This notice has been translated from the original Japanese text of the timely disclosure statement dated August 10, 2017 and is for reference purposes only. In the event of any discrepancy between the original Japanese and this translation, the Japanese text shall prevail.

CAUTIONS REGARDING FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements, such as Unicharm Corporation's current plans, strategies, and future performance. These forward-looking statements are based on judgments obtained from currently available information. Please be advised that, for a variety of reasons, actual results may differ materially from those discussed in the forward-looking statements. Events that might affect actual results include, but are not limited to, economic circumstances in which Unicharm Corporation operates, competitive pressures, relevant regulations, changes in product development, and fluctuations in currency exchange rates.

Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2017 (January 1, 2017 through June 30, 2017); Flash Report [IFRS]

August 10, 2017

Listed Company Name: **Unicharm Corporation**
Listing: **First Section, Tokyo Stock Exchange**
Code Number: **8113**
URL: **http://www.unicharm.co.jp/**
Company Representative: **Takahisa Takahara, President and Chief Executive Officer**
Contact Person: **Atsushi Iwata, Senior Executive Officer, General Manager of Accounting Control and Finance Division**
Telephone Number: **+81-3-3451-5111**
Planned Filing Date of Quarterly Securities Report: **TBD**
Planned Commencement Date of Dividend Payments: **September 4, 2017**
Preparation of Any Additional Explanatory Documents for Quarterly Financial Results: **Yes**
Holding of Any Briefing Session for Quarterly Financial Results: **Yes (Securities Analysts, Institutional Investors)**

(Amounts less than one million yen have been truncated)

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2017 (January 1, 2017 through June 30, 2017)

(1) Consolidated financial results (2Q cumulative)

(Figures in percentage represent increases or decreases from the same period last year)

	Net Sales		Profit Before Tax		Profit for the Period		Profit Attributable to Owners of Parent		Total Comprehensive Income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
2Q of Fiscal Year Ending December 31, 2017	301,980	1.5	38,429	24.7	27,623	27.3	25,198	28.0	26,302	–
2Q of Fiscal Year Ended December 31, 2016	297,429	–	30,819	–	21,705	–	19,682	–	(25,579)	–

	Basic Earnings Per share	Diluted Earnings Per Share
	Yen	Yen
2Q of Fiscal Year Ending December 31, 2017	42.80	41.48
2Q of Fiscal Year Ended December 31, 2016	33.04	32.03

(2) Consolidated financial position

	Total Assets	Total Equity	Equity Attributable to Owners of Parent	Ratio of Equity Attributable to Owners of Parent
	Millions of Yen	Millions of Yen	Millions of Yen	%
As of June 30, 2017	672,327	419,910	358,426	53.3
As of December 31, 2016	668,592	414,387	352,098	52.7

2. Cash Dividends

	Annual Dividends				
	1st Q-End	2nd Q-End	3rd Q-End	Year-End	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year Ended December 31, 2016	–	8.00	–	8.00	16.00
Fiscal Year Ending December 31, 2017	–	9.00			
Fiscal Year Ending December 31, 2017 (projection)			–	9.00	18.00

(Note) Revision of dividend projections that have been disclosed lastly: None

3. Projected Consolidated Financial Results for the Fiscal Year Ending December 31, 2017 (January 1, 2017 through December 31, 2017)

(Figures in percentage represent increases or decreases from the previous fiscal year)

	Net Sales		Core Operating Income		Profit Before Tax		Profit Attributable to Owners of Parent		Basic Earnings Per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Full Year	630,000	4.2	84,000	6.2	77,000	1.5	49,000	4.3	83.66

(Note) Revision of projected results that have been disclosed lastly: None

*** Notes**

(1) Change in major subsidiaries during the period (or any change of specified subsidiaries accompanying a change in the scope of consolidation): None

(2) Change in accounting policies or estimates

(i) Changes in accounting policies required by IFRS: None
(ii) Change in accounting policies other than item (i) above: None
(iii) Change in accounting estimates: None

(3) Number of issued and outstanding shares (common shares)

(i) Number of issued and outstanding shares (including treasury shares):
As of June 30, 2017: 620,834,319 shares
As of December 31, 2016: 620,834,319 shares
(ii) Number of treasury shares as of end of period:
As of June 30, 2017: 35,097,830 shares
As of December 31, 2016: 29,982,790 shares
(iii) Average number of shares during the period (accumulated total):
2Q of Fiscal Year Ending December 31, 2017: 588,681,583 shares
2Q of Fiscal Year Ended December 31, 2016: 595,784,366 shares

* The quarterly financial results summary is not part of the quarterly review.

* Explanation regarding proper use of the projections of financial results and other notes

(1) The Group adopted the International Financial Reporting Standards (IFRS) beginning with the first quarter of the fiscal year ending in December 31, 2017.
The consolidated financial statements for the second quarter of the previous fiscal year and the full year are presented based on IFRS. Please refer to "2. Condensed Consolidated Financial Statements and Significant Notes Thereto, (5) Notes to the condensed consolidated financial statements, 4. First-time adoption" on page 13 for information on the differences between IFRS and Japanese accounting standards as they pertain to consolidated financial figures.

(2) While the core operating income disclosed by the Company is not an indicator defined in IFRS, the Company voluntarily discloses this as it is believed to be a valuable benchmark for measuring the Company's recurring business performance.

(3) Projections stated herein are based on the currently available information and the Company's assumptions that were judged to be valid as of the announcement date hereof, and are not intended to be a promise by the Company to achieve these projections. Therefore, actual results may differ for various factors. Please refer to "1. Qualitative Information on Financial Results, (3) Explanation of future estimate information such as consolidated financial results projections" section on page 5 for more information concerning the assumptions used for projections of financial results and other notes on proper use.

(4) As announced in the "Notice of Investigation Related to the Previous Financial Results" dated August 10, 2017, the Company is conducting an investigation on the appropriateness of accounting treatments related to financial results for the fiscal year ended December 31, 2016, and years prior. Presently, the Company has made a judgmental decision currently that the issue has no influence on the result for the second quarter of the fiscal year under review. However, with respect to the figures relating to the previous fiscal year (fiscal year ended December 31, 2016) and to the second quarter of the previous fiscal year (January 1, 2016 to June 30, 2016) that are stated in the Consolidated Financial Results, it is as yet unknown whether any restatement would be required. There is a possibility that a restatement would be made, dependent on the progress of the investigation, in which case it is not known what the impact of such a restatement would be. For convenience, the above-mentioned previous years' figures stated in the Consolidated Financial Results are figures published in the past, and the same are also used in the comparative information stated herein. However, given the situation described above, the Company asks that information referred to in the above is not used as a basis for making investment decisions.

Contents of Exhibit

1. Qualitative Information on Financial Results

(1) Explanation of operating results

In the second quarter of the fiscal year under review (January 1 to June 30, 2017), as the economies of our key target countries, including China, Indonesia, and Thailand, was on a recovery trend, the Group proactively carried out sales activities of personal care products tailored to consumer needs, with a view to expanding its sales and market share.

In Japan, although inbound consumption showed signs of stabilizing, the modest economic recovery continued, and the Group continued to make proposals offering new value to stimulate demand for high value-added personal care products. These efforts resulted in stable growth.

In this environment and under the banner "we constantly provide the world's No.1 and unprecedented products and services to everybody around the globe, and deliver comfort, impression, and satisfaction," the Company and its group companies continued to develop unique non-woven fabric processing and forming technology, and products that meet the needs of consumers while working to create a "Cohesive Society" in which people from all generations can live while not feeling burdened by one another and with mutual respect for each other as people.

As a result, the Company's net sales in the second quarter of the fiscal year under review reached ¥301,980 million (up 1.5% year on year). Looking at profits, which notably reflected the effects of the decrease in foreign exchange losses attributable to the yen's depreciation, profit before tax, profit for the period, and profit attributable to owners of parent in the second quarter of the fiscal year under review reached ¥38,429 million (up 24.7% year on year), ¥27,623 million (up 27.3% year on year), and ¥25,198 million (up 28.0% year on year), respectively.

Financial results by segment are as described below.

1) Personal Care Business

● Baby Care Products

Overseas, the Company continued to strengthen its internet sales and worked to build name recognition for the *moony* series in China, where demand for high value-added imports from Japan, which meet the needs for safety, is high, as well as to promote pants-type disposable diapers. In India, where the use of disposable diapers is still quite low even among emerging countries, the Company expanded its sales area and market share while promoting pants-type disposable diapers.

In Japan, given an increasing number of babies born weighing below 3,000 g, the Company responded to the need for safety with the launch of *Natural moony newborn birth to 3,000 g*, as an addition in the *Natural moony* series, which is Japan's first[*1] disposable diaper that uses organic cotton for the top sheet. From the *moony man Air Fit* series, which fits comfortably on the baby's skin while preventing leakage, the Company introduced a new type of *moony man Air Fit for the rolling - crawling baby* by giving it the additional feature of the world's first[*2] three-dimensional loose stool pocket. The Company also conducted a limited summer release of *moony man Sweat Free* type, a product equipped with a sticky free antibacterial sheet that absorbs sweat from the back and is antibacterial. Through these activities, the Company endeavored to invigorate the market. In addition, the Company strengthened relations in the *Mamy Poko* series, which has a charming Disney character design and superior absorbency, as well as sub-category products such as pants-type products for children with bed-wetting problems. Aside from the foregoing, the Company has been engaged in a behavioral study on what makes children want to go to the toilet, based on developmental science, and have collaborated with the Graduate School of Kyoto University to develop an app, "Potty Training with moony." This is a useful tool for guardians to use at the start of toilet training, which is an important period for babies to forge self-confidence and build trust with people around them. The Company has started offering this app free of charge.

*1: The first among major domestic disposable baby diaper products to include organic cotton for the top sheet of disposable baby diapers (survey by Unicharm Corporation, in March 2016)

*2: A pocket made of two vertical and horizontal tucks expands outward on the back of the diaper. This is the world's first pants-type disposable baby diaper to use such a pocket in key global brands. (Survey by Unicharm Corporation, in September 2015)

● Feminine Care Products

For overseas, in China the Company's high-quality products featuring charming designs remain highly popular with the younger generation. In addition, the Company has been endeavoring to expand its sales area and further increase its market share for products tailored to customer needs in emerging countries such as Indonesia, Thailand and Vietnam.

In Japan, the Company introduced *SOFY Air Fit Slim - Happy Floral Bouquet Aroma*, an addition to the *SOFY Air Fit Slim* series of thin napkins that give users a new sense of comfort that they are not wearing a napkin, to meet the need for fragrant products that is growing year after year. Also, the Company launched two limited summer editions that make it possible to live a pleasant life even during summer when the humidity is high and the temperature rises. One is the *SOFY Ultra Sound Sleep Cool Skin* which features an Asian resort and plumeria motif as well as increased breathability[*1] with the use of an ultra-breathable back sheet from the *SOFY Ultra Sound Sleep* series that allows users to enjoy the happiness of sleep. Another is the *SOFY Cooling Fresh Liner*, a cool and refreshing liner which is Japan's first type[*2] that uses a menthol fragrance containing natural mint oil to give a feeling of freshness and to reduce stuffiness. With these products, the Company endeavored to free women from physical and emotional constraints while examining the structures of women's bodies and minds from a scientific perspective.

*1: Based on a comparison with the existing *SOFY Ultra Sounds Sleep Guard*
*2: Among major domestic pantyliners (survey by Unicharm Corporation, in January 2017)

● Health Care Products

Looking at overseas activities in Indonesia, a country in which the majority are Muslims and where the market for adult disposable diapers continues to expand, the Company obtained Halal certification that certifies its products are manufactured in conformity with Islamic Shariah Laws, in an effort to make products available to as many people as possible, so that they can feel assured in using the products.

In the domestic market, which continues to grow as Japan's population of the elderly grows, the Company has been working to educate the public about products that enable elderly people to continue with their current lifestyle as before. In the light incontinence care products line, the Company utilized its *Lifree Comfortable Pads* series of incontinence care products for men that are designed to prevent urine leakage and stains on trousers, and the *Charm Nap* brand, which brings happiness to daily life with its absorbent care, as part of its continuous efforts to remove resistance to using these products by conveying that everyone has light incontinence. In addition, as there are many people who experience light fecal incontinence which, as with light urinary incontinence, is caused by the weakening of sphincter muscles, the Company sought to create a new market with the launch of Japan's first[*2] pad specially designed for "slight bowel leaks[*1]," the *Lifree Comfortable Pads for Slight Leaks*, which are available through on-line stores in a limited release. In the adult disposable diapers and incontinence care products area, a new product was introduced from the *Lifree* brand, the *Lifree Slim-fit Style Underwear*, available each for men and for women, in which three patented technologies are used to achieve a natural appearance from behind so that users can enjoy long hours out of the house feeling secure and without having to worry about how they might look. In addition, the Company has pushed forward with the initiatives to support people going outside through appropriate excretion care and to prevent dementia by promoting "Social walking[*3]," a program which aims to phase out people who have confined themselves to their room by encouraging them to continue working purposefully with society. The Company has also actively promoted its products through TV commercials, on its website, during over-the-counter consultations at shops, and by creating shelf space at retailers based on daily activities to take the lead in the market for excretion care products.

*1: "Slight bowel leaks" is defined as small fecal incontinence and a staining of the undergarment.
*2: Among major domestic manufacturers of pads to be placed in an undergarment to cover the anal area as a precaution against light fecal incontinence (survey by Unicharm Corporation, in March 2017)
*3: "Social walking" is a coined word that means "social participation and walking," and it indicates a form of walking that helps preventing dementia in a manner that anyone can easily benefit from by walking while having a good time with other people (devised by the Company, under the supervision of Tokyo Metropolitan Geriatric Hospital and Institute of Gerontology).

● Clean and Fresh Products

In the domestic market for clean and fresh products, the Company launched a campaign for the *Wave* brand with its cleaning proposal that a single sheet of this product can clean the entire house. Calling it the "Wave-kun (campaign character) and freshly cool house cleaning campaign," the campaign sought to propose a new house cleaning practice in response to concerns for house dust and the attention to cleanliness which tends to grow with rises in temperature and humidity. Also, the Company participated in COOL CHOICE activities again this fiscal year, an initiative against global warming, to encourage reduction of CO_2 emission.

Also, as part of its effort to revitalize the market, the Company conducted sales promotion of the *Silcot Wet Tissues* series, which enables users to clean quickly with just one hand and has been very popular with customers because of its broad product lineup that suits use outdoors or in various situations. The Company also revitalized the diversifying cosmetic cotton market with products such as *Silcot Sponge Touch Moisturizing Cotton*, which makes skin amazingly moist with 50% less lotion[*1], and *Silcot Wiping Cotton Silky Cut*, made from Japan's first superfine filament[*2], which easily removes even microscopic dirt.

*1: Compared to the Company's conventional products

*2: The sheet covering the puff has a double-layered structure. The outer layer touching the skin consists of superfine filaments that are less than 10 µm in size and the inner part is made up of coarse cellulose fibers. The survey covered cosmetic cotton from major brands in Japan. (Survey by Unicharm Corporation, in October 2015)

As a result, net sales and segment profit (core operating income) for the personal care business for the fiscal period under review were ¥261,051 million (up 0.9% year on year) and ¥34,629 million (up 2.2% year on year), respectively.

2) Pet Care Business

The Company has been working to develop products ranging from sanitary goods to food and create markets to support the lives of pets in an integrated manner in order to help create a "Cohesive Society" in which humans and pets can live together in comfort for a long time and in good health.

In the domestic pet toiletry business, the Company worked towards a "Cohesive Society" where people and their pets can live together harmoniously. To this end, the Company added new sizes to *Manner Wear* products, which are dog items catering to excretion care that can be worn like dog clothes, thereby offering pet owners the enjoyment of going out for a walk or otherwise with their dogs. Also, *Manner Wear for Female Dogs* was redesigned to give a cuter look. Given the increase in the number of indoor dogs and cats in recent years, the Company proposed ways to create clean and comfortable living spaces where users and pets live together by launching limited editions featuring summer specific fragrances, for the three products of *Deo Sheet Deodorizing Fragrance, Deo Sheet Soft Scented Deodorizing Design Sheet*, and *Deodorant Beads Cat Litter Deodorizer*, to help pet owners spend comfortable time together even in summer, surrounded by fresh fragrance and without the annoyance of pet odors. Additionally, in line with the Company's commitment to develop products that support pets enjoying a long life in high spirits through daily health care, and in response to the general preference for smaller dog breeds and a rise in health care needs, the Company introduced a new product, the *Karada-omoi-labo, bed gentle to the legs, loins and joints*, a bed for pets developed jointly with Toyobo Co., Ltd., and designed to reduce the physical burden on the pets.

In the domestic pet food market, the Company has been driving the expansion of the gourmet dog food market, and launched two new products from the *Grand Deli* brand of dog food which focuses on high-quality ingredients: *Grand Deli Pouch Dual Taste*, containing 100% selected domestic chicken meat offered in pouch assortments rich in flavor with different ingredients to allow a handy change of menu; and *Grand Deli Ottotto for dogs*, or dog snacks with crispy texture jointly developed with Morinaga & Co., Ltd, the pet industry's first[*1] case of such a collaboration. In addition, the Company made improvements to the *Grand Deli Warm Kitchen*, a super-gourmet food and the world's first[*2] dog food designed to be warmed up in the microwave, giving it a sweet potato fragrance when heated. For cats, the Company expanded the lineup of *Silver Spoon Three-Star Gourmet* featuring rich fish ingredients that bring out the luxurious taste and smells of fish that cats love, with the addition of *Silver Spoon Three-Star Gourmet with Four Assorted Flavors*, an assortment type[*3] that lets cats enjoy a variety of different flavors in one box. The Company also launched several products responding to the common habit among cats to eat all food provided, as well as concerns for health and peace of mind. These are, from the *Silver Spoon* brand, *Silver Spoon Special Fish Ingredients for cats with obesity concerns*, a new variety of dry food featuring a low fat and low calorie amount for cats with obesity concerns, as well as *Silver Spoon Pouches Tasty Gelée*, with its stew-like thick consistency rich in fish flavor as a new palatable addition to the series.

In the North American market, sales have remained steady in sheets for dogs with the use of Japanese technology and in wet-type snacks for cats, and preparations were made for future growth, including reinforcing Internet sales, which have grown significantly in recent years, and making overtures to pet specialty stores.

*1: Snacks for dogs jointly developed for the first time by Unicharm Corporation and Morinaga & Co., Ltd. (as of March 2017)
*2: Among major global brands, as a semi-perishable dog food containing fats and processed starch treated by etherification, to be heated in a microwave oven (survey by Unicharm Corporation, in March 2015)
*3: An assortment of products with different tastes

As a result, net sales and segment profit (core operating income) for the pet care business for the fiscal period under review were ¥37,770 million (up 6.0% year on year) and ¥4,424 million (up 79.3% year on year), respectively.

3) Other Businesses
In the category of business-use products utilizing its core non-woven fabric and absorber processing and forming technology, the Company focused on promoting the sales of industrial materials.

As a result, net sales and segment profit (core operating income) in other businesses for the fiscal period under review were ¥3,158 million (up 6.1% year on year) and a loss of ¥112 million yen (segment profit (core operating income) was ¥197 million in the second quarter of the previous fiscal year).

(2) Explanation of financial position
(Assets)
Total assets as of the end of the second quarter were ¥672,327 million (up 0.6% compared with the end of the previous fiscal year). The major increases were ¥20,536 million in other financial assets mainly due to time deposits with deposit terms exceeding three months, and ¥7,441 million in inventories, and the major decrease was ¥19,102 million in cash and cash equivalents.

(Liabilities)
Liabilities as of the end of the second quarter were ¥252,417 million (down 0.7% compared with the end of the previous fiscal year). The major increase was ¥3,769 million in deferred tax liabilities, and the major decreases were ¥1,993 million in income tax payables, ¥1,519 million in trade and other payables, ¥1,326 million in bonds and borrowings and ¥607 million in other current liabilities.

(Equity)
Total equity as of the end of the second quarter was ¥419,910 million (up 1.3% compared with the end of the previous fiscal year). The major increase was ¥25,198 million in profit attributable to owners of parent, and the major decreases were a ¥14,000 million increase in treasury shares and ¥4,727 million in dividend payments.

(Ratio of equity attributable to owners of parent)
Ratio of equity attributable to owners of parent as of the end of the second quarter was 53.3%.

(3) Explanation of future estimate information such as consolidated financial results projections
Regarding full-year financials results projections, there were no changes from the announcement made on February 15, 2017.

2. Condensed Consolidated Financial Statements and Significant Notes Thereto

(1) Condensed consolidated statement of financial position

(Millions of Yen)

	Notes	Date of transition to IFRS (as of January 1, 2016)	Fiscal Year Ended December 31, 2016 (as of December 31, 2016)	2Q of Fiscal Year Ending December 31, 2017 (as of June 30, 2017)
Assets				
Current assets				
Cash and cash equivalents		101,966	138,043	118,941
Trade and other receivables		98,576	90,637	85,093
Inventories		64,029	57,403	64,844
Other current financial assets		36,589	38,938	54,219
Other current assets		13,509	14,615	18,547
Total current assets		314,669	339,637	341,644
Non-current assets				
Property, plant and equipment		239,692	236,629	235,513
Intangible assets		51,734	48,595	46,691
Deferred tax assets		13,067	8,955	9,010
Investments accounted for using equity method		204	705	719
Other non-current financial assets		25,615	25,388	30,643
Other non-current assets		11,218	8,684	8,107
Total non-current assets		341,531	328,955	330,683
Total assets		656,200	668,592	672,327

(Millions of Yen)

	Notes	Date of transition to IFRS (as of January 1, 2016)	Fiscal Year Ended December 31, 2016 (as of December 31, 2016)	2Q of Fiscal Year Ending December 31, 2017 (as of June 30, 2017)
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables		131,737	129,206	127,686
Bonds and borrowings		3,847	6,753	5,448
Income tax payables		7,668	9,337	7,344
Other current financial liabilities		174	65	126
Other current liabilities		26,199	31,600	30,994
Total current liabilities		169,624	176,962	171,598
Non-current liabilities				
Bonds and borrowings		59,623	61,190	61,169
Deferred tax liabilities		3,091	2,873	6,642
Retirement benefit liabilities		5,296	7,649	7,419
Other non-current financial liabilities		2,349	2,391	2,409
Other non-current liabilities		2,900	3,141	3,179
Total non-current liabilities		73,258	77,243	80,819
Total liabilities		242,883	254,205	252,417
Equity				
Equity attributable to owners of parent				
Capital stock		15,993	15,993	15,993
Share premium		–	–	59
Retained earnings		358,875	391,800	412,225
Treasury shares		(41,101)	(53,652)	(67,652)
Other components of equity		15,947	(2,042)	(2,199)
Total equity attributable to owners of parent		349,714	352,098	358,426
Non-controlling interests		63,604	62,289	61,485
Total equity		413,317	414,387	419,910
Total liabilities and equity		656,200	668,592	672,327

(2) Condensed consolidated statement of income

(Millions of Yen)

	Notes	2Q of Fiscal Year Ended December 31, 2016 (January 1, 2016 – June 30, 2016)	2Q of Fiscal Year Ending December 31, 2017 (January 1, 2017 – June 30, 2017)
Net sales	2	297,429	301,980
Cost of sales		(187,856)	(186,291)
Gross profit		109,573	115,689
Selling, general and administrative expenses	3	(73,031)	(76,747)
Other income		838	500
Other expenses		(707)	(1,391)
Financial income		4,775	1,327
Financial costs		(10,628)	(948)
Profit before tax		30,819	38,429
Income tax expenses		(9,115)	(10,806)
Profit for the period		21,705	27,623
Profit attributable to			
Owners of parent		19,682	25,198
Non-controlling interests		2,023	2,425
Profit for the period		21,705	27,623
Earnings per share attributable to owners of parent			
Basic earnings per share (Yen)		33.04	42.80
Diluted earnings per share (Yen)		32.03	41.48

Reconciliation of changes from gross profit to core operating income

(Millions of yen)

Gross profit	109,573	115,689
Selling, general and administrative expenses	(73,031)	(76,747)
Core operating income (*)	36,541	38,941

* Core operating income comprises gross profit less selling, general and administrative expenses. While it is not an indicator defined in IFRS, the Company voluntarily discloses this in the condensed consolidated statement of income and Note “2. Segment information” as the Company’s Board of Directors evaluates the performance of business segments based on core operating income, and it is believed to be a valuable benchmark for measuring the Company’s recurring business performance.

(3) Condensed consolidated statement of comprehensive income

(Millions of Yen)

	Notes	2Q of Fiscal Year Ended December 31, 2016 (January 1, 2016 – June 30, 2016)	2Q of Fiscal Year Ending December 31, 2017 (January 1, 2017 – June 30, 2017)
Profit for the period		21,705	27,623
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss			
Remeasurements related to net defined benefit liabilities (assets)		(96)	(22)
Subtotal		(96)	(22)
Items that may be reclassified to profit or loss			
Changes in fair value of available-for-sale financial assets		(4,031)	3,686
Changes in fair value of cash flow hedges		(144)	(48)
Exchange differences on translation in foreign operations		(43,012)	(4,937)
Subtotal		(47,188)	(1,299)
Total other comprehensive income, net of tax		(47,284)	(1,321)
Total comprehensive income		(25,579)	26,302
Total comprehensive income attributable to			
Owners of parent		(18,716)	24,796
Non-controlling interests		(6,863)	1,506
Total comprehensive income		(25,579)	26,302

(4) Condensed consolidated statement of changes in equity

Second Quarter of the Fiscal Year Ended December 31, 2016 (January 1, 2016 – June 30, 2016)

(Millions of yen)

	Notes	Equity attributable to owners of parent						Non-controlling interests	Total equity
		Capital stock	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
Balance at January 1, 2016		15,993	–	358,875	(41,101)	15,947	349,714	63,604	413,317
Profit for the period		–	–	19,682	–	–	19,682	2,023	21,705
Other comprehensive income		–	–	–	–	(38,398)	(38,398)	(8,886)	(47,284)
Total comprehensive income		–	–	19,682	–	(38,398)	(18,716)	(6,863)	(25,579)
Disposal of treasury shares		–	(66)	–	295	(31)	198	–	198
Dividends		–	–	(4,408)	–	–	(4,408)	(2,135)	(6,543)
Equity transactions with non-controlling interests		–	(1,222)	–	–	–	(1,222)	293	(930)
Share-based payments		–	–	–	–	290	290	–	290
Transfer from other components of equity to retained earnings		–	–	(115)	–	115	–	–	–
Transfer from retained earnings to share premium		–	1,289	(1,289)	–	–	–	–	–
Total transactions with owners		–	–	(5,812)	295	375	(5,143)	(1,842)	(6,985)
Balance at June 30, 2016		15,993	–	372,745	(40,806)	(22,077)	325,855	54,898	380,753

Second Quarter of the Fiscal Year Ending December 31, 2017 (January 1, 2017 – June 30, 2017)

(Millions of yen)

	Notes	Equity attributable to owners of parent						Non-controlling interests	Total equity
		Capital stock	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
Balance at January 1, 2017		15,993	–	391,800	(53,652)	(2,042)	352,098	62,289	414,387
Profit for the period		–	–	25,198	–	–	25,198	2,425	27,623
Other comprehensive income		–	–	–	–	(402)	(402)	(920)	(1,321)
Total comprehensive income		–	–	25,198	–	(402)	24,796	1,506	26,302
Purchase of treasury shares		–	–	–	(14,000)	–	(14,000)	–	(14,000)
Dividends		–	–	(4,727)	–	–	(4,727)	(2,359)	(7,085)
Change of scope of consolidation		–	–	(34)	–	–	(34)	–	(34)
Equity transactions with non-controlling interests		–	59	–	–	–	59	49	108
Share-based payments		–	–	–	–	233	233	–	233
Transfer from other components of equity to retained earnings		–	–	(12)	–	12	–	–	–
Total transactions with owners		–	59	(4,773)	(14,000)	245	(18,469)	(2,310)	(20,779)
Balance at June 30, 2017		15,993	59	412,225	(67,652)	(2,199)	358,426	61,485	419,910

(5) Notes to the condensed consolidated financial statements

1. Notes regarding the Company's position as going concern

   None.

2. Segment information

(1) Overview of reportable segments

The Group's reportable segments are part of its organizational units whose financial information is individually available, and are subject to regular review by its Board of Directors, the chief operating decision maker, for the purpose of deciding the allocation of its managerial resources and evaluating its business performance.

The Group is composed of three businesses, namely the personal care business, the pet care business and other businesses as its basic units, and has been engaged in its business activities by comprehensively developing domestic and overseas strategies by business unit.

Therefore, the "personal care business," the "pet care business," and "other businesses" constitute the Group's reporting segments.

The personal care segment comprises the four core businesses of baby care products, feminine care products, health care products, and clean and fresh products, but is reported collectively given the similarities in the nature of the products, manufacturing processes and shipping methods and similarities also of the market characteristics of their respective marketing areas. In the pet care business, the Group manufactures and sells pet food products and pet toiletry products. In other businesses, the Group manufactures and sells business-use products, etc.

The accounting policies for the reportable segments are the same as for the condensed financial statements. The segment profit is the core operating income (comprising gross profit less selling, general and administrative expenses), which is the key performance indictor based on which the Board of Directors evaluates the performance of business segments.

(2) Sales and results by reportable segment
Sales and results by reportable segment are as follows.

(Millions of Yen)

	2Q of Fiscal Year Ended December 31, 2016 (January 1, 2016 – June 30, 2016)				Adjustments	Amounts reported in condensed consolidated statements
	Reportable segment					
	Personal care	Pet care	Other	Total		
Sales to external customers	258,815	35,638	2,977	297,429	–	297,429
Sales across segments (Note)	–	–	19	19	(19)	–
Total segment sales	258,815	35,638	2,996	297,448	(19)	297,429
Segment profit (Core operating income)	33,877	2,467	197	36,541	–	36,541
Other income						838
Other expenses						(707)
Financial income						4,775
Financial costs						(10,628)
Profit before tax						30,819

(Millions of Yen)

	2Q of Fiscal Year Ending December 31, 2017 (January 1, 2017 – June 30, 2017)				Adjustments	Amounts reported in condensed consolidated statements
	Reportable segment					
	Personal care	Pet care	Other	Total		
Sales to external customers	261,051	37,770	3,158	301,980	–	301,980
Sales across segments (Note)	–	–	17	17	(17)	–
Total segment sales	261,051	37,770	3,174	301,996	(17)	301,980
Segment profit (Core operating income)	34,629	4,424	(112)	38,941	–	38,941
Other income						500
Other expenses						(1,391)
Financial income						1,327
Financial costs						(948)
Profit before tax						38,429

(Note) Sales across segments are based on prevailing market prices.

3. Selling, general and administrative expenses
The breakdown of selling, general and administrative expenses is as follows.

(Millions of Yen)

	2Q of Fiscal Year Ended December 31, 2016 (January 1, 2016 – June 30, 2016)	2Q of Fiscal Year Ending December 31, 2017 (January 1, 2017 – June 30, 2017)
Freight-out expenses	18,318	19,667
Promotion expenses	9,613	9,927
Advertising expenses	10,241	11,208
Employee benefits expense	15,988	16,938
Depreciation and amortization expense	2,439	2,480
Research and development expense	3,035	3,293
Others	13,398	13,235
Total	73,031	76,747

4. First-time adoption

These condensed consolidated financial statements are the Group's first set of condensed financial statements prepared in conformity with International Financial Reporting Standards. The most recent consolidated financial statements prepared in accordance with accounting standards generally accepted in Japan (hereafter "JGAAP") are for the fiscal year ended December 31, 2016. The date of transition to IFRS is January 1, 2016.

(1) Exemptions under IFRS 1

IFRS 1 requires that, in principle, an entity adopting IFRS for the first time must apply the procedures required by IFRS retrospectively. However, IFRS 1 also provides that first-time adopters may apply optional exemptions to certain procedures required by IFRS. Stated below are the exemptions under IFRS 1 that the Group has elected to apply in the transition from JGAAP.

(i) Business combinations

IFRS 1 allows IFRS 3 "Business Combinations" (hereafter "IFRS 3") provisions to be applied to previous business combinations from a certain date prior to the transition to IFRS to all later combinations. The Group has elected to apply IFRS 3 retrospectively to business combinations that occurred on or after September 1, 2010. IFRS 3 therefore is not applied to business combinations that occurred on or before August 31, 2010.

(ii) Cumulative exchange differences on translation in foreign operations

IFRS 1 allows cumulative exchange differences on translation in foreign operations to be reset to zero as of the date of transition to IFRS. The Group has elected to reset the cumulative exchange differences on translation in foreign operations to zero as of the date of transition to IFRS.

(iii) Leases

IFRS 1 allows first-time adopters to determine whether an arrangement contains a lease as of the date of transition to IFRS. The Group has elected to determine whether an arrangement contains a lease based on the facts and conditions that exist on the transition date.

(iv) Deemed cost

IFRS 1 allows first-time adopters to use the fair value of property, plant and equipment at the date of transition to IFRS as a deemed cost. The Group uses the fair value at the date of transition to IFRS as the deemed cost for certain items of property, plant and equipment.

(2) Reconciliation from JGAAP to IFRS

In preparing the consolidated financial statements in conformity with IFRS, the Group has made the necessary adjustments to amounts previously reported in its consolidated financial statements prepared in accordance with JGAAP. The effect of the transition from JGAAP to IFRS is presented in the following reconciliation charts.

(i) Reconciliation of equity as of the date of transition to IFRS (as of January 1, 2016)

(Millions of Yen)

J-GAAP	J-GAAP	1) Reclassifi-cations	2) Adjustments of recognition and measurement	IFRS	Notes	IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	138,503	(36,537)	–	101,966		Cash and cash equivalents
Notes and accounts receivable – trade	95,476	3,100	–	98,576		Trade and other receivables
Merchandise and finished goods	30,169	(30,169)	–	–		
Raw materials and supplies	32,499	(32,499)	–	–		
Work in process	1,360	(1,360)	–	–		
	–	64,029	–	64,029		Inventories
Deferred tax assets	17,024	(17,024)	–	–		
	–	36,589	–	36,589		Other current financial assets
Other	16,809	(3,300)	–	13,509		Other current assets
Allowance for doubtful accounts	(148)	148	–	–		
Total current assets	331,693	(17,024)	–	314,669		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	247,808	(5,670)	(2,446)	239,692	G	Property, plant and equipment
Intangible assets	89,828	–	(38,094)	51,734	A, J	Intangible assets
Investment securities	23,611	(23,611)	–	–		
Deferred tax assets	2,195	17,024	(6,153)	13,067	E	Deferred tax assets
Net defined benefit asset	2,160	(2,160)	–	–		
	–	204	–	204		Investments accounted for using equity method
	–	25,254	361	25,615	C	Other non-current financial assets
Other	5,393	5,893	(68)	11,218		Other non-current assets
Allowance for doubtful accounts	(91)	91	–	–		
Total non-current assets	370,907	17,024	(46,401)	341,531		Total non-current assets
Total assets	702,601	–	(46,401)	656,200		Total assets

(Millions of Yen)

J-GAAP	J-GAAP	1) Reclassifi-cations	2) Adjustments of recognition and measurement	IFRS	Notes	IFRS
Liabilities and net assets						Liabilities and equity
Current liabilities						Current liabilities
Notes and accounts payable – trade	93,799	37,937	–	131,737		Trade and other payables
Short-term loans payable	3,846	–	–	3,847		Bonds and borrowings
Accounts payable – other	40,683	(40,683)	–	–		
Income taxes payable	7,667	–	–	7,668		Income tax payables
Provision for bonuses	5,514	(5,514)	–	–		
	–	174	–	174		Other current financial liabilities
Other	17,117	7,944	1,138	26,199	B	Other current liabilities
Total current liabilities	168,630	(144)	1,138	169,624		Total current liabilities
Non-current liabilities						Non-current liabilities
Convertible bond-type bonds with subscription rights to shares	54,421	(54,421)	–	–		
Long-term loans payable	10,757	54,421	(5,557)	59,623	I	Bonds and borrowings
Deferred tax liabilities	8,160	144	(5,214)	3,091	E	Deferred tax liabilities
Net defined benefit liability	5,295	–	–	5,296		Retirement benefit liabilities
	–	2,349	–	2,349		Other non-current financial liabilities
Other	4,243	(2,349)	1,006	2,900	B	Other non-current liabilities
Total non-current liabilities	82,878	144	(9,764)	73,258		Total non-current liabilities
Total liabilities	251,509	–	(8,627)	242,883		Total liabilities
Shareholders' equity						Equity attributable to owners of parent
Capital stock	15,992	–	–	15,993		Capital stock
Capital surplus	6,858	49,074	(55,933)	–	A	Share premium
Retained earnings	366,777	(49,074)	41,173	358,875	J	Retained earnings
Treasury shares	(41,101)	–	–	(41,101)		Treasury shares
Valuation difference on available-for-sale securities	11,164	(11,164)	–	–		
Deferred gains or losses on hedges	(6)	6	–	–		
Revaluation reserve for land	(157)	157	–	–		
Foreign currency translation adjustment	33,804	(33,804)	–	–		
Remeasurements of defined benefit plans	(6,136)	6,136	–	–		
Subscription rights to shares	276	(276)	–	–		
	–	38,945	(22,998)	15,947	C, D F, I	Other components of equity
	387,472	–	(37,759)	349,714		Total equity attributable to owners of parent
Non-controlling interests	63,619	–	(16)	63,604		Non-controlling interests
Total net assets	451,091	–	(37,775)	413,317		Total equity
Total liabilities and net assets	702,601	–	(46,401)	656,200		Total liabilities and equity

(ii) Reconciliation of equity as of the end of the second quarter of the fiscal year ended December 31, 2016 (as of June 30, 2016)

(Millions of Yen)

J-GAAP	J-GAAP	1) Reclassifications	2) Adjustments of recognition and measurement	IFRS	Notes	IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	144,817	(30,030)	–	114,788		Cash and cash equivalents
Notes and accounts receivable – trade	77,274	1,326	–	78,601		Trade and other receivables
Merchandise and finished goods	29,631	(29,631)	–	–		
Raw materials and supplies	25,000	(25,000)	–	–		
Work in process	993	(993)	–	–		
	–	55,625	–	55,625		Inventories
	–	30,046	–	30,046		Other current financial assets
Other	29,308	(15,927)	–	13,382		Other current assets
Allowance for doubtful accounts	(158)	158	–	–		
Total current assets	306,867	(14,426)	–	292,442		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	231,223	(4,823)	(2,446)	223,954	G	Property, plant and equipment
Intangible assets	81,327	–	(36,629)	44,699	A, J	Intangible assets
Investment securities	23,119	(23,119)	–	–		
Deferred tax assets	2,366	14,426	(3,875)	12,918	E	Deferred tax assets
Net defined benefit asset	2,844	(2,844)	–	–		
	–	215	–	215		Investments accounted for using equity method
	–	24,640	610	25,250	C	Other non-current financial assets
Other	4,951	5,839	(331)	10,460		Other non-current assets
Allowance for doubtful accounts	(93)	93	–	–		
Total non-current assets	345,740	14,426	(42,671)	317,495		Total non-current assets
Total assets	652,608	–	(42,671)	609,937		Total assets

(Millions of Yen)

J-GAAP	J-GAAP	1) Reclassifi-cations	2) Adjustments of recognition and measurement	IFRS	Notes	IFRS
Liabilities and net assets						Liabilities and equity
Current liabilities						Current liabilities
Notes and accounts payable – trade	86,507	33,534	244	120,285		Trade and other payables
Short-term loans payable	5,661	–	–	5,662		Bonds and borrowings
Income taxes payable	6,039	–	–	6,039		Income tax payables
Provision for bonuses	5,421	(5,421)	–	–		
	–	1,224	–	1,224		Other current financial liabilities
Other	52,570	(29,468)	1,138	24,240	B	Other current liabilities
Total current liabilities	156,200	(132)	1,381	157,450		Total current liabilities
Non-current liabilities						Non-current liabilities
Convertible bond-type bonds with subscription rights to shares	53,931	(53,931)	–	–		
Long-term loans payable	10,178	53,931	(4,946)	59,164	I	Bonds and borrowings
Deferred tax liabilities	–	5,999	(3,637)	2,362	E	Deferred tax liabilities
Net defined benefit liability	5,310	–	(7)	5,304		Retirement benefit liabilities
	–	2,390	–	2,390		Other non-current financial liabilities
Other	9,765	(8,257)	1,006	2,514	B	Other non-current liabilities
Total non-current liabilities	79,186	132	(7,584)	71,734		Total non-current liabilities
Total liabilities	235,387	–	(6,203)	229,184		Total liabilities
Shareholders' equity						Equity attributable to owners of parent
Capital stock	15,992	–	–	15,993		Capital stock
Capital surplus	5,871	50,363	(56,235)	–	A	Share premium
Retained earnings	379,924	(50,363)	43,184	372,745	J	Retained earnings
Treasury shares	(40,805)	–	–	(40,806)		Treasury shares
Valuation difference on available-for-sale securities	6,952	(6,952)	–	–		
Deferred gains or losses on hedges	(80)	80	–	–		
Revaluation reserve for land	(157)	157	–	–		
Foreign currency translation adjustment	(183)	183	–	–		
Remeasurements of defined benefit plans	(5,661)	5,661	–	–		
Subscription rights to shares	334	(334)	–	–		
	–	1,203	(23,280)	(22,077)	C, D, F, I	Other components of equity
	362,186	–	(36,332)	325,855		Total equity attributable to owners of parent
Non-controlling interests	55,034	–	(136)	54,898		Non-controlling interests
Total net assets	417,220	–	(36,468)	380,753		Total equity
Total liabilities and net assets	652,608	–	(42,671)	609,937		Total liabilities and equity

(iii) Reconciliations of equity as of the end of the fiscal year ended December 31, 2016 (as of December 31, 2016)

(Millions of Yen)

J-GAAP	J-GAAP	1) Reclassifi-cations	2) Adjustments of recognition and measurement	IFRS	Notes	IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	175,742	(37,700)	–	138,043		Cash and cash equivalents
Notes and accounts receivable – trade	88,484	2,152	–	90,637		Trade and other receivables
Securities	29	(29)	–	–		
Merchandise and finished goods	30,792	(30,792)	–	–		
Raw materials and supplies	25,881	(25,881)	–	–		
Work in process	728	(728)	–	–		
	–	57,403	–	57,403		Inventories
Deferred tax assets	12,613	(12,613)	–	–		
	–	38,938	–	38,938		Other current financial assets
Other	18,651	(4,036)	–	14,615		Other current assets
Allowance for doubtful accounts	(674)	674	–	–		
Total current assets	352,250	(12,614)	–	339,637		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	244,325	(5,250)	(2,446)	236,629	G	Property, plant and equipment
Intangible assets	83,082	–	(34,487)	48,595	A, J	Intangible assets
Investment securities	23,675	(23,675)	–	–		
Deferred tax assets	2,843	12,614	(6,502)	8,955	E	Deferred tax assets
Net defined benefit asset	276	(276)	–	–		
	–	705	–	705		Investments accounted for using equity method
	–	24,847	540	25,388	C	Other non-current financial assets
Other	5,178	3,559	(54)	8,684		Other non-current assets
Allowance for doubtful accounts	(90)	90	–	–		
Total non-current assets	359,290	12,614	(42,949)	328,955		Total non-current assets
Total assets	711,541	–	(42,949)	668,592		Total assets

(Millions of Yen)

J-GAAP	J-GAAP	1) Reclassifi-cations	2) Adjustments of recognition and measurement	IFRS	Notes	IFRS
Liabilities and net assets						Liabilities and equity
Current liabilities						Current liabilities
Notes and accounts payable – trade	93,257	35,948	–	129,206		Trade and other payables
Short-term loans payable	6,753	–	–	6,753		Bonds and borrowings
Accounts payable – other	40,573	(40,573)	–	–		
Income taxes payable	9,337	–	–	9,337		Income tax payables
Provision for bonuses	6,090	(6,090)	–	–		
	–	65	–	65		Other current financial liabilities
Other	19,982	10,438	1,179	31,600	B	Other current liabilities
Total current liabilities	175,994	(213)	1,179	176,962		Total current liabilities
Non-current liabilities						Non-current liabilities
Convertible bond-type bonds with subscription rights to shares	53,441	(53,441)	–	–		
Long-term loans payable	12,084	53,441	(4,336)	61,190	I	Bonds and borrowings
Deferred tax liabilities	9,093	213	(6,433)	2,873	E	Deferred tax liabilities
Net defined benefit liability	7,648	–	–	7,649		Retirement benefit liabilities
	–	2,391	–	2,391		Other non-current financial liabilities
Other	3,304	(2,391)	2,227	3,141	B	Other non-current liabilities
Total non-current liabilities	85,572	213	(8,542)	77,243		Total non-current liabilities
Total liabilities	261,567	–	(7,362)	254,205		Total liabilities
Shareholders' equity						Equity attributable to owners of parent
Capital stock	15,992	–	–	15,993		Capital stock
Capital surplus	5,586	50,648	(56,235)	–	A	Share premium
Retained earnings	401,388	(50,648)	41,059	391,800	J	Retained earnings
Treasury shares	(53,652)	–	–	(53,652)		Treasury shares
Valuation difference on available-for-sale securities	7,047	(7,047)	–	–		
Deferred gains or losses on hedges	4	(4)	–	–		
Revaluation reserve for land	(157)	157	–	–		
Foreign currency translation adjustment	19,378	(19,378)	–	–		
Remeasurements of defined benefit plans	(8,286)	8,286	–	–		
Subscription rights to shares	345	(345)	–	–		
	–	18,333	(20,375)	(2,042)	C, D, F, I	Other components of equity
	387,648	–	(35,551)	352,098		Total equity attributable to owners of parent
Non-controlling interests	62,325	–	(36)	62,289		Non-controlling interests
Total net assets	449,974	–	(35,587)	414,387		Total equity
Total liabilities and net assets	711,541	–	(42,949)	668,592		Total liabilities and equity

(iv) Reconciliations of comprehensive income for the second quarter of the fiscal year ended December 31, 2016 (January 1, 2016 – June 30, 2016)

(Millions of Yen)

J-GAAP	J-GAAP	1) Reclassifi-cations	2) Adjustments of recognition and measurement	IFRS	Notes	IFRS
Net sales	350,479	–	(53,051)	297,429	H	Net sales
Cost of sales	187,761	4	90	187,856	B, D	Cost of sales
Gross profit	162,718	(4)	(53,141)	109,573		Gross profit
Selling, general and administrative expenses	126,944	366	(54,279)	73,031	A, B, D, H	Selling, general and administrative expenses
	–	838	–	838		Other income
	–	1,576	(869)	707		Other expenses
	–	5,265	(490)	4,775		Financial income
	–	10,514	114	10,628		Financial costs
Non-operating income	2,416	(2,416)	–	–		
Non-operating expenses	12,158	(12,158)	–	–		
Extraordinary income	3,686	(3,686)	–	–		
Extraordinary losses	302	(302)	–	–		
Profit before income taxes	29,415	–	1,403	30,819		Profit before tax
Total income taxes	9,490	–	(376)	9,115	E	Income tax expenses
Profit	19,925	–	1,779	21,705		Profit for the period
						Profit attributable to
Profit attributable to non-controlling interests	2,370	–	(347)	2,023		Non-controlling interests
Profit attributable to owners of parent	17,555	–	2,126	19,682		Owners of parent

(Millions of Yen)

J-GAAP	J-GAAP	1) Reclassifi-cations	2) Adjustments of recognition and measurement	IFRS	Notes	IFRS
Profit	19,925	–	1,779	21,705		Profit for the period
Other comprehensive income						Other comprehensive income, net of tax
Valuation difference on available-for-sale securities	(4,211)	–	180	(4,031)	C	Changes in fair value of available-for-sale financial assets
Deferred gains or losses on hedges	(144)	–	–	(144)		Changes in fair value of cash flow hedges
Foreign currency translation adjustment	(42,750)	–	(262)	(43,012)		Exchange differences on translation in foreign operations
Remeasurements of defined benefit plans, net of tax	496	–	(592)	(96)	D	Remeasurements related to net defined benefit liabilities (assets)
Total other comprehensive income	(46,610)	–	(674)	(47,284)		Total other comprehensive income, net of tax
Comprehensive income	(26,684)	–	1,105	(25,579)		Total comprehensive income

(v) Reconciliations of comprehensive income for the previous fiscal year (January 1, 2016 – December 31, 2016)

(Millions of Yen)

J-GAAP	J-GAAP	1) Reclassifi-cations	2) Adjustments of recognition and measurement	IFRS	Notes	IFRS
Net sales	710,965	–	(106,313)	604,653	H	Net sales
Cost of sales	376,510	2	329	376,842	B, D	Cost of sales
Gross profit	334,455	(2)	(106,642)	227,811		Gross profit
Selling, general and administrative expenses	256,178	676	(108,160)	148,695	A, B, D, H	Selling, general and administrative expenses
	–	1,855	(24)	1,832		Other income
	–	6,011	(1,769)	4,242		Other expenses
	–	9,545	(980)	8,565		Financial income
	–	9,194	242	9,436		Financial costs
Non-operating income	6,176	(6,176)	–	–		
Non-operating expenses	12,605	(12,605)	–	–		
Extraordinary income	5,223	(5,223)	–	–		
Extraordinary losses	3,277	(3,277)	–	–		
Profit before income taxes	73,794	–	2,041	75,835		Profit before tax
Total income taxes	25,092	–	(515)	24,577	E	Income tax expenses
Profit	48,702	–	2,556	51,259		Profit for the year
						Profit attributable to
Profit attributable to non-controlling interests	4,568	–	(281)	4,288		Non-controlling interests
Profit attributable to owners of parent	44,134	–	2,837	46,971		Owners of parent

(Millions of Yen)

J-GAAP	J-GAAP	1) Reclassifi-cations	2) Adjustments of recognition and measurement	IFRS	Notes	IFRS
Profit	48,702	–	2,556	51,259		Profit for the year
Other comprehensive income						Other comprehensive income, net of tax
Valuation difference on available-for-sale securities	(4,116)	–	142	(3,974)	C	Changes in fair value of available-for-sale financial assets
Deferred gains or losses on hedges	24	–	–	25		Changes in fair value of cash flow hedges
Foreign currency translation adjustment	(17,845)	–	(25)	(17,871)		Exchange differences on translation in foreign operations
Remeasurements of defined benefit plans, net of tax	(2,130)	–	(845)	(2,975)	D	Remeasurements related to net defined benefit liabilities (assets)
Total other comprehensive income	(24,068)	–	(727)	(24,795)		Total other comprehensive income, net of tax
Comprehensive income	24,634	–	1,829	26,463		Total comprehensive income

(vi) Notes on reconciliation of equity and comprehensive income

1) Reclassifications
Reclassifications are made to comply with IFRS provisions. The main reclassifications are as follows.

- Under JGAAP, time deposits with maturities over three months were presented as "Cash and deposits." Under IFRS, they are presented as "Other current financial assets."
- Under JGAAP, "Allowance for doubtful accounts" was presented as a separate component and accounts receivable-other was included in "Other (current assets)." Under IFRS, they are included in "Trade and other receivables."
- Under JGAAP, "Merchandise and finished goods," "Raw materials and supplies," and "Work in process" were presented as separate components. Under IFRS, they are all presented as "Inventories."
- Under JGAAP, "Deferred tax assets" and "Deferred tax liabilities" were classified as current items. Under IFRS, they are presented as non-current items.
- Under JGAAP, land was presented as "Property, plant and equipment." Under IFRS, a portion of land is presented as "Other non-current assets."
- Under JGAAP, "Accounts payable - other" was presented as a separate component. Under IFRS, this is presented as "Trade and other payables."
- Under JGAAP, "Convertible bond-type bonds with subscription rights to shares" and "Loans payable" were presented as separate components. Under IFRS, they are presented as "Bonds and borrowings."
- Under JGAAP, "Provision for bonuses" was presented as a separate component. Under IFRS, this is presented as "Other current liabilities."
- Under IFRS, "Other financial assets" and "Other financial liabilities" are presented as separate components.
- For items that were presented as "Non-operating income," "Non-operating expenses," "Extraordinary income" and "Extraordinary losses" under JGAAP, reclassification under IFRS entails finance related items to be presented as "Financial income" or "Financial costs," and all other items as "Other income" or "Other expenses."
- Adjustments to IFRS resulted in a negative balance in share premium, hence the transfer was made from "Retained earnings" to "Share premium."

2) Adjustments of recognition and measurement
A. Goodwill

Under JGAAP, goodwill was amortized over the periods in which the economic benefits of the goodwill were reasonably expected to be realized. Under IFRS, goodwill is not amortized and impairment assessments are performed periodically.

Under JGAPP, transaction costs related to business combinations that occurred prior to the early adoption, on December 31, 2015, of "Accounting Standards for Business Combinations" (Corporate Accounting Standards No. 21 of September 13, 2013; hereafter "Accounting Standards for Business Combination") were recorded as assets for any portion for which consideration was recognized.

As the Group elected to apply IFRS 3 retrospectively to business combinations that occurred on or after September 1, 2010, transaction costs directly attributable to such business combinations are expensed as incurred.

With respect to the additional acquisition of equity in subsidiaries, under JGAAP before early adoption of Accounting Standard for Business Combinations, the difference between additional investment and additional equity was recorded as goodwill. Under IFRS, the difference is recorded as share premium.

As a result, goodwill decreased by ¥43,635 million on the date of transfer to IFRS, by ¥40,985 million during the second quarter of the fiscal year ended December 31, 2016, and by ¥38,926 million in the fiscal year ended December 31, 2016. Selling, general and administrative expenses decreased by ¥2,274 million during the second quarter of the fiscal year ended December 31, 2016, and by ¥4,519 million in the fiscal year ended December 31, 2016.

B. Liabilities related to compensated absences etc.
Under JGAAP, unused compensated absences and long-term employee benefits were not recognized. Under IFRS, estimated amounts of liabilities related to these items are recognized as other current liabilities or other non-current liabilities.

As a result, other current liabilities increased by ¥1,138 million at the date of transition to IFRS, by ¥1,138 million during the second quarter of the fiscal year ended December 31, 2016, and by ¥1,179 million in the fiscal year ended December 31, 2016, while other non-current liabilities increased by ¥1,006 million at the date of transition to IFRS, by ¥1,006 million during the second quarter of the fiscal year ended March 31, 2016, and by ¥2,227 million in the fiscal year ended December 31, 2016.

C. Evaluation of unlisted shares
Under JGAAP, unlisted shares were measured based on their historical costs and declare impairment as necessary. Under IFRS, these are measured at their fair values.

D. Defined benefit liabilities
Under JGAAP, actuarial gains and losses were recognized at the time of occurrence in other comprehensive income, amortized by the straight-line method over a period within the average remaining service years of employees and allocated proportionately, and recognized in profit or loss from the fiscal year following the respective fiscal year of occurrence. Under IFRS, these are immediately transferred to retained earnings through other comprehensive income.

Under JGAAP, past service cost was recognized in other comprehensive income when incurred, amortized by the straight-line method over a period within the average remaining service years of employees and allocated proportionately, and recognized in profit or loss from the fiscal year of occurrence. Under IFRS, these are recognized in profit or loss when incurred.

As a result, the cost of sales and selling, general and administrative expenses combined decreased by ¥613 million during the second quarter of the fiscal year ended December 31, 2016, and by ¥1,206 million in the fiscal year ended December 31, 2016.

E. Tax effects
Changes in deferred tax amounts reflecting tax effects show the impact of adjustments made to deferred tax amounts that were required in the transition to IFRS. Under JGAAP, tax effects on elimination of unrealized gains were calculated based on the effective tax rates of selling entities. Under IFRS, these are calculated based on the effective tax rates of acquiring entities. Furthermore, following a review of the recoverability of deferred income tax assets on the basis of IFRS, additional deferred tax assets are recognized.

F. Cumulative exchange differences on translation in foreign operations
By applying the exemptions as a first-time adopter of IFRS as mentioned above, the Group has transferred the total amount of cumulative exchange differences on translation in foreign operations (¥33,723 million) to retained earnings on the date of transition to IFRS.

G. Deemed cost
By applying the exemption as a first-time adopter of IFRS as mentioned above, the Group uses the fair values, as of the date of transition to IFRS, of a portion of property, plant and equipment (land) as deemed costs. The fair values are assessed based on appraisal valuations, etc., performed by third parties and evaluated using a method judged to be appropriate by the management. It is classified as Level 3.

The fair value of property, plant and equipment using deemed cost at the date of transition to IFRS is ¥2,870 million, while the carrying amount under JGAAP was ¥5,449 million.

H. Net sales
Under JGAAP, part of rebates, etc., were presented as selling, general and administrative expenses. Under IFRS, the amount is deducted from net sales.

As a result, net sales decreased by ¥53,051 million during the second quarter of the fiscal year ended December 31, 2016, and by ¥106,313 million in the fiscal year ended December 31, 2016.

I. Convertible bond-type bonds with subscription rights to shares
Under JGAAP, consideration was not separately recognized for corporate bonds and the subscription rights embedded in such bonds, which were recognized as a whole. Under IFRS, they are presented separately as compound financial instruments for the liability component and the equity component. Accordingly, of the amount that was recognized as liabilities under JGAAP, the amount related to the subscription rights is recognized in equity under IFRS.

As a result, bonds and borrowings decreased by ¥5,557 million on the date of transfer to IFRS, by ¥4,946 million during the second quarter of the fiscal year ended December 31 2016, and by ¥4,336 million in the fiscal year ended December 31, 2016.

J. Retained earnings
The effect on retained earning arising from the transition to IFRS is as follows.

(Millions of Yen)

	Date of transition to IFRS (as of January 1, 2016)	End of the Previous 2Q (as of June 30, 2016)	End of the Previous Fiscal Year (as of December 31, 2016)
Adjustments related to amortization of goodwill (Refer to Note A)	18,854	21,128	23,373
Adjustments related to cumulative exchange differences on translation in foreign operations (Refer to Note F)	33,723	33,723	33,723
Adjustments related to unused compensated absences, etc. (Refer to Note B)	(2,144)	(2,143)	(3,407)
Adjustments related to tax effects on elimination of unrealized gains and losses (Refer to Note E)	(202)	(188)	(241)
Adjustments related to defined benefit liabilities (Refer to Note D)	(6,024)	(5,525)	(7,799)
Adjustments related to deemed cost of property, plant and equipment (Refer to Note G)	(2,578)	(2,578)	(2,578)
Transfer from retained earnings to share premium	(49,074)	(50,363)	(50,648)
Others	(455)	(1,232)	(2,011)
Total adjustments to retained earnings	(7,902)	(7,179)	(9,589)

The above adjustment items are based on the impact before the consideration of tax effects. The impact of tax effects is included in Others.