluding derivatives)

(i) Initial recognition and measurement

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

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

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

- The financial asset is held based on a business model that has the objective of holding financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal

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

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

Changes in the fair value of debt equivalents 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, such fair value is less transaction costs that are directly attributable to the financial liabilities in question.

(ii) Subsequent measurement

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

(iii) Derecognition of financial liabilities

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

C. Offset of financial instruments

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

D. Fair Value of Financial Instruments

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

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

E. Derivatives and Hedge Accounting

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

Changes in the fair value of derivatives are recognized in profit or loss. However, the effective portion of cash

flow hedges and hedges of net investment in foreign operations is recognized as other comprehensive income.

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

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

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

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

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

(a) Fair value hedges

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

(b) Cash flow hedges

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

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

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

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

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

(c) Hedges of net investment in foreign operations

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

(14) Stock-based compensation

A. Stock option system

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

B. Performance-linked stock-based compensation system

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

(15) Revenue

The Group applies the following steps to recognize revenue.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

Revenue is recognized at a point in time or over a period of time when a performance obligation in a contract with a customer is satisfied. Revenues from the sale of goods in the course of normal business activities are recorded when said goods are delivered, as the performance obligation is satisfied upon the transfer of control of the goods to the customer. Specifically, revenue is recognized when the 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 tax bases of said assets or liabilities and their accounting book values.

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

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

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

- Deductible temporary differences associated with investments in subsidiaries and affiliates or interests in joint-control agreements when the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future

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

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

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

(18) Assets held for sale

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

(19) Equity

A. Share capital and capital surplus

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.

Segment Information

1) Overview of reportable segments

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

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

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

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

The Group's reportable segments are as follows.

A. Consumer Products Business

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

Main products: Toothpastes, toothbrushes, hand soaps, antipyretic analgesics, eye drops, health tonic drinks, 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) Method of calculating net sales, profit or loss, and other monetary figures for the reportable segments

The accounting methods of the reportable segments are largely the same as those described in "Significant Accounting Policies." Profit for the reportable segments is presented on a core operating income basis.

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

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

Fiscal 2017 (January 1 to December 31, 2017)

(Millions of yen)

	Reportable Segment			Other	Total	Adjustment[2]	Consolidated
	Consumer Products Business	Industrial Products Business	Overseas Business				
Net sales							
(1) External	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 monetary items 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.

Fiscal 2018 (January 1 to December 31, 2018)

(Millions of yen)

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

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

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

(2) The depreciation adjustment is depreciation 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.

4) Information by product and service category

Fiscal 2017 (January 1 to December 31, 2017)

(Millions of yen)

	Health care	Household	Chemicals	Other	Total
Sales to external customers	152,004	160,687	25,258	4,753	342,703

Fiscal 2018 (January 1 to December 31, 2018)

(Millions of yen)

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

5) Information by region

A. Net sales

Fiscal 2017 (January 1 to December 31, 2017)

(Millions of yen)

Japan	Asia		Other	Total
		Thailand		
249,381	90,792	39,559	2,530	342,703

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

Fiscal 2018 (January 1 to December 31, 2018)

(Millions of yen)

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

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

B. Non-current assets

Date of transition to IFRS (January 1, 20I7)

(Millions of yen)

Japan	Asia		Total
		Thailand	
58,892	22,542	8,532	81,435

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

December 31, 2017

(Millions of yen)

Japan	Asia		Total
		Thailand	
63,292	25,025	10,325	88,318

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

December 31, 2018

(Millions of yen)

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

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

6) Major customers

Fiscal 2017 (January 1 to December 31, 2017)

(Millions of yen)

Customer	Net sales	Related segments
PALTAC Corporation	74,654	Consumer Products, Industrial Products
Arata Corporation	43,646	Consumer Products, Industrial Products

Fiscal 2018 (January 1 to December 31, 2018)

(Millions of yen)

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

Income Taxes

(1) Deferred tax assets and deferred tax liabilities

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

(Millions of yen)

	At transition to IFRS (January 1, 2017)	December 31, 2017	December 31, 2018
Deferred tax assets			
Provisions, other current liabilities, etc.	2,958	3,007	3,213
Retirement benefit assets and liabilities	9,995	8,020	9,452
Excess depreciation	600	614	560
Accrued enterprise and office taxes	379	373	262
Appraisal value of inventories	590	456	551
Unrealized profit on inventories and non-current assets	514	437	572
Other	2,048	1,532	1,244
Total	17,088	14,440	15,856
Deferred tax liabilities			
Special depreciation of non-current assets	(1,128)	(1,108)	(976)
Valuation difference upon contribution of securities to retirement benefit trust	(4,868)	(4,848)	(4,833)
Temporary differences due to distribution of retained earnings at overseas affiliates	(1,049)	(1,315)	(1,677)
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	(3,113)	(5,510)	(4,315)
Right of trademark	(1,514)	(2,007)	(2,007)
Other	(342)	(359)	(389)
Total	(12,016)	(15,150)	(14,199)

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

(Millions of yen)

	Year ended December 31, 2017	Year ended December 31, 2018
Net deferred tax assets and (liabilities)		
Balance at beginning of the year	5,070	(709)
Deferred income taxes	(1,114)	(30)
Deferred taxes related to other comprehensive income items		
Net gain (loss) on revaluation of financial assets measured at fair value	(2,596)	1,136
Net gain (loss) on derivatives designated as cash flow hedges	3	5
Remeasurements of defined benefit plans	(1,991)	1,273
Other	(81)	(19)
Balance at end of the year	(709)	1,656

(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)

	At transition to IFRS (January 1, 2017)	December 31, 2017	December 31, 2018
Deductible temporary differences	21,559	22,052	11,323
Net loss carryforwards	261	427	398

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

(Millions of yen)

	At transition to IFRS (January 1, 2017)	December 31, 2017	December 31, 2018
First year	—	—	—
Second year	—	—	—
Third year	—	—	—
Fourth year	—	—	398
Fifth year or later	261	427	—
Total	261	427	398

(3) Unrecognized deferred tax liabilities

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

(4) Income taxes

Income taxes recognized through profit or loss are as follows.

(Millions of yen)

	Year ended December 31, 2017	Year ended December 31, 2018
Current income taxes	7,493	5,844
Deferred income taxes		
Origination and reversal of temporary differences	964	3,176
Adjustments and reversals of deferred tax assets	150	(3,145)
Total	8,607	5,875

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

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

	Year ended December 31, 2017	Year ended December 31, 2018
Statutory tax rate	30.9%	30.9%
Entertainment expenses and other non-deductable items	0.4%	0.3%
Dividend income and other items not recognizable as income for tax purposes	(1.1%)	(2.2%)
Unrecognized deferred tax assets	1.1%	(6.7%)
Differences in tax rates applicable to foreign subsidiaries	(2.5%)	(3.3%)
Research and development expenses and other special deductions	(2.3%)	(2.7%)
Other	0.4%	0.2%
Effective tax rate	26.9%	16.5%

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

Post-Retirement Benefits

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

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

(1) Defined benefit plans

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

(Millions of yen)

	At transition to IFRS (January 1, 2017)	December 31, 2017	December 31, 2018
Present value of defined benefit obligation	72,013	70,400	68,738
Fair value of plan assets	(69,253)	(73,148)	(65,582)
Total	2,760	(2,748)	3,155
Retirement benefit liabilities	10,733	7,554	10,955
Retirement benefit assets	(7,973)	(10,302)	(7,799)
Net liabilities presented in the Consolidated Statement of Financial Position	2,760	(2,748)	3,155

A. Changes in the present value of retirement benefit obligation

(Millions of yen)

	Year ended December 31, 2017	Year ended December 31, 2018
Balance of retirement benefit obligation at beginning of year	72,013	70,400
Current service costs	2,216	2,248
Interest expenses	203	262
Remeasurements		
Experience adjustments	411	41
Actuarial differences arising from changes in demographic assumptions	—	(241)
Actuarial differences arising from changes in financial assumptions	(723)	421
Retirement benefit payments	(3,970)	(4,264)
Other	250	(131)
Balance of retirement benefit obligation at end of year	70,400	68,738

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

B. Changes in the fair value of plan assets

(Millions of yen)

	Year ended December 31, 2017	Year ended December 31, 2018
Balance of plan assets at beginning of year	69,253	73,148
Interest revenue on plan assets	205	305
Remeasurements		
Return on plan assets (excluding interest revenue)	6,681	(3,956)
Employer contributions	550	234
Retirement benefit payments	(3,541)	(4,073)
Other	—	(77)
Balance of plan assets at end of year	73,148	65,582

The Group's planned contribution to defined benefit plans in the consolidated fiscal year ending December 31, 2019 is ¥525 million.

Plan asset management policy

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

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

C. Components of plan assets

The components of plan assets are as follows.

(Millions of yen)

	At transition to IFRS (January 1, 2017)		December 31, 2017		December 31, 2018	
	Assets with quoted prices in active markets	Assets without quoted prices in active markets	Assets with quoted prices in active markets	Assets without quoted prices in active markets	Assets with quoted prices in active markets	Assets without quoted prices in active markets
Bonds	—	21,475	—	11,587	—	11,940
Stocks	30,010	—	36,216	—	29,826	—
Other	2,398	15,369	8,491	16,852	7,732	16,082
Total	32,408	36,844	44,708	28,440	37,558	28,023

D. Actuarial assumptions

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

	At transition to IFRS (January 1, 2017)	December 31, 2017	December 31, 2018
Discount rate (%)	0.3%	0.4%	0.4%

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)

	Year ended December 31, 2017	Year ended December 31, 2018
Discount rate (+0.5%)	(3,422)	(3,259)
Discount rate (-0.5%)	2,976	2,833

(2) Defined contribution plans

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

(Millions of yen)

	Year ended December 31, 2017	Year ended December 31, 2018
Expenses related to defined contribution plans	2,877	3,041

Earnings per Share

(1) Basic earnings per share

	Year ended December 31, 2017	Year ended December 31, 2018
Profit for the period attributable to owners of the parent (millions of yen)	20,883	25,606
Average common shares during the period (thousands of shares)	290,581	290,627
Basic earnings per share (yen)	71.87	88.11

(2) Diluted earnings per share

	Year ended December 31, 2017	Year ended December 31, 2018
Profit for the period attributable to owners of the parent (millions of yen)	20,883	25,606
Adjustments to profit for the period (millions of yen)	—	—
Profit for the period used to calculate diluted earnings per share (millions of yen)	20,883	25,606
Average common shares during the period (thousands of shares)	290,581	290,627
Stock options (thousands of shares)	348	303
Executive compensation BIP trust (thousands of shares)	22	85
Diluted average common shares during the period (thousands of shares)	290,952	291,016
Diluted earnings per share (yen)	71.77	87.99

Important Subsequent Events

None.

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 it retroactively. 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 the retroactive application of certain other standards. The Group applied mainly the following exemptions.

Exemptions under IFRS 1

(1) Business Combinations

Under IFRS 1, companies may choose to apply IFRS 3 "*Business Combinations*" either retroactively or prospectively. The Group has chosen to not 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 Exemptions 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 Transition to IFRS (January 1, 20I7)

(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	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	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 and accrued expenses	51,979	(51,979)	—	—	(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		Capital surplus
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 exemption 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—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

(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	76,262	200	111,709	(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	(50,163)	—	—	(14)	Accrued expenses
Income taxes payable	4,528	—	—	4,528		Income tax payables
Provision for bonuses	3,889	(3,889)	—	—	(14)	
Provision for sales returns	382	(382)	—	—	(14)	
Provision for sales promotion expenses	3,964	(3,964)	—	—	(14)	
Provision for directors' bonuses	289	(289)	—	—	(14)	
		844	—	844	(14)	Provisions
		733	157	890	(3), (14)	Other financial liabilities
Other	5,591	(20)	1,817	7,388	(9), (14)	Other current liabilities
Total current liabilities	127,225	—	2,175	129,400		Total current liabilities
Noncurrent liabilities						Non-current liabilities
Long-term loans payable	1,569	—	—	1,569		Borrowings
Deferred tax liabilities	4,336	—	2,104	6,440	(6)	Deferred tax liabilities
Provision for directors' retirement benefits	273	(273)	—	—	(14)	
Provision for directors' stock benefits	155	—	(155)	—	(10)	
Net defined benefit liability	7,280	273	—	7,554	(14)	Retirement benefit liabilities
Asset retirement obligation	375	—	—	375	(14)	Provisions
		2,868	221	3,090	(3), (14)	Other financial liabilities
Other	3,519	(2,868)	981	1,632	(11), (14)	Other non-current liabilities
Total noncurrent liabilities	17,511	—	3,150	20,662		Total non-current liabilities
Total liabilities	144,736	—	5,326	150,062		Total liabilities

(Millions of yen)

JGAAP line item	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	IFRS line item
Net assets						
Shareholders' equity						Equity
Capital stock	34,433	—	—	34,433		Share capital
Capital surplus	35,319	—	(631)	34,687	(10), (15)	Capital surplus
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 capital surplus

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. Capital surplus 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 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—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 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.

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

There are no materials 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.

VI. Other

Personnel Changes

1. Change of Representative

None.

2. Other Personnel Changes

(1) Directors

Appointments: Candidates for Director

Name	Position at Lion or main profession
Fumitomo Noritake	Executive Officer
Takako Sugaya	Attorney at law

(To be appointed at the Annual Meeting of Shareholders on March 28, 2018)

Retirements: Directors

Name	Position at Lion or main profession
Toshio Kakui	Director, Senior Executive Officer
Hideo Yamada	Attorney at law

(To retire as of the end of the Annual Meeting of Shareholders on March 28, 2019)

(2) Audit & Supervisory Board Members

Appointments: Candidates for Audit & Supervisory Board Member

Name	Assignment or main profession
Toshiyuki Nikkawa	Assistant to the President
Yoshiaki Kamao	Assistant to the President
Takao Yamaguchi	Certified public accountant, certified tax accountant
Setsuko Takemoto	Certified tax accountant

Retirements: Audit & Supervisory Board Members

Name	Assignment or main profession
Yasutaro Nakagawa	Standing Audit & Supervisory Board Member
Junko Nishiyama	Standing Audit & Supervisory Board Member
Noboru Kojima	External Audit & Supervisory Board Member Certified public accountant, certified tax accountant

Hideo Higashi	External Audit & Supervisory Board Member Certified tax accountant

The following management team is scheduled to assume office upon the conclusion of the March 28, 2019 Annual Meeting of Shareholders and the immediately following Board of Directors meeting.

(1) Directors

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

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

(2) Audit & Supervisory Board Members

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

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

(3) Alternate Corporate Auditor

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

(4) Executive Officers Not Concurrently Serving as Directors

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