ANNUAL REPORT 2019

Lion Corporation

Fiscal year ended December 31, 2019

This manuscript is for audit.
An editorial and printing agency will read proofs about space, font, character, and lay out all over annual report.

LIABILITIES AND EQUITY	Millions of yen 2019	2018	Thousands of U.S. dollars [Note 2(d)] 2019
Liabilities			
Current liabilities:			
Trade and other payables [Notes 14,30]	**¥116,268**	¥116,980	**$1,061,234**
Borrowings [Notes 15,30]	**1,404**	1,417	**12,817**
Income tax payables	**6,568**	2,674	**59,953**
Provisions [Note 18]	**1,582**	710	**14,444**
Lease liabilities [Note 30]	**1,495**	-	**13,648**
Other financial liabilities [Notes 16,30]	**739**	907	**6,746**
Other current liabilities [Note 17]	**7,659**	7,051	**69,913**
Total current liabilities	**135,718**	129,742	**1,238,755**
Non-current liabilities:			
Borrowings [Notes 15,30]	**889**	1,202	**8,122**
Deferred tax liabilities [Note 13]	**873**	4,232	**7,969**
Retirement benefit liabilities [Note 19]	**12,091**	10,955	**110,360**
Provisions [Note 18]	**357**	355	**3,260**
Lease liabilities [Note 30]	**5,510**	-	**50,297**
Other financial liabilities [Notes 16,30]	**2,648**	3,183	**24,172**
Other non-current liabilities [Note 17]	**1,411**	1,421	**12,887**
Total Non-current liabilities	**23,781**	21,350	**217,068**
Total liabilities	**159,499**	151,093	**1,455,823**
Equity :			
Share capital [Note 21]	**34,433**	34,433	**314,291**
Additional paid-in capital [Note 21]	**34,788**	34,715	**317,528**
Treasury stock [Note 21]	**(4,739)**	(4,766)	**(43,260)**
Other components of equity	**11,320**	10,920	**103,323**
Retained earnings [Note 21]	**132,619**	115,806	**1,210,471**
Equity attributable to owners of the parent	**208,421**	191,108	**1,902,353**
Non-controlling interests	**12,780**	13,163	**116,649**
Total equity	**221,201**	204,271	**2,019,002**
Total liabilities and equity	**¥380,701**	¥355,365	**$3,474,825**

Consolidated Statement of Financial Position
Lion Corporation and Consolidated Subsidiaries
December 31, 2019 and 2018

ASSETS	Millions of yen		Thousands of U.S. dollars [Note 2(d)]
	2019	2018	**2019**
Current assets:			
Cash and cash equivalents [Notes 5, 30]	**¥110,406**	¥104,972	**$1,007,726**
Trade and other receivables [Notes 6, 30]	**61,759**	64,695	**563,708**
Inventories [Note 7]	**43,555**	42,057	**397,553**
Other financial assets[Notes 8, 30]	**4,024**	2,582	**36,736**
Other current assets[Note 9]	**2,750**	1,626	**25,106**
Total current assets	**222,497**	215,934	**2,030,829**
Non-current assets:			
Property, plant and equipment, net [Note 10]	**90,903**	81,546	**829,718**
Goodwill [Note 11]	**182**	182	**1,667**
Intangible assets [Note 11]	**13,485**	10,160	**123,089**
Right-of-use assets [Note 27]	**5,940**	-	**54,218**
Investments accounted for using the equity method [Note 12]	**9,165**	8,606	**83,653**
Deferred tax assets [Note 13]	**2,577**	5,889	**23,528**
Retirement benefit assets [Note 19]	**9,597**	7,799	**87,605**
Other financial assets [Notes 8, 30]	**25,517**	25,097	**232,911**
Other non-current assets [Note 9]	**833**	148	**7,608**
Total non-current assets	**158,204**	139,430	**1,443,996**
Total assets	**¥380,701**	¥355,365	**$3,474,825**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Profit or Loss
Lion Corporation and Consolidated Subsidiaries
Years ended December 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars [Note 2(d)]
	2019	2018	2019
Net sales [Notes 4,23]	**¥347,519**	¥349,403	**$3,171,955**
Cost of sales [Notes 7,24]	**(175,588)**	(177,673)	**(1,602,668)**
Gross profit	**171,931**	171,729	**1,569,287**
Selling, general and administrative expenses [Note 24]	**(141,882)**	(143,353)	**(1,295,024)**
Other income [Note 25,33]	**1,519**	7,431	**13,869**
Other expenses [Note 26]	**(1,735)**	(1,610)	**(15,841)**
Operating profit [Note 4]	**29,832**	34,196	**272,292**
Finance income [Note 28]	**752**	789	**6,865**
Finance costs [Note 28]	**(168)**	(137)	**(1,534)**
Share of profit of investments accounted for using the equity method [Note 12]	**986**	809	**9,005**
Profit before income taxes	**31,402**	35,658	**286,627**
Income tax expense [Note 13]	**(8,422)**	(5,875)	**(76,877)**
Profit for the year	**22,980**	29,783	**209,750**
Profit for the year attributable to:			
Owners of the parent	**20,559**	25,606	**187,654**
Non-controlling interests	**2,420**	4,176	**22,097**
Profit for the year	**22,980**	29,783	**209,750**

	Yen		U.S. dollars [Note 2(d)]
Earnings per share:			
Basic [Note 29]	**¥70.72**	¥88.11	**$0.65**
Diluted [Note 29]	**70.63**	87.99	**0.64**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income
Lion Corporation and Consolidated Subsidiaries
Years ended December 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars [Note 2(d)]
	2019	2018	2019
Profit for the year	**¥22,980**	¥29,783	**$209,750**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income [Notes 22,30]	**1,045**	(2,875)	**9,544**
Remeasurements of defined benefit plans [Note 22]	**1,660**	(2,902)	**15,156**
Share of other comprehensive income of investments accounted for using the equity method [Note 22]	**(48)**	153	**(439)**
Total items that will not be reclassified to profit or loss	**2,658**	(5,624)	**24,261**
Items that may be subsequently reclassified to profit or loss			
Net gain (loss) on derivatives at designated as cash flow hedges [Note 22]	**8**	(13)	**78**
Exchange differences on translation of foreign operations [Note 22]	**450**	(1,494)	**4,114**
Share of other comprehensive income of investments accounted for using the equity method [Note 22]	**91**	(290)	**835**
Total items that may be subsequently reclassified to profit or loss	**550**	(1,798)	**5,027**
Total other comprehensive income, net of tax	**3,208**	(7,422)	**29,288**
Comprehensive income for the year	**26,189**	22,360	**239,038**

Comprehensive income for the year attributable to:			
Owners of the parent	**23,142**	18,459	**211,228**
Non-controlling interests	**3,046**	3,900	**27,810**
Comprehensive income for the year	**26,189**	22,360	**239,038**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Equity
Lion Corporation and Consolidated Subsidiaries
Fiscal 2019 (January 1 to December 31, 2019)

		Millions of yen					
		Equity attributable to owners of the parent					
					Other components of equity		
		Share capital	Additional paid-in capital	Treasury stock	Subscription rights to shares	Net gain(loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance at January 1, 2019		**¥ 34,433**	**¥ 34,715**	**¥ (4,766)**	**¥ 165**	**¥ 10,800**	**¥ -**
Cumulative effects of changes in accounting principles	3						
Balance at January 1, 2019 (adjusted)		**34,433**	**34,715**	**(4,766)**	**165**	**10,800**	**-**
Profit for the year							
Other comprehensive income						**1,004**	**1,646**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**1,004**	**1,646**
Dividends	21						
Purchase of treasury stock	21			**(2)**			
Disposal of treasury stock	21		**(7)**	**29**	**(21)**		
Share-based payments	20		**80**				
Transfer from other components of equity to retained earnings						**(515)**	**(1,646)**
Total transactions with owners		**-**	**72**	**26**	**(21)**	**(515)**	**(1,646)**
Balance at December 31, 2019		**¥ 34,433**	**¥ 34,788**	**¥ (4,739)**	**¥ 143**	**¥ 11,289**	**¥ -**

		Millions of yen						
		Equity attributable to owners of the parent						
		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	Non-controlling interests	Total equity
Balance at January 1, 2019		**¥ (8)**	**¥ (36)**	**¥ 10,920**	**¥ 115,806**	**¥ 191,108**	**¥ 13,163**	**¥ 204,271**
Cumulative effects of changes in accounting principles	3				**(94)**	**(94)**	**(0)**	**(94)**
Balance at January 1, 2019 (adjusted)		**(8)**	**(36)**	**10,920**	**115,711**	**191,014**	**13,162**	**204,177**
Profit for the year				**-**	**20,559**	**20,559**	**2,420**	**22,980**
Other comprehensive income		**8**	**(76)**	**2,582**		**2,582**	**626**	**3,208**
Total comprehensive income for the year		**8**	**(76)**	**2,582**	**20,559**	**23,142**	**3,046**	**26,189**
Dividends	21			**-**	**(5,813)**	**(5,813)**	**(3,429)**	**(9,243)**
Purchase of treasury stock	21			**-**		**(2)**		**(2)**
Disposal of treasury stock	21			**(21)**		**0**		**0**
Share-based payments	20			**-**		**80**		**80**
Transfer from other components of equity to retained earnings				**(2,161)**	**2,161**	**-**		**-**
Total transactions with owners		**-**	**-**	**(2,182)**	**(3,652)**	**(5,735)**	**(3,429)**	**(9,165)**
Balance at December 31, 2019		**¥ -**	**¥ (113)**	**¥ 11,320**	**¥ 132,619**	**¥ 208,421**	**¥ 12,780**	**¥ 221,201**

Consolidated Statement of Changes in Equity

Lion Corporation and Consolidated Subsidiaries
Fiscal 2018 (January 1 to December 31, 2018)

		Millions of yen					
		Equity attributable to owners of the parent					
					Other components of equity		
		Share capital	Additional paid-in capital	Treasury stock	Subscription rights to shares	Net gain(loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance at January 1, 2018		¥ 34,433	¥ 34,687	¥ (4,805)	¥ 210	¥ 13,826	¥ -
Profit for the year							
Other comprehensive income						(2,834)	(2,805)
Total comprehensive income for the year		-	-	-	-	(2,834)	(2,805)
Dividends	21						
Purchase of treasury stock	21			(6)			
Disposal of treasury stock	21		20	46	(45)		
Share-based payments	20		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 December31,2018		¥ 34,433	¥ 34,715	¥ (4,766)	¥ 165	¥ 10,800	¥ -

		Millions of yen						
		Equity attributable to owners of the parent						
		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	Non-controlling interests	Total equity
Balance at January 1, 2018		¥ 4	¥ 1,456	¥ 15,498	¥ 98,625	¥ 178,439	¥ 10,353	¥ 188,793
Profit for the year				-	25,606	25,606	4,176	29,783
Other comprehensive income		(13)	(1,493)	(7,146)		(7,146)	(275)	(7,422)
Total comprehensive income for the year		(13)	(1,493)	(7,146)	25,606	18,459	3,900	22,360
Dividends	21			-	(5,812)	(5,812)	(1,681)	(7,493)
Purchase of treasury stock	21			-		(6)		(6)
Disposal of treasury stock	21			(45)		21		21
Share-based payments	20			-		84		84
Changes in the ownership interest in a subsidiary without a loss of control				-		(77)	590	512
Transfer from other components of equity to retained earnings				2,614	(2,614)	-		-
Total transactions with owners		-	-	2,568	(8,426)	(5,790)	(1,091)	(6,881)
Balance at December31,2018		¥ (8)	¥ (36)	¥ 10,920	¥ 115,806	¥ 191,108	¥ 13,163	¥ 204,271

Consolidated Statement of Changes in Equity

Lion Corporation and Consolidated Subsidiaries

Fiscal 2019 (January 1 to December 31, 2019)

		Thousands of U.S. dollars [Note 2(d)]					
		Equity attributable to owners of the parent					
					Other components of equity		
		Share capital	Additional paid-in capital	Treasury stock	Subscription rights to shares	Net gain(loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance at January 1, 2019		**$ 314,291**	**$ 316,863**	**$ (43,506)**	**$ 1,509**	**$ 98,576**	**$ -**
Cumulative effects of changes in accounting principles	3						
Balance at January 1, 2019 (adjusted)		**314,291**	**316,863**	**(43,506)**	**1,509**	**98,576**	**-**
Profit for the year							
Other comprehensive income						**9,172**	**15,024**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**9,172**	**15,024**
Dividends	21						
Purchase of treasury stock	21			**(26)**			
Disposal of treasury stock	21		**-73**	**272**	**(198)**		
Share-based payments	20		**738**				
Transfer from other components of						**(4,701)**	**-15,024**
Total transactions with owners		**-**	**665**	**246**	**(198)**	**(4,701)**	**(15,024)**
Balance at December 31, 2019		**$ 314,291**	**$ 317,528**	**$ (43,260)**	**$ 1,311**	**$ 103,047**	**$ -**

		Thousands of U.S. dollars [Note 2(d)]						
		Equity attributable to owners of the parent						
		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	Non-controlling interests	Total equity
Balance at January 1, 2019		**$ (78)**	**$ (335)**	**$ 99,672**	**$ 1,057,010**	**$ 1,744,330**	**$ 120,145**	**-**
Cumulative effects of changes in accounting principles	3				**(860)**	**(860)**	**(1)**	**(861)**
Balance at January 1, 2019 (adjusted)		**(78)**	**(335)**	**99,672**	**1,056,150**	**1,743,470**	**120,144**	**1,863,615**
Profit for the year					**187,654**	**187,654**	**22,097**	**1,864,475**
Other comprehensive income		**78**	**(699)**	**23,574**		**23,574**	**5,714**	**209,750**
Total comprehensive income for the year		**78**	**(699)**	**23,574**	**187,654**	**211,228**	**27,810**	**29,288**
Dividends	21			**-**	**(53,064)**	**(53,064)**	**(31,306)**	**239,038**
Purchase of treasury stock	21			**-**		**(26)**		**(84,370)**
Disposal of treasury stock	21			**(198)**		**0**		**(26)**
Share-based payments	20			**-**		**738**		**0**
Transfer from other components of equity to retained earnings	x			**(19,725)**	**19,725**	**-**		**-**
Total transactions with owners		**-**	**-**	**(19,924)**	**(33,339)**	**(52,351)**	**(31,306)**	**(83,657)**
Balance at December 31, 2019		**$ -**	**$ (1,034)**	**$ 103,323**	**$ 1,210,471**	**$ 1,902,353**	**$ 116,649**	**$ 2,019,002**

Consolidated Statement of Cash Flows

Lion Corporation and Consolidated Subsidiaries

Years ended December 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars [Note 2(d)]
	2019	2018	**2019**
Net cash flows from operating activities:			
Profit before income taxes	**¥31,402**	¥35,658	**$286,627**
Depreciation and amortization	**10,504**	8,707	**95,878**
Impairment loss	**110**	68	**1,007**
Interest and dividend income	**(752)**	(744)	**(6,865)**
Interest expenses	**152**	137	**1,392**
Share of profit (loss) of investments accounted for using the equity method	**(986)**	(809)	**(9,005)**
Loss (gain) on disposal of non-current assets	**362**	(4,890)	**3,311**
Decrease (increase) in trade and other receivables	**3,520**	(1,285)	**32,135**
Decrease (increase) in inventories	**(1,557)**	(3,882)	**(14,217)**
Decrease (increase) in trade and other payables	**(3,744)**	5,129	**(34,178)**
Increase in net retirement benefit liabilities	**1,572**	1,791	**14,357**
Other	**1,390**	(1,398)	**12,692**
Subtotal	**41,976**	38,481	**383,135**
Interest and dividends received	**939**	956	**8,572**
Interest paid	**(85)**	(122)	**(777)**
Income taxes paid	**(6,067)**	(7,435)	**(55,382)**
Net cash flows from operating activities	**36,762**	31,879	**335,548**
Net cash flows used in investing activities:			
Net decrease (increase) in time deposits	**(1,164)**	(797)	**(10,633)**
Purchases of property, plant and equipment	**(16,743)**	(14,999)	**(152,825)**
Proceeds from sales of property, plant and equipment	**15**	6,805	**141**
Purchases of intangible assets	**(4,151)**	(1,087)	**(37,891)**
Purchases of other financial assets	**(628)**	(135)	**(5,739)**
Proceeds from sales of other financial assets	**1,915**	410	**17,480**
Proceeds from transfer of business [Note 33]	-	1,300	-
Other [Note 33]	**3**	(484)	**34**
Net cash flows used in investing activities	**(20,754)**	(8,989)	**(189,432)**
Net cash flows used in financing activities:			
Proceeds from short-term borrowings	-	2,428	-
Repayment of short-term borrowings	-	(3,933)	-
Repayment of long-term borrowings	**(252)**	(269)	**(2,308)**
Acquisition of non-controlling interests	-	327	-
Cash dividends paid	**(5,809)**	(5,808)	**(53,027)**
Cash dividends paid to non-controlling interests	**(3,119)**	(1,681)	**(28,476)**
Repayment of lease liabilities	**(1,376)**	-	**(12,564)**
Other	**(2)**	183	**(26)**
Net cash flows used in financing activities	**(10,561)**	(8,754)	**(96,401)**
Effect of exchange rate changes on cash and cash equivalents	**(12)**	(564)	**(117)**
Net Increase in cash and cash equivalents	**5,433**	13,570	**49,598**
Cash and cash equivalents at beginning of the period [Note 5]	**104,972**	91,401	**958,128**
Cash and cash equivalents at end of the period [Note 5]	**110,406**	104,972	**49,598**

Notes to Consolidated Financial Statements

Lion Corporation and Consolidated Subsidiaries, December 31, 2019

Note 1: Reporting Entity

Lion Corporation (hereinafter the "Company") is a company, as defined by Japan's Companies Act, and is based in Japan. The consolidated financial statements of the Company and its subsidiaries (hereinafter the "Group") presented herein comprise the results for the year ended December 31, 2019 recorded by the Company, its subsidiaries and the Group's interests in its equity-method affiliates.

Information about the Group's primary business activities can be found in Note 4 "Segment Information."

Note 2: Basis of Preparation

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

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

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

(b) Approval of consolidated financial statements

The consolidated financial statements have been approved by the board of directors on March 26, 2020.

(c) Basis of measurement

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

(d) Functional currency and presentation currency

The Company and its domestic consolidated subsidiaries maintain their accounting records in Japanese yen, and its foreign consolidated subsidiaries maintain their accounting records in the currencies of their respective countries of domicile. The U.S. dollar amounts included in the accompanying consolidated financial statements, solely for the convenience of the reader, represent the arithmetic results of translating yen amounts into U.S. dollar amounts at ¥109.56= U.S.$1.00, the approximate rate of exchange in effect on December 31, 2019. This translation into U.S. dollars should not be construed as a representation that the yen amounts have been or could be converted into U.S. dollars at the above or any other rate.

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

(e) Accounting judgments, estimates and assumptions

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

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

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

・Impairment of non-financial assets (Note 3 "Significant Accounting Policies" (10))

・Recoverability of deferred tax assets (Note 3 "Significant Accounting Policies" (17))

・Measurements of defined benefit plan liabilities
(Note 3 "Significant Accounting Policies" (11))

・Accounting treatment and appraisals of provisions
(Note 3 "Significant Accounting Policies" (12))

・Fair value of financial instruments (Note 3 "Significant Accounting Policies" (13))

(f) Standards issued but not yet effective

There are no main standards and interpretations already issued but not yet effective which brings significant impact at the approval date of the consolidated financial statements.

Note 3: Significant Accounting Policies

The Group's accounting policies are prepared in accordance with IFRS for which application are mandatory as of December 31, 2019.

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

(1) Basis of consolidation

A. Subsidiaries

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

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

B. Affiliates

Affiliates are entities over whose financial and operating policies decisions 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 entity's voting rights. Investments in affiliates are initially recognized at acquisition cost and accounted for by the equity method from the date that the Group's significant influence commences until the date that said significant influence ceases.

C. Jointly Controlled Entity

Jointly controlled entity is a entity 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 entities 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.

(3) Foreign currency translation

A. Foreign currency denominated transactions

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

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

B. Foreign operations

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

(4) Cash and cash equivalents

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

(5) Inventories

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

(6) Property, plant and equipment

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

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

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

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

Estimated useful lives, residual value and method of depreciation of property, plant and equipment are reviewed at the fiscal year-end, and the effect of any changes is accounted for on a prospective basis as changes in accounting estimates.
The estimated useful lives of the main categories of property, plant and equipment are as follows:
- Buildings and structures 3–50 years
- Machinery and equipment 5–15 years

(7) Goodwill

Goodwill arising from business combinations is stated at acquisition cost less accumulated impairment loss.
Goodwill is not amortized. It is allocated to a cash-generating unit or group of cash-generating units that are tested for impairment annually or whenever there is an indication of impairment.
Impairment losses on goodwill are recognized in profit or loss, and no subsequent reversal is made.
The measurement of goodwill upon initial recognition is described in (2) Business combinations.

(8) Intangible assets

The Group applies the cost model to measure intangible assets.
Intangible assets are stated at acquisition cost less accumulated amortization and accumulated impairment loss.
Intangible assets acquired individually are measured at acquisition cost at initial recognition.
Intangible assets acquired through business combinations are measured at fair value at the acquisition date.
Expenditures on internally generated intangible assets are recognized as expenses in the period when incurred, except for those that satisfy the criteria for capitalization.
Intangible assets for which useful lives can be determined are amortized over their respective estimated useful lives using the straight-line method and tested for impairment whenever there is an indication of impairment.
The estimated useful life and amortization method of intangible assets for which useful lives can be determined are reviewed at the fiscal year-end, and the effect of any changes is accounted for on a prospective basis as changes in accounting estimates.
The estimated useful lives of the main category of intangible assets are as follows:
- Software 5 years

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

(9) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract transfers the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) Leases as a lessee

The Group recognizes a right-of-use asset and a lease liability at the commencement date of the lease contract. The initial Measurement of the right-of-use asset is measured at the amount of the initial measurement of the lease liabilities at the commencement date adjusted for initial direct cost etc., and the cost of restoration obligation required under the lease contract. After the commencement date, right-of-use assets apply a cost mode and are measured at acquisition cost less any accumulated depreciation and impairment losses. Right-of-use assets are depreciated using the straight-line method from the commencement to the earlier of the end of the useful life of the assets or the end of the lease term, unless it is reasonably certain that the Group will acquire ownership of the underlying asset by the end of the lease term. The Group determines the term of the lease to be the non-cancellable term of the lease, as well as any optional period for which the Group is reasonably certain to exercise an option to extend the lease or not exercise an option to terminate the lease.

At the commencement date, lease liability is measured at the present value of the lease payments that are not paid at that date discounted using the lessee's incremental borrowing rate. After the commencement date, the book value of the lease liability is adjusted to reflect the interest incurred on the lease liability and lease payments made. When a lease is modified, the lease liability is remeasured. Furthermore, for lease modifications that are not accounted for as a separate lease and that decrease the scope of the lease, the book value of the right-of-use assets are decreased to reflect the partial or full termination of the lease, and any gain or loss resulting from such termination is recognized in profit or loss. For other lease modifications, an adjustment to the right-of-use asset is made.

The Group recognizes the lease payments on short-term leases and leases of low-value assets as expense on a straight-line method over the lease term.

(ii) Leases as a lessor

The Group classifies each of its leases as either an operating lease or a finance lease. If the lease transfers substantially all the risks and rewards incidental to the ownership of the underlying asset, it is classified as a finance lease; otherwise, it is classified as an operating lease. The Group assesses whether a lease is a finance lease or an operating lease depending on the substance of the transaction rather than the from of the contract.

(a) Finance leases

At the commencement date of the lease, assets held under finance leases are presented as receivables in an amount equal to the net investment in the lease.

(b) Subleases

In classifying a sublease, the intermediate lessor classify the sublease with reference to the right-of-use asset arising from the head lease.

(10) Impairment of assets

A. Impairment of non-financial assets

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

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

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

B. Reversal of impairment loss

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

(11) Employee benefits

A. Post-retirement benefits

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

(i) Defined benefit plans

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

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

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

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

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

(ii) Defined contribution plans

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

B. Other employee benefits

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

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

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

(12) Provisions

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

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

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

(13) Financial Instruments

A. Financial assets (excluding derivatives)

(i) Initial recognition and measurement

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

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

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

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

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

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

・ The financial asset is held based on a business model that has an objective that is achieved when contractual cash flows are collected and the asset is sold
・ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal

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

(ii) Subsequent measurement

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

(a) Financial assets measured at amortized cost

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

(b) Other financial assets

Financial assets other than those measured at amortized cost are measured at fair value. Changes in the fair value of assets in this category are recognized either in profit or loss or in other comprehensive income.

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

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

(iii) Derecognition of financial assets

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

(iv) Impairment of financial assets

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

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

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

・ An unbiased and probability-weighted amount determined by evaluating a range of possible outcomes

・ The time value of money

・ Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of economic conditions

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

B. Financial liabilities (excluding derivatives)

(i) Initial recognition and measurement

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

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

(ii) Subsequent measurement

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

(iii) Derecognition of financial liabilities

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

C. Offset of financial instruments

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

D. Fair Value of Financial Instruments

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

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

E. Derivatives and Hedge Accounting

The Group utilizes such derivatives as forward exchange contracts and interest rate swaps as hedges against foreign exchange risk and interest rate risk, respectively. These derivatives are initially measured at fair value as of the contract date and subsequently remeasured at fair value. Changes in the fair value of derivatives are recognized in profit or loss. However, gains or losses on the effective portion of cash flow hedges and hedges of net investments in foreign operations are recognized in other comprehensive income.

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

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

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

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

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

(a) Fair value hedges

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

(b) Cash flow hedges

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

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

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

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

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

(c) Hedges of net investments in foreign operations

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

(14) Stock-based compensation

A. Stock option system

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

B. Performance-linked stock-based compensation system

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

(15) Revenue

The Group applies the following steps to recognize revenue.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

Revenue is recognized at a point in time or over a period of time when a performance obligation in a contract with a customer is satisfied. Revenues from the sale of goods in the course of normal business activities are recorded when said goods are delivered, as the performance obligation is satisfied upon the transfer of control of the goods to the customer. Specifically, revenue is recognized when the goods are delivered, as the legal ownership, physical ownership, and significant risk and economic value of ownership of the goods are transferred to the customer upon said goods' delivery.

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

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

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

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

(16) Finance income and finance costs

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

Finance costs are composed mainly of interest expenses.

(17) Income taxes

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

Deferred taxes are recognized using the asset and liability method on temporary differences arising between the carrying amount of an asset or liability of financial position and its taxable base.

In principle, deferred tax liabilities are recognized for all taxable temporary differences, and deferred tax assets are recognized for deductible temporary differences and tax loss carryforwards to the extent that it is probable that taxable profits will be available against which said deductible temporary differences and tax loss carry forwards can be utilized.
However, as exceptions to the above, the following temporary differences are not recorded as deferred tax assets or liabilities.

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

The book values of deferred tax assets and liabilities (including unrecognized deferred tax assets) are reviewed at the end of each fiscal period.
Deferred tax assets and liabilities are measured using the estimated tax rates for the periods in which the deferred tax assets are realized or deferred tax liabilities are settled based on tax rates and tax laws that have been enacted or substantively enacted as of the end of the fiscal period.
Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to offset a current tax asset against a current tax liability and the same taxation authority levies income taxes either on the same taxable entity or different entities that intend to realize the asset and settle the liability at the same time.

(18) Assets held for sale

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

(19) Equity

A. Share capital and additional paid in capital

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

B. Treasury stock

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

(20) Earnings per share

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

(21) Government grants

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

(22)Accounting methods for consumption taxes, etc.

The Company uses the tax-excluded method.

Notes to Changes in Accounting Principles

The Group has adopted IFRS 16 “Lease” (issued in January 2016; hereinafter, “IFRS 16”) from the fiscal year. With the adoption of IFRS 16, the Group has adopted the method where the cumulative effect of applying this standard is recognized at the date of initial application (January 1, 2019), which is the approved approach for the specific transition requirements.

The effects of the adoption of IFRS 16 are as follows. Please refer to note 3. Accounting policies, ⑼ Leases for the Group’s detailed accounting policy under IFRS 16.

Due to the transition to IFRS 16, the Group recognized an additional ¥5,194 million (U.S. $47,408 thousand) in right-of-use assets, ¥111 million (U.S. $1,021thousand) in other financial assets, (current assets), ¥473 million (U.S. $4,319thousand) in other current assets, ¥679 million in other non-current assets, ¥42 million in deferred tax assets, and ¥6,595 million (U.S. $6,199thousand) in lease liabilities, as well as decrease of ¥94 million (U.S. $860thousand) in retained earnings and ¥0 million (U.S. $0thousand) non-controlling interests. Due to the cost of restoration obligations, etc., required under lease contracts, ¥120 million (U.S. $1,100thousand) in property, plant and equipment has been reclassified as right-of-use assets. The lessee’s weighted average incremental borrowing rate applied to lease liabilities recognized at the date of initial application of IFRS 16 is 1.1%.

The book values of right-of-use assets and lease liabilities as of the date of initial application for leases classified as finance leases under IAS 17 “Leases” (hereinafter “IAS 17”) are the book values of the lease assets and lease liabilities immediately before the date they were measured applying IAS 17. As such, ¥765 million (U.S. $6,991thousand) in property, plant and equipment has been reclassified as right-of-use assets, and ¥533 million (U.S. $4,867thousand) in other financial liabilities has been reclassified as lease liabilities.

Operating lease commitments disclosed applying IAS 17 at the end of the previous fiscal year discounted using the incremental borrowing rate at the initial date of IFRS 16 application are reconciled with the lease liabilities recognized in the Consolidated Statement of Financial Position at the initial date of IFRS 16 application date; are as follows.

	Millions of yen	Thousands of U.S. dollars
Operating lease commitments disclosed applying IAS 17 at the end of the previous fiscal year discounted using the incremental borrowing rate at the initial date of IFRS 16 application	¥2,473	$22,578
(a) Short-term leases and leases of low-value assets	(6)	(62)
(b) Finance lease liabilities recognized at the end of the previous fiscal year	533	4,867
(c) Operating lease obligations that are not non-cancellable recognized on the Consolidated Statement of Financial Position as of the initial date of IFRS 16 application	4,128	37,683
Lease liabilities recognized in the consolidated statement of financial position at the date of initial application	¥7,128	$65,065

The method of classifying subleases for leases in which the Group is the lessor has been changed to classification with reference to the right-of-use asset that arises from the head lease.

Note 4: Segment Information

1. Overview of Reportable Segments

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

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

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

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

Consumer Products Business, Industrial Products Business and Overseas Business

The Company's reportable segments are as follows.

(a) Consumer Products Business

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

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

(b) Industrial Products Business

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

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

(c) Overseas Business

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

(d) Other Business

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

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

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

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

Reportable segment profit is stated on an operating profit basis.

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

3. Net Sales, Profit (loss), and other items by reportable segment
Segment information for the years ended December 31, 2019 and 2018 was as follows:

	Millions of yen						
	2019						
	Reportable segments						
	Consumer Products Business	Industrial Products Business	Overseas Business	Other	Total	Adjustments *2	Consolidated total*3
Net sales							
(1) External customers	**¥219,380**	**¥32,954**	**¥91,741**	**¥3,427**	**¥347,503**	**¥16**	**¥347,519**
(2) Intersegment*1	**14,977**	**22,210**	**9,354**	**31,909**	**78,451**	**(78,451)**	−
Total	**¥234,357**	**¥55,164**	**¥101,095**	**¥35,337**	**¥425,954**	**¥(78,435)**	**¥347,519**
Core operating income	**19,634**	**1,755**	**7,552**	**1,521**	**30,464**	**(416)**	**30,048**
Other income							**1,519**
Other expenses							**(1,735)**
Operating profit							**¥29,832**
Finance income							**752**
Finance costs							**(168)**
Share of profit of investments accounted for using the equity method							**986**
Profit before tax							**¥31,402**
Other							
Depreciation and amortization	**¥5,463**	**¥1,256**	**¥2,299**	**¥108**	**¥9,127**	**¥1,376**	**¥10,504**

Notes: *1.Includes intra-segment transactions within the reportable segments.
*2. (1) A ¥(416) million adjustment of core operating income mainly comprises intersegment eliminations and corporate expenses not allocated to any reportable segment.
(2) The depreciation and amortization adjustment is depreciation and amortization of corporate assets and intersegment eliminations.

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

Gross profit	**¥171,931**
Selling, general and administrative expenses	**(141,882)**
Core operating income	**¥30,048**

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.

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

Notes: *1.Includes intra-segment transactions within the reportable segments.
*2. (1) A ¥(409) million adjustment of core operating income mainly comprises intersegment eliminations and corporate expenses not allocated to any reportable segment.
(2) The depreciation and amortization adjustment is depreciation and amortization of corporate assets and intersegment eliminations.

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

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

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

	Thousands of U.S. dollars						
	2019						
	Reportable segments						
	Consumer Products Business	Industrial Products Business	Overseas Business	Other	Total	Adjustments*2	Consolidated total*3
Net sales							
(1) External customers	**$2,002,380**	**$300,785**	**$837,361**	**$31,281**	**$3,171,807**	**$148**	**$3,171,955**
(2) Intersegment*1	**136,704**	**202,720**	**85,379**	**291,255**	**716,058**	**(716,058)**	**–**
Total	**$2,139,084**	**$503,505**	**$922,740**	**$322,536**	**$3,887,865**	**$(715,909)**	**$3,171,955**
Core operating income	**179,216**	**16,026**	**68,932**	**13,887**	**278,061**	**(3,797)**	**274,263**
Other income							**13,869**
Other expenses							**(15,841)**
Operating profit							**$272,292**
Finance income							**6,865**
Finance costs							**(1,534)**
Share of profit of investments accounted for using the equity method							**9,005**
Profit before tax							**$286,627**
Other							
Depreciation and amortization	**$49,865**	**$11,467**	**$20,984**	**$995**	**$83,310**	**$12,567**	**$95,878**

Notes: *1.Includes intra-segment transactions within the reportable segments.
*2. (1) A $(3,797) million adjustment of core operating income mainly comprises intersegment eliminations and corporate expenses not allocated to any reportable segment.
(2) The depreciation and amortization adjustment is depreciation and amortization of corporate assets and intersegment eliminations.
*3.Core operating income is reconciled with gross profit as follows:

Gross profit	$1,569,287
Selling, general and administrative expenses	(1,295,024)
Core operating income	$274,263

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Net sales to external customers			
Health care	**¥157,829**	¥154,842	**$1,440,572**
Household	**163,672**	163,729	**1,493,903**
Chemicals	**22,455**	25,431	**204,962**
Other	**3,562**	5,400	**32,518**
Total	**¥347,519**	¥349,403	**$3,171,955**

5. Geographic Information

(1) Net sales	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Japan	**¥252,461**	¥252,025	**$2,304,323**
Asia	**93,765**	95,537	**855,840**
Thailand	**45,041**	43,401	**411,116**
Other	**1,291**	1,840	**11,792**
Consolidated	**¥347,519**	¥349,403	**$3,171,955**

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

(2) Non-current assets	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Japan	**¥88,026**	¥69,805	**$803,454**
Asia	**23,319**	22,233	**212,846**
Thailand	**11,520**	10,619	**105,152**
Total	**¥111,345**	¥92,038	**$1,016,300**

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

6. Information about major customers

		Millions of yen		Thousands of U.S. dollars
Customer	Related segments	**2019**	2018	**2019**
Net sales				
PALTAC Corporation	Consumer Products, Industrial Products	**¥87,831**	¥80,219	**$801,675**
Arata Corporation	Consumer Products, Industrial Products	**¥44,592**	43,516	**407,011**

Note 5: Information on Cash Flows

(1) Cash and cash equivalents

Cash and cash equivalents at December 31, 2019 and 2018 and the date of transition to IFRS consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Cash and time deposits	**¥74,817**	¥38,504	**$682,890**
Short-term investments	**35,588**	66,468	**324,836**
Cash and cash equivalents at end of the year	**¥110,406**	¥104,972	**$1,007,726**

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

(2) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities during the years ended December 31, 2019 and 2018 consisted of the following:

	Millions of yen					
	January 1,	Changes arising	Non-cash changes			December 31,
	2019	from cash flows	Foreign currency	New leases	other	2019
Short-term borrowings	**¥1,150**	**¥ -**	**¥ -**	**¥ -**	**¥ -**	**¥1,150**
Long-term borrowings (include current portion)	**1,469**	**(252)**	**(72)**	**-**	**-**	**1,144**
Lease liabilities	**7,128**	**(1,376)**	**(5)**	**1,186**	**72**	**7,005**
Total	**¥9,747**	**¥(1,629)**	**¥(77)**	**¥1,186**	**¥72**	**¥9,299**

¥7,128 million in January 1, 2019 included in Lease liabilities are recognized in Consolidated Statement of Financial Position at the date of initial application due to the transition to IFRS16.

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

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

	Thousands of U.S. dollars					
	January 1,	Changes arising	Non-cash changes			December 31,
	2019	from cash flows	Foreign currency	New leases	other	2019
Short-term borrowings	**$10,497**	**$ -**	**$ -**	**$ -**	**$ -**	**$10,497**
Long-term borrowings (include current portion)	**13,411**	**(2,308)**	**(660)**	**-**	**-**	**10,442**
Lease liabilities	**65,065**	**(12,564)**	**(51)**	**10,833**	**661**	**63,945**
Total	**$88,972**	**$(14,872)**	**$(711)**	**$10,833**	**$661**	**$84,884**

$65,065 million in January 1, 2019 included in Lease liabilities are recognized in Consolidated Statement of Financial Position at the date of initial application due to the transition to IFRS16.

Note 6: Trade and Other Receivables

Trade and other receivables at December 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Trade receivables	**¥61,110**	¥62,363	**$557,781**
Other receivables	**688**	2,391	**6,288**
Allowance for doubtful accounts	**(39)**	(59)	**(361)**
Total	**¥61,759**	¥64,695	**$563,708**

Note 7: Inventories

Inventories at December 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Merchandise and finished goods	**¥30,720**	¥29,443	**$280,396**
Work in progress	**2,360**	2,581	**21,543**
Raw materials and supplies	**10,475**	10,032	**95,614**
Total	**¥43,555**	¥42,057	**$397,553**

The above amounts are measured at the lower of acquisition cost or net realizable value.
The acquisition cost recognized as expenses are mainly included in cost of sales.
The amount of write-downs of inventories or reversals of write-downs recognized in profit or loss are not significant.

Note 8: Other Financial Assets

Other financial assets at December 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Financial assets measured at amortized cost			
Time Deposits due over three months	**¥3,648**	¥2,348	**$33,304**
Other	**1,576**	1,328	**14,389**
Financial assets measured at fair value through other comprehensive income			
Securities	**23,840**	23,720	**217,601**
Other	**476**	282	**4,353**
Total	**¥29,542**	¥27,679	**$269,647**
Current assets	**4,024**	2,582	**36,736**
Non- Current assets	**25,517**	25,097	**232,911**

Note 9: Other Assets

Other assets at December 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Prepaid expenses	**¥2,639**	¥1,414	**$24,092**
Other	**944**	361	**8,623**
Total	**¥3,584**	¥1,775	**$32,715**
Current assets	**2,750**	1,626	**25,106**
Non- current assets	**833**	148	**7,608**

Note 10: Property, Plant and Equipment
(1) Changes in property, plant and equipment
The following tables present changes in book value, acquisition costs and accumulated depreciation and accumulated impairment losses of property, plant and equipment.

Book value	Millions of yen					
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
January 1, 2018	¥24,670	¥20,438	¥22,375	¥7,861	¥4,193	¥79,539
Acquisition	214	370	237	14,742	238	15,803
Depreciation	(1,713)	(5,016)	-	-	(1,689)	(8,418)
Impairment loss	(0)	(29)	(12)	(11)	(14)	(68)
Sales and disposal	(134)	(272)	(805)	-	(31)	(1,244)
Loss of control	(1,191)	(1,002)	(342)	-	(43)	(2,579)
Exchange differences on foreign currencies	(275)	(163)	(328)	(46)	(32)	(847)
Reclassification and other	3,623	7,717	-	(13,919)	1,939	(638)
December 31, 2018	**¥25,193**	**¥22,042**	**¥21,124**	**¥8,625**	**¥4,560**	**¥81,546**
Cumulative effects of changes in accounting principles	**(353)**	**(360)**	**-**	**-**	**(173)**	**(886)**
January 1, 2019 (adjusted)	**¥24,840**	**¥21,682**	**¥21,124**	**¥8,625**	**¥4,387**	**¥80,660**
Acquisition	**93**	**268**	**-**	**19,519**	**178**	**20,060**
Depreciation	**(1,814)**	**(5,329)**	**-**	**-**	**(1,805)**	**(8,950)**
Impairment loss	**(78)**	**(30)**	**-**	**-**	**(1)**	**(110)**
Sales and disposal	**(14)**	**(107)**	**-**	**-**	**(10)**	**(131)**
Loss of control	**-**	**-**	**-**	**-**	**-**	**-**
Exchange differences on foreign currencies	**104**	**169**	**(76)**	**85**	**4**	**285**
Reclassification and other	**3,425**	**9,757**	**-**	**(15,753)**	**1,659**	**(910)**
December 31, 2019	**¥26,555**	**¥26,411**	**¥21,047**	**¥12,476**	**¥4,412**	**¥90,903**

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

Acquisition cost	Millions of yen					
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
December 31, 2019	**¥78,591**	**¥128,987**	**¥27,523**	**¥12,476**	**¥25,450**	**¥273,029**
December 31, 2018	76,077	119,275	27,600	8,625	25,070	256,648
January 1, 2018	75,758	120,259	27,371	7,861	24,732	255,982

Accumulated depreciation and accumulated impairment loss	Millions of yen					
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
December 31, 2019	**¥52,035**	**¥102,576**	**¥6,475**	**-**	**¥21,038**	**¥182,125**
December 31, 2018	50,884	97,232	6,475	-	20,509	175,102
January 1, 2018	51,087	99,820	4,995	-	20,539	176,443

Book value	Thousands of U.S. dollars					
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
December 31, 2018	**$229,950**	**$201,194**	**$192,813**	**$78,725**	**$41,626**	**$744,309**
Cumulative effects of changes in accounting principles	**(3,224)**	**(3,287)**	**-**	**-**	**(1,580)**	**(8,091)**
January 1, 2019 (adjusted)	**$226,726**	**$197,907**	**$192,813**	**$78,725**	**$40,047**	**$736,218**
Acquisition	**856**	**2,454**	**-**	**178,165**	**1,630**	**183,105**
Depreciation	**(16,562)**	**(48,646)**	**-**	**-**	**(16,482)**	**(81,691)**
Impairment loss	**(719)**	**(277)**	**-**	**-**	**(11)**	**(1,007)**
Sales and disposal	**(133)**	**(977)**	**-**	**-**	**(91)**	**(1,202)**
Loss of control	**-**	**-**	**-**	**-**	**-**	**-**
Exchange differences on foreign currencies	**949**	**1,546**	**(700)**	**778**	**37**	**2,610**
Reclassification and other	**31,270**	**89,063**	**-**	**(143,792)**	**15,145**	**(8,315)**
December 31, 2019	**$ 242,387**	**$ 241,069**	**$ 192,113**	**$ 113,875**	**$ 40,274**	**$ 829,718**

Acquisition cost	Thousands of U.S. dollars					
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
December 31, 2019	**$717,337**	**$1,177,324**	**$251,219**	**$113,875**	**$232,302**	**$2,492,057**

Accumulated depreciation and accumulated impairment loss	Thousands of U.S. dollars					
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
December 31, 2019	**$474,950**	**$936,255**	**$59,106**	**$-**	**$192,028**	**$1,662,339**

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

Impairment loss, which have been included in "Other expense" of consolidated statement of income amounted to ¥110 million (U.S.$1,007 thousand) and ¥68 million for the years ended December 31, 2019 and 2018, respectively, which do not include significant impairment loss.

(3) Lease assets
The company leases some equipments and vehicles and accounted in accordance with the lease agreements.
The book value of lease assets after accumulated depreciation and accumulated impairment loss at December 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Buildings and structures	**¥ -**	¥232	**$ -**
Machinery and vehicles	**-**	360	**-**
Other	**-**	173	**-**
Total	**¥ -**	¥765	**$ -**

The book values of the lease assets included in Property, Plant and Equipment has been reclassified as right-of-use assets upon applying IFRS16.
See "Note 27. Leases " for the information of right-of-use assets.

(4) Assets pledged as collateral and debt obligations covered by collateral
Assets pledged as collateral and debt obligations covered by collateral at December 31, 2019 and 2018 consisted of the following:

Assets pledged as collateral

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Buildings and structures	**¥1,545**	¥1,617	**$14,103**
Machinery and vehicles	**790**	860	**7,211**
Total	**¥2,335**	¥2,477	**$21,315**

Debt obligations covered by collateral

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Trade and other payables	**¥159**	¥229	**$1,458**
Total	**¥159**	¥229	**$1,458**

(5) Commitments
See " Note 31. Commitments " .

Note 11: Goodwill and Intangible Assets

(1) Changes in goodwill and intangible assets

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

Book value

	Millions of yen					
		Intangible assets				
	Goodwill	Trademarks	Software	Software - related temporary account	Other	Total
January 1, 2018	¥182	¥6,600	¥1,001	¥303	¥243	¥8,149
Acquisition	-	0	38	2,283	24	2,347
Amortization	-	(8)	(279)	-	(0)	(289)
Impairment loss	-	-	-	-	-	-
Sales and disposal	-	-	(0)	-	-	(0)
Exchange differences on foreign currencies	-	(0)	(12)	-	(19)	(31)
Reclassification and other	-	-	1,022	(1,023)	(12)	(14)
December 31, 2018	**¥182**	**¥6,591**	**¥1,769**	**¥1,563**	**¥235**	**¥10,160**
Acquisition	**-**	**393**	**33**	**3,314**	**347**	**4,089**
Amortization	**-**	**(9)**	**(557)**	**-**	**(18)**	**(585)**
Impairment loss	**-**	**-**	**-**	**-**	**-**	**-**
Sales and disposal	**-**	**-**	**(2)**	**-**	**-**	**(2)**
Exchange differences on foreign currencies	**-**	**(0)**	**1**	**-**	**0**	**1**
Reclassification and other	**-**	**-**	**727**	**(685)**	**(219)**	**(177)**
December 31, 2019	**¥182**	**¥6,975**	**¥1,973**	**¥4,192**	**¥344**	**¥13,485**

The main contents of acquisition is due to individual acquisition.

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

Acquisition cost

	Millions of yen					
		Intangible assets				
	Goodwill	Trademarks	Software	Software - related temporary account	Other	Total
December 31, 2019	**¥ 182**	**¥ 39,671**	**¥ 7,753**	**¥ 4,192**	**¥ 1,328**	**¥ 52,945**
December 31, 2018	182	39,277	7,117	1,563	1,198	49,158
January 1, 2018	182	39,275	6,079	303	1,201	46,863

Accumulated amortization and accumulated impairment loss

	Millions of yen					
		Intangible assets				
	Goodwill	Trademarks	Software	Software - related temporary account	Other	Total
December 31, 2019	**¥ -**	**¥ 32,695**	**¥ 5,780**	**¥ -**	**¥ 984**	**¥ 39,459**
December 31, 2018	-	32,685	5,348	-	963	38,997
January 1, 2018	-	32,677	5,078	-	958	38,714

Book value

	Thousands of U.S. dollars					
		Intangible assets				
	Goodwill	Trademarks	Software	Software - related temporary account	Other	Total
December 31, 2018	**$1,667**	**$60,168**	**$16,153**	**$14,274**	**$2,147**	**$92,742**
Acquisition	**-**	**3,592**	**310**	**30,251**	**3,168**	**37,322**
Amortization	**-**	**(88)**	**(5,088)**	**-**	**(168)**	**(5,344)**
Impairment loss	-	-	-	-	-	-
Sales and disposal	**-**	**-**	**(22)**	**-**	**-**	**(22)**
Exchange differences on foreign currencies	**-**	**(0)**	**15**	**-**	**0**	**15**
Reclassification and other	**-**	**-**	**6,643**	**(6,261)**	**(2,005)**	**(1,623)**
December 31, 2019	**$ 1,667**	**$ 63,672**	**$ 18,011**	**$ 38,264**	**$ 3,143**	**$ 123,090**

Acquisition cost

	Thousands of U.S. dollars					
		Intangible assets				
	Goodwill	Trademarks	Software	Software - related temporary account	Other	Total
December 31, 2019	**$1,667**	**$362,096**	**$70,768**	**$38,264**	**$12,127**	**$483,255**

Accumulated amortization and accumulated impairment loss

	Thousands of U.S. dollars					
		Intangible assets				
	Goodwill	Trademarks	Software	Software - related temporary account	Other	Total
December 31, 2019	**$-**	**$298,424**	**$52,757**	**$-**	**$8,985**	**$360,165**

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

(3) Research and development costs recognized as expenses
Research and development costs that are not eligible for capitalization are expensed as incurred.
Research and development costs recognized as expenses amounted to ¥10,944 million(U.S. $99,898 thousand) and ¥10,969 million for the years ended December 31,2019 and 2018, respectively.
In addition, the company didn't recognize significant internally generated intangible assets.

(4) Significant intangible assets and impairment tests
Significant intangible assets recognized in the consolidated statement of financial position are the trademarks of antipyretic analgesics " BUFFERIN " in the Asia-Oceania regio (except for the some countries and regions, including China). The amounts of the trademarks at December 31, 2019 and 2018 are ¥6,560 million(U.S. $59,875 thousand).

Intangible assets with indefinite useful lives are tested for impairment every term.
The company allocates the relevant business to the independent cash generating unit, determines recoverable amounts based on value in use, which are discounted estimated future cash flow with 11.0% (December 31, 2018 : 9.8%). Used discount rate are determined with using weighted average cost of capital.
Growth rates used to extrapolate cash flows beyond the three-year forecast approved by management are determined 0 %.
In addition, if key assumptions used in impairment test changes within a reasonable range, the company recognizes it is unlikely to occur the significant impairment

The company doesn't recognize impairment loss from goodwill and intangible assets with indefinite useful lives at December31, 2019 and 2018

(5) Intangible assets pledged as collateral
No intangible assets has been pledged as collateral to secure the debt.

(6) Commitments
See " Note 31. Commitments " .

Note 12: Investments Accounted for Using the Equity Method
Investments accounted for using the equity method at December 31, 2019 and 2018 consisted of the following

(1) Affiliated companies

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Investments accounted for using the equity method	**¥7,019**	¥6,263	**$64,069**

	Millions of yen		Thousands of U.S. dollars
The Group's share	**2019**	2018	**2019**
Profit	**¥1,183**	¥984	**$10,804**
Other comprehensive income	**43**	(136)	**398**
Total	**¥1,227**	¥847	**$11,201**

(2) Joint ventures

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Investments accounted for using the equity method	**¥2,145**	2,342	**$19,584**

	Millions of yen		Thousands of U.S. dollars
The Group's share	**2019**	2018	**2019**
Profit	**¥(197)**	(¥174)	**$(1,799)**
Other comprehensive income	**(0)**	-	**(1)**
Total	**¥(197)**	(174)	**$(1,800)**

There are no individually important affiliated companies and joint ventures in the companies accounted for by the equity metho
for the years ended December 31, 2019 and 2018.

Note 13: Income taxes

(1)Deferred tax assets and deferred tax liabilities

The major components of deferred tax assets and liabilities at Decmber31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Deferred tax assets			
Provisions, and Other current liabilities	**¥3,806**	¥3,213	**$ 34,739**
Retirement benefit assets and liabilities	**8,829**	9,452	**80,586**
Excess depreciation	**621**	560	**5,668**
Accrued enterprise and office taxes	**439**	262	**4,007**
Appraisal value of inventories	**604**	551	**5,513**
Unrealized profit on inventories and non-current assets	**617**	572	**5,632**
other	**1,284**	1,244	**11,720**
Total	**¥16,201**	¥15,856	**$147,882**
Deferred tax liabilities			
Special depreciation of non-current assets	**¥(959)**	¥(976)	**$(8,753)**
Valuation difference upon contribution of securities to retirement benefit trust	**(4,816)**	(4,833)	**(43,958)**
Temporary differences due to distribution of retained earnings at overseas affiliates	**(1,741)**	(1,677)	**(15,891)**
Net gain on revaluation of financial assets measured at fair value through other comprehensive income	**(4,630)**	(4,315)	**(42,260)**
Trademarks	**(2,012)**	(2,007)	**(18,364)**
Other	**(337)**	(389)	**(3,076)**
Total	**¥(14,497)**	¥(14,199)	**$(132,325)**

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net deferred tax assets and (liabilities)			
Balance at beginning of the year	**¥1,656**	¥(709)	**$15,120**
Adjustment due to application of IFRS 16	**42**	-	**392**
Balance at beginning of the year (adjusted)	**1,699**	(709)	**15,512**
Deferred income taxes	**1,028**	(30)	**9,389**
Deferred taxes related to other comprehensive income items			
Net gain (loss) on revaluation of financial assets measured at fair value	**(536)**	1,136	**(4,894)**
Net gain (loss) on derivatives designated as cash flow hedges	**(3)**	5	**(34)**
Remeasurements of defined benefit plans	**(728)**	1,273	**(6,654)**
Other	**245**	(19)	**2,237**
Balance at end of the year	**¥1,704**	¥1,656	**$15,556**

(2) Unrecognized deferred tax assets

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Deductible temporary differences	**¥10,376**	¥11,323	**$ 94,709**
Net loss carryforwards	**-**	398	**0**

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
First year	**¥ -**	¥ -	**$ -**
Second year	**-**	-	**-**
Third year	**-**	-	**-**
Fourth year	**-**	398	**-**
Fifth year or later	**-**	-	**-**
Total	**¥ -**	¥398	**$ -**

(3) Unrecognized deferred tax liabilities

There were no significant taxable temporary differences related to the investments in subsidiaries not recognized as deferred tax liabilities at Dcember31, 2019 and 2018.

(4) Income taxes

Income taxes recognized through profit or loss are as follows.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Current income taxes	**¥9,451**	¥5,844	**$ 86,266**
Deferred income taxes			
Origination and reversal of temporary differences	**(661)**	3,176	**(6,033)**
Adjustment and reversal of deferred tax assets	**(367)**	(3,145)	**(3,355)**
Total	**¥8,422**	¥5,875	**$ 76,877**

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

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

	2019	2018
Applicable tax rate	**30.6%**	30.9%
Entertainment expenses and other non-deductible items	**0.3%**	0.3%
Dividend income and other items not recognizable as income for tax purposes	**(0.0%)**	(2.2%)
Unrecognized deferred tax assets	**(1.4%)**	(6.7%)
Differences in tax rates applicable to foreign subsidiaries	**(2.4%)**	(3.3%)
Tax credit for research and development costs and other	**(1.9%)**	(2.7%)
Foreign tax credits	**1.0%**	0.5%
Other	**0.6%**	(0.3%)
Average effective tax rate	**26.8%**	16.5%

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 year ended December 31, 2018 was 30.9%, and that for the fiscal year ended December 31, 2019 was 30.6%.
However, overseas subsidiaries are subject to the income and other taxes of their respective locations.

Note 14: Trade and Other Payables

Trade and other payables at December 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Accounts（Trade） payable and Notes payable	**¥60,470**	¥61,136	**$551,937**
Accrued payables and accrued expenses	**51,552**	49,873	**470,545**
Refund liabilities and contract liabilities	**4,245**	5,970	**38,752**
Total	**¥116,268**	¥116,980	**$1,061,234**

Note 15: Borrowings

Borrowings at December 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Short-term borrowings	**¥1,150**	¥1,150	**$10,497**
Current portion of long-term borrowings	**254**	267	**2,321**
Long-term borrowings	**889**	1,202	**8,122**
Total	**¥2,294**	¥2,619	**$20,939**
Current liabilities	**1,404**	1,417	**12,817**
Non-Current liabilities	**889**	1,202	**8,122**

Note 16: Other Financial Liabilities
Other financial liabilities at December 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Financial liabilities measured at amortized cost			
Lease liabilities*	**¥ -**	¥533	**$ -**
Long-term deposits	**2,601**	2,824	**23,750**
Other	**785**	721	**7,168**
Financial liabilities for which hedge accounting was applied			
Derivatives	**-**	12	**-**
Total	**¥3,387**	¥4,091	**$30,917**
Current liabilities	**739**	907	**6,746**
Non-Current liabilities	**2,648**	3,183	**24,172**

*With adoption of IFRS16 from the fiscal year ended December 31, 2019,
finance lease liabilities in other financial liabilities has been reclassified as lease liabilities

Note 17: Other Liabilities

Other liabilities at December 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Accrued bonus	**¥4,940**	¥4,746	**$45,090**
Accrued paid annual leave	**2,382**	2,013	**21,751**
Other accrued employee benefits	**1,007**	980	**9,198**
Other	**740**	733	**6,762**
Total	**¥9,071**	¥8,473	**$82,801**
Current liabilities	**7,659**	7,051	**69,913**
Non-Current liabilities	**1,411**	1,421	**12,887**

Note 18: Provisions

The changes in provisions during the year ended December 31, 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	Provision for sales	Other	Provision for sales	Other
At beginning of year	**¥705**	**¥360**	**$6,439**	**$3,289**
Increase	**1,574**	**11**	**14,372**	**101**
Decrease (used)	**(705)**	**(5)**	**(6,439)**	**(50)**
Decrease (reversal)	**-**	**(0)**	**-**	**(8)**
At end of year	**¥1,574**	**¥365**	**$14,372**	**$3,333**

Provision for sales are mainly consisted of the expected expenditure for sales promotion within a year.
There are no important asset retirement obligations in 2019.

Note 19: Post-Retirement Benefits

The Company and certain consolidated subsidiaries maintain funded and unfunded defined benefit and define 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 10 other companies maintain lump-sum retirement benefit plans Furthermore, the Company has established a retirement benefit trust

(1) Defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Present value of defined benefit obligation	**¥67,831**	¥68,738	**$619,122**
Fair value of plan assets	**(65,337)**	(65,582)	**(596,366)**
Total	**¥2,493**	¥3,155	**22,756**
Retirement	**12,091**	10,955	**110,360**
Retirement benefit assets	**(9,597)**	(7,799)	**(87,605)**
Net liabilities presented in the Consolidated Statement of Financial Position	**¥2,493**	¥3,155	**22,756**

A. Changes in the present value of defined benefit obligation

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance of retirement benefit obligation at beginning of year	**¥68,738**	¥70,400	**$627,405**
Current service cost	**2,297**	2,248	**20,969**
Interest expense	**310**	262	**2,833**
Remeasurements			
Experience adjustments	**219**	41	**2,002**
Actuarial gains and losses arising from changes in demographic assumptions	**-**	(241)	**-**
Actuarial gains and losses arising from changes in financial assumptions	**658**	421	**6,008**
Retirement benefit payments	**(4,467)**	(4,264)	**(40,774)**
Other	**74**	(131)	**678**
Balance of retirement benefit obligation at end of year	**¥67,831**	¥68,738	**619,122**

The weighted average duration of the defined benefit obligation was 10.9 years at December 31, 2019 and 11.2 years at December31, 2018.

B. Changes in the fair value of plan assets

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance of plan assets at beginning of year	**¥65,582**	¥73,148	**$598,597**
Interest revenue on plan assets	**275**	305	**2,516**
Remeasurements income			
Return on plan assets(excluding interest income)	**3,267**	(3,956)	**29,819**
Employer	**459**	234	**4,195**
Retirement benefit payments	**(4,216)**	(4,073)	**(38,482)**
Other	**(30)**	(77)	**(279)**
Balance of retirement benefit obligation at end of year	**¥65,337**	¥65,582	**596,366**

The Group's planned contribution to defined benefit plans in the consolidated fiscal year ending December 31, 2020 is ¥589 million (U.S. $5,376 thousand)

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

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

C. Components of plan assets

The components of plan assets are as follow.

	Millions of yen				Thousands of U.S. dollars	
	2019		2018		2019	
	Plan assets with quoted prices in active markets	Plan assets without quoted prices in active markets	Plan assets with quoted prices in active markets	Plan assets without quoted prices in active markets	Plan assets with quoted prices in active markets	Plan assets without quoted prices in active markets
Bonds	**¥ -**	**¥ 30,959**	¥ -	¥ 11,940	**$ -**	**$ 282,580**
Stocks	**22,542**	**-**	29,826	-	**205,750**	**-**
Other	**7,643**	**4,193**	7,732	16,082	**69,761**	**38,275**
Total	**¥ 30,185**	**¥ 35,152**	¥ 37,558	¥ 28,023	**$ 275,512**	**$ 320,854**

D. Actuarial assumptions

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

	2019	2018
Discount rate(%)	**0.3%**	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		Thousands of U.S. dollars
	2019	2018	2019
Discount rate(+0.5%	**(3,172)**	(3,259)	**(28,957)**
Discount rate(-0.5%	**2,050**	2,833	**18,719**

(2) Defined contribution plans

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Expense related to defined contribution plans	**3,061**	3,041	**27,942**

Note 20: Stock-based Compensation

(1)Stock option system

① Details of stock options

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

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

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

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

*1:
The number of stock options granted are converted to the number of stock option
*2:
Grantees can exercise the stock options warrant within ten days from the next day they are retired after their term of 1 year (exclude death), or lose their positio
In case of executive officer, the term is ten days from the next day they are retire or the lose position (later on
*3:
i)Directors
Directors can exercise the stock options warrant within ten days from the next day they are retired after their term of 1 year (exclude death), or lose their positio
They have to exercise the stock options warrant in a lump
ii)Executive office
Executive officer can exercise the stock options warrant within ten days from the next day they are retired after their term of 1 year (exclude death), or lose their positio
They have to exercise the stock options warrant in a lump. However, the board of directors can determine that certain directors can exercise their stock options warrant (not later than 1 year)divided proportionally to the t
they are qualificated, when their terms in office are no more than 1 year or they lose their positions because they are retired during their tenure no more than 1 ye
Fractional of divided stock options warrants are rounded of
iii)Board of directors can determine the term to exercise stock options warrant, during the period mentioned abo
iv)Other conditions are fixed under the contract between the Company and guarantees based on the determination of board of directo
*4:
i)Executive officer can exercise the stock options warrant within ten days from the next day they are retired after their term of 1 year (exclude death), or lose their positio
They have to exercise the stock options warrant in a lump. However, the board of directors can determine that certain directors can exercise their stock options warrant (not later than 1 year)divided proportionally to the t
they are qualificated, when their terms in office are no more than 1 year or they lose their positions because they are retired during their tenure no more than 1 year or they are retired from employees or being direct
Fractional of divided stock options warrants are rounded of
ii)Board of directors can determine the term to exercise stock options warrant, within the period mentioned abo
iii)Other conditions are fixed under the contract between the Company and guarantees based on the determination of board of directo
*5:
i)Executive officer can exercise the stock options warrant within ten days from the next day they are retired after their term of 1 year (exclude death), or lose their positio
They have to exercise the stock options warrant in a lump.
ii)Board of directors can determine the term to exercise stock options warrant, within the period mentioned abo
iii)Other conditions are fixed under the contract between the Company and guarantees based on the determination of the board of directo

② Numbers of stock options and weighted average exercise pric

	2019		2018	
	Number of shares	Weighted average exercise price (yen)	Number of shares	Weighted average exercise price (yen)
Beginning balance of outstandi	278,285	1	349,947	1
Granted	—	—	—	—
Expired	—	—	—	—
Exercised	36,012	1	71,662	1
Expired at maturity	—	—	—	—
Ending balance of outstanding	242,273	1	278,285	1
Ending balance of exercisable	—	—	—	—
Range of exercise price	—	1	—	1
Weighted average remaining term of contract	23 years		23 years	

③Numbers of Exercised during the perio

	2019		2018	
	Number of shares	Weighted average exercise price (yen)	Number of shares	Weighted average exercise price (yen)
March 30, 2006	1,302	2,282	—	—
March 30, 2011	—	—	8,338	2,281
March 29, 2012	8,071	2,282	8,071	2,281
March 28, 2013	8,347	2,282	8,347	2,281
December 25, 2013	—	—	5,608	2,128
March 28, 2014	6,536	2,282	8,832	2,281
December 25, 2014	—	—	9,932	2,145
March 27, 2015	5,776	2,282	7,806	2,281
December 25, 2015	2,677	2,282	8,031	2,190
March 30, 2016	3,303	2,282	6,697	2,281

(2)Performance Share Plan

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

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

(3) Share-based Payment Expenses

Share-based Payment Expense for the fiscal year ended December 31, 2019 and 2018 were ¥80 million (U.S. $738 thousand) and ¥106 million , respectivel

These are recognized in the consolidated statements of profit or loss as selling general and administrative expens

Note 21: Equity

(1) Share capital
The following table presents changes in the number of outstanding shares and authorized share

	Thousands of shares	
	2019	2018
Number of authorized shares	**1,185,600**	1,185,600
Number of outstanding shares		
At beginning of period	**299,115**	299,115
Net change	**-**	-
At end of period	**299,115**	299,115

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

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

(3) Retained earnings
The Companies Act of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of additional paid-in capi
(other than the capital reserve) and retained earnings (other than the earned reserve) be transferred to the capital reserve and the earned reserv
respectively, until the legal reserve equals 25% of the capital stock account
Transferred earned reserves can be appropriated to reserve for future loss. The reversal of earned reserves is determined in the shareholders meetin

(4) Treasury stock

	Thousands of shares	
	2019	2018
At beginning of period	**8,456**	8,535
Increase due to requests of shareholders owning odd lot shares of ordinary shares	**1**	3
Decrease due to request of shareholders owning odd lot shares of ordinary shares	**—**	(0)
Decrease due to exercise of stock options	**(36)**	(71)
Decrease due to sales of ordinary shares to the BID Trust	**(16)**	(10)
At end of period	**8,405**	8,456

(5) Dividends
Dividends paid for each year are as following

Fiscal year ended December 31, 2019

Resolution	Class of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share ($)	Record date	Effective date
February 13, 2019 Board of Directors	Ordinary shares	**2,911**	**26,575**	**10.00**	**0.09**	December 31, 2018	March 1, 2019
August 6, 2019 Board of Directors	Ordinary shares	**2,911**	**26,578**	**10.00**	**0.09**	June 30, 2019	September 4, 2019

The amount of total dividends approved by the board of directors on February 13, 2019 included dividends of ¥4 million(U.S. $45 thousand) dividend on the company's stock which held by the BIP tı
The amount of total dividends approved by the board of directors on August 6, 2019 included dividends of ¥4 million(U.S. $43 thousand) dividend on the company's stock which held by the BIP tı

Fiscal year ended December 31, 2018

Resolution	Type of stock	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
February 9, 2018 Board of Directors	Ordinary shares	2,910	10.00	December 31, 2017	March 1, 2018
August 3, 2018 Board of Directors	Ordinary shares	2,911	10.00	June 30, 2018	September 4, 2018

The amount of total dividends approved by the board of directors on August 3, 2018 included a dividend of ¥4 million dividend on the company's stock which held by the BIP tı

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

Fiscal year ended December 31, 2019

Resolution	Type of stock	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share ($)	Record date	Effective date
February 13, 2020 Board of Directors	Ordinary shares	**3,203**	**29,235**	**11.00**	**0.10**	December 31, 2019	March 2, 2020

The amount of total dividends approved by the board of directors on February 13, 2020 included dividends of ¥4 million(U.S. $43 thousand) dividend on the company's stock which held by the BIP tı

Fiscal year ended December 31, 2018

Resolution	Type of stock	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
February 13, 2019 Board of Directors	Ordinary shares	2,911	10.00	December 31, 2018	March 1, 2019

The amount of total dividends approved by the board of directors on February 13, 2019 included a dividends of ¥4 million dividend on the company's stock which held by the BIP tı

Note 22: Other Comprehensive Income

Other comprehensive income during the years ended December 31, 2019 and 2018 consisted of the following

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Items that will not be reclassified to profit or loss			
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income			
Gains/(losses) during the year	**¥1,581**	¥(4,011)	**$14,437**
Gains/(losses) before tax effect	**1,581**	(4,011)	**14,437**
Amount of tax effect	**(536)**	1,136	**(4,894)**
Gains/(losses) after tax effect	**¥1,045**	¥(2,875)	**¥9,544**
Remeasurements of defined benefit plans			
Gains/(losses) during the year	**¥2,389**	¥(4,176)	**$21,810**
Gains/(losses) before tax effect	**2,389**	(4,176)	**21,810**
Amount of tax effect	**(728)**	1,273	**(6,654)**
Gains/(losses) after tax effect	**¥1,660**	¥(2,902)	**¥15,156**
Share of other comprehensive income of investments accounted for using the equity method			
Gains/(losses) during the year	**¥(48)**	¥153	**($439)**
Gains/(losses) before tax effect	**(48)**	153	**(439)**
Amount of tax effect	**-**	-	**-**
Gains/(losses) after tax effect	**¥(48)**	¥153	**¥(439)**
Items that may be subsequently reclassified to profit or loss			
Net gain (loss) on derivatives designated as cash flow hedges			
Gains/(losses) during the year	**¥12**	¥(18)	**$111**
Gains/(losses) before tax effect	**12**	(18)	**111**
Amount of tax effect	**(3)**	5	**(34)**
Gains/(losses) after tax effect	**¥8**	¥(13)	**¥78**
Exchange differences on translation of foreign operations			
Gains/(losses) during the year	**¥568**	¥(1,476)	**$5,189**
Reclassification during the year to profit or loss	**(117)**	(18)	**(1,075)**
Gains/(losses) before tax effect	**450**	(1,494)	**4,114**
Amount of tax effect	**-**	-	**-**
Gains/(losses) after tax effect	**¥450**	¥(1,494)	**¥4,114**
Share of other comprehensive income of investments accounted for using the equity method			
Gains/(losses) during the year	**¥91**	¥(290)	**$835**
Gains/(losses) before tax effect	**91**	(290)	**835**
Amount of tax effect	**-**	-	**-**
Gains/(losses) after tax effect	**¥91**	¥(290)	**¥835**
Total			
Gains/(losses) during the year	**¥4,595**	¥(9,819)	**$41,943**
Reclassification during the year to profit or loss	**(117)**	(18)	**(1,075)**
Gains/(losses) before tax effect	**4,477**	(9,838)	**40,869**
Amount of tax effect	**(1,268)**	2,415	**(11,581)**
Gains/(losses) after tax effect	**¥3,208**	¥(7,422)	**¥29,288**

Note 23: Revenue from contracts with customers

The Group comprises three reportable segments divided by product and service type and by region, which are in turn based on business divisions and companies; namely, the reportable segments are Consumer Products Business, Industrial Products Business and Overseas Business.
The Group's reportable segments are component units of the Group for which separate financial information is available and that are subject to regular review by the board of directors for the purpose of making decisions regarding the allocation of management resources and evaluating business performance.
Therefore, the revenue recognized at reportable segments and relevant business are represented as net sales.
Moreover, Net sales are classified by country or geographic region based on customer location.

(1) Disaggregation of revenue
Disaggregation of revenue during the year ended December 31, 2019 and 2018 consisted of the following:

	Millions of yen				
	2019				
	Japan	Asia		Other	Total
			Thailand		
Consumer Products Business	**¥218,701**	**¥661**	**¥ -**	**¥17**	**¥219,380**
Industrial Products Business	**30,317**	**2,329**	**289**	**307**	**32,954**
Overseas Business	**-**	**90,774**	**44,751**	**966**	**91,741**
Other	**3,427**	**-**	**-**	**-**	**3,427**
Total	**252,445**	**93,765**	**45,041**	**1,291**	**347,503**
Adjustment	**16**	**-**	**-**	**-**	**16**
Consolidated	**¥252,461**	**¥93,765**	**¥45,041**	**¥1,291**	**¥347,519**

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

	Thousands of U.S. dollars				
	2019				
	Japan	Asia		Other	Total
			Thailand		
Consumer Products Business	**$1,996,176**	**$6,041**	**$ -**	**$162**	**$2,002,380**
Industrial Products Business	**276,717**	**21,263**	**2,646**	**2,805**	**300,785**
Overseas Business	**-**	**828,536**	**408,470**	**8,825**	**837,361**
Other	**31,281**	**-**	**-**	**-**	**31,281**
Total	**2,304,175**	**855,840**	**411,116**	**11,792**	**3,171,807**
Adjustment	**148**	**-**	**-**	**-**	**148**
Consolidated	**$2,304,323**	**$855,840**	**$411,116**	**$11,792**	**$3,171,955**

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

(2) Contract balances
Contract balances with customers at December 31, 2019 and 2018 and the date of transition to IFRS consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Receivables from contracts with customers			
Notes and accounts receivable	**¥61,110**	¥62,363	**$557,781**
Contract assets	**131**	1,178	**1,201**
Total	**¥61,242**	¥63,542	**$558,982**
Contract liabilities	**106**	578	**973**
Total	**¥106**	¥578	**$973**

The amount of revenue recognized during the fiscal years ended December 31, 2019 and 2018 included in contract liabilities at the beginning of the year is not significant.
The amount of revenue recognized from performance obligations satisfied or partially-satisfied during the past year is not significant.
Receivables from contracts with customers, contract assets are included in "Trade and other receivables".
Contract liabilities are included in "Trade and other payables".

(3) Transaction price allocated to the remaining performance obligations
The construction contract amount allocated to the remaining performance obligations during the years ended December 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Amount allocated to the remaining performance obligations	**¥518**	¥348	**$4,734**

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

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

Note 24: Classification of Selling, General and Administrative Expenses
Classification of selling, general and administrative expenses during the years ended December 31, 2019 and 2018 consisted of the following

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Personnel expenses	**¥48,349**	¥47,273	**$441,302**
Depreciation and amortization	**10,504**	8,707	**95,878**
Sales promotion expenses	**26,219**	25,933	**239,317**
Transportation and warehousing expenses	**19,785**	19,104	**180,593**
Advertising expenses	**25,119**	28,787	**229,276**

Note 25: Other Income

Other income during the years ended December 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Royalty income	**¥348**	¥294	**$3,179**
Gain on disposal of non-current assets *	-	5,427	-
Gain on transfer of business	-	609	-
Other	**1,171**	1,100	**10,690**
Total	**1,519**	7,431	**13,869**

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

Note 26: Other Expenses

Other expenses during the years ended December 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Loss on disposal of inventories	**¥373**	¥275	**$3,411**
Loss on disposal of non-current assets	**362**	536	**3,311**
Impairment loss	**110**	68	**1,007**
Other	**888**	730	**8,112**
Total	**1,735**	1,610	**15,841**

Note 27: Leases
Leases as a lessee
The Group has entered into operating leases on certain buildings and other assets as a lessee.
Some leases contain renewal or purchase options.
In addition, lease arrangements do not have escalation clauses or restrictions.

Future minimum lease payable under non-cancellable operating leases at December 31, 2018 consisted of the following:

	Millions of yen
	2018
not later than 1 year	¥347
later than 1 year and not later than 5 years	1,088
later than 5 years	1,181
Total	¥2,617

Lease payments of operation leases recognized as an expense in 2018 amounted to ¥3,025 million.

①Profit and cash flows recognized form lease transactions during the year ended December 31, 2019 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2019	**2019**
Depreciation expense of Right-of-use assets		
Class of Underlying assets		
Buildings and structures	**¥599**	**$5,473**
Machinery and vehicles	**258**	**2,361**
Land	**30**	**278**
Other tangible assets	**80**	**731**
Total	**¥968**	**$8,843**
Interest expense on lease liablities	**72**	**661**
Expense relating to short-term leases	**296**	**2,705**
Expense relating to leases of low-value assets	**1,183**	**10,805**
Total amount of lease cash-flows	**2,855**	**26,065**

②Book value of right-of-use assets at December 31, 2019 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2019	**2019**
Depreciation from Right-of-use assets		
Class of Underlying assets		
Buildings and structures	**¥4,275**	**$39,020**
Machinery and vehicles	**790**	**7,216**
Land	**684**	**6,248**
Other tangible assets	**189**	**1,734**
Total	**¥5,940**	**$54,218**

*The amount of right-of-use assets increasing during the year ended December 31, 2019 is ¥724 million (U.S. $6,616 thousand)

Leases as a lessor
The Group provide rented dormitories and houses for employees as a part of welfare benefits, which are corresponding to the lease transaction as a lessor.
The amount of uncollected lease investment are not significant.

Note 28: Finance Income and Finance Costs

Finance income and finance expenses during the years ended December 31, 2019 and 2018 consisted of the following

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Finance income			
Interest income			
Financial assets measured at amortized cost	**¥252**	¥217	**$2,302**
Dividend income			
Financial assets measured at fair value through other comprehensive income	**499**	527	**4,563**
Foreign exchange gains, net	**-**	45	**-**
Total	**¥752**	¥789	**$6,865**

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2019	2018	**2019**
Finance costs			
Interest expenses			
Financial liabilities measured at amortized cost	**¥152**	¥137	**$1,392**
Foreign exchange losses, net	**¥15**	-	**$142**
Total	**¥168**	¥137	**$1,534**

Note 29: Earnings per Share

(1) Basic earnings per share

	2019	2018
Profit for the year attributable to ordinary equity holders of the parent (millions of yen)	**¥20,559**	¥25,606
Weighted average number of ordinary shares-basic (thousands of shares)	**290,697**	290,627
Basic earnings per share (yen)	**70.72**	88.11

	2019
Profit for the year attributable to ordinary equity holders of the parent (thousands of U.S. dollars)	**$187,654**
Weighted average number of ordinary shares-basic (thousands of shares)	**290,697**
Basic earnings per share (U.S. dollars)	**0.65**

(2) Diluted earnings per share

	2019	2018
Profit for the year attributable to ordinary equity holders of the parent (millions of yen)	**¥20,559**	¥25,606
Adjustments to profit for the year (millions of yen)	**-**	-
Profit for the year used to calculate diluted earnings per share (millions of yen)	**20,559**	25,606
Weighted average number of ordinary shares (thousands of shares)	**290,697**	290,627
Stock options (thousands of shares)	**247**	303
Executive compensation BIP trust (thousands of shares)	**120**	85
Weighted average number of ordinary shares-diluted (thousands of shares)	**291,066**	291,016
Diluted earnings per share (yen)	**70.63**	87.99

	2019
Profit for the year attributable to ordinary equity holders of the parent (thousands of U.S. dollars)	**$187,654**
Adjustments to profit for the year (thousands of U.S. dollars)	**-**
Profit for the year used to calculate diluted earnings per share (thousands of U.S. dollars)	**187,654**
Weighted average number of ordinary shares (thousands of shares)	**290,697**
Stock options (thousands of shares)	**247**
Executive compensation BIP trust (thousands of shares)	**120**
Weighted average number of ordinary shares-diluted (thousands of shares)	**291,066**
Diluted earnings per share (U.S. dollars)	**0.64**

Note 30: Financial Instruments

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

	2019	2018
Return on equity attributable to owners of the parent (ROE)	10.3%	13.9%

(2)Credit risk management

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

①Aging analysis
Aging analysis is not disclosed here because the Group does not have any long overdue accounts receivable.

②Allowance for doubtful receivables
Changes in the allowance for doubtful receivables of trade and other receivables and other financial assets are as follows.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
At beginning of year	¥91	¥169	$832
Increase during the year provision	11	10	105
Decrease (used)	(7)	(9)	(72)
Decrease (reversal)	(23)	(76)	(219)
Other	(2)	2	(24)
At end of year	¥68	¥91	$623

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

	Millions of yen 2019			
	Carrying amount	Contract cash flow	Average interest rate	Maturity date
Non-derivative financial liabilities				
Trade and other payables	¥116,268	¥116,268	-	
Borrowings	2,294	2,402	2.21%	June, 2024
Lease obligations	7,005	7,759	1.07%	January, 2052
Total	¥125,568	¥126,431	-	-

	Millions of yen 2019					
	Not later than 1 year	Later than 1 year but not later than 2 years	Later than 2 years but not later than 3 years	Later than 3 years but not later than 4 years	Later than 4 years but not later than 5 years	Later than 5 years
Non-derivative financial liabilities						
Trade and other payables	¥ 116,268	¥ -	¥ -	¥ -	¥ -	¥ -
Borrowings	1,449	283	274	265	129	-
Lease obligations	1,549	1,268	873	553	426	3,089
Total	¥ 119,267	¥ 1,551	¥ 1,147	¥ 818	¥ 556	¥ 3,089

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

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

	Thousands of U.S. dollars			
	2019			
	Carrying amount	Contract cash flow	Average interest rate	Maturity date
Non-derivative financial liabilities				
Trade and other payables	**$1,061,234**	**$1,061,234**	**-**	**-**
Borrowings	**20,938**	**21,930**	**2.21%**	**June, 2024**
Lease obligations	**63,944**	**70,824**	**1.07%**	**January, 2052**
Total	**$1,146,117**	**$1,153,989**	**-**	**-**

	Thousands of U.S. dollars					
	2019					
	Not later than 1 year	Later than 1 year but not later than 2 years	Later than 2 years but not later than 3 years	Later than 3 years but not later than 4 years	Later than 4 years but not later than 5 years	Later than 5 years
Non-derivative financial liabilities						
Trade and other payables	**$1,061,234**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Borrowings	**13,229**	**2,589**	**2,506**	**2,423**	**1,180**	**-**
Lease obligations	**14,139**	**11,574**	**7,971**	**5,047**	**3,894**	**28,196**
Total	**$1,088,603**	**$14,164**	**$10,477**	**$7,471**	**$5,075**	**$28,196**

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

(4) Exchange rate risk
The Group is engaged in business activities worldwide and is exposed to the risk of exchange rate fluctuations arising out of transacitons entered into currencies other than its functional currency
The Group is hedging the risk using derivative instruments, such as foreign exchange contract and currency swaps.
Major exchange rates are as follows.

	Yen			
	2019		2018	
	Average exchange rate during the year	Closing rate	Average exchange rate during the year	Closing rate
U.S. dollar	**109.2**	**109.6**	110.4	111.0
Thai Baht	**3.5**	**3.6**	3.4	3.4

①Net Exposure to exchange rate risk is as follows.

	Millions of yen				Thousands of U.S. dollars	
	2019		2018		**2019**	
	U.S. dollar	Thai Baht	U.S. dollar	Thai Baht	U.S. dollar	Thai Baht
Financial instruments denominated in foreign currency	**¥1,690**	**¥214**	¥882	¥181	**$15,426**	**$1,950**

② Foreign currency sensitivity analysis
The impact on the profit before income taxes of a 10% appreciation of the yen is as follows.
This analysis is assuming that the other factors are constant and there is no significant impact of the net exposure of currencies other than U.S. dollar and Thai Baht

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
U.S. dollar	**¥169**	88	**$1,542**
Thai Baht	**¥21**	¥18	**$195**

(5) Interest rate risk
Interest-bearing liabilities the Group holds are exposed to the risk of fluctuations in interest rates.
The Group maintains a balance between variable and fixed interest rates of loans and uses currency swaps as needed.

Interest rate sensitivity analysis is not disclosed here, because the impact of the fluctuation of market interest rate on profit or loss is limited.

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

① Sensitivity analysis
The impact to the Net gain(loss) on revaluation of financial assets measured at fair value through other reclassified comprehensive income (before tax) on the Consolidated Statement of comprehensive Income of decreasing by 10% of the listed shares the Group holds is following.
This analysis is assuming that the other factors are constant.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Other comprehensive income (before tax)	**¥(2,102)**	¥(2,167)	**$(19,192)**

(7) Fair Value
①Fair Value of Financial Instruments
(1) Fair Value hierarchy level
The fair value hierarchy of financial instruments is categorized as follows, based on inputs used for fair value measurement
Inputs include the stock price, foreign exchange rate and interest rate as well as index of financial instruments price and others

Level 1: Fair value measured using quoted prices in active markets
Level 2: Fair value measured using inputs other than quoted prices categorized within Level 1 that are observable either directly or indirectly
Level 3: Fair value measured using inputs that are not based observable market data

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

	Millions of yen			
	2019			
	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Financial assets measured at fair value through other comprehensive income	**¥21,027**	**¥ -**	**¥3,289**	**¥24,317**
Derivative assets applying for which hedge accounting	–	–	–	–
Total	**¥21,027**	**¥ -**	**¥3,289**	**¥24,317**
Financial liabilities				
Other financial liabilities				
Derivative liabilities applying for which hedge accounting	**¥ -**	**¥ -**	**¥ -**	**¥ -**
Total	**¥ -**	**¥ -**	**¥ -**	**¥ -**

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

	Thousands of U.S. dollars			
	2019			
	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Financial assets measured at fair value through other comprehensive income	**$191,925**	**$ -**	**$30,029**	**$221,954**
Derivative assets applying for which hedge accounting	—	—	—	—
Total	**$191,925**	**$ -**	**$30,029**	**$221,954**
Financial liabilities				
Other financial liabilities				
Derivative liabilities applying for which hedge accounting	**$ -**	**$ -**	**$ -**	**$ -**
Total	**$ -**	**$ -**	**$ -**	**$ -**

The Group processes transfers between levels of fair value hierarchy when there is an event or a change in circumstances that caused the transfer.
No financial instruments were transferred between levels of the fair value hierarchy for the fiscal years ended December 31, 2018 or 2019.

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

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

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

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Beginning balance	**¥2,319**	¥2,257	**$21,171**
Gains (losses)※	**354**	9	**3,236**
Purchases	**620**	125	**5,666**
Sales	**-**	(2)	**-**
Others	**(4)**	(69)	**(44)**
Ending balance	**¥3,289**	¥2,319	**$30,029**

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

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

② Financial instruments measured at amortized cost
The following tables present the fair value of major financial instruments measured at amortized cost.
Book values of those that mostly are settled in a short while, or those using a variable rate by which a short-term market rate is being reflected are rational approximations of their fair values and therefore they are not included in the table below (primary cash and cash equivalents, trade and other receivables, trade and other payables).

		Millions of yen			
		2019			
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Borrowings	**¥2,294**	**¥ -**	**¥ 2,3[illegible]**	**¥ [illegible]**	**¥ 2,306**

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

	Book value	Thousands of U.S. dollars **2019** Fair Value Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Borrowings	**$20,939**	**$ -**	**$21,050**	**$ -**	**$21,050**

The measurement method for the fair value is as follows.
(i) Borrowings
The fair values of borrowings are measured by discounting the future cash flows of principals and interests at an interest rate that would apply for a new loan borrowed under similar conditions.

③Equity financial instruments
Equity Securities are held by the Group for maintaining and strengthening the long-medium term relationship with companies.
The Group has designated such equity securities as financial assets measured at fair value.
Issuers names and fair values of these securities are as follows.

	Millions of yen **2019**	2018	Thousands of U.S. dollars **2019**
Saha Pathanapibul Public Company Limited	**¥6,543**	¥5,680	**$59,722**
Saha Pathana Inter Holding Public Company Limited	**2,541**	3,263	**23,192**
ARATA CORPORATION	**2,179**	3,145	**19,889**
Rengo Co., Ltd.	**761**	792	**6,950**
Maruzen Showa Unyu Co.,Ltd.	**606**	519	**5,537**

The Group sells these equity financial instruments considering its fair values (market prices) and the necessity for business
The total amounts of the fair value of such financial assets at the time of sale and the cumulative gains or losses on sales are as follows
The comulative gains or losses (after tax) recognized as other component of equity are transferred to the retained earnings at the time of sale.

	Millions of yen **2019**	2018	Thousands of U.S. dollars **2019**
Fair value	**¥1,915**	¥387	**$17,480**
Cumulative gains or losses	**742**	257	**6,774**

Dividend income from equity securities is as follows.

	Millions of yen **2019**	2018	Thousands of U.S. dollars **2019**
Equity Securities derecognized in the period	**¥14**	¥1	**$131**
Equity Securities held at the end of the period	**485**	525	**4,431**

(8) Derivative and Hedge accounting
In order to hedge cash flow fluctuation risks caused by the foreign exchange fluctuations, the Group uses forward foreign exchange contracts as hedging a method and designates them as a cashflow hedge.
There is no amount of hedge accounting at December 31, 2019.
Details of the method of hedge accounting applied to the cash-flow hedge at December 31, 2018 are as follows.

	Millions of yen 2018 Contract amount	More than 1 year	Book value Assets	Liabilities	Account name on the Consolidated
Foreign exchange risk					
Forward foreign exchange contracts	¥403	¥0	¥0	¥ 12	Other financial liabilities

Note 31: Commitments

The significant commitments to purchase property, plant and equipment and intangible assets at December 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Property, plant and equipment and intangible assets	**¥16,700**	¥6,186	**$152,435**

Note 32: Contingencies

Contingencies at December 31, 2019 and 2018 consisted of the following:

(1) Guarantees

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
P.T. Lion Wings	**¥1,643**	¥1,978	**$15,000**
Global Eco Chemicals Malaysia SDN. BHD.	**937**	1,075	**8,561**
PT Global Eco Chemicals Indonesia	**143**	-	**1,311**
Employees	**270**	244	**2,467**
Total	**¥2,995**	¥3,298	**$27,339**

The Group has provided the above guarantee for the guarantors' borrowings.

Guarantees of ¥1,527 million included in the total guarantee of ¥3,298 million at December 31, 2018 were reguaranteed from others.

Guarantees of ¥1,290 million(U.S. $11,781 thousand) included in the total guarantee of ¥2,995 million(U.S. $27,339 thousand) at December 31, 2019 were reguaranteed from others. The Company reguaranteed the amount of¥143 million(U.S. $1,311 thousand) for guaranteed by others.

Note 33: Sales of shares of subsidiaries and transfer of businesses

The reference between total consideration received and the amount of the assets and liabilities transferred as a result of sales of shares of the subsidiaries and transfer of businesses during the year ended December, 31 2018 are as follows.
The major component is the signing of a contract, dated August 3, 2018, for the transfer of said business and shares and the transfer, dated December 28, 2018 related to certain assets and liabilities including all shares of Lion Packaging Co., Ltd., which was a wholly owned subsidiary of the Company. In addition, the difference between the net amount of transferred assets and liabilities and the total consideration received was recognized as gain on transfer of business.
There is no applicable information during the year ended December 31, 2019.

	Millions of yen
	2018
Total consideration for sales of shares of the subsidiaries and transfer of businesses	¥3,732
Assets and liabilities at the time of loss of control	
Current assets	1,999
Non-current assets	2,903
Current liabilities	(2,235)
Non-current liabilities	(58)
Other related to transfer of businesses	271
Gain on sales of shares of the subsidiaries and transfer of businesses	¥852

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

	Millions of yen
	2018
Portion of the consideration consisting of cash and cash equivalents	¥1,400
Amount of cash and cash equivalents held by the subsidiaries and businesses at the time of loss of control was lost	(155)
Other related to transfer of businesses	(16)
Net of cash acquired as a result of the sales of shares of the subsidiaries and transfer of	¥1,227

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

Note 34: Related Party

(1) Information about subsidiaries and affiliates
Consolidated Subsidiaries

Name	Location	Capitalization	Business	Voting shares held by the Company (%)	Nature of business relationship: Shared positions: Company officers	Shared positions: company employees	Financial support	Transactions	Lease of facilities, etc.
Lion Engineering Co., Ltd.	Sumida-ku, Tokyo	JPY100 million	Other	100.0	2	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	7	None	Sale of merchandise and finished products	Lease of office space
Lion Trading Co., Ltd.	Sumida-ku, Tokyo	JPY240 million	Consumer products	100.0	2	6	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	2	7	None	Sales and purchase of merchandise	Lease of part of office and warehouse space
Lion Business Service Co., Ltd.	Sumida-ku, Tokyo	JPY490 million	Other	100.0	—	5	None	Rental, dealing, and brokerage of real estate, and insuring	Rental of part of office space and land
Lion Logistics Service Company, Ltd.	Sumida-ku, Tokyo	JPY40 million	Other	100.0	2	6	None	Transport and storage of merchandise and finished products	Lease of part of office space
issua Company, Ltd.	Minato-ku, Tokyo	JPY20 million	Consumer products	100.0	1	4	None	Sale of merchandise and finished products	—
Lion Corporation (Hong Kong) Ltd.	China (Hong Kong)	HKD12,000 thousand	Overseas business	100.0	—	3	None	Sale of merchandise and finished products	—
Lion Corporation (Singapore) Pte. Ltd.	Singapore	SGD9,000 thousand	Overseas business	100.0	—	3	None	Sale of merchandise and finished products	—
Lion Advertising Ltd.	China (Hong Kong)	HKD100 thousand	Overseas business	(Note 2) 100.0 (100.0)	—	2	None	—	—
Lion Daily Necessities Chemicals (Qingdao) Co., Ltd.	China	USD39,065 thousand	Overseas business	100.0	—	6	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 Home Products (Taiwan) Co., Ltd.	Taiwan	TWD530,000 thousand	Overseas business	100.0	—	7	None	Sale of merchandise and finished products	—
Lion Corporation (Thailand) Ltd.	Thailand	THB500,000 thousand	Overseas business	51.0	4	6	None	Sale of merchandise and finished products and purchase of merchandise	—
Lion Service Co., Ltd.	Thailand	THB7,000 thousand	Other business	(Note 4) 100.0 (100.0)	—	—	None	—	—
Eastern Silicate Company Limited	Thailand	THB500 thousand	Other business	(Note 4) 99.9 (99.9)	—	2	None	—	—
Southern Lion Sdn. Bhd.	Malaysia	MYR22,000 thousand	Overseas business	50.0	—	3	None	Sale of merchandise and finished products and purchase of merchandise	—

Equity-method affiliates

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

Equity-method jointly controlled companies

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

Notes: 1. Lion Chemical Co., Ltd. and Lion Daily Necessities Chemicals (Qingdao) Co., are specified subsidiaries.
2. The voting shares of Lion Advertising Ltd. are held by Lion Corporation (Hong Kong) Ltd
3. 90% of PT. IPPOSHA INDONESIA's voting shares are held by Lion Specialty Chemicals Co., Ltd
4. The voting shares of Lion Service Co., Ltd. and Eastern Silicate Company Limited are held by Lion Corporation (Thailand) Ltd.
5. The figures in parentheses in the "Voting shares held by the Company" column are the percentages of total voting shares held indirectly by Lion Corporation.
6. In addition to the companies listed above, there is one small-scale, non-consolidated equity-method company.

(2) Key management personnel compensation

Key management personnel compensation during the years ended December 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Short-term benefits	**¥379**	¥382	**$3,461**
Share-based payment	**46**	60	**429**
Past-employment benefits	**-**	-	**-**
Total	**¥426**	¥442	**$3,890**

(3) Related party transactions

Fiscal year ended December 31, 2019

Type	Name	Contents of transactions	Millions of yen 2019: Transaction amount of the transactions	Outstanding balances	Allowance for doubtful accounts
Affiliates	P.T. Lion Wings	Loan guarantee	**¥ 1,643**	**¥ -**	**¥ -**
Joint venture's subsidiary	Global Eco chemicals Malaysia SDN. BHD.	Loan guarantee	**937**	**-**	**-**
Joint venture's subsidiary	PT Global Eco Chemicals Indonesia	Loan guarantee	**143**	**-**	**-**

			Thousands of U.S. dollars		
			2019		
Type	Name	Contents of transactions	Transaction amount of the transactions	Outstanding balances	Allowance for doubtful accounts
Affiliates	P.T. Lion Wings	Loan guarantee	**$15,000**	**$ -**	**$ -**
Joint venture's subsidiary	Global Eco chemicals Malaysia SDN. BHD.	Loan guarantee	**8,561**	**-**	**-**
Joint venture's subsidiary	PT Global Eco Chemicals Indonesia	Loan guarantee	**1,311**	**-**	**-**

			Millions of yen		
			2018		
Type	Name	Contents of transactions	Transaction amount of the transactions	Outstanding balances	Allowance for doubtful accounts
Affiliates	P.T. Lion Wings	Loan guarantee	¥ 1,978	¥ -	¥ -
Joint venture's subsidiary	Global Eco chemicals Malaysia SDN. BHD.	Loan guarantee	¥ 1,075	-	-

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

Note 35: Subsequent Event

(Transfer of Significant Non-Current Assets)

The Company has decided to transfer a fixed assets, as shown below at Board of Directors meeting in February 28, 2020 and concluded the transfer agreement and transfer of property

(1) Purpose of the Transfer

The Company has decided to transfer a fixed asset it owns, as shown below, in order to make effective use of its management assets. Note that, while the property will be transferred, Lion will continue to use it as its head office after the transfer

(2) Transferee

Haseko Corporation

(3) Assets to Be Transferred

Type	Land 6,465.19 ㎡
Location	3-7, Honjo 1-chome, Sumida-ku, Tokyo
Status before transfer	In use as Lion's head office
Gain on transfer	¥10.0 billion*

Per an agreement with the recipient, Lion is not publishing the transfer price or book value of the assets to be transferred

* Gain on transfer presented here is an estimate calculated by deducting the book value of the assets to be transferred and the estimated expenses associated with the transfer from the transfer price

(4) Transfer Schedule

Resolutions date of the Board of Directors	February 28, 2020
Conclusion date of the thw transfer agreement	February 28, 2020
Transfer of property	February 28, 2020

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Independent Auditor's Report

The Board of Directors
Lion Corporation

We have audited the accompanying consolidated financial statements of Lion Corporation and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended and notes to consolidated financial statements, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lion Corporation and its consolidated subsidiaries as at December 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with International Financial Reporting Standards.

Emphasis of Matter

As described in Note 35, a resolution was made at the Board of Directors meeting held on February 28, 2020 to transfer the land used as the head office, and completed the transfer agreement and conducted on the same date. Our opinion is not qualified in respect of this matter.

Convenience Translation

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

Ernst & Young ShinNihon LLC

March 26, 2020