

Consolidated Financial Results for the Fiscal Year Ended December 31, 2018 [IFRS]



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(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2018 (January 1, 2018 to December 31, 2018)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Revenue		Operating profit		Profit before tax		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2018	627,670	2.9	86,542	1.3	89,075	1.5	66,316	(5.4)
December 31, 2017	610,178	—	85,430	—	87,790	—	70,080	—

	Profit attributable to owners of parent		Comprehensive income	
Fiscal year ended	Million yen	%	Million yen	%
December 31, 2018	45,351	(8.0)	36,083	(54.1)
December 31, 2017	49,312	—	78,694	—

	Basic earnings per share	Diluted earnings per share	Return on equity	Profit before tax to total assets	Operating profit to revenue
Fiscal year ended	Yen	Yen	%	%	%
December 31, 2018	141.41	141.39	8.8	9.5	13.8
December 31, 2017	153.77	153.74	10.1	10.1	14.0

Reference: Share of profit of investments accounted for using equity method: Fiscal year ended December 31, 2018: ¥1,235 million
 Fiscal year ended December 31, 2017: ¥1,203 million

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Equity attributable to owners of parent to total assets	Equity per share attributable to owners of parent
	Million yen	Million yen	Million yen	%	Yen
As of December 31, 2018	953,988	647,618	520,047	54.5	1,621.54
As of December 31, 2017	926,098	636,941	511,392	55.2	1,594.60

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
December 31, 2018	61,533	(37,439)	6,228	129,633
December 31, 2017	76,530	(100,301)	(8,914)	101,876

2. Dividends

	Annual dividends					Total dividends paid	Consolidated dividend payout ratio	Consolidated dividend on equity attributable to owners of parent
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended December 31, 2017	—	20.00	—	22.00	42.00	13,469	27.3	2.7
Fiscal year ended December 31, 2018	—	22.00	—	23.00	45.00	14,431	31.8	2.8
Fiscal year ending December 31, 2019 (Forecast)	—	22.00	—	23.00	45.00		37.0	

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

(% indicates changes from the previous corresponding period.)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent	Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	Yen
First half	310,000	—	39,500	—	40,000	—	20,000	62.36
Full year	640,000	2.0	77,000	(11.0)	78,000	(12.4)	39,000	121.60

*** Notes:**

- (1) Changes in significant subsidiaries during the period under review: No
- (2) Changes in accounting policies and changes in accounting estimates
 - 1) Changes in accounting policies required by IFRS: No
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
- (3) Total number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):
 - December 31, 2018: 325,402,443 shares
 - December 31, 2017: 325,402,443 shares
 - 2) Total number of treasury shares at the end of the period:
 - December 31, 2018: 4,689,703 shares
 - December 31, 2017: 4,700,301 shares
 - 3) Average number of shares during the period:
 - Fiscal year ended December 31, 2018: 320,704,276 shares
 - Fiscal year ended December 31, 2017: 320,702,897 shares

*These consolidated financial results are outside the scope of audit by Certified Public Accountants or auditing corporations.

*Explanation of the proper use of financial results forecast and other notes

(Adoption of International Financial Reporting Standards (“IFRS”))

The Group has adopted IFRS starting from the fiscal year under review. The consolidated financial statements for the previous fiscal year are also presented in accordance with IFRS.

(Caution concerning forward-looking statements)

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions that are judged to be reasonable, and the Company does not in any way guarantee the achievement of the projections. Actual results, etc. may differ greatly from the forecast figures depending on various factors.

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1. Consolidated Financial Statements and Primary Notes

(1) Consolidated Statements of Profit or Loss and Comprehensive Income

Consolidated Statement of Profit or Loss

(Million yen)

	For the fiscal year ended December 31, 2017	For the fiscal year ended December 31, 2018
Revenue	610,178	627,670
Cost of sales	(363,990)	(385,506)
Gross profit	246,188	242,164
Selling, general and administrative expenses	(158,416)	(164,142)
Other income	3,240	10,700
Other expenses	(5,581)	(2,179)
Operating profit	85,430	86,542
Finance income	3,600	4,432
Finance costs	(2,443)	(3,134)
Share of profit of investments accounted for using equity method	1,203	1,235
Profit before tax	87,790	89,075
Income taxes	(17,710)	(22,758)
Profit	70,080	66,316
Profit attributable to		
Owners of parent	49,312	45,351
Non-controlling interests	20,767	20,965
Profit	70,080	66,316
Earnings per share		
Basic earnings per share	153.77	141.41
Diluted earnings per share	153.74	141.39

Consolidated Statement of Comprehensive Income

(Million yen)

	For the fiscal year ended December 31, 2017	For the fiscal year ended December 31, 2018
Profit	70,080	66,316
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Financial assets measured at fair value through other comprehensive income	2,031	(4,895)
Remeasurements of defined benefit plans	514	(1,353)
Total of items that will not be reclassified subsequently to profit or loss	2,545	(6,248)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	5,412	(23,070)
Share of other comprehensive income of entities accounted for using equity method	655	(914)
Total of items that may be reclassified subsequently to profit or loss	6,067	(23,985)
Total other comprehensive income	8,613	(30,233)
Comprehensive income	78,694	36,083
Comprehensive income attributable to		
Owners of parent	55,157	22,752
Non-controlling interests	23,536	13,330
Comprehensive income	78,694	36,083

(2) Consolidated Statement of Financial Position

(Million yen)

	As of January 1, 2017 (Date of transition to IFRS)	As of December 31, 2017	As of December 31, 2018
Assets			
Current assets			
Cash and cash equivalents	135,667	101,876	129,633
Inventories	55,903	68,646	65,807
Trade and other receivables	149,969	175,185	179,269
Other financial assets	53,649	40,891	59,775
Other current assets	12,031	9,743	9,456
Subtotal	407,221	396,343	443,941
Assets held for sale	727	1,267	272
Total current assets	407,949	397,611	444,214
Non-current assets			
Property, plant and equipment	103,383	138,676	140,550
Goodwill	166,416	208,999	203,722
Other intangible assets	80,293	103,353	95,496
Investments accounted for using equity method	11,202	12,212	11,612
Other financial assets	35,521	46,955	40,942
Other non-current assets	12,789	14,820	14,374
Deferred tax assets	2,516	3,469	3,075
Total non-current assets	412,123	528,487	509,774
Total assets	820,072	926,098	953,988

	(Million yen)		
	As of January 1, 2017 (Date of transition to IFRS)	As of December 31, 2017	As of December 31, 2018
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	113,915	126,175	121,999
Bonds and borrowings	30,529	27,926	51,583
Other financial liabilities	6,954	6,091	5,050
Income taxes payable	7,933	6,091	4,735
Provisions	197	3,145	992
Other current liabilities	30,396	31,920	31,415
Total current liabilities	189,927	201,351	215,776
Non-current liabilities			
Bonds and borrowings	3,474	31,802	37,881
Other financial liabilities	6,608	5,502	5,558
Retirement benefit liability	19,355	18,012	19,572
Provisions	354	383	385
Other non-current liabilities	1,377	3,446	1,209
Deferred tax liabilities	17,403	28,659	25,986
Total non-current liabilities	48,574	87,805	90,593
Total liabilities	238,501	289,157	306,370
Equity			
Share capital	78,862	78,862	78,862
Capital surplus	63,451	63,262	63,247
Treasury shares	(6,444)	(6,454)	(6,444)
Retained earnings	323,230	360,249	390,287
Other components of equity	10,115	15,471	(5,905)
Total equity attributable to owners of parent	469,215	511,392	520,047
Non-controlling interests	112,355	125,549	127,570
Total equity	581,570	636,941	647,618
Total liabilities and equity	820,072	926,098	953,988

(3) Consolidated Statement of Changes in Equity

(Million Yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total		
Balance as of January 1, 2017	78,862	63,451	(6,444)	323,230	10,115	469,215	112,355	581,570
Profit	—	—	—	49,312	—	49,312	20,767	70,080
Other comprehensive income	—	—	—	—	5,844	5,844	2,768	8,613
Comprehensive income	—	—	—	49,312	5,844	55,157	23,536	78,694
Purchase of treasury shares	—	—	(10)	—	—	(10)	—	(10)
Disposal of treasury shares	—	0	0	—	(1)	0	—	0
Dividends	—	—	—	(12,828)	—	(12,828)	(12,514)	(25,342)
Share-based payment transactions	—	—	—	—	52	52	—	52
Changes in ownership interest in subsidiaries	—	(190)	—	—	—	(190)	1	(188)
Change in scope of consolidation	—	—	—	—	—	—	1,990	1,990
Transfer from other components of equity to retained earnings	—	—	—	534	(534)	—	—	—
Other	—	—	—	(0)	(5)	(5)	179	174
Total transactions with owners	—	(189)	(9)	(12,293)	(488)	(12,980)	(10,342)	(23,323)
Balance as of December 31, 2017	78,862	63,262	(6,454)	360,249	15,471	511,392	125,549	636,941
Profit	—	—	—	45,351	—	45,351	20,965	66,316
Other comprehensive income	—	—	—	—	(22,599)	(22,599)	(7,634)	(30,233)
Comprehensive income	—	—	—	45,351	(22,599)	22,752	13,330	36,083
Purchase of treasury shares	—	—	(7)	—	—	(7)	—	(7)
Disposal of treasury shares	—	18	16	—	(35)	0	—	0
Dividends	—	—	—	(14,110)	—	(14,110)	(12,325)	(26,436)
Share-based payment transactions	—	—	—	—	54	54	—	54
Changes in ownership interest in subsidiaries	—	(33)	—	—	—	(33)	(197)	(231)
Change in scope of consolidation	—	—	—	—	—	—	521	521
Transfer from other components of equity to retained earnings	—	—	—	(1,202)	1,202	—	—	—
Capital increase of subsidiaries	—	—	—	—	—	—	790	790
Other	—	—	—	—	—	—	(97)	(97)
Total transactions with owners	—	(15)	9	(15,313)	1,222	(14,096)	(11,309)	(25,406)
Balance as of December 31, 2018	78,862	63,247	(6,444)	390,287	(5,905)	520,047	127,570	647,618

(4) Consolidated Statement of Cash Flows

(Million yen)

	For the fiscal year ended December 31, 2017	For the fiscal year ended December 31, 2018
Cash flows from operating activities		
Profit before tax	87,790	89,075
Depreciation and amortization	17,894	18,390
Interest and dividend income	(2,068)	(2,432)
Interest expenses	1,083	1,261
Share of loss (profit) of investments accounted for using equity method	(1,203)	(1,235)
Loss (gain) on sale and retirement of property, plant and equipment, and intangible assets	318	(5,158)
Decrease (increase) in inventories	(4,780)	1,220
Decrease (increase) in trade and other receivables	(17,265)	(9,176)
Increase (decrease) in trade and other payables	7,431	(1,625)
Increase (decrease) in retirement benefit liability	(905)	(121)
Increase (decrease) in provisions	2,954	(2,128)
Other	7,666	(3,982)
Subtotal	98,916	84,087
Interest received	1,100	1,384
Dividends received	1,697	1,930
Interest paid	(1,095)	(1,348)
Income taxes paid	(28,209)	(24,968)
Income taxes refund	4,122	447
Net cash provided by operating activities	76,530	61,533
Cash flows from investing activities		
Net decrease (increase) in short-term investment securities	13,471	12,333
Purchase of property, plant and equipment	(20,807)	(18,399)
Proceeds from sale of property, plant and equipment	1,484	6,202
Purchase of intangible assets	(2,820)	(1,676)
Purchase of investment securities	(8,395)	(63)
Purchase of investments in subsidiaries	(82,606)	(1,868)
Proceeds from sale of investments in subsidiaries	55	—
Payments into time deposits	(4,244)	(37,021)
Proceeds from withdrawal of time deposits	3,997	2,549
Other	(435)	505
Net cash used in investing activities	(100,301)	(37,439)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(10,392)	22,354
Proceeds from long-term borrowings	35,432	16,995
Repayments of long-term borrowings	(3,798)	(7,104)
Redemption of bonds	(2,558)	—
Proceeds from issuance of shares	—	689
Dividends paid	(12,828)	(14,110)
Dividends paid to non-controlling interests	(14,180)	(12,038)
Other	(588)	(558)
Net cash provided by (used in) financing activities	(8,914)	6,228
Effect of exchange rate changes on cash and cash equivalents	(1,106)	(2,565)
Net increase (decrease) in cash and cash equivalents	(33,791)	27,757
Cash and cash equivalents at beginning of period	135,667	101,876
Cash and cash equivalents at end of period	101,876	129,633

(5) Notes to Consolidated Financial Statements

(Segment information)

(1) Summary of reportable segments

The reportable segments of the Company categorize the business composition of the Company for which separate financial information is available and are subject to periodical evaluation by the Board of Directors, which is the chief operating decision maker, in order to make decisions regarding management resource allocation and performance assessment.

The Group's primary business is the manufacture and sale of paint for automotive, general, industrial, and other uses, and fine chemicals. The Company and separate local companies are responsible for domestic activities, and overseas, separate local companies are responsible for the Asia, North America and other regions.

Each company is an individual management unit, and concerning which items to carry, comprehensive strategic proposals are made for each region to foster business growth.

As a result, the Group consists of segments divided by region with manufacture and sales structure as a base, and the three reportable segments are "Japan," "Asia," and "Americas."

"Other" contains business activities by overseas subsidiaries in Europe, etc. Those business activities are managed individually, but are not material enough to be disclosed separately as an independent segment of the Group.

(2) Information on reportable segments

Previous fiscal year (from January 1, 2017 to December 31, 2017)

	Reportable segment				Other	Total	Adjustment (Note 1)	Consolidated financial statements
	Japan	Asia	Americas	Subtotal				
Revenue								
Revenue from external customers	180,833	347,033	68,229	596,096	14,082	610,178	—	610,178
Intersegment revenue	33,617	4,665	162	38,446	934	39,381	(39,381)	—
Total	214,451	351,699	68,392	634,542	15,016	649,559	(39,381)	610,178
Segment profit	41,201	51,408	4,979	97,588	425	98,014	(12,583)	85,430
Finance income								3,600
Finance costs								(2,443)
Share of profit of investments accounted for using equity method								1,203
Profit before tax								87,790
Other items								
Depreciation and amortization	3,819	11,256	2,618	17,695	198	17,894	—	17,894
Capital expenditures (Note 2)	6,663	14,205	3,213	24,082	872	24,954	—	24,954

Note 1: Adjustments to "intersegment revenue" and "segment profit" are primarily due to intersegment eliminations.

Note 2: These mainly consist of expenditures for property, plant, and equipment and intangible assets.

Fiscal year ended December 31, 2018 (January 1, 2018 – December 31, 2018)

(Million yen)								
	Reportable segment				Other	Total	Adjustment (Note 1)	Consolidated financial statements
	Japan	Asia	Americas	Subtotal				
Revenue								
Revenue from external customers	182,817	355,746	75,207	613,770	13,900	627,670	—	627,670
Intersegment revenue	34,911	3,480	217	38,609	738	39,348	(39,348)	—
Total	217,729	359,226	75,424	652,380	14,638	667,018	(39,348)	627,670
Segment profit	43,636	52,418	4,989	101,044	(529)	100,514	(13,972)	86,542
Finance income								4,432
Finance costs								(3,134)
Share of profit of investments accounted for using equity method								1,235
Profit before tax								89,075
Other items								
Depreciation and amortization	3,815	11,507	2,850	18,174	216	18,390	—	18,390
Capital expenditures (Note 2)	3,990	13,129	2,608	19,728	2,725	22,453	—	22,453

Note 1: Adjustments to “intersegment revenue” and “segment profit” are primarily due to intersegment eliminations.

Note 2: These mainly consist of expenditures for property, plant, and equipment and intangible assets.

(3) Information on products and services

(Million yen)		
	Previous fiscal year (From January 1, 2017 to December 31, 2017)	Current fiscal year (From January 1, 2018 to December 31, 2018)
Paint business	591,299	608,280
Automotive paint	148,437	160,182
Trade-use paint	313,900	322,511
Industrial paint	72,965	68,764
Other paint	55,995	56,822
Fine chemical business	18,879	19,390
Total	610,178	627,670

(Per-share information)

The basis of calculations of basic earnings per share and diluted earnings per share is as below.

	Previous fiscal year (From January 1, 2017 to December 31, 2017)	Current fiscal year (From January 1, 2018 to December 31, 2018)
Profit attributable to owners of parent (million yen)	49,312	45,351
Adjustment to profit used in the calculation of diluted earnings per share (million yen)	—	—
Diluted earnings (million yen)	49,312	45,351
Weighted-average number of common shares issued (thousands of shares)	320,702	320,704
Increase in the number of common shares used in the calculation of diluted earnings per share (thousands of shares)	49	50
Increase due to exercise of stock options (thousands of shares)	49	50
Weighted-average number of common shares used in the calculation of diluted earnings per share (thousands of shares)	320,752	320,754
Basic earnings per share (yen)	153.77	141.41
Diluted earnings per share (yen)	153.74	141.39

2. Disclosure on Transition to IFRS

First-time adoption

Starting from the current fiscal year, the Group has disclosed its consolidated financial statements in accordance with IFRS. The most recent consolidated financial statements prepared in accordance with the generally accepted accounting principles in Japan (“Japanese GAAP”) are for the fiscal year ended December 31, 2017. The date of transition to IFRS is January 1, 2017.

(1) Exemptions from retrospective application

IFRS 1 requires a first-time adopter to apply IFRS retrospectively; however, certain exemptions are permitted. The Group has applied the following exemptions:

1) Business combinations

The Group has elected not to apply IFRS 3 “Business combinations” retrospectively to business combinations that occurred before the date of transition to IFRS, as permitted by IFRS 1. As a result, the carrying amount of goodwill arising from business combinations before the date of transition is stated at transition date carrying amount under Japanese GAAP. The Group tests goodwill for impairment at the date of transition, irrespective of whether there is any indication of impairment.

2) Fair value as deemed cost

IFRS 1 permits a first-time adopter to measure property, plant and equipment, investment property, and intangible assets at their fair value at the date of transition and use that fair value as their deemed cost at that date. For certain property, plant and equipment, the Group has used their fair value at the date of transition as their deemed cost at that date. In applying IFRS for property, plant and equipment and intangible assets, the Group has adopted the cost model instead of the revaluation model. The previous carrying amount of property, plant and equipment for which deemed cost is applied as of the date of transition was ¥43,371 million and their fair value was ¥38,413 million.

3) Exchange differences on translation of foreign operations

The Group has elected to deem the cumulative exchange differences on translation of foreign operations to be zero as of the date of transition to IFRS, as permitted by IFRS 1.

4) Designation of financial instruments recognized before the date of transition

IFRS 1 permits a first-time adopter to determine the classification in accordance with IFRS 9 on the basis of the facts and circumstances that exist at the date of transition instead of those that exist at initial recognition. In addition, changes in the fair value of equity financial assets may be designated as financial assets measured at fair value through other comprehensive income on the basis of the facts and circumstances that exist at the date of transition. The Group has determined the classification in accordance with IFRS 9 on the basis of the facts and circumstances that existed at the date of transition, and has designated certain equity financial assets as financial assets measured at fair value through other comprehensive income.

(2) Reconciliations

Reconciliations required under IFRS to be disclosed by a first-time adaptor are as follows. In the reconciliation tables, “Reclassifications” include items that do not affect retained earnings or comprehensive income, and “Differences in recognition and measurement” include items that affect retained earnings and comprehensive income.

Reconciliations of equity as of January 1, 2017 (date of transition to IFRS)

(Million yen)

Line items under Japanese GAAP	Japanese GAAP	Re-classifications	Differences in recognition and measurement	IFRS	Note	Line items under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	136,778	(2,262)	1,151	135,667		Cash and cash equivalents
Notes and accounts receivable - trade	135,139	14,543	286	149,969		Trade and other receivables
Electronically recorded monetary claims - operating	13,713	(13,713)	—	—		
Securities	50,787	(50,787)	—	—		
Merchandise and finished goods	31,041	24,552	309	55,903		Inventories
Work in process	3,639	(3,639)	—	—		
Raw materials and supplies	20,912	(20,912)	—	—		
Deferred tax assets	7,553	(7,553)	—	—	3)	
	—	53,635	13	53,649		Other financial assets
Other	17,052	(5,114)	92	12,031		Other current assets
Allowance for doubtful accounts	(3,698)	3,698	—	—		
Subtotal	412,920	(7,553)	1,854	407,221		Subtotal
	—	727	—	727		Assets held for sale
Total current assets	412,920	(6,825)	1,854	407,949		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	107,669	(727)	(3,558)	103,383	1)	Property, plant and equipment
Intangible assets						
Goodwill	166,362	—	54	166,416		Goodwill
Trademark right	44,279	(44,279)	—	—		
Other	47,055	33,224	13	80,293		Other intangible assets
Investments and other assets						
Investment securities	45,418	(45,418)	—	—		
	—	11,061	140	11,202		Investments accounted for using equity method
	—	35,758	(236)	35,521	2)	Other financial assets
Net defined benefit asset	154	(154)	—	—		
Other	3,096	9,637	55	12,789		Other non-current assets
Deferred tax assets	1,210	7,553	(6,247)	2,516	3)	Deferred tax assets
Allowance for doubtful accounts	(170)	170	—	—		
Total non-current assets	415,076	6,825	(9,778)	412,123		Total non-current assets
Total assets	827,996	—	(7,923)	820,072		Total assets

(Million yen)

Line items under Japanese GAAP	Japanese GAAP	Re- classifications	Differences in recognition and measurement	IFRS	Note	Line items under IFRS
Liabilities and net assets						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable - trade	70,732	42,185	997	113,915		Trade and other payables
Electronically recorded obligations - operating	21,512	(21,512)	—	—		
Short-term loans payable	29,548	947	33	30,529		Bonds and borrowings
Current portion of long-term loans payable	947	(947)	—	—		
	—	6,918	36	6,954		Other financial liabilities
Income taxes payable	7,866	—	66	7,933		Income taxes payable
	—	197	—	197		Provisions
Other	57,325	(27,802)	874	30,396	4)	Other current liabilities
Total current liabilities	187,932	(13)	2,008	189,927		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term loans payable	3,457	—	16	3,474		Bonds and borrowings
Lease obligations	883	5,696	29	6,608		Other financial liabilities
Deferred tax liabilities	23,270	13	(5,879)	17,403	3)	Deferred tax liabilities
Net defined benefit liability	19,124	142	88	19,355		Retirement benefit liability
Provision for directors' retirement benefits	142	(142)	—	—		
Provision for environmental measures	294	59	—	354		Provisions
Other	7,133	(5,755)	—	1,377		Other non-current liabilities
Total non-current liabilities	54,306	13	(5,745)	48,574		Total non-current liabilities
Total liabilities	242,238	—	(3,737)	238,501		Total liabilities
Net assets						Equity
Capital stock	78,862	—	—	78,862		Share capital
Capital surplus	63,451	—	—	63,451		Capital surplus
Retained earnings	361,074	—	(37,844)	323,230	5)	Retained earnings
Treasury shares	(6,444)	—	—	(6,444)		Treasury shares
Accumulated other comprehensive income	(23,606)	85	33,636	10,115	6)	Other components of equity
Share acquisition rights	85	(85)	—	—		
				469,215		Total equity attributable to owners of parent
Non-controlling interests	112,334	—	20	112,355		Non-controlling interests
Total net assets	585,757	—	(4,186)	581,570		Total equity
Total liabilities and net assets	827,996	—	(7,923)	820,072		Total liabilities and equity

(Notes to reconciliation of equity as of January 1, 2017 (date of transition to IFRS))

1) Property, plant and equipment

Under IFRS, the Group has applied deemed cost to certain property, plant and equipment, as permitted by IFRS 1. The carrying amount of those property, plant and equipment before the application of deemed cost was ¥43,371 million and their fair value was ¥38,413 million. As a result, property, plant and equipment have decreased.

2) Other financial assets (non-current assets)

Under Japanese GAAP, the Group measured unlisted equity securities mainly based on the moving-average method. Under IFRS, they are measured at fair value. As a result, other financial assets (non-current assets) have decreased.

3) Deferred tax assets and deferred tax liabilities

Under Japanese GAAP, the Group offset deferred tax assets and liabilities in each of the “current” and “non-current” categories. Under IFRS, deferred tax assets and liabilities are all classified into the “non-current” category, resulting in an increase in the offset amount. As a result, deferred tax assets and deferred liabilities have decreased.

4) Other current liabilities

The Group recognizes employees’ unused paid absences, etc., which were not recognized under Japanese GAAP, as liabilities under IFRS. As a result, other current liabilities have increased.

5) Retained earnings

	(Million yen)
	As of January 1, 2017 (Date of transition to IFRS)
Japanese GAAP	361,074
Reconciliation of exchange differences on translation of foreign operations	(28,512)
Reconciliation for retirement benefit plans	(5,214)
Deemed cost	(4,256)
Review of scope of consolidation	1,033
Reconciliation of liabilities for paid absences	(757)
Reconciliation of tax effects associated with elimination of unrealized gains and losses	(138)
Write-off of negative goodwill	194
Reconciliation of cost of inventories	31
Other	0
Subtotal	(37,619)
Reconciliation due to tax effects	(203)
Reconciliation of non-controlling interests	(20)
IFRS	323,230

6) Other components of equity

The Group elected the exemptions permitted by IFRS 1 and reclassified the cumulative exchange differences on translation of foreign operations in their entirety to retained earnings as of January 1, 2017 (the date of transition).

Remeasurements of defined benefit plans recognized under Japanese GAAP were also reclassified in their entirety to retained earnings as of January 1, 2017 (the date of transition).

7) Reclassifications

In addition to the above, the Group made reclassifications to comply with the provisions of IFRS. Major reclassifications are as follows:

- a. Deferred tax assets and liabilities classified as current have been reclassified in their entirety as non-current.
- b. Assets whose sale is highly probable and which are available for immediate sale in their present condition are separately presented as “assets held for sale.”
- c. “Share acquisition rights,” which were presented separately under Japanese GAAP, are included in “other components of equity” under IFRS.

8) Difference in scope of consolidation

Certain insignificant subsidiaries which were not included in the scope of consolidation under Japanese GAAP are included in the scope of consolidation under IFRS. The major effects of this change are as follows:

	(Million yen)
	As of January 1, 2017 (Date of transition to IFRS)
Cash and cash equivalents	1,151
Property, plant and equipment	671

Reconciliations of profit or loss and comprehensive income
for the previous fiscal year (from January 1, 2017 to December 31, 2017)

(Million yen)

Line items under Japanese GAAP	Japanese GAAP	Re- classifications	Differences in recognition and measurement	IFRS	Note	Line items under IFRS
Net sales	605,252	(109)	5,035	610,178	1)	Revenue
Cost of sales	(360,055)	—	(3,934)	(363,990)		Cost of sales
Gross profit	245,196	(109)	1,101	246,188		Gross profit
Selling, general and administrative expenses	(170,239)	(122)	11,946	(158,416)	2)	Selling, general and administrative expenses
	—	3,242	(2)	3,240		Other income
	—	(5,770)	188	(5,581)		Other expenses
Operating profit	74,957	(2,759)	13,233	85,430		Operating profit
Non-operating income	7,000	(7,000)	—	—		
Non-operating expenses	(5,137)	5,137	—	—	1)	
Extraordinary income	1,127	(1,127)	—	—		
Extraordinary losses	(3,175)	3,175	—	—		
	—	3,675	(75)	3,600	3)	Finance income
	—	(2,441)	(1)	(2,443)	3)	Finance costs
	—	1,217	(14)	1,203		Share of profit of investments accounted for using equity method
Profit before income taxes	74,771	(122)	13,142	87,790		Profit before tax
Total income taxes	(17,452)	122	(380)	(17,710)	4)	Income taxes
Profit	57,318	—	12,762	70,080		Profit
						Profit attributable to
Profit attributable to owners of parent	37,123	—	12,189	49,312		Owners of parent
Profit attributable to non- controlling interests	20,195	—	572	20,767		Non-controlling interests
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified subsequently to profit or loss
Valuation difference on available-for-sale securities	2,024	—	6	2,031	5)	Financial assets measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of tax	1,843	—	(1,328)	514	5)	Remeasurements of defined benefit plans
	—	—	—	—		Share of other comprehensive income of entities accounted for using equity method
				2,545		Total of items that will not be reclassified subsequently to profit or loss
						Items that may be reclassified subsequently to profit or loss
Foreign currency translation adjustment	5,140	—	272	5,412		Exchange differences on translation of foreign operations
Share of other comprehensive income of entities accounted for using equity method	644	—	10	655		Share of other comprehensive income of entities accounted for using equity method
				6,067		Total of items that may be reclassified subsequently to profit or loss
Total other comprehensive income	9,652	—	(1,038)	8,613		Total other comprehensive income
Comprehensive income	66,970	—	11,723	78,694		Comprehensive income

(Notes to reconciliations of profit or loss and comprehensive income)

1) Revenue

Under Japanese GAAP, the Group included and presented certain payments such as rebates in “non-operating expenses.” Under IFRS, they are deducted from “revenue” and therefore not presented separately.

2) Selling, general and administrative expenses

a. Goodwill, which was amortized over a certain period under Japanese GAAP, is not amortized under IFRS. As a result, selling, general and administrative expenses have decreased.

b. Under Japanese GAAP, actuarial gains and losses and past service costs were recognized in other comprehensive income as incurred and amortized on a straight-line basis over a certain period within the average remaining service period of employees, the amortized amounts of which were recognized in profit or loss from the fiscal year of incurrence. Under IFRS, actuarial gains and losses are fully recognized in other comprehensive income as incurred and then immediately reclassified to retained earnings, while past service costs are recognized in profit or loss as incurred.

c. Under Japanese GAAP, the Group recognized as retirement benefit expenses the interest expenses determined by multiplying retirement benefit obligations by the discount rate and the expected return on plan assets determined by multiplying plan assets by the expected rate of return. Under IFRS, the net interest amount determined by multiplying the net amount of retirement benefit obligations and plan assets by the discount rate is recognized. As a result, retirement benefit expenses have increased.

3) Finance income and finance costs

Under Japanese GAAP, the Group recognized gains and losses on the sale of equity financial assets in profit or loss. Under IFRS, for equity financial assets that are designated as measured at fair value through other comprehensive income, changes in the fair value are recognized in other comprehensive income. As a result, finance income and finance costs have decreased.

4) Income taxes

The amount of income taxes is adjusted for temporary differences arising on the reconciliations from Japanese GAAP to IFRS.

5) Other comprehensive income

a. Under Japanese GAAP, gains and losses on the sale of equity instruments were recognized as profit or loss. Under IFRS, certain equity instruments are designated as financial assets measured at fair value through other comprehensive income and hence not recognized in profit or loss. As a result, “financial assets measured at fair value through other comprehensive income” have increased.

b. Under Japanese GAAP, actuarial gains and losses were recognized in other comprehensive income as incurred and amortized on a straight-line basis over a certain period within the average remaining service period of employees, the amortized amounts of which were recognized in profit or loss. Under IFRS, remeasurements of defined benefit plans including actuarial gains and losses are recognized in other comprehensive income as incurred, but are not amortized and recognized in profit or loss. As a result, “remeasurements of defined benefit plans” have increased.

6) Other reclassifications

In addition to the above, reclassifications are made to comply with the provisions of IFRS. Major reclassifications are as follows. Of the items that were presented in “non-operating income,” “non-operating expenses,” “extraordinary income” and “extraordinary losses” under Japanese GAAP, finance-related items and foreign exchange gains and losses are presented in “finance income” or “finance costs,” and other items are presented in “other income,” “other expenses” or “share of profit of investments accounted for using equity method.”

7) Difference in scope of consolidation

Certain insignificant subsidiaries which were not included in the scope of consolidation under Japanese GAAP are included in the scope of consolidation under IFRS. The major effects of this change are as follows:

	(Million yen)
	Previous fiscal year (From January 1, 2017 to December 31, 2017)
Revenue	5,035
Cost of sales	(3,610)

Reconciliation of equity as of the end of the previous fiscal year (December 31, 2017)

(Million yen)

Line items under Japanese GAAP	Japanese GAAP	Re- classifications	Differences in recognition and measurement	IFRS	Note	Line items under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	103,007	(2,447)	1,316	101,876		Cash and cash equivalents
Notes and accounts receivable - trade	153,922	21,098	164	175,185		Trade and other receivables
Electronically recorded monetary claims - operating	15,402	(15,402)	—	—		
Merchandise and finished goods	38,198	30,207	239	68,646		Inventories
Work in process	4,032	(4,032)	—	—		
Raw materials and supplies	26,174	(26,174)	—	—		
Deferred tax assets	7,278	(7,278)	—	—	4)	
Securities	37,477	3,393	20	40,891		Other financial assets
Other	20,800	(11,038)	(19)	9,743		Other current assets
Allowance for doubtful accounts	(4,394)	4,394	—	—		
Subtotal	401,900	(7,278)	1,721	396,343		Subtotal
	—	1,267	—	1,267		Assets held for sale
Total current assets	401,900	(6,010)	1,721	397,611		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	142,880	(727)	(3,475)	138,676	1)	Property, plant and equipment
Intangible assets						
Goodwill	197,051	—	11,948	208,999	2)	Goodwill
Trademark right	61,870	(61,870)	—	—		
Other	54,295	49,046	11	103,353		Other intangible assets
Investments and other assets						
Investment securities	57,619	(45,532)	125	12,212		Investments accounted for using equity method
	—	47,210	(255)	46,955	3)	Other financial assets
Net defined benefit asset	77	(77)	—	—		
Other	3,834	10,601	385	14,820		Other non-current assets
Deferred tax assets	1,143	7,278	(4,952)	3,469	4)	Deferred tax assets
Allowance for doubtful accounts	(82)	82	—	—		
Total non-current assets	518,690	6,010	3,786	528,487		Total non-current assets
Total assets	920,591	—	5,507	926,098		Total assets

(Million yen)

Line items under Japanese GAAP	Japanese GAAP	Re- classifications	Differences in recognition and measurement	IFRS	Note	Line items under IFRS
Liabilities and net assets						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable - trade	79,940	45,177	1,058	126,175		Trade and other payables
Electronically recorded obligations - operating	22,380	(22,380)	—	—		
Short-term loans payable	18,274	9,594	57	27,926		Bonds and borrowings
Current portion of long-term loans payable	7,080	(7,080)	—	—		
	—	6,056	34	6,091		Other financial liabilities
Income taxes payable	6,046	21	23	6,091		Income taxes payable
Provision for product compensation	2,340	805	—	3,145		Provisions
Other	63,150	(32,196)	967	31,920	5)	Other current liabilities
Total current liabilities	199,212	(2)	2,141	201,351		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term loans payable	31,741	—	60	31,802		Bonds and borrowings
Lease obligations	846	4,626	29	5,502		Other financial liabilities
Deferred tax liabilities	33,337	2	(4,680)	28,659	4)	Deferred tax liabilities
Net defined benefit liability	17,398	191	423	18,012		Retirement benefit liability
Provision for directors' retirement benefits	191	(191)	—	—		
Provision for environmental measures	264	118	—	383		Provisions
Other	8,190	(4,744)	0	3,446		Other non-current liabilities
Total non-current liabilities	91,970	2	(4,167)	87,805		Total non-current liabilities
Total liabilities	291,182	—	(2,025)	289,157		Total liabilities
Net assets						Equity
Capital stock	78,862	—	—	78,862		Share capital
Capital surplus	63,262	—	—	63,262		Capital surplus
Retained earnings	385,369	—	(25,119)	360,249	6)	Retained earnings
Treasury shares	(6,454)	—	—	(6,454)		Treasury shares
Accumulated other comprehensive income	(16,703)	136	32,038	15,471	7)	Other components of equity
Share acquisition rights	136	(136)	—	—		
				511,392		Total equity attributable to owners of parent
Non-controlling interests	124,934	—	614	125,549		Non-controlling interests
Total net assets	629,408	—	7,533	636,941		Total equity
Total liabilities and net assets	920,591	—	5,507	926,098		Total liabilities and equity

(Notes to reconciliation of equity as of the end of the previous fiscal year (December 31, 2017))

1) Property, plant and equipment

Under IFRS, the Group has applied deemed cost to certain property, plant and equipment, as permitted by IFRS 1. The carrying amount of those property, plant and equipment before the application of deemed cost was ¥44,334 million and their fair value was ¥39,375 million. As a result, property, plant and equipment have decreased.

2) Goodwill

The Group amortized goodwill over substantively estimated amortization periods under Japanese GAAP, but has discontinued amortizing goodwill since the date of transition under IFRS.

3) Other financial assets (non-current assets)

Under Japanese GAAP, the Group measured unlisted equity securities mainly based on the moving-average method. Under IFRS, they are measured at fair value. As a result, other financial assets (non-current assets) have increased.

4) Deferred tax assets and deferred tax liabilities

Under Japanese GAAP, the Group offset deferred tax assets and liabilities in each of the “current” and “non-current” categories. Under IFRS, deferred tax assets and liabilities are all classified into the “non-current” category, resulting in an increase in the offset amount. As a result, deferred tax assets and deferred liabilities have decreased.

5) Other current liabilities

The Group recognizes employees’ unused paid absences, etc., which were not recognized under Japanese GAAP, as liabilities under IFRS. As a result, other current liabilities have increased.

6) Retained earnings

	(Million yen)
	Previous fiscal year (As of December 31, 2017)
Japanese GAAP	385,369
Reconciliation of exchange differences on translation of foreign operations	(28,512)
Reconciliation of goodwill	11,601
Reconciliation for retirement benefit plans	(2,810)
Deemed cost	(4,383)
Review of scope of consolidation	1,030
Reconciliation of liabilities for paid absences	(845)
Reconciliation of tax effects associated with elimination of unrealized gains and losses	(157)
Write-off of negative goodwill	194
Reconciliation of cost of inventories	26
Other	0
Subtotal	(23,855)
Reconciliation due to tax effects	(665)
Reconciliation of non-controlling interests	(598)
IFRS	360,249

7) Other components of equity

The Group elected the exemptions permitted by IFRS 1 and reclassified the cumulative exchange differences on translation of foreign operations in their entirety to retained earnings as of January 1, 2017 (the date of transition).

Remeasurements of defined benefit plans recognized under Japanese GAAP were also reclassified in their entirety to retained earnings as of January 1, 2017 (the date of transition).

8) Reclassifications

In addition to the above, the Group made reclassifications to comply with the provisions of IFRS. Major reclassifications are as follows:

- a. Deferred tax assets and liabilities classified as current have been reclassified in their entirety as non-current.
- b. Assets whose sale is highly probable and which are available for immediate sale in their present condition are separately presented as “assets held for sale.”
- c. “Share acquisition rights,” which were presented separately under Japanese GAAP, are included in “other components of equity” under IFRS.

9) Difference in scope of consolidation

Certain insignificant subsidiaries which were not included in the scope of consolidation under Japanese GAAP are included in the scope of consolidation under IFRS. The major effects of this change are as follows:

	(Million yen)
	Previous fiscal year (As of December 31, 2017)
Cash and cash equivalents	1,316
Property, plant and equipment	754

(Reconciliation of cash flows for the previous fiscal year)

There are no material differences between the consolidated statement of cash flows in accordance with Japanese GAAP and the consolidated statement of cash flows in accordance with IFRS.